Ft. Lauderdale

David Smith

Chief executive

Global Futures and Foresight

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Strategic Workshop

• Introduction	Greg Maciag
• A look ahead?	David Smith
• What will be the priorities in 2020 – 1. The top drivers of change. – 2. The Insurance industry's response	All
• Feedback	Spokesperson
• Summary and close	

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Global Trends

1. Global instability
2. Volatile worldwide economy
3. Globalisation 2.0
4. Global warming
5. Energy, water and talent shortages
6. Bio continues to grow
7. Ageing societies
8. Unretirement
9. Work-life blend
10. Feminization
11. Wealth, health and happiness
12. Urbanization

11. Social awareness
12. Declining trust
13. Cult of celebrity
14. Individualization
15. Age of brands
16. Social applications
17. Technological convergence
18. Video everywhere
19. VOip & ipTV
20. Nano technology
21. Digital 24/7 lifestyles
22. Cashless society
23. Mobility & convenience
24. Rise of the robots

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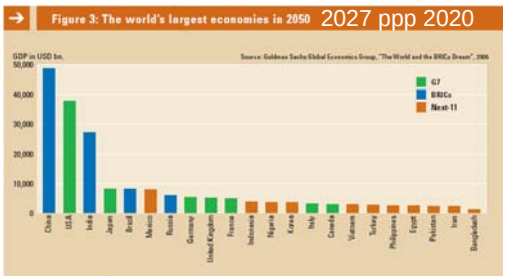
Changing influence



Source: Goldman Sachs Global Economic Group

http://www.gsnp.com/_files/download/CH_engl_G507352_Fly_Next11_24.pdf

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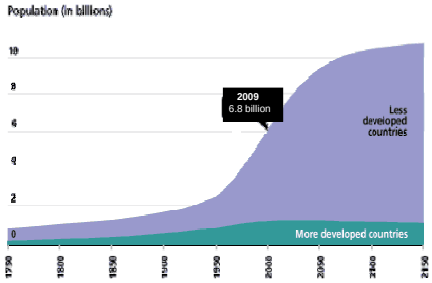
Global population growth

1.75bn of next 2.5bn will be born in Muslim countries



The global population is expected to rise from 6.5bn in 2005 to 7.7bn in 2020 and 9.6bn in 2050

www.watchblog.com

Source: Population Research Bureau www.prb.org

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Climate change

- Without swift and massive action to limit greenhouse gas emissions, the problem with global warming will be about twice as severe as previously projected.
  American Meteorological Society's Journal of Climate May 2009 report
- Warming of 5.2° Celsius by 2100.
- A 2003 study indicated 2.4°.
  - Better model, later economic forecasts.
- Global agriculture output must double in the next 30 years to sustain population growth.

http://www.ecf.org/content_images/economic_costs_250px.jpg

http://en.cop15.dk/news/view+news?newsid=1341

http://www2.macleans.ca/2009/02/03/the-real-cost-of-climate-change

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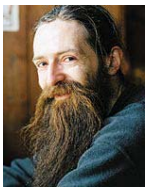
And we're living longer lives

- Dr. Aubrey de Grey of Cambridge University believes with the rate of technological progress, that human life expectancies have the potential to reach 500, or possibly even 1000.

"The first person to live to 1,000 might be 60 already," he says.



B.A., M.A. and Ph.D., University of Cambridge, Cambridge, UK.

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Obesity

By 2015, approximately 2.3 billion adults will be overweight and more than 700 million will be obese.

(The World Health Organisation)

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Increasing talent flows?

"The time is right… with some timely effort on our part, a generation of recruits that would have looked to banking are now there to be persuaded of the marvelous opportunities to be had in the world of insurance."

"Talent is a war that insurance cannot afford to lose"

Dr. Sandy Scott, chief executive, Chartered Insurance Institute

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http://www.insurancejournal.com/news/international/2009/03/05/98405.htm

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Big issues Big risks

- Piracy and Terrorism
- Cyberisk
- Climate change
- Demographic change
- Migration
- New markets
- New channels
- New technologies

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The Future of Insurance

- Customer demand new products.
- 10-year events occurring every two years.
- Need for better models, processes, and strategies for managing risk & customers.
- The graying of the workforce in insurance.
- Mobile devices, GPS, RFID, genomics, and telematics provide new data with enormous implications for risk and claims
- Post credit-crunch regulation.

http://geology.com/news/images/lloyds-of-london.jpg

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http://download.microsoft.com/download/e/e/9/ee976734-59bd-425e-9d92-1af5a83f81a6/MSPRBwhitepaper.pdf

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Industry challenges

- Financial Crisis
- Global recession
- Being competitive
- Increasing sales
- Getting rid of the paper systems
- Implementing technology faster
- Client access to information via the agent
- Meeting 24x7 service expectation
- Products to market, faster.
- Talent, acquisition & retention
- Trust
- Customer insight
- Building client relationships
- Response times to customers
- Faster underwriting
- Claims inflation
- Differentiation
- Standardization
- Doing things the same old way
- Addressing generational needs
- Learning from business partners

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The future insurance enterprise

- 89% of insurance CEO's plan to make substantial change in next few years.
- 65% have successful change track record.
- 24% gap between need and ability.

"It's not just changing "things" such as technology, but also about breaking down cultural and political barriers."

http://www.crua.net.au/Images/photo/quality_02.jpg

http://www03.ibm.com/industries/global/files/insurance_enterprise_of_future_2008_global_ceo_study.pdf?mrn=uscenter&uri_message=title=the enterprise of the future in the insurance industry

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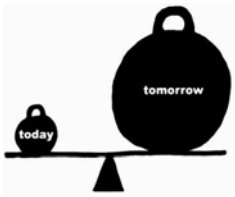
CEO's are extremely Concerned

- About over-regulation, (28%)
- About inflation, (21%)
- Future liabilities could be far higher than premium income.
- About terrorism. (18%)
- 36% say ageing population in the West will have a negative impact on their companies,



http://media.mon.com/0/4B/1113/0/AF8B9BA2D4B70F9AAA73E8DE6.jpg

Source: PwC, 2009 http://www.pwc.com/en_GX/gx/ceo-survey/pdfs/CEO_Insurance.pdf

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M&A Potential

- Over 50 insurance and reinsurance companies are trading below their stated book value.
- Valuations at all-time lows
- 2010 pick up in mergers & acquisitions.

Source: Willis, September 2009
http://www.willis.com/Media_Room/Press_Releases_Browse_All/2009/09/09/Willis_Capital_Markets_and_Advisory_CEO_Sentiment_at_insider_event

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Multi-channel strategy

- Insurers without a multi-channel strategy will:
  - lose customers
  - lose agents
  - Struggle with profitability.
- Align
  - Organizational structure
  - Technology, processes,
  - Metrics and incentives

Forrester

http://dilbert.wikidot.com/dilbert-comic-strip/dilbert-2009011/comic-strip-2.jpg

Source: Insurance Networking, June 2009 http://www.insurancenetworking.com/news/insurance_distribution_channels_strategy_Cognizant_agents-12502-1.html

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The London Market

- Clients want modernisation and cultural change
- Electronic exchange requires action by all.
- Difficulty in getting meaningful management information remains a challenge.
- Embedded inefficiencies within the market partially due to legacy thinking.

"Bermuda challenging the pre- eminence of the London insurance market on its ability to innovate and utilise new technology."

Ernst & Young's first annual survey of insurance market COO's.

Peter Harmer

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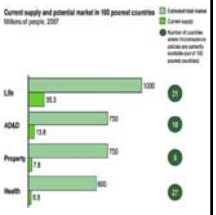
Microinsurance Opportunity

- low-income consumers have $5 trillion in annual purchasing power globally.
  International Finance Corporation joint report World Resources Institute
- Investment up $5bn 2008 to $25bn by 2015.
  Deutsche Bank
- Microcredit now serves 150m customers.
- Tenfold growth in 10 years expected.
- 3% of people in world's poorest countries able to access any type of insurance.



Source: Forbes, November 2008, http://www.forbes.com/2008/11/26/late-insurance-zurich-of-k-m_ab_1126zoeaglesx_ed.html
Source: Omidyar, June 2009 http://www.omidyar.com/news/2009/06/health-care-microfin-and-rural-insurance.html
(2)Source: Economic Times, September 2009 http://economictimes.indiatimes.com/personal-finance/insurance/insurance-news/Reliance-Life-insurance-eyes-rural-market-forayintoUnexplored/503868.cms

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Future markets

- Most insurance and takaful markets in the MENA region are severely underdeveloped, for demographic, cultural, legal and institutional reasons.
- Muslims 25% of global population but only 5% of insurance premiums.
- Takaful to grow 20%pa for next 3-5 years
  EFG Hermes, an Egyptian Investment Bank
- Halal market set to grow from $2.7t to $30t by 2050.

http://archive.gulfnews.com/articles/08/06/10/10220006.html

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Leading drivers of change

- Key Drivers:
  - Aging population
  - Urbanization
  - Cultural changes
  - Climate change
  - Emerging markets
  - Talent
  - Claims inflation
  - Consumer confidence
  - Regulatory compliance
  - Government burden, Transparency
  - Agency, relationship process
  - Disruptive business models
  - Technology

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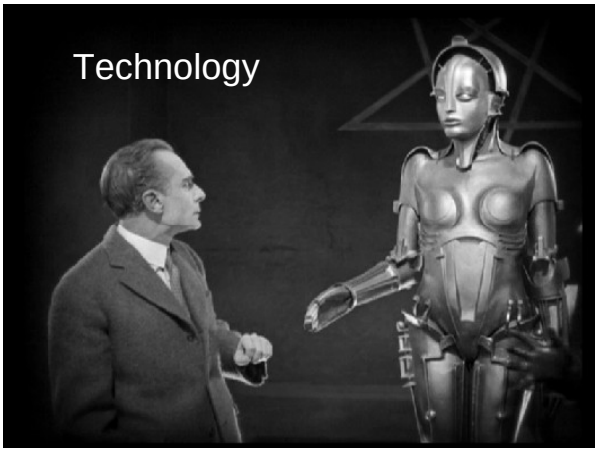
Technology



Key technologies of the future

Health

- Nanomedicine
- Anti Aging Medicine
- Bioengineering
- Personalized Medicine
- Virtual Worlds
- Health telemetry

http://www.thewellnessdoctor.com/

http://www.bigpicture.com/uploaded/image/technology_0.jpg

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Key technologies of the future

Communications

- The Singularity
- The Semantic Web
- Virtual Worlds
- Augmented Reality
- Personalized Marketing
- Evolving Personal Technological Ecosystem

http://notizen.typepad.com/aus_der_provinz/Vista/launchst_1.jpg

http://www.uwplatt.edu/web/presentations/Perm/Statistics/augmented-reality-hud.jpg

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Unstructured Data

- Unstructured data 80% of company info.
- Every 5.5 years data managed by enterprises will grow by a factor of 10.
  (According to an IDC estimate)
- ERP, CRM and emails are cause of data growth, 62% of the total enterprise data
  (A yet-to-be-published survey being conducted by storage vendor NetApp and marketing research firm ACNielsen)
- 20% of the digital universe subject to compliance rules and standards
- 30% is subject to security applications.
- Image, voice, video and virtual will accelerate content volume.

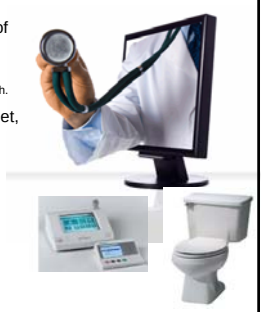
http://www.businessinsurance.com/images/blue-connections.jpg

http://www.businessinsurance.com/images/blue-connections.jpg

http://www.businessinsurance.com/images/blue-connections.jpg

Old age care 2020 - technology

- Use cameras to track the movement of a person around their home.
  - spot an accident.
  - see if the person wasn't eating or drinking enough.
- RFID-equipped online medicine cabinet, can monitor medication taking.
- German bio-lav. Analysis, diagnosis, intervention …



http://news.zdnet.co.uk/emergingtech/0,1000000183,39265756,00.htm

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Doing Business Networks

- Sharing risk
- Learning
- Sourcing ideas
- Co-creation
- Recruitment
- Building relationships
- Community engagement
- Networked business models

Over 1.5 billion people in top 40 Social Networks

Source: The *GFF Pulse* expert panel survey September 2006

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Disintermediation

- Music
  - itunes – Individual songs/not albums
- Travel Agency
  - Trip Adviser – book hotels/not packages
  - Easyjet – book flights/not packages
- Lending/borrowing money
  - Zopa – direct to lender/cut out banks
- Real Estate
  - Findaproperty, Tesco Estate Agency
- Insurance
  - Self insuring networks of connected people

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Virtual Presence 2009

- 76% of corporate executives say they currently use, or plan to use, virtual events to replace physical ones in 2009.
- Shift from physical to virtual events.
- Online participation offers
  - more convenience, flexibility, capabilities.

http://www.marketingvox.com/three-of-four-execs-replace-in-person-events-with-virtual-042990

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Virtual World Networks

The social networking application market:
$ 46.8 million in 2006
$428.3 million by 2009

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Artificial Intelligence

- Artificial Intelligence's - we will interact with them just like humans.
- e-technology will have advanced to the point where there are fewer human interactions with a more strategic focus and broader capabilities
- Face recognition that identifies emotional changes.

24 hours a day, 7 days a week online and available

Source: http://www.supplymanagement.co.uk/EDIT/Featured_articles_item.asp?id=16394

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The Grid

- Internet could soon be obsolete.
- The Grid is 10,000 times faster than a typical broadband connection.
- Scientists at CERN have built a lightning-fast replacement.
- Powers-up 'Cloud computing'

http://www.grid.phys.uvic.ca/assets/sun_figures/Grid-2.jpg

"With this kind of computing power, future generations will have the ability to collaborate and communicate in ways older people like me cannot even imagine"
David Britton, professor of physics at Glasgow University

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New communication channels

Interactive billboard

Clooney 1

24 x 7 x 36 availability
All around the world at the same time

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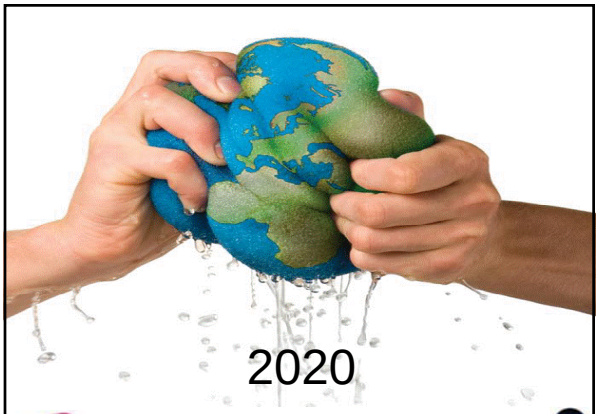

2020

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http://www.ideationcloud.com/wp-

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New Economies

- BRIC economies could be delivering 40% of all global growth by 2018
  (Ernst&Young)

http://blog.perksconsulting.com/wp-content/uploads/2009/07/bric.jpg

Source: Ernst&Young, cited in IBEF, December 2008
http://www.ibef.org/artdisplay.aspx?dy=1&cat_id=60&art_id=21193

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Nanotechnology

- By 2014, $2.6 trillion in manufactured goods will incorporate nanotechnology or about 15% of total global output. Lux Research

http://www.topnews.in/files/nanotechnology_0.jpg

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Source: Lux Research, cited in NanoTechWire, June 2007
http://www.nanotechwire.com/news.asp?nid=4725

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Technology Convergence

- Mobile data traffic – rising 300-fold by 2015.
  Nokia forecasts extraordinary growth

.

http://www.dailygalaxy.com/photos/uncategorized/2007/09/09/singularity.jpg

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Source: U.N report, cited by metamanda, March 2009 http://www.metamanda.com/blog/archives/2009/03/cell-phone-use-at-60-worldwide.html
Pew Internet & American Life Project (December 2008) cited at http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=96852

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Virtual Education

- By 2019, nearly half of all public high school courses will be taught online. Michael B. Horn author of 'Disrupting Class'
- Nationwide in the US 700,000 kids attended virtual schools as of January 2008.

http://www.magazine.ucla.edu/features/virtual-classroom_1.jpg

Source: Cited by Cynthia Boyd (Feb 2008) at http://www.minnpost.com/stories/2008/06/02/20467/the_rise_of_virtual_schools_divides_education_world and Insight School of Wisconsin http://www.insightsch.net/page.cfm?pid=17

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iHealth

- New wearable devices and real-time information customized to monitor and track the health status of individuals, measuring risks and downloading customized personal health info by 2019.

http://www.sjhmg.org/images/stethoscope%20and%20keyboard6381.jpg

Source: Dr James Canton, January 2008 http://www.globalfuturist.com/global-futurist-blog/81-global-futureist-blog/164--top-ten-extreme-technology-trends-for-2008.html

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Western world: Debt

- 2019 will total $9.3Tn.
- Public debt 82% of GDP by 2019. US Congressional Budget Office estimates
- Japan's debt 225% of GDP in 2010.

http://ryanericsongcanlas.files.wordpress.com/2009/04/debt.jpg

Source: Economist.com, March 2009 http://www.economist.com/research/articlesBySubject/displaystory.cfm?subjectid=7933596&story_id=13253151
Source: CBO, cited at Dave Manuel.com, 2009-04-01 http://www.davemanuel.com/2009/04/01/172-trillion-dollars-in-total-us-national-debt-by-2019-under-president-obamas-budget-plan/

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Banking

- Islamic banks manage 40% to 50% of savings of the Muslim population by 2017-2020 ($4 trillion)
- By 2020, Muslim population totals 2.5bn worldwide.

http://www.worldpoliticsreview.com/images/CommentaryNews/islamicfinance.gif

Source: The Asset, May 2009 http://www.theasset.com/article/17014.html

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Changing Demography

- Between 2020 and 2025, foreign-born will be 15% of the American population.

http://www.dnatestingcentre.com/images/immigration.jpg

Source: MigrationExpert, December 2008 http://www.migrationexpert.com/us/Visalus-immigration-news/2008/Dec/1/150/1_in_7_people_in_US_born_overseas_by_2020

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Scarcity amidst plenty

- By 2020 there will be a shortage of knowledge workers between 32m and 39m people.
- U.S. will have the biggest shortfall of 14m people, despite high unemployment.

http://www.impactlab.com/wp-content/uploads/2008/03/internets-effect-on-journalism.jpg

Source: BusinessWeek, September 2008 http://www.businessweek.com/managing/content/sep2008/ca20080919_403840.htm

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Energy Demand

- Global energy demand growing by 30% by 2020.
  International Energy Agency

http://www.kent.ac.uk/politics/carc/images/energy1.jpg

Source: IEA, cited in treehugger.com, June 2009
http://www.treehugger.com/files/2009/06/efficiency-conservation-measurescan-drop-energy-demand-2020_.php

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Peak Oil

- Conventional crude output could plateau in 2020. Fatih Birol, chief economist to the International Energy Agency, says

http://carolynbaker.net/site/images/running%20on%20empty.jpg

Source: IEA, cited in the Guardian, December 2008
http://www.guardian.co.uk/business/2008/dec/15/global-oil-supply-peak-2020-prediction

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The Drive to Renewables

- The EU to treble its share of renewable energy to 20% by 2020.
- 15% of energy consumed in China to be renewable by the year 2020.

http://ecogra.com/blog/wp-content/uploads/2009/07/renewable-energy.jpg

Source: Credit Suisse, January 2009 http://emagazine.credit-suisse.com/app/article/index.cfm?fuseaction=OpenArticle&aid=252999&lang=EN
Source: Knowledge@Wharton, April 2009 http://knowledge.wharton.upenn.edu/article.cfm?articleid=2214

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Expanding Markets

- Global revenues from climate-related businesses rose 75% in 2008 to $530bn could exceed $2t by 2020,
  HSBC Global Research

http://thegreenmomreview.com/wp/wp-content/uploads/2009/05/save-money-green-living.jpg

Source: HSBC, cited by Euractiv, September 2009
http://www.euractiv.com/en/climate-change/hsbc-world-climate-business-revenue-2-trln-2020/article-185596

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Electric Cars

- Germany 2009 campaign to put 1 million electric cars on the road by 2020.
- EVs and other "green" cars will represent a third of total global sales in developed markets and up to 20% in urban areas of emerging markets
  Deloitte predicts

http://www.msnbc.msn.com/id/32477538/ns/world_news-world_environment/

Source: MSNBC, August 2009 http://www.msnbc.msn.com/id/32477538/ns/world_news-world_environment/
Source: Deloitte, October 2009 http://www.deloitte.com/view/en_SK/sk/press/press-release/press-release/c5c7d6d8d5d2d2ccb7d1d0000ad2f0d8c0d0.htm

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Genetic Mapping for All

- A complete genetic code mapped at birth for every newborn will be technically feasible and affordable in less than five years, promising a revolution in healthcare,
  Jay Flatley, chief executive, Illumina.

http://www.bioedge.org/index.php/bioethics/bioethics_article/having_fun_behind_closed_doors/

Source: The Times, February 2009 http://www.timesonline.co.uk/tol/news/science/article5689052.ece

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Social Networking 3.0

- Augmented Reality will become commonplace feature in daily lives by 2020.
- iPhone apps already future the technology by augmenting a seen picture with informational overlays / adverts.

http://deandonaldson.wordpress.com/2009/09/19/thinking-through-location-based-advertising/

Source: Ray Kurzweil http://www.kurzweilai.net/meme/frame.html?main=/articles/art0274.html

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Booming Global Population

- World population 7.7bn by 2020, up from 6.9bn in 2009.
- That equates to a new city the size of Ft Lauderdale, Florida or Des Moines, Iowa, every day (approx 199,000 people)

http://www.wpromote.com/blog/wp-content/uploads/2008/10/overpopulation-scales.jpg

Source: U.N

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Water Shortages

- 33% of global population suffers water shortages.
- By 2020 water use up 40% from current levels
- By 2025, 66% of people living under conditions of "water stress". UN calculations

http://keralaarticles.com/wp-content/uploads/2008/05/aral-sea.jpg

Source: The Times, January 2009 http://www.timesonline.co.uk/tol/news/environment/article5562906.ece

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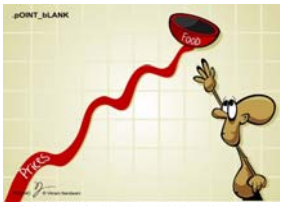
Food Prices

- Price of beef and pork will go up 20% by 2018, sugar and rice 30%, wheat and maize 40% to 60%, butter 60% and vegetable oils 80%.(from 2008) OECD



http://media.photobucket.com/image/rising%20food%20prices/pointblank/2006/pb0804cRisingFoodPrices.jpg

Source: Daily Mail, July 2008 http://www.dailymail.co.uk/news/article-1032605/As-supermarket-prices-spiral-Brown-tells-families-Stop-wasting-food.html

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Imagine it

If you want to get ahead – you need to look ahead

Thank you

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Global Trends

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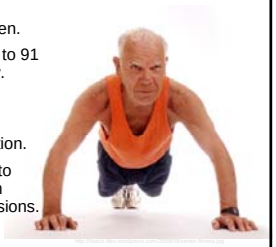
Life Expectancy

- Life expectancy 76.6 men - 81 women.
- Men born in 1985 can expect to live to 91 …all existing projections are too low.

  Cass Business School
- Upper forecast - 97.
- 6 years higher than the ONS projection.
- Government and pensions industry to pay an extra £160,368 per person in state benefits and occupational pensions.

  David Blake, director of the Pensions Institute at Cass,



"Our calculations demonstrate that longevity is accelerating far beyond what is currently predicted, and there is considerable uncertainty surrounding future life expectancy.

http://www.timesonline.co.uk/tol/life_and_style/health/article2943288.ece

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