

## Product Transitions in Japanese Life Insurance Market

### --Series 1: Pre-World War II Period--

The life insurance products provided by the pioneering Japanese companies were varied in 1880s and 1890s, which can be categorized into four types, namely whole-life insurance, term life insurance, endowment insurance, and pure endowment insurance<sup>1</sup>. More specifically, the pure endowment insurance mainly consisted of educational endowment insurance and dowry insurance. Among these products, the kinds of whole-life insurance policies were sold relatively well, whereas the kinds of term insurance policies did not. It is also notable that the types of without-profit policies were the mainstream during this period.



*The First Life Insurance Policy by the First Japanese Life Insurance Company, Meiji Life.  
(Source: 110 Years of History of Meiji Life, p.33.)*

The types of endowment insurance policy, however, gradually took the place

of the types of whole-life insurance policy as saleable products from the end of 1890s. This trend was

accelerated by the emergence of mutual companies which appeared first in 1902 and then in 1904, namely the establishment of Dai-ichi Life and Chiyoda Life respectively. The major products sold by these companies were the types of with-profit endowment policy.

As is well known, the endowment policy is a typical type of life insurance product which combines compensation feature and savings feature together by promising the payment of a stipulated sum not only upon the death of the insured during the contract period but also upon his survival at the end of the contract period. These features can make the endowment policy attractive especially in a nascent market.

Moreover, the endowment policies sold by the mutual companies of the time were all with-profit types which enabled the policyholders to have an opportunity to share the companies' profits. In addition, these companies had increased the policy dividend rates for several times in order to compete with each other and also their stock company

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<sup>1</sup> There were also conscription life insurance products sold by four conscription life insurance companies, industrial life insurance and postal annuity products developed by the Ministry of Communications which we shall not discuss here.

rivals. Such product strategies had contributed significantly to the rapid growth of the mutual companies. Responding to this situation, the other companies shifted their main products from the whole-life insurance to the endowment insurance policies and from the without-profits to the with-profits types. As a result, the types of with-profit endowment insurance policy became the mainstream products since the late 1920s.

On the other hand, the sales of term life insurance types were terminated in the early 1910s. Since then, there was only one company named Toyo Life once tried to sell this kind of products in 1933 but ended up in failure as well. In contrast, there were more than ten companies, including four conscription life insurance companies and one specialty company, had been selling the types of pure endowment insurance policy despite these products never accounted for a large portion of the pre-WWII life insurance market.



*A Booklet Introducing the Newly Added Products of Nippon Life such as Educational Endowment Insurance and Dowry Insurance. (Source: 100 Years of History of NISSAY, p.65.)*



*Providing Is Preventing.’ - A Poster Publicizing Life Insurance by Daido Life (Source: Daido Life – 100 Years of Challenge and Creation, p.36.)*

Most of pure endowment insurance policies had the return-premium privilege but without an interest, whereas few companies promised to deliver a full-refund with a compound interest when the insured, basically the child, died before reaching the endowment age. Also, there were very few companies which had been selling the with-profit types of pure endowment product until the end of 1920s, and indeed achieved rapid growth. However, the pure endowment insurance products were becoming more standardized in the early 1930s, and more companies started to sell the with-profit types. Consequently, the market size of pure endowment insurance policies expanded significantly during the late 1930s.

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