

The elderly and the forever young

Understanding what matters for a growing generation affected by a fast-changing social context

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Those are not small numbers. By 2030, 25% of the elderly population reside in Europe and the USA. The Centre for Aging in London estimates that by 2020 there will be nearly 700 million elderly individuals in the world.

In the US, the elderly consumers are the most affluent of any segment, with many having multiple income sources. Two-thirds of adults aged 65+ years are now online. Interestingly,

Americans aged 50 and over also account for nearly half of the market share in personal insurance and pensions, transportation, health, housing, and food. This fact means that this specific group should drive significant shifts in product and service design and consumption across sectors.

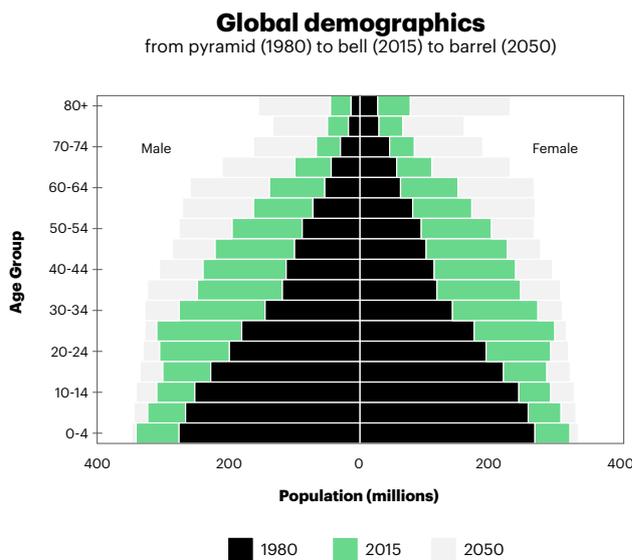
Unfortunately, traditionally the Elderly segment has been overlooked by technology organizations that instead have preferred to focus on the tech-savvy millennials who have been open to the latest fad and are willing to learn how to invest, save and protect themselves online. Although this may seem a sensible focus area in the short term, tech incumbents have ignored one crucial fact, which is that the Elderly are making up an increasing proportion of the global population.

By 2020, the number of people aged 60 years and older will outnumber children younger than five years of age.

Such insight unveils numerous challenges, but also recognizable opportunities for groups of market players, including insurers, interested in exploring the ElderTech space (technology designed to enable or serve the older generation). Before we explore the challenges and opportunities this demographic presents to the insurance industry, we must first understand who they are and their emerging needs.

The Elderly Demographic

In the past, senior citizens represented a significant minority group in terms of size, particularly when we look at a classic population pyramid (see figure 1). However, in recent years this pyramid has become somewhat deformed, with the top part of the pyramid becoming increasingly broad and more extensive. For this reason, this grouping has begun to gain more attention than ever from interested parties with a redefinition of the Elderly segment including the 50+ of age, or those belonging to the Silver Economy.



Source: Calculations by Emi Suzuki based on WDI 2014 and UN World Population Prospects 2012 Revision

A European Commission report on the silver economy stated that in 2015 the over 50s accounted for approximately 40% (199m people) of Europe's population, and that number is projected to grow significantly over the next decade. This trend isn't unique to Europe and is repeated in countries across the globe. Both living and health standards have improved and are continuously improving thanks to medical breakthroughs, resulting in an elderly population that is projected to increase sharply. People are therefore living longer than ever before.



New challenges and opportunities

With the elderly population booming and making up a higher proportion of the total population, developed and emerging countries face new challenges and new opportunities, which they are aiming to capitalize in the best way.

Challenges

The Welfare states

Welfare states will experience an increased burden on the healthcare system in particular due to the increased number of older adults and an extension of what Elderly means. In the EU, the over 50s account for two-thirds of all public spending on healthcare. Such expenditure is expected to become more pronounced moving forward.

Spending and resource consumption

Besides requiring more resources from the public sector, there will also be implications for the private sector, but more importantly for family members. In countries where there isn't a welfare state or the state generally provides less, the financial burden of healthcare will often fall on the individual or a family member. Baby boomers are already suffering from providing financially, as they care for the older generation. Even in the UK, with its characteristically renowned welfare state, they spend up to £10k annually to fund elderly care.

Self Sufficiency

Older people are more susceptible to chronic and mental illnesses, and with a higher proportion of the population being older than 50 it is likely that a more significant quantity of people will have to manage these illnesses themselves.

Around 90% of the older population prefer to stay in their own home rather than go to care homes or even a relative's property. This finding means that despite deteriorating health, older people will want to maintain their independence which can potentially be quite tricky.

Technology Adaptiveness

All demographics are fast adopting a range of technologies, including baby boomers and their parents. However, to date, most technology propositions have been aimed at Millennials, seen as the low hanging fruit.

It is fair to say that most technologies are not shaped for 80-year-olds, who have issues with things like hand-to-eye coordination, physical dexterity, and/or lack of moisture in their fingertip.

Opportunities

In most countries, there will be an increasing emphasis on serving this demographic with better public spending and public policies.

There is also an increasing acknowledgment of the need to identify unique technology led value-added services that optimize the management of the elderly segment.

As well as living longer, people are working for longer and have significant spending power because they are often at the height of their career. Those relatives who care for an elderly family member would want access to products and services that ease the management of their lives, family members and elderly relatives. Often, it is an older adult's son or daughter who seeks out technology so they can ensure their parent's safety while communicating efficiently and effectively from afar.

As people get older, they also get to suffer from a range of ailments and physical pains. Further, as time passes those issues become more diverse and require some level of tailored services.

As well as the prevailing trend of over 50s/60s requiring more in terms of care and other support services, we see a trend concentrated on what we refer to as a flat age society. This pattern relates to the older generation that can do more, rather than do less, as they age.

Technology will be a crucial element in meeting the needs of the aging demographic. Technology will allow all industries to provide more efficient scalable solutions that are not currently available in the market.

Voice-assistive technologies like the Amazon Echo, Google Home, and HomePod are likely to play a more prominent role in helping seniors age. This fact is especially true when paired with apps geared specifically for senior living, such as those used to ensure that medications are taken on a timely basis.



Impact on the insurance industry

From a macro perspective, it is clear that an aging demographic presents a range of opportunities and challenges. A lot of the points already mentioned will have a significant impact on the insurance value chain. From an insurance perspective there will be three areas that will need thorough consideration:

- 1. Care provision:** Currently providing care to the elderly requires large amounts of spending from both governments and families. This finding presents insurers with an opportunity to identify tech-based value-added services that provide customers with more affordable care solutions.
- 2. Prolonging people's health:** People who grow older are more susceptible to chronic diseases, and those with critical illness cover will claim on their policy in such situations. Therefore, aging leads to increased essential illness claims. Why not limit such risk by moving from delivering protective offerings to providing preventative solutions? For example, the use of mental exercises can reduce the risk of dementia. additional solutions are emerging to solve these problems within the market parameters.
- 3. Increasing elderly independence:** It's clear that the elderly value his/her privacy and independence. Today, most homes are not designed to allow clear privacy spaces for most. Insurers have an opportunity to supply this segment with the tools necessary to live independent lives. Such toll can be in the form of smart home devices or even well thought through wearables devices that allow the elderly to be better connected to other people.

Social demographics are significantly shifting. Changing attitudes towards the aging population and generally increased levels of technology awareness are all factors driving change. Insurers willing to innovate for the sector will be well placed to take advantage of the current shift. This, in turn, will allow them to stay relevant and connected to this segment throughout its life.

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To find out more, please contact us at insurtech@rainmaking.io

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