



FALIA Invitational Seminar in Japan
“Channel Strategy & Product
Development Course”



Overview of Life Insurance Industry in Japan

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International Affairs Dept.
The Life Insurance Association of Japan

Intro

Approx.

90%

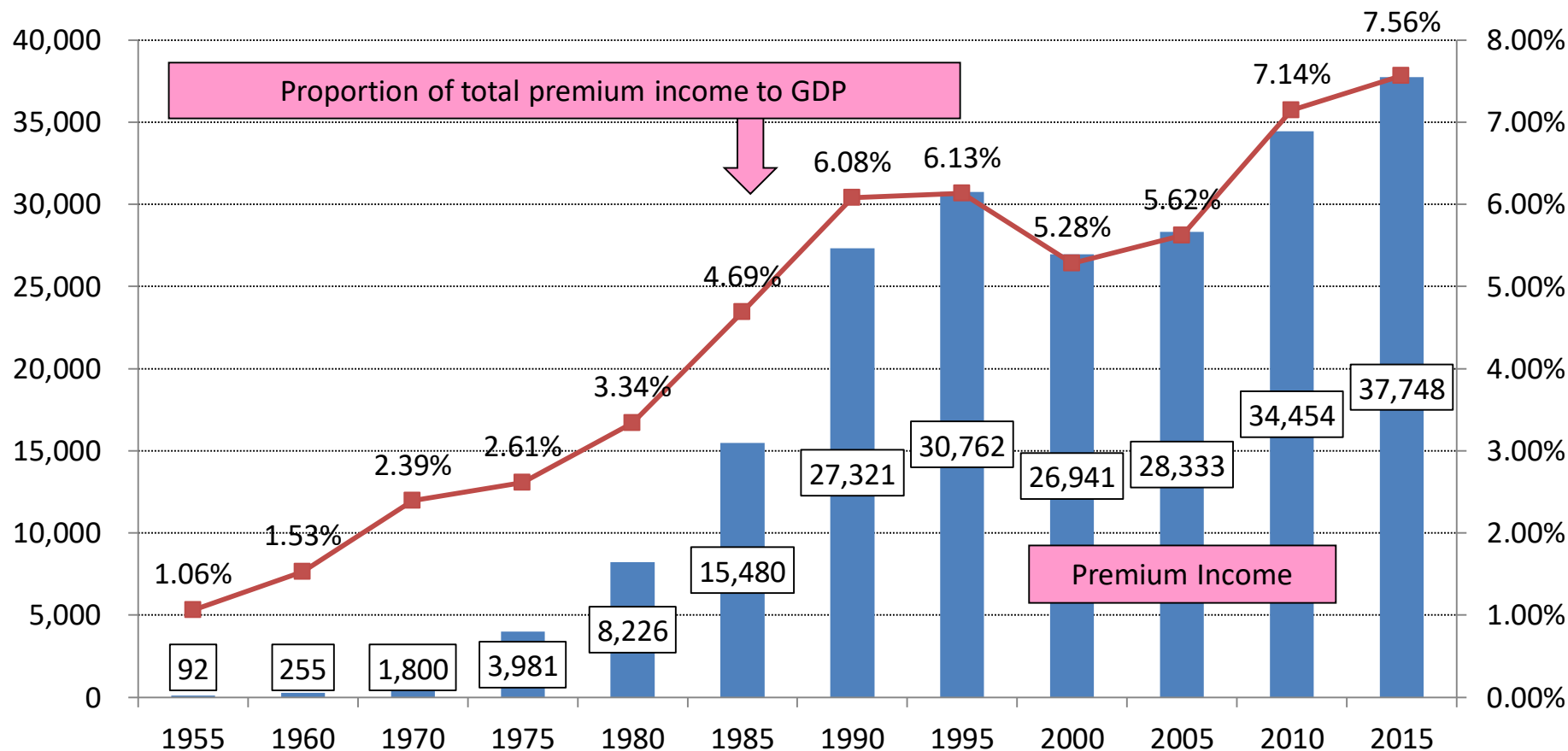
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- ❑ Brief History of Market Development
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Brief History of Market Development

Brief History Market Development

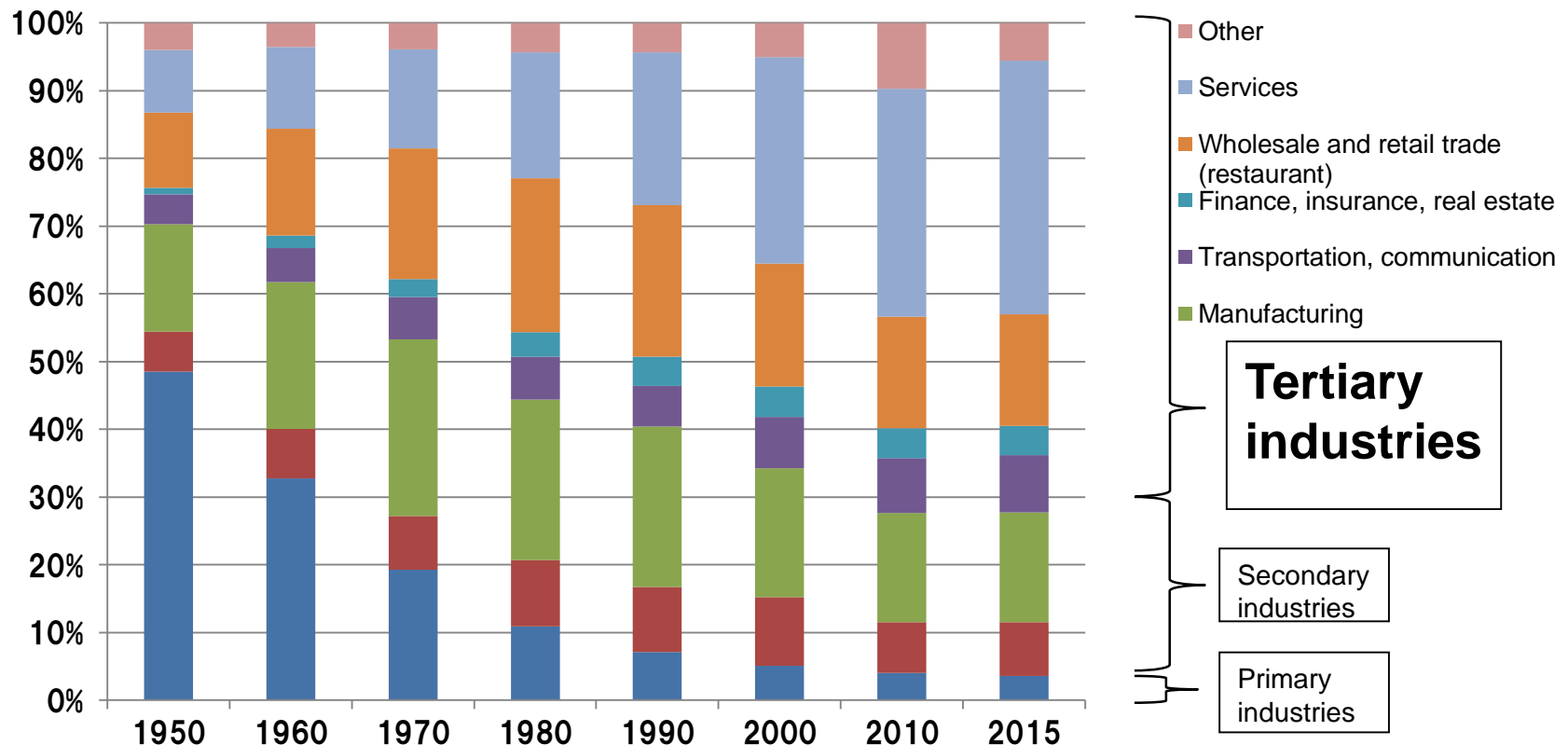
Total Premium Income to GDP (actual)



Brief History Market Development

Changes in the industrial structure (Primary industry → tertiary industry)

Trend in the percentage of workers engaged by industry

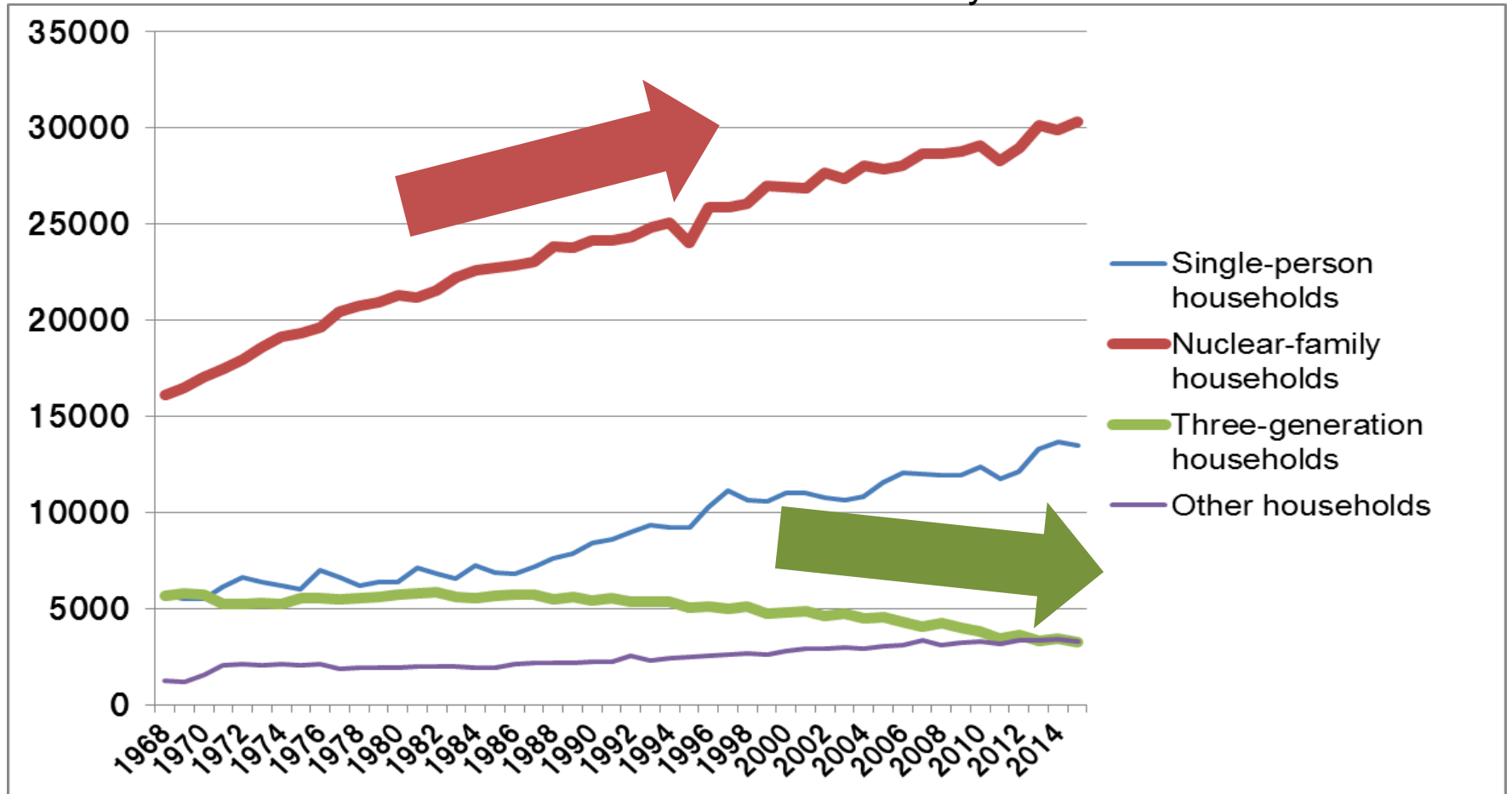


Brief History Market Development

Increase in the number of nuclear families

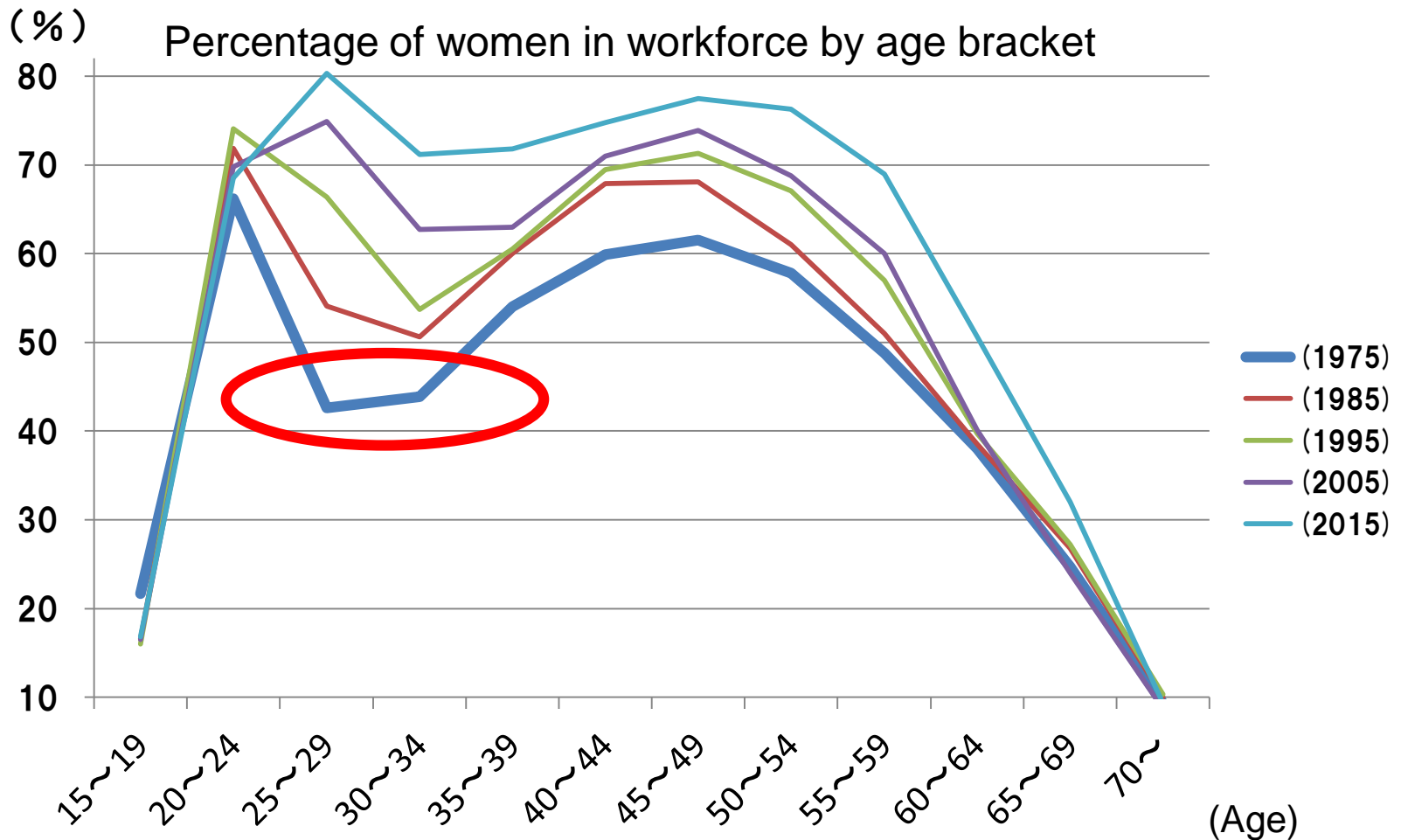
(Household)

Trend in the number of households by household structure



Brief History Market Development

Low rate (in the past) of women in workforce

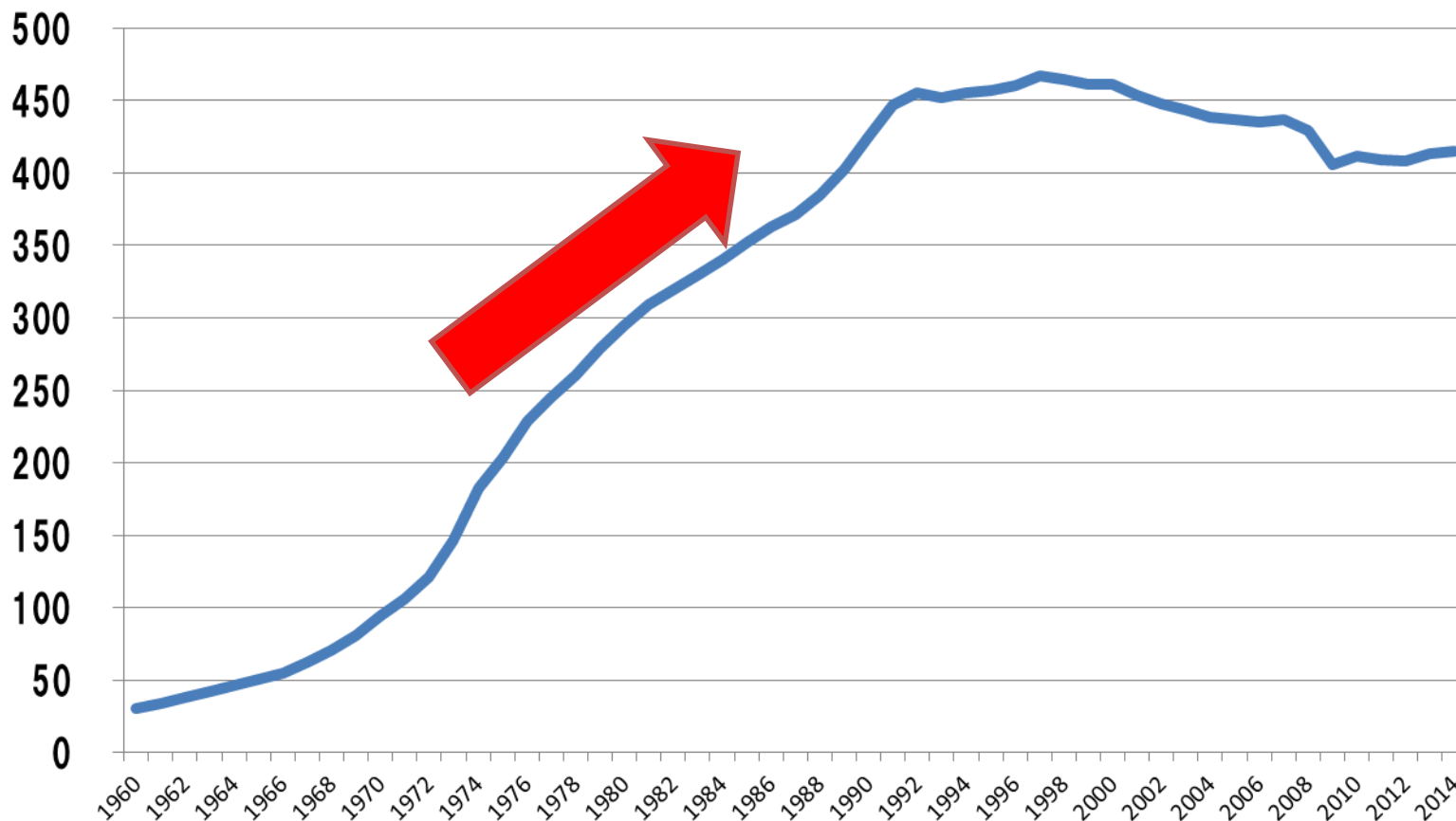


Source: Research results of labor force by the Bureau of Statistics, the Ministry of Internal Affairs and Communications

Brief History Market Development

Trend in the average annual salary of private sector workers

(10 thousand yen)

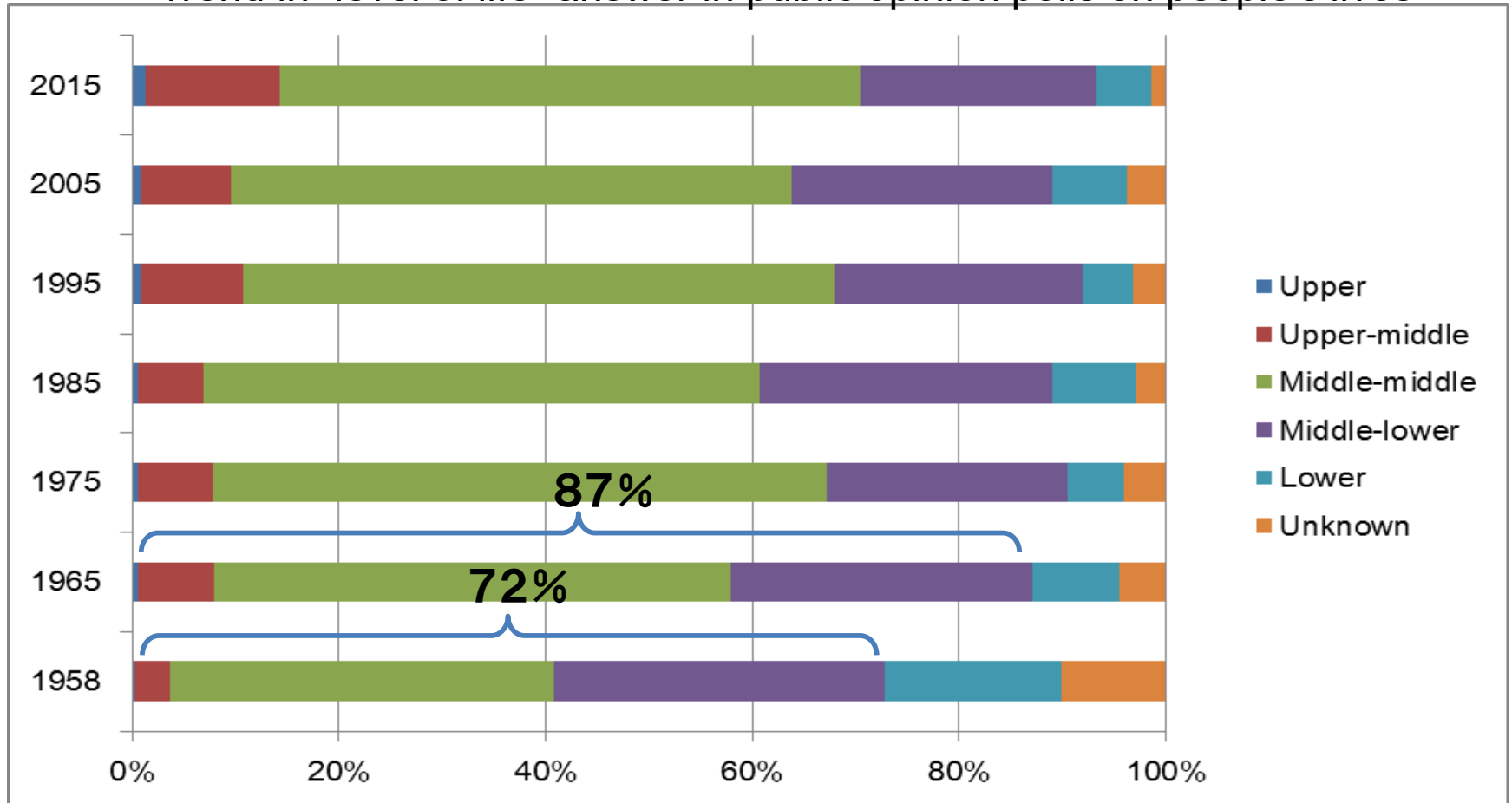


Source: Results of the Statistical Survey of Actual status by the National Tax Agency

Brief History Market Development

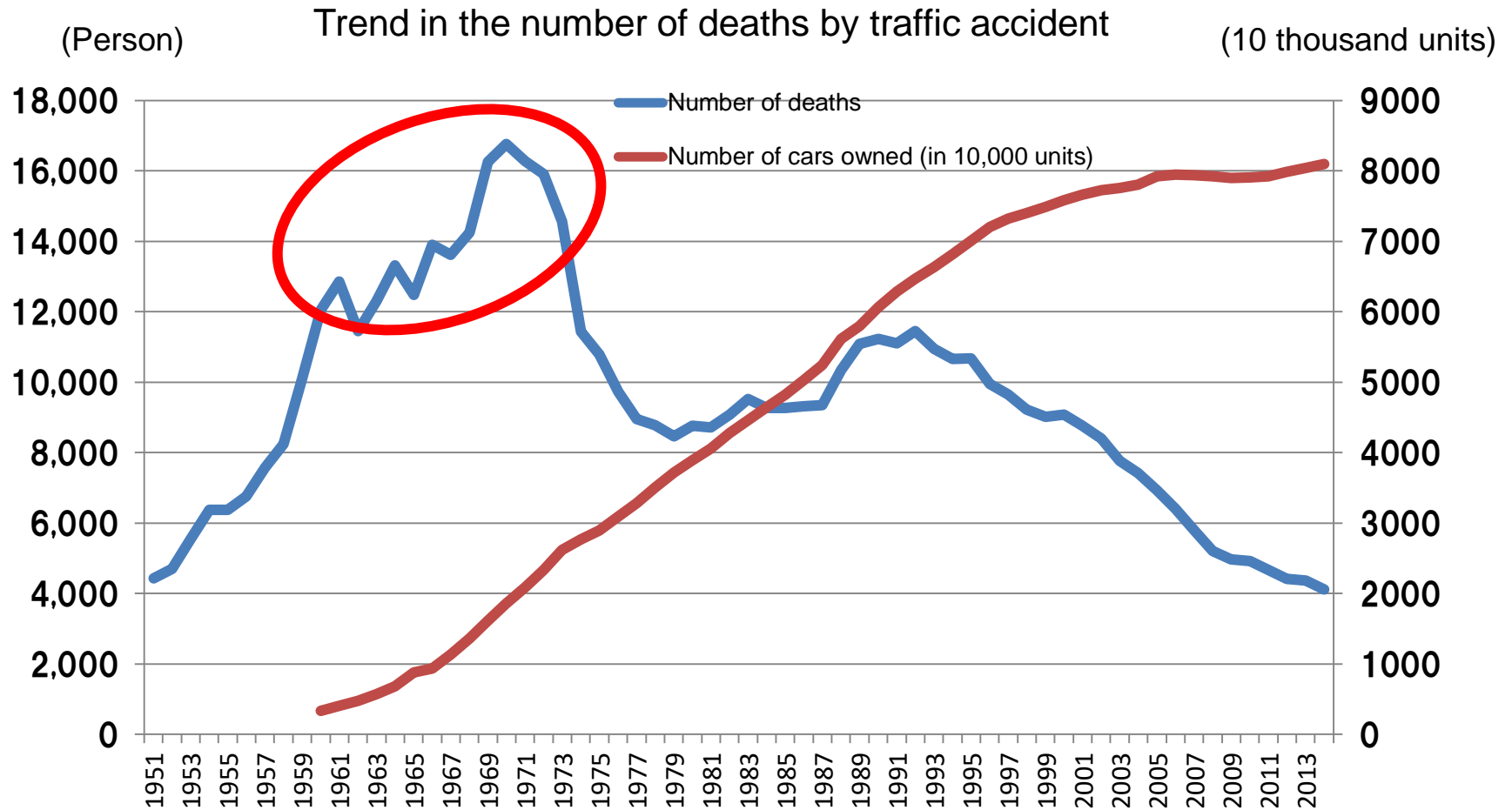
Formation of feeling of “all-middle-class society”

Trend in “level of life” answer in public opinion polls on people's lives



Brief History Market Development

Motorization: heightened risk of accidental death



Brief History Market Development

Policy support through the tax system

- Life insurance premium deduction system
 - ✓ Deduction from income of full amount up to 120,000 yen for general life insurance, care and health insurance, and personal pension insurance
- Inheritance tax exemption for death benefit
 - ✓ Tax exempt up to 5,000,000 yen per heir apparent

Brief History Market Development

Measures against moral risk

- Many crimes that use life insurance occurred since around 1975 (during the recession period after the oil crisis)
 - ✓ Each company put in place stricter checks on whether policies are adequate in view of social conventions, set the maximum insurable amounts and took other measures.
 - ✓ Established an information exchange system (“Policy Data Registration System”)
 - ✓ To handle those who subscribe to insurance policies with multiple insures and make fraudulent claims.

Brief History Market Development

Role of sales staff

- Sales personnel are assigned to specific regions and responsible for new policy solicitations and collection of money in their respective regions
- Hired a large number of female sales staff
- Women were suited for the home visit activity

Number of working sales staff

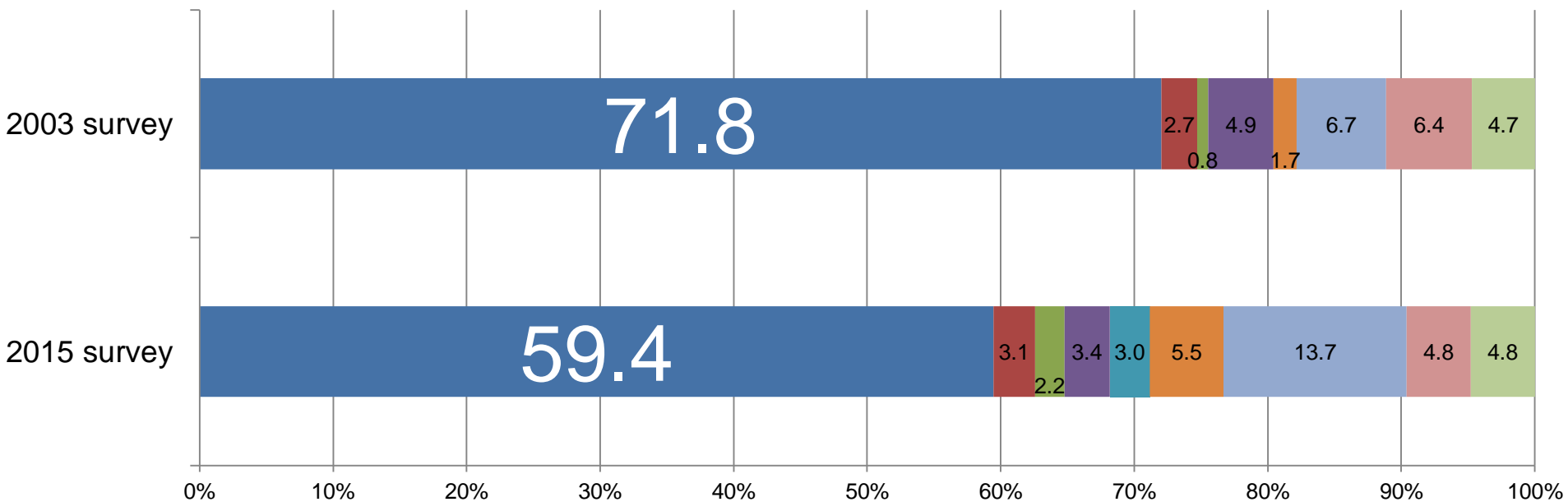
1955	1970	1992	2015
64,035 persons	302,852 persons	416,429 persons	188,766 persons

Brief History Market Development

Diversification of distribution channel

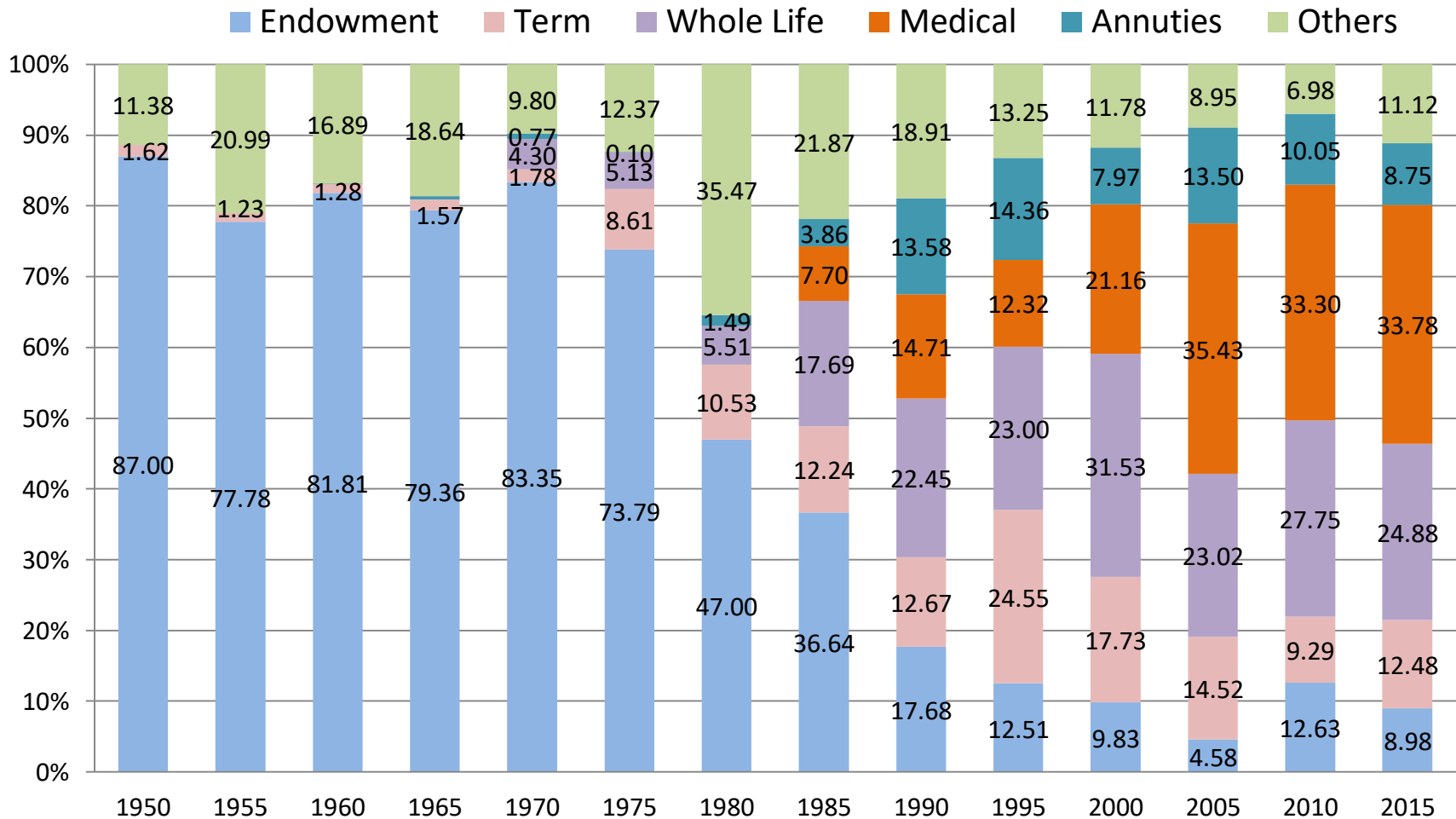
Subscription channel of recently sold policies (FY2015 survey)

- Sales staff
- Insurance company desk
- Internet
- TV, newspaper, magazine, etc.
- Post office
- Bank, securities firm
- Insurance agency
- Workplace, labor union, etc.
- Other, unknown



Brief History of Market Development

Changes in product portfolio (the number of new policies)



Brief History of Market Development

Recent years

- ✓ 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.

Brief History of Market Development

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%).

Brief History of Market Development

Demographic change / ageing

: less younger population and more elder population

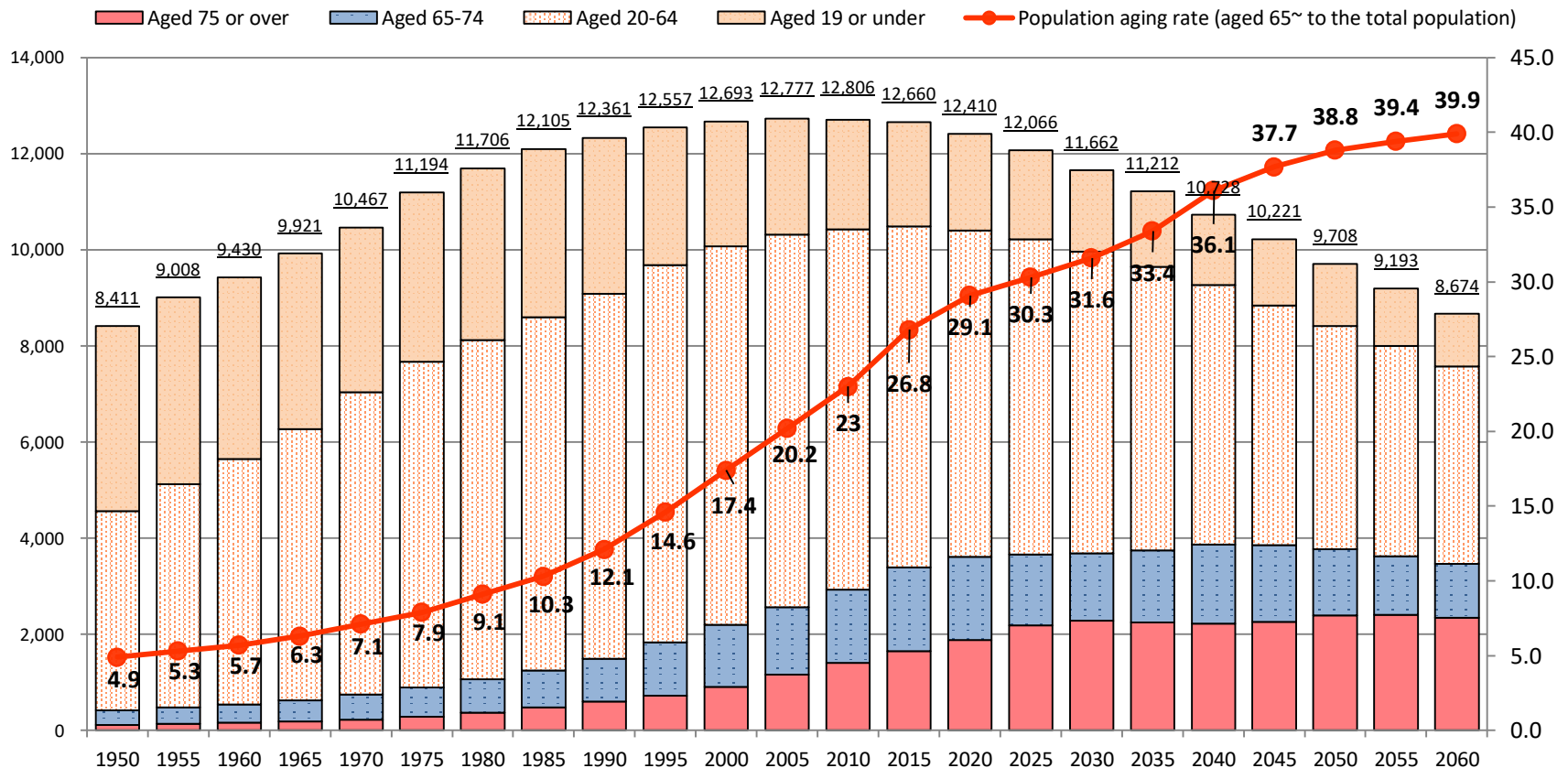
- ✓ Mass retirement of baby boomers was observed in 2000's
- ✓ In ageing society, those retired need to be self-reliant in their life after retirement
- ✓ Those retired looked for investment opportunities that would be appropriate for the purpose of long-term retirement saving
- ✓ People seek for investment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

Demographic Change / Ageing

Demographic Change / Ageing

Ageing - less younger population, more elder population

< Population demographics >



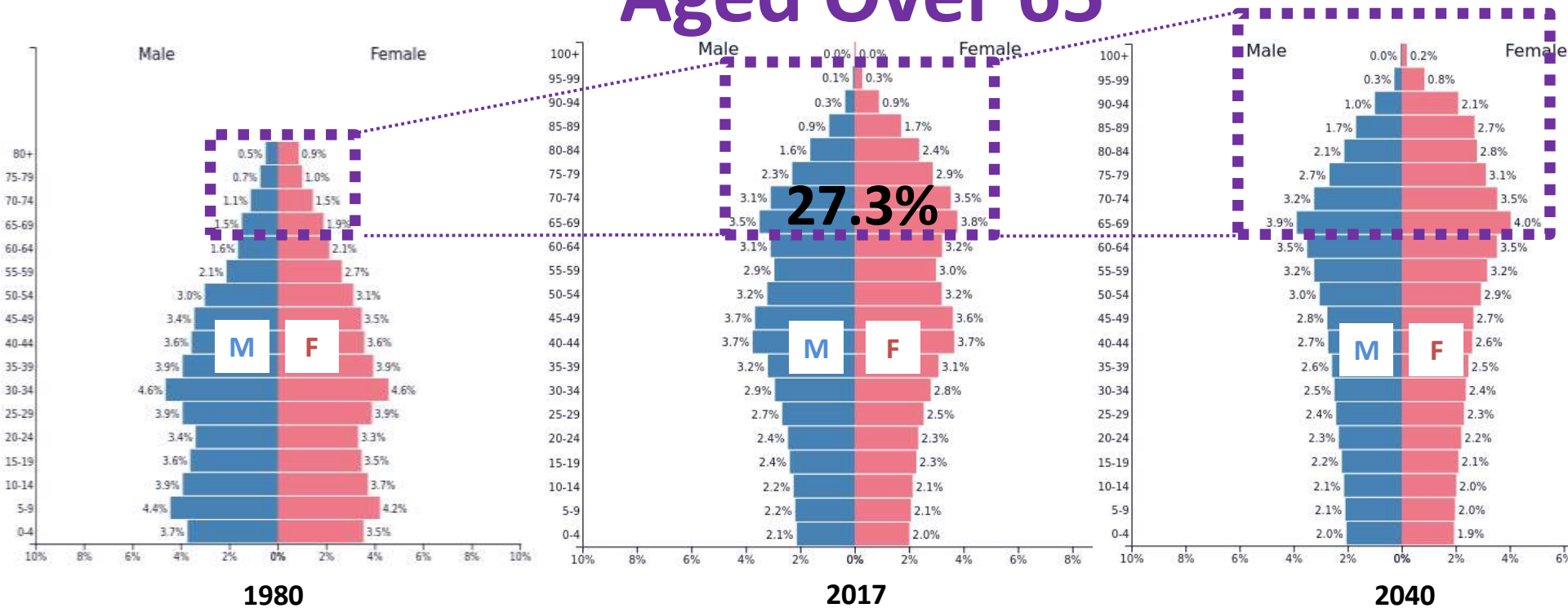
Source : The Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research
 Note: The total population from 1950 to 2010 includes the population of uncertain age.

Demographic Change / Ageing

Ageing - less younger population, more elder population

< Population pyramid >

Aged Over 65



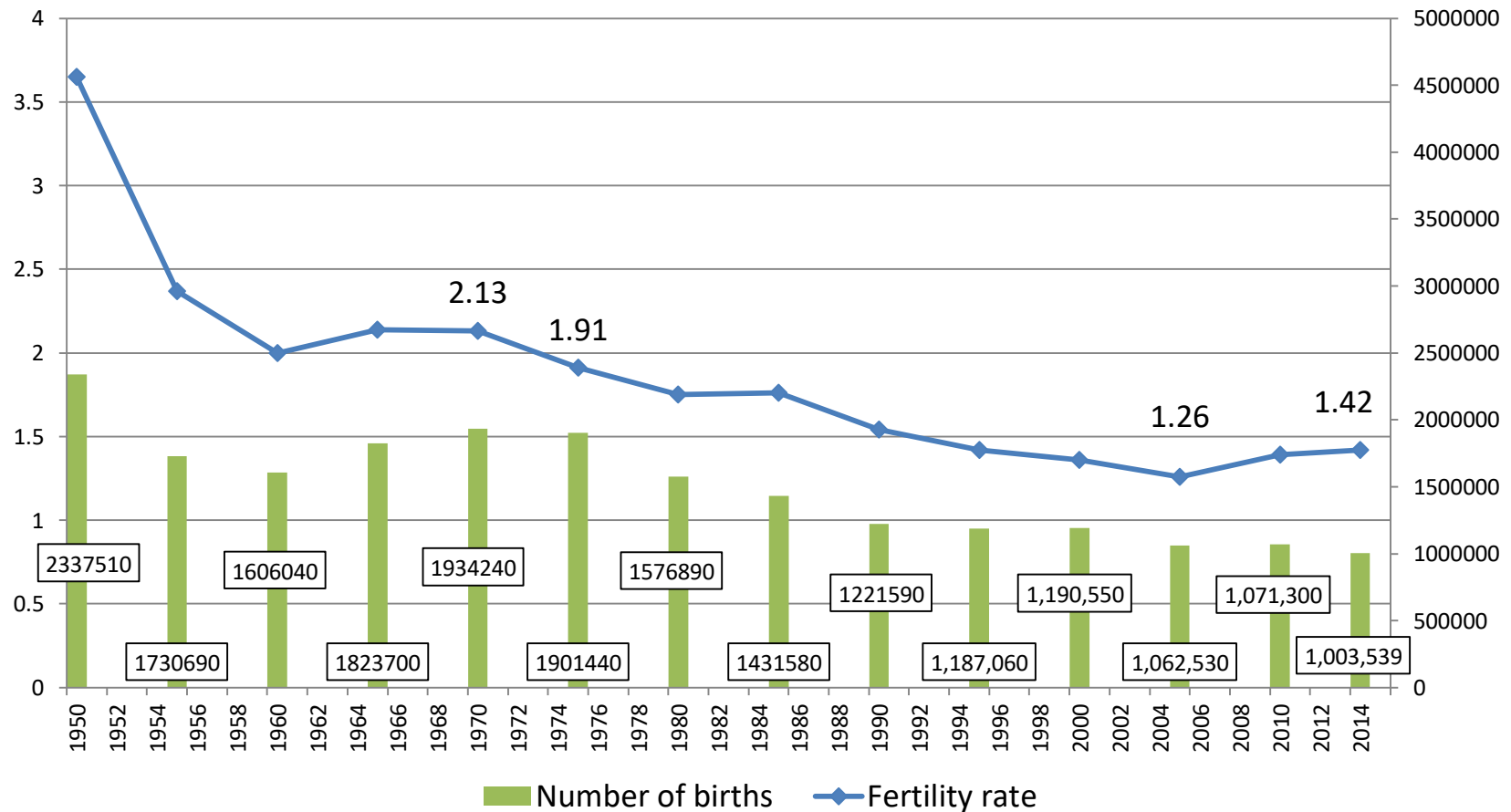
Source : For the figure of 1980, "Population Census", The Ministry of Internal Affairs and Communications

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

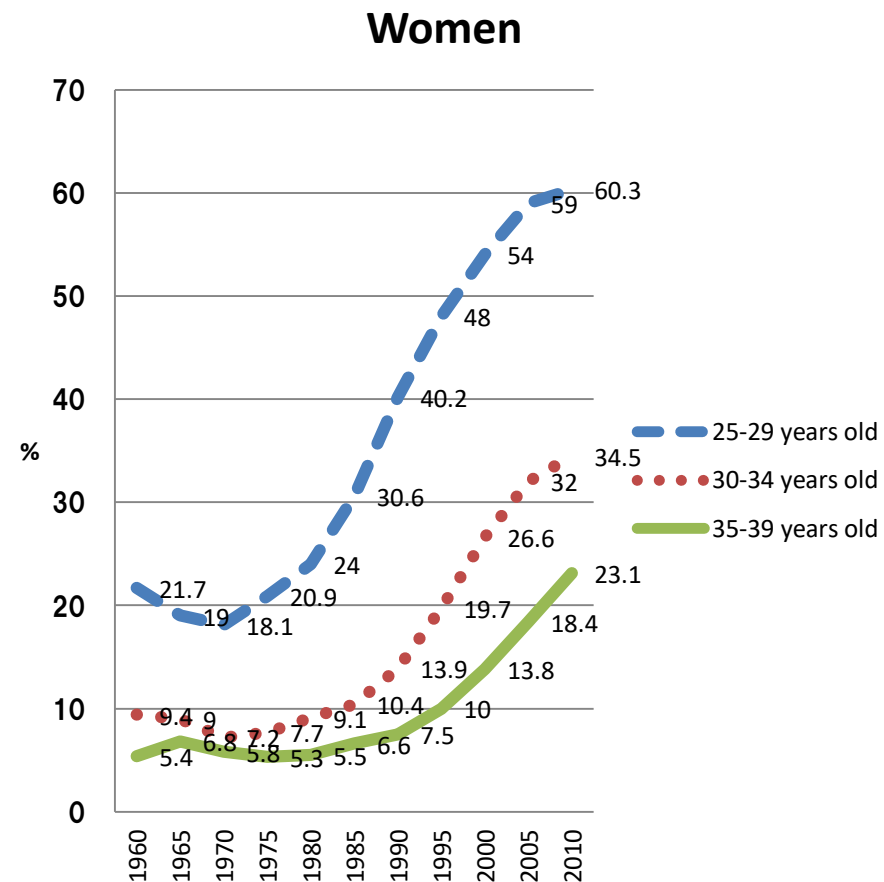
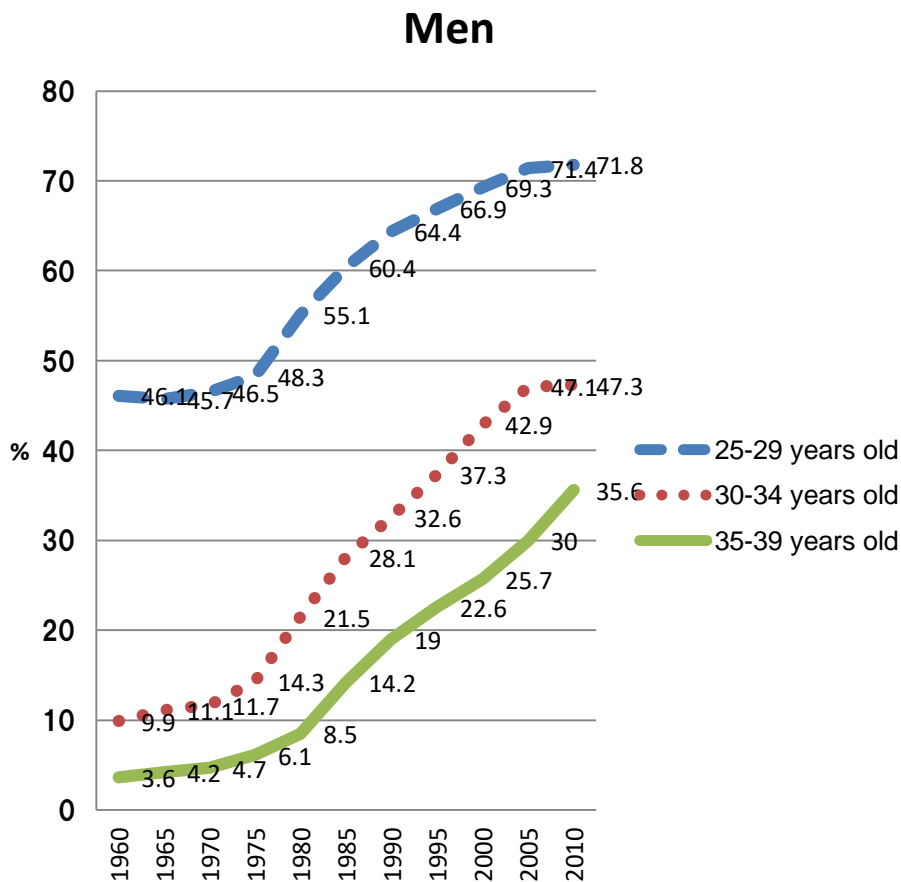
< Fertility rate and number of births >



Demographic Change / Ageing

Ageing - less younger population, more elder population

< Trend in the percentage of unmarried by age bracket >

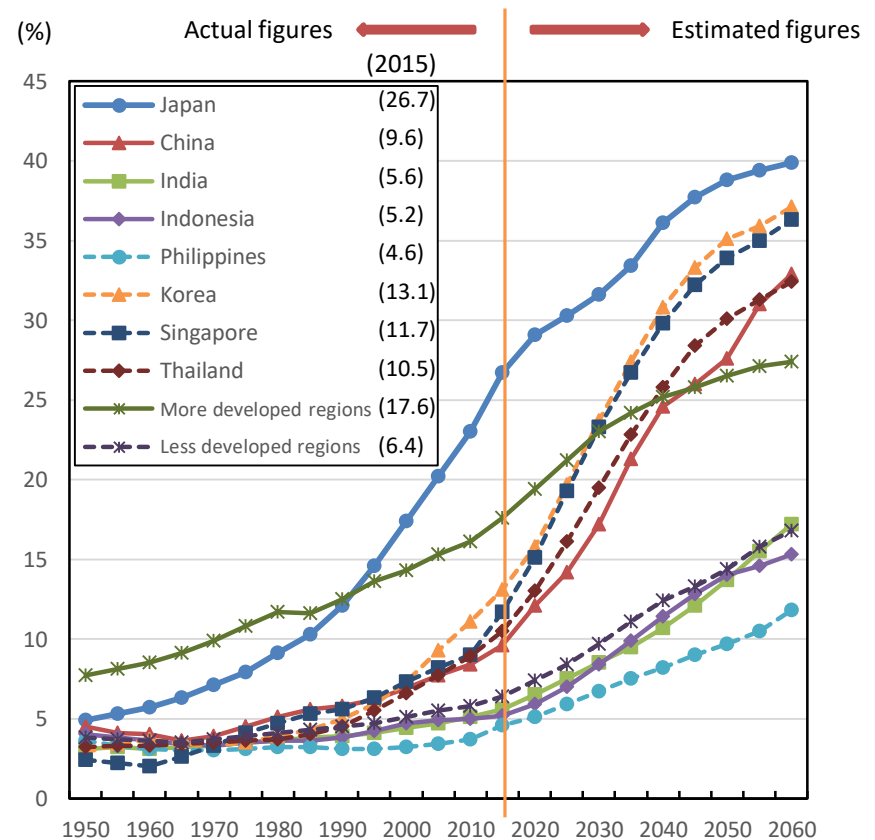
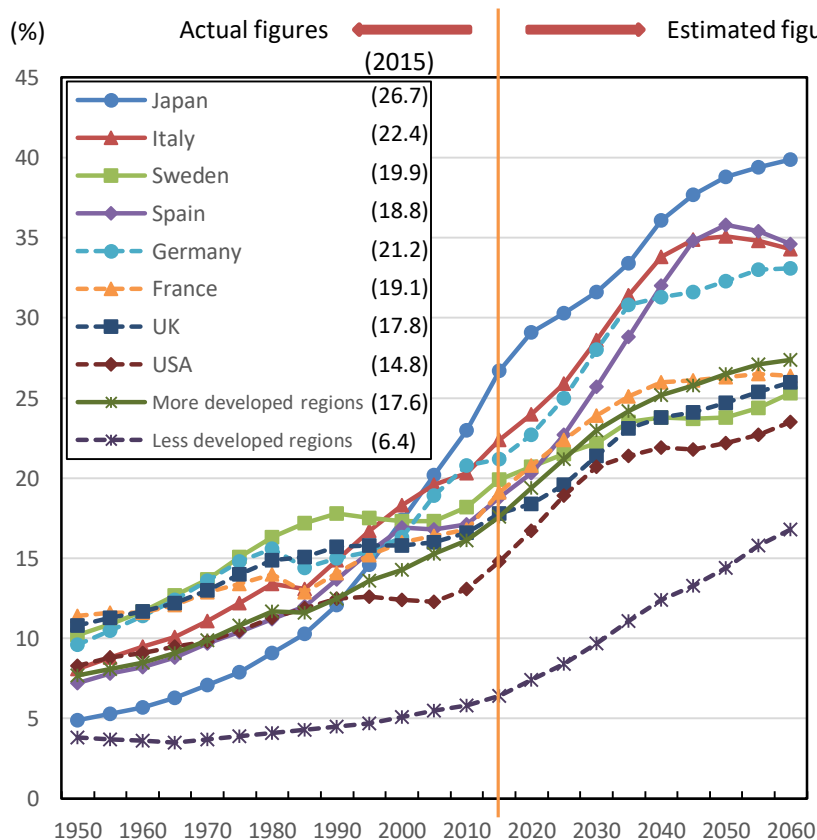


Demographic Change / Ageing

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

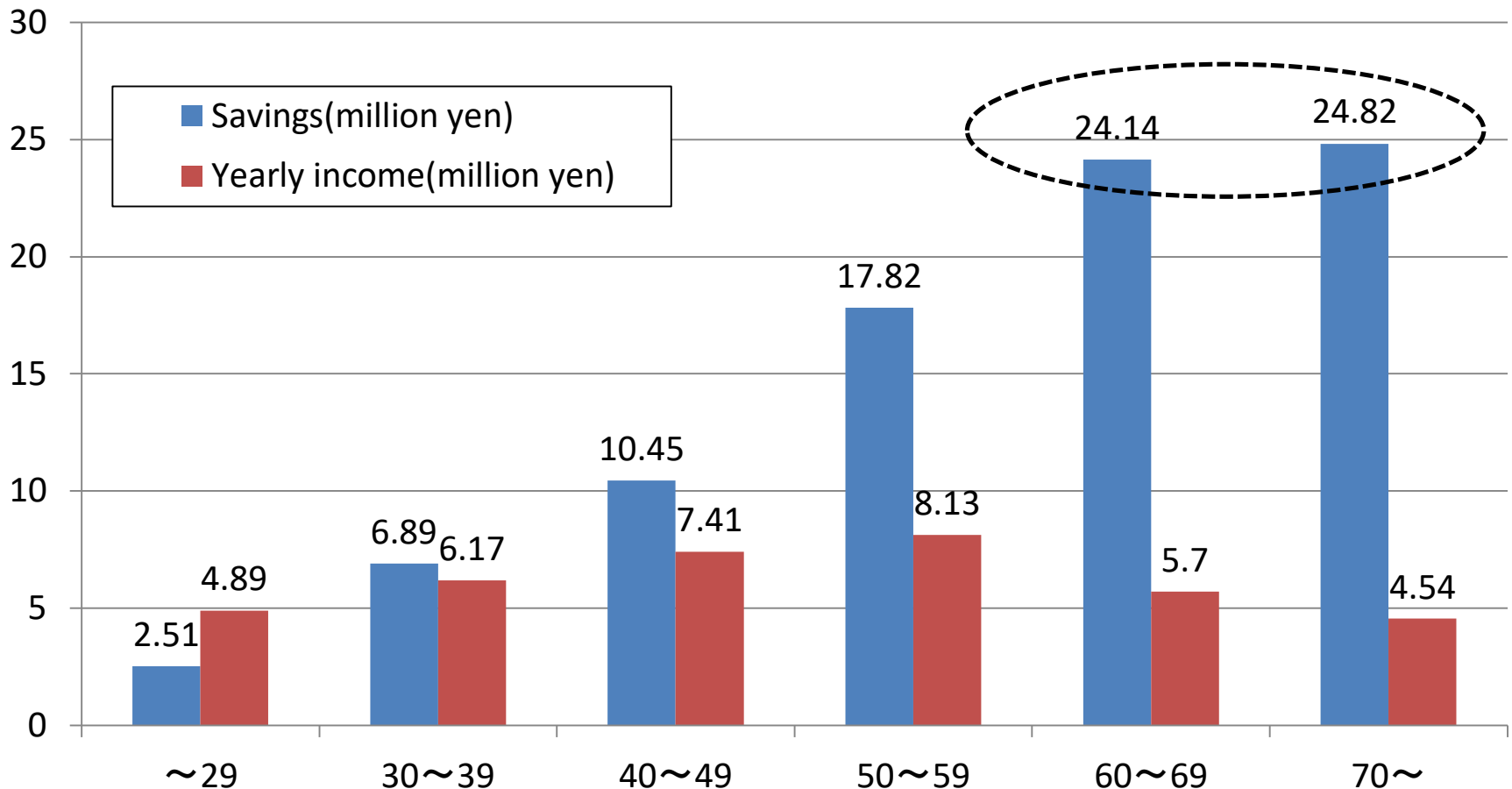
What does ageing mean to the industry?

- ✓ 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

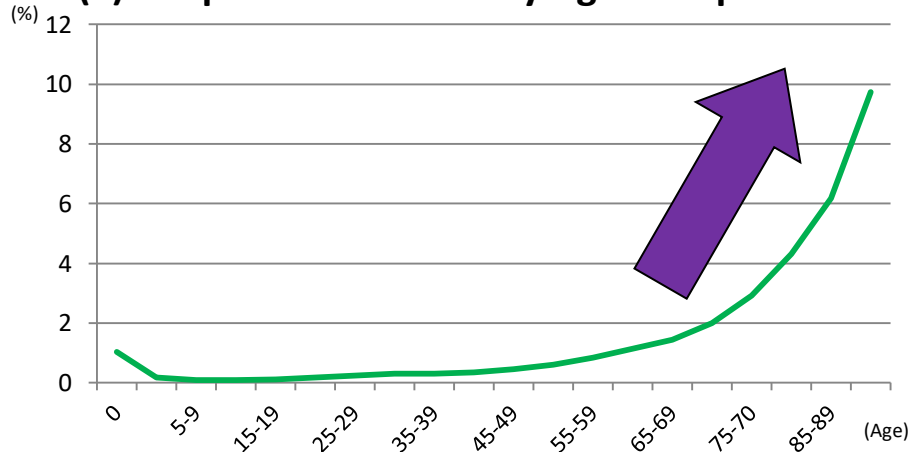
(million yen)



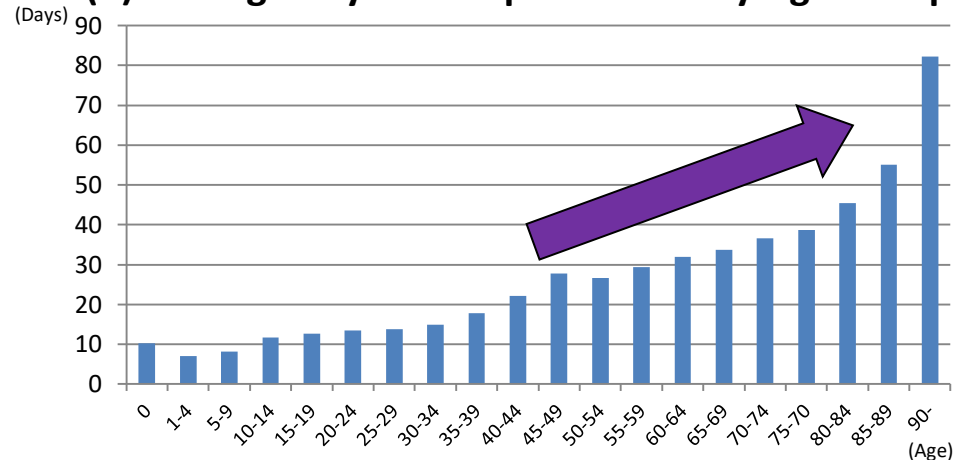
Demographic Change / Ageing

Medical expenses

(a) Hospitalization Rate by Age Group

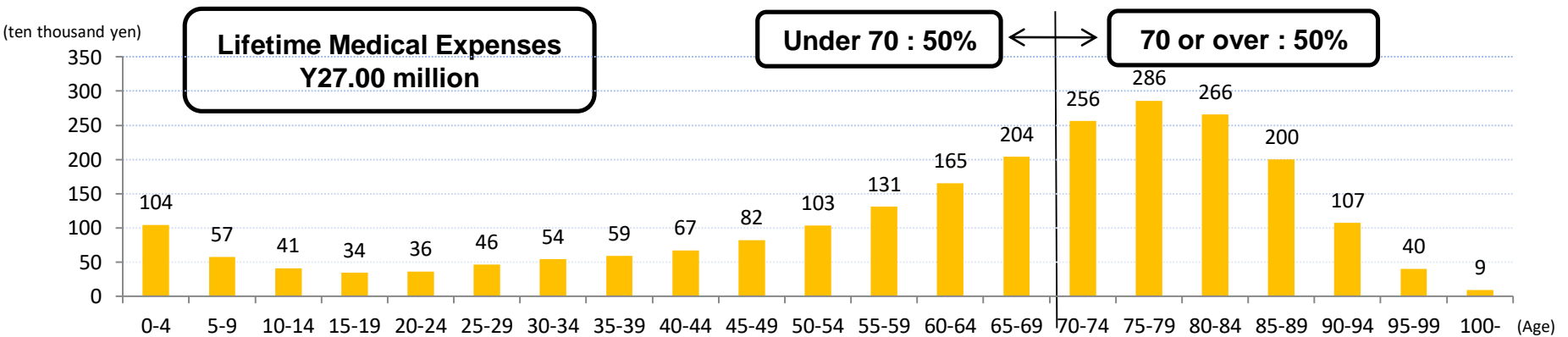


(b) Average Days of Hospitalization by Age Group



Source: "Patient Survey (2011)", Ministry of Health, Labour and Welfare

(c) Lifetime Medical Expenses (Estimates in Fiscal 2015)



Source: Ministry of Health, Labour and Welfare

Demographic Change / Ageing

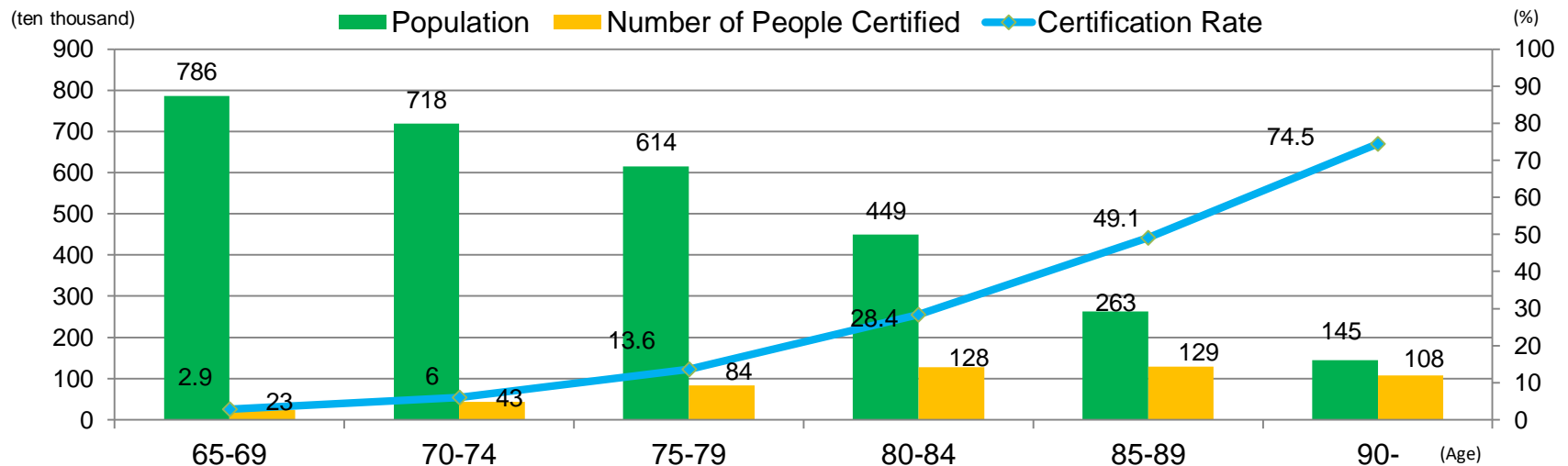
Long-term care expenses

(a) Period of Unhealthy Condition (2016) = Average Life Expectancy at Birth – Healthy Life Expectancy

	Male		Female		
Average life expectancy	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
80.98	72.14	8.84	87.14	74.79	12.35

Source: Ministry of Health, Labour and Welfare

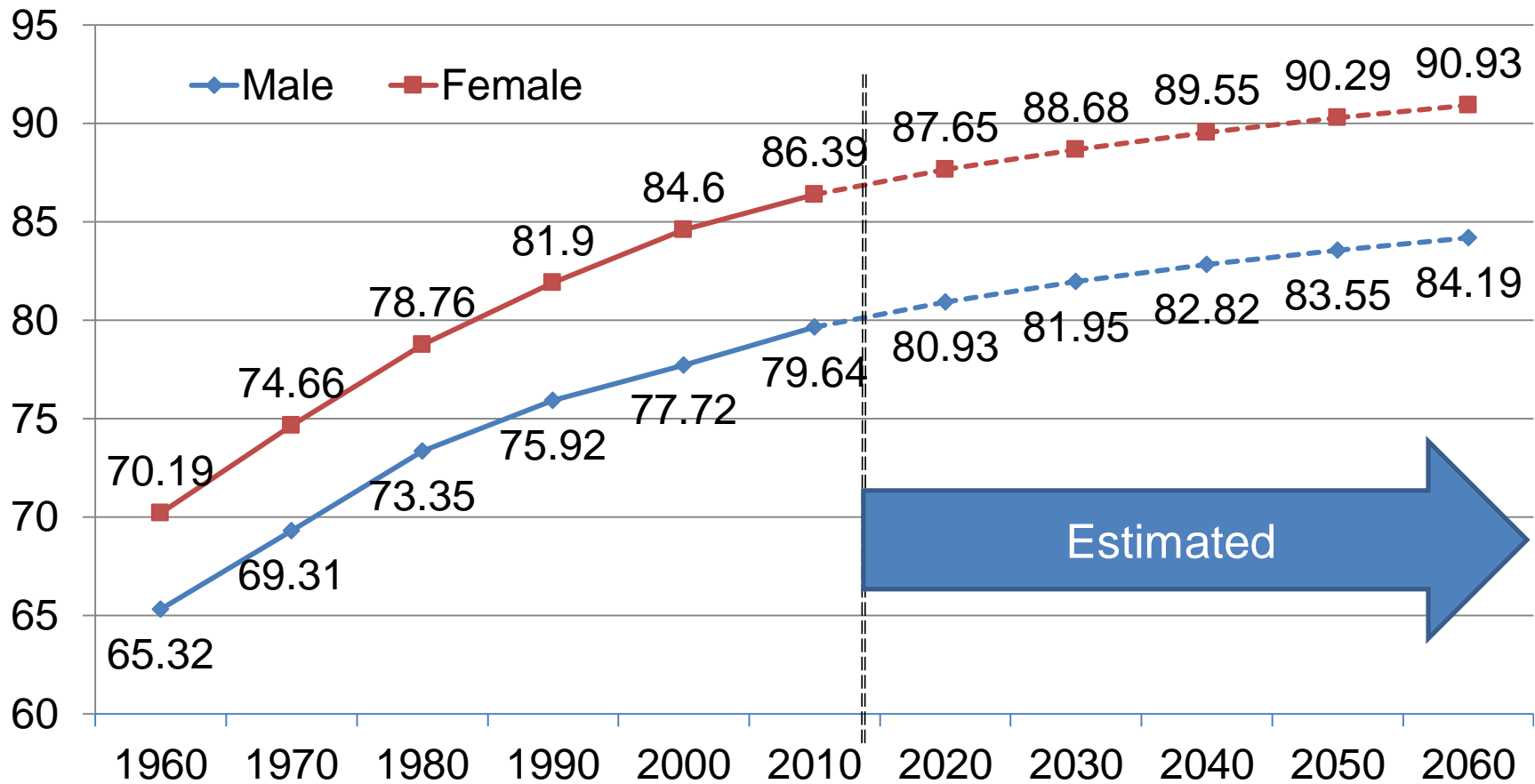
(b) Certification Rate of Needed Long-Term Care By Age Group



Source: "Survey of Long-Term Care Benefit Expenditures", Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications

Demographic Change / Ageing

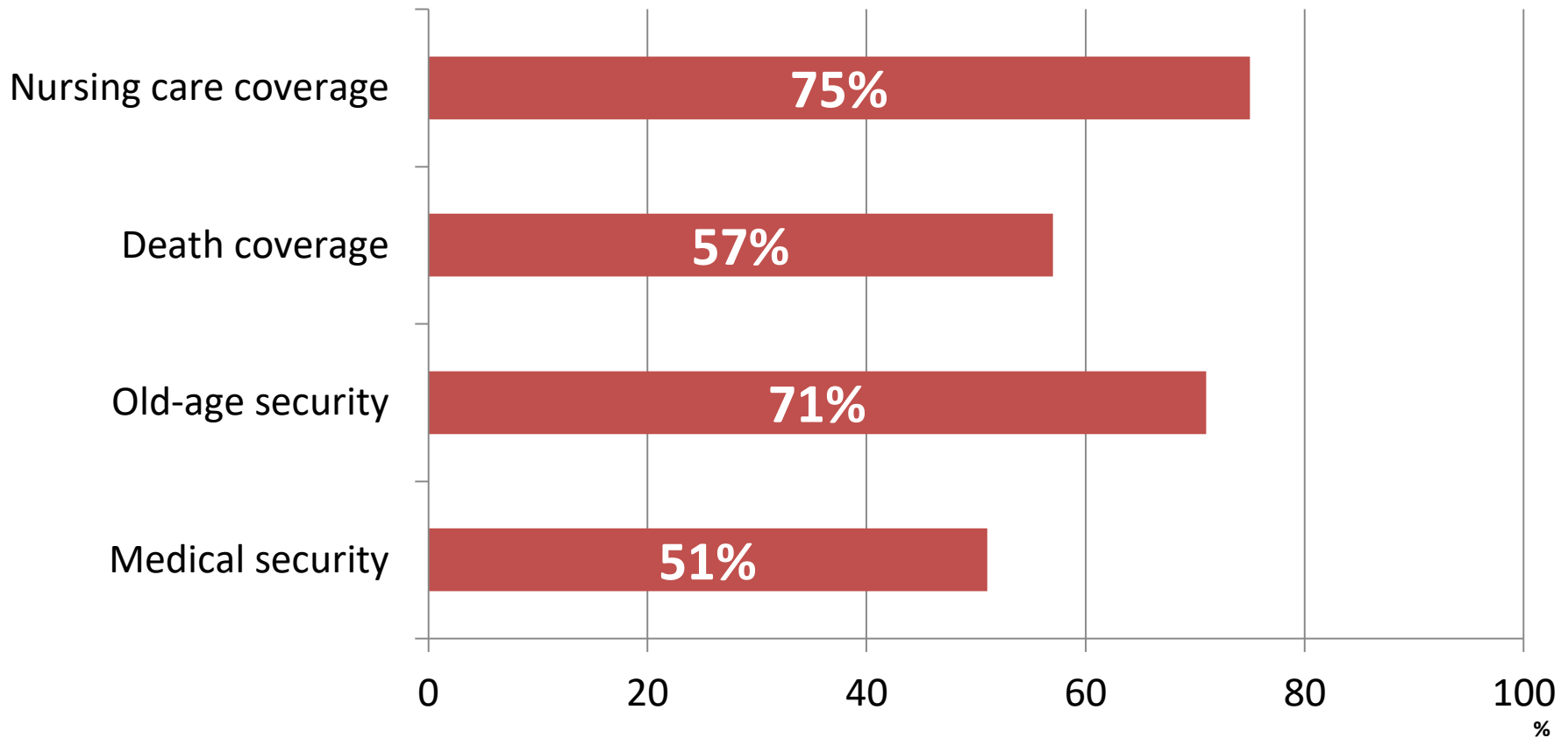
Average life expectancy - longer after-retirement years



Demographic Change / Ageing

Consumer sentiment on insurance coverage

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



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
- ✓ Anti Moral Hazard measures
- ✓ Social Service Activities
- ✓ ADR (Alternative Dispute Resolution)

LIAJ's Activities

Development of voluntary guidelines

- ✓ the LIAJ has developed voluntary guidelines which suggest practical transactions and points to consider for insurers.

Common-to-industry education programme

- ✓ LIAJ administers several exams to check the knowledge, quality and capacity of candidates seeking registration.

LIAJ's Activities

Measures to prevent abuse of life insurance

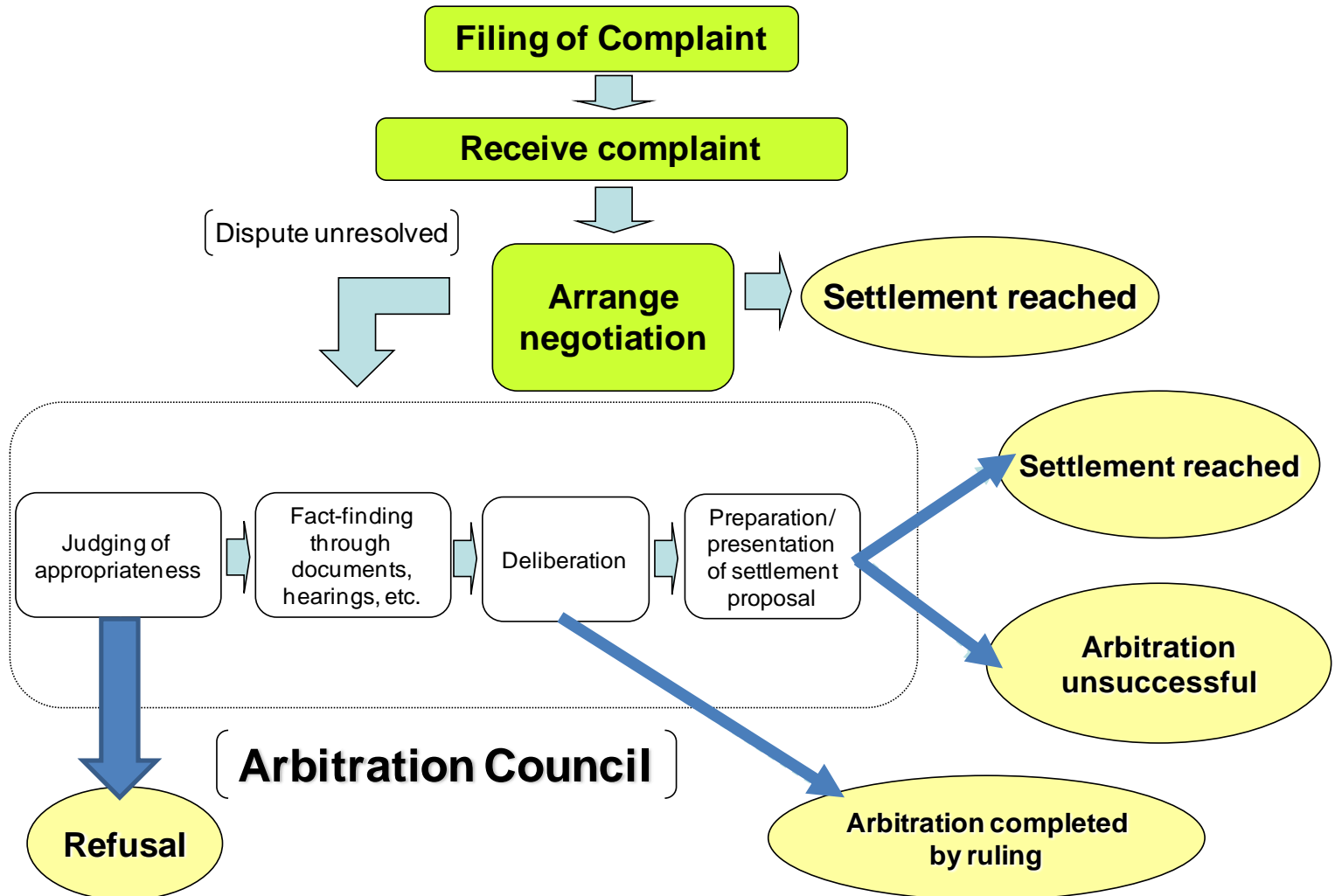
- ✓ Policy Data Registration System
- ✓ Cross Reference System for Assessing Insurance Claims

Life Insurance Consultation Center

- ✓ LIAJ is a dispute resolution body. Life Insurance Consultation Center was established within the LIAJ.
- ✓ Expert consultants deal with inquiries and complaints from a neutral position.

LIAJ's Activities

Arbitration Council



Thank you

