
OLIS 2010 Autumn

Overview of Life Insurance Business

October 21, 2010

Oriental Life Insurance Cultural Development Center

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Outline of my session

I . Trends in Life Insurance Business

- 1 . Scale of Industry
- 2 . Products and Distribution Channels
- 3 . Investment

II . Environmental Changes

III . Summary

1. Changes in needs of Life Insurance under less child and aging society
2. Current status of Traditional Business model (Major Insurers)
3. Strategies during diversifying distribution channel

*Appendix. Financial result of 2009

- 1 . Summary of main life insurance contracts
- 2 . Business result of FY2009



I. Trends in Life Insurance Business



1. Scale of the Industry

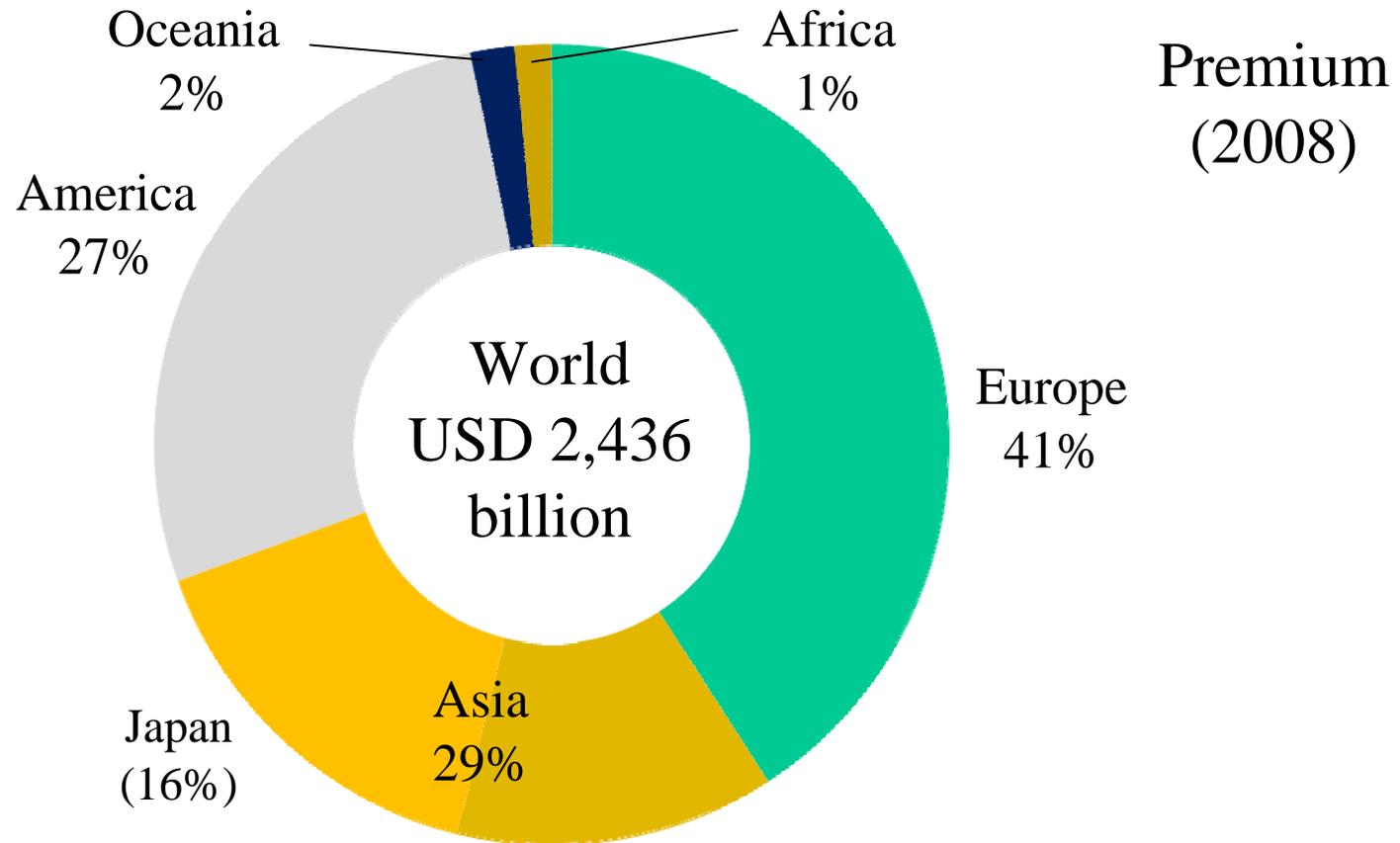
Scale of the Industry

As of March 31, 2009

Business in force	¥997 trillion (\$10.69 trillion)
Premiums	¥34 trillion (\$365 billion)
Assets	¥318 trillion (\$3.41 trillion)

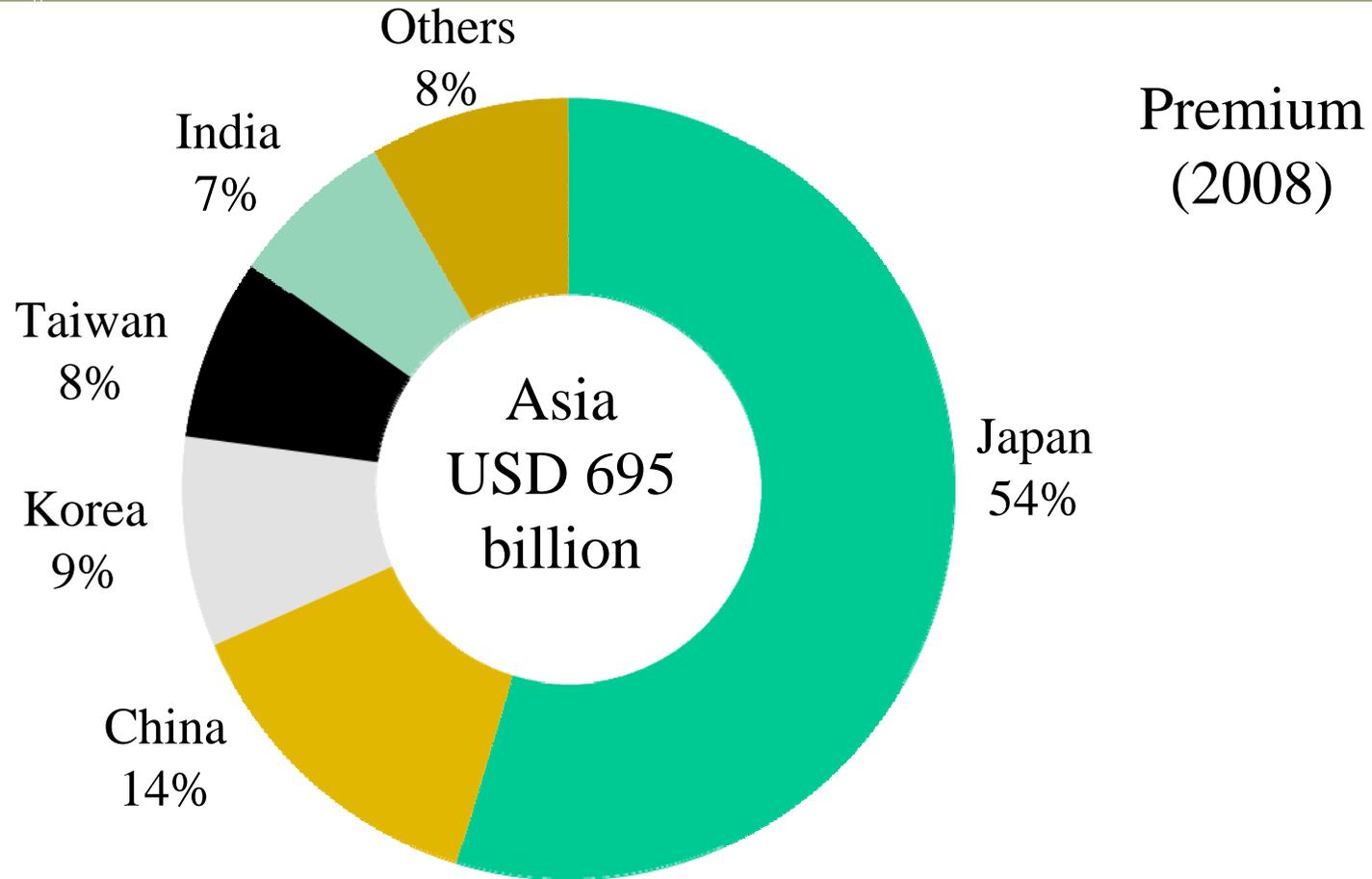
Source: LIAJ

Share in the World



Source: Swiss Re "Sigma"

Share in Asia



Source: Swiss Re "Sigma"

Life Insurance Market in Asia

Country	Population (Millions)	Premium		Premium (% in GDP)	Premium (per capita)
		Millions US\$	Ranking		
Japan	127.9	367,112	2	9.8	2,869.5
China	1336.0	95,831	6	3.3	71.7
South Korea	49.3	66,417	8	11.8	1,347.7
Taiwan	23.1	52,748	9	16.2	2,288.1
India	1185.1	48,860	10	4.6	41.2
Hong Kong	7.3	21,324	21	11.2	2,929.6
Singapore	4.5	11,445	28	7.8	2,549.0
Malaysia	27.0	6,105	31	4.3	225.9
Thailand	64.3	4,966	34	3.3	77.2
Indonesia	234.3	4,704	35	1.3	20.1
Philippines	89.7	1,449	41	1.4	16.2
Vietnam	88.5	660	52	1.4	7.5
Bangladesh	161.3	537	55	0.9	3.3
Pakistan	167.0	472	58	0.8	2.8
Sri Lanka	19.4	249	65	1.4	12.8
Total	3973.3	690,951		6.0	173.9

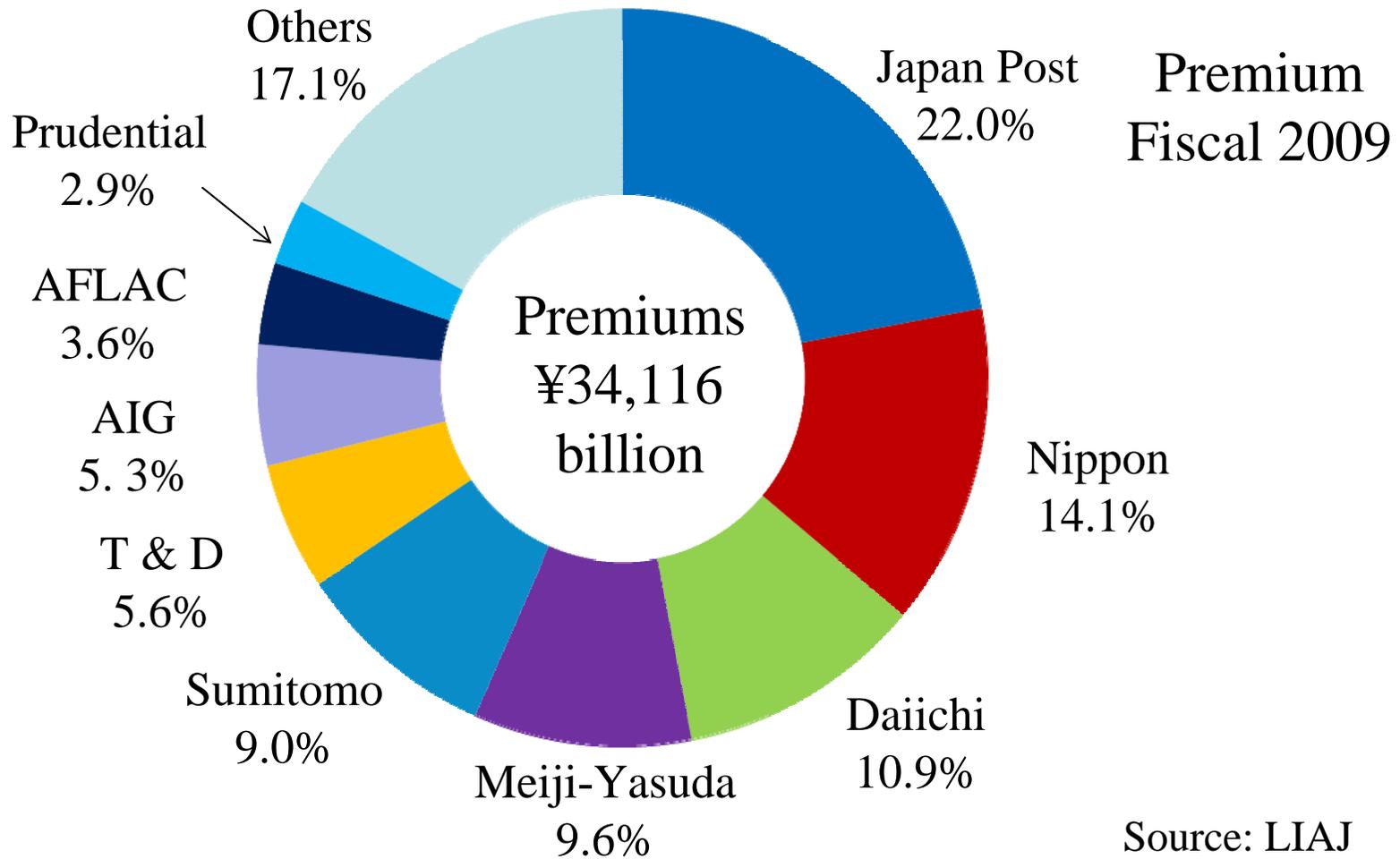
Number of Companies

Domestic Companies	20
Foreign Companies	18
Life Subsidiaries of Nonlife Companies	9

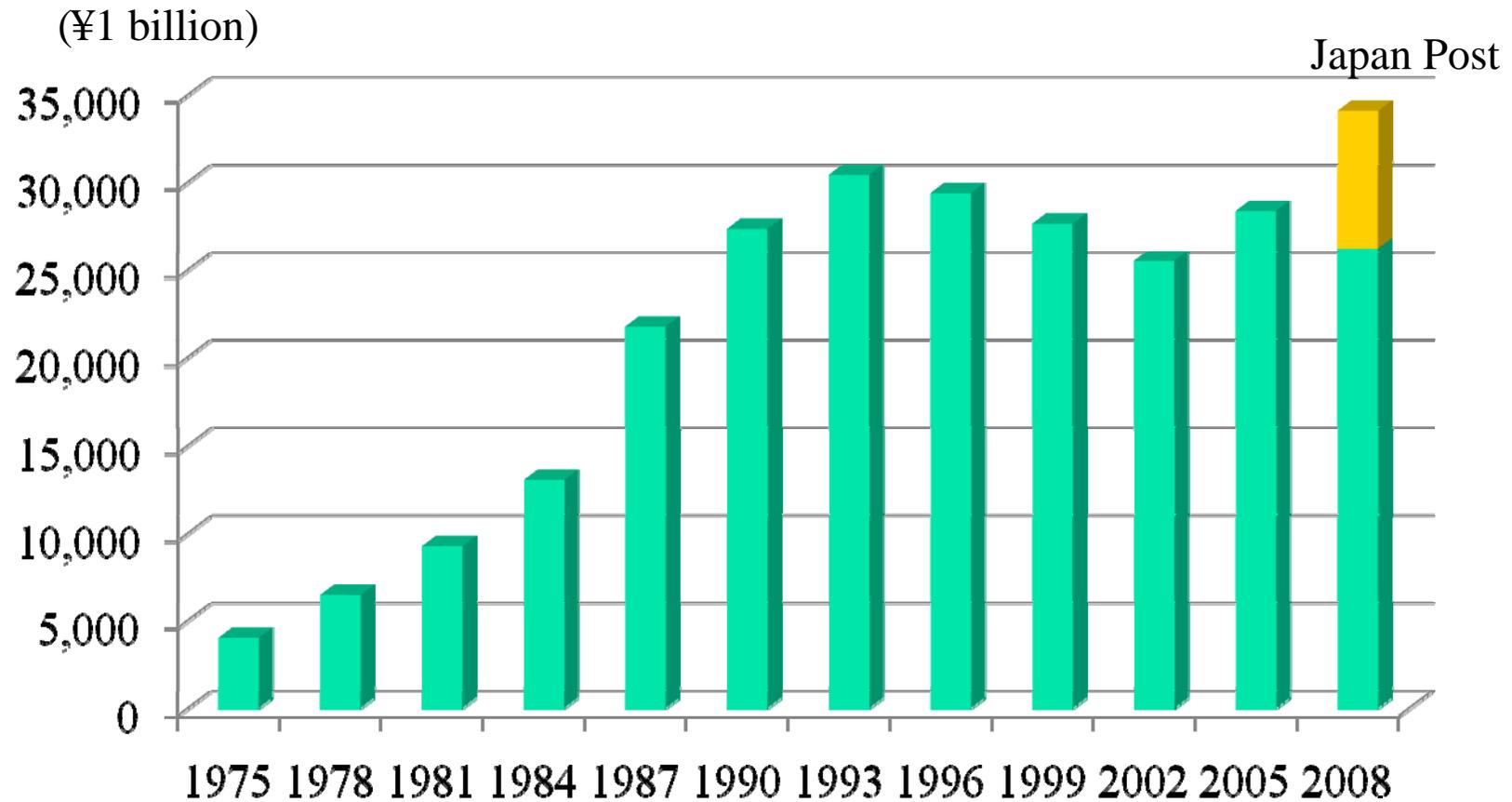
Total 47

(April 2010)

Market Share of Major Companies

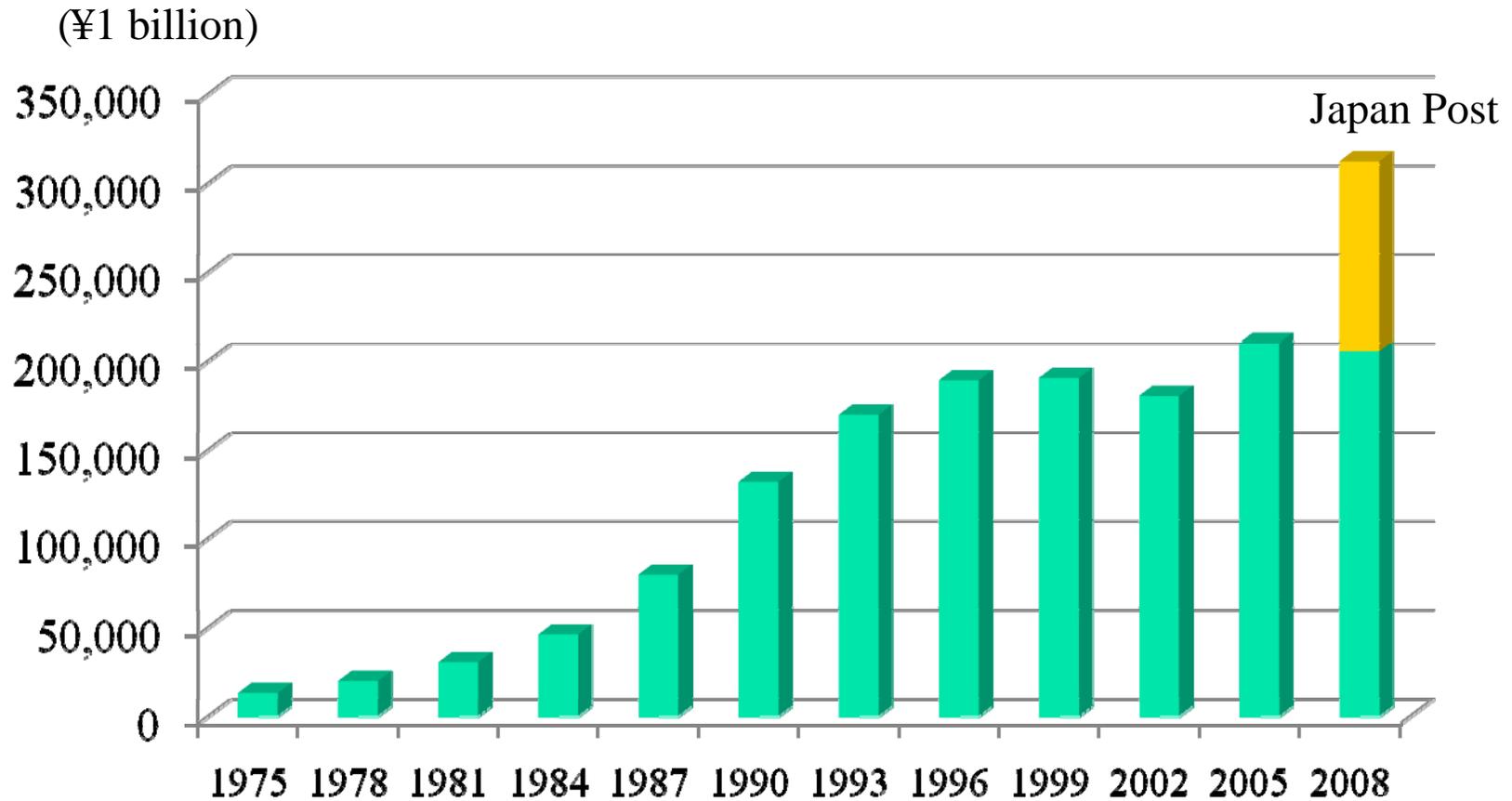


Trends in Premiums



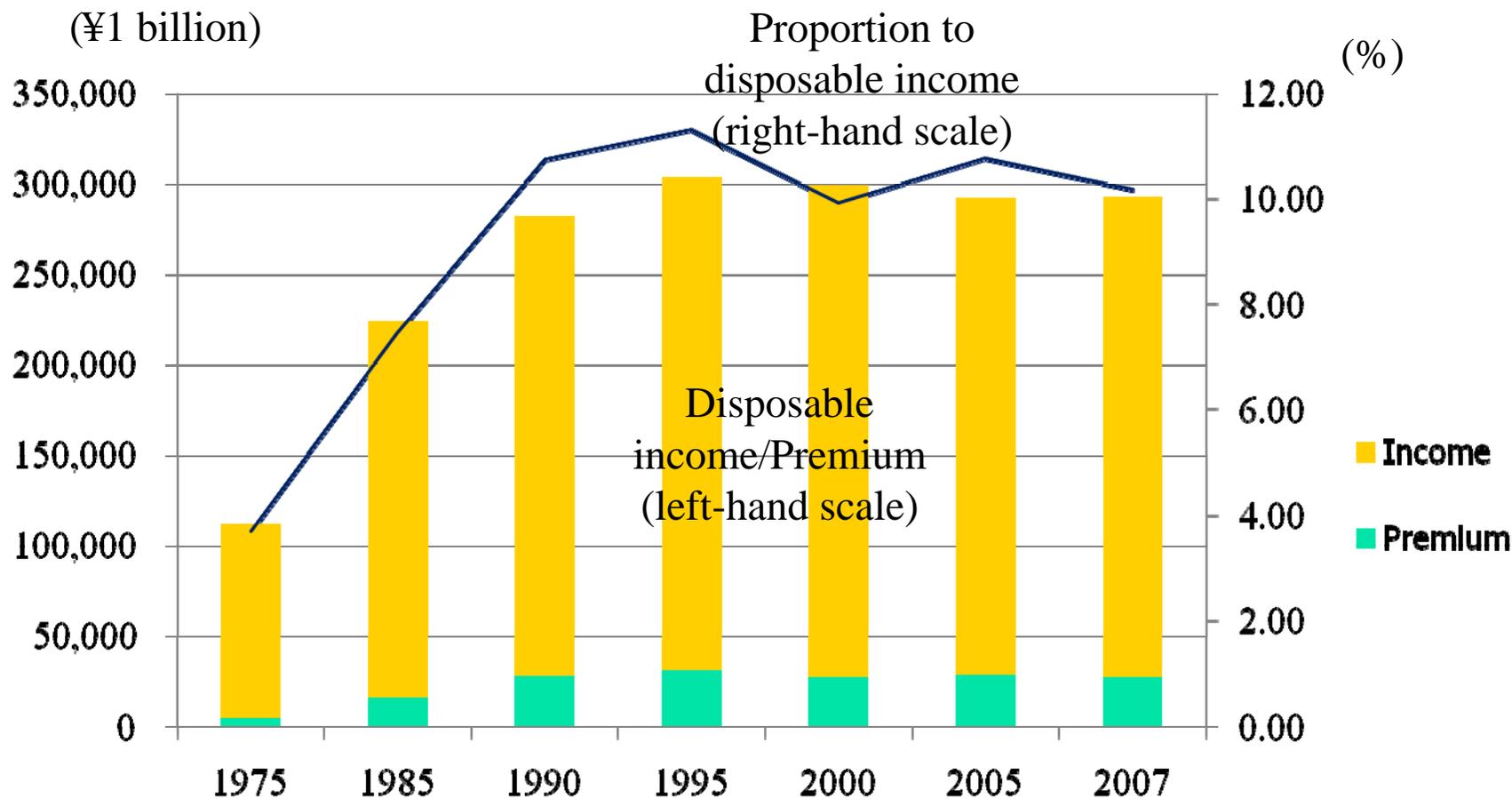
Source: LIAJ

Trends in Assets



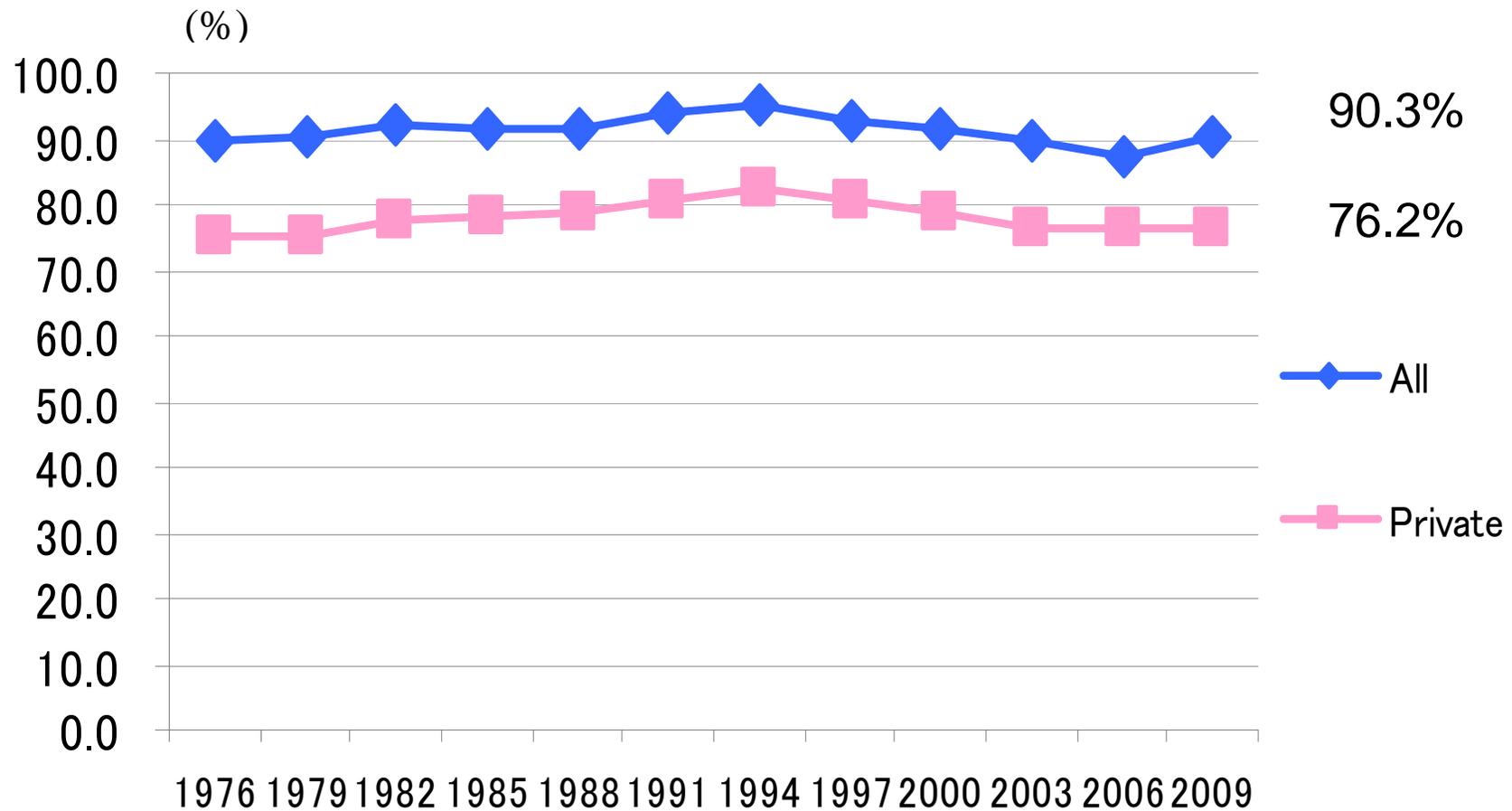
Source: LIAJ

Premiums and Proportion to Disposable Income



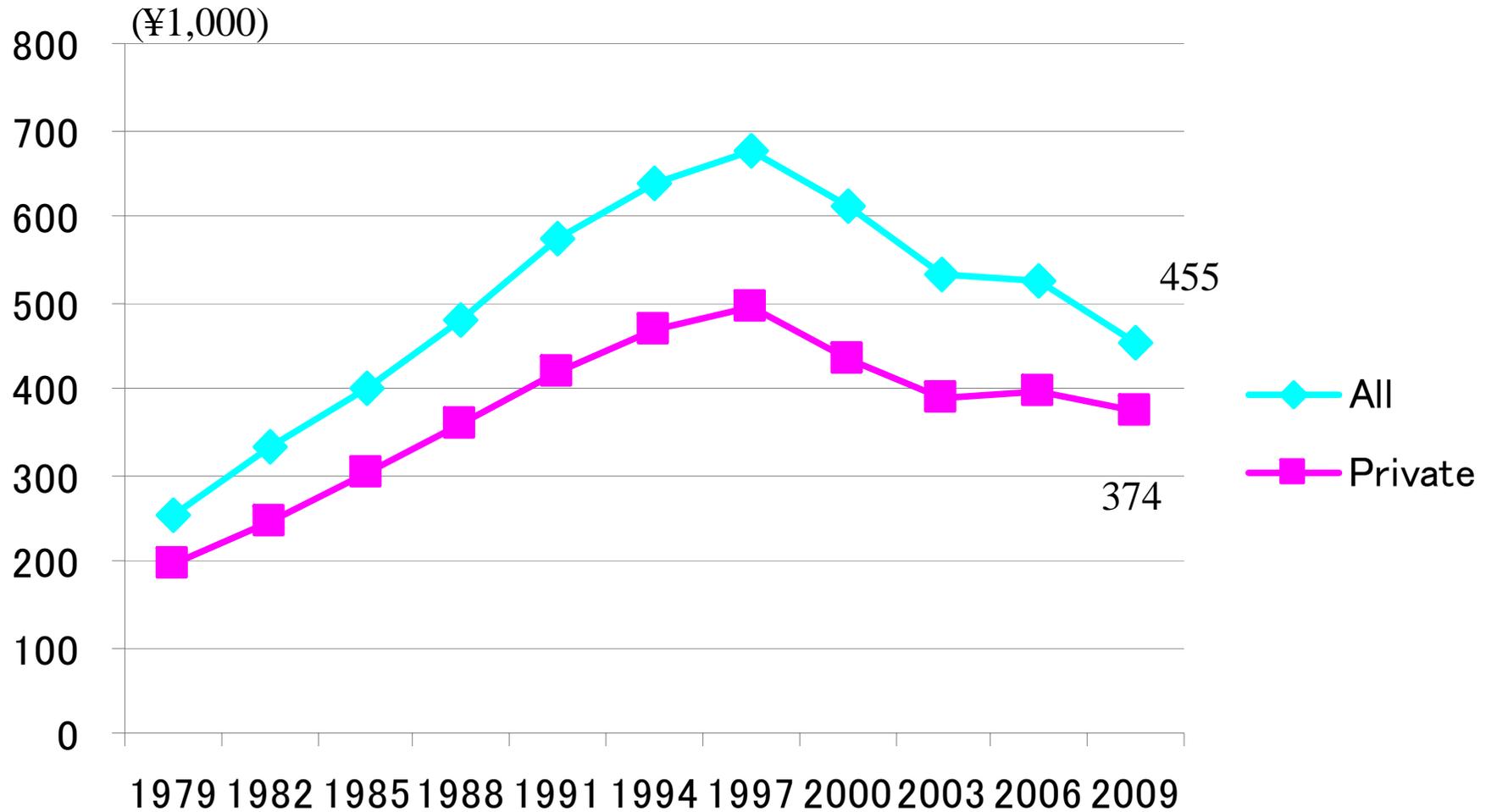
Source: LIAJ

Proportion of Insured Households



Source: JILI

Trends in Premiums Paid by Households



Source: JILI

Nationwide Survey on Life Insurance

(All the insurers including private companies, Japan Post, JA, etc.)

		2009	2006
Insured households		90.30%	87.50%
Number of policies		4.2	4.2
Insurance amount per household (¥10,000)		2,978	3,269
	Householder	1,768	2,033
	Wife	886	992
	Hospitalization benefit Householder (¥1,000)	10.4	10.3
	Wife (¥1,000)	8.5	8.4
Premiums per household (¥10,000)		45.4	52.6

Source: JILI



2. Products and Distribution Channels

Trends in Major Products

1946

Endowment

1960

Endowment with term rider, Accident rider

1970

Endowment with multiple term rider

1980

Whole-life with term rider, Single-premium endowment, VLI

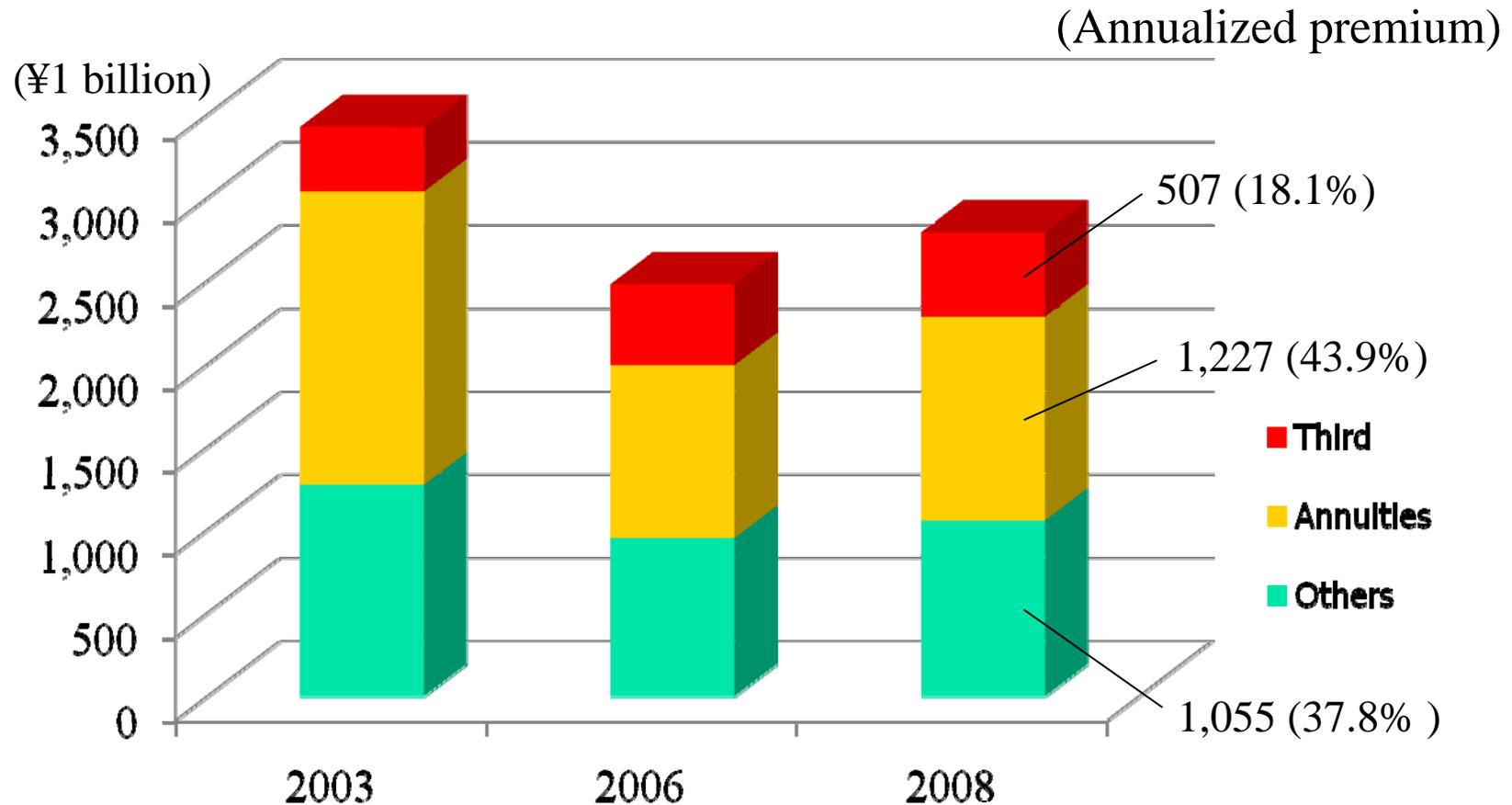
1990

Medical insurance, LNB

2000

Variable annuities, Differentiation of medical insurance

New Business by Type of Individual Insurance Product



Source: "Insurance"

Diversification of Distribution Channels

- Sales agents are still major means of distribution
- Development of nontraditional channels
In December 2007, the product for bancassurance was fully deregulated.
Rise in agencies, DM, Internet, etc.

Diversification of Distribution Channels

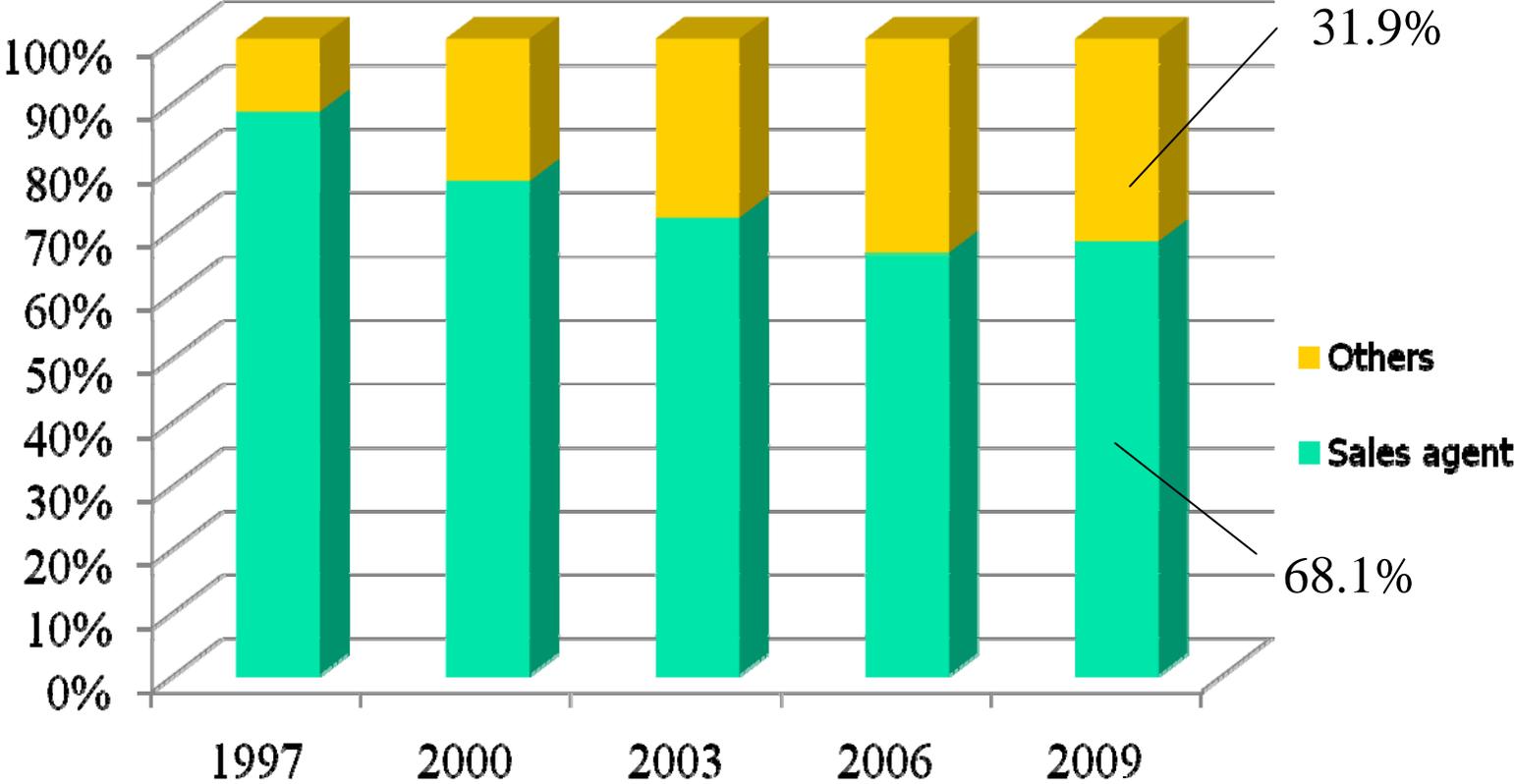
Question: How did you take out a life policy?

(%)

	1997	2000	2003	2006	2009
Sales agent	88.5	77.6	71.8	66.3	68.1
DM	0.6	3.3	5.7	9.1	8.7
Life company's counter	1.6	2.9	2.7	2.1	1.9
Bank	1.2	1.3	1.7	3.3	2.6
Agency	4.0	8.8	6.7	7.0	6.4
Others	4.1	6.1	11.4	12.2	12.3

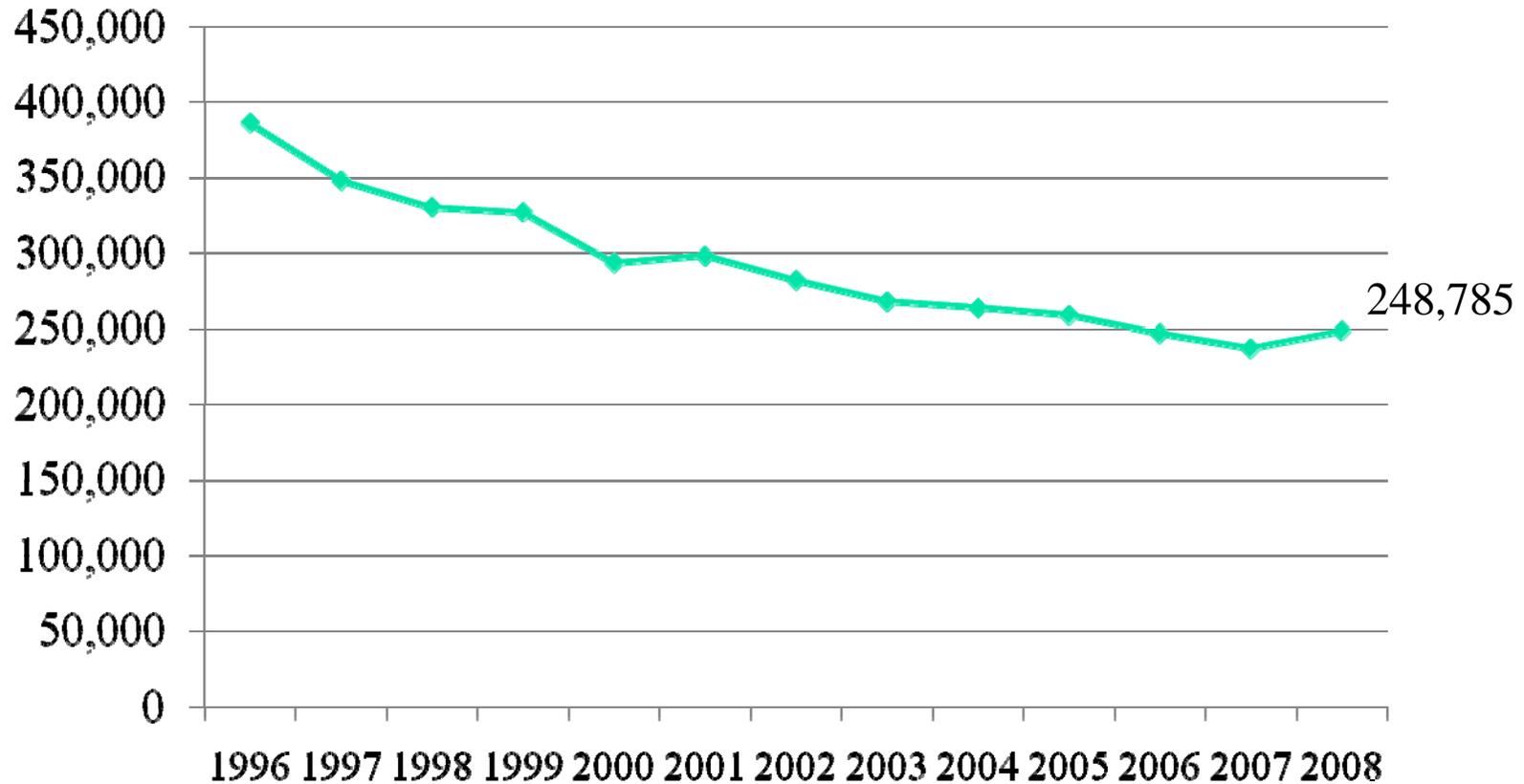
Source: JILI

Diversification of Distribution Channels



Source: JILI

Trends in Number of Agents



Source: LIAJ

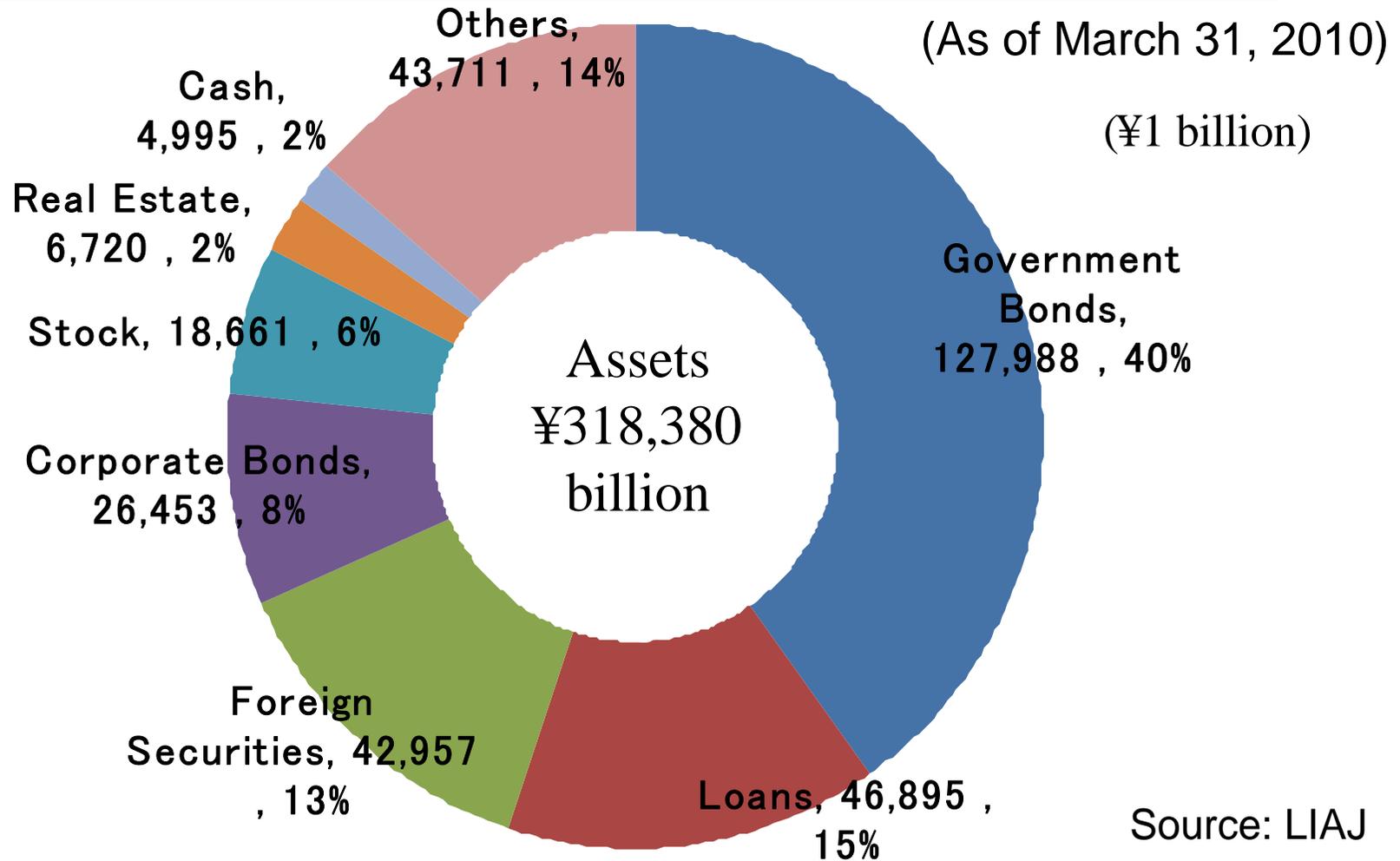
Patterns of Sales/Channel Strategy

- Traditional domestic companies
Participating policies, medical insurance/annuities, sales agents are major means of distribution
- Companies with foreign capital
Product differentiation, DM, TV commercial
- Life insurance subsidiaries of nonlife companies
Agency channel
- Productive field agents
- Sales on the Web site

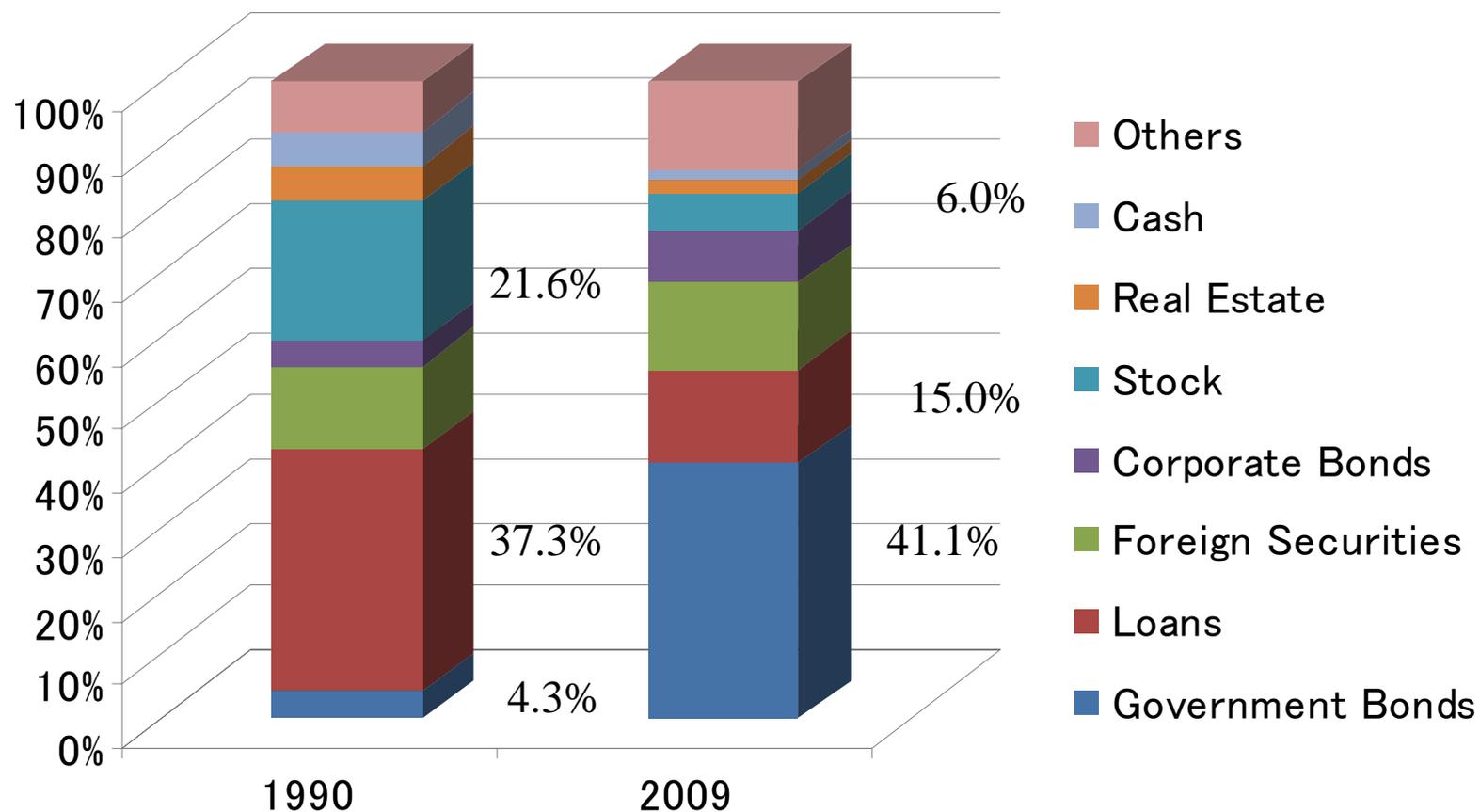


3. Investment

Asset Distribution



Changes in Asset Distribution



Source: LIAJ

Restrictions on Investment

Provisions in the Insurance Business Law

- Types of investments

Securities, real estate, loans, deposits, etc.

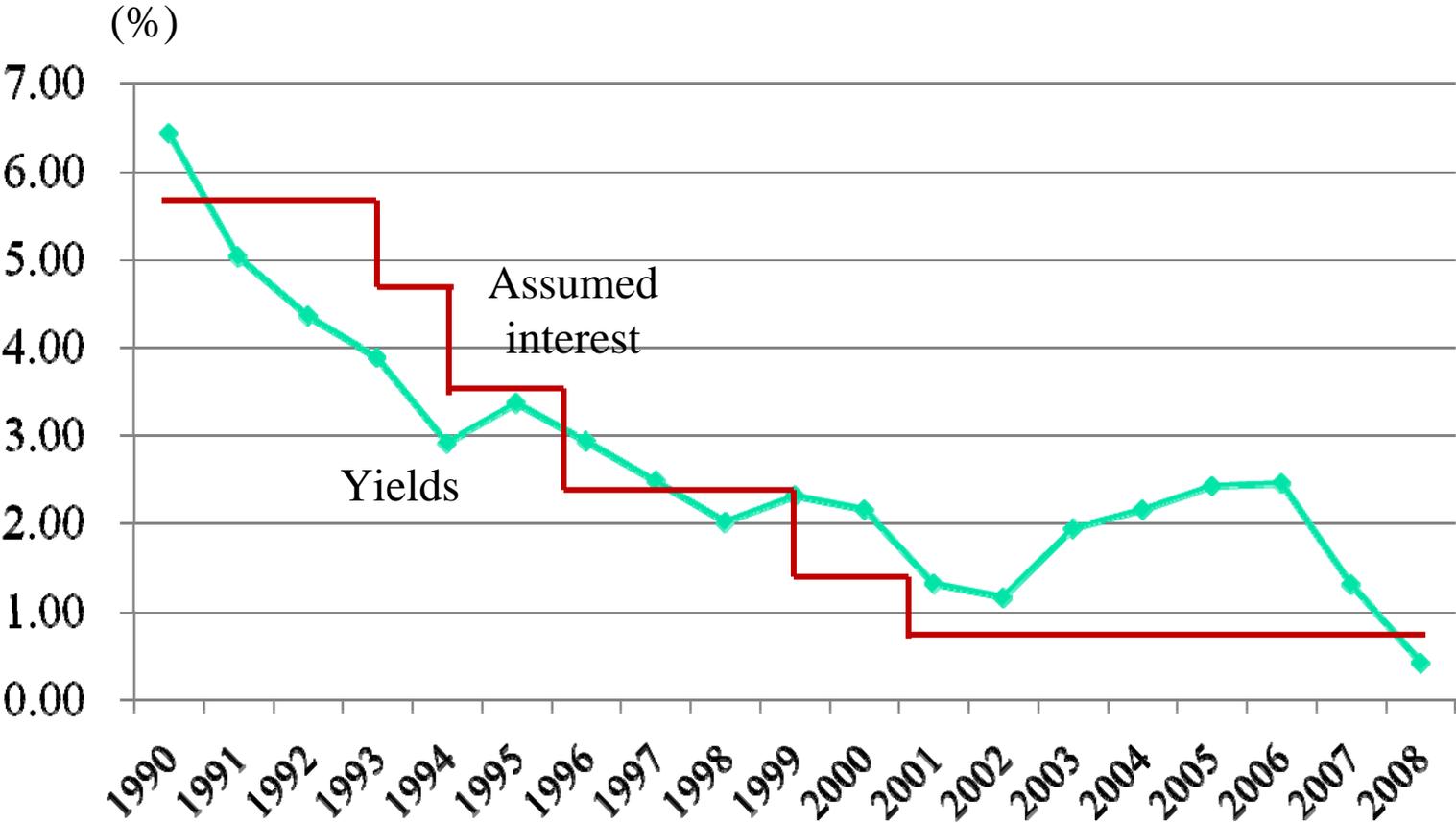
- Maximum proportion to total assets

Domestic stocks 30%

Real estate 20%

Assets denominated in foreign currency 30%

Trends in Yields



Source: LIAJ

Balance Sheet

Balance Sheet as of March 31, 2010 (¥1 billion)

Assets			Liabilities and Net Assets		
Cash and Deposits	4,995	1.6%	Liability Reserves	294,202	92.4%
Call Loans, Money Trust, etc.	7,541	2.4%	Outstanding Claims	(2,339)	(0.7%)
Securities	244,150	76.7%	Policy Reserves	(286,505)	(90.0%)
Government Bonds	(127,988)	(40.2%)	Dividend Reserves	(5,356)	(1.7%)
Local Government Bonds	(10,967)	(3.4%)	Other Liabilities	13,890	4.4%
Corporate Bonds	(26,453)	(8.3%)	Total Liabilities	308,092	96.8%
Stock	(18,661)	(5.9%)	Funds or Capital	2,689	0.8%
Foreign Securities	(42,957)	(13.5%)	Accumulated Redeemed Funds	1,786	0.6%
Other Securities	(17,120)	(5.4%)	Capital Surplus	1,397	0.4%
Loans	46,895	14.7%	Retained Earnings	1,388	0.4%
Policy Loans	(3,577)	(1.1%)	Total Shareholders' Equity	7,729	2.4%
Financial Loans	(43,318)	(13.6%)	Total Valuation Adjustment	2,587	0.8%
Real Estate, etc.	6,816	2.1%	Total Net Assets	10,287	3.2%
Other Assets	7,983	2.5%	Total Liabilities and Net Assets	318,380	100.0%
Total Assets	318,380	100.0%			

Source: LIAJ

Profit and Loss Statement

Profit and Loss Statement Apr/1/2008 – Mar/31/2010 (¥1 billion)

Ordinary Revenues	52,511	100%
Premium Income and Others	35,265	67.2%
Investment Income	10,202	19.4%
Other Ordinary Income	7,043	13.4%
Ordinary Expenses	50,647	100%
Insurance Benefits Paid	33,681	66.5%
Deaths and Other Claims	(18,829)	(37.2%)
Annuities	(2,558)	(5.1%)
Hospital and Other Benefits	(4,025)	(7.9%)
Surrenders	(5,947)	(11.7%)
Refund to Policyholders	(1,264)	(2.5%)
Reinsurance Premiums	(1,054)	(2.1%)
Provision for Liability Reserves	9,151	18.1%
Investment Expenses	1,819	3.6%
Operating Expenses	4,326	8.5%
Other Ordinary Expenses	1,676	3.3%
Ordinary Profit	1,864	

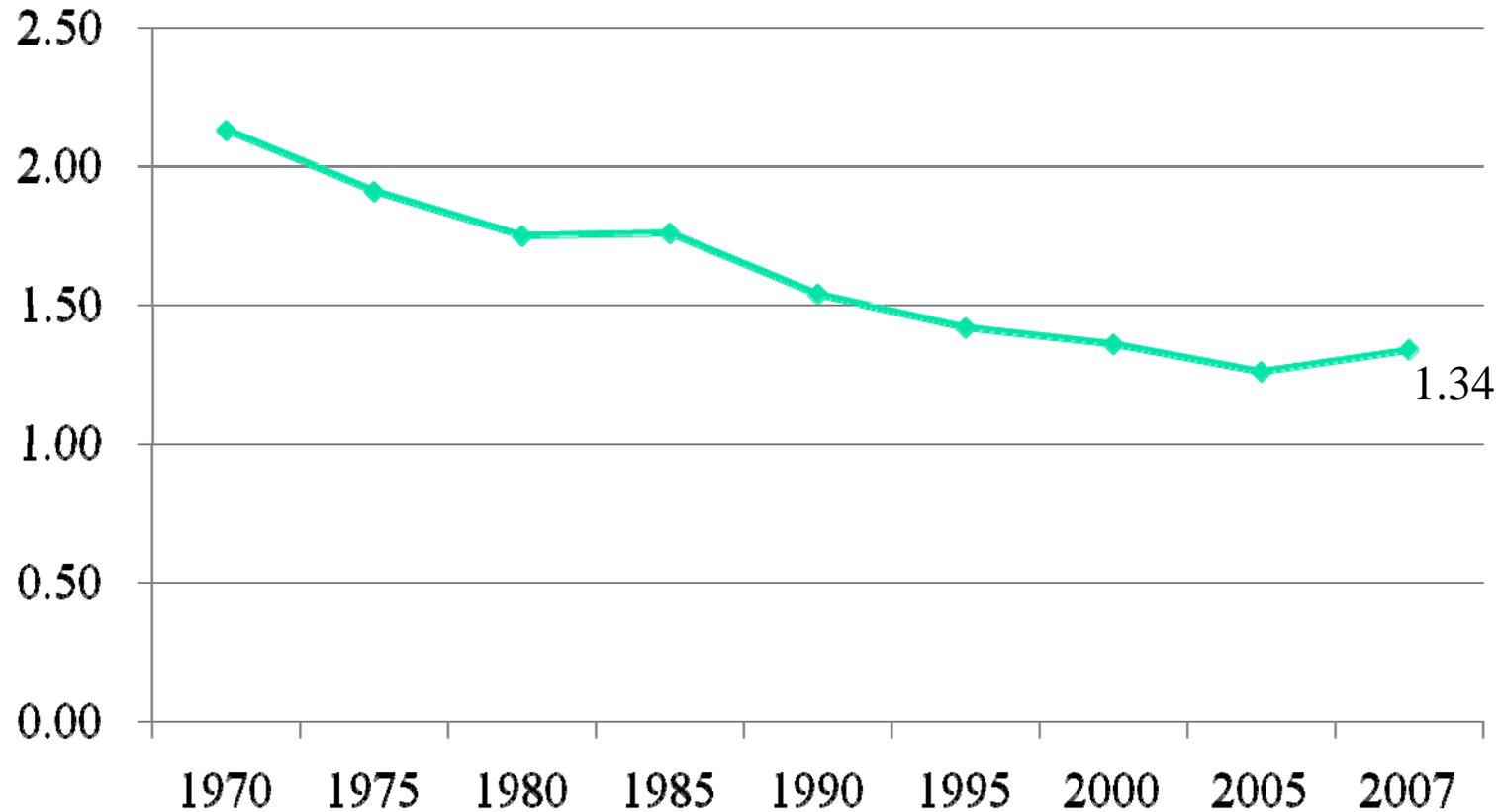
Extraordinary Gain	139
Extraordinary Loss	347
Provision for Policyholders' Dividend	387
Net Surplus before Taxes	1,268
Net Surplus	1,017

Source: LIAJ



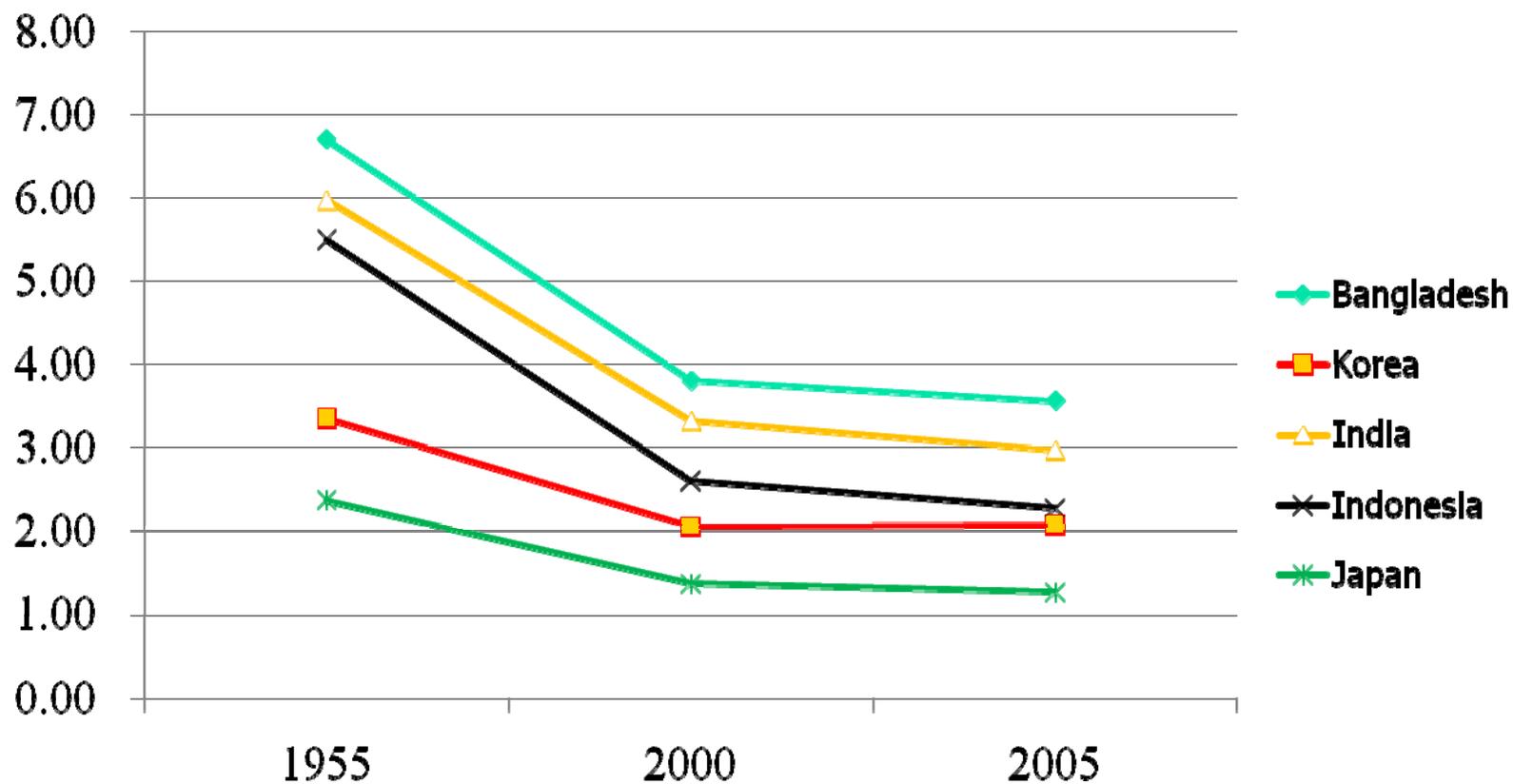
II. Environmental Changes

Trends in Total Fertility Rate (TFR)



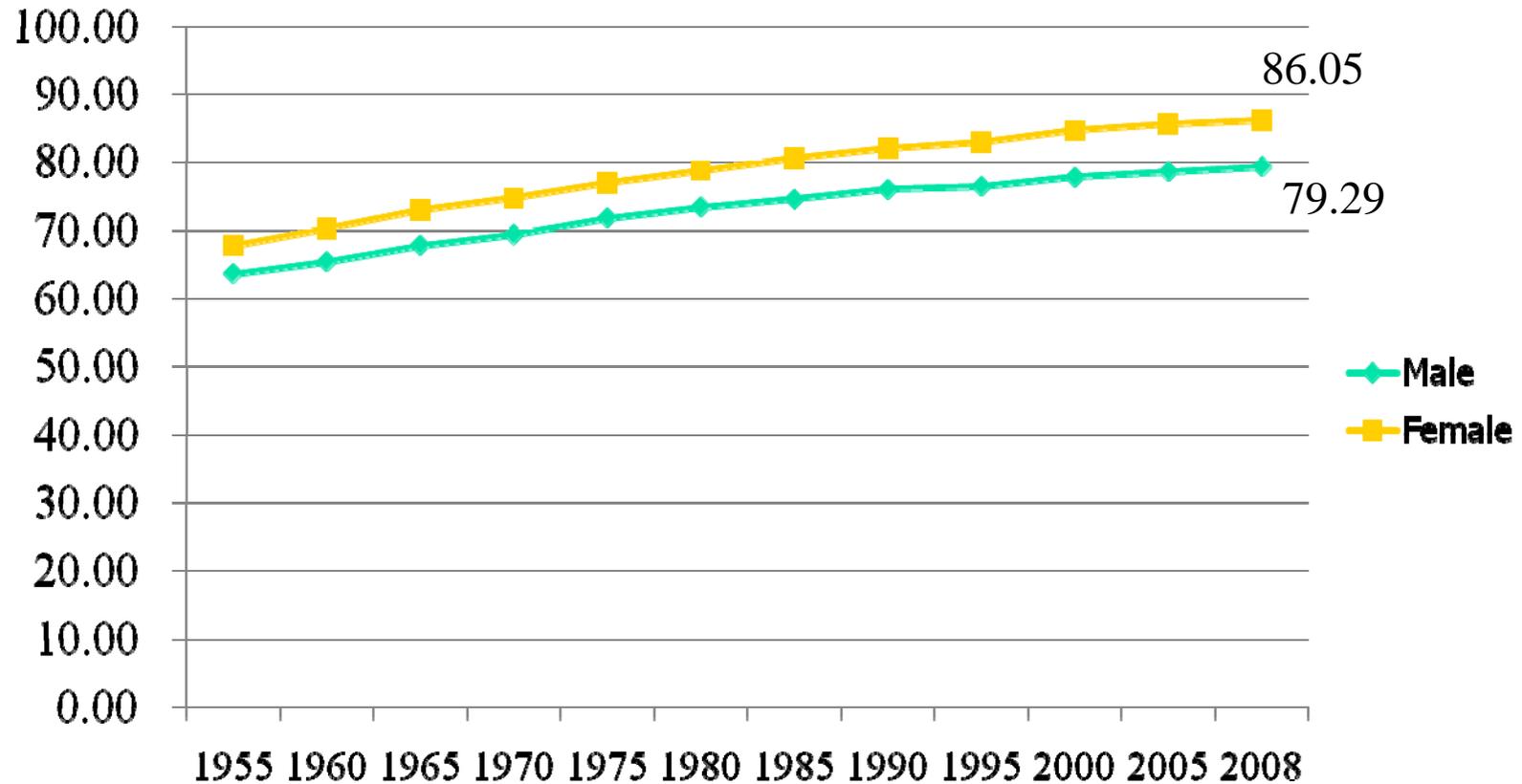
Source: National Institute of
Population and Social Security Research

TFR in Asian Countries



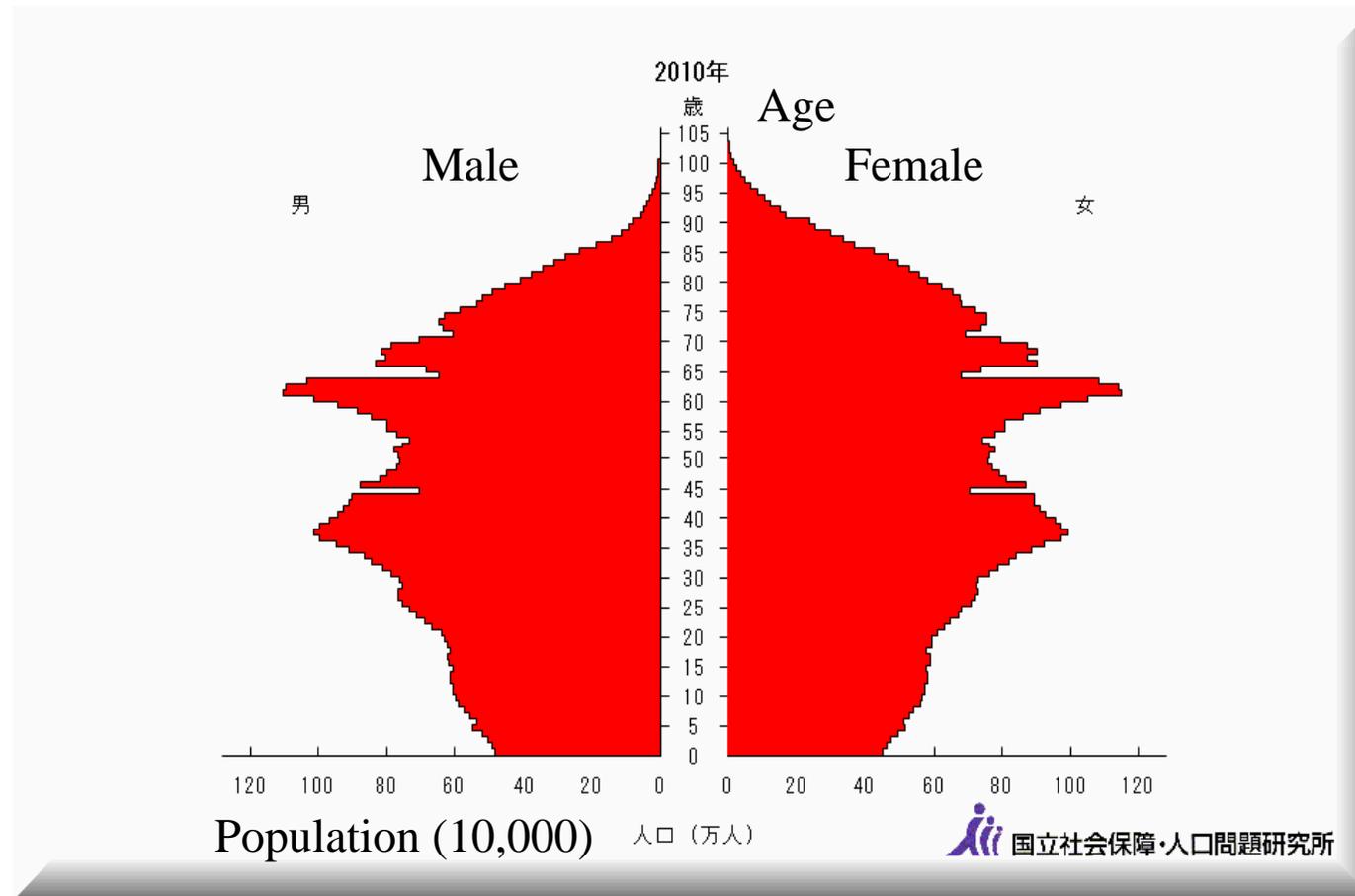
Source: WHO

Trends in Life Expectancy



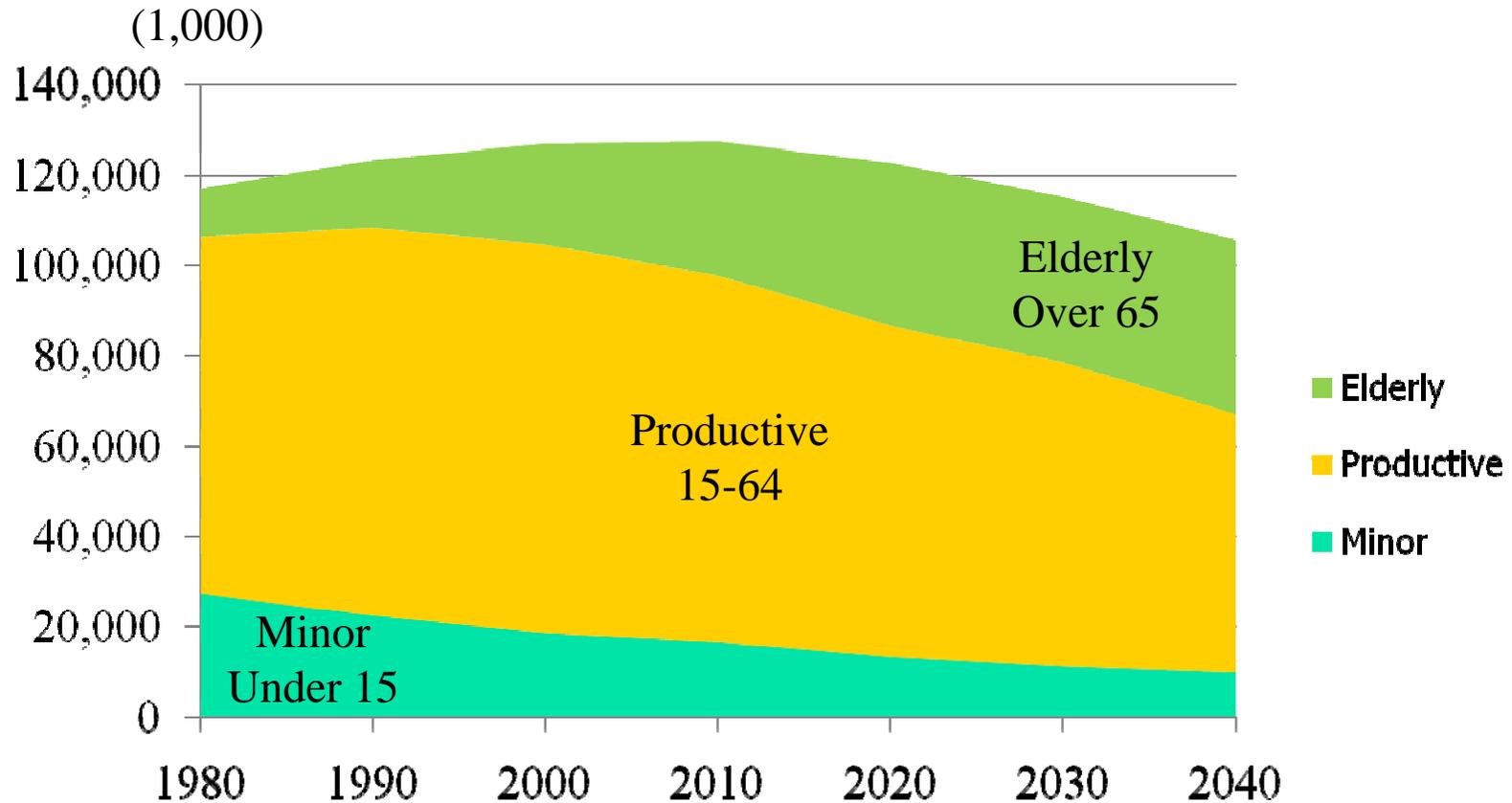
Source: MHLW “Abridged Life Table”

Population Pyramid



Source: National Institute of
Population and Social Security Research

Population by Age Group



Source: National Institute of
Population and Social Security Research

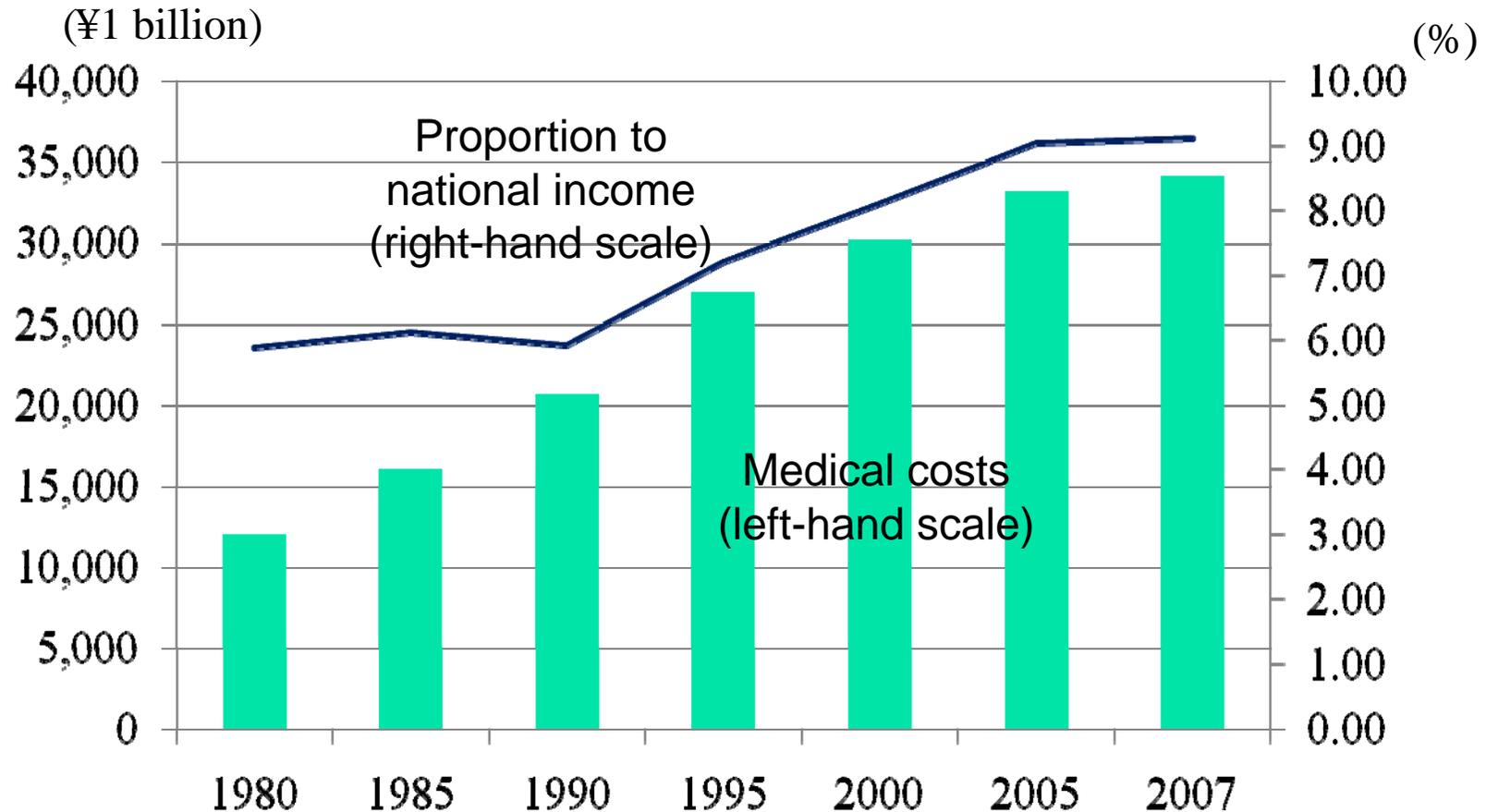
Fewer Children and Aging Population

- Drop in TFR
- Aging population
Common to advanced countries
- Decrease in working-age population
(15-64)
Decline in protection-oriented products
- Shift to medical insurance/annuities

Outlines of Public Medical Insurance System

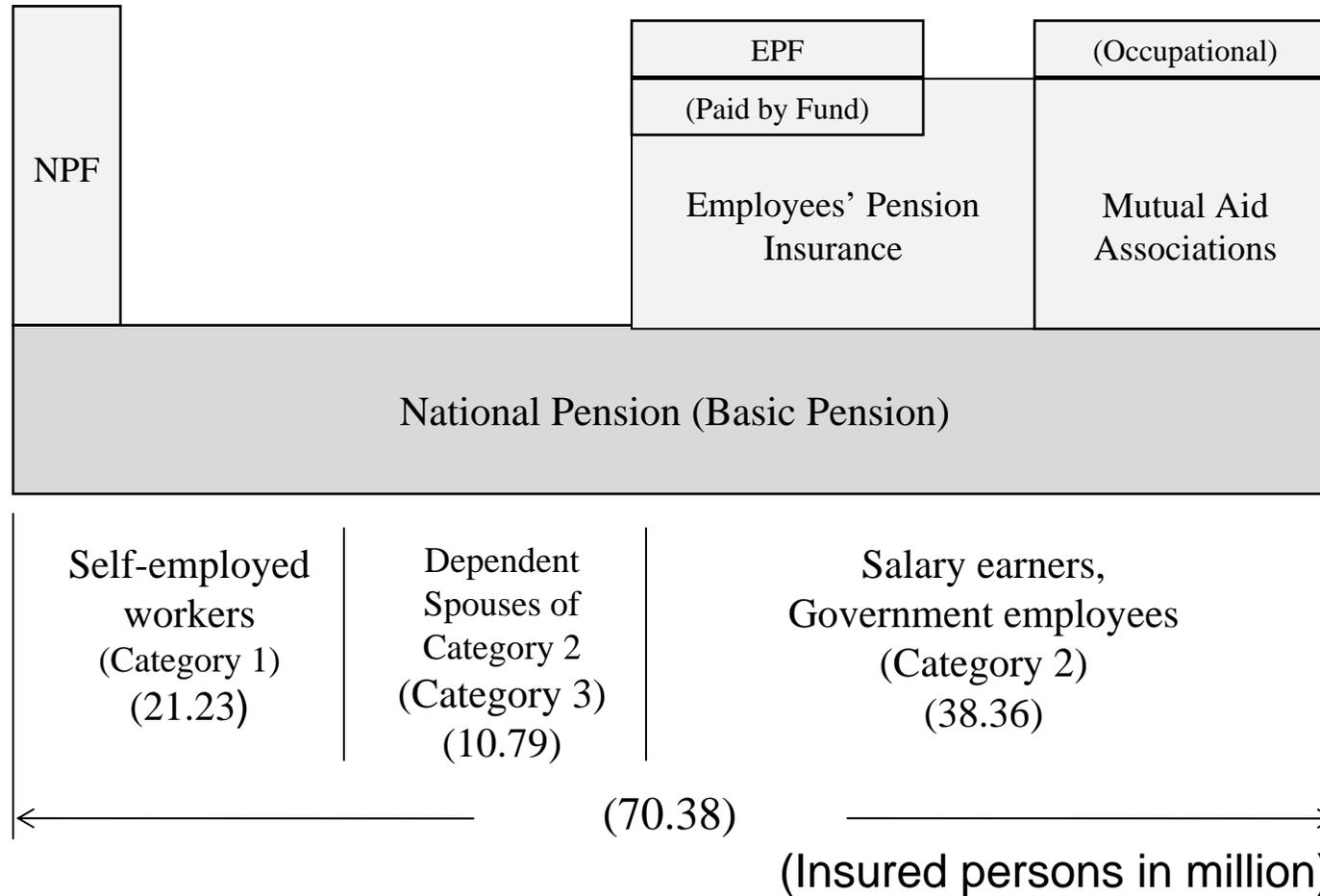
- Universal Medical Care Insurance
- Medical Care Insurance System
 - Medical insurance
 - Employees' Health Insurance (EHI)
 - Seamen's Insurance
 - Mutual Aid Associations (MAA)
 - National Health Insurance (NHI)
 - Medical Care for Retirees
 - Medical Care for the Elderly (75 and over)

Medical Costs and Their Proportion to National Income



Source: MHLW

Structure of Public Pension Plan



Rising Costs of Social Security Benefits

- Rising costs for the elderly is a major contributor to the overall uptrend in national social security benefit expenditures.



III. Summary

1. Changes in needs of Life Insurance under less child and aging society

- Changes in needs in accordance with family structure changes
 - Small amount for death protection
 - High coverage amount for medical insurance
 - Financial Security after retirement
- Death protection and medical insurance for women
- Expanding pension market and nursing care market developed by aging society
- Self-help efforts to supplement social security

2. Current status of traditional business model (major insurers)

- Attempting to diversify their sales distribution channels however, traditional sales agents still plays crucial role.
- Aiming to expand business market into medical and pension through sales agent channel while trying to maintain their main focus as conventional death protection market.
- The traditional sales agent channel reduces, and the sales agents with high productivity will survive.

3. Strategy during diversifying distribution channels

- Sales training
 - Not only for sales agents but also for solicitors at agency and bank will be crucial.
- Sales support
 - Automatic sales support systems as known as Sales Force Automation
 - Schedule management, life planning, recording business conversation with customers, customer information
- CRM (Customer Relation Management)
 - Customer Data Warehouse/Data Mart
 - Analyze diversifying distribution channel as a whole.
 - Strong cooperation with call center, etc.



Appendix.
Financial results of fiscal 2009
April 1st 2009 – March 1st 2010

Summary of Life Insurance Business

Amount: in millions of yen

	New Business (April ~ March)				
	No. Policies		Amount		
		* %		* %	
Individual Life	15,519,946	111.7	59,299,903	99.8	
Individual annuities	1,629,655	102.8	8,222,254	103.5	

	Business in-force (End. March)				Net increase Amount
	No. Policies		Amount		
		* %		* %	
Individual Life	117,051,992	103.6	902,947,116	96.1	-37,716,219
Death Insurance	93,378,276	103.6	745,565,580	96.7	
Mixed Insurance	19,712,146	99.8	152,239,199	92.7	
Pure Endowment	3,961,570	125.8	5,142,356	102.2	
Individual annuities	18,341,124	105.3	94,171,696	105.4	4,815,404
Fixed Annuity	14,899,706	104.1	74,507,425	103.0	
Variable Annuity	3,441,418	110.6	19,664,291	115.9	

* Stands for year-on-year comparison

Overview of Financial Results of fiscal 2009

- **Recovered business results**
 - Drastic increase in investment profits derived by higher stock prices.
 - Increase in individual annuities.
- **Amount of business in-force**
 - While the number of policies increased, average insurance amount reduced and downtrend of business in force continued.
- **Income & Expense**
 - Premium income volume increased due to annuities and medical products.
 - Sharp increase in investment earnings.
- **Industry Overview**
 - Difference in every numbers in each insurers.
 - Continues shifting to pure endowment such as pension/medical from death protection.
 - Increasing the volume of individual annuity, as main products, through over-the-counter sales by banks.



Thank you!