



Past steps and current topics of life insurance industry in Japan

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The Dai-ichi mutual life insurance company

OUTLINE



1. Past steps of life insurance industry in Japan
2. Investment in growing market
3. Demutualization
4. Summary

1. Past steps of life insurance industry in Japan

1.1 Birth of life insurance companies in Japan

1.2 Restart after the Second World War

1.3 Bubble economy and its collapse

1.4 Current situation

1.1 Birth of life insurance industry in Japan



year	events
1880	The first life insurance company was established
1899	The Life Insurance Association of Japan was established
1899	Institute of Actuaries of Japan was established
1899	Insurance Business Law became effective
1901	Dai-ichi life was established ...the first mutual life insurance company in Japan

1.1 Birth of life insurance industry in Japan



Year	events
1894	Japanese-Sino War / Japanese-Russo War
1904	...importance of life insurance was understood well
1914	The First World War
-1918	...Japan was not damaged directly
1918	Spanish flu / Great Kanto earthquake
1923	...companies paid insurance benefits and need and role of insurance were known better
1941	The Second World War
-1945	...all industries(inc. insurance) were placed on a war footing

1.2 Restart after the Second World War

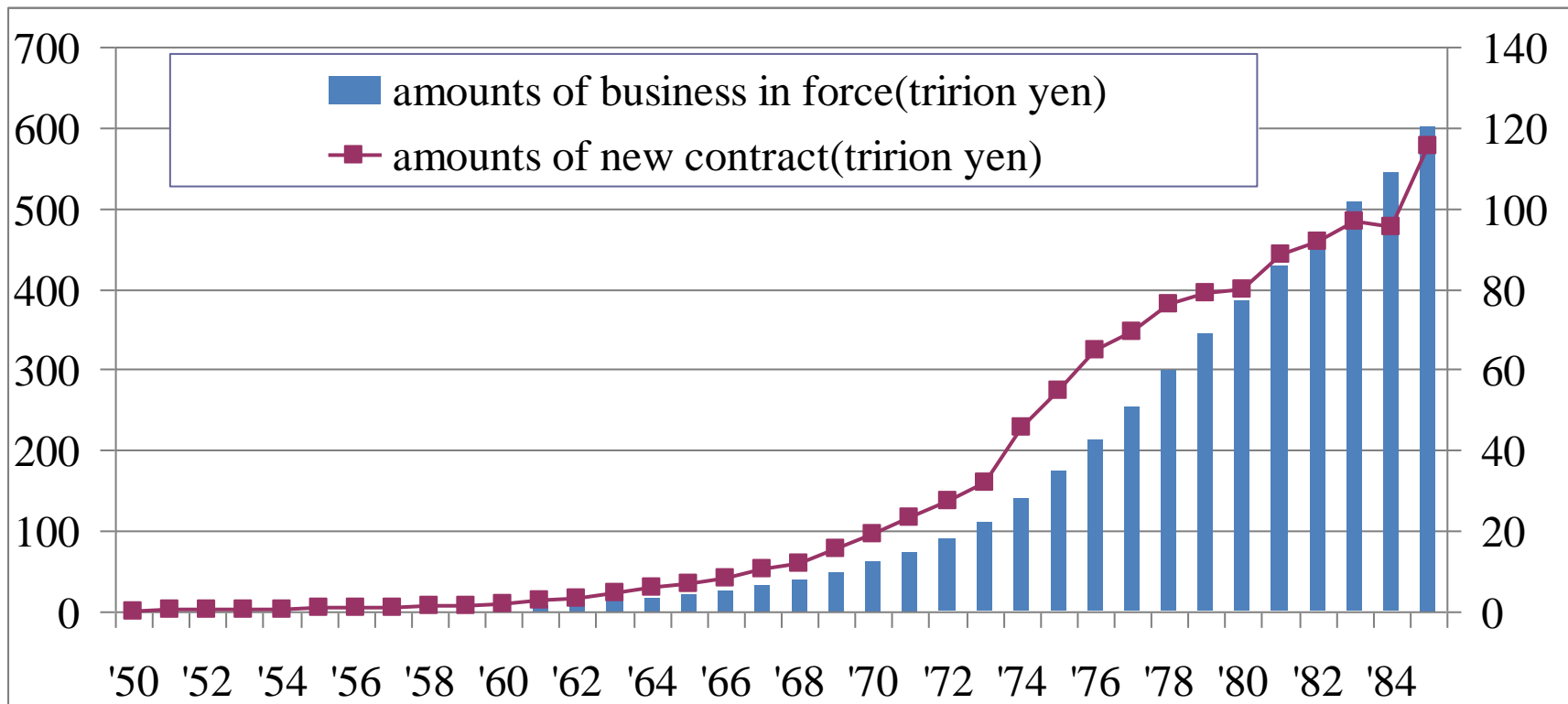


- Life insurance industry was seriously damaged and troubled
 - Huge loss of assets / Rapid inflation
- Companies dealt with this damage by...
 - Separating bad account
 - Restarting as mutual companies

1.2 Restart after the Second World War



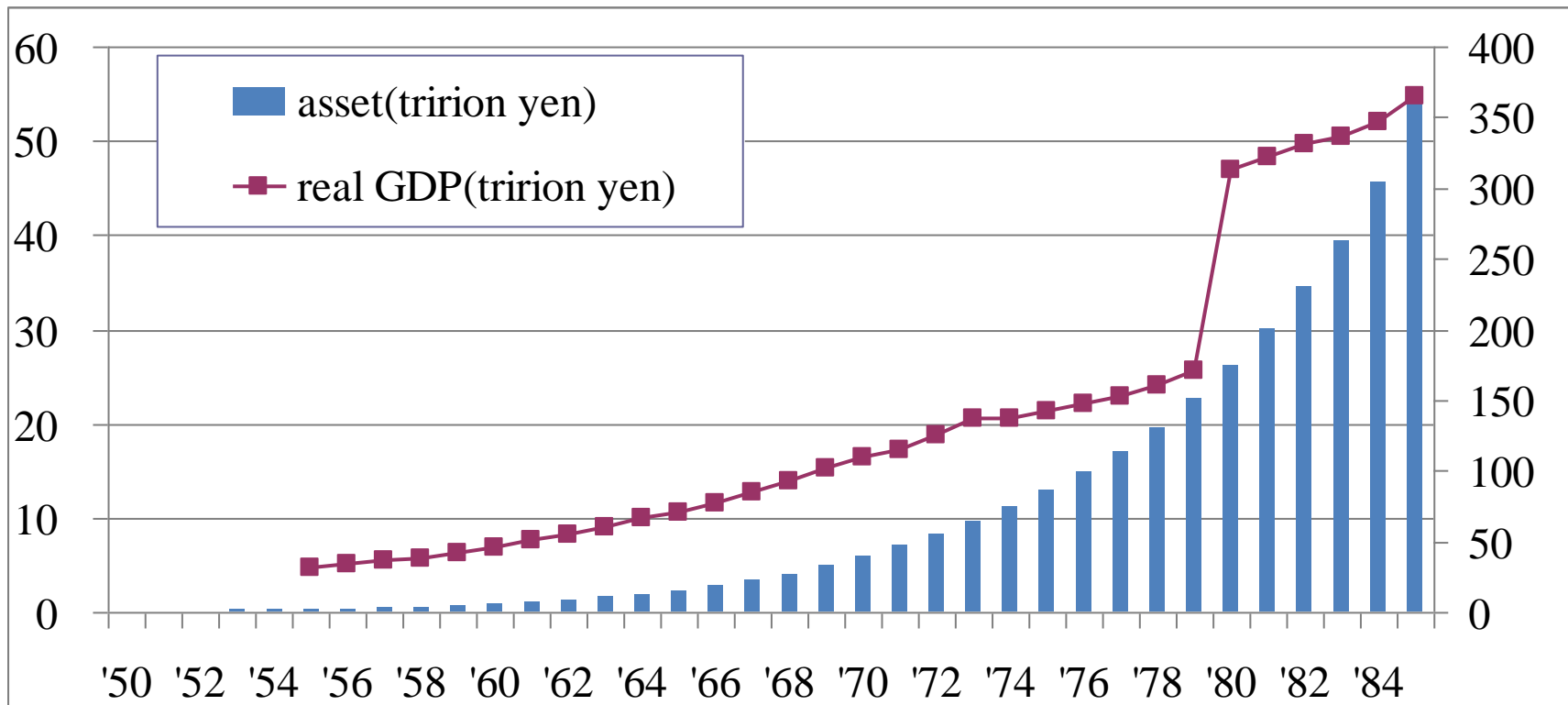
Amounts of business in force and new contract of individual insurance (total of all life insurance companies in Japan)



1.2 Restart after the Second World War



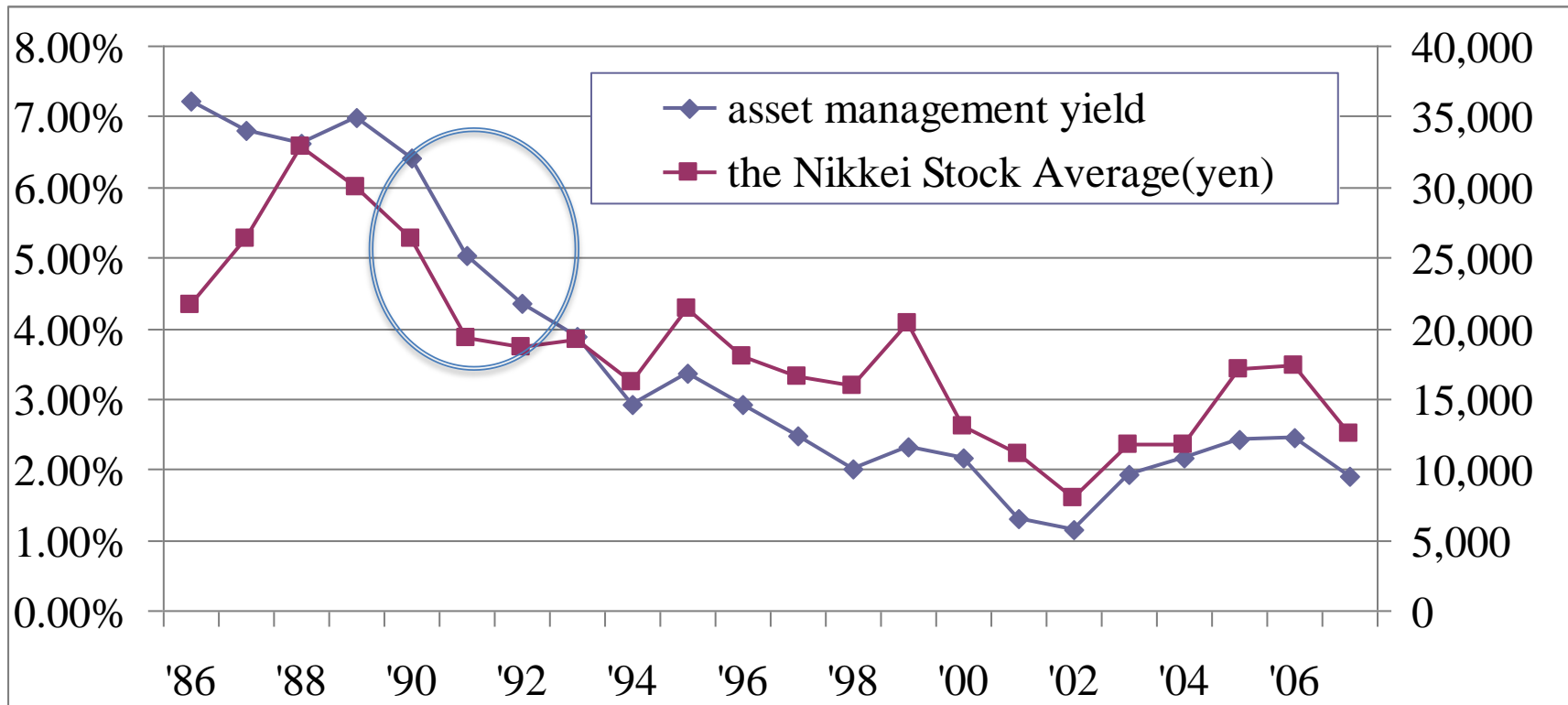
Assets (total of all life insurance companies in Japan)
and real GDP in Japan



1.3 Bubble economy and its collapse



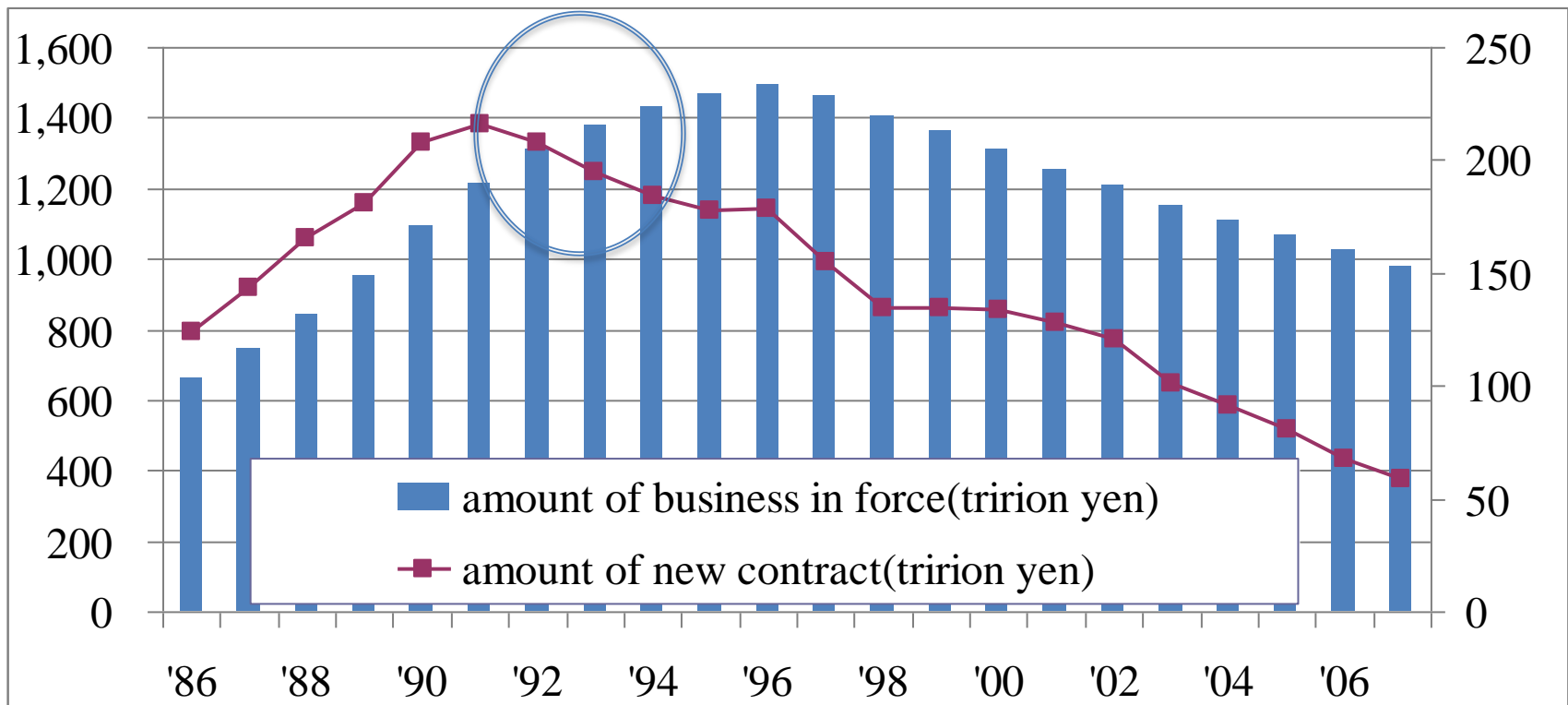
Asset management yield(average of all life insurance companies)
and the Nikkei Stock Average



1.3 Bubble economy and its collapse



Amounts of business in force and new contract of individual insurance (total of all life insurance companies in Japan)





1.4 Current situations

- Deregulation and globalization of finance
 - Permitted to have other finance-related subsidiary
 - Diversification of sales channels
 - Bank-assurance, internet, ...
 - Economic globalization
 - International accounting standards, competition with foreign companies,...

1.4 Current situations

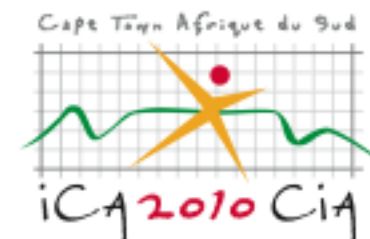


- Changes of customer's need
 - Death benefits → Saving and medical security
(because of aging population in Japan)
 - Increasing need of working women
(more women play increasingly important role outside the home)

1.4 Current situations

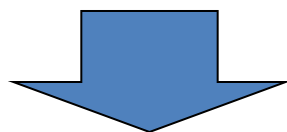
- Efforts of regulatory authority to keep soundness of life insurance in Japan
 - Amendment of Insurance Business Law(1996)
 - Standard valuation system
 - Solvency margin system
 - Solvency check - projection of profit and loss by appointed actuary
 - Standard valuation system for guaranteed minimum benefit(2005)
 - Rule for reserve of medical insurance products(2007)

2. Investment in growing market

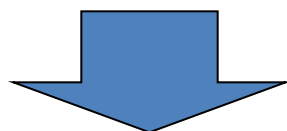


Shrink of traditional domestic market

due to the aging society with low birth rate

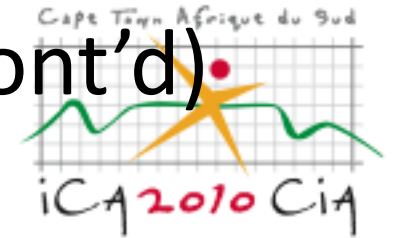


Limitation for further growth



- i) Saving market
- ii) Medical insurance market
- iii) Overseas market (Asian Market)

2. Investment in growing market(cont'd)



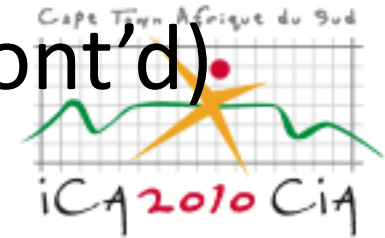
i) Saving market (variable annuity)

- Aging society
- Anxiety for social security

ii) Medical insurance market

- Needs for own protection

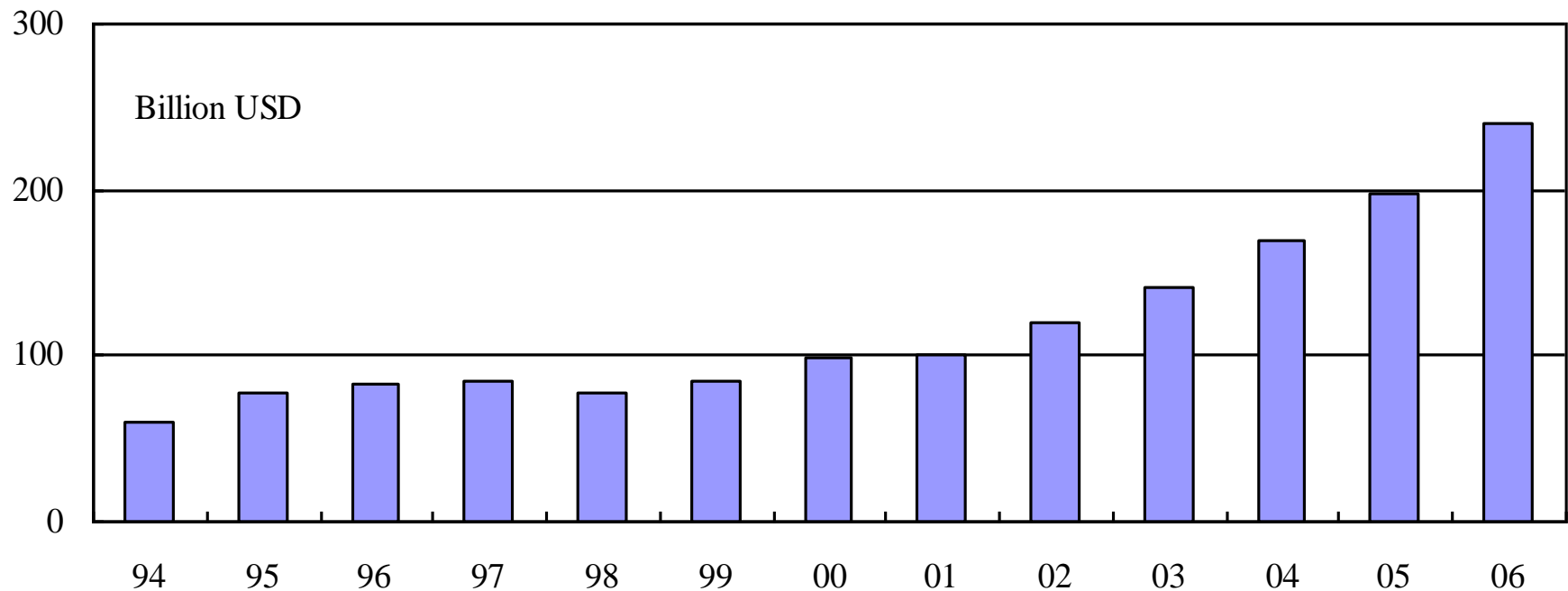
2. Investment in growing market(cont'd)



iii) Asian market with high potential

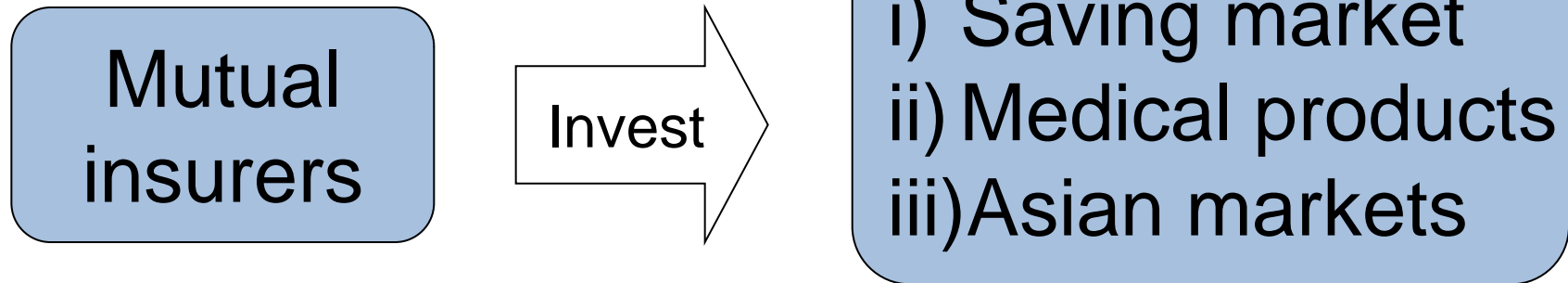
- China, India, Viet-Nam, Thailand, etc

Premium income in Asian market (excluding Japan)

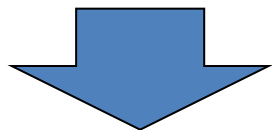


(Source: author)

2. Investment in growing market (cont'd)

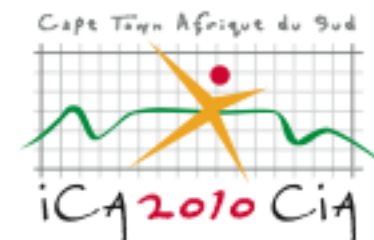


Such Investments by mutual insurers
cause new problems



Demutualization

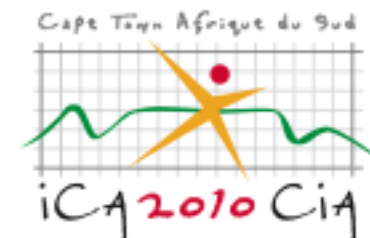
3. Demutualization



3.1 Limitation of mutual company

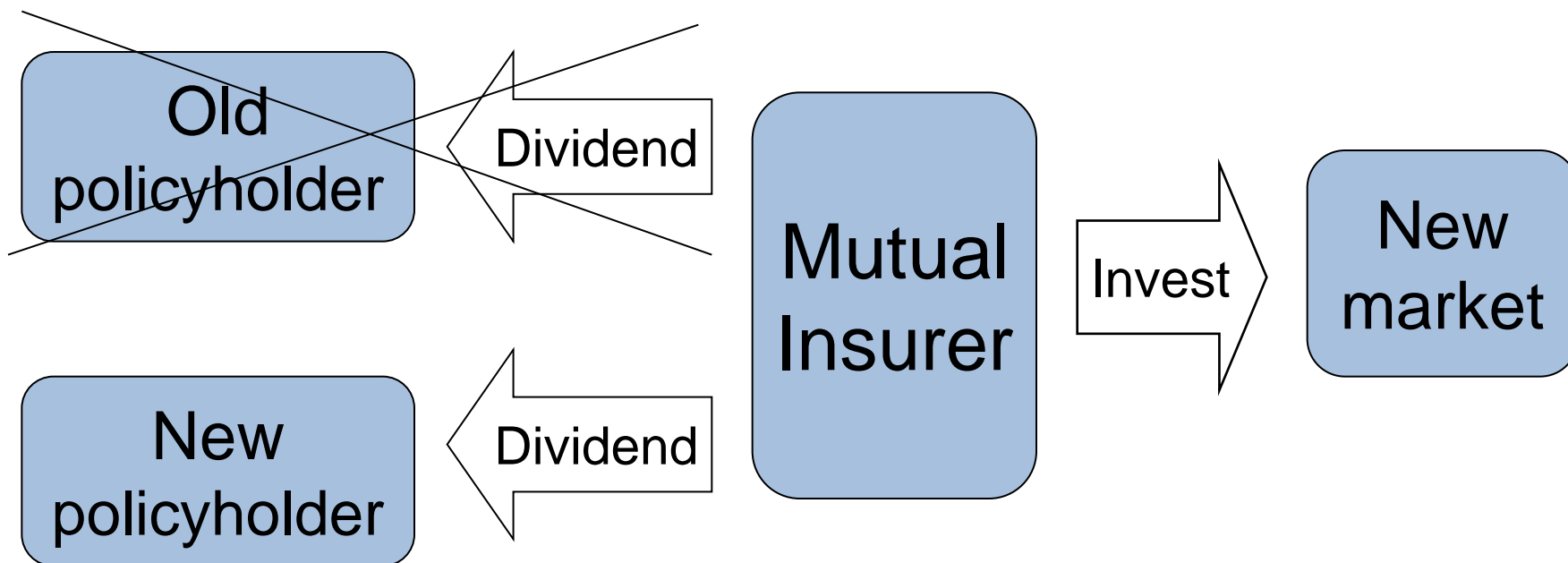
- Hurdle for further growth
 - i) Interest conflict
 - ii) Mobility
 - iii) Restriction in capital reinforcement
- Disappearance of philosophy of mutual company
 - iv) Dividend distribution
 - v) Autonomy by policyholders

3. Demutualization (cont'd)

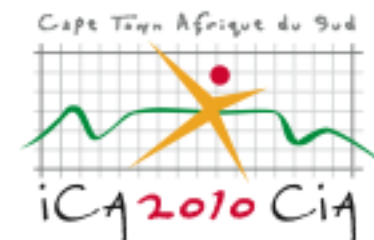


3.1 Limitation of mutual company

i) Interest conflict



3. Demutualization (cont'd)



3.1 Limitation of mutual company

ii) Mobility

- Holding, M&A...

iii) Restriction in capital reinforcement

- Issue of new stock...

3. Demutualization (cont'd)

3.1 Limitation of mutual company

iv) Dividend distribution

- substantially cheapest premium

v) Autonomy by policyholders

- representative policyholders meeting
(not policyholders meeting)



3. Demutualization (cont'd)



3.2 Demutualization in Japan

	Company	
2002.4	Daido life	Established holding company with Taiyo life
2002.4	Yamato Life	
2003.4	Taiyo life	Established holding company with Daido life
2004.4	Mitsui life	
2010.4	Dai-ichi life	

Note Insurance business law was revised in 1996 .

3. Demutualization (cont'd)



3.3 Market share of mutual companies

(in terms of total asset)

	1997.3		2009.3	
	number	Share	number	Share
Mutual	16	91.7%	5	50.4%
Stock	28	8.3%	40	49.6%
Total	44	100.0%	45	100.0%

Note Dai-ichi is categorized to stock company here.

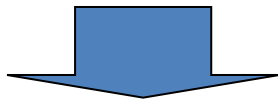
(Source: author)

Ref. Disclosure of EV



- Disclosure of EV since 2002
(Currently, about 50% companies disclose EV)

- No standard in Japan

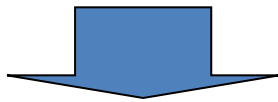


Listed companies (T&D, Sony, Dai-ichi)
disclose EEV/MCEV to enhance reliability.

Summary



- The environment is changing dramatically and rapidly.
- New topics
 - IFRS, ERM, Solvency II



Actuaries should play larger role.



Thank you!