

Product Transitions in Japanese Life Insurance Market
— Series 3: High Economic Growth Period —

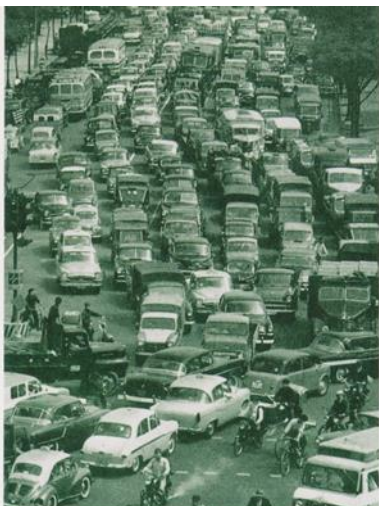
Japanese economy entered into a high-growth period from the mid-1950s to the early 1970s. The annual average rate of real economic growth was roughly 10 percent during this period, and in particular it remained at 11.8 percent over the period 1966-70 which was well known as the Izanagi Boom¹. The GDP per capita had more than doubled from 1960 to 1966 in which it was less than \$500 and \$1000 respectively, and further increased to \$3000 in 1973.

Accordingly, the living standards of the Japanese people improved on a mass scale. The home electronic appliances such as rice cooker, washing machine and refrigerator came into widespread use which was believed to have facilitated

women's participation in the labour force to some extent. The privately-owned cars became popularized as well. Moreover, as



A Sample of Opening Commemoration Ticket of Tokaido Shinkansen Line (Source: *Showa Day by Day*, Vol.13, p.7.)



A Rush of Traffic Accidents due to Increase in Car Numbers (Source: Reprinted from *100 Years of History of NISSAY*, p.211.)

overseas travel was deregulated in 1964, the number of Japanese people going abroad continually increased.

However, the rapid economic development also brought about many changes and problems such as rapid urbanization. The progress of urbanization not only caused over-population in large cities and depopulation in other areas, but also led to a collapse of family system and a trend toward nuclear family. On the other hand, the proportion of population aged 65 or over began to show an accelerated growth from 1960s. For instance, it was 5.7 percent in 1960, up 0.7 percent from 1950, while it became 7.0 percent in 1970 and then

¹ More precisely, it refers to the period from Oct 1965 to July 1970.

further increased to 9.1 percent in 1980.

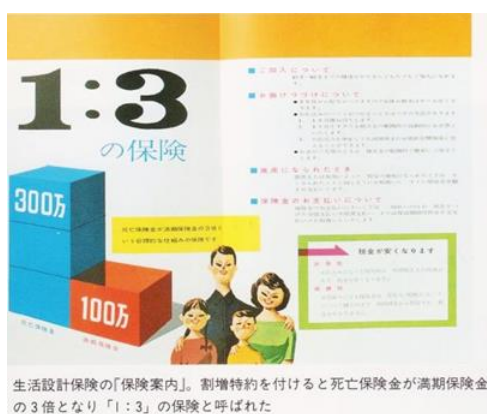
Moreover, the growing popularization of private cars resulted in a rapid increase in the number of traffic accident. For example, the number of traffic fatalities in 1961 was 14,548 more than two times in 1960. Also from the 1960s, environmental destruction and pollution problems accompanying the rapid economic development began surfacing and becoming serious social issues. Many lawsuits with respect to pollution-related health problems had been filed in the 1960s and 1970s.



An Opening Ceremony Ticket of 1964 Tokyo Olympic
(Source: *100 Million People's Showa History*, Vol.7, p.81.)

It may be needless to say that risks faced by an individual or company had become quite diversified and increased as well under these circumstances. In order to respond various needs of customers, many new insurance products were developed or some improvements had been made to the existing products accordingly. For instance, all life insurance companies started offering general accidental protection riders for all types of products from April 1964 which covered most kinds of accidental events and were basically designed in a unified format.

Moreover, in February 1969, all companies started dealing a universal traffic accidental protection rider which was specialized in traffic injury or death and designed to meet increasing demands for insurance against traffic accidents associated with the growing popularization of private cars. Another specialized product responding the social needs was overseas travel life insurance emerged in September 1966 to cope with rapid increase in the number of Japanese citizens traveling abroad after the deregulation of overseas travel in 1964.

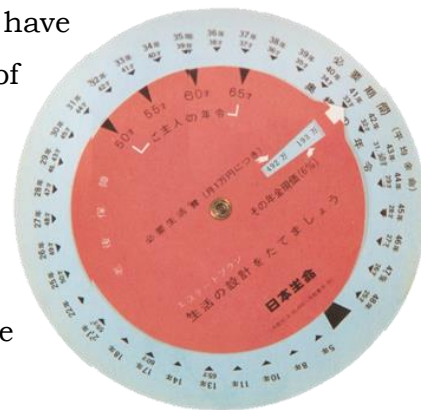


A Brochure of Endowment Policy with Term Rider: Receiving Threefold Death Benefit. (Source: *110 Years of History of Meiji Life*, p.145.)

On the other hand, there was increasing needs for annuity insurance in pursuit of

old-age income security despite the fact that the national pension system was in the progress of construction after the National Pension Law was put into effect in April 1961. In particular, corporate annuity insurance had been regarded as a means for securing enough labour force and/or high-quality labour force due to the labour shortage accompanying high economic growth. On the contrary, the market for individual annuity insurance had been sluggish until the mid-1980s, although the so-called pension-type life insurance products increased rapidly which generally refer to the policies in which the sum insured will be paid in the form of pension by an annuity rider.

In the personal lines, however, the leading product was still the type of ordinary endowment insurance in the 1960s, in spite of the fact that a gradual shift in customer needs from living benefits to death benefits had occurred. In order to adapt to the changes, insurance company developed a type of term endowment insurance in which policyholder can have more chances to obtain the best combination of death security and existence security for herself by adding a term rider to an endowment policy. This type of product was first developed by Nippon Life in July 1959, which was so-called Kurashi no Hoken, and then spread over the entire industry in the late 1960s.



A Popular Tool for Sales Promotion of Kurashi no Hoken
(Source: *100 Years of History of NISSAY*, p.210.)

Furthermore, in pure endowment insurance lines, saving-type products were most popular and mainly handled by small and mid-sized companies during this period. Juvenile insurance was the second most popular pure endowment insurance product which had been improved to meet the needs of covering increasing education expenses since many companies started putting more emphasis on academic background and qualifications associated with the rapid economic development. The biggest improvement was a cash gift delivery policy when the insured enters such as junior high school, high school and/or college.

To be continued...