

# **Hyper-aged society and Life insurance industry in Japan**

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# Overview of Life insurance industry in Japan (1)

## ■ Second largest market in the world

- Annualized Premium Income: 27.4 trillion JPY for individual insurance including individual annuity insurance in FY2016 *(a)*
- 89.2% of households have Life insurance policies *(b)*

## ■ Individual insurance market in growth

- Increasing sales of Medical insurance and Single-premium whole life insurance

Figure 1. Annualized Premium Income of Individual Insurance (Policies in Force, FY2012-2016) *(a)*

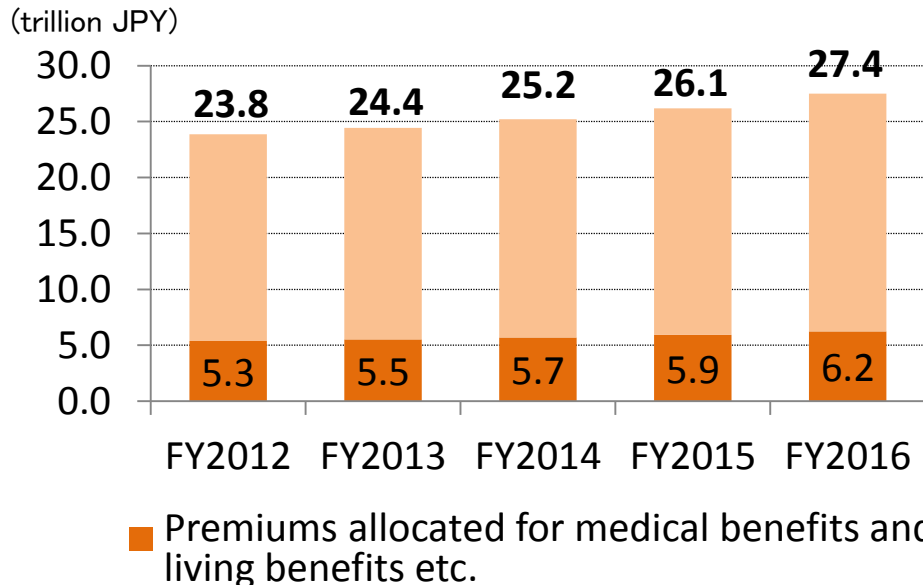
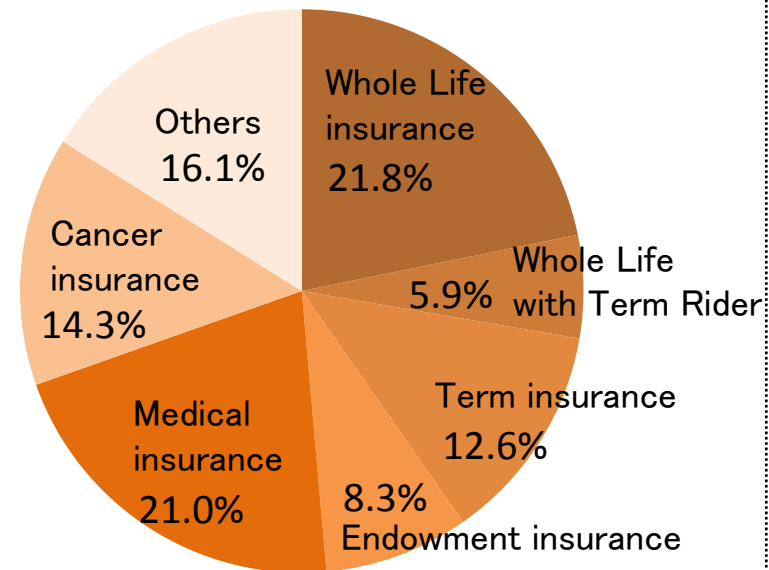


Figure 2. Types of Individual Insurance *(a)*  
(Number of Policies in Force, FY2016)



# Overview of Life insurance industry in Japan (2)

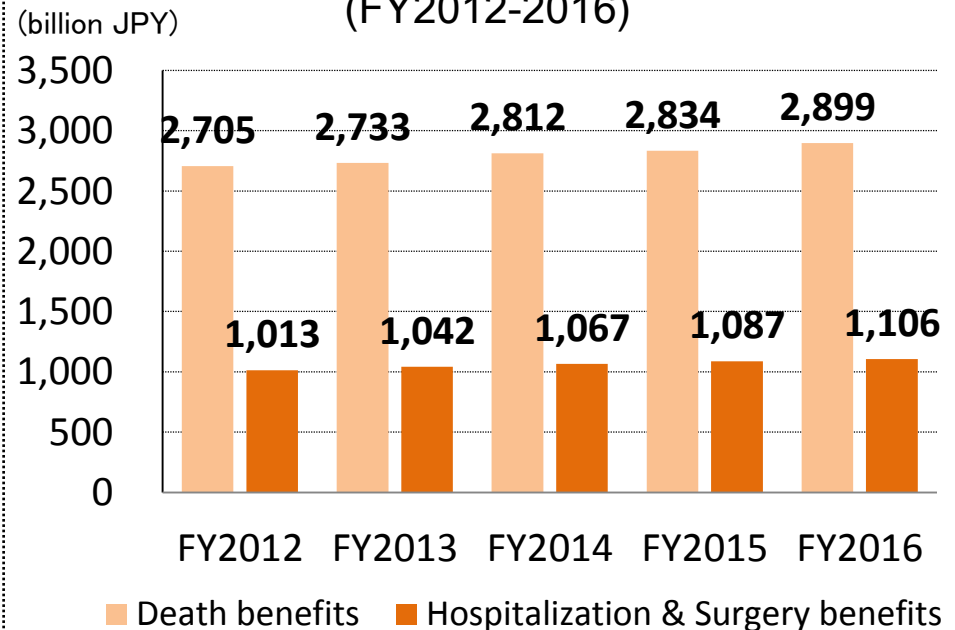
- 41 Life insurers (25 Domestic, 16 subsidiary/branch of Foreign company)
- Diversified distribution channels
  - Tied sales representatives
  - Multi-tied agents, bancassurance etc.
- Insurance Benefits: 19.8 trillion JPY paid in FY2016 <sup>(a)</sup>
  - Increase in Death, Hospitalization and Surgery Benefit Payments

**Figure 3. Number of Life insurance solicitors (FY2016) <sup>(a)</sup>**

Tied sales representatives	232,006
Corporate agencies	35,285
Individual agencies	55,804

\* Sales representatives at agencies: 1,003,503

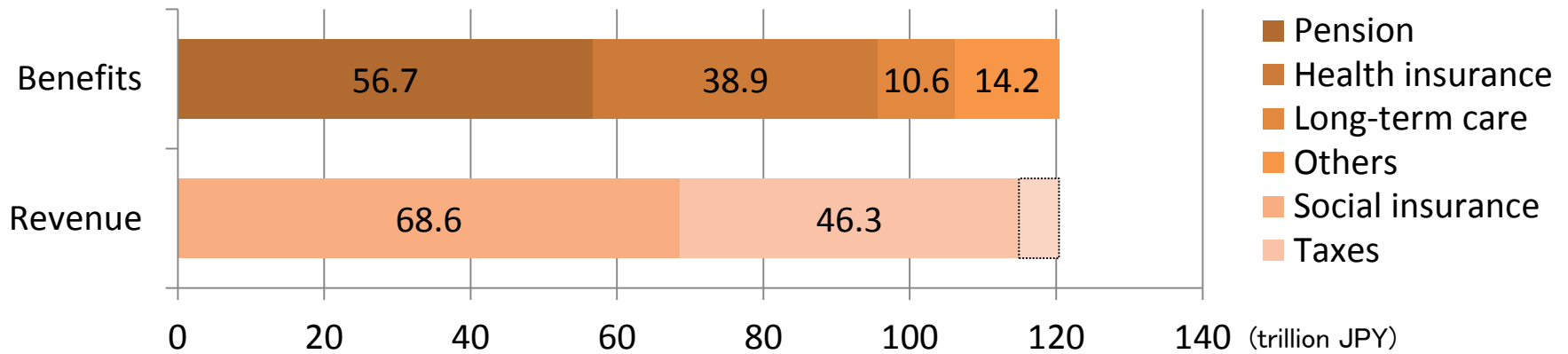
**Figure 4. Amount of Benefit Payments <sup>(a)</sup>**  
(FY2012-2016)



# Overview of the Social Security System in Japan

- Universal coverage
  - Public pension and Public health insurance for all residents
  - Public long-term care insurance for the elderly
- Total social security benefits is expected to be 120 trillion JPY in FY2017 *(a)*
- Social insurance system is adopted
  - 57% of the expenditure is financed through Social insurance premiums

Figure 5. Benefits and Revenue of the Social Security System (FY2017) *(a)*



Source: *(a)* Ministry of health labour and welfare

# Hyper-aged Society in Japan

- Japan entered a Hyper-aged society in 2007
- Aging population is projected to progress continuously, due to low birth rate and increasing life expectancy
  - Rate of aging would reach 38.4% by 2065, from 27.3% in 2016 (a)(c)
  - Total population would shrink by more than 30% (a)

Figure 6. Population projections (2007-2065)(a)(c)

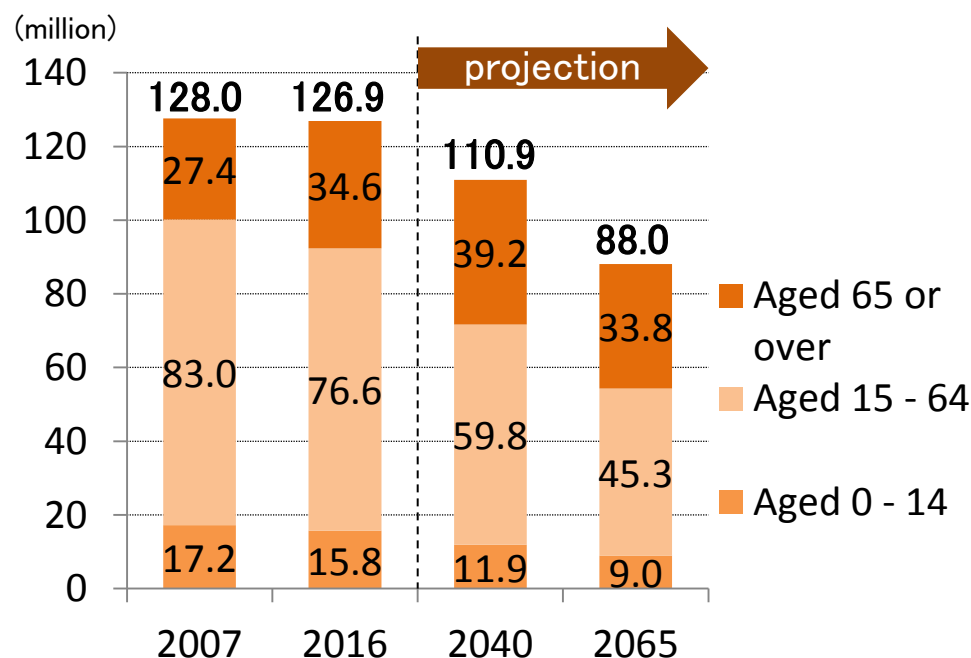


Figure 7. Total Fertility Rate and Life expectancy at birth (2007-2065) (a)(b)

	Total Fertility Rate	Life Expectancy (year)	
		Male	Female
2007	1.34	79.19	85.99
2016	1.44	80.98	87.14
2040 (projection)	1.43	83.27	89.63
2065 (projection)	1.44	84.95	91.35

# Challenges of the Aging Population in Japan

- Aging population increases Social Security expenditures
  - Higher medical expenditure for the Public health insurance
  - More beneficiaries of the Public pension system
- Reforms of Social Security System to ensure its financial stability

Figure 8. Medical expenditure per capita (FY2015) (a)

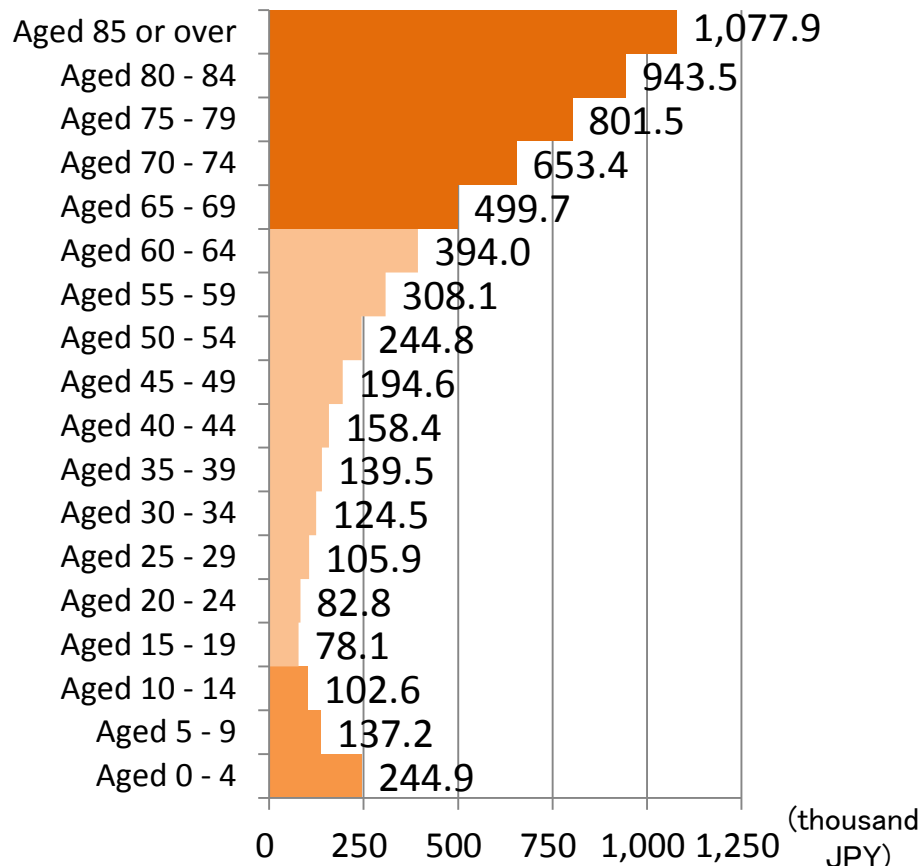
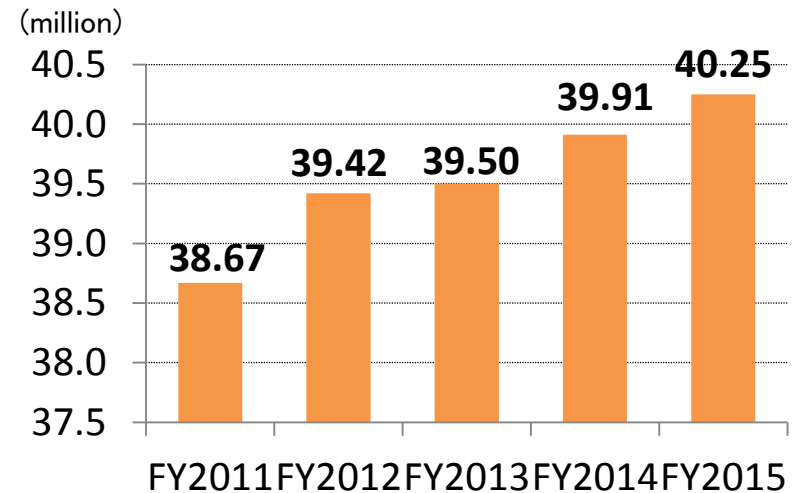


Figure 9. Beneficiaries of Public Pension system (FY2011-2015) (a)



# Opportunities for Life insurance industry in Japan

## ■ Product development to meet diversifying Customer needs

- Protection covering mortality risk
- Protection covering medical expenditure
- Savings-type products to manage longevity risk

## ■ Optimizing distribution channels to reach Customers

Figure 10. Discrepancy between life expectancy and healthy life expectancy (2013) (a)

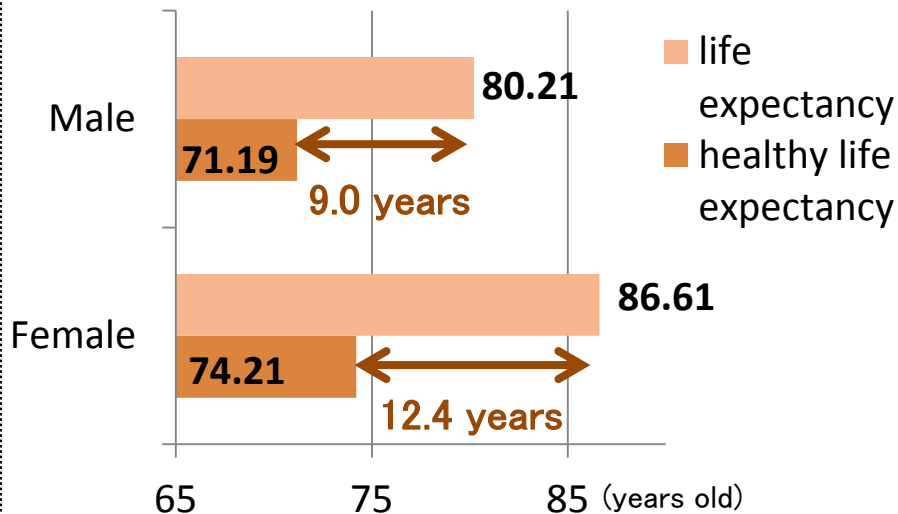


Figure 11. Financial assets held by households (1,832 trillion JPY in June-end 2017) (b)

