

PEAK INSIGHTS 2021

Asia demographic trends:
Elders and Millennials



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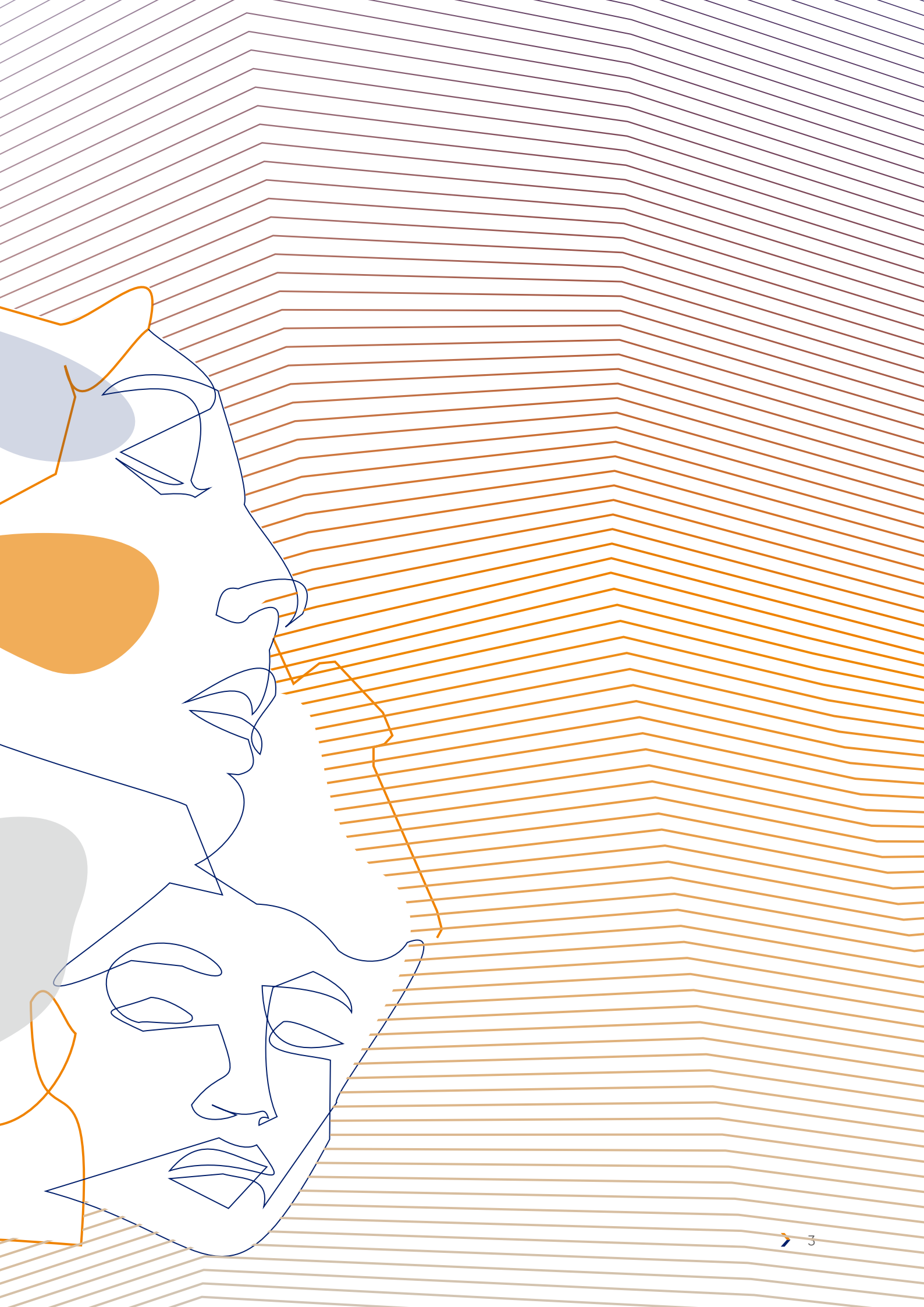
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* Source: S&P Top 40 Global Reinsurance Groups 2020

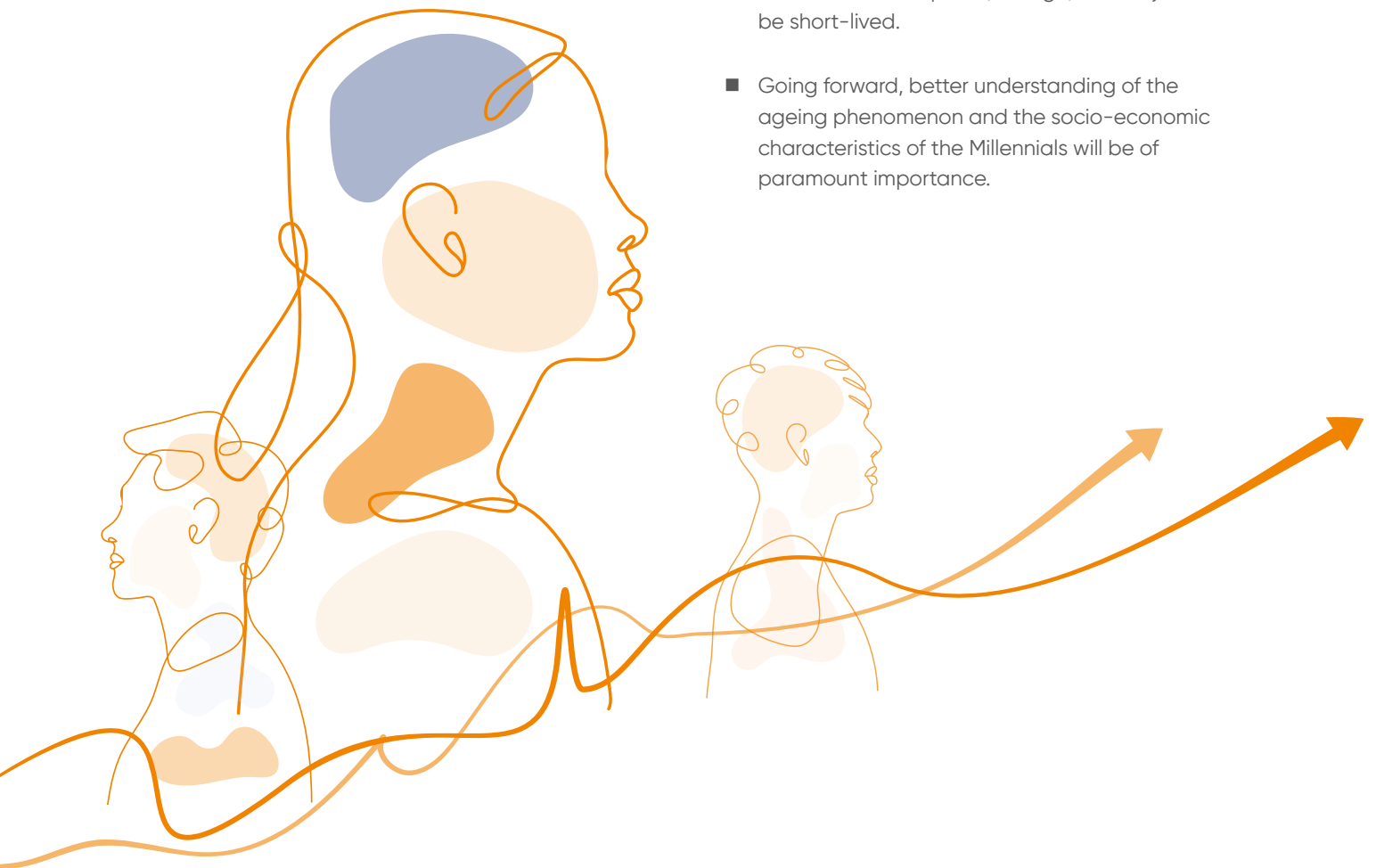






Summary

- Two population cohorts will shape the outlook of Asia in the next decade: the Elders and the Millennials.
- Lower fertility rate and longer life expectancy are driving population ageing in Asia, with dire implications on issues ranging from economic growth to the provision of old-age social benefits. Meanwhile, the region's economic growth will derive support from the coming ascension of the Millennials, who will increasingly form the core of Asia's aspiring middle-class.
- The pandemic and economic recession in 2020 might have possibly sped up the pace of population ageing and delayed the rise of the Millennials. The impacts, though, are likely to be short-lived.
- Going forward, better understanding of the ageing phenomenon and the socio-economic characteristics of the Millennials will be of paramount importance.



Introduction

The worldwide spread of a deadly coronavirus disease in 2020 has for the first time in history subjected Asia to the most stringent of containment measures, and the deepest economic recession. From a demographic perspective, last year was also emblematic. It is likely that 2020 will be the first time in Hong Kong's history to have more deaths than births.¹ In Taiwan and South Korea, the same pattern has resulted in their first-ever decline in population.² Some Chinese provinces and cities also reported dramatic declines in newborns in 2020, while Japan could have sustained the 10th consecutive years of falling population.³

The world population is getting older, with the over-65s being the fastest growing segment. Globally, 27 countries or areas have experienced population reduction of one percent or more since 2010.⁴ The slowdown in population growth means less pressure on resources in an otherwise over-crowded world, and the experience of Japan and Europe shows how this can cause better environmental outcome. However, a shrinking workforce alongside population ageing can be challenging for many economies, particularly those that still depend on labour-intensive manufacturing production, or are not well-equipped to cope with a surge in elderly population.

Meanwhile, the cohort of population born from the early 1980s to the mid-1990s, known as the Millennials, is entering their prime years. The size of this population segment and their unique characteristics are underpinning expectations that they will help drive the next wave of growth in middle-class, particularly in Emerging Asia. There are concerns, however, that this population group has suffered disproportionately both from the Global Financial Crisis of the late 2000s and the Great Reset in 2020.

The ageing phenomenon is playing out differently in different regions and markets. Some Emerging Asian countries like the Philippines, Malaysia and India are expected to remain "young" for years to come. Millennials are also manifesting their presence differently, depending on local social, economic and perhaps psychological considerations. Beyond these idiosyncratic factors and regional heterogeneity, there is no doubt about the importance of these two demographic trends in defining the outlook of Asian economies over the next decade.

¹ "How Hong Kong, Singapore and other high-income Asian societies can defuse their demographic time bomb", SCMP, 12 Jan 2021 (see link, <https://www.scmp.com/comment/opinion/article/3117183/how-hong-kong-singapore-and-other-high-income-asian-societies-can>).

² "Korea reports 1st population decline in 2020; total fertility rate hits new record of 0.84", The Korea Times, 24 Feb 2021 (see link, https://www.koreatimes.co.kr/www/culture/2021/02/703_304527.html).

³ "China population: tumbling regional birth rate signal scale of country's ageing crisis", SCMP, 2 Feb 2021 (see link, <https://www.scmp.com/economy/china-economy/article/3120236/china-population-tumbling-regional-birth-rates-signal-scale>).

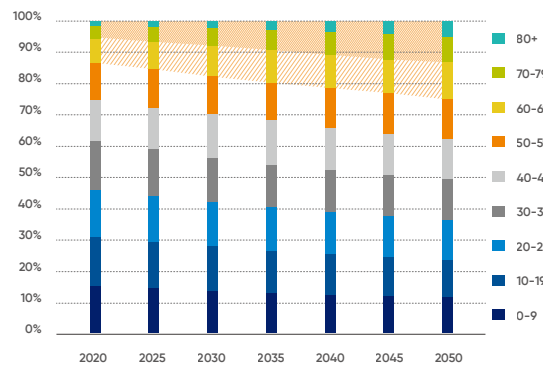
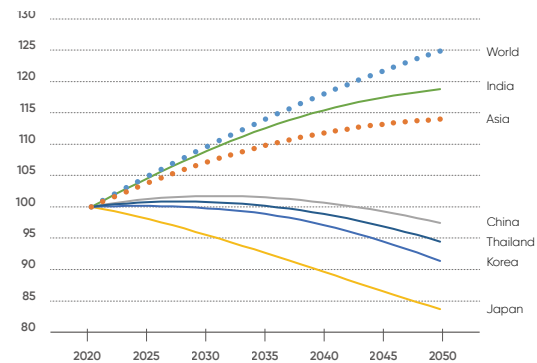
⁴ See *World Population Prospect 2019: Highlights*, UN Department of Economics and Social Affairs, June 2019 (see link, https://population.un.org/wpp/Publications/Files/WPP2019_10KeyFindings.pdf).

Ageing: From demographic dividend to demographic deficit

Lower birth rates and longer life expectancy are resulting in fast ageing of population. Over the next ten years, all regions will see increases in their old-age dependency ratio (those aged 65 and above as a percentage of working population), and only some African countries will defy that trend. The biggest increase will be among Asian markets including Singapore, Hong Kong, South Korea and Thailand (see Figure 1). Without the benefits from more liberal immigration policies, it is projected that globally lower birth rates will cause 23 countries (including Japan and Thailand) having their populations halve by 2100, with others (including China and India) seeing drastic declines in their working-age population. ⁵

In contrast to the sharp gyrations of economic cycles, demographic changes occur gradually over years and decades. The slow motion play-out of the demographic playscript got a fast-forward in 2020 with the help of a deep economic recession, when birth rates dropped tangibly across key markets because of heightening financial uncertainty and higher cost of living. ⁶ This also means less time for societies to get prepared for ageing.

Figure 1: Above: Population of selected Asian markets (rebased 2020=100); Below: Age composition of Asian population, 2020-2050



Source: World Population Prospects 2019, UN Department of Economic and Social Affairs.

⁵ "The Lancet: World population likely to shrink after mid-century, forecasting major shifts in global population and economic power", Institute for Health Metrics and Evaluation, University of Washington (see link, <http://www.healthdata.org/news-release/lancet-world-population-likely-shrink-after-mid-century-forecasting-major-shifts-global>).

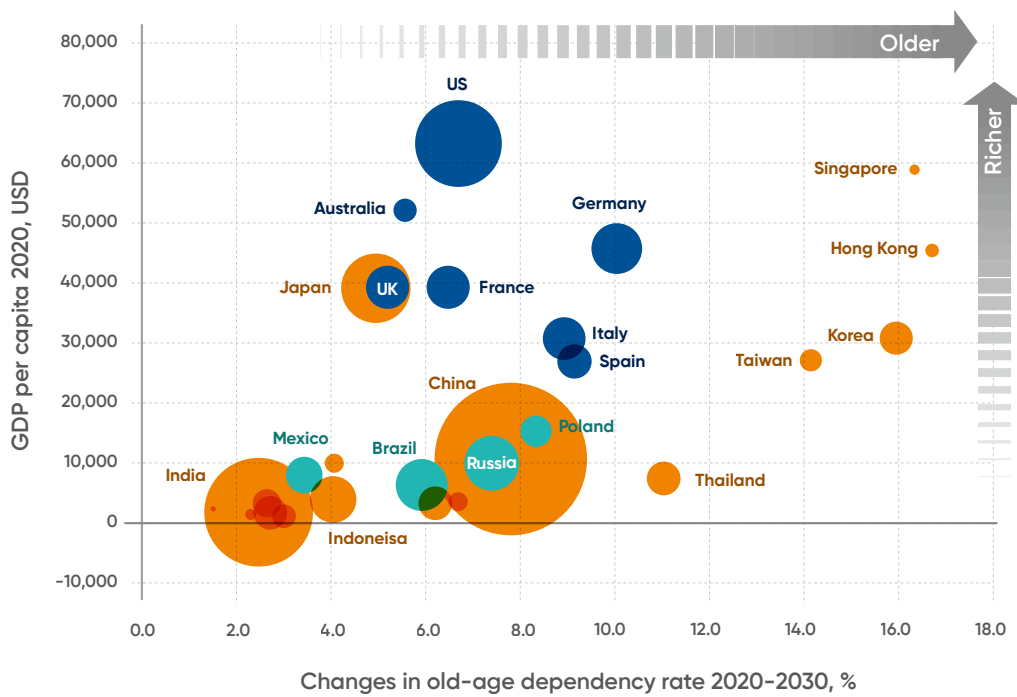
⁶ Death rates also increased but concentrated mostly on the older-age cohorts, which can be seen as prelude to lower death rates in the same cohorts in the coming years.

⁷ Demographic dividend, as defined by the United Nations Population Fund (UNFPA), is "the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older)". In order to realise this potential, countries will also need good health, quality education, decent employment and a lower proportion of young dependents (see link, <https://www.unfpa.org/demographic-dividend>).

The impact of ageing societies is substantial even though this is filtering through only gradually. As an example, the greying of the Japanese population is believed to have been a key contributor to the country's sub-par economic performance over the past decades. The dissipation of the "demographic dividend"⁷ is expected to lower the potential growth of ageing economies. Some markets are

getting old before (or while) getting rich. As shown in Figure 2, while the bulk of old-age population will be concentrated in Asia, many markets are still at an early stage of economic development and may not be well-endowed to address the challenges of an ageing population.

Figure 2: Ageing and income level



Note: Blue colour represents non-Asian advanced markets and green those emerging markets outside of Asia. The size of the bubble is proportional to the size of those age 65 and over in 2020 in each markets. Source: United Nations Population Division, IMF WEO Database Oct 2020, Peak Re.

⁸ Andrew Mason and Tomoko Kinugasa, "East Asian Economic Development: Two Demographic Dividends", East-West Center Working Papers, Economic Series No. 83, June 2005 (see link, https://www.files.ethz.ch/isn/99030/2005_06_East_Asian_Economic.pdf).

Dissipation of demographic dividend

Economic growth is a function of labour input, capital accumulation and productivity enhancement. A shift in population structure resulting in a larger share of working-age population is generally associated with stronger economic growth.⁸ The economic miracles of East Asia happened at a time of favourable demographic transitions, characterised by a growing and increasingly better educated labour force. As the population in Asia ages, the demographic dividend will increasingly turn into a deficit, if not a burden. If the decline in labour input is not compensated by improvements in other factors of production, economic growth will suffer. Countries that could not reach higher income level will also risk falling into the middle-income trap. Markets with rich endowments in natural resources can still prosper, but such are few in Asia.

As with many ASEAN countries, they are still heavily engaged in labour-intensive production to drive manufacturing and export growth. Their proclivity to benefit from ongoing restructure of supply chains also depends in part on their competitive labour costs. A slowdown in population and labour force growth or an outright contraction will not be favourable to these markets retaining their attractiveness to foreign investors.

Meanwhile, the transition to lower fertility and longer adult life could endow some markets with another form of demographic dividends, through higher savings rates and accumulation of physical capital. This “second” dividend probably helps to explain the recent performance of the Japanese economy, where capital accumulation and productivity enhancement offset part of the drag from a shrinking labour force.

Demographic burden and the risk of Japanification

As the share of retirees and elderly increases, countries will have to allocate more resources to provide for their retirement living and old-age healthcare. Japan exemplifies the challenge of provisioning for an ever larger cohort of ageing population (see Figure 3). Social security spending as a share of GDP has risen from less than 10% in

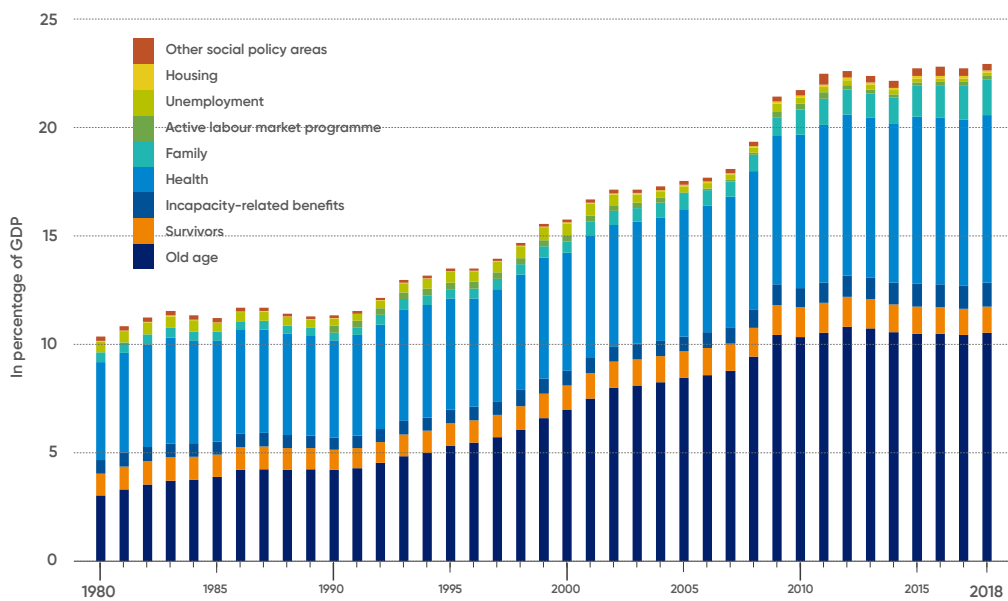
1960 to currently over 20%. Meanwhile, the social security rate (contribution from both companies and employees) reached 29.2% in 2019, up from 18.4% in 2004.⁹ Countries without fully funded pension schemes will be particularly at risk. The provision of long-term care services will be sourly tested in many markets.

⁹ Source: Trading Economics, Japan Social Security Rate (2000-2019).

One scenario is “Japanification” – a combination of a low (or negative) population growth, interest rate and inflation. The experience of Japan’s multi-decade sub-par economic performance shows the struggle of pulling out of such a vicious cycle completed with deflationary pressure. Against a global backdrop of low interest rate

and inflation, the risk of Japanification happening has risen. Yet, Japanification is not unavoidable, but countries will need to act early and leverage on technology, immigration, fixing the social security nets and democratising the digital divide.

Figure 3: Social expenditure by policy area in Japan, in percentage of GDP



Source: 政策分野別社会支出の推移 (1980~2018年度) , National Institute of Population and Social Security Research

Generation Next: Millennials coming out of age

As the baby boomers and General X move into retirement, thus adding to the tally of elderly, the Millennials are coming out of age. These are those born from the early 1980s to the mid-1990s. And why is this group so important? The first reason is their sheer size. One in five people around the world is a Millennial.¹⁰ The 1.8 billion Millennials account for 22% of world population and are a quarter more than the preceding generation (Generation X of those born from mid-1960s to late 1970s). As shown in Figure 4 below, the majority of them, over 60% or 1.1 billion, are living in Asia, followed by close to 300 million in Africa. They represent a core productive segment that will drive Asia's next wave of socio-economic growth and development over the next decade.

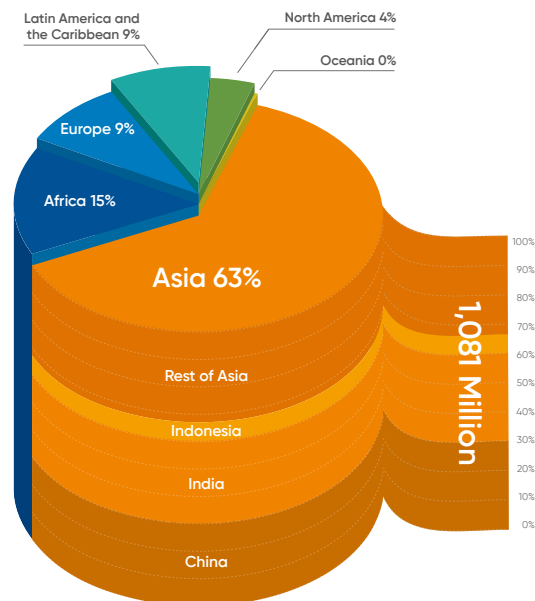
This population segment is entering peak earnings over the next decade. While they will consistently make up around one-third of the total labour force, they are those ascending to their next professional career or taking over the baton from retiring Generation Xers. Indeed, the real economic influence in Asia is among these aspiring Millennials, who will also increasingly form the upper echelon of the region's middle income class.

They are also expected to get richer from inheriting family wealth. According to an estimate by Deloitte, in the US, this generation is inheriting USD 24 trillion from their parents.¹¹ Huge sum is in the process of being transferred along the family

chains to Millennials in Asia, estimated as much as USD 5 trillion. This process will not happen overnight, and probably will take years and even decades, but Millennials will be more financially secured than previous generations.

These all add up to a picture of Millennials holding the purse strings in Asia. To understand the trends in consumer spending and demand over the next decades, it is paramount to focus on the Millennials. Various studies have shed

Figure 4: Millennials regional distribution (2020)



Source: UN World Population Prospects 2019, Peak Re. Figures refer to 2020 projection.

¹⁰ MSCI thematic insights: Millennials, demographic change and the impact of a generation (see link, <https://www.msci.com/documents/1296102/17292317/ThematicIndex-Millennials-cbr-en.pdf/44668168-67fd-88cd-c5f7-855993dce7c4>). Size of millennials from United Nations. 2019. "2019 Revision of World Population Prospects."

¹¹ "The investment industry should get ready for the rise of the millennials", IFA Magazine, 1 Mar 2021 (see link, <https://ifamagazine.com/article/the-investment-industry-should-get-ready-for-the-rise-of-the-millennials/>). The Washington-based investment manager United Income expects the sum transferred could reach USD 36 trillion by mid-century. Cerulli Association puts the number at a staggering USD 68 trillion over the next 25 years (see link, <https://www.euromoney.com/article/b1n0r14jwqpvx8/generation-next-and-the-great-wealth-transfer>).

light on the behaviours and preferences of this group of aspiring consumers, particularly that they are more confident, independent-minded, westernized, tech savvy and concern about the environment.¹² Table 1 below offers a snapshot

of the key characteristics of the Millennials. As far as the middle-class is going to sustain the Asian Miracle, the millennials are likely to be the principal actor.

Table 1: Stylised characteristics of Millennials in Asia

Characteristics	Details	Impacts on consumption
Large in number	<ul style="list-style-type: none"> ▪ A larger population cohort by almost 20% than the preceding Generation X in Asia 	<ul style="list-style-type: none"> ▪ They will form the core of the Asia's middle class and drive growth in consumption demand
Better educated	<ul style="list-style-type: none"> ▪ Studies suggested Millennials are better educated than their parents and grandparents, and women have shown significant gains in educational attainment ▪ There could be a sharp divide among markets in terms of education opportunities 	<ul style="list-style-type: none"> ▪ Quality-driven, sophisticated and seasoned consumers ▪ Women as decision-makers
Tech-savvy	<ul style="list-style-type: none"> ▪ They are more willing to embrace new technologies but also conservative in sharing data ▪ Believes technology fuels greater opportunity 	<ul style="list-style-type: none"> ▪ Early adopter of new channels and products ▪ More adapted to (or only prefer) digital ecosystems ▪ Implications for the future of work and workplace
Evolving lifestyle	<ul style="list-style-type: none"> ▪ Late marriage and have fewer children ▪ More assertive and independent ▪ More westernised in lifestyle ▪ Care for the environment* ▪ More ready to join the gig and shared economies 	<ul style="list-style-type: none"> ▪ Look for customisation (niche) rather than commoditised (mass market) products ▪ Seek emotional satisfaction, looking beyond tangible products into the mission and purpose of companies ▪ More likely to spend on experiences than tangible products
Economically secured	<ul style="list-style-type: none"> ▪ Entering the peak earning period of their life – confident about income growth ▪ Inheriting significant sum from their parents; less investment in debt-inducing items like cars and homes 	<ul style="list-style-type: none"> ▪ More spending power ▪ Demand for financial advisory services

Note: The table above provides a stylised summary of characteristics of millennials, which is highly sensitive to context-specific considerations. There are significant variations across markets and millennials are far from a homogenous consumer group. See for example "Cracking the code on millennial consumers", McKinsey 18 March 2017 (see link, <https://www.mckinsey.com/industries/retail/our-insights/cracking-the-code-on-millennial-consumers>).

* This is revealed for instance in a 2019 survey by Deloitte which showed that close to 30% of Millennials place the environment as their top concern, out of 20 options. They also strongly believe businesses should try to improve and protect the environment. See *The Deloitte Global Millennial Survey 2019*, Deloitte (link, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/deloitte-2019-millennial-survey.pdf>)

Source: Peak Re

¹² One issue is about data privacy given the important of digital systems. Quotes from Schroders: "Clearly, it is highly convenient for governments to centralise so much data on their citizens. Nonetheless, we have heard few complaints about the Chinese government handing over 80 exabytes of medical data to researchers in the field of artificial intelligence (AI). (For the uninitiated, one exabyte is equivalent to all the words spoken by human beings – ever.)"

The impact of the Great Reset on demographics – a hiccup or a game-changer?

During the 2020 pandemic outbreak, different age cohorts are affected differently with the older segment bearing the blunt of the disease. Similar to past epidemics and pandemics that have had lasting effects on demographics (population, births, death and migration), the 2020 Coronavirus outbreak has also left its footprint on demographic trends.

Excess mortality has probably added momentum to the shrinking population in some markets, but not necessarily to ageing (if most deceased come from the older cohorts).¹³ The most immediate impact, with the benefit of hindsight, is the drag on fertility rate. The number of newborns has dropped in most Asian markets in 2020, from an already depressed pre-pandemic level. It could be the case that heightened financial uncertainty amid a deep economic recession has worked to discourage child-bearing. If that is the case, and we don't have other reasons to doubt it, that the fertility could resume to its previous trends once economic conditions stabilised in 2021/2022.

It is more difficult to ascertain the impact of the Great Reset on the ascension of the Millennials. Millennials would have gone through two major

economic dislocations: The Great Financial Crisis in 2009 and the Great Reset in 2020. They are affected disproportionately during both episodes, rendering them less likely to move up the career ladder or accumulate wealth (i.e. the lost generation¹⁴). They are reaching adulthood in an era of slower economic growth than that of previous generations. The rising national/government debt over the past decades also means intergenerational transfers that disadvantaged the younger population (today's debts are the liability of future generations). These could all add up to frustration and mistrust among Millennials, risking lower social mobility and reducing growth of middle class.

"In sum, the pandemic could have significant but only temporary impacts on the key trend of ageing and millennials. On the other hand, the recovery and recuperation post-pandemic could reinforce Millennials' optimism about their future." – Clarence Wong –
Chief Economist,
Peak Reinsurance Company Limited

¹³ It could be the case that some deaths may have occurred in the near future anyway so the recent excess mortality will be compensated by lower number of deaths in the coming period. There could be additional consideration from delayed and non-treatment due to stresses in medical facilities. <https://blog.ons.gov.uk/2020/12/07/what-could-the-impact-of-covid-19-be-on-uk-demography/>

¹⁴ See "Generation Lost?" Global Risks 2014, World Economic Forum 2014, p.33-38. Also Finance and Development June 2017, IMF, p.20-23.

Yet, the negative impact on Asia is believed to be much smaller thanks to the region's vibrant economic growth during both crises (see Figure 5). Asia weathered the Great Financial Crisis and Great Reset better than the rest of the world, thus is still able to offer the Millennials favourable

economic conditions to grow and advance. The convincing performance of local asset classes should help to preserve the value of family wealth that the millennials will inherit.

Figure 5: LHS: Decomposition of working-hour by region, 2020 (in percentage); RHS: Real GDP growth by region 1980-2020.



Note: LHS: The overall working-hour loss is decomposed into changes in unemployment, inactivity and reduced or zero working hours. Unemployment plus inactivity equals the total employment loss. Unemployment and inactivity have been transformed into their working hour equivalent using the average working hours per week. The working-hour equivalent of changes in employment, unemployment and inactivity is computed using the estimated average working hours per week, which ranges from 35 to 45 hours per week across the income groups and regions. This differs from the 48-hours FTE equivalent presented in the previous section, where the same number of weekly working hours is used to make the estimates comparable across regions.

RHS: ASEAN-5 refers to Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Source: IMF WEO Database Oct 2020, ILOSTAT Database, ILO modelled estimates, ILO Monitor: COVID-19 and the world of work, Seventh edition, 25 Jan 2021 (see link, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_767028.pdf).



Think insurance

The rise of Asia's middle-class has been decades in the making and is now poised for the next stage of growth, underpinned by the coming out of age of the Millennials. While too young to seek insurance protection over the past decade, the Millennials are now maturing to become a key consumer segment. As a rising consumer group with significant economic power and more independent minds, they will look for more sophisticated insurance products that could differ from what their parents have used to demand. Importantly, the ascension of the Millennials and a bigger middle-class will pave the way for the personal lines insurance, including household, personal accident, travel, life and health insurance. The development of insurance typically makes a start with commercial lines until sufficient household wealth and assets have been accumulated to merit demand for personal lines. The experience of East Asia highlights the importance of a rising middle-class in supporting asset accumulation and demand for personal lines. While Emerging Asia has led insurance growth in recent years, the future will hinge heavily on harvesting the potentials of an expanding middle-class. This offers a ray of light to close the region's widening protection gaps (property, health and mortality), but much will depend on insurance penetration rising faster than protection needs.¹⁵

The economic turmoil also sowed the seeds of changes to come. It is likely that the accelerated pace of automation and use of technologies will help to relieve some pressure from shrinking labour forces. It is predicted, by the middle of this decade, humans and machines will spend the same time on current tasks.¹⁶ The demonstrated ability of employees to work remotely also opens opportunities for remote/cross-border employment. If an employee can work from his/her home in the same city, what will prevent a company from engaging another employee in another city overseas. This will render the debate on importing labourers a moot point, at least for non-labour intensive jobs. The changing face of employment and mobility will confront insurers with challenges for instance in terms of group insurance for giggers (those who work in the gig economy) and WFHers (those who mostly working from home).

¹⁵ A survey by New York Life in its 2018 Life Insurance Gap Survey shows millennials reported a 78% shortfall in mortality protection. This compares with a 48% coverage shortfall for the preceding Gen Xers (see link, <https://www.forbes.com/sites/ashleaebeling/2018/11/13/the-big-millennial-life-insurance-gap/?sh=d213f176ac4b>).

¹⁶ The Future of Jobs Report 2020, World Economic Forum, 20 October 2020 (see link, <https://www.weforum.org/reports/the-future-of-jobs-report-2020>).

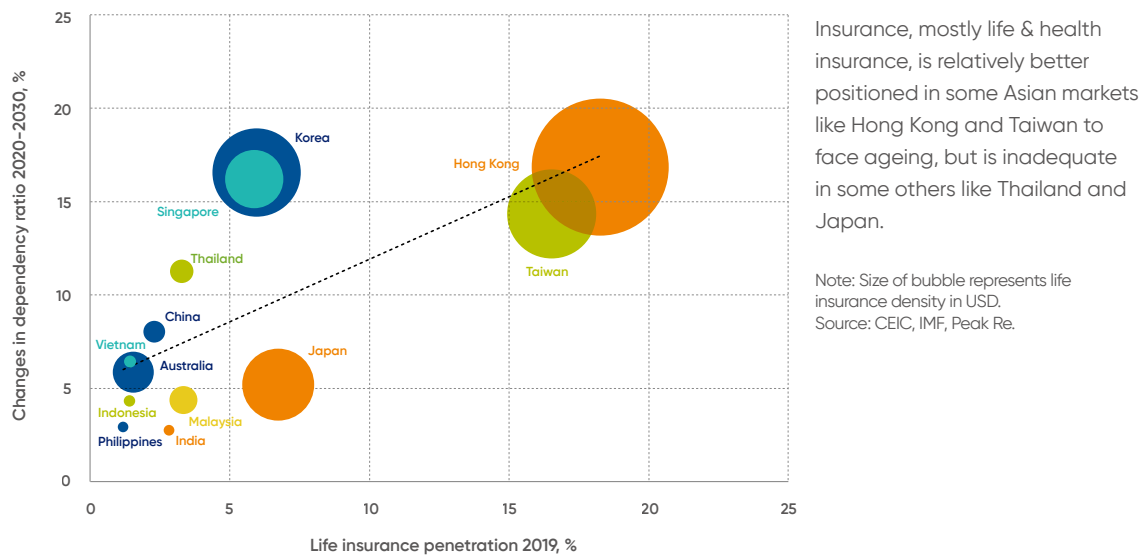
Caring for an ageing population

With a fast expansion of the elderly population, demand for old-age care provision will skyrocket. Some governments have been able to allocate more fiscal resources, but many will struggle to keep with the rate of ageing. The shift from institutional care towards home and community care will also affect the delivery of care services. In all likelihood, financing will remain a key challenge which insurance should be able to play a bigger role in alleviating fiscal pressure and reducing out-of-pocket expenditure. The current generation of long-term care (LTC) insurance product is likely to be insufficient to cater to the needs of ageing societies. The focus on payment to cover institutional care means LTC products are expensive and only kick in during the terminal phase of a policyholder's life. Better product designs that focus on lifestyle and

disease management, coupled with flexibility to cater for home/community care, will likely yield better outcome and a higher level of acceptance. Integration of private LTC with public sector care services will also be important.

Since the outbreak of the coronavirus last year, there has been increasing attention on psychological impacts and implication on people's mental wellbeing.¹⁷ Indeed, ageing and mental health are closely intertwined in a vicious feedback loop. As mental illness represents an increasing burden on ageing societies, insurers should also need to take this into consideration in designing old-aged related insurance products. This will be challenging, as mental health insurance is still in a very early stage of development in most Asian markets.

Figure 6: Insurance penetration and ageing societies



¹⁷ See for example I. Sajid, "40% of S. Koreans face mental health issues due to Covid-19", AA, 30 September 2020.

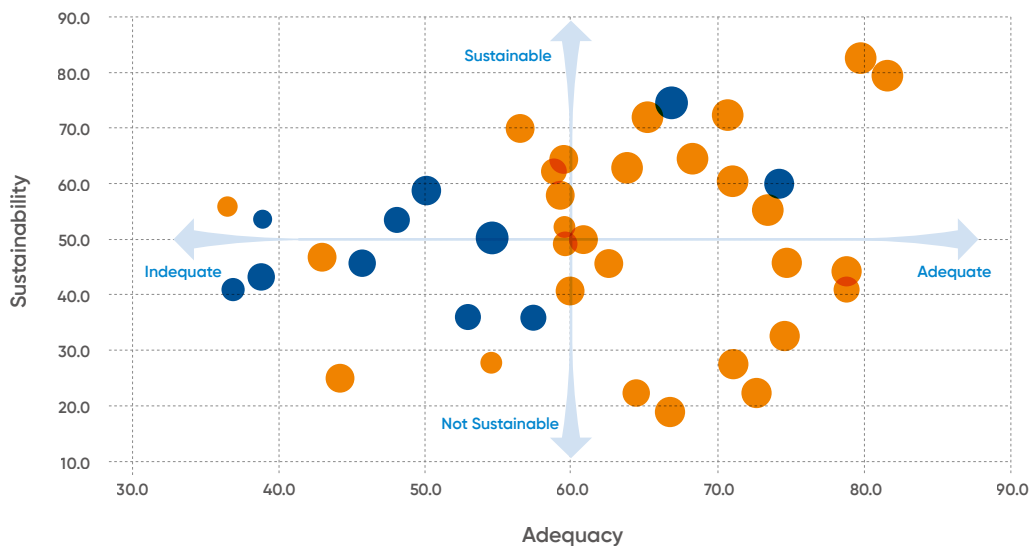
Closing the pension gap

Unfunded pension liability is huge in many parts of the world. In Asia, the challenges to providing sufficiently to retirees include increasing the coverage of existing pension schemes, raising the replacement rate, closing the gender gap in benefits and ensuring sustainability. Some countries have introduced moved away from “Defined Benefit” to “Defined Contribution” retirement plans, in order to better deal with heightened longevity risks. Nevertheless, as shown in Figure 7, many Asian markets do not yet feature pension arrangements that provide good benefits and are sustainable.

At the same time, insurers will have to consider the changing needs of the retirees. While

insurers, particularly the lifers, have been at the forefront of helping people to accumulate assets, the impending needs of retirees will be decumulating their assets. Insurers will need to change their retirement advice from only focusing on accumulation to a full-suite of post-retirement advice that include for example legacy planning, health care and consumption management. In advanced markets, new products like in-plan annuities, managed payout funds and systematic withdrawal have achieved some, though limited, successes. In Asia, this will further underpin the trend of reducing demand for savings-type (asset accumulation) life insurance.

Figure 7: Relative ranking of pension schemes in terms of adequacy, sustainability and integrity



Source: 2020 Mercer CFA Institute Global Pension Index (see link).
The size of the bubble refers to Integrity. Blue bubbles refer to Asian markets.

Riding the silver economy

A key feature of the Asian elderly is their high purchasing power, particularly among those living in advanced Asian markets. The silver economy spans from home automation to e-banking and medical tourism. Increasingly, technological innovation is being integrated into the silver economy, particularly when many younger elders have started to embrace technologies as a result of the worldwide lock-down in 2020. Ageing is a business opportunity for insurers that can gauge the older clients' needs and design appropriated products. As more living quarters are equipped with sensors and smart home devices, insurers can consider collaborating with tech services providers to offer specialised solutions for elderly.

Medical tourism can be explored for opportunities to lower the cost of regular check-up and medical

intervention. The availability of treatment at a lower cost but comparable, or even better, quality is the primary driver for the increasing popularity of medical tourism over the last decade.

Estimates are suggesting the global market size of medical tourism topped USD 44.8 billion in 2019, with Thailand, India, Malaysia and Singapore being some of the popular destinations in Asia for medical tourism.¹⁸ The near-term outlook could have been dented by the pandemic and travel restrictions, but the longer term prospect remains promising because of fast population ageing and expected high medical inflation. Alongside the growth of the market for medical tourism, it is expected that demand for liability insurance to cover the patients and health professionals will also increase.

The hyper-connected and tech-savvy generation

Not all Millennials are the same but understanding the Millennial generation is important, as highlighted in Table 1 that some characteristics like late marriage and few children could have a tangible impact on insurance, for example, lower rate of home ownership than previous generations at the same age. It was said that the average Millennial touches his/her smartphone 45 times each day and spends as much as 18 hours a day on any type of digital media. This suggests

the capability to make use of social media and digital channels to engage with the Millennials being a top priority.

Yet, simply delivering digital products will probably be insufficient to winning them over, as insurers also need to align with their cultural values, think beyond insurance, and focus on personalisation. Affordability could also be a reason for the under-penetration of insurance

¹⁸ Source: Medical Tourism Market Size, Share & Trends Analysis Report By Country, Grand View Research (see link, <https://www.grandviewresearch.com/industry-analysis/medical-tourism-market>).

among Millennials, but again other factors are found to be equally important. There is a lack of empirical studies on Asian Millennials, but surveys in the US showed Millennials put off buying life insurance due to complicated policies. Willingness to purchase a policy could go up by 70% if they better understood offerings and benefits, or 67% if the application processes were faster or easier.¹⁹

It is thus beneficial to take a step back and lay down what the main risks facing/conceived by Millennials are compared to earlier generations. This could help insurers to prioritise their efforts to address the needs of this population cohort. A green insurance product (e.g. insurance for e-cars) that is backed by green/ESG investment of premium reserves can be a good starter.

Table 2: Risk matrix of Millennials vs earlier generations

Risk tolerance	Millennials	Earlier generations
More willing to take on financial risks	<ul style="list-style-type: none"> ▪ They are financially secured because of Asia's more vibrant economy and the wealth accumulated by their parents ▪ They are less tied to formal or lifetime employment, are more ready to partake in the gig and shared economy 	<ul style="list-style-type: none"> ▪ Less secured and (feel) more vulnerable ▪ Focuses on wealth accumulation, less appetite for financial or career risks
Procrastination of life stage risks	<ul style="list-style-type: none"> ▪ Millennials are more prone to delay many significant life decisions like marriage and having children ▪ This could be shaped by the experience going through multiple recessions 	<ul style="list-style-type: none"> ▪ Generation X and their predecessor (The Silent Generation) did not show signs of procrastination ▪ Life stages are typically defining moments for insurance demand for these generations
Mixed attitude towards lifestyle risks	<ul style="list-style-type: none"> ▪ While being tech-savvy, Millennials are also protective of their data and privacy ▪ Willingness to take other lifestyle risks could also vary across societies ▪ Highly concerned about the environment and averse to activities that pose a threat to nature 	<ul style="list-style-type: none"> ▪ Generally lower appetite for lifestyle risks; cyber/data privacy risks is also of a lower concern compared to property
More health conscious	<ul style="list-style-type: none"> ▪ More focus on healthy living and lower risks of chronic illnesses ▪ Looking for work-life balances 	<ul style="list-style-type: none"> ▪ Delegates a lower importance of health than other risks

Source: Peak Re

¹⁹ "Why aren't Millennials buying life insurance?" IBM.com (see link, <https://www.ibm.com/blogs/industries/millennial-life-insurance-ibm-ix-survey/>)

Creating shared values

The next generation of insurance executives will mostly be drawn from the ranks of the Millennials. Their penchant for technology and social media, for instance, will transform the face of insurance. Companies that understand and incorporate the needs and talents of Millennials will be in a better position to win the talent war. It is thus not surprising that insurance CEOs are concerned about the impact of Millennials on their business and company strategy. ²⁰

The Elderly and the Millennials are set to remark Asia. Better understanding of demographic trends and characteristics of these population cohorts is the only right way to embrace the coming demographic tsunami.



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²⁰ "KPMG finds 86% of insurance CEOs fear millennial impact on business", NS Insurance, 2 Dec 2019 (see link, <https://www.nsinsurance.com/analysis/kpmg-ceos-fear-millennial-impact-on-business/>).

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