COUNTRY REPORT - JAPAN

This report is prepared for the IAAMWG meeting in September 2014.

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NEW RESEARCH

“STANDARD MORTALITY TABLE 2007”¹

All insurance companies must accumulate Standard Liability Reserves, which is a supervision scheme like the Standard Valuation Law in US.

The Institute of Actuaries of Japan (IAJ) developed "Standard Mortality Table 2007" in 2006. "Standard Mortality Table 2007" has been adopted by the Financial Services Agency (FSA), as the mortality rate constitutes the basis for calculating the standard valuation reserve since April 2007.

<table>
<thead>
<tr>
<th>Period Covered</th>
<th>1999-2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Contracts</td>
<td>100 m (Tables for death product)</td>
</tr>
<tr>
<td>Number of Deaths</td>
<td>0.43 m (Tables for death product)</td>
</tr>
<tr>
<td>Tables Produced</td>
<td>Tables for death product, annuity product and medical product</td>
</tr>
<tr>
<td>Factors</td>
<td>Gender(male and female)</td>
</tr>
<tr>
<td>Duration</td>
<td>Only ultimate rates</td>
</tr>
</tbody>
</table>

Every year, The Mortality Subcommittee of IAJ reviews an adequacy of "Standard Mortality Table 2007" as mortality assumptions of Standard Liability Reserves, and reports to the FSA.

RESEARCH IN PROGRESS

There are no major research projects in progress in IAJ.

This file is written in Japanese.
Page 2 and 3 are for death product (male and female).
Page 4 and 5 are for annuity product (male and female).
Page 6 and 7 are for medical product (male and female), which is used as a survival rate.
The population of Japan is estimated by Statistics Bureau, Ministry of Internal Affairs and Communications.

**Basic Information**

<table>
<thead>
<tr>
<th>Current population</th>
<th>127 M estimated 1/1/2014(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current period life expectancy</td>
<td></td>
</tr>
<tr>
<td>- At birth</td>
<td>79.55 male/ 86.30 female</td>
</tr>
<tr>
<td></td>
<td>(The 21st Life Tables, 2010)(^3)</td>
</tr>
<tr>
<td>- At 65</td>
<td>18.74 male/ 23.80 female</td>
</tr>
<tr>
<td></td>
<td>(The 21st Life Tables, 2010)(^4)</td>
</tr>
</tbody>
</table>

**Population Pyramid as of 1/1/2014**

Source: Statistics Bureau\(^5\)


POPULATION MORTALITY TABLES

Ministry of Health, Labour and Welfare (MHLW) have prepared two series of life tables - the Complete and the Abridged Life Tables. The former have been constructed every five years based on the Annual Vital Statistics and the Population Census. The latter have been on the Provisional Annual Vital Statistics and the Population Estimates. (Data refer to Japanese nationals in Japan.)

On July 31, MHLW released “Abridged Life Tables for Japan 2013”.

POPULATION MORTALITY IMPROVEMENTS

Population mortality improvements are as follows. (Source: the Complete Life Tables)

- Changes in life expectancy at birth

- Changes in life expectancy at age 65

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MARKET BACKGROUND

“Life Insurance Fact Book 2013” that is published by The Life Insurance Association of Japan (LIAJ) shows current life insurance market in Japan.

The summaries of Individual Insurance are as follows.

- New Policies

Among the number of new policies for individual insurance (excluding converted contracts), whole life insurance ranked top (3.87 million, 26.0% of the total), followed by medical life insurance (3.64 million, 24.5%), term insurance (2.14 million, 14.4%), endowment insurance (1.74 million, 11.7%) and cancer insurance (1.42 million, 9.6%).

Recently, banks sell a lot of single-premium WL.

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Policies in Force

Among the number of policies in force for individual insurance, medical life insurance ranked top (27.78 million, 20.4% of the total), followed by whole life insurance (26.42 million, 19.4%), cancer insurance (20.54 million, 15.1%), term insurance (14.32 million, 10.5%) and whole life insurance with term rider (12.29 million, 9.0%).

Figure 4: Changes in Individual Insurance by Type
(Number of Policies in Force)

MORTALITY TABLES

The mortality tables that the companies use for pricing are different. Some companies may use the mortality table that which is modified from “Standard Mortality Table 2007 (for death product)”.

MORTALITY IMPROVEMENTS

LIAJ investigates experienced mortality rate based on data which is submitted by some life insurance companies, but does not disclose the result of the investigation. Experienced mortality rate is improving like population mortality rate.

In addition, submission of data is voluntary, not compulsory.
MARKET BACKGROUND

The summaries of Individual Annuity Insurance are as follows.

- **New Policies**

  Among the number of new policies for individual annuity insurance (excluding converted contracts), fixed individual annuity insurance accounted for 94.2% of the total (1.50 million) and variable individual annuity insurance accounted for 5.8% (0.09 million) in fiscal 2012. The ratio of variable individual annuity insurance to the total number of new policies has been declining since reaching a peak in fiscal 2005; however, it increased from the previous year in fiscal 2012.

  ![Figure 7: Changes in Individual Annuity Insurance by Type (Number of New Policies)](image)

  Generally, banks sell single-premium VA/FA, agents sell installment-premium FA. There are few life annuity contracts, using mortality rate. Most of the contracts are fixed annuity certain, not using mortality rate. Therefore, longevity risk is small.

- **Policies in Force**

  Among the number of policies in force for individual annuity insurance, fixed individual annuity insurance accounted for 83.7% of the total (17.09 million) and variable individual annuity insurance accounted for 16.3% (3.33 million).

  ![Figure 9: Changes in Individual Annuity Insurance by Type (Number of Policies in Force)](image)
### MORTALITY TABLES

The mortality tables that the companies use for pricing are different. For life annuity contract, some companies may use the mortality table that is modified from “Standard Mortality Table 2007 (for annuity product)”.

### MORTALITY IMPROVEMENTS

No industrial data is available.

### TAX INCENTIVE

**INCOME DEDUCTION FOR LIFE INSURANCE PREMIUM**

The person who paid for insurance premium can deduct up to 120,000 yen (nearly 1,200 dollars) from income.

- Ordinary life insurance premium : Up to 40,000 yen (nearly 400 dollars)
- Medical insurance premium : Up to 40,000 yen (nearly 400 dollars)
- Annuity insurance premium : Up to 40,000 yen (nearly 400 dollars)

According to the 2010 Population Census, which serves as the base year of these projections, the total population of Japan in that year was 128.06 million (total population including non-Japanese residents). Based on the results of the medium-fertility projection, Japan is expected to enter a long period of population decline. The population is expected to decrease to around 116.62 million by 2030, fall below 100 million to 99.13 million in 2048, and drop to 86.74 million by 2060.

- Projection of population pyramid

- Projection of life expectancy at birth

9 [http://www.ipss.go.jp/site-ad/index_english/esuikei/gh2401e.asp]
### RELEVANT ORGANISATIONS

#### DETAILS ON GOVERNMENT STATISTICS DEPARTMENT

- **Statistics Bureau, Ministry of Internal Affairs and Communications**
  
  
  The Statistics Bureau and the Director-General for Policy Planning (Statistical Standards) of Japan play the central role in the official statistical system in producing and disseminating basic official statistics, and coordinating statistical work under the Statistics Act and other legislation.

- **Ministry of Health, Labour and Welfare (MHLW)**
  
  
  MHLW publishes a lot of statistics data. In the case of product development for medical, the life insurance company may use those data, such as patient survey etc.\(^{10}\)

- **National Institute of Population and Social Security Research (IPSS)**
  
  [http://www.ipss.go.jp/index-e.asp](http://www.ipss.go.jp/index-e.asp)
  
  IPSS released “Population Projections for Japan (January 2012): 2011 to 2060” in March 2012. The medium-mortality assumption, the high-mortality assumption and low-mortality assumption are included in this report. The mortality improvement is also considered.\(^{11}\)

  IPSS creates the Japanese Mortality Database. The Japanese Mortality Database is a comprehensively-reorganized mortality database that is optimized for mortality research and consistent with the Human Mortality Database.\(^{12}\)

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\(^{11}\) [http://www.ipss.go.jp/site-ad/index_english/esuikei/gh2401e.asp](http://www.ipss.go.jp/site-ad/index_english/esuikei/gh2401e.asp)

The Institute of Actuaries of Japan (IAJ)
http://www.actuaries.jp/english/index.html
IAJ, founded in 1899, is proud of over a century of heritage and tradition.
The IAJ structured as an incorporated association engages in a broad range of activities, including study and research of actuarial science, the education of actuaries, administration of the qualifying actuarial examination system, and facilitation of professional and cultural exchanges with overseas actuarial organizations.

Japanese Society of Certified Pension Actuaries (JSCPA)
http://www.jscpa.or.jp/english/index.html
The JSCPA is a professional organization of the Certified Pension Actuaries who are engaged in pension actuarial business for the Employees' Pension Funds ("EPF"), the National Pension Funds ("NPF") and Defined Benefit Corporate Pension Plan ("DBCPP").
Both IAJ and JSCPA are full members of the IAA.

Financial Services Agency (FSA)

The Life Insurance Association of Japan (LIAJ)
http://www.seiho.or.jp/english/
All insurance companies join the LIAJ, including Japan Post Insurance Co., Ltd. (so called “KAMPO”) which is controlled by the government.
The objective of LIAJ is to strive for sound development of the life insurance industry and maintain its reliability.
It is very useful to know the life insurance market of Japan.