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The Role of AI in Insuring China's Ageing Population

Evolving Demographics and Insurance Demand

China is experiencing a significant demographic transformation as its population ages rapidly, creating profound implications for multiple sectors, especially insurance. By 2035, nearly one-third of the population will be aged 60 or older. This shift is driving a surge in demand for insurance products tailored to retirement and healthcare needs. Unlike industries more susceptible to economic volatility, the life and health insurance sector is poised to benefit from this long-term trend. However, the aging population also brings financial pressure to public health systems, as the cost of chronic illness care and increased healthcare utilisation continues to rise.

Strains on Public Health Insurance Systems

The expansion of the elderly demographic has led to greater dependence on intensive and costly medical care, which is straining China's social health insurance funds. From 2012 to 2020, population aging contributed approximately 18% to the growth in national healthcare spending. The Urban and Rural Residents Basic Medical Insurance (URRBMI) fund, in particular, is under increasing financial stress, with some provinces facing budget deficits. To cope, premium rates have been raised significantly—but this strategy risks pricing out low-income groups and reducing enrollment among younger, healthier individuals, threatening the system's sustainability.

Technological and Policy Responses

To address these challenges, both the insurance industry and policymakers are embracing innovation. The insurance sector has become a key adopter of artificial intelligence (AI), with tech-driven companies using machine learning and data analytics to provide personalised coverage and more accurate risk assessments. This shift has enabled rapid growth among AI-enabled insurers. At the policy level, there is a strong focus on developing a more integrated long-term care system. Pilot programs for long-term care insurance (LTCI) aim to offer affordable, accessible care for older adults, while also reducing pressure on the broader healthcare system.

Broader Economic and Sectoral Impacts

The changes in the insurance landscape are having ripple effects across the economy. While traditional industries like manufacturing face challenges due to a shrinking youth workforce, the growing insurance and eldercare markets are generating new opportunities. A stronger long-term care system not only lowers healthcare costs but also promotes labour participation by reducing caregiving responsibilities. Meanwhile, efforts to expand and diversify pension products are stimulating spending among older consumers—fueling growth in the "silver economy." In the pharmaceutical industry, expanded insurance coverage and drug pricing mechanisms are influencing research and development strategies, especially in areas like oncology.

Conclusion: Navigating the Aging Era

China's aging population presents both a test and an opportunity. While public systems face mounting financial pressure, the insurance industry is well-positioned to lead with innovation, technology, and tailored services. AI adoption, LTCI programs, and pension product reform are reshaping how care and financial security are delivered to the elderly. The broader economic impact—from labour markets to the pharmaceutical sector—underscores the need for a coordinated, forward-looking approach. As the demographic shift accelerates, sustainable insurance and care solutions will be critical to supporting China's aging society while unlocking new avenues for growth.

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