

# The Aging of the U.S. Population and the Property-Casualty Insurance Industry

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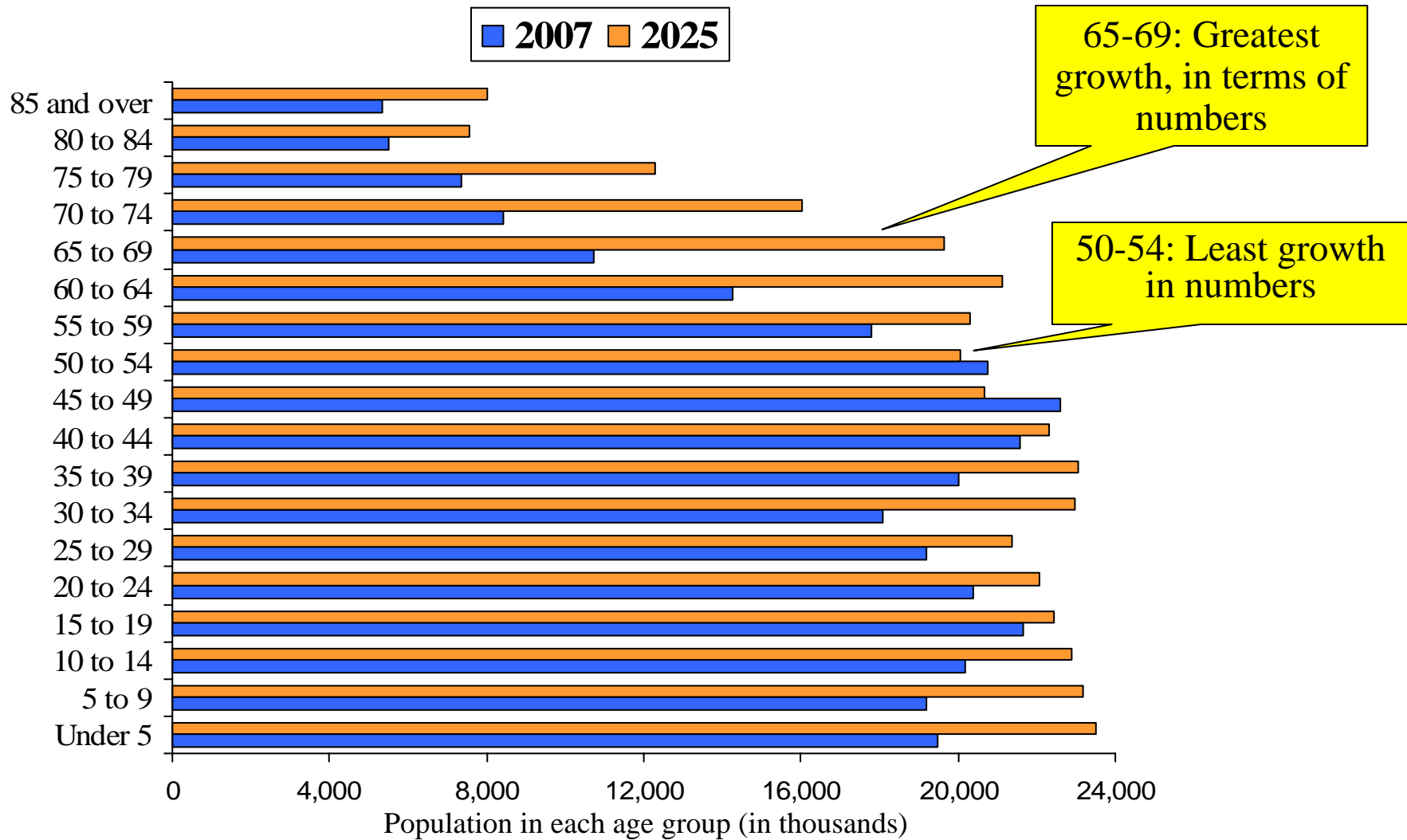
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# The Coming Changes in the U.S. Age Distribution

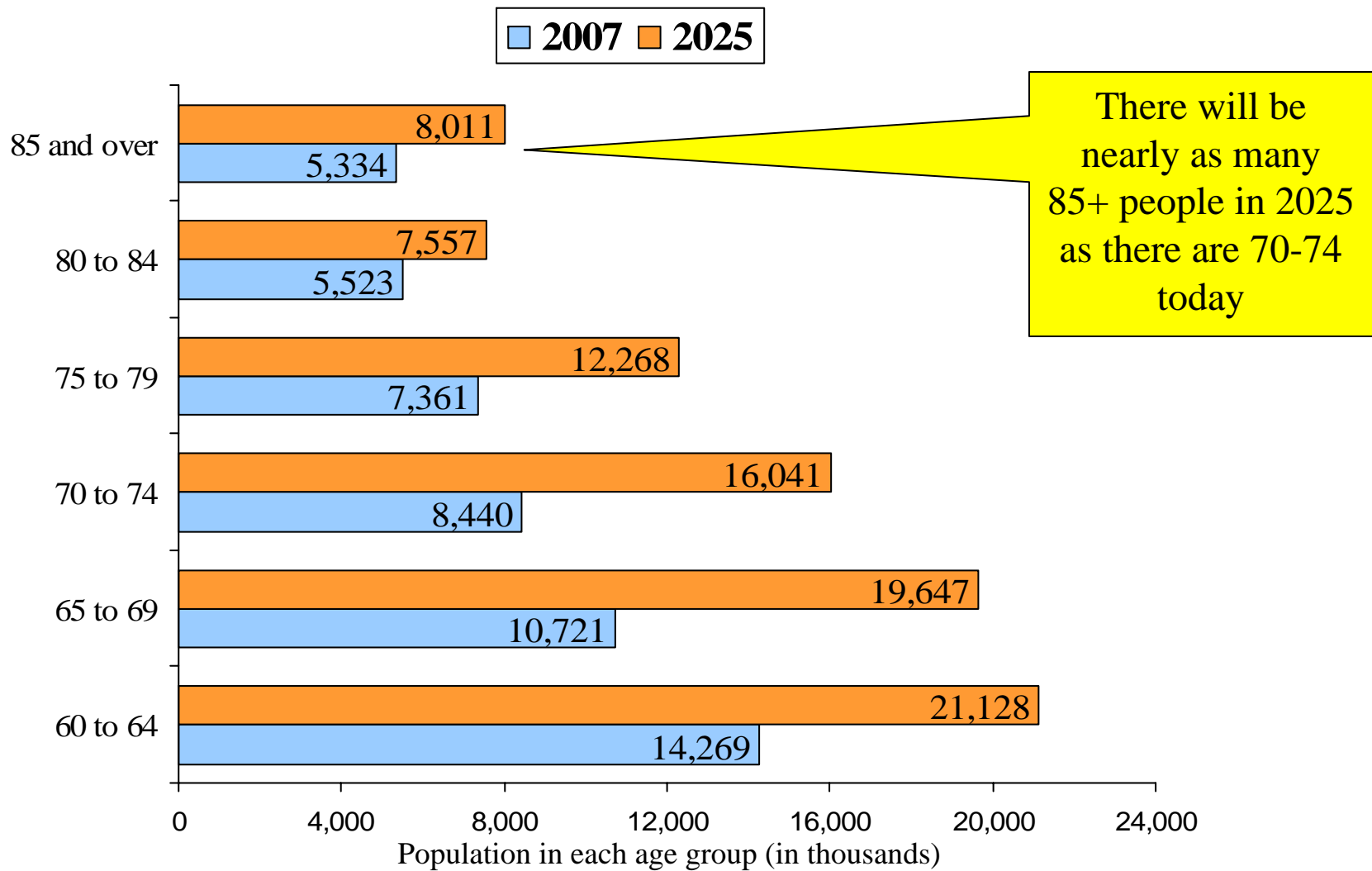
# US Population: 2007 vs. 2025 Projection\*



\*Using the Census Bureau's Middle (i.e., most probable) projections

Source: National Projections Program, Population Division, U.S. Census Bureau

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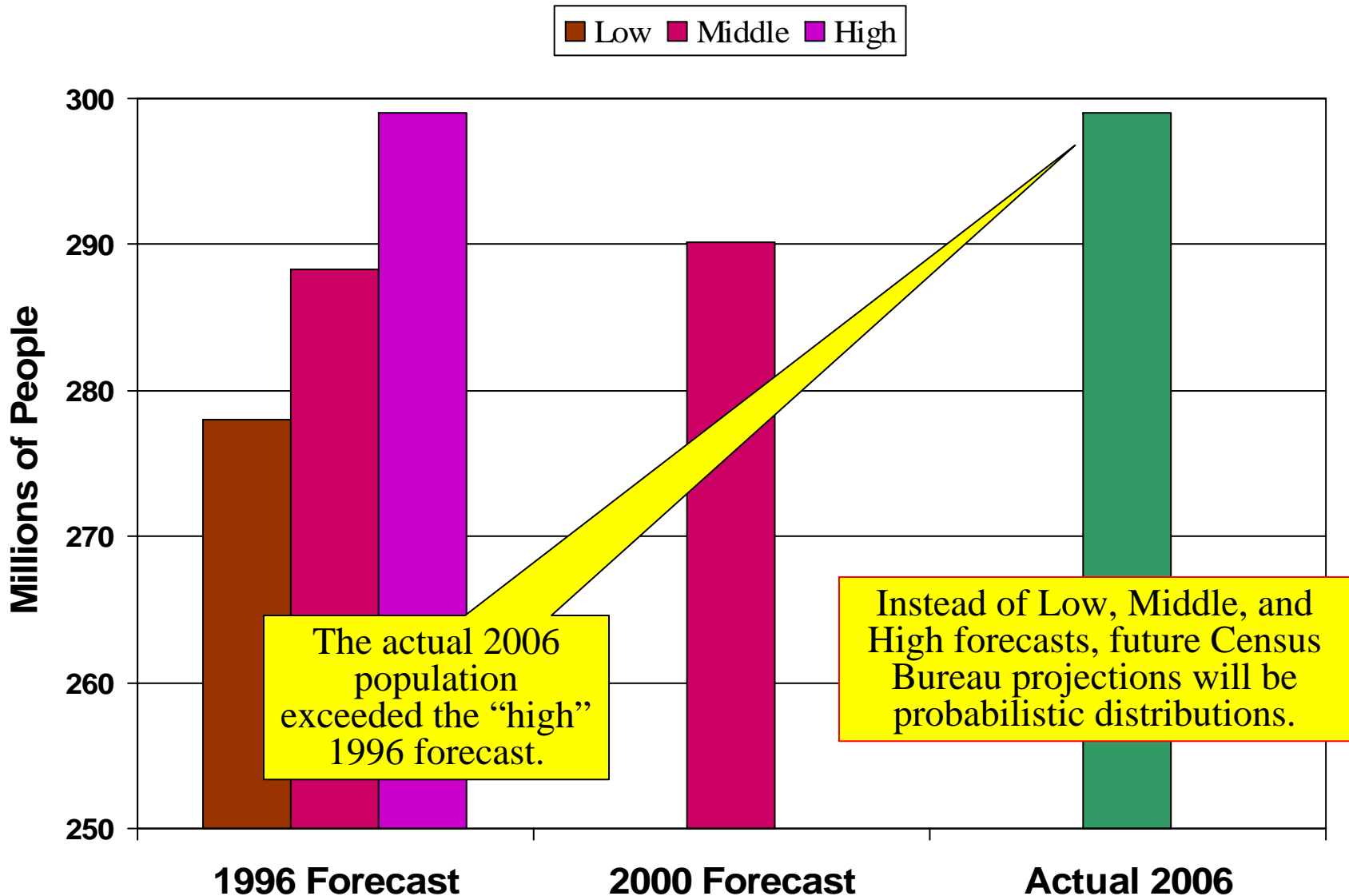
Source: National Projections Program, Population Division, U.S. Census Bureau



How accurate are these forecasts?



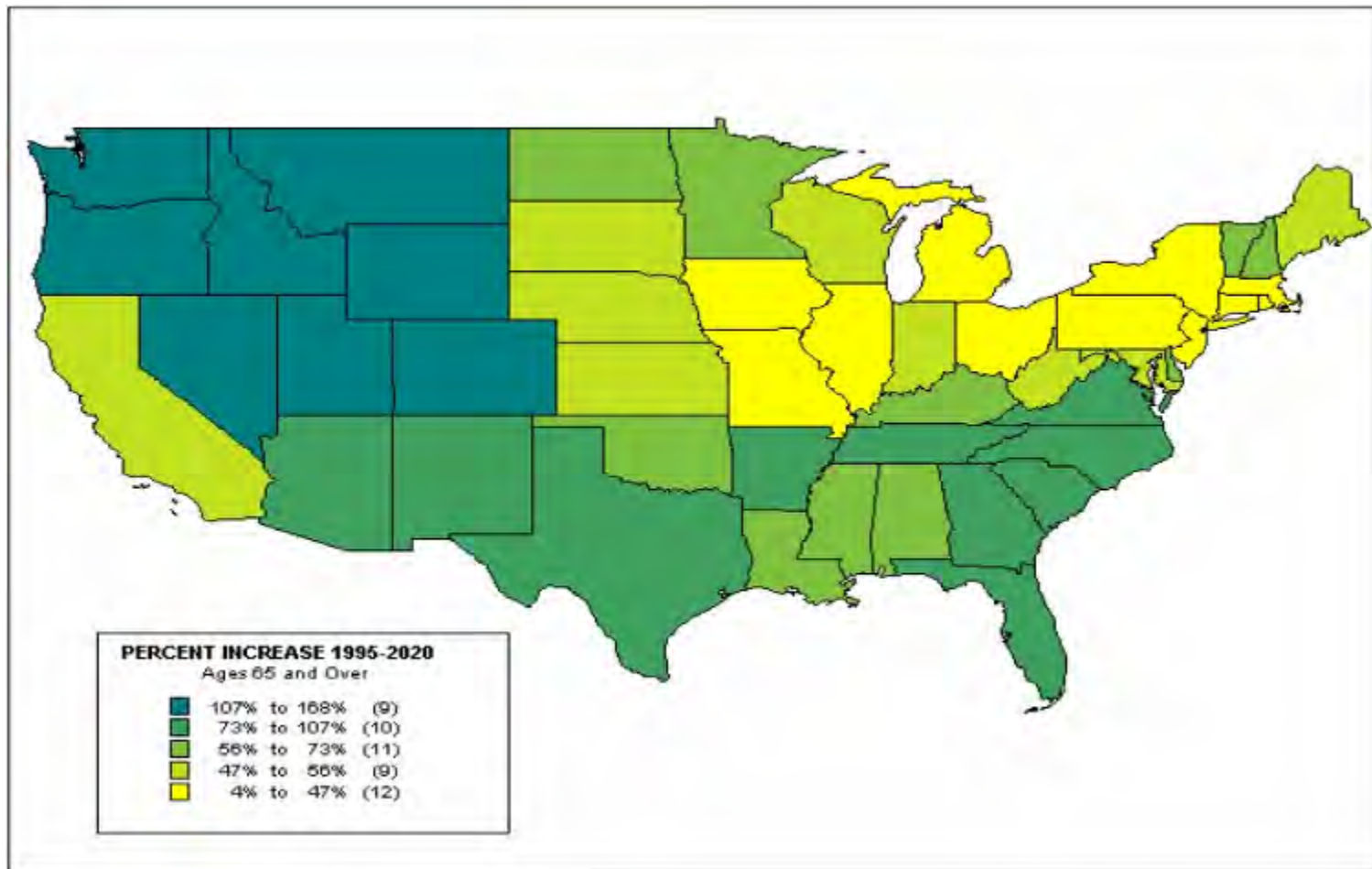
# Forecast vs. Reality of Census Bureau Projections for 2006



Source: [U.S. Bureau of the Census](http://www.census.gov), (NP-T3-C) Population Projections Program, Population Projections of the Total Resident Population by 5-year age groups, middle series, released January 13, 2000.



# Where will the growing 65+ population live?



Source: Patricia S. Hu et al, *Projecting Fatalities in Crashes Involving Older Drivers, 2000-2025*, October 2000, Document ORNL-6963, p. 1-4.

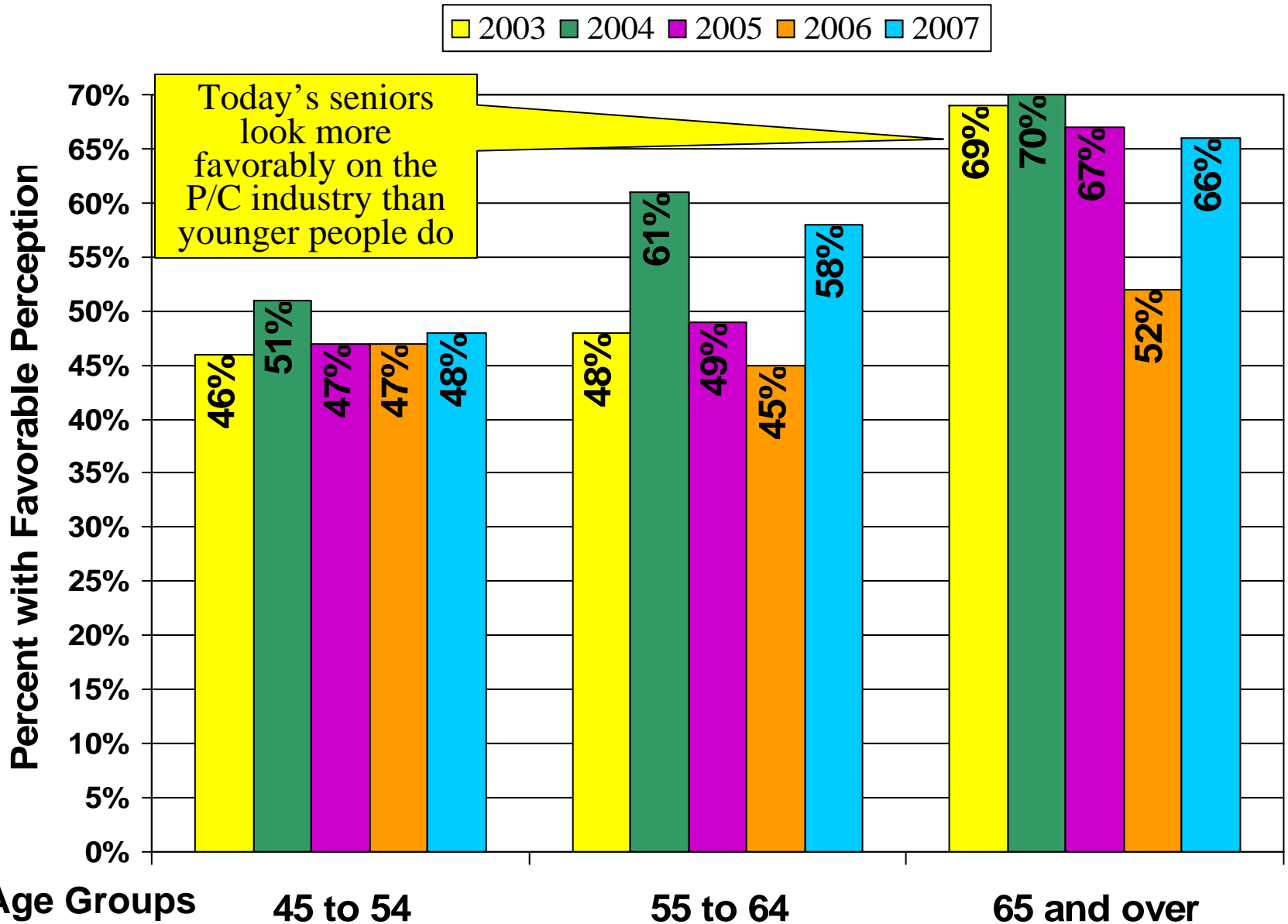


# Public Attitudes Regarding the Auto/Homeowners Industry



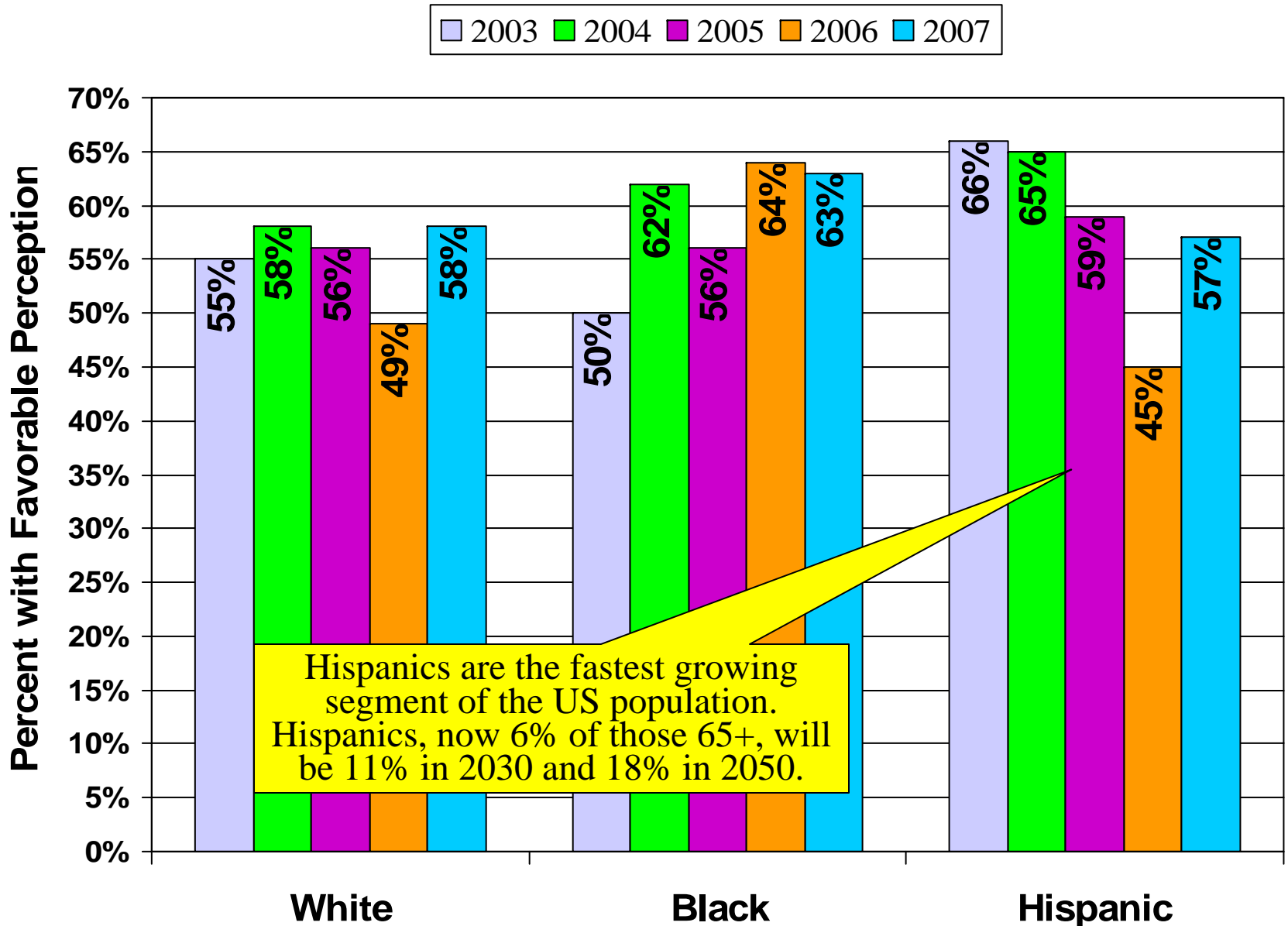


# Consumer Perceptions of Auto/Homeowners Insurance Industry





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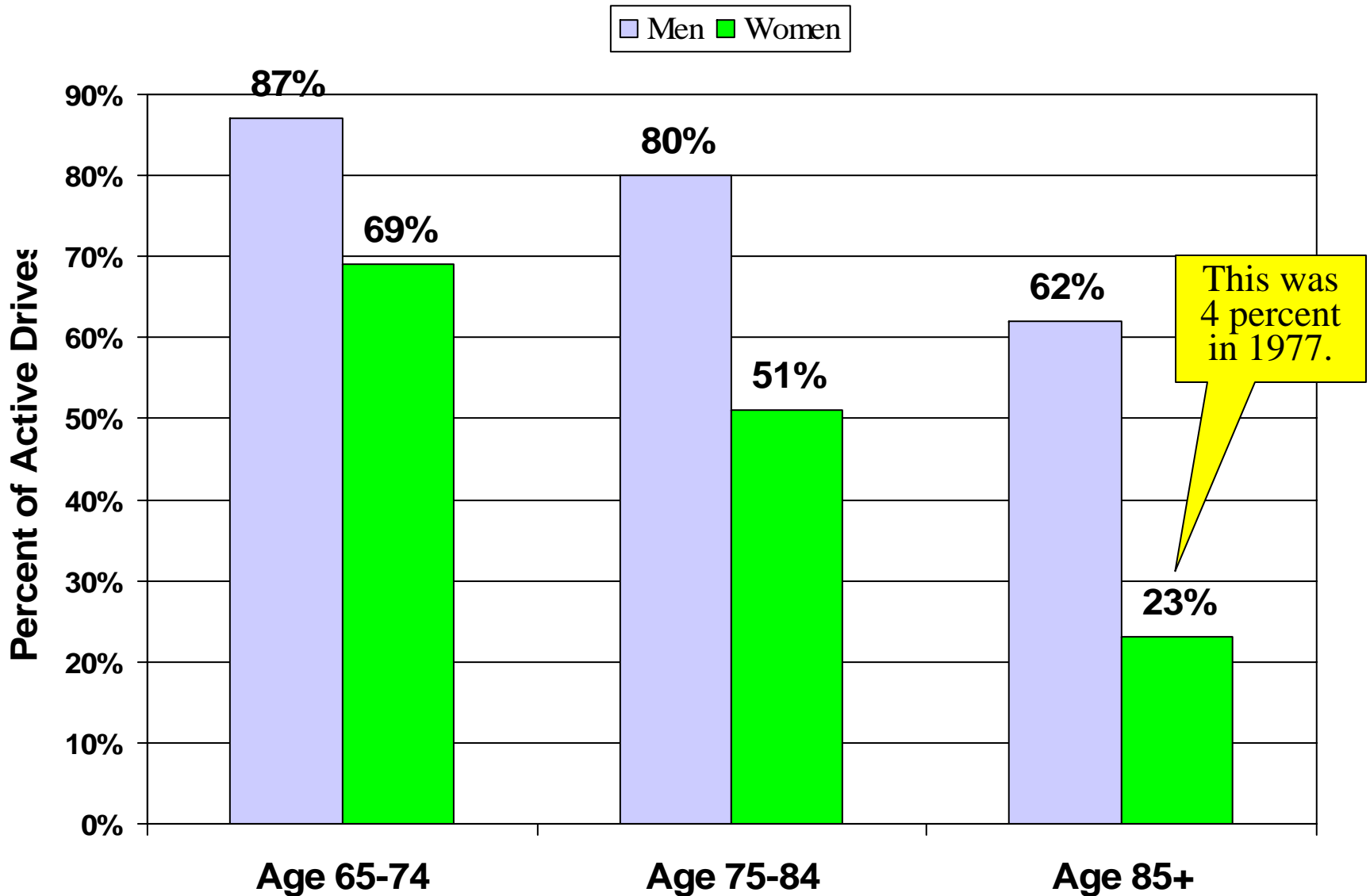




# Driving Behavior and Auto Insurance



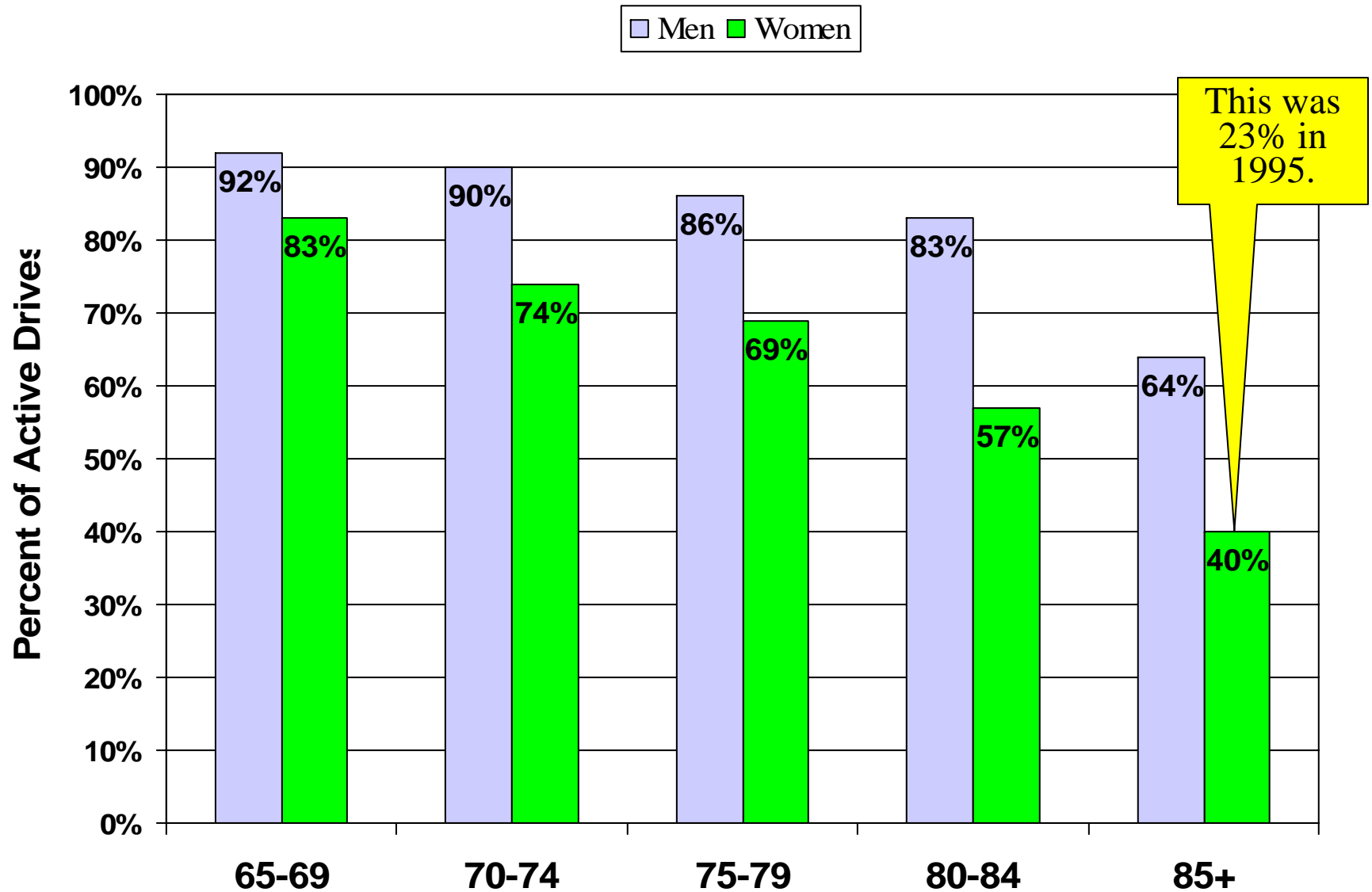
# Percent of Elderly Drivers in 1995, by age group



Source: Patricia S. Hu et al, *Projecting Fatalities in Crashes Involving Older Drivers, 2000-2025*, October 2000, Document ORNL-6963, pp. 6-1 and 6-9.



# Projected Active Elderly Drivers as % of the Age Group Population in 2025

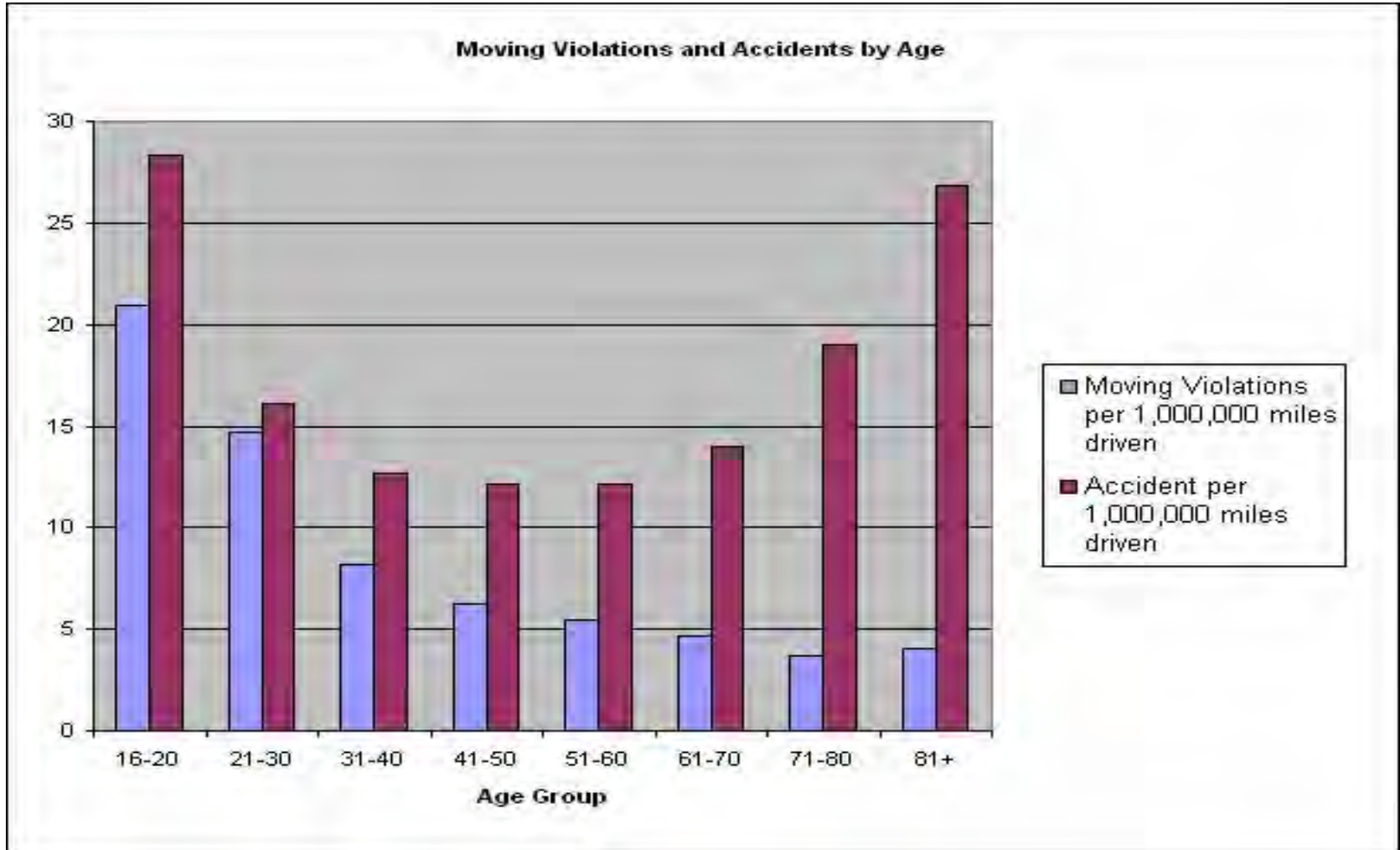


Source: Patricia S. Hu et al, *Projecting Fatalities in Crashes Involving Older Drivers, 2000-2025*, October 2000, Document ORNL-6963, p. 6-10.



# Careful Underwriting Required for Elderly Drivers

## Elderly Driver Accident Behavior Doesn't Correlate with Moving Violations



Source: QPC Press Release, dated September 29, 2003, accessed 11-6-2007 at [www.qualityplanning.com/qpc\\_resources\\_public/news/030929-Older%20drivers.htm](http://www.qualityplanning.com/qpc_resources_public/news/030929-Older%20drivers.htm)



## Why They Will Drive More Than Current Seniors Do

- More will be employed and will drive to work
- More will be caring for elderly parents/siblings
- More will be healthier and will want to—and be able to—go places
- More will move to newly-developed areas that don't have convenient public transportation

## Why They Will Drive Less Than Current Seniors Do

- Because they will depend on successful personal money management for income, some—perhaps many— won't be able to afford to keep a car



# Elements of the Decision to Drive

Elderly people are more likely to drive

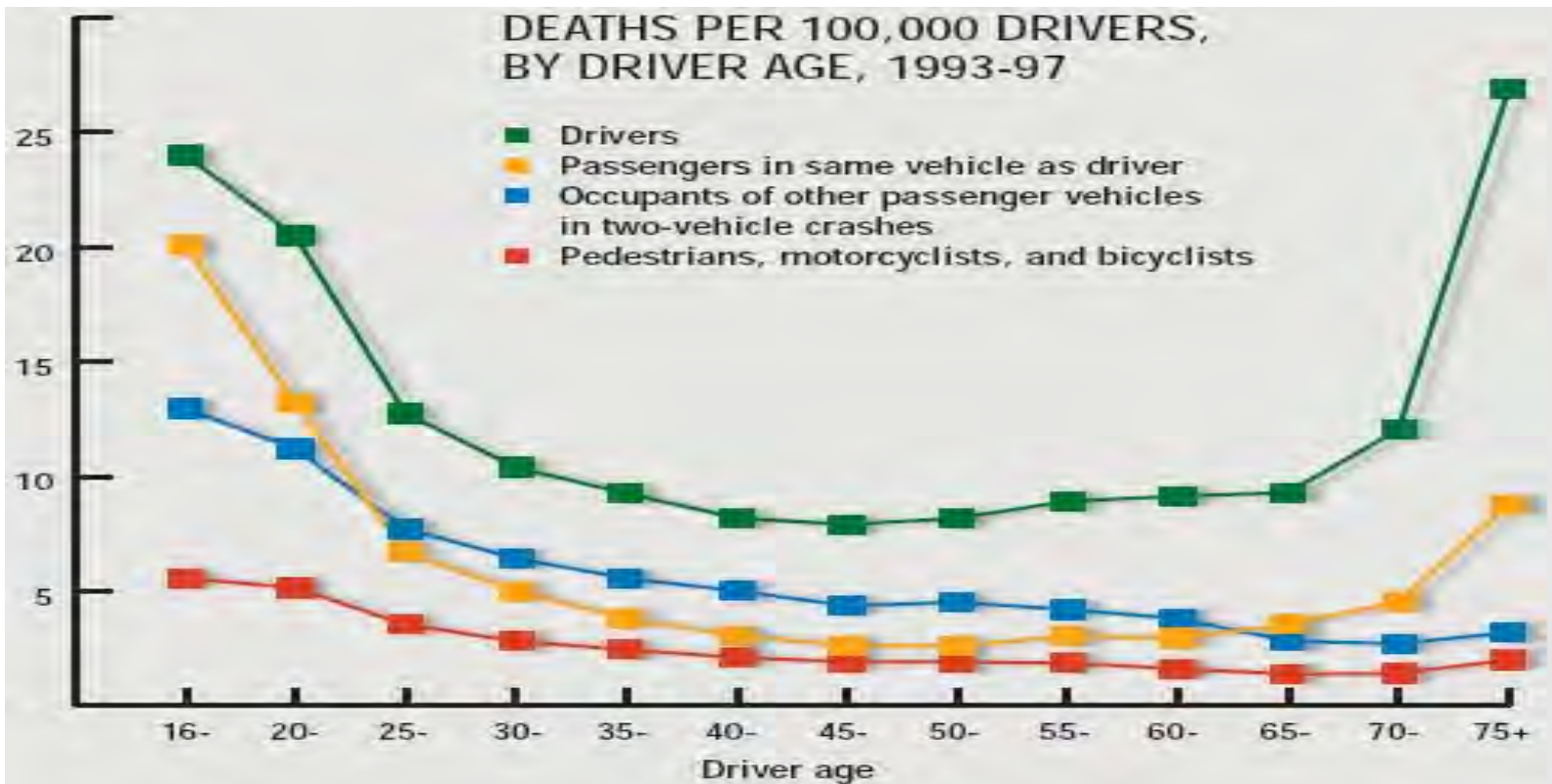
1. The higher their income
2. If they are employed
3. The better their health status
4. If they live where there is less suitable public transportation
5. If there is no other driver in the household

Also, there has been an increase over time in the likelihood of elderly people to drive that isn't accounted for by the factors above

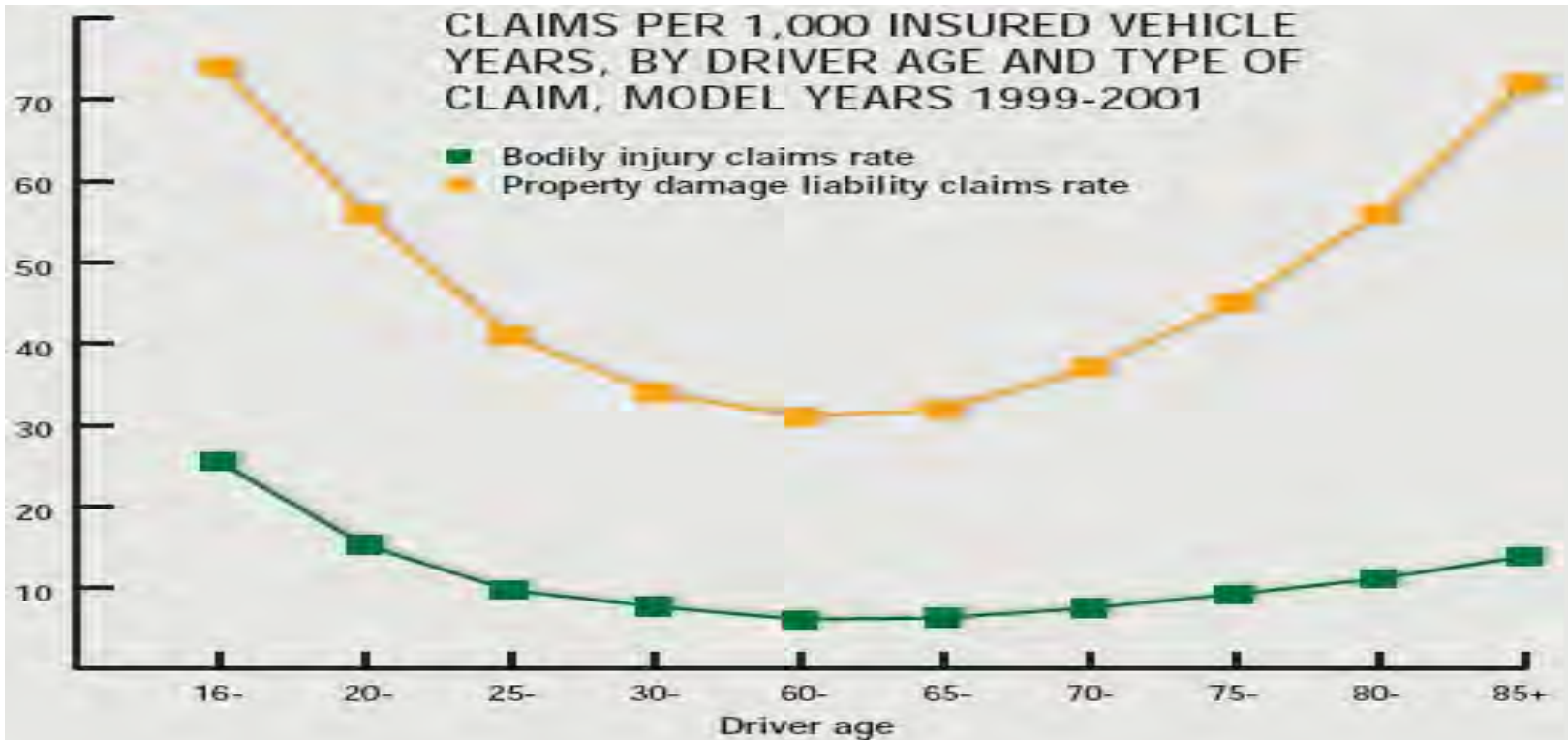
Points 2 and 3 above suggest that the percent of elderly drivers will grow in the future.

Points 1 and 4 suggest that the percent might shrink in the future.





Death rates for drivers 70 and older and for their passengers are higher than for 30-59-year-old drivers. However, the risk of death isn't higher for occupants of the other vehicles involved in crashes with older drivers. Nor is the risk higher among pedestrians, motorcyclists, and bicyclists.



Insurance claims for injuries to others and damage to their property go up for older drivers, which indicates they more often are deemed to be at fault in their collisions. The property damage liability claim rate starts going up at age 70 and is highest among drivers 85 and older.

Source: Insurance Institute for Highway Safety, Status Report, Vol. 38, No. 3 (March 15, 2003).



# Auto Driving Behavior of the Elderly

Prediction: The “Baby Boom” generation will be the first one the amount, stability, and duration of whose retirement income will depend on their success in personal financial management.

Prediction: From 1990-2020, total annual mileage driven by older drivers will increase by 500%

- As their driving increases and incomes decline/vary, will seniors not buy newer, safer cars? Not replace worn brakes, worn tires?
- Will auto insurers offer transportation services in order to get impaired/unsafe elderly drivers to stop driving?
- Will auto insurers create underwriting programs that incorporate the results of tests of driving ability?



## Prediction:

Those over 65, especially those not employed full-time, will use the internet to form auto insurance “buying communities”

- They might create reciprocal or mutual insurance companies that specialize in insuring elderly drivers



## *The Over-50 Crowd Takes to the Road In Paid Big-Rig Gigs*

by Stephanie Chen

Faced with a worsening shortage of long-haul truck drivers, freight carriers are [turning to the RV generation, aggressively recruiting older couples](#) like the Fords to climb behind the wheel. Schneider National Inc., the Green Bay, Wis., company that hired the Fords [he's 57; she's 51] and put them through driving school, [fishes for applicants through AARP](#), the advocacy group for people 50 and older, and has a Web page for “mature workers.” This fall, the American Trucking Association plans [a billboard and television ad blitz to lure older drivers](#).



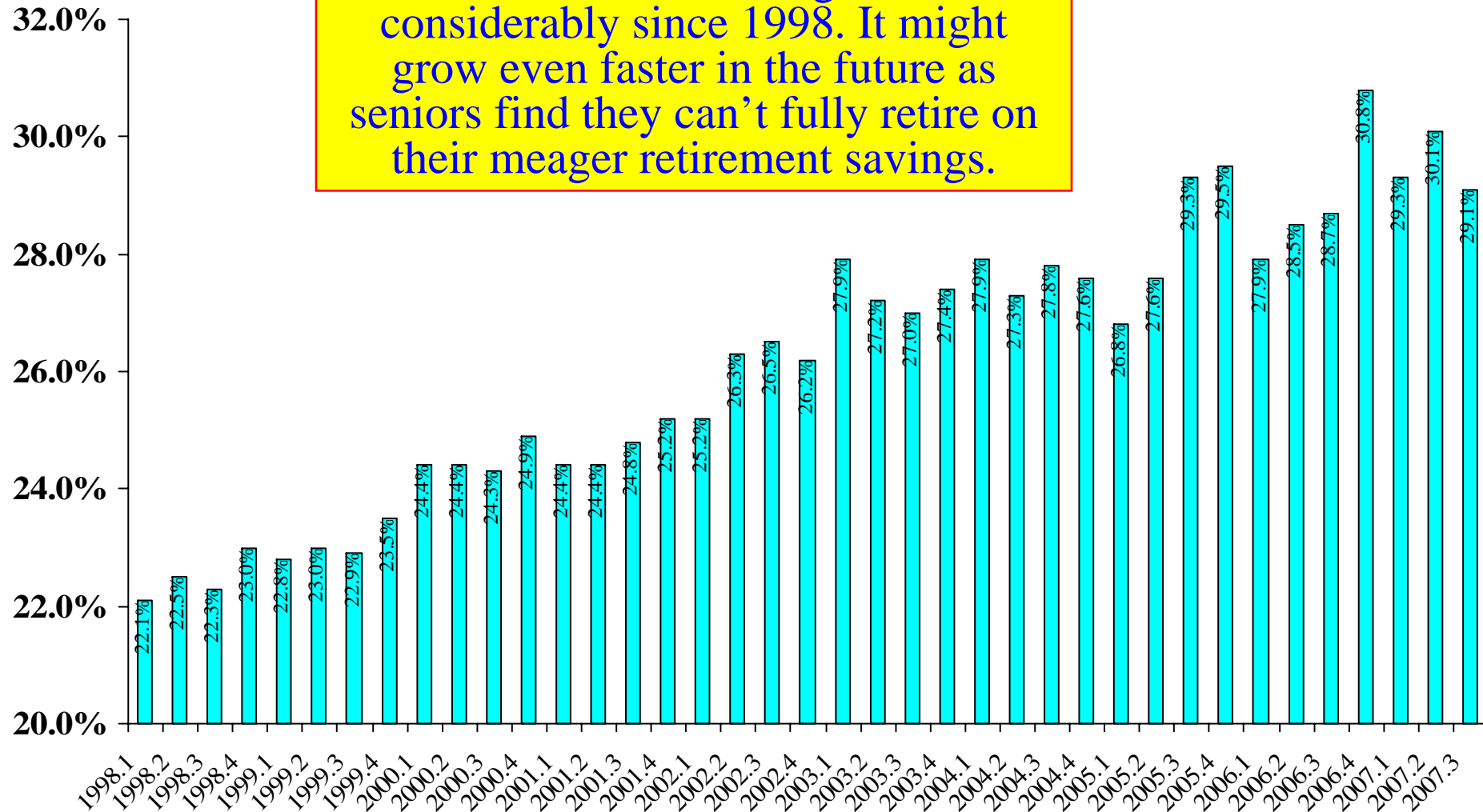
# Workers Compensation



# Quarterly Labor Force Participation Rate, Ages 65-69, 1998-2007

The labor force participation rate for workers 65-69 has grown considerably since 1998. It might grow even faster in the future as seniors find they can't fully retire on their meager retirement savings.

Labor Force participation rate

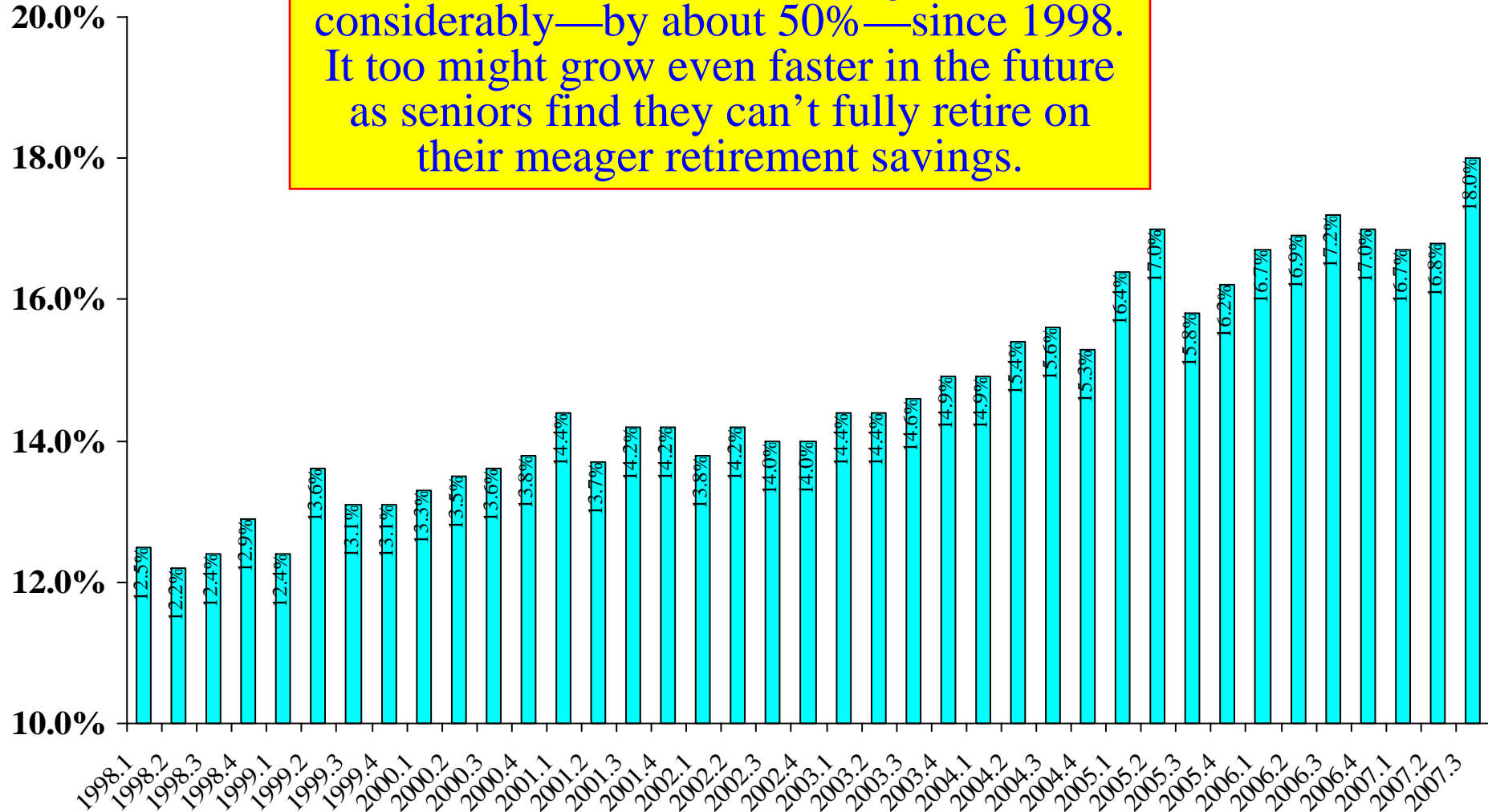




# Quarterly Labor Force Participation Rate, Ages 70-74, 1998-2007

The labor force participation rate for workers 70-74 has also grown considerably—by about 50%—since 1998. It too might grow even faster in the future as seniors find they can't fully retire on their meager retirement savings.

Labor Force participation rate



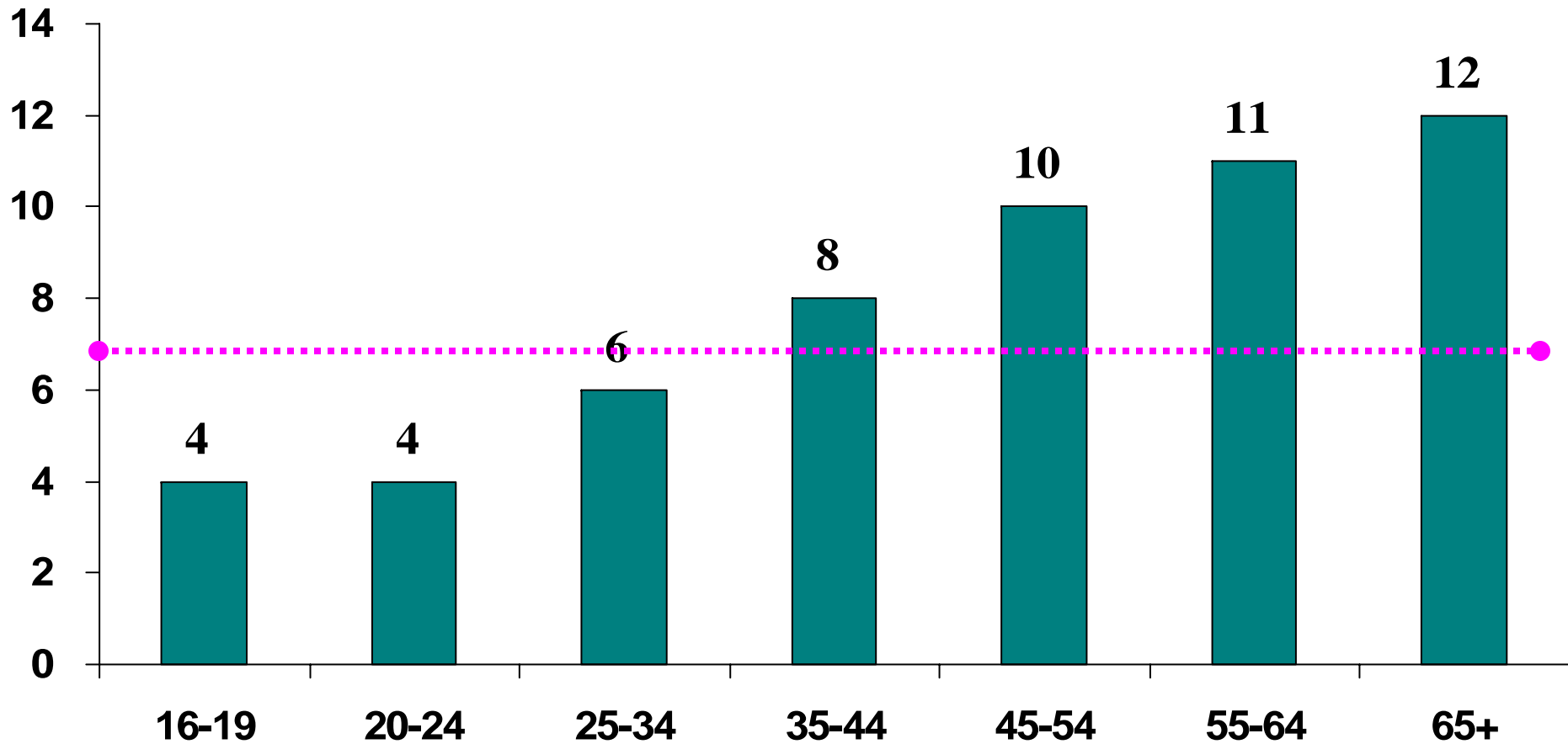




# Median Days Away From Work Due to Injury or Illness, by Age Group

Median Days  
Away From  
Work (2005)

There will be more lost time as  
the workforce ages in the future.

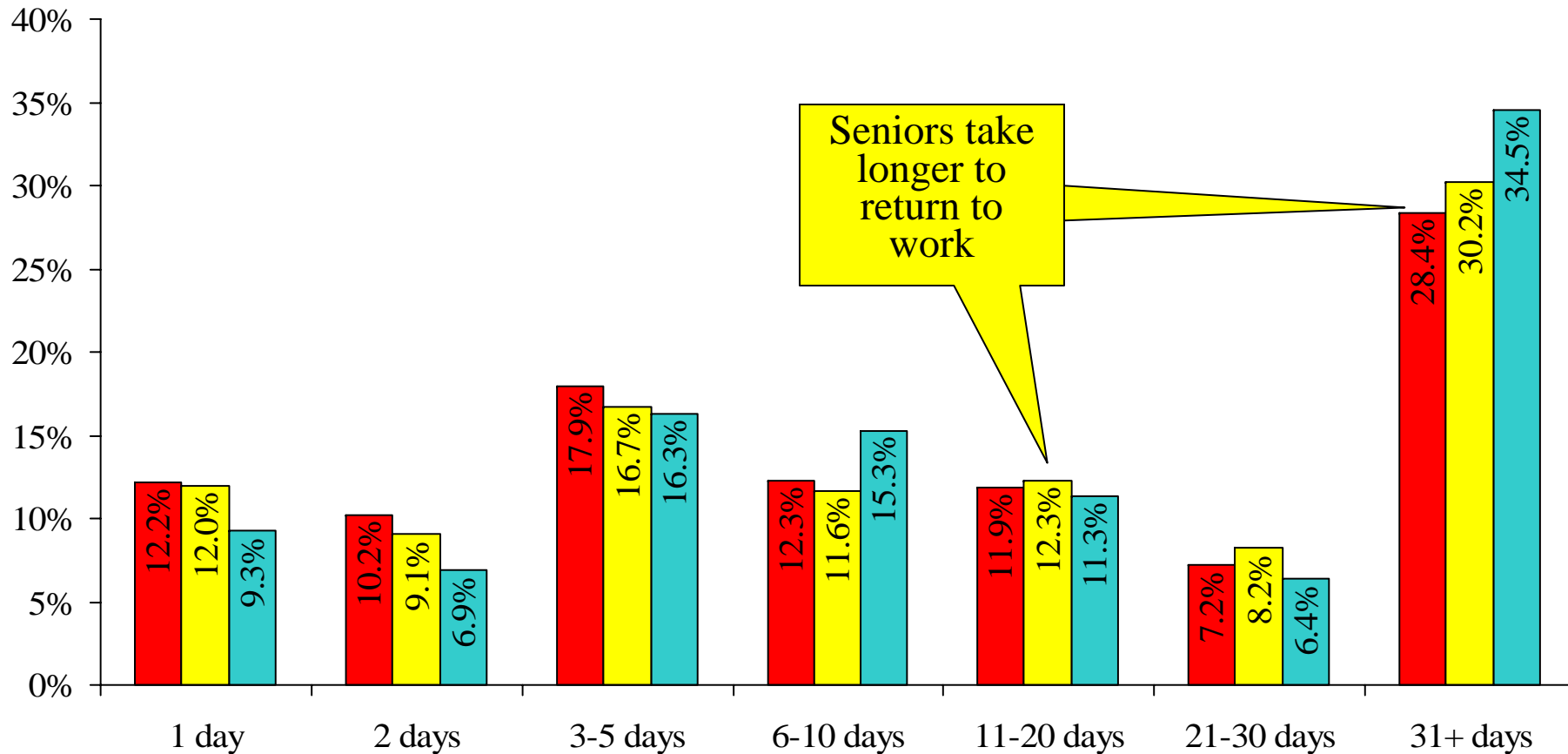




# Distribution of Non-Fatal Work Injury Days Away From Work, by Length of Period and Age group, Ages 45 and over, 2005

Percentage of cases

■ Ages 45-54 ■ Age 55-64 ■ Age 65 and over



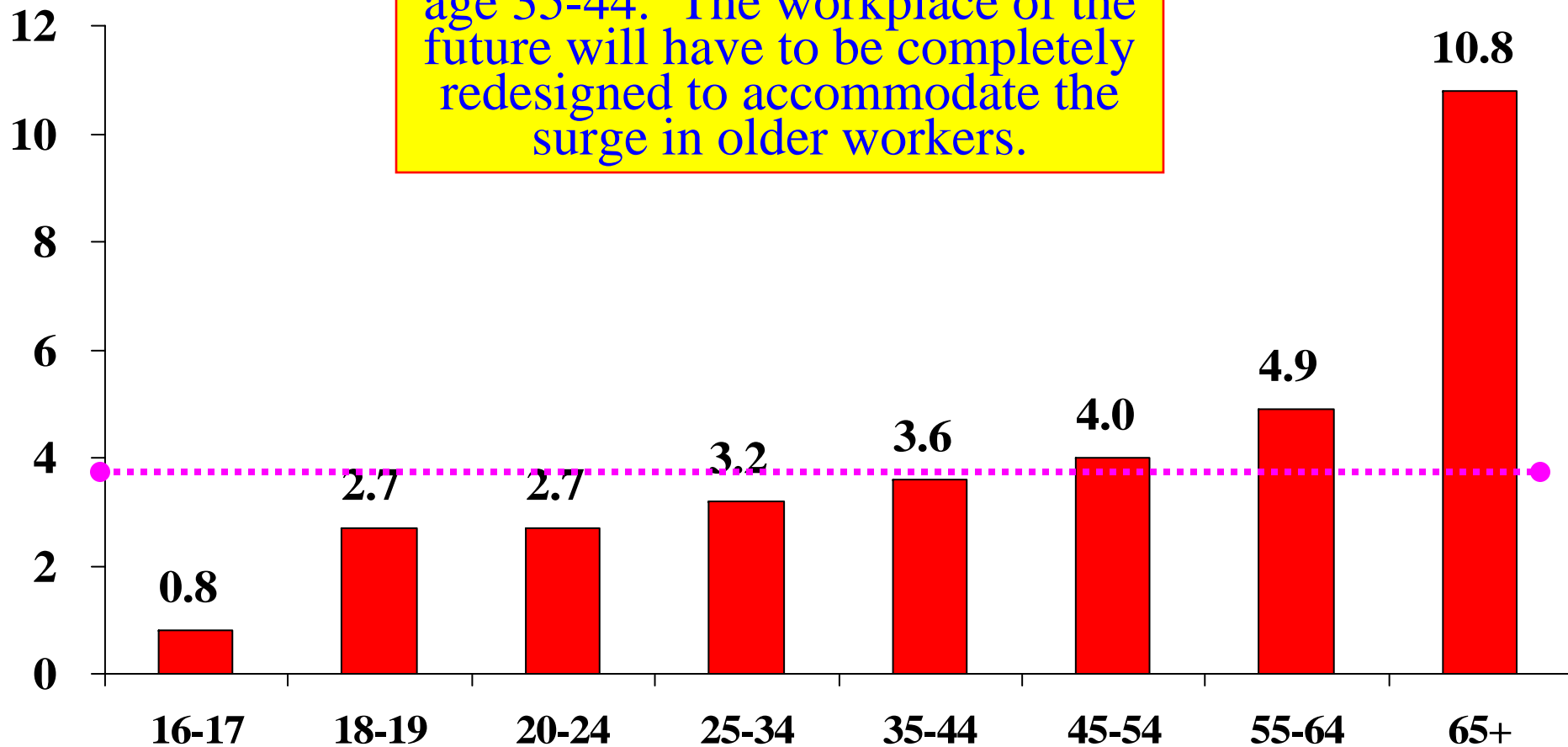
Source: US Bureau of Labor Statistics, US Department of Labor, Table 8 from 2005 Survey of Nonfatal Occupational Injuries and Illnesses Requiring Days Away from Work, Revised data released 11-17-2006.



# Fatal Work Injury Rates Climb Sharply With Age

Fatal Work Injuries  
per 100,000  
Workers (2006)

The fatality rate for workers 65 and older is *triple* that of workers age 35-44. The workplace of the future will have to be completely redesigned to accommodate the surge in older workers.



Source: US Bureau of Labor Statistics, US Department of Labor; Insurance Information Institute.

## No Help from Medicare ...

Medicare law has long specified that

- If Workers Compensation is available, Medicare will pay nothing,
- Medicare will pay if costs remain after all WC medical benefits are exhausted, and
- If Medicare does pay a bill, it has a right of recovery from the employer or WC insurer.



## and Maybe a Fight from Medicare

Medicare is worried that, for workers who are covered by, or eligible for, Medicare, *it will be stuck with costs shifted from* those responsible for paying WC costs.

So, in those cases,

- It wants to review, *and maybe disapprove*, Workers Compensation settlements, if it believes there is insufficient WC money to pay for future medical costs,
- This may align Medicare *with* workers *against* employers and WC insurers
- This will increase WC administration costs



## Interaction of WC with Social Security Disability Income

Social Security Disability Income is offset for WC indemnity payments

- For disabled workers under age 65 and their families
- The worker's and family's SS DI benefit may be cut so that, together with the WC benefit, it is limited to 80 percent of the worker's average current earnings.
  - But 18 states and Puerto Rico have a "reverse offset" (reducing WC payments when SS DI is payable), negating the SS DI offset
    - Since 1981, no new states may adopt reverse offsets
  - The SS DI trust fund's 2007 trustee report projects the fund to be exhausted by 2029!



## Effect on WC Claims of Social Security Retirement Income

When a SS DI recipient reaches the “full benefit” retirement age, the DI benefit becomes a retirement benefit

- Social Security Retirement Income is not offset for WC indemnity payments
  - So disabled workers age 66 and over can collect both – **moral hazard?**



Will Seniors Who're Seeking Part-time and/or Seasonal Work Help Overcome Shortages of

- Agents
- Claims Adjusters
- Underwriters
- Call Center Personnel

Will Seniors be Able and/or Willing to Tele-commute?



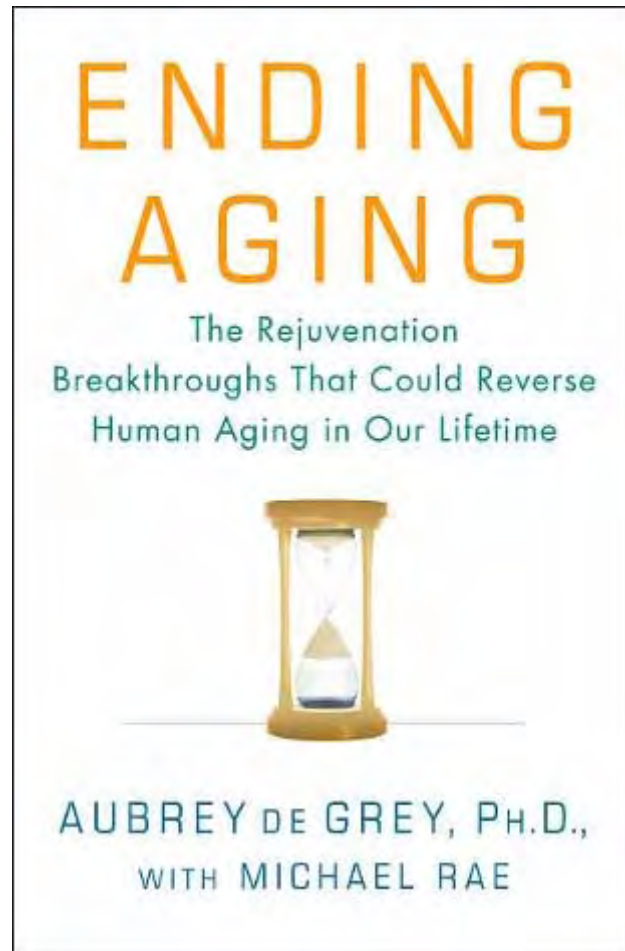


# Final Thoughts: Forecasting Challenges and Leftover Questions



# Other Demographic Projections

- The Social Security Administration forecasts female life expectancy (from birth) will increase to 83.9 in 2060 (from about 80.8 today).
- But current female life expectancy in Japan is already 85.2. Is it possible that in 50 years US females will have a lower life expectancy than Japanese women do now?
- Female life expectancy in the “record-holding” country has risen for 160 years at a steady pace of 3 months per year.
  - There is no evidence of this pace slowing.
  - If this pace continues, **female life expectancy in developed countries in 2060 will be between 95 and 100**. Remember, life expectancy is a **mean, not an upper limit**.



deGrey:  
Within a few decades,  
we'll have perfected  
cellular “engineering” so  
that people could live for  
hundreds of years if we fix  
cellular damage when it  
occurs and don't wait for  
it to wreak greater  
damage.



# Leftover Questions

- As insurance claimants, will seniors need/want more “hand-holding” than younger claimants?
  - With more time “on their hands” and more experience in the workforce, will seniors be more demanding, perhaps even more litigious?
- Will you establish distinctive distribution/service channels for them?
  - Larger policy type sizes? Audio versions? Computer-based versions with help windows, interactivity?
  - Special phone centers? Staffed by other seniors?
- Will seniors resist testing that aims to determine whether they are competent to drive? If they won't take/don't pass a test, will you surcharge them?
- Will car manufacturers design and build cars especially tailored to the needs of senior drivers?
- Will employers redesign workplaces and work processes to reduce the injury potential for senior workers?



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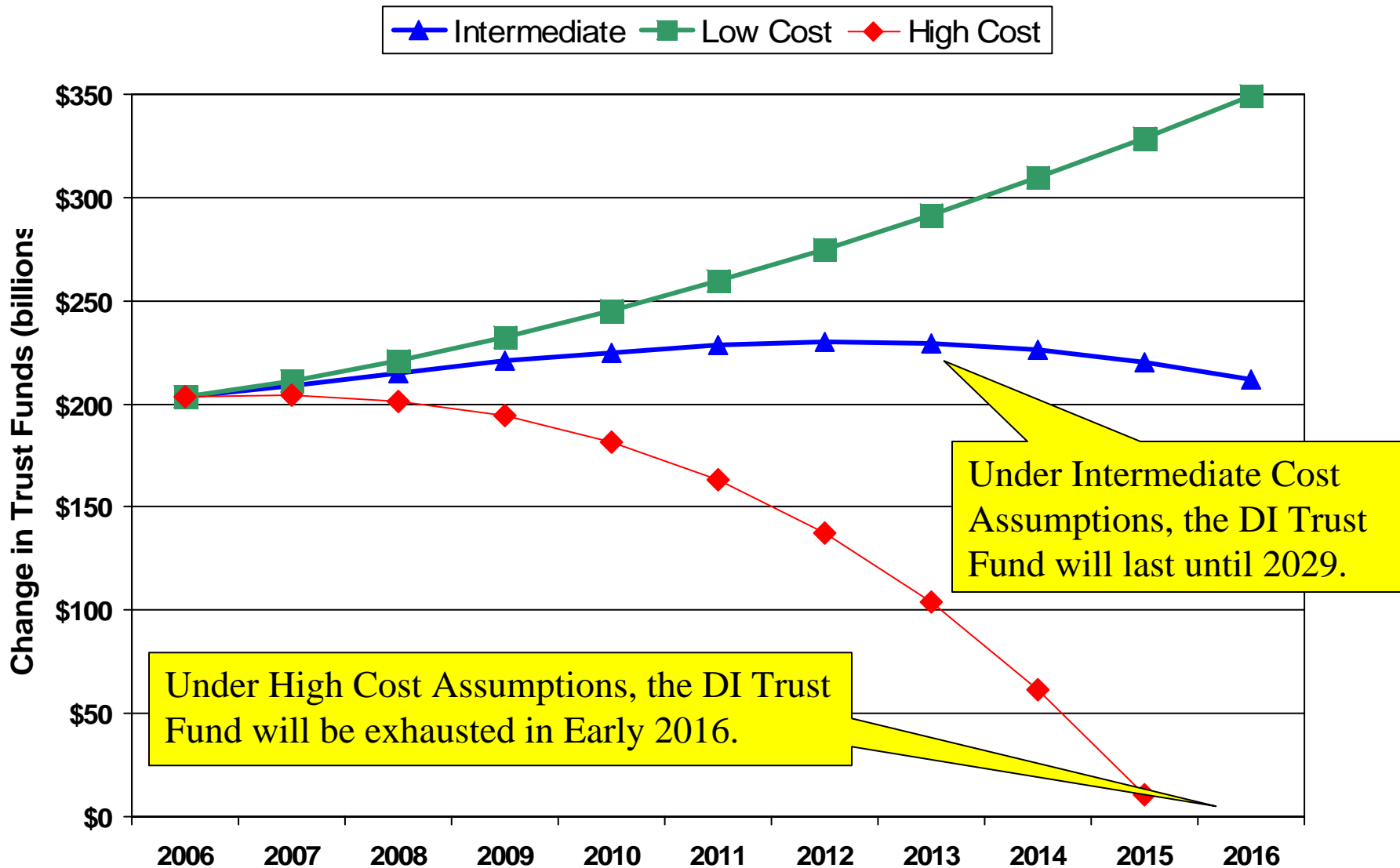
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# The Future of Social Security's Disability and Medicare Trust Funds

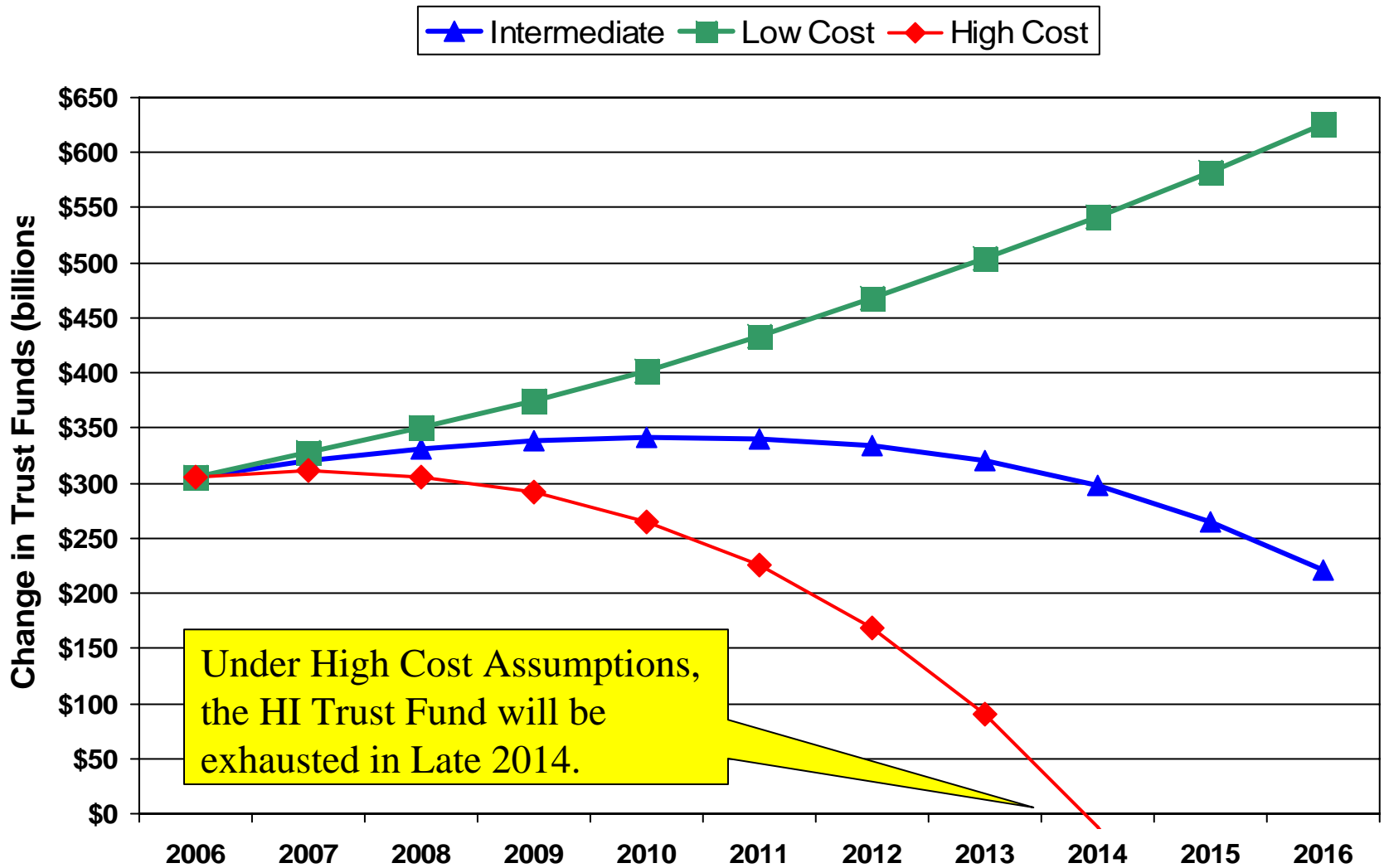


# Social Security Disability Trust Fund: Forecast of Changes





# Social Security Medicare "A" Trust Fund: Asset Forecast



Source: 2007 Annual Report of the Medicare Boards of Trustees, p. 52.





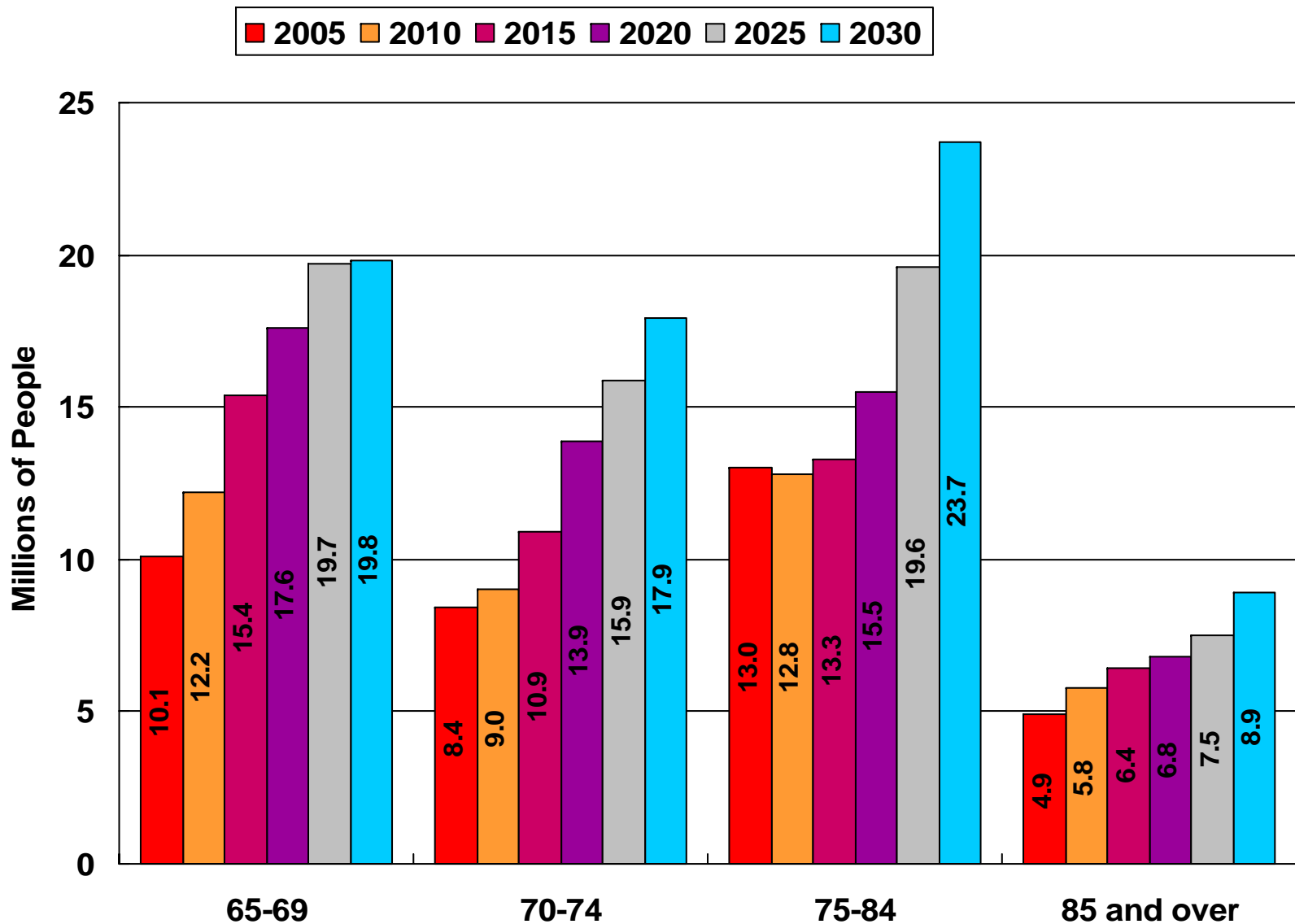
# Social Security: Selected Long-Range Forecast Assumptions

Item	Low Cost (Good)	Intermediate Cost	High Cost (Bad)	Current
Total fertility rate (children per woman)	2.30	2.00	1.70	2.09
Productivity growth (annual change, total U.S. economy)	2.0%	1.7%	1.4%	2.1%*
Growth rate of average wages in covered employment (annual % growth)	3.4%	3.9%	4.4%	4.0%
Unemployment rate	4.5%	5.5%	6.5%	4.6%
Inflation (annual % change in CPI)	1.8%	2.8%	3.8%	2.4%

\*2Q2007 vs. 2Q2006 for nonfinancial corporations; preliminary. But see also *BusinessWeek*, Sept. 24, 2007, p. 32: "nonfarm business productivity, averaged over the last four quarters, is up only 0.5% compared with the previous year."

**Source: 2007 Annual Report of the Trustees of the OASDI Trust Funds, p. 6**

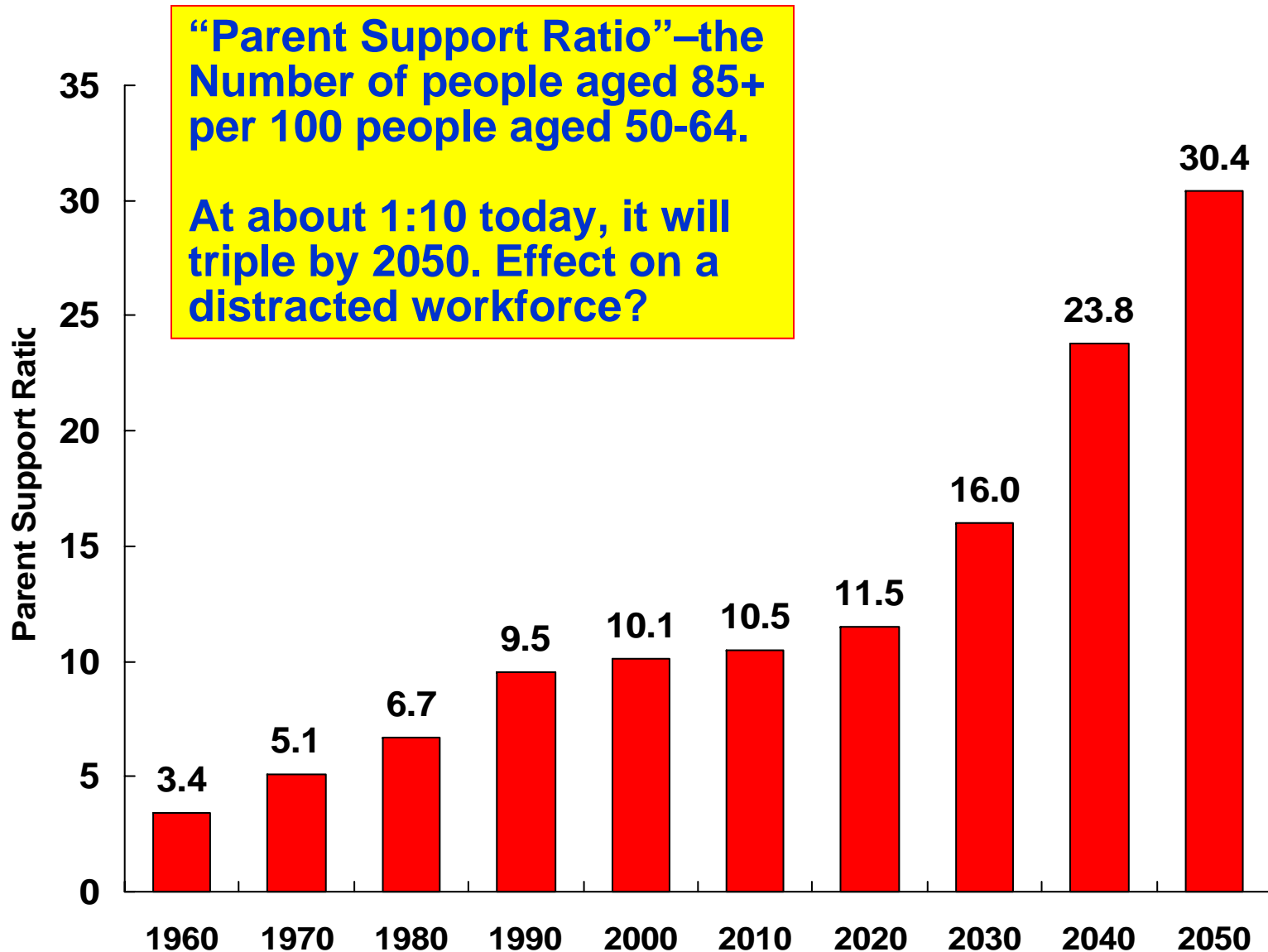
# The Aging of the "Baby Boom" Generation



Source: U.S. Census Bureau, Projections of the Resident Population, 1999 to 2100, issued 1/13/2000.



# Caregivers: The “Parent Support Ratio”



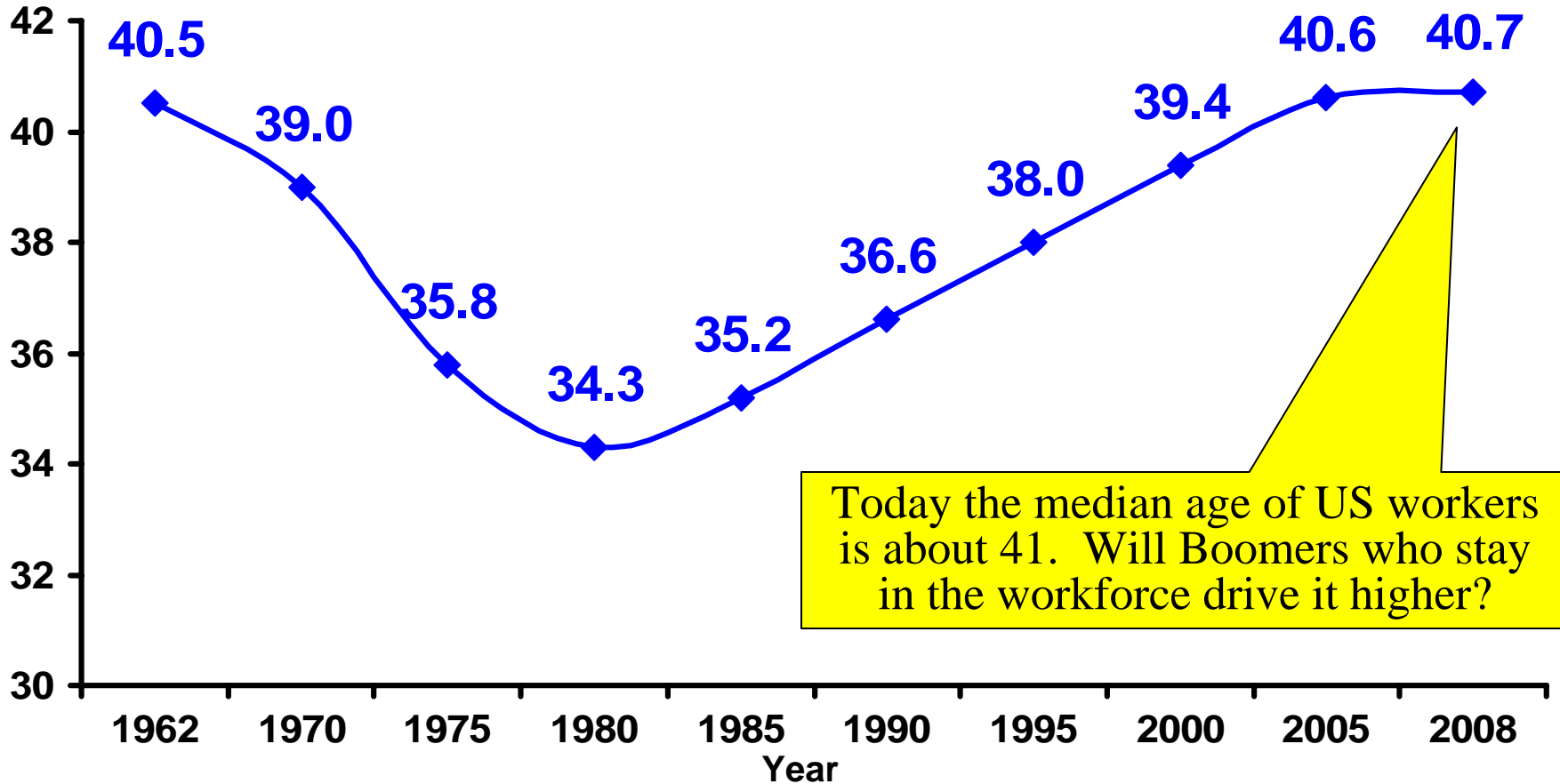
Source: U.S. Census Bureau, “65+ in the United States”, issued December 2005, p. 27.



# U.S. Workforce is Aging: Significant Implications for Workers Comp

Median Age of U.S. Worker

An older and less healthy workforce?



Today the median age of US workers is about 41. Will Boomers who stay in the workforce drive it higher?