Korea entered the aged society in 2017, and its working age population began to decrease from 2018. The population itself is expected to decrease within 10 years. It is difficult to predict what will happen in the period when the working age population is decreasing in the Korean life insurance industry, which experienced only its increase. This report was planned to get some intuitions from the experience of Japan. Demographic structure of Korea in 2018 is similar to that of Japan in 1995. Japan entered the aged society in 1994, and its working age population has decreased since 1995.

The life insurance industry in Japan has shown interesting phenomena since 1995. Low fertility, population aging and bubble collision have affected insurance demands in several ways. First, the insurance market has been shrunk. Insurance coverage and insurance premiums have decreased. Second, demands for insurance have been differentiated by ages and genders due to an increase in female labor market participation, an increase in the single family homes, and an increase in population ages 65 and above. Third, as the government financial burden has reduced public pension and public health insurance coverage, demands for individual pension and medical insurance have been increasing. Fourth, the insurance market for the elderly population has expanded, since people ages 60 and above own more than 60% of household financial assets. Fifth, as the economy has been sluggish for a long time, wages have decreased, and low interest rates have continued, the price sensitivity of consumers has become very high. In response to such insurance demand changes, the life insurance industry in Japan has developed various pension and medical insurance products. Insurance companies also have implemented channel strategies based on products
and consumer characteristics, and have simplified their products by merging and integrating riders to help consumers to comprehend them. The government also deregulated the insurance market regarding price, product development, scope of business, and entry, so on, which helped the Japanese insurance industry to maintain financial soundness and profitability in spite of the deterioration of business environments, such as market shrinkage and asset price bubble collapse.

The role of the insurance industry is basically to supply the products that the consumer needs. The Japanese insurance industry’s response to insurance demand changes and the reduction of social security seems to have been effective in this respect. Korean insurance industry will also face market contraction and changes in insurance demand due to population aging. Management strategies such as product development, sales channels diversity, capital expansion, cost reduction, M & A, overseas expansion should be taken into account in order to systematically respond to population aging.