Overview of Life Insurance Industry in Japan

September 6, 2017
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About LIAJ
About LIAJ

Who we are:

✓ An unique industry body
  : LIAJ represents all operating insurers in Japan

✓ A voluntary group
  : Life insurers are not mandated to join LIAJ
    LIAJ is funded by member contributions

✓ A business association with over 100 years of history
  : LIAJ is not mandated to regulate/supervise members
    LIAJ serves as a platform for member cooperation
About LIAJ

Our goal:

✓ LIAJ aims to promote the industry’s sound development and maintain its reliability, thereby contributing to improving quality of national life

✓ To this end, LIAJ focus its activities on areas such as
  - public policy discussion
  - compliance (conduct of business, AML/CTF, etc)
  - solicitor education
  - disclosures/consumer confidence
  - dispute resolution

✓ LIAJ’s activities reflect hot issues for the industry
About LIAJ

What we do:

- Recommendations on public policy discussion
- Inputs to standard setters
- Development of voluntary guidelines
- Administration of common-to-industry education programme
- Development of voluntary public disclosure model
- ADR (Alternative Dispute Resolution)
- Anti Moral Hazard measures
- Social Service Activities
Brief History of Market Development
Brief History Market Development

Total Premium Income to GDP (actual)

Proportion of total premium income to GDP

Premium Income

Source: Cabinet Office, Ministry of health labor and welfare, The Life Insurance Association of Japan
Brief History of Market Development

Changes in Product Portfolio (the number of new policies)

Source: The Life Insurance Association of Japan
Brief History of Market Development

What brought those changes?

- Economic climate
  : economy affects consumers’ capacity and appetite

- Sophisticated medical technology
  : growth in consumers’ appetite for medical coverage

- Demographic change / Ageing
  : less younger population and more elder population
Brief History of Market Development

Economic Climate

: economy affects consumers’ capacity and appetite

✓ In the last 50 years, Japanese economy:
  • enjoyed breezy climate in 1970’s;
  • was overheated by heat wave in 1980’s;
  • was hit by a perfect storm in 1990’s;
  • suffered damp climate in 2000’s;
  • still suffers prolonged damp climate in 2010’s.

✓ Low interest rate environment would not change in the last couple of decades, however, it will not last forever.
Sophisticated medical technology

- growth in consumer’s appetite for medical coverage

✓ Sophisticated medical technology enabled:
  - longer life;
  - earlier detection of cancer;
  - broader application of advanced medical treatment.

✓ Statistics revealed the fact that more than 25% of the population dies because of malignant tumor (e.g. cancer) (28.7%), followed by heart disease (15.2%), pneumonia (9.4%), cerebrovascular disease (8.7%).
Demographic change / ageing

- less younger population and more elder population

- Mass retirement of baby boomers was observed in 2000’s
- In ageing society, those retired need to be self-reliant in their life after retirement
- Those retired looked for investment opportunities that would be appropriate for the purpose of long-term retirement saving
- People seek for investment opportunities that are less risky than active investment and more profitable than deposit
Demographic Change / Ageing

Is it a challenge?
Or is it a potential for growth?
Demographic Change / Ageing

Ageing - less younger population, more elder population

< Population demographics>

Source: The Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research
Note: The total population from 1950 to 2010 includes the population of uncertain age.
Demographic Change / Ageing

Ageing - less younger population, more elder population

< Population pyramid>

Source: For the figure of 1980, “Population Census”, The Ministry of Internal Affairs and Communications
For the figure of 2010 and 2040, The result of the medium variant projection under “Population Projection for Japan (as of January 2012)”, National Institute of Population and Social Security Research
Demographic Change / Ageing

Ageing - less younger population, more elder population

< Fertility rate and number of births>

![Graph showing fertility rate and number of births from 1950 to 2014. The graph indicates a declining fertility rate and a decrease in the number of births over time. Fertility rates are shown as follows: 2.13 in 1950, 1.91 in 2000, 1.26 in 2010, and 1.42 in 2014. The number of births decreases from 2337510 in 1950 to 1,003,539 in 2014.]

Source: Cabinet Office, Declining Birthrate White Paper 2015
Demographic Change / Ageing

**Ageing** - less younger population, more elder population

< Trend in the percentage of unmarried by age bracket>

Source: Population census by the Ministry of Internal Affairs and Communications
Demographic Change / Ageing

Ageing Population in the World

< Europe and North America >

< Asia >

Source: United Nations; The Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research
Demographic Change / Ageing

What does ageing means to the industry?

✓ More elder population
  : do they still have purchasing power?
    If yes, how can we encourage their purchase?

✓ More un-married population

✓ More families with less children
  : do they have less risks to be insured than married?
    do they have someone who will take care of them in their old-age?
    If not, how can we raise their awareness?
Demographic Change / Ageing

Amounts of Savings per Household

Source: “Family Income and Expenditure Survey (2013)”, Ministry of Internal Affairs and Communications
Demographic Change / Ageing

Medical Expenses

(a) Hospitalization Rate by Age Group

(b) Average Days of Hospitalization by Age Group

(c) Lifetime Medical Expenses (Estimates in Fiscal 2009)

Lifetime Medical Expenses
Y23.00 million


Source: Ministry of Health, Labour and Welfare
Demographic Change / Ageing

Long-Term Care Expenses

(a) Period of Unhealthy Condition = Average Life Expectancy at Birth – Healthy Life Expectancy

| Year | Male | | | | | | Female |
|------|------|---|---|---|---|---|---|---|---|
|      | Average period of a life WITHOUT physical limitations | Average period of a life WITH physical limitations | Average life expectancy | Average period of a life WITHOUT physical limitations | Average period of a life WITH physical limitations | Average life expectancy |
| 2010 | 70.4 | 9.2 | 79.6 | 73.6 | 12.8 | 86.4 |

Source: Ministry of Health, Labour and Welfare

(b) Certification Rate of Needed Long-Term Care in 2011 By Age Group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Population (ten thousand)</th>
<th>Number of People Certified (ten thousand)</th>
<th>Certification Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>65-69</td>
<td>786</td>
<td>2.9</td>
<td>0.3%</td>
</tr>
<tr>
<td>70-74</td>
<td>718</td>
<td>6</td>
<td>0.8%</td>
</tr>
<tr>
<td>75-79</td>
<td>614</td>
<td>13.6</td>
<td>2.2%</td>
</tr>
<tr>
<td>80-84</td>
<td>449</td>
<td>28.4</td>
<td>6.3%</td>
</tr>
<tr>
<td>85-89</td>
<td>263</td>
<td>49.1</td>
<td>18.7%</td>
</tr>
<tr>
<td>90-</td>
<td>145</td>
<td>108</td>
<td>74.5%</td>
</tr>
</tbody>
</table>

Source: “Survey of Long-Term Care Benefit Expenditures”, Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications
Demographic Change / Ageing

Average Life Expectancy - longer after-retirement years

Source: Ministry of Health, Labour and Welfare
Demographic Change / Ageing

Consumer sentiment on insurance coverage

< The percentage of those who feel dissatisfied with life security>

- Nursing care coverage: 75%
- Death coverage: 57%
- Old-age security: 71%
- Medical security: 51%

Source: Japan Institute of Life Insurance: consumer survey
LIAJ in capacity building
LIAJ in capacity building

Raising awareness

✓ Insurance education

: LIAJ highlights insurance education as its priority
  LIAJ advocates for more insurance education
  LIAJ develops materials for insurance education

Gaining trust in the industry

✓ Promotion of better consumer experience

: LIAJ identified challenges that need to be addressed in order to achieve better consumer experience
  LIAJ share good practices to facilitate further improvement
LIAJ in capacity building

Raising awareness

- Life Insurance Participation Rate

Source: Japan Institute of Life Insurance: consumer survey
LIAJ in capacity building

Raising awareness - Insurance Education

✓ LIAJ made recommendations for Greater Opportunity for Insurance Education at Schools in its report on enhancement of insurance education

➢ Summery of the recommendations

• When the social security system is mentioned in the class, it should be ensured that the importance of self-help efforts and the benefit of the function of insurance is also communicated

• More practically, they should be learnt in both contexts of: the study of domestic science that focuses on personal life, and the study of social science (civics) that focuses on social life

• In implementing the above policy, teaching materials or lecturers provided by life insurance sector and other sectors should be recognized and used as appropriate
LIAJ in capacity building

Promotion of better consumer experience

- LIAJ has been promoting better consumer experience with special focus on the elderly customers

Identified challenges that could lead to bad consumer experience;

- **Discontinuation of service processing**
  In some cases, it is practically impossible to verify the intention of the policyholder or beneficiary, or to make contact with either of them.

- **Intermittent service processing**
  Even when service processing is successfully initiated, policyholders or beneficiaries might not have capacity to facilitate prompt service processing.

- **Increased pressure on service processing**
  The number of various payments and procedures will increase substantially in a super-aged society (claims for benefits, policies reaching maturity, various conservation procedures).
LIAJ in capacity building

Voluntary Guidelines

- LIAJ developed guidelines which specifically highlights the elderly
- The new guidelines were developed based on the recognition of key challenges in servicing the elderly

Guidelines for Life Insurance Services for the Elderly (2014)

- The guidelines recognize three phases of the life cycle of life insurance contracts

- The guidelines try to identify key factors that should be considered when serving the elderly customers in order to improve consumer outcomes
Thank you