

Summary of the presentation of Mr. Ewald Kist, Chairman Executive Board ING Group, for the International Insurance Society

Sustainable retirement solutions for an aging population

Nearly all countries in the world have pension problems due to number of trends:

- Demographic shift
 - People live longer
 - Smaller families
 - Increased wealth
- Pressure on social security systems
 - Less active workers must finance more pensioners
 - Shift from public to private
 - Pension reforms needed in many countries
- Capital coverage ratio under pressure due to stock market crisis
- Individualization
- Support sustainable domestic financial systems

Preferred solution is three-pillar system

I State

II Employers/employees

III Individual

- Wide differences per country
- In many countries heavy emphasis on first pillar
- Netherlands role model
 - Netherlands: pillar I 55%, pillar II 36%, pillar III 9%
 - Europe: pillar I 88%, pillar II 9%, pillar III 3%
- Pensions savings are 162% of GDP in Netherlands, much higher than international average

Three-pillar system recommended by World Bank, European Union, International Labor Organization

- Advantages
 - Proper financing of old age provisions
 - Boosts economic growth
 - Accelerates development of local capital markets
 - Government, employers/employees and individuals share responsibility
- Government support for second and third pillar is essential. This can vary depending on:
 - Economic situation
 - Local needs for tax reform
 - Development of capital markets

Best way for government to support three-pillar system is through tax relief: deferred taxation

- Need to assist people to save enough to maintain post-retirement living standards
- Raise attractiveness of pension savings
- Encourage people to save and raise general level of savings

- Important task for insurance industry to lobby for tax relief for pension products

Need to seek right balance of responsibilities between government, social partners and individual citizens

- Trend towards cost control has paved way for private insurance/pension schemes
- Government still takes responsibility for quality and solidity
 - Regulation of condition and financing

Pensions are a vital part of the business of many insurers

- Defined contribution and defined benefit pension plans
- Long-term savings related life insurance
- Immediate and deferred annuities
- Mutual funds

Importance for ING

- 40% of group bottom line
- 72% of life insurance profits
- 80% of gross life premiums
- 63% of new life business value
- 83% of embedded value

Pensions defined as key business priority for ING

- Offer pension products and services in 30 countries
- Vast experience in two key markets
 - Netherlands: no. 1 private pension insurer
 - US: no. 5 in key market segments for defined contribution plans
- Adviser to governments: e.g. China, Mexico, Poland
- Combination of insurance, banking and asset management
- Click-call-face distribution: emphasis on face (professional advice) for pensions
- Leverage reputation as emerging markets specialist and build on strong position in developing/emerging pension countries
- Strong global brand and trustworthy reputation

Good pension fund governance is vital

- Benefits all stakeholders
- Level playing field between providers (occupational pension funds and private insurers)
- Emphasis on strong capital base
- More transparency and better communication are necessary
 - Investment policy and performance
 - Cost structure
- Flexibility in investment policy is good, but restrictions remain necessary
 - Prevent situation such as in Enron case
- Need for more active role of pension funds/insurers as institutional investors

Pensions present big global opportunity

- Both in mature and developing markets

- Present focus is on serving and keeping customers as they build up their pension plan
- More attention needed to retain customers as their plan starts to pay out
- Roll-over/pay-out services: the fourth pension pillar

Pensions are not just a commercial opportunity, but also a social commitment

- How to arrange sustainable retirement provisions is one of the world's biggest challenges
- Private insurers can play a key role in this process
 - Advise governments
 - Contribute to research programs
 - Information services
 - Manufacture and distribute new products
 - Administration and support
 - Apply professional investment expertise
 - Help to strengthen the domestic financial sector
 - Help to build up capital markets
- Pensions are prime example of how insurers can give shape to corporate social responsibility
- In arranging pension plans profitability, sustainability and responsible entrepreneurship can go hand in hand.