The Effects of Changes in Population and Household Structure on Demand for Insurance

Rapidly ageing population is one of the most difficult challenges that a society faces today. The insurance industry, in particular, bears the brunt of demographic changes. It is crucial for insurers to understand the fundamental paradigm changes of consumer demand caused by demographic changes.

This study investigates the effect of demographic changes on consumer demand with focus on consumers’ subjective and objective risk, consumers’ affordability of insurance, and the quantitative effects on the total insurance premiums.

Main results and implications are as follows. First, we find that the quantitative effect of demographic changes on the total insurance premiums is substantial. Second, demographic changes affect various types of insurance differently. Since population aging shifts consumers’ demand for risk protection from mortality to longevity, the negative effect will be greater for whole life insurance compared to saving insurance and private pensions. Third, the changes in household structure reduce the size of the main consumer group and their purchasing power has weakened. Insurers need to meet the demand of the new consumer group; elderly households and single-person households. Fourth, consumer market segmentation deepens between the two groups, affluent mature market and mass market consisting of the young and the middle class. Thus, the marketing strategy for the two groups should be different: customized products for the affluent market, and cheap and simple products for the mass market,