

Who are the ageing?

Insurers who truly understand ageing consumers' needs will be the ones to create winning solutions for this very diverse population.

Swiss Re conducted new consumer research and discovered insights that offer a fresh perspective on the traditional products focus and approach to segmentation. To get started on developing propositions that are more relevant for today's ageing consumers, turn the page.



Respondents from a wide cross-section of consumers and families

Locations:

Europe: Germany, Italy, Poland, UK
Asia: China, Japan, Korea
Americas: USA

Life stage:

From working age to post-retirement (ages 35–75)

Income:

Middle class
(income brackets ABC1)

Other:

Socio-economic, employment and household status representative of each country surveyed

More than 9 000 people interviewed

Meet the ageing

Every year, USD 11 trillion is required to fund senior lives in the developed world and China. Insurance has only a 5 percent share of this ageing wallet, which is largely dominated by state provision, individual savings and family care.

Opportunity? Yes.

Easy solutions? No.

Swiss Re surveyed more than 9 000 people globally to get a better grasp of needs, aspirations and fears about their later years. This immersive consumer approach is unusual for a reinsurer, but designed to better help insurers develop new ways to address ageing needs. Conversations took the form of in-person and online interactions: individual interviews, focus groups, quantitative surveys and perhaps the most revealing – candid sessions with multiple generations from the same family. The latter triggered discussions that may have happened for the first time within those families, and unexpectedly broke taboos about discussing the “what if”.

Comparing eight countries on three continents gives a broad view of the varying approaches toward life and provision planning, and revealed both cross-border patterns and country specificities. It’s interesting to see how even within Europe, one country is strongly austere while another has a strong “enjoy life attitude” at the fore of every discussion; and how on a global level, younger generations seem to care relatively more about future planning than their elders.

Swiss Re also developed a range of product concepts based on these findings, targeting some of the strongest global and local needs, ranging from dementia and positive ageing to care networks and intergenerational propositions. These needs-driven propositions were then re-tested with consumers to assess their preferences and willingness to buy.

This summary mainly focuses on the European findings and offers a glimpse into the insights, particularly around new ways to segment consumers. It’s designed to open discussions with forward-looking insurers willing to test and learn with Swiss Re. If together we can crack the code, we will discover solutions that are more relevant for today’s consumers, propositions that are more likely to be purchased and protection that makes society more resilient.

On a high level, our research points to the following conclusions:

1

Use consumer segments built specifically around needs and attitudes. These go beyond typical demographics and are better suited to drive successful proposition development.

2

We discovered four basic need types that are consistent across countries, but each has specific nuances related to market characteristics and personal motivation that should be considered.

3

Winning solutions will combine financial and service benefits with high levels of trust and simplicity. Insurers can take advantage of the need type details and the diversity of concepts already tested by Swiss Re.



People my age don't think about retirement. We want to enjoy life, go on holiday, focus on life quality.

Jasmin, 38

Turning 50 brought changes about. I am clearly in an older life stage now, however I don't see a need to think about retirement yet. I'll start to do that when I'm 60.

Sabine, 51

Retirement is a black box. I don't know what lies ahead, nor do I know how much money I'll need.

Mark, 44

If I had a crystal ball, I would consider ageing provisions. But I don't ... nobody knows.

Gina, 45

It doesn't help to give provision and planning too much thought because there's always something you forget.

Karin, 51

Segmenting consumers based on their needs

Is your target an eagle ... or a toucan?

It's natural to gravitate toward traditional socio-demographic segmentation lines. When it comes to ageing, a key result is that consumers' needs, attitudes and aspirations often cut straight across many of these dimensions. This study's results are distinctive because they are unbiased by a particular insurance focus, and prominently include family/multi-generational decision making across the long process from working age to post-retirement.

Even easy questions like "What do you want out of your later years?" or "How prepared are you for retirement?" show that most people have no clear answer. They know what they **don't** want, but find it much harder to state what they **do** want, as the statements to the left underline.

What about the insurers' view?

The direct insurance distributors we interviewed shed some first insights on the dynamics of supply and demand.

- They perceive current products to be highly costly and complex, with coverage falling off a cliff when consumers reach retirement age.
- They want to differentiate by incorporating technology and services like elderly care options or even leisure opportunities.
- Specific ideas vary by region: for example,
 - In Europe: preventative or palliative care, and government collaboration;
 - In Asia: integration with payment and financial technologies;
 - In the US: personalised products, with benefits other than financial payouts.

Please find below some examples of what they had to say. Can you identify with it?



There has to be a revolutionary product we can create using leading-edge technologies.

Japanese insurer

Customers want a personalised plan developed specifically for them, but without the insurance jargon.

US insurer

The elderly are a tough area for medical insurance and will definitely trigger future innovation. However, government participation is still required.

Chinese insurer

Until you have personal experience with ageing and retirement, you are not motivated to act. It's like buying boiler coverage. It's so inexpensive, but until people see it happen to someone else, they don't buy it.

UK insurer





Vision

What are my hopes and expectations for my retirement years?

This dimension is strongly linked to individual motivation and, interestingly, does not depend on income, education or gender. In other words, we shouldn't pre-judge or typecast which people want a full, dynamic retirement.



Provision

How do I approach preparation for my retirement years?

This second dimension is both motivational and behavioural. It varies by activity and motivation (how do I act on my fears to address them?), and personal principles (how do I feel about doing it?).

From the interviews, we discovered there are two main drivers of needs and attitudes about ageing: Vision and Provision.

The Vision continuum at two extremes:

Mindset	Stable, protective	↔	Dynamic, adventurous
Aim	Retreat in my nest and settle down		Spread my wings, discover new experiences and places
Traits	<ul style="list-style-type: none"> ■ Living in the same place I've always lived ■ Surrounded by my spouse, family and all that's familiar 		<ul style="list-style-type: none"> ■ Open to adventure and travel ■ Ready for new relationships, hobbies or even new careers
Fears	Insufficient funds or being a burden to those around me		Losing my mobility and being lonely. Lacking the energy or funds to live my dreams

The Provision continuum at two extremes:

Mindset	Proactive, controlling	↔	Passive, carefree
Aim	Build profitable, solid provisions		Go with the flow
Traits	<ul style="list-style-type: none"> ■ Purposefully plan ■ Financially savvy ■ Seize every opportunity to diversify and optimise 		<ul style="list-style-type: none"> ■ Avoid planning ■ Reactive ■ Rely on family support or state/corporate pension
Fears	Losing control <ul style="list-style-type: none"> ■ Bad investment decisions ■ Unpredictable macro-economic or political changes 		Oscillate between: <ul style="list-style-type: none"> ■ Blissful ignorance (no fear) ■ Panic when crisis hits with no funds or backup plan

Four basic need types emerge

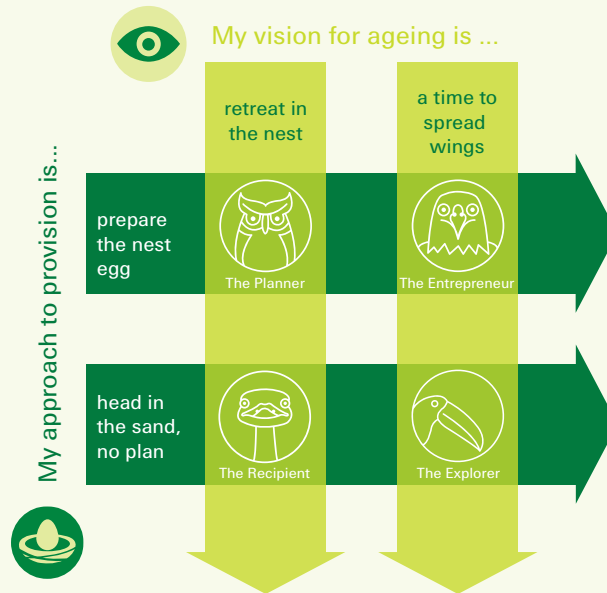
when we combine the two drivers of how people take decisions

The Entrepreneur eagle
Smart and independent, plans pro-actively and looks forward to adventures

The Planner owl
Disciplined and competent, loves to plan everything and seeks stability

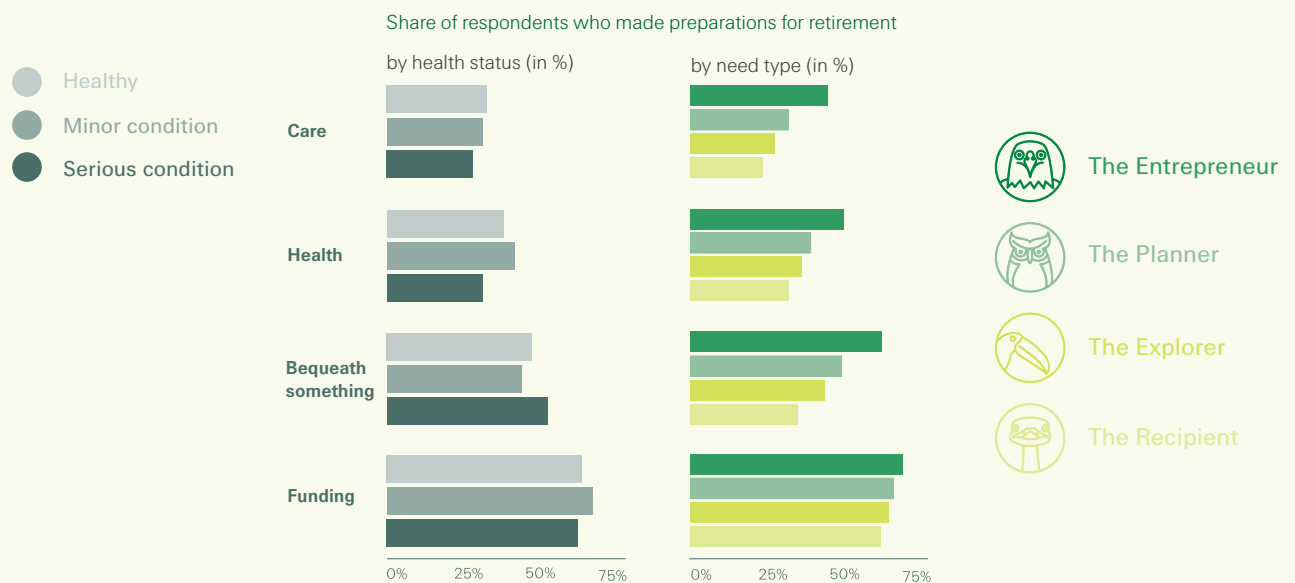
The Explorer toucan
Idealistic and carefree, avoids any planning and just enjoys the day

The Recipient ostrich
Passive and ineffective, often reactive on planning yet hopes for stability



These behaviours are centered squarely on the individual consumer and rooted in deep motives, which means people tend to remain stable¹ in a need type over time.

We also looked at the share of participants who made need-specific preparations for their retirement and aggregated it against health status. The results show that health status doesn't necessarily affect attitudes around preparing and planning for retirement, which however does follow a clear pattern according to our need types. The largest number of the well prepared fall into the Entrepreneur category, followed in order by the Planner, the Explorer and the Recipient. This pattern is consistent, regardless of whether the discussion is about health, care, funding or leaving an inheritance.



¹ Exceptions can be large market disruptions and external events (economic crises, regulation changes etc.) or inflows-outflows of generations. The four segments are more similar to clouds than geometric quadrants as hardly anyone behaves 100% as a single type: i.e an individual can be "80% Explorer, 20% Entrepreneur", but will be most/intuitively attracted to Explorer-designed offers.

Translating need types into actionable targets

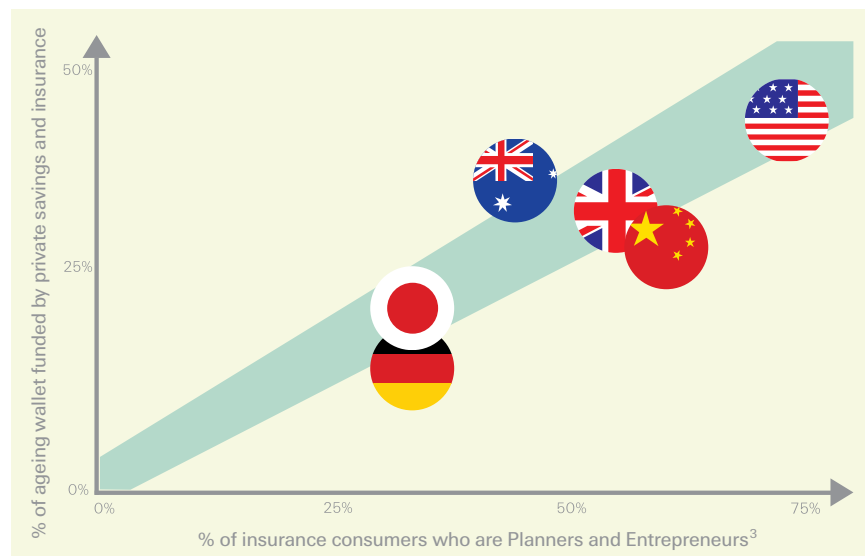
While the results are consistent across the eight countries we studied, each need type has different relative sizes and characteristics that will affect overall market potential and interest in potential solutions. A comparable multi-dimensional segmentation study by Swiss Re in Australia also concluded that behaviour across life stages drives the needs of consumers and their willingness to explore solutions that address ageing risks.

Combined with extensive quantitative validation of the in-person interviews, our research provides deep insight on the most effective hooks and distribution by target segment, along with a better understanding of life-stage influences, family-level decision making and the effects of economics or public policy.

In fact, when this customer segmentation is compared with our research on country-level funding sources², it confirms that where state and family offer a lower proportion of financial support, a larger number of people act as “Planners” and “Entrepreneurs” who are willing to plan ahead for later life. The relative weights and composition of country populations demonstrate why insurers need an in-depth understanding of both the macro and the micro to grow their Ageing business.

Strong link between market characteristics and size of forward-looking segments

Share of ageing spend funded by the private sector (savings and insurance), and planning behaviours of individuals. The ageing wallet is the annual amount spent to fund the lives of people over age 65, across society (state and family) and private sector.



² See “Who pays for ageing?” (Swiss Re, 2017) for an extensive analysis in the developed world and China of funding sources for the elderly (state, savings, family, insurance).

³ For Australia, the most similar need types from local research were considered on the horizontal axis.

Ageing is an uncommon and uncomfortable family topic

When developing ageing solutions, it’s easy to assume the family is an important part of the decision making and planning process. However, our research shows that the topic is actually discussed very little among parents and children, even when they live under the same roof.

These are genuine and typical conversations from various countries:

	Grandmother:	<i>"I'd rather go to an elderly home – I don't want to be a burden."</i>
	Mother:	<i>"I want my mother to live with me."</i>
	Granddaughter:	<i>"I will take care of my mother at home."</i>
	Mother:	<i>"Nice to hear – but crazy!"</i>
	Son:	<i>"I would say, as a family we are close, but we don't like talking about things like that. This is like a counselling session."</i>
	Mother:	<i>"My daughter drives me to the doctor regularly. But should my condition worsen, I will go to an elderly home."</i>
	Daughter:	<i>"No way! Imagine what the neighbours will say about me then."</i>
	Mother:	<i>"I gave my house to my daughter and moved out – young families need their space. And that's how life goes nowadays – we have emotional ties, but everyone lives by themselves."</i>

Age-based personas emerge when adding a generational lens. For instance, the retired feel generally safe and entitled. Many worry about their children and grandchildren’s provisions, or even politics and macro trends. The over-50s are prone to disruptions in their life – such as divorce or children moving out – and will panic if their provisions look insufficient.

There are more Entrepreneurs – the independent and plan-ahead types – in the under-50 group than the older generation. Could this mean more aspiration among future generations who are more aware of the ageing challenges ahead? Will they be more receptive to new solutions that help them plan? As defined-benefits pension schemes decline and policies like auto-enrolment in the UK emerge, we could also see more interest in new products that help to create a protective security blanket.

Additional proportion of "Entrepreneurs" aged under-50 compared to population aged over-50

Low		High		Very high	
Germany	+5%	Italy	+15%	China	+60%
UK	+5%	Japan	+25%	Korea	+65%
		Poland	+25%	USA	+100%



I want my family to be well, and able to provide for me in case I lose my independence. I don't know how anyone could cover that.

Sonia, 44

I want to be able to change preferences and shift funds easily, according to needs.

Gregor, 40

I wish to continue to live as I please, with others. Maybe a housing project with other elderly. Be able to continue working.

Gaby, 60

Family is still the best provision – but families live apart, kids need to pay their mortgage. Ideal provision helps to support each other nevertheless.

Kasia, 60

I'd rather not buy a product where I get to the end of it and I think oh no, I picked the wrong one.

Richard, 52

Winning solutions combine financial and non-financial benefits with high levels of trust and simplicity

Seniors' needs are complex. The amount of time spent in retirement is expanding, its pathways look very different and the amount of public support and private provision varies widely by country. This mix has a large bearing on seniors' attitudes and approaches to financial preparedness in the face of unexpected shocks.

Our industry's traditional product focus and segmentation needs a fresh take. Any successful insurance-based solution begins in the same place – with a true understanding of consumers' needs and wants. That was our prime objective when speaking to thousands of them in eight of the world's largest markets. The research shows potential growth can be found in solutions that go beyond financial payouts, to form part of a service-rich ecosystem.

Swiss Re made further inroads in developing several prototypes from the segmentation results, and testing their appeal with consumers, including their willingness to pay. We'd like to share what we've learned with insurers willing to take the journey with us, test and learn new approaches and create breakthrough solutions together.



1

There is a clear desire for a positive angle in ageing solutions:

- Not only to provide for the bad times, but also to
- Enable people to live their dreams, stay healthy, and remain professionally and socially active.

2

Products should complement the family rather than try to replace it:

- Enable informal caregivers to support as they're needed and deploy financial benefits, but also to
- Allow for alternative approaches and assistive technologies.

3

Changes to seniors' lifestyle and the traditional family model create new and currently unmet needs in funding, health and care provisions.

- Care packages should help hedge against the unplannable worst cases, yet don't try to solve everything at once.
- Improved access to information requires a rethink of customer engagement to be more targeted, simple and transparent.



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