Insurance and the Longevity Economy: Navigating protection in the era of 100-year lives

Research summary | February 2025

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The global population has more than tripled since the 1950s, standing at over 8 billion in 2025. Whilst growth is slowing and fears of unfettered expansion have subsided, new challenges have emerged: declining birth rates and ageing populations. Fertility rates have more than halved from five children per woman in the 1950s to the present day, with the world approaching a replacement level of 2.1. Global life expectancy has soared over the same period from 46 to 74 years, surpassing 80 in many OECD countries. Our world is now grappling with a demographic shift where more people face longer lives – increased longevity – with fewer young people to support them. This creates new needs and vulnerabilities and challenges established societal norms and economic structures.

Longevity vs. ageing

The term 'longevity' is often used interchangeably with ageing. But while the concepts are related, they represent two different phenomena. The former refers to the length of life, and the latter refers to the 'progressive loss of physiological integrity leading to functional impairment'.[1] Grasping longevity's impact on individuals necessitates an examination of whole-life factors – biology, lifestyle, wealth, and environment – rather than fixating on a 'number', our chronological age. Assessing the economic implications of increased longevity requires scrutiny of production and consumption patterns arising from new age structures and behavioural shifts as people adapt to extended life spans.

Relevance for insurers

Life and health insurance have historically been central to managing some of the pivotal outcomes of human lives. Originally, life insurance provided protection against untimely death, also known as mortality risk. Today, however, the majority share of life insurance business concentrates on longevity risk (i.e. protecting against the chances of outliving one's savings) through annuities, private pension insurance, or saving investment plans as well those that come with long-term care or income protection solutions. But overall demand for many of these savings products has waned since the Global Financial Crisis as interest rates plummeted (with some arguing demographic change itself was a contributor),[2] despite the fact that longevity risk increases with rising life expectancies. Health insurance that protects against morbidity risks also has to contend with significant medical cost inflation as demand for health services increases with higher prevalence of chronic and age-related conditions.

But if the relationship between chronological and biological age becomes more malleable, it could be argued that the factors contributing to longevity risks do too, with implications for both health and life insurance. For instance, rather than individuals curtailing their workforce participation beyond a certain chronological age and running down their accumulated assets, they may opt to continue saving for longer, according to their biological age (which can be bolstered through better health interventions), or return to work after a mid-life career break.

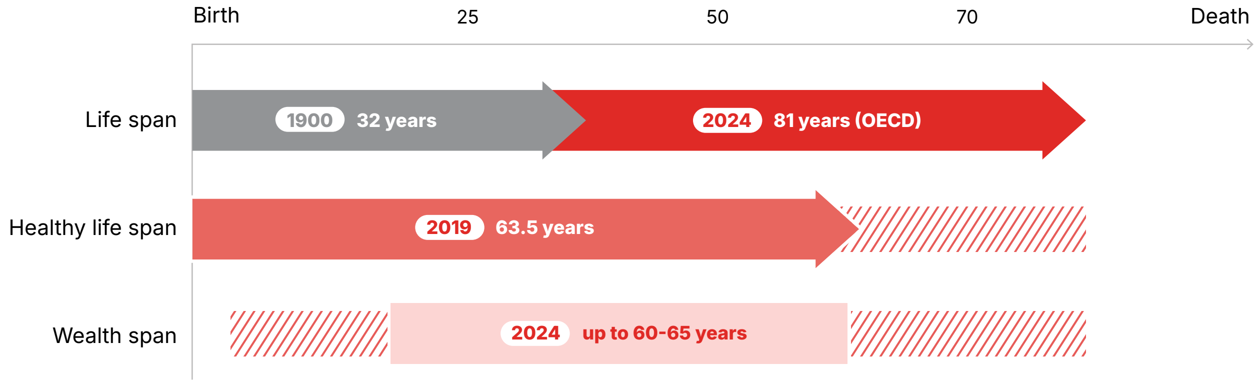
Longevity presents a multifaceted challenge, necessitating a fresh perspective from insurers to address not only the risk of outliving personal savings but also the risk of declining physical and mental faculties due to unhealthy ageing. This requires redefining the concepts of 'working age' and 'old', moving from 'sickness' to 'health', and shifting business models from getting people 'to retirement' to helping them navigate financial security over longer lives, including 'through retirement'.

1 Max Planck Institute.
2 Scott 2024.

A conceptual framework

Achieving this means embracing a paradigm shift that recognises the intricate interplay between 'health span' (the duration of an individual's life during which they remain in good health) and 'wealth span' (the period during which an individual maintains financial independence), which collectively shape the life span, determine quality of life, and thus the appropriate rate of accumulation and decumulation of personal assets. Figure 1 illustrates this concept, where intervention with the right tool (shaded in red) may provide an opportunity to better align health, wealth, and life spans.

FIGURE 1: THE MISALIGNMENT OF LIFE, HEALTH, AND WEALTH SPANS



Source: Geneva Association, based on data from WHO, Our World in Data, and WEF[3]

Doing so, specifically in the context of insurance, warrants four strategic considerations: 1) How the insurance customer base may evolve with demographic shifts and what that means for insurers' conventional risk threshold; 2) How trends in consumer behaviour in response to longevity might influence insurance products; 3) The conditions for scalability in the altered state of risk, especially when some risks may be prone to market failures; and 4) What new market developments could influence how insurers deal with those risks.

The reality check: A global customer survey on longevity

The Geneva Association commissioned a survey to explore people's general perceptions of longevity, their concerns, preparedness as they age, and the institutions they value for supporting their preparation for a longer life. A total of 15,000 respondents were surveyed across 12 countries.[4] Four key messages emerge from the results:

People's estimation of longevity differs between developed and developing countries. Individuals in developing countries generally overestimate their longevity, while those in developed countries tend to underestimate it (except in the UK and US, where estimates are largely accurate). Globally, concerns about rising longevity extend beyond financial considerations to include health and loneliness, underscoring a growing focus on quality of life in later years.

People worry about the challenges of living longer but also overestimate their preparedness. Over two thirds of respondents express concerns about access to healthcare, the adequacy of retirement savings, and the robustness of public safety nets. But self-reported preparedness in these areas is unexpectedly optimistic. This highlights the challenge of translating broad awareness of issues into individual action.

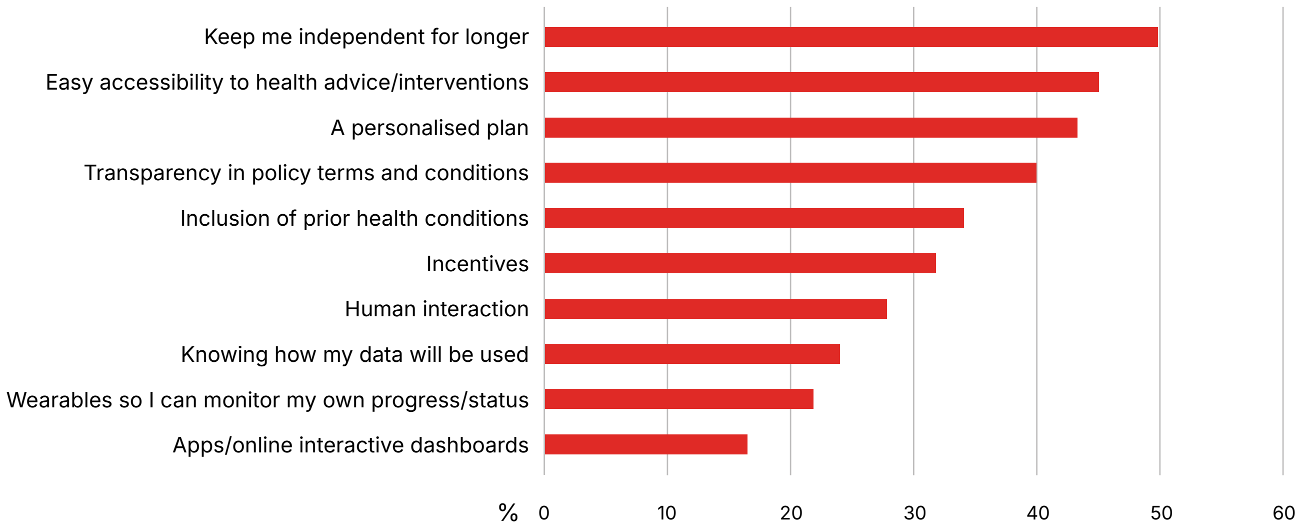
Insurance is identified as a key institution to support longevity. Insurance is ranked highly alongside family and government, but engaging young adults remains a challenge, indicating the need to simplify products to enhance their appeal.

People want to remain independent as they age. There is an opportunity for insurers to create products and services centred on autonomy and innovative risk-reward models that complement traditional indemnity solutions (see Figure 2).

3 WHO; Our World in Data 2023; WEF 2019b.
4 The survey was conducted by Dynata in Brazil, China, France, Germany, India, Italy, Japan, Mexico, Spain, South Korea, the UK, and the US.

FIGURE 2: MOST IMPORTANT FEATURES OF FUTURE INSURANCE PRODUCTS

What do you think will be the most important features for you in future insurance products



Source: Geneva Association

The role of Insurance

This evolving concept of longevity offers insurers fertile ground for experimentation with existing and new products. It also enables the industry to look beyond chronological age and associated parameters (i.e. pensionable age) and focus on health span as a potential driver of improved longevity outcomes, thereby creating wholly new templates for asset accumulation and decumulation. They can double down on emerging integrated health and wealth strategies and upscale them by combining protection, savings, and services and breaking down traditional distinctions between 'health and life' and 'accumulation and decumulation'.

At the interface of accumulation, wealth, and health spans

- Expand linkages between life insurance and health. Advances in health data and wearable technology present an opportunity to shift beyond mortality protection by promoting healthier, longer lives through dynamic risk assessments and behavioural nudges.

- Make savings products more flexible. Financial market volatility is a significant risk during asset accumulation. Products like variable annuities with guaranteed minimum benefits and target-date annuities that derisk investment in older age can be developed further to share such market risk with policyholders. Saving could also be made easier by combining credit and savings features, or allowing percentage-based savings for low-income populations.

- Derisk health spans to boost years at work. Group health insurance plans can be enhanced to help maintain a healthier workforce, thereby extending working lives and boosting wealth spans.

- Shift from short-term policy cycles towards three-year tenures with clear benchmarks to address insureds' needs. A longer policy cycle also allows for investment in targeted strategies that are typically not conducive to annually priced health products.

At the interface of decumulation, wealth, and health spans

- Combine longevity, mortality, and health risks. Hybrid products currently exist but they are often poorly understood by consumers, highlighting the need for enhanced awareness and better marketing. Life insurance products combining death protection with living benefits such as long-term care or critical illness insurance and deferred annuities with payouts at advanced ages can also be improved. A modern tontine scheme mixed with annuities could also be tested.

- Rethink long-term care insurance. Privately funded long-term care insurance or even deferred annuities could complement public solutions. For instance, voluntary insurance could cover years beyond the average time spent in dependence and some expensive end-of-life risks. Long-term care insurance could also move away from costly institutional care provision to asset-light models that allow insureds to stay physically independent for as long as possible.

- Bolster a fourth pension pillar that blends part-time work and part-time retirement. New working patterns allow insurers to develop novel accumulation solutions for gradual career transitions. This may also involve assisting corporate clients in analysing workforce demographics and retirement readiness, which may encourage extended careers and prompt employers to implement more flexible work and upskilling programmes to retain talent.

At the interface with public policy

- Promote longevity literacy. Access to traditional, independent financial advice remains limited to the wealthy. While digital sources and 'finfluencers' have helped to democratise aspects of this, many are left to their own devices, leading to underinsurance in old age. Policy action is needed to facilitate insurers' role in offering optimal advice while upholding ethical standards and avoiding mis-selling.

- Revisit the use of data in insurance. Data regulation is influential in shaping insurance products, particularly in health and increasingly in life. Whilst the use of personal data enables targeted interventions and improves risk management, it raises ethical concerns and may limit access to protection. Genetic screening and diagnostic advancements exacerbate these issues. Conversely, these technologies can significantly enhance longevity. Clear and level-headed policy dialogue is needed to balance personalised protection and fairness.

- Coordinate with public policymakers. The global pension protection gap is estimated at USD 1 trillion annually. Policymakers increasingly look to the private sector to assume greater longevity and health risks and complement public safety nets, requiring regulatory frameworks that attract capital to support innovative annuities, guaranteed savings, and health insurance products. Dialogue between insurers and policymakers is vital, focusing on solvency standards, taxation, social care, and public-private insurance solutions.

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