From Elderly Care to the Silver Economy

Understanding what really matters in a fast changing social context

According to the World Health Organisation Between 2015 and 2050, the proportion of the world's population over 60 years of age will nearly double from 12% to 22%. Further, the 65-and-older age group is estimated to grow 78% between 2010 and 2030, compared with a total population increase of just 18%.

In the US, the elderly consumers are the most affluent of any segment, with many having multiple income sources. Two thirds of adults 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 means that this group should drive major shifts in product and service design and consumption across sectors.

Unfortunately, the Elderly segment has been overlooked by technology organisations who 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. 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 5 years of age.

Such insight unveils numerous challenges, but also recognisable 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 elderly people were a substantial minority group and this is clear to see 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 wider and wider.

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.

A European Commission report on the silver economy stated that in 2015 over 50s accounted for c.40% (199m people) of the Europe's population and that number is projected to grow significantly over the next decade.

This trend isn't unique to Europe, and can be observed in countries across the globe. The projected increase in the elderly population is due to the fact that living and health standards are improving and therefore people are living longer than ever before.

Global demographics
from pyramid (1980) to bell (2015) to barrel (2050)
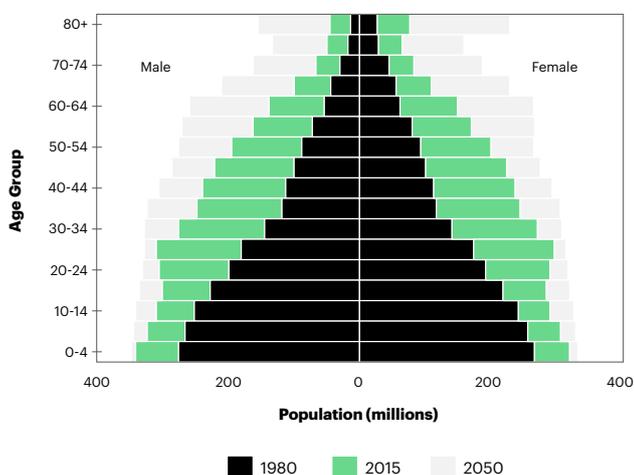
Source: Calculations by Emi Suzuki based on WDI 2014 and UN World Population Prospects 2012 Revision

New challenges and opportunities

With the elderly population booming and making up a greater proportion of the total population, developed and emerging countries, are being faced with new challenges and new opportunities that must be capitalized in the right way.

Challenges

Opportunities

The Welfare states

Welfare states will experience an increased burden on the healthcare system in particular due to the increased number of elderly people and an extension of what Elderly means. In the EU over 50s account for two-thirds of all public spending on healthcare. This is expected to become more severe going forward.

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

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

Spending & 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 financially as they care for the older generation. Even in the UK they spend up to £10k annually to fund elderly care

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 relative 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 communicate easily and effectively from afar

Self Sufficiency

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

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

As people get older, they certainly suffer from a range of ailments and pains. As time passes those will be more diverse and require tailored services.

As well as the common trend of over 50s/60s requiring more in terms of care and other support services we are also seeing what is being referred to as a flat age society. This refers to the older generation that can actually do more rather than do less as they age.

Technology Adaptiveness

Technology is being adopted by all demographics including baby boomers, and their parents. However, to date most technology propositions have been aimed at Millennials because they are seen as the low hanging fruit.

Most technology isn't created for 80-year-olds, who have issues with things like hand-to-eye coordination, physical dexterity, and lack of moisture in their fingertip

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 to markets.

Voice-assistive technologies like the Amazon Echo, Google Home and HomePod are likely to play a bigger role in helping seniors age in place, especially when paired with apps geared specifically for senior living, likely use to ensure that medications are taken

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 that have been mentioned will have a significant impact on the insurance industry as well. From an insurance perspective there will be three areas that will really need to be taken into consideration:

1. Care provision: Currently providing care to the elderly requires large amounts of spending from both governments and families. This 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: As people grow older they become more susceptible to chronic diseases and those with critical illness cover will claim on their policy in those situations. Therefore, aging leads to increased critical illness claims. Why not limit such risk by moving from delivering protective offerings to providing preventative solutions. For example, the risk of dementia can be reduced through the use of mental exercises. Solutions in the market are emerging to solve these problems.

3. Increasing elderly independence: It's clear that the elderly value their privacy and independence. Today, most homes are not designed to allow that to happen. Insurers have an opportunity to supply the segment with the tools necessary to live independent lives. This may 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 ageing 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. Allowing 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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