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Analysis of the Current Landscape and Optimization Proposals for Chinese Insurance Companies' Expansion in the Elderly Care Industry

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Abstract: ***Against the backdrop of accelerated population aging and the rise of the silver economy, insurance companies have become important participants in the elderly care industry by virtue of their advantages in matching capital terms and risk management. This article elaborates on several mainstream models that insurance companies are currently laying out in the elderly care industry, including three mainstream models: heavy asset investment, light asset cooperation, and insurance product binding. It also explores the structural contradictions existing in this layout. This paper points out the challenges faced by the current layout methods in terms of supply and demand matching, implementation and consumer cognition. In response to the existing problems, it proposes paths such as product stratified design, collaborative application of tools and policy improvement to promote the optimized layout of insurance companies in the elderly care field and provide decision-making references for financial support for the high-quality development of the elderly care industry.***

Keywords: Financial support, Elderly care industry, Insurance company.

1. Introduction

From a broad perspective, the elderly care industry is a collection of production activities that provide various elderly care products to the public, including activities specifically providing products for elderly care or the elderly, as well as manufacturing activities of elderly care supplies and related products suitable for the elderly [1]. According to the "Statistical Classification of the Elderly Care Industry (2020)" released by the National Bureau of Statistics, The elderly care industry is divided into elderly care services, elderly medical and health services, elderly health promotion and social participation, elderly social security, elderly care education and training and human resources services, elderly care financial services, elderly care technology and smart elderly care services, elderly care public management, other elderly care services, manufacturing of elderly care products and related products, sales and leasing of elderly care products and related products, and construction of elderly care facilities It is divided into 12 major categories [2]. From a narrow perspective, the elderly care industry only refers to the elderly care service industry, which is divided into three types: home-based elderly care services, community-based elderly care services, and institutional elderly care services. The 20th National Congress of the Communist Party of China proposed to implement the national strategy of proactively responding to population aging. The "Decision of the Central Committee of the Communist Party of China on Further Comprehensively Deepening Reform and Promoting Modernization with Chinese Characteristics" adopted at the Third Plenary Session of the 20th Central Committee of the Communist Party of China further clarifies that efforts should be made to actively respond to population aging, improve policies and mechanisms for the development of elderly care services and the elderly care industry, develop the silver economy, and optimize the supply of basic elderly care services [3]. The development of the silver economy and the elderly care industry requires strong support from financial products and services. Although China's financial support channels for the elderly care industry are constantly expanding, the support provided by each channel to the elderly care industry is still limited.

2. The Advantages of Insurance Companies in Laying Out the Elderly Care Industry

Insurance companies have an advantage in terms of funds when laying out the elderly care industry. The funds of insurance companies have the characteristic of an extremely long service life, which is highly consistent with the long return cycle of the elderly care industry. Take Taikang Insurance as an example. The annuity insurance products of the insurance company can obtain low-cost long-term funds, thus effectively supporting the continuous investment in projects such as elderly care communities [4]. Compared with other investment entities, this has a comparative competitive advantage. Insurance institutions can also effectively manage the balance sheet of different projects, and allocate funds to anti-cyclical assets such as elderly care real estate and medical facilities, thereby avoiding the negative impact of short-term market fluctuations on the capital allocation of insurance companies. At present, the relevant policies of the state also clearly encourage insurance funds to explore more compatible integration methods with the elderly care industry to promote the effective allocation of assets. Insurance companies can mitigate the core risks in the elderly care industry. For instance, they can transfer the financial risks brought about by the longevity of the elderly through the deposit collection clause. By locking in the lifetime benefit of the product, it can provide an effective restraint function for the safety of pension funds. In addition, most insurance companies bind insurance terms with various services through their own funds or by cooperating with elderly care institutions [5]. This approach can reduce the risk of uncertainty in the service quality of the elderly care industry, help the derivatives of elderly care institutions gain a larger market, thereby forming a scale advantage and reducing the risks of the elderly care industry. Most insurance companies have developed the potential for industrial chain integration and can form an ecological closed loop in the development of the elderly care industry. Insurance products themselves have a clear tendency towards elderly care and can help the elderly form a full-chain purchase model from fund accumulation to service consumption. When customers purchase annuities from insurance companies, they can lock in the corresponding right to live in elderly care communities [6]. This cooperative service approach can enable insurance companies to form a differentiated competitive advantage in the elderly care industry. When investing in the elderly care industry, insurance companies often give priority to integrating and laying out projects that combine medical care and elderly care. For instance, they enhance customer stickiness through medical insurance services at different system levels. This approach also enables insurance companies to quickly open up the market in the layout of the elderly care industry, gain a comparative advantage, and achieve higher customer satisfaction.

3. Analysis of the Current Situation of Insurance Companies' Layout in the Elderly Care Industry

3.1 Current Situation of Participating Entities

The layout of China's insurance companies in the elderly care industry shows a significant gradient feature. There is a considerable difference in the resources obtained by leading insurance companies and small and medium-sized ones. This stratified competition pattern also reflects the effectiveness of the current market in resource allocation, and of course, it also reflects the multi-level demand feature of the elderly care industry [7].

On the one hand, under the dominance of leading insurance companies, the market has formed a large-scale layout system. For instance, leading insurance companies such as Taikang Life Insurance and China Life Insurance, leveraging their capital strength and brand advantages, have adopted a strategic-level investment model, building their own elderly care communities and holding controlling stakes in medical institutions. Through full-chain resource investment, they have formed a complete closed-loop ecosystem. Insurance companies acquire customers through the payment of medical insurance and provide them with elderly care services and health management. This closed-loop ecosystem can promote insurance companies to form a strategic-level elderly care control system. This type of leading insurance companies often position the elderly care industry as the core pillar of the group's strategic transformation [8]. At the organizational level, they set up separate elderly care subsidiaries, operate the elderly care industry business independently, and equip them with professional operation teams. In terms of business synergy, leading insurance companies often focus on the deep integration of insurance products and pension rights, providing customers with some high-end pension solutions. These solutions are often exclusive and can form long-term contract service relationships with customers to ensure customer stickiness. However, the operation mode of leading insurance companies belongs to a heavy asset operation model, which requires them to bear a relatively long investment return risk, is difficult to form replicable experience, and has a relatively high exclusivity in terms of entry threshold. As shown in Table 1, insurance companies prefer the asset-heavy model, through insurance and medical services customers of compound insurance companies offer high-end services.

Table 1: The layout of leading insurance companies in the pension industry.

Year	Key Developments
2022	Insurance institutions and real estate developers become two main players; operational models clearly categorized into heavy-asset, light-asset, and hybrid approaches.
2023	China Life establishes its "one-core, multi-support" model, planning coverage in 30 cities by the late 14th Five-Year Plan period, focusing on city-center institutional care.
2024	Hengqin Life achieves 130% premium growth through cross-border elderly care in the Greater Bay Area; Taikang pilots long-term care insurance platforms in Ningbo.
2025	Mid-sized insurers accelerate AI adoption; Deutschland BKK launches "AI Elderly Care Butler," improving service efficiency by 40%.

Small and medium-sized insurance companies have also conducted considerable exploration in the differentiated operation of the market. Some of them focus on the local market, choosing specific urban agglomerations with a high degree of population aging and strong payment capacity to carry out meticulous cultivation, in order to acquire target customers and provide stratified services for them. Instead of engaging in fierce competition with leading enterprises in the high-end market, it mainly focuses its energy on meeting the needs of mid-range and inclusive elderly care customers. These small and medium-sized insurance companies will effectively coordinate in terms of resources, access third-party elderly care institutions through strategic cooperation, integrate and connect these resources, and flexibly combine insurance products with fragmented elderly care services [9]. This type of small and medium-sized insurance companies pays more attention to the design of innovative products and can develop hybrid products with choice flexibility for customers. And allow customers to dynamically adjust the benefits of their pensions according to their own needs. Meanwhile, this type of small and medium-sized insurance companies are more inclined to enhance risk protection. For instance, some companies diversify the risks of long-term care through mechanisms such as reinsurance and co-insurance bodies. Overall, small and medium-sized insurance companies mainly participate in the layout of the elderly care industry through a light capital operation model, forming a distinctive business operation mode. As China's pension needs become more diversified and multi-layered, small and medium-sized insurance companies will usher in a period of explosive growth by adopting flexible models to fill market gaps.

3.2 The Main Models for Insurance Companies to Layout the Elderly Care Industry

The heavy asset model mainly takes the continuous care retirement community as the core carrier. Insurance companies develop independent elderly care communities through their own land reserves or the acquisition of related projects [10]. These communities will provide independent living assistance, assisted care and professional care for the elderly, forming a full life-cycle maintenance service for the elderly. This operation mode requires a huge investment of funds in the early stage to complete the hardware construction and related service allocation. For instance, some insurance companies have built elderly-friendly residences, medical centers and cultural and recreational facilities. During the operation stage, such heavy-asset elderly care communities also need to form professional care teams to provide 24-hour tiered care services for the elderly. The main profit point of this heavy-asset model lies in the fact that insurance company customers submit a deposit for accommodation and pay service fees on time. The insurance products purchased by customers can provide certain financial support for them to pay such deposits and service fees. This model places extremely high demands on the financial strength and operational capabilities of insurance companies. However, once established, it will exert dual pressure on peers in terms of physical space and service standards, raising the barriers of the industry.

The light-asset model mainly forms a home-based elderly care service cooperation model through the resource services of insurance companies and third parties, with the focus on providing a support network for home-based elderly care for the elderly. For instance, insurance companies sign long-term contracts with community elderly care institutions to enhance the service supply capacity of home-based elderly care. Provide intelligent monitoring devices for the elderly, build a remote care service platform, and connect the elderly with domestic service providers, meal delivery service providers and other life service providers. This model has a low start-up cost for insurance companies, enables rapid expansion in the early stage, and covers most of the national markets through short-term service procurement [11]. The core competitiveness of this competitive model lies in that insurance companies need to rely on their own service screening mechanisms to form a high-quality management system, and establish strict supplier access standards and dynamic assessment mechanisms to maintain flexible operational advantages. However, as the elderly's demands for retirement are very fragmented and highly personalized, this flexible model itself also poses relatively high requirements for the operational capabilities of insurance companies.

In addition to the heavy-asset and light-asset models, along with the continuous changes in the elderly care demands of the elderly, some product-bound models have also emerged in the market. That is, insurance and pension rights are deeply bound together. Annuity insurance products can be exchanged for physical rights such as the right to live in the elderly care community and service priority, allowing elderly customers to obtain compound value. In the design of this part of the product, a premium threshold is mainly set. After customers reach the agreed premium standard, they can obtain the qualification to live in the elderly care community or get a fee discount. Insurance companies maintain their service costs through the balance of long-term capital operation. However, since the legal relationship constraints among cooperative entities in this service mode are still unclear, the identification of insurance liability and the boundaries of service commitments are a difficulty in management. However, with the continuous development of the market, this model can not only enhance the attractiveness of insurance products, but also lock in future service demands in advance, and has a strong market development prospect.

4. Analysis of the Problems Existing in the Layout of the Elderly care Industry by Insurance Companies

At present, there is a prominent problem of structural contradiction on the supply side in the layout of the elderly care industry by insurance companies. Most insurance institutions prefer to develop high-end projects. High-end elderly care services are mainly supplied to high-net-worth clients, while the inclusive elderly care industry with incomes below the middle level lacks investment entities. This mismatch between supply and demand has led to the occupancy rate of high-end projects falling short of expectations, while ordinary elderly people have difficulty accessing professional elderly care services. In terms of regional differences in the elderly care industry, there is also a mismatch between supply and demand in the layout of insurance companies. Most elderly care communities are located in economically developed regions such as the Yangtze River Delta, the Greater Bay Area, and the Beijing-Tianjin-Hebei region, while the layout of the elderly care industry in the central and western regions and third - and fourth-tier cities is relatively sparse. This situation further exacerbates the urban-rural gap in elderly care services. In addition, the heavy asset investment model of insurance companies requires them to bear huge upfront investments. Whether it is the purchase of land or the construction of facilities, they all need to occupy a large amount of funds of insurance companies, and the capital recovery cycle of these projects generally exceeds 10 years. Therefore, most insurance companies actually lack the ability to manage cash flow and deal with such huge investments. Only a few leading companies can participate in the layout of such projects. Some projects have fallen into a vicious cycle of fund recovery due to the failure to meet the deadlines for insurance funds and pension investments, which has also affected the redemption of insurance products.

The binding of rights and interests between insurance products and elderly care services mostly remains at the marketing level, without more detailed implementation policies. Some insurance companies do not have an effective actuarial connection system, which makes it difficult for consumers to protect their rights and interests. In terms of performance, the protection mechanisms provided by insurance companies are also not sound enough. The priority right to live in the elderly care industry promised by some insurance policies is actually very difficult to fulfill, resulting in the continuous accumulation of legal disputes in this field. From the perspective of the development of regulatory policies, medical institutions and elderly care institutions actually belong to different regulatory systems, while insurance institutions belong to another regulatory system. There are inherent limitations on the scope of medical insurance reimbursement, and the approval of medical qualifications also faces practical obstacles in terms of resource integration. Although insurance companies actively invest in medical facilities, However, there will still be considerable obstacles in coordinating the interests of these departments across resources. Moreover, traditional families still have certain deficiencies in elderly care. The concept of home-based elderly care is generally recognized, but the acceptance of the insurance joint elderly care model is not high, especially for prepayment elderly care financial products, which inherently have some doubts. Some small and medium-sized enterprises, in order to quickly acquire customers, also make excessive promises to consumers, exaggerating the quality and level of services, which will also exacerbate the confusion of consumers' cognition in the market.

5. Suggestions on the Optimization and Development of Insurance Companies' Layout of Pension Industry.

Insurance companies should strengthen the strategic positioning of the layout of the elderly care industry. Leading insurance companies should continue to give full play to their financial advantages and deploy high-end elderly care communities through the construction of a hierarchical service system, and set up inclusive sub-brands to expand their service scope. Small and medium-sized insurance companies should focus on regional and characteristic services, form differentiated competitive advantages, and build a three-dimensional business service framework. All types of insurance companies should explore a full-chain combination model of elderly care products and pay attention to the innovation of nursing insurance products for disabled and demented elderly patients to enrich the current product supply types in the pension market. Insurance companies also need to innovate in business models and realize the integration of asset-light and asset-heavy entrepreneurial models. For example, insurance companies can deploy demonstration key products in strategic locations, and realize the expansion of light assets through franchise management output and other ways. Insurance companies must further strengthen the development of digital operating systems, realize data sharing among insurance customers through digital empowerment systems, and strengthen precise analysis of elderly care service needs, develop intelligent account system to improve the emergency response ability of patient remote monitoring.

6. Conclusion.

To sum up, insurance companies need to pay attention to the external environment, coordinate internal resources, and choose an asset model that suits them when laying out the development of the elderly care industry. Further develop the inclusive elderly care industry, pay attention to the balance of regional development, and combine the diversified needs of the market to explore the differentiated path for insurance companies to lay out the elderly care industry.

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