


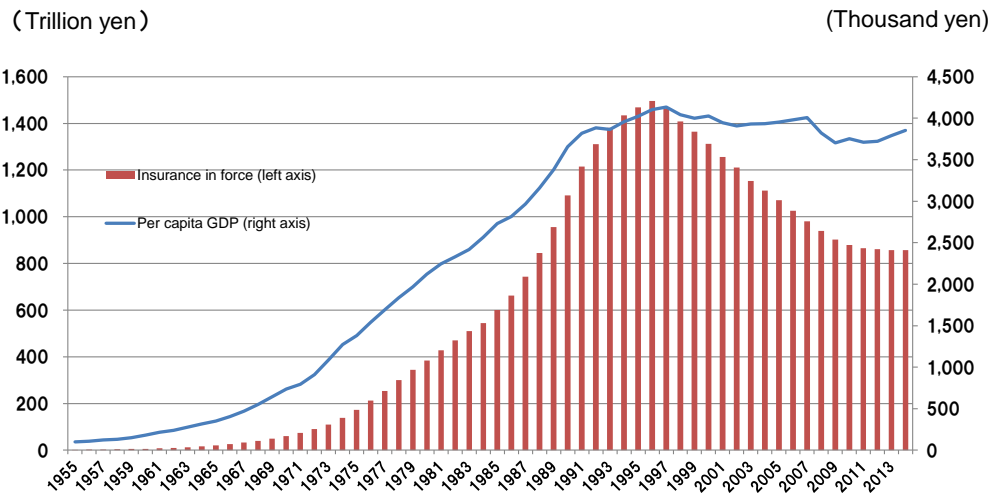
# Current Situation of Life Insurance Business in Japan



**Incorporated Foundation  
Oriental Life Insurance Cultural Development Center**

# Per Capita GDP and Policies in Force

2



Source: Annual Report on the Japanese Economy and Public Finance by the Cabinet Office, insurance business overview by the Life Insurance Association of Japan

It is the graph of the comparison between per capita GDP and policies in force of life insurance.

As we see, the protection amount increased as life insurance was popularized with better financial condition.

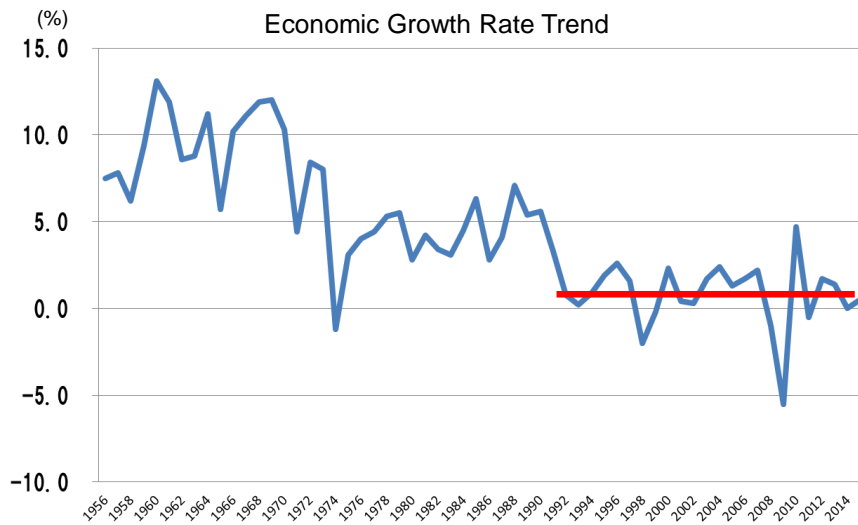
However the policies in force amount widely declined after the mid of 1990's.

It is influenced by financial impact and the change of Japanese life style.

## Situation in Recent Years

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### Arrival of the period of slow economic growth



Source : Annual Report on the Japanese Economy and Public Finance by the Cabinet Office

It is the transition chart of the economic growth in Japan.

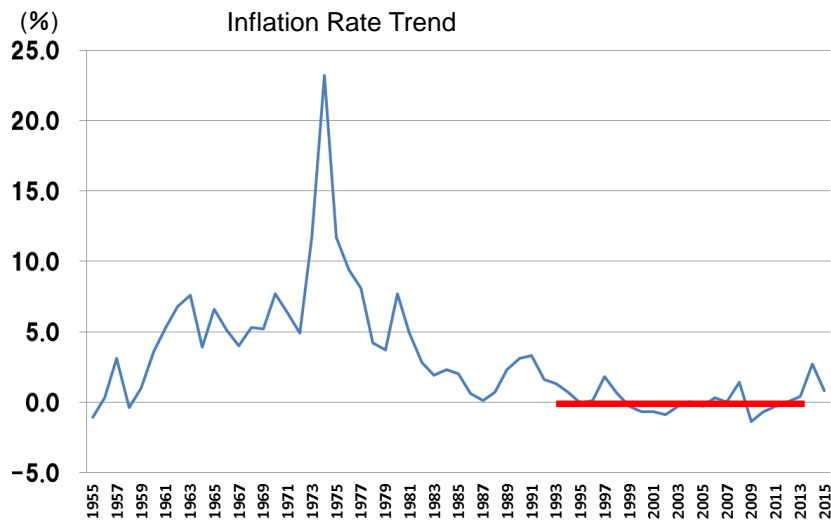
It becomes slow growth in 1990's with no upper future prospect and it widely impacted on the life insurance market.

It continued minus growth in some years.

## Situation in Recent Years

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### Continued deflation



Source : Consumer price index by the Ministry of Internal Affairs and Communications

The inflation rate also declined and the depression on deflation has continued in 20 years.

In the era of inflation, people bought the protection product based on the prediction that the consumer price might be increased in future.

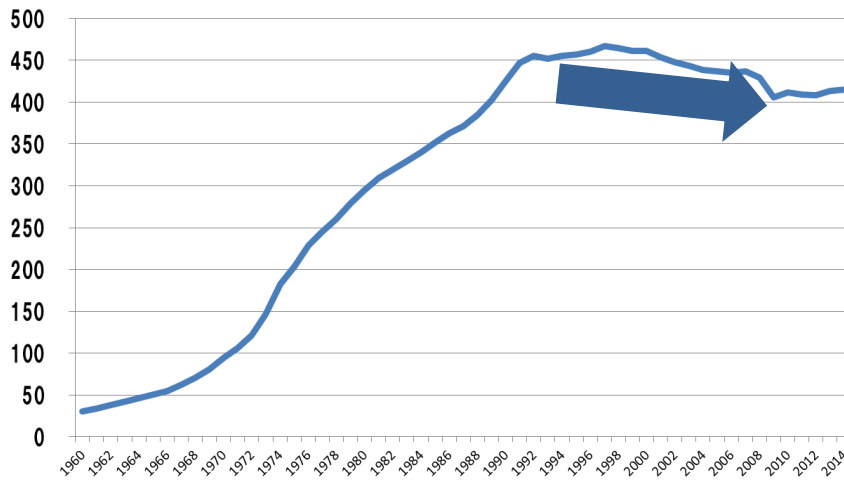
But that premise collapsed and people doubted overprotection.

## Situation in Recent Years

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### Average annual salary trend of private sector salaried workers

(10 thousand yen)



Source : Results of the Statistical Survey of Actual status by the National Tax Agency

The dark economic condition impacts on the salary.

People expected a future increase but the situation quite changed.

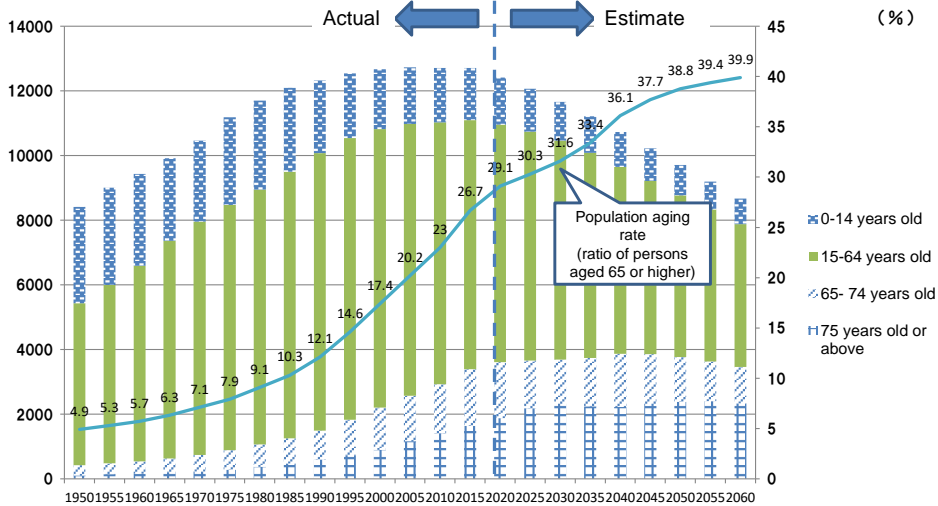
This graph is showing the transition of average annual salary of salaried workers and the declining salary trend.

People pay attention on the rehabilitation of family budget on the background of declining disposable income and the insurance premium becomes a subject of reconsideration.

# Situation in Recent Years

## Aging society with low birth rate (shrinking population)

(10 thousand persons)

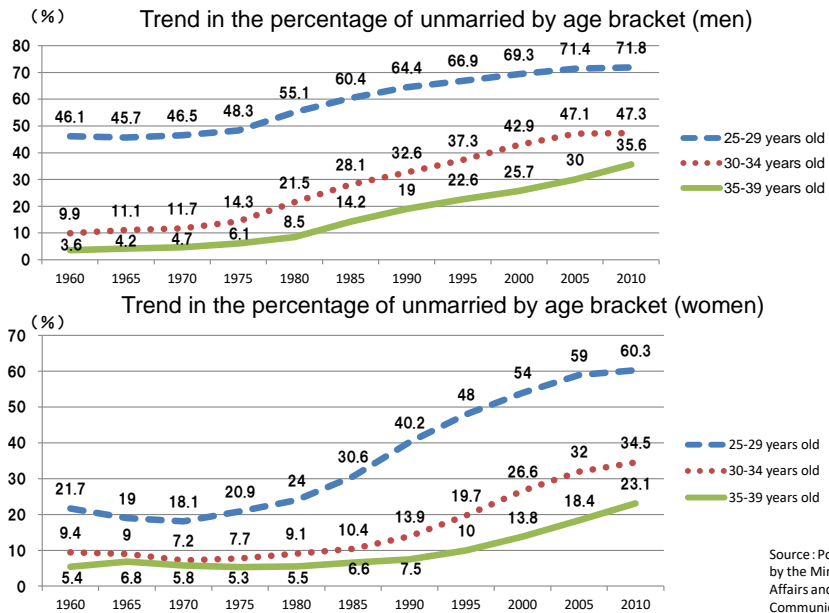


Source: "Population census" by the Ministry of Internal Affairs and Communications (MIC) for figures until 2010; "population estimate (finalized data as of October 1, 2015 based on population from 2015 population census preliminary figures)" by the MIC for 2015 figures; "estimation based on median birth/death assumptions of "Japanese future population estimate(estimate as of January, 2012)" by National Institute of Population and Social Security Research for figures in 2020 and onwards.

Elements are not only the economic growth to impact on the life insurance market. It shows the situation about aging society with low birth rate. Currently the ratio of persons aged 65 or higher is around 27%. But it is predicted up to 40% in 2060. Oppositely the ratio of the productive population aged 15 to 64 is rapidly shrinking. Also total population is predictably shrinking now and future. It is remarkably serious threat on life insurance business because productive population is in age range that needs death protection.

# Situation in Recent Years

## Late marriage and less marriage trend



It shows the trend in the percentage of unmarried by age that is one reason of low birth rate.

The percentage of unmarried in young age is rapidly increasing.

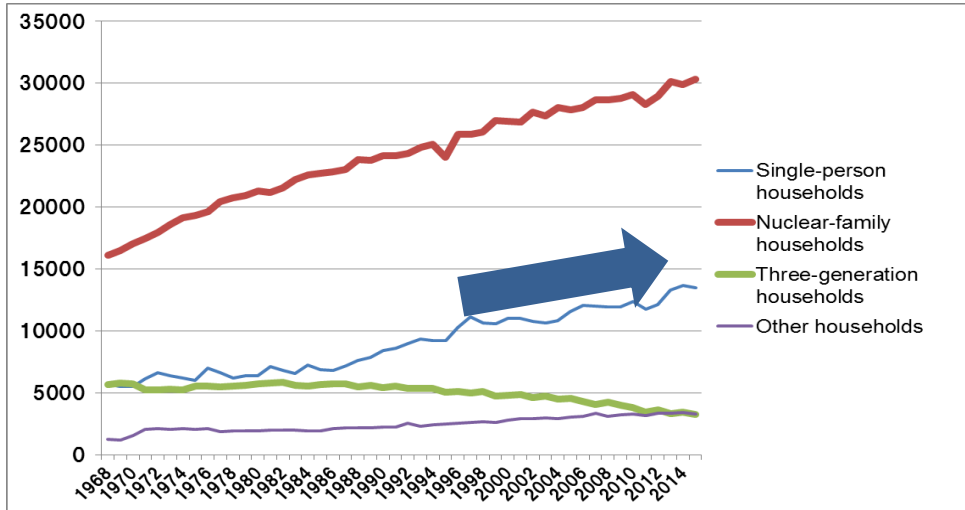
The late marriage and the less marriage is quickening the aging society with low birth rate which changes family member formation.

## Situation in Recent Years

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### Increase in single-person households

(Households) Trend in the number of households by household structure

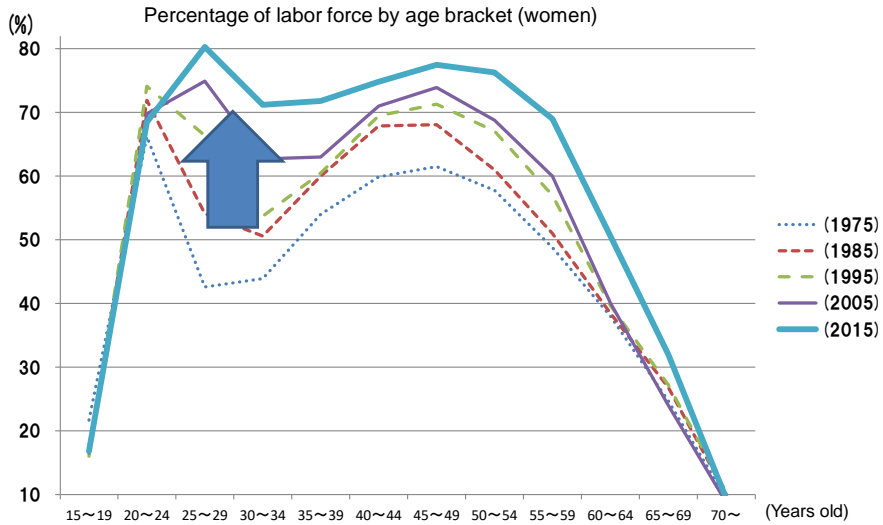


Source: Comprehensive Survey of Living Conditions by Ministry of Health, Labour and Welfare

We note that the single-person households is widely increasing. Currently the single-person households is one third among total households. In terms of family member formation, single-person households and nuclear-family households with no child are increasing as the result of late marriage and less marriage trend. It leads to the decrease of death protection needs.



## Women's participation in society



Source: Labor force survey results by the Statistics Bureau, Ministry of Internal Affairs and Communications

It shows woman's participation in society.

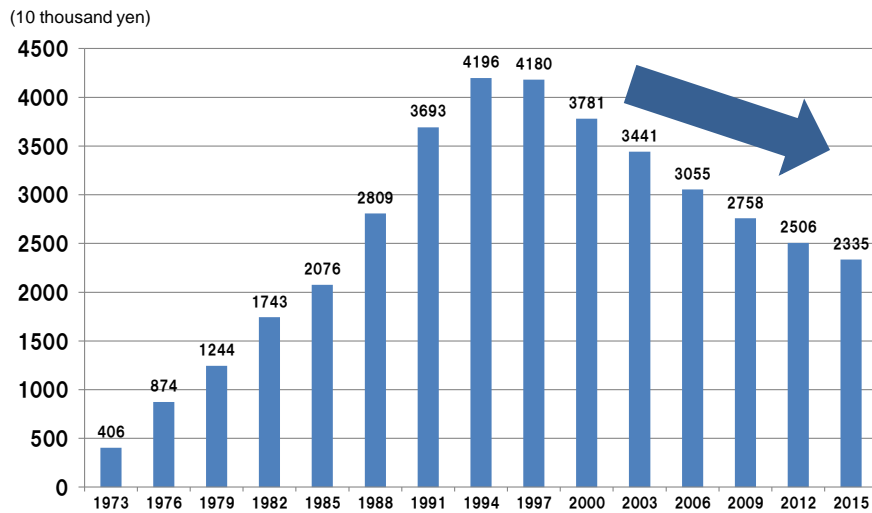
The ratio of woman's participation in society is gradually increasing and one of important policy promoted by Japanese government is woman's activity in society.

Double income households are increasing as the result of woman's advance to society and the needs of death protection are declined because wife has income even if husband die.

## Situation in Recent Years

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### Household death benefit trend (common death)

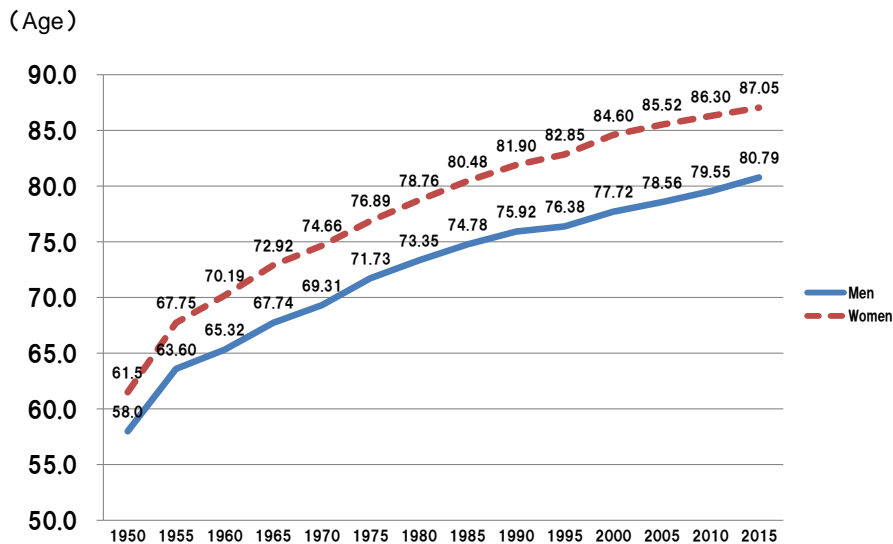


Source : National Survey on Life Insurance by Japan Institute of Life Insurance

Because of several reasons seen in the previous slides, we could see the situation that the death benefit size becomes small with the peak of mid of 1990's in this household death benefit trend.

# Challenges in Recent Years

## Average Duration of Life Trend



Source: Life Tables by the Ministry of Health, Labour and Welfare

The average duration of life is 73 of male and 78 of female in around 1980 but recently it is getting long as 81 of male and 87 of female.

In aging society with long average duration of life, the risk for living a long life is under conscious by themselves.

In addition, the social insurance systems were repeatedly revised for the reason of aging society with low birth rate.

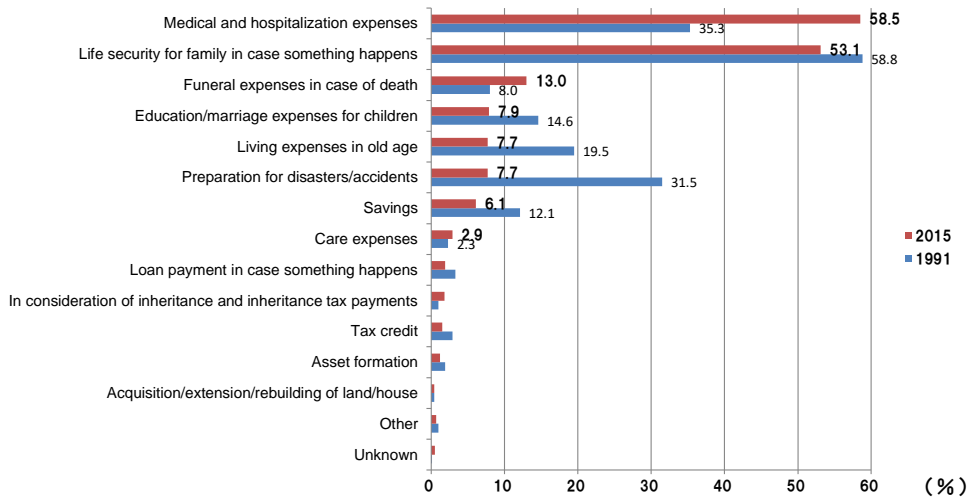
As the result, the burden for elderly is getting more heavy.

Then the needs for life insurance are also changing and life insurance companies respond to these changes to conduct product development and marketing.

# Challenges in Recent Years

## Purposes of subscription

Purpose of recent subscription to insurance policies



Source: National Survey on Life Insurance by Japan Institute of Life Insurance

People feels various risks besides life security for family.

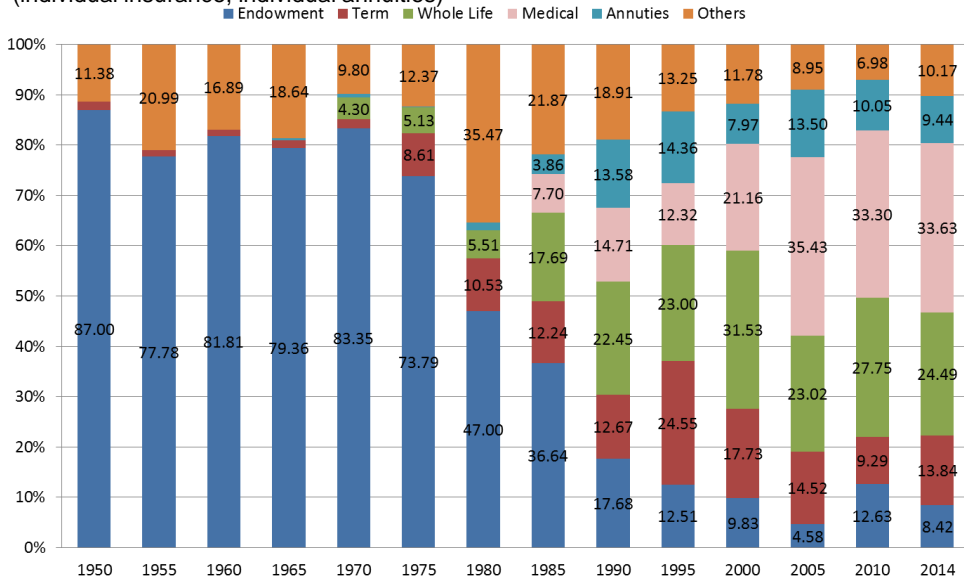
It shows the survey results on purpose of recent subscription to insurance policies

Life security for family is decreasing and medical protection is the top now.

# Challenges in Recent Years

## Trend in composition of products newly contracted

(individual insurance, individual annuities)



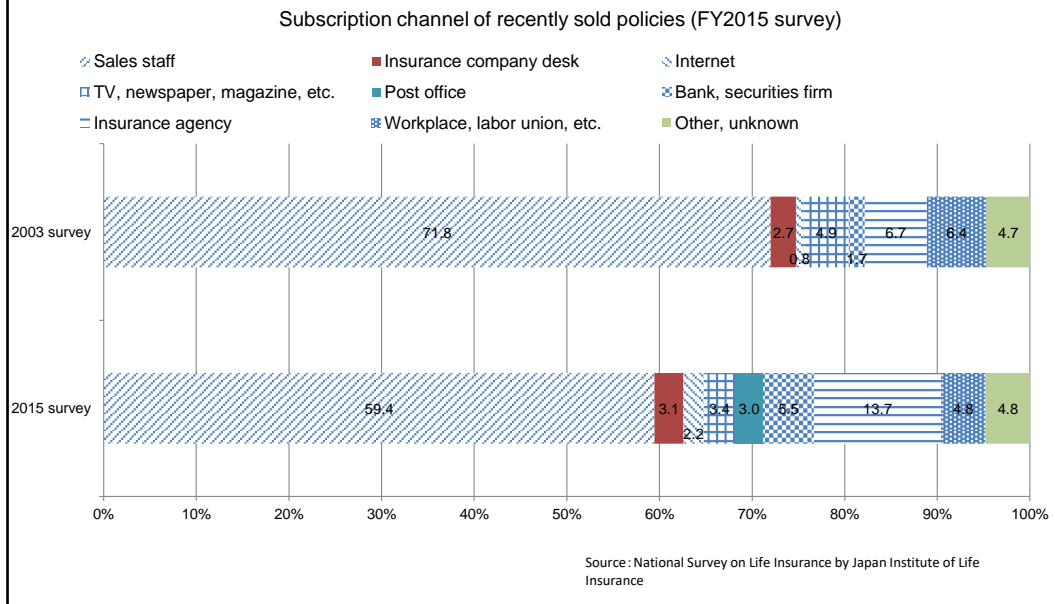
Source: Overview of the life insurance business by the Life Insurance Association of Japan

It shows the trend in composition of products newly contracted.

Endowment accounted for 90% in 1950 but it becomes diversified that medical product is the top in number.

Life insurance companies are characterized. Some life insurance companies keep various product line-up and others focused on medical products or investment products.

## Diversification of distribution channel



It shows subscription channel of recently sold policies.

Even now subscription from sales staff directly employed by life insurance company still accounts for 60% but distribution is diversified in various channel.

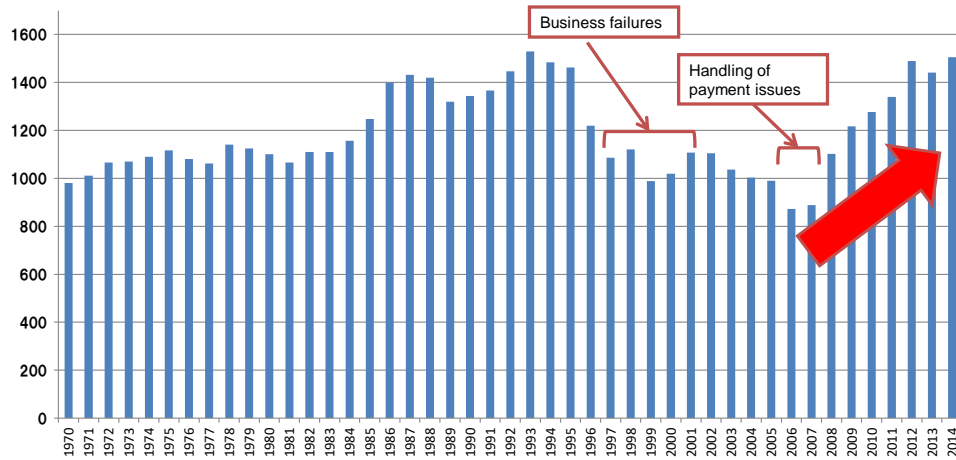
Recently insurance agency which handles products from more than one life office enhances their presence.

Also bank counter sales is increasing.

# Challenges in Recent Years

## Trend in the number of new policies (personal insurance)

(10 thousand policies)



Source : Life insurance business overview by the Life Insurance Association of Japan

It shows the trend in number of new policies.

After 1990's, we had times that new policies dropped because of business failures or handling of payment issue.

But now even we are facing a severe situation, number of new policies continues to increase in a few years.

It is a evidence of efforts of life insurance companies to sell products with proper handling the customer needs.

# Challenges in Recent Years

## Changes in the number of complaints



Source: Report of the consultation desk, The Life Insurance Association of Japan

It shows the trend in the number of complains received at the Life Insurance Consultation Center of The Life Insurance Association of Japan. Big number of complains are caused by payment issue but it is decreasing in several years. It is indicated that credibility to the industry was recovered.