

Demographic Changes and Life Insurance Business in Japan --- Series 2: Prepare for the Coming of An Aging Society ---

Japan's public pension system in a form of social insurance was started during the Second World War as a Workers Pension System according to the Workers Pension Insurance Act enacted in 1942, which was renamed as the Employees' Pension Insurance Act in 1944 and significantly revised in 1954 since when a fixed amount of pension payment was introduced and for the first time, benefit payments for the elderly were commenced. The universal public pension system which covers self-employed and workers in agriculture, forestry and fishery industries, was established in 1961 according to the enforcement of the National Pension Act.



Benefit payment level of the public pension had been successively improved during the high-growth period of Japanese economy, while no increase in premium payment had been required. Namely, the monthly amount was raised to 10 thousand yen, 20 thousand yen and then to 50 thousand yen in 1964, 1969 and 1973 respectively. Moreover, a price-index linking system for pension benefit was introduced in 1973 according to which the amount of pension benefit will be evaluated in response to wage and price growth.

Meanwhile, increasing needs for corporate annuity insurance had been observed since 1963 when the so-called Tax-qualified Pension Plan was launched after some revisions in the Corporate Tax Law and Income Tax Law were conducted in 1962. In addition to the increasing concerns on old-age income security arose after the implementation of the National Pension Plan, corporate annuity insurance was considered as a means for securing labor

force and/or high quality labor force during the rapid economic growth period. On the contrary, in the personal lines, annuity insurance as a single product was not so popular during the 1960s and 1970s since its first release in 1960, whereas as a rider had a very wide popularity.



On the other hand, a trend toward the nuclear family was accelerated by the progress of urbanization associated with the economic development from 1960s. For instance, the average number of household members had been stably maintained at the level for 5 people from 1920s to 1950s but began to fall in the late 1950s and became below 4 people from 1966 onwards. The nuclearization of the family is generally considered as one of the factors responsible for the increasing needs for death-benefit-focused products with a large amount of coverage in 1970s, namely various types of term life insurance as a rider or as a single product and various types of whole life insurance policies gradually became popular.

Giving the fact that Japan entered the Aging Society in 1970 when the proportion of population aged 65 and above became 7.1 per cent, however, the problems of declining birth rate and the aging population had not drawn too much attention until the 1980s after the proportion of population aged 65 and above reached 9.1 per cent in 1980.

As measures coping with the rapidly aging society, several important revisions regarding the public pension system, such as the introduction of basic pension



by integrating all the public pension plans while enforcing participation of dependent spouses of employees to the system and the rise in pensionable age of women for the Old-Age Employees' Pension from age 55 to age 60 by

2000, were conducted in 1985.

Meanwhile, preferential taxation policies for individual annuity insurance products and five-year single-premium endowment insurance products were released in 1984. For example, according to the new policies, individuals are allowed to claim tax deductions for paid-up annuity premiums, or maturity proceeds of five-year single-premium endowment insurance products will be taxed as an occasional income. As a result, both types of life insurance products had gathered tremendous popularity and achieved a significant growth.

To be continued...

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