Ending the Sandwich Generation Squeeze

Neill Muller
Chief Marketing Actuary
Asian Markets

Squeezed between growing and aging. Pressed on both sides by demands for care and financial resources .... The “sandwich generation” is an apt description for a growing demographic group caring for both young children and elderly parents. It’s also an ideal target for innovation in long-term care (LTC) products in Asia.

Why? Only consider one of the most significant challenges hindering LTC sales: timing. Too often, the value of traditional stand-alone living benefits products becomes apparent far too late. When the long-term care insurance is most needed, the potential customer is often too elderly to obtain the cover affordably – if at all. Instead, the financial burden falls to the individual’s younger relatives, who must balance work and childcare with the needs of an aging family member. This becomes a vicious circle, depriving caregivers of disposable income to provide for their own retirement and care.

And pressure is likely to grow as populations age. In “Caregiving Costs to Working Caregivers”, the MetLife Mature Market Institute reported that nearly 10 million adult children care for older parents in the United States alone, with average annual costs (such as lost wages, pension and social security benefits) of approximately $300,000 per adult. The time caring for the elderly loved one can be equivalent to taking on a second job, according to Holiday Retirement. Other, less visible costs can also pinch, from housing to nutritional expense. In Hong Kong, where I am based, a recent survey found that 53% of this sandwich generation struggles to cope with the burden.

An Opportunity for Insurers

The opportunity for insurers is significant. The key is to bring the purchasing forward by packaging solutions to address the needs of all three generations: children, elderly dependents and the ‘sandwiched’ caregiver. Critical Illness (CI) presents an ideal opportunity through a Family Generation Protection rider. The rider could offer:

- Automatic child coverage with a percentage of the parents’ sum assured;
- Adding a Living Benefit rider which effectively acts as LTC benefit for both you and your parents. It will provide for your needs whilst addressing the needs of your parents first;
- CI survival payments to minimize the continued financial impact on the family after a critical illness event;
- A premium waiver benefit to allow coverage to continue after a claim; and
- A ‘survival booster’ payout at an advanced age, if the benefit is unclaimed.

Such a plan is not a one-size-fits-all fit for all regions or markets. Indeed, it stands to reason that these products may be most popular in markets with a high propensity for family caregiving and where the demographic challenge is most acute. Still, while aging in place presents significant benefits, the financial, physical and emotional costs are real. And with old-age dependency ratios increasing across the globe, the time for insurers to offer effective solutions may be now. ■