



Elderly Insurance Industry: based on PESTEL Analysis

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Abstract. The rapid ageing of populations worldwide, especially in China, has intensified the need for comprehensive, sustainable, and innovative eldercare solutions. This paper uses the PESTEL framework to examine the development trends and future prospects of China's pension insurance market, with Taikang Insurance as a representative case. The primary aim of the research is to comprehensively analyse the external environmental factors influencing pension insurance providers' strategic direction and operational performance. Exploring political, economic, social, technological, environmental, and legal dimensions identifies key opportunities and risks that significantly shape the industry's dynamics. It provides actionable insights for industry stakeholders to navigate complexities, foster innovation, and sustainably capitalise on emerging opportunities. The findings reveal that proactive government policies and demographic shifts substantially drive the market's expansion potential. Consumer purchasing power presents opportunities for growth and challenges necessitating strategic flexibility. Technological innovation, including digitalisation and smart retirement solutions, has become a key driver of competitive advantage. At the same time, the growing need for sustainability and evolving regulatory compliance frameworks underline the importance of environmental and legal considerations.

Keywords: Elderly Insurance, PESTEL Analysis, Industry Trends

1 Introduction

The global population is ageing at an unprecedented rate. Between 1974 and 2024, the percentage of the world's population 65 and over almost doubled. Meanwhile, the world's population is expected to continuous growing for another five or six decades. By 2074, the proportion of people aged 65 and above is projected to double again to reach 20.7% globally, and the amount of those 80 and older is expected to more than triple [1]. This demographic change poses significant social and economic challenges, particularly regarding healthcare, pension systems, and long-term care services. As a result, the elderly insurance market, which includes health insurance, life insurance, long-term care insurance, and retirement financial products specifically designed for older people, has become an essential tool for controlling the risks of growing older.

Currently, China's aging population is particularly prominent [2]. The China Statistical Yearbook published in 2024 states that the individuals aged 65 and over made up

15.4% of the country's total population, amounting to approximately 220 million people [3]. The topic of elderly care in China is receiving more and more attention from the government and society as the country's population ageing becomes a prominent trend in social development. Data from the 2022 China Health Statistical Yearbook [4] indicates that older adults over 60 made up 42% of hospital discharged patients in 2021. The massive ageing population, combined with the generally poor health status of many older adults, has resulted in a significant rise in diverse needs for elderly healthcare services [5]. However, the ageing trend significantly influences public healthcare and shapes the evolution of the insurance market. Due to urbanization and the one-child policy, there has been a surge in demand for institutional, community and financial solutions for elder care since many older adults in remote areas lack traditional family support [6]. Therefore, driven by government policies and market dynamics, elderly insurance has become a strategic industry [7].

In recent years, major insurance companies such as Taikang Insurance have expanded their offerings to include pension management, eldercare communities, and wellness life policies. These trends are in harmony with the broader trends in the industry, such as the integration of healthcare and financial services and the increasing focus on digital platforms and healthcare technology. At the same time, the industry faces uncertainty, rising operating expenses and long-term sustainability issues as the population ages and life expectancy increases.

This study aims to explore how the external environment shapes the development of the senior insurance market. Using PESTEL analysis to assess the political, economic, social, technological, environmental, and legal contexts, the study focuses on evaluating the opportunities and risks that this rapidly growing industry may encounter in the coming decades.

Taikang Insurance Group will be used as the case example. By analysing these macro-level issues, this study advances a more detailed comprehension of the ways in which market forces, regulation, innovation, and demographic aging interact to shape the growth of the elderly insurance industry.

The study employs a qualitative, descriptive approach based on secondary data sources. The PESTEL framework is the main analytical tool due to its effectiveness in exploring external environmental forces. Data sources include official statistics from government agencies, industry white papers, academic journal articles, and reports from consulting firms.

This research contributes in three ways. First, it offers an updated overview of the external macro-environment facing the elderly insurance industry in the context of ageing societies. It comprehensively analyses how various external environmental factors shape industry trends and strategic decisions within organisations such as Taikang Insurance. Second, it offers strategic insights for industry stakeholders to effectively navigate opportunities and mitigate risks associated with demographic, economic, technological, and regulatory changes. Third, applying PESTEL analysis to a real-world case of China is a reference point for other emerging economies facing similar demographic transitions.

2 Method

The analysis of this study employs the PESTEL framework. This strategic analytical tool explores the external environment of an organisation or industry through six components, which are political, economic, social, technological, environmental, and legal. The political factor mainly concerns government actions, including policy-making, regulatory changes, and political stability, which is important to understand how legislation affects pension insurance. Economic factors include micro-economical and macro-economical factors affecting the elderly care industry. These factors include GDP growth rates, inflation, employment levels, and disposable income, directly influencing market demand and purchasing power for pension services. Social factors cover demographics, cultural attitudes toward retirement, and consumer preferences that affect the industry's growth potential and service expectations. Technological factors consider the conditions for applying various techniques and technology development trends. Environmental factors highlight concerns such as resource scarcity and sustainability. Legal factors relate to health and safety, equal opportunities, and consumer protection [8].

This framework provides a broad analysis of the macro-environmental factors that a company must consider when making decisions, which is especially helpful for understanding the macro-environmental forces that shape industries over time [8]. By applying this method to the elderly insurance industry, this research identifies key trends, potential opportunities, and risks that may influence future development.

The elderly care insurance sector is considerably affected by external non-market forces such as government policies, population dynamics, technological innovations, and regulatory shifts. These factors are largely beyond individual companies' control but significantly impact their operations, product offerings, and long-term sustainability. PESTEL analysis provides a structured framework for capturing these broader influences and evaluating how they impact firms' strategic direction within the industry. It also allows for a comprehensive exploration of how population ageing, regulatory reforms and societal expectations generate demand for new insurance products targeting older people.

3 Analysis

3.1 Company Profiles

Taikang Insurance Group was founded in 1996 and is one of China's biggest insurance and financial service providers. It is based in Beijing and offers diverse services, including life insurance, asset management, healthcare, and elderly care. Facing the trend of increasing ageing populations, Taikang has built an ecosystem that integrates insurance, medical services, and high-quality senior living communities to address the growing demand for elderly care in China. For example, Taikang established "Taikang Homes" in multiple cities and offered upscale retirement services. The company improves the health of senior citizens and supports the growth of the elderly care sector by integrating long-term health insurance, asset management, and healthcare services.

3.2 PESTEL Analysis

Political Factors.

The Chinese government is actively reforming its pension system to address the challenges of an ageing population by raising the retirement age and promoting private pension schemes. Over the past few years, delaying the mandatory retirement age has been repeated in Chinese official documents, and following the 11th session of the Standing Committee of the 14th National People's Congress (NPC) in September 2024, a proposal was approved to adjust the statutory retirement age starting in January 2025. Under the new policy, the retirement age for male employees will be raised from the original age of sixty to sixty-three, while for female employees, it will delay from fifty and fifty-five to fifty-five and fifty-eight, respectively [9, 10].

The three-pillar pension model, initially introduced by the World Bank in 1994, serves as the foundation for China's pension insurance scheme, with the first pillar being basic pensions, the second is occupational benefits insurance, and the third is private pensions [11]. Since the 1990s, the government-led first pillar pension has been the main pension system in China. As China's ageing population deepened, the second pillar began to be established and developed in 2004 as an important supplement to the first pillar. In November 2022, the third pillar was officially implemented; it encourages the role of individuals to invest in advance for the expenses required after retirement to increase the value of assets; the investment can be in the form of savings, insurance, funds, financial management, etc. [12].

These policies allow pension insurance providers like Taikang Insurance to expand their market presence and customer base.

Economic Factors. Since 1980, Chinese residents' disposable income per capita has been rising steadily. In 2023, the disposable income per capita of the nation's residents was 39218 RMB, representing a nominal year-on-year increase of 6.3%, and a real growth of 6.1% after adjusting for inflation [3]. At the same time, China's middle-income group comprised approximately 400 million people. Based on a total population of 1.4 billion, this means around 30% of the population falls into the middle-income category, and this segment is continuously expanding. The rising middle class and growing disposable income have increased the demand for commercial insurance solutions, including elderly insurance [13]. The economic shift from manufacturing to services also supports the development of healthcare and eldercare sectors [3].

However, the gross domestic product (GDP) growth has been gradually slowing down, calculated in constant prices; GDP in 2019 grew by 6% compared to last year, while GDP in 2024 grew by only 5% compared to 2023[3]. Moreover, in November 2024, China's consumer price index (CPI) decreased by 0.6% monthly, and the rate of decline widened for four consecutive months. Throughout 2024, the CPI oscillated below 0.4%, except for three months when the year-on-year growth rate exceeded 0.5% [14]. On the other hand, the Producer Price Index (PPI), which reflects producer prices, fell by 2.5% year-on-year in November, the 26th consecutive month of decline [15]. The fluctuations in the economic cycle affect the consumer purchasing power and demand for pension insurance products; the economic headwinds may lead to a lack of

consumer confidence and a reduction in their expenditure on long-term insurance products, thereby impacting Taikang's marketing strategies.

Social Factors. China is experiencing rapid demographic shifts with a significant increase in the elderly population, and this is perhaps the strongest driver of elderly insurance. In 2020, 13.5% of China's population was 65 years of age or older, and by the 2050s, this percentage is expected to rise to 32.9%–37.6%. Alongside this trend, issues related to population ageing and “empty nest” households are becoming more pronounced. 36.6 million Chinese citizens were 80 years of age or older in 2020, and that figure is expected to increase to 159 million by 2050 [16]. The Fifth Survey on the Living Conditions of Older Adults in Urban and Rural Areas of China reports that by 2021, about 60% of China's population 60 will be empty nesters; this proportion has increased by around 10% over the past decade. Nowadays, nearly 80% of elderly Chinese suffer from chronic diseases, with hypertension (41.6%), lumbar spondylosis (23.1%) and arthritis (22.1%) being the three most frequent diseases, representing an increase of 30% compared with 2013 [17]. The advanced ages may face even more serious health problems.

Simultaneously, social structures are changing. The urbanisation rate of China's resident population reached 67% at the end of 2024, an increase of nearly 50% from the end of 1980 [18]. The growth of empty nesters and rural-to-urban migration will weaken the function of family elderly care. Public awareness of ageing and healthcare risks has grown, and the expectations of high-quality elderly care services have risen, which enhances the growth potential for companies like Taikang Insurance. Consumers' preference for mature and integrated retirement services such as health assessments, long-term care and end-of-life planning has led companies like Taikang to innovate with specialisation-focused and personalised retirement solutions.

Technological Factors. The traditional pension model has made it difficult to meet older people's growing diversified and personalized service needs. The adoption of smart healthcare technologies and elderly care robots has become an essential strategy for enhancing the quality and efficiency of elderly care services, playing a key role in driving the high-quality development of China's elderly care industry. The Action Plan for the Development of Intelligent Healthy Aging Industry (2021-2025) represents a turning point in the country's smart home-based elderly care services. In order to enhance the smart capabilities of health and senior care products and services, it promotes the incorporation of advanced technologies, including the internet, big data, and artificial intelligence. For example, monitoring the health of older people through smart wearable devices, providing medical services using telehealth systems, and improving the living environment for older people through smart home devices [19,20].

Taikang Insurance leverages technology to deliver efficient services, improve customer engagement, and innovate products, providing a competitive advantage.

However, compared to younger generations, older adults often show less enthusiasm for learning new skills and may struggle more with adapting to them. Therefore, the

elderly population's resistance to adopting smart ageing care services is a significant barrier to the development and widespread application of ageing care technology [20].

Environmental Factors. The impact of pandemics on elderly care insurance companies is significant. On the one hand, most epidemic mortality rates are directly related to age; for example, for COVID-19, 15% of the initial wave of mortality in China occurred among individuals aged over 60. Data from the Chinese Centre for Disease Control and Prevention (CDC) shows that the mortality rate is 3.6% for individuals aged 60 to 69, while for people aged 80 and older, it rises to as high as 18%. On the other hand, pandemics have considerable psychosocial impacts.

Misinformation and uncertainty can cause mass hysteria, and older people are particularly vulnerable [21]. The sequelae of the pandemic, such as breathlessness, impaired pulmonary function, and myocarditis, are among the considerations that elderly care companies need to take into account [22]. These push insurers to expand critical illness and emergency response policies.

Increasing emphasis on sustainability and environmental responsibility impacts China's insurance industry [23]. Companies integrate sustainable practices into their operations to meet regulatory expectations and appeal to socially conscious consumers. Taikang, for instance, is one of the earliest insurance institutions to practice green finance and ESG investment. This presents both challenges and opportunities for Taikang.

Legal Factors. Regulatory compliance is crucial in the highly regulated pension insurance industry. Article 6 of the Personal Information Protection Law of the PRC states that the collection of personal information must be limited to the minimum necessary for processing purposes; it impacts how insurers collect and use customer data since senior living communities need a sufficient wealth of underlying data to create a smart healthcare system that is more closely aligned with the service needs of older people.

In 2010, China introduced the Social Insurance Law. This largely expanded insurance participation and raised the awareness of urban and rural residents of insurance. As a supplement to social insurance, commercial pension insurance has embraced greater room for development. Regarding data, China's commercial health insurance coverage was 0.8% in 2010, while by 2020, it had risen dramatically to 42.7% [24].

Compliance with the evolving legal standards presents ongoing operational challenges, requiring continuous adaptability and careful strategic planning by Taikang Insurance.

3.3 Discussion

The findings from the PESTEL analysis highlight both significant opportunities and critical risks for Taikang Insurance and the wider pension insurance industry.

Politically, supportive government policies aimed at reforming the pension sector create opportunities for market expansion. Economically, rising disposable income

provides the chance for expanding the market, but fluctuating economic cycles necessitate insurance companies having flexible business strategies to manage risk effectively.

Social factors, particularly demographic shifts, indicate strong demand growth and changing consumer expectations. So, if Taikang can properly customize its products and services to effectively meet these demands, it will be in a strong position in the elderly care insurance industry. Technological advances provide substantial opportunities to improve operational efficiency and customer satisfaction through digital solutions. However, these require continuous investment in innovation and technology management.

Environmental and legal factors present dual considerations of compliance risk and competitive advantage. Sustainability requires the most efficient allocation of resources while promoting brand reputation and market attractiveness. Legal compliance, on the other hand, requires rigorous internal processes to ensure the company adheres to a dynamic regulatory framework.

Thus, adapting to these changes involves strategic agility, continuous innovation, and proactive risk management. Taikang, one of China's largest insurers, reflects the broader trend of the pension insurance industry's need to be multi-faceted, catering to financial and lifestyle needs. So, companies that invest in digital innovation, customer-centric design and sustainable operations are more likely to secure a sustained competitive advantage and long-term growth in this fast-changing market.

4 Conclusion

As global populations age, particularly in rapidly developing economies like China, the elderly insurance industry has emerged as a pivotal sector in addressing older adults' social, economic, and healthcare needs. This essay has analysed the external environmental factors influencing the pension insurance industry using the PESTEL framework, focusing on Taikang Insurance. The findings comprehensively show how political support, economic conditions, demographic trends, technological innovation, environmental challenges, and regulations interact to shape this industry's landscape and trajectory.

Supportive government policies offer substantial opportunities for market expansion and strategic alignment. Economic stability is a fundamental factor in determining consumer purchasing power and industry profitability, and the increase in household wealth drives demand for private insurance products. Demographic and social changes are creating an increased demand for pension products, and the erosion of traditional family-based eldercare and the rise of individual health awareness have triggered a shift toward institutional and community-based care services. Although there is a challenge of adaptability for the older population, technological advances present opportunities to enhance customer experience and improve operational efficiencies through digital solutions. Environmental considerations have accelerated the need for emergency-focused policy, and integrating sustainability measures can better satisfy consumer expectations. On the legal front, evolving laws and regulatory reforms are reshaping how

firms design and deliver their services. The case of Taikang Insurance illustrates the industry's transition from traditional insurance models to integrated eldercare ecosystems.

In conclusion, although the elderly insurance industry faces clear risks, it still stands at the forefront of a major societal transformation. So, companies in the pension insurance industry, particularly Taikang Insurance, must strategically balance risk management and innovation across these varied dimensions. This strategic agility, supported by continuous monitoring and response to external environmental changes, is critical for achieving sustained competitive advantage and growth. Future research could further explore specific technological innovations, detailed regulatory impacts, or comparative international market strategies, enriching understanding and strategic approaches within the pension insurance sector.

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