

## Life Insurance Distribution Systems in Japanese Market

--- Series 2: Post-World War II Period ---

A severe economic crisis hit Japan following the end of the Second World War. Many insurance policies either lapsed or were cancelled by the policyholders because they cannot afford the premium payment anymore. Meanwhile, the demand for life insurance also significantly decreased. In addition to such circumstances, the vast amount of insurance payment and the loss of overseas investment assets due to the war caused serious financial difficulties to many life insurance companies.

Under these circumstances, the government released a policy to reconstruct the insurance industry. Namely, insurance payment over a certain amount can be deferred, and insurance company can restart its business as a new company with an approval by the government. As a result, all stock life insurance companies except one small-sized company, Itadani Life, carried out a mutualization by March 1948 and then resumed their business, while the latter company restarted its business as a new stock company named Heiwa Life.

Moreover, the government imposed strict regulations on the insurance business operation such as the price setting and policy dividend allocation, which means that neither a low-premium policy nor a high-dividend policy would be allowed. In other words, insurance company cannot compete with each other in price. On the other hand, there was more demand for a low premium policy in the market, which can also be evidenced by the growth of the postal insurance business.



*Premiums Collection*

*Source: 100 Years of History of NISSAY, p.192.*

In response to these changes in the business environment, life insurance companies conducted strategic changes in their product policy and distribution system as well. Firstly, they started to pay more attention on the sales of the monthly installment policy which had been launched during the prewar period though did not sell well. In fact, this type of product soon became popular and its market share grew to about 60 per cent by the late 1950s. Considering the Japanese

household financial conditions at the time, probably this type of product had closely matched with the consumer needs. However, more sales of this type of policy means



*Female Sales Agents of Dai-ichi Life*

Source: *The Dai-ichi Mutual Life Insurance Company -- 100 Years of History*, pp.60-61.

that the company would need more manpower to collect the premiums due to its monthly premium payment system.

As mentioned in our previous report, the premiums collection was mostly conducted by the agencies of insurance company during the prewar period except the Dai-ichi Life, and its commission was set at 3 to 5 per cent of premium collected. In

addition, most of premiums payment during the prewar period was on a six-month or one-year basis and most of the policies were with a relatively large amount of premium. Furthermore, there were some agencies who became unable to continue the insurance business after the war due to personal reasons. Based on these points, most insurance companies began to reconstruct their distribution channels, namely to develop a part-time sales agent system.

At first, many companies recruited some part-time agents only to take charge of premiums collection. And in the beginning, these part-time agents were comprised mainly of war widows. Unsurprisingly, this job was very attractive to these women because they had to make some money to support their family without a good education background or any special skill. However, there were also many non-widow agents who simply wanted to earn a supplementary income.

Soon after the sales of monthly installment policy continually increased, some insurance company started to request their part-time agents to take charge of insurance solicitation business as well which was so-called debit system promoted by Prudential Life at the time. This



*Recruit Advertisement for Debit Sales Agent by Nippon Life*  
Source: *100 Years of History of NISSAY*, p.193.

debit system was first introduced by Meiji Life in 1951 and employed by most of domestic life insurance companies by the end of 1950s.

The sales agents in the debit system were mainly composed of female members. This probably was resulted from its compensation structure which was constituted of a fixed payment and an incentive payment, and the latter accounted for the majority of the compensation. Thus it might be very difficult for a man to support his family by taking a sales agent job which hardly brings him a stable income. In fact, there were plenty of jobs with a fixed monthly salary or even a higher salary since Japan entered the period of rapid economic growth in the late 1950s.

*To be continued...*

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