

Historical Overview of Life Insurance Distribution System in Japan

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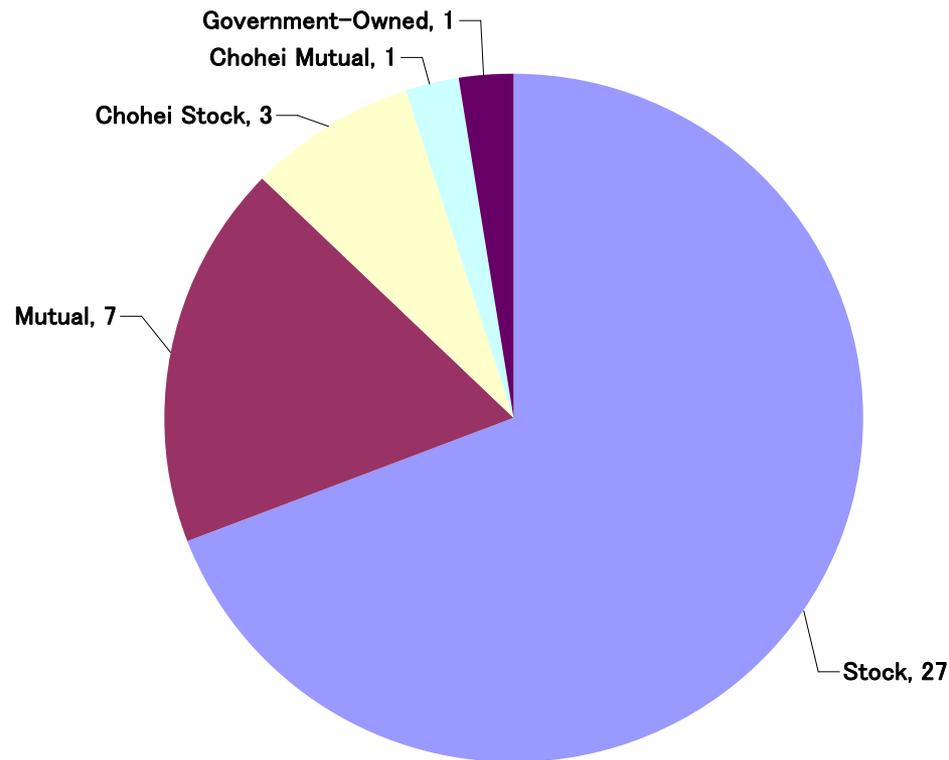
Main Topics for Today's Lecture

- ◆ How the sales personnel channel became the major channel of Japanese life insurance business?
- ◆ Is this channel already out of date?
- ◆ What is new in the distribution channels of Japanese life insurance business?

Three Major Periods

- ◆ Pre-war Period: 1881~1937
- ◆ Stringent Regulation Period : 1945 ~ 1996
- ◆ Financial Liberalization and Deregulation Period: 1996~

Corporate Forms in Life Insurance Business: As of 1930



Corporate Forms in Conscription Life Insurance Lines

◆ 3 Stock Companies

1899 Daiichi Chohei, 1911 Nippon Chohei, 1922 Kokka Chohei

◆ 1 Mutual Company

1923 Fukoku Chohei

Corporate Forms in Ordinary Life Lines

◆ 27 Stock Companies

- ◆ Major Three: 1881 Meiji, 1888 Teikoku, 1889 Nippon Life
- ◆ Mid-size firms: 1893 Taiyo, 1894 Yasuda, 1900 Toyo, 1903 Daido, 1907 Sumitomo, 1914 Mitsui Life etc.

◆ 7 Mutual Companies

- ◆ Major Two: 1902 Dai-ichi, 1904 Chiyoda Life
- ◆ Small firms: 1908 Kokko, 1910 Tokai and Horai, 1913 Chuo, 1919 Nippon Ishi Kyosai

Corporate Forms in Ordinary Life Lines

- ◆ Government-owned Industrial Life Insurance
 - ◆ Started from 1916
 - ◆ Industrial life insurance business in Japan was monopolized by the government until Oct 1946 when the Industrial Assurance Law was revised.

Government-owned vs. Private Corporations

Growth Rate of New Policies

Fiscal Year	Government-owned business		Private Corporation	
	Number	Amount	Number	Amount
1916	---	---	10.5	18.8
1917	88.8	64.0	28.2	31.7
1918	15.5	36.6	36.2	40.0
1919	0.9	8.9	34.2	50.2
1920	34.2	45.9	-4.0	6.3
1921	47.0	51.7	-10.8	-2.4
1922	31.5	45.2	2.4	12.0
1923	-7.6	1.5	-3.0	1.2
1924	36.8	41.7	27.8	32.0
1925	29.8	18.1	19.5	23.0
1926	0.3	2.1	-6.5	1.1

Major Distribution Channels

- ◆ Monopoly Era of Stock Form: 1881 ~1902
 - ✓ Agency Channel was most preferred.
- ◆ Emergence and Growth of Mutual Form: 1902 ~
 - ✓ Sales Personnel Channel started being developed by the mutual companies.
- ◆ Prevalence of Sales Personnel Channel: 1920 ~
 - ✓ Adopted by Meiji Life* as a major distribution channel in 1920.

* The first Japanese modern life insurance company, established in 1881.

Monopoly Era of Stock Form: 1881 ~1902

- ◆ Agency Channels consisted of bankers and local celebrities.
 - ✓ Utilization of their social influences
- ◆ Two major functions of agency channels at the time.
 - ✓ Solicitation Insurance
 - ✓ Premium Collection
- ◆ Commission-based Pay
- ◆ The Agencies became more interested in premium collection.

Marketing Strategy of Mutual Companies

- ◆ Promotion of Mutuality

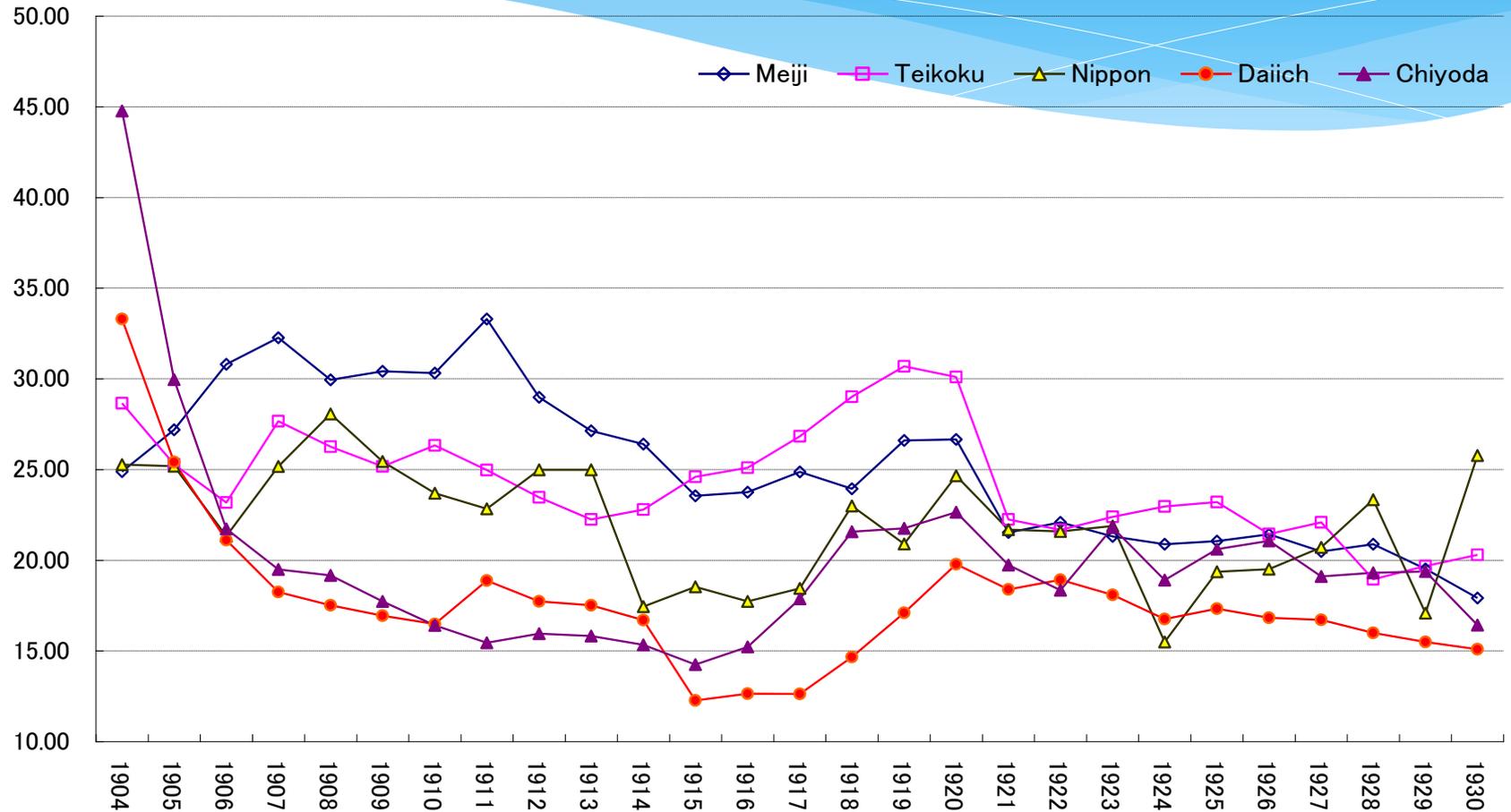
- ◆ Dai-ichi Life

Sales Personnel Channel Only

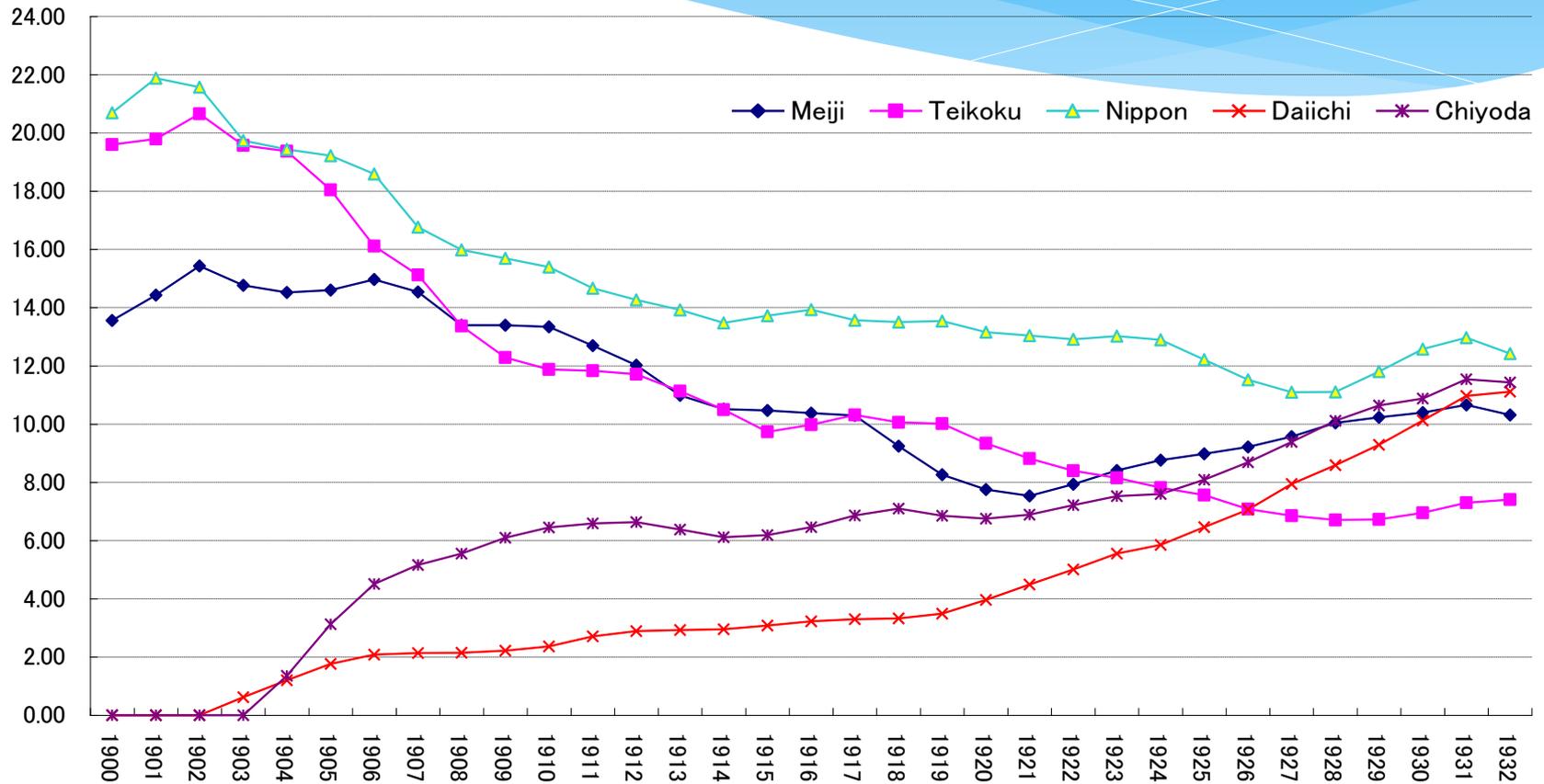
- ◆ Chiyoda Life

Sales Personnel Channel + Agency Channel

Expense Ratio Difference among the Major Companies



Mutual Form's Performance in Market Share Growth



Note: Market share calculated by the amount of contracts in force at the end of the year(%)

Changes in Distribution Channels of Stock Companies

◆ Meiji Life

- ◆ Sales Personnel Channel became the Major Channel since 1920 December

◆ Teikoku Life

- ◆ Started developing Sales Personnel Channel since 1912
- ◆ Declared the Sales Personnel Channel as its Major Channel since 1926

◆ Nippon Life

- ◆ Started developing Sales Personnel Channel since 1908
- ◆ Declared the Sales Personnel Channel as its Major Channel since 1926

Legendary Sales Agent Kokichi Watari from Dai-ichi Mutual Life



東京支部の優績祝賀会における渡幸吉東京支部長（昭和12年）。抜群の成績をおさめた渡は日本一の営業職員と言われた。戦後、その功績を称えて「渡幸吉賞」を設定し、優績職員を表彰した（昭和46年から平成8年まで）



Founder of Dai-ichi Life, Tsuneta Yano

Source: *The Dai-ichi Mutual Life Insurance Company -- 100 Years of History*, p.36

Life Insurance Industry aftermath of WWII

◆ 13 Stock Life Insurance Companies Mutualized



◆ 16 Mutual Life Insurance Companies

◆ 4 Stock Life Insurance Companies

◆ Stringent Price Regulation

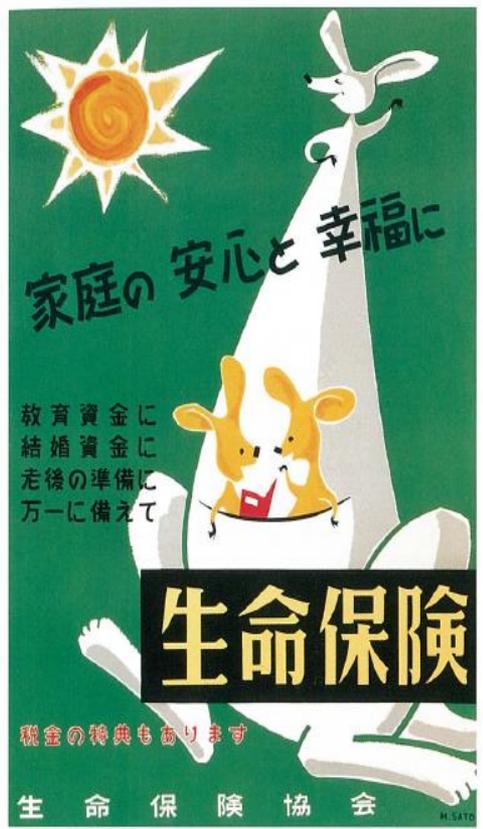
Mutualization of Life Insurance Company

Nippon Life



京都支社・京都分局の設置記念撮影。看板に相互・株式両方の社名が見える(S 22・5)

Life Insurance Awareness Month: since 1947



Promoted by Life Insurance Association of Japan



5
 「生命保険の月」ポスター
 (S.26, 30, 36・生命保険協会誌
 生命保険の月には
 生命保険協会を中心として
 全国的に新聞、雑誌の広告など
 一般広報活動を行っている



Source: 100 Years of History of NISSAY, p.171

Prevalence of Installment Insurance by Private Company

- ◆ Deregulation on Industrial Life Insurance: 1946 October
- ◆ First Launch of Installment Insurance by Private Company, Meiji Life in 1948 November
- ◆ About the Installment Insurance
 - Monthly Installment Deposit
 - Introduction of Debit System Modeled on U.S. Prudential Life
 - Insurance Solicitation & House-to-house Premium Collection

Prevalence of Installment Insurance by Private Company

◆ Installment Insurance

ex. Nippon, Sumitomo, Asahi Life in 1949

◆ Debit System

ex. Nippon Life in 1953, Sumitomo and Asahi Life in 1954,
Dai-ichi Life in 1958

◆ Door-to-Door Sales

◆ Emergence of Female Sales Agents

Emergence of Female Sales Agent



Source: The Dai-ichi Mutual Life Insurance Company -- 100 Years of History, pp.60-61

Emergence of Female Sales Agent

近代的な...
婦人の生きかた...

デビット職員募集用リーフレット

日本生命の
月掛
デビット職員

見習期間中の給与は...

- 固定給 (基金保障給を含む) 4000円
- 集金手数料、継続手当、契約手当
- 通勤用定期券交付

家事の設計
愛のデザイナー

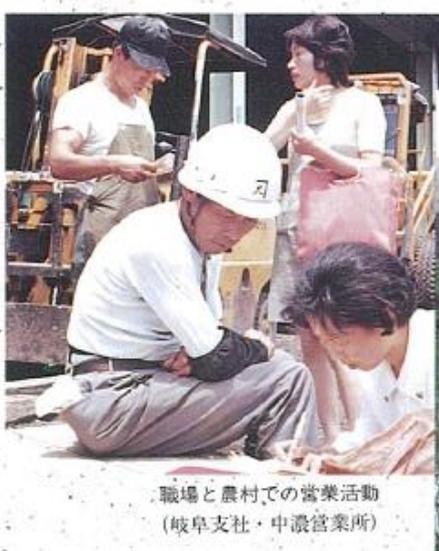
Recruit Advertisement



Premium Collection

Emergence of Female Sales Agent

Solicitation Insurance in the Factory



職場と農村での営業活動
(岐阜支社・中濃営業所)



女性営業員による集金活動 (大阪月掛保険部・難波営業所)



昼休みを利用した職場での営業活動のため工場に入る長崎支社の営業職員 (三菱電機長崎製作所)



職場での営業活動 (岐阜支社・大垣東営業所)



Emergence of Female Sales Agent

- ◆ War Widow Hypothesis
- ◆ Gender Advantages Hypothesis
- ◆ Labor Shortage Hypothesis

Limits and Problems of Sales Agent

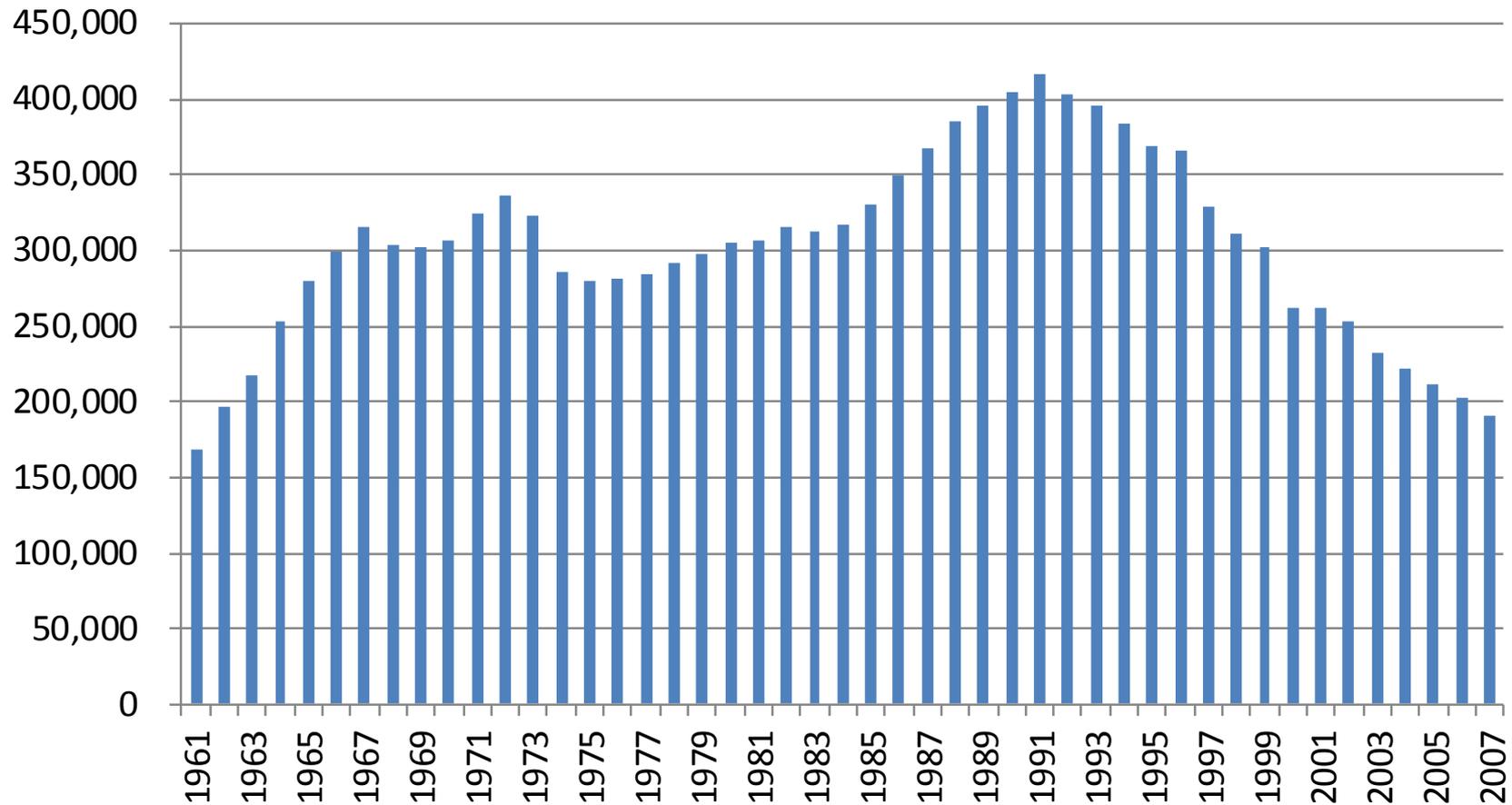
◆ Limits of GNP

◆ About the G-N-P

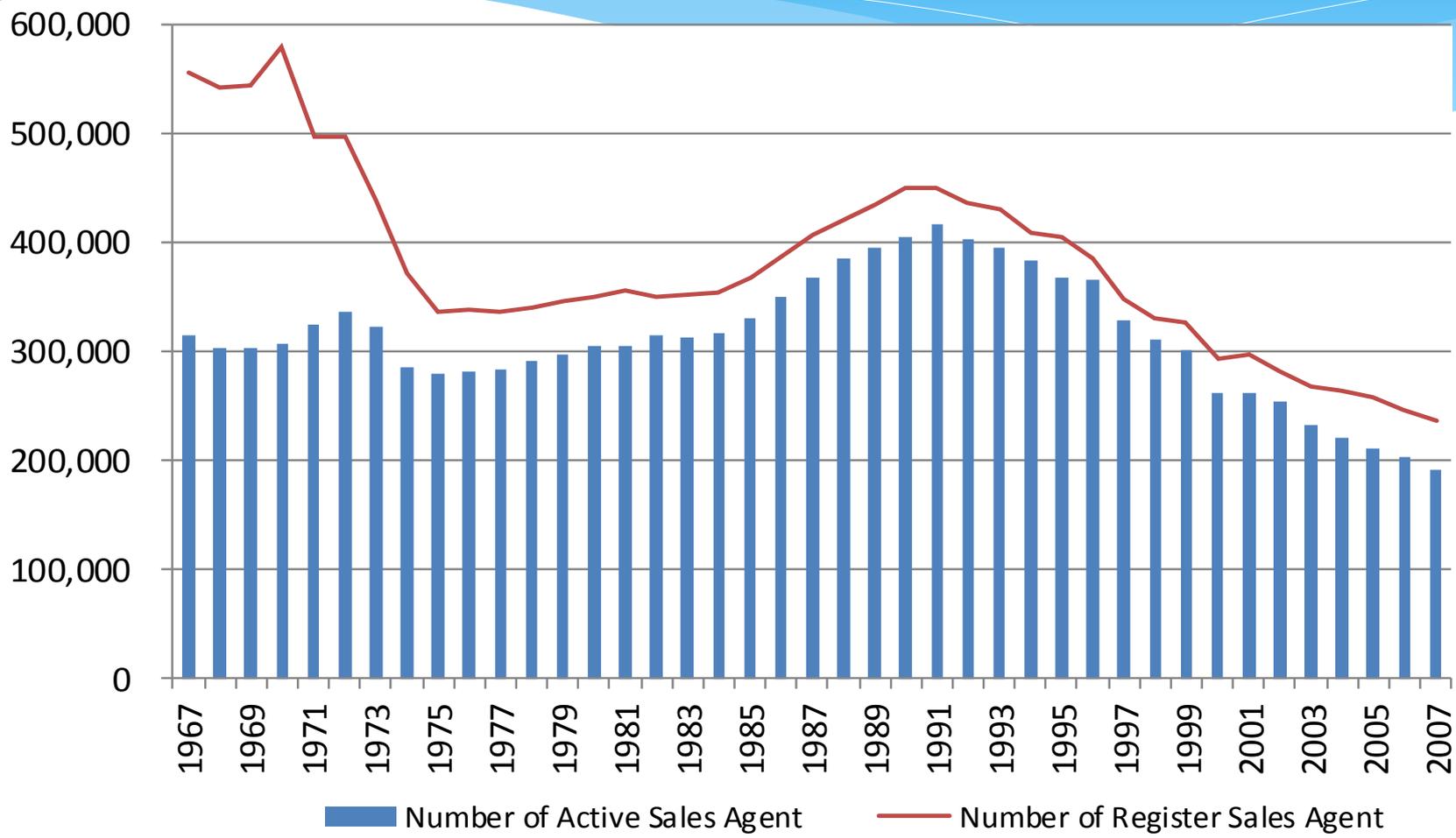
- Giri
- Ninjyo
- Present

◆ High Turnover Rate

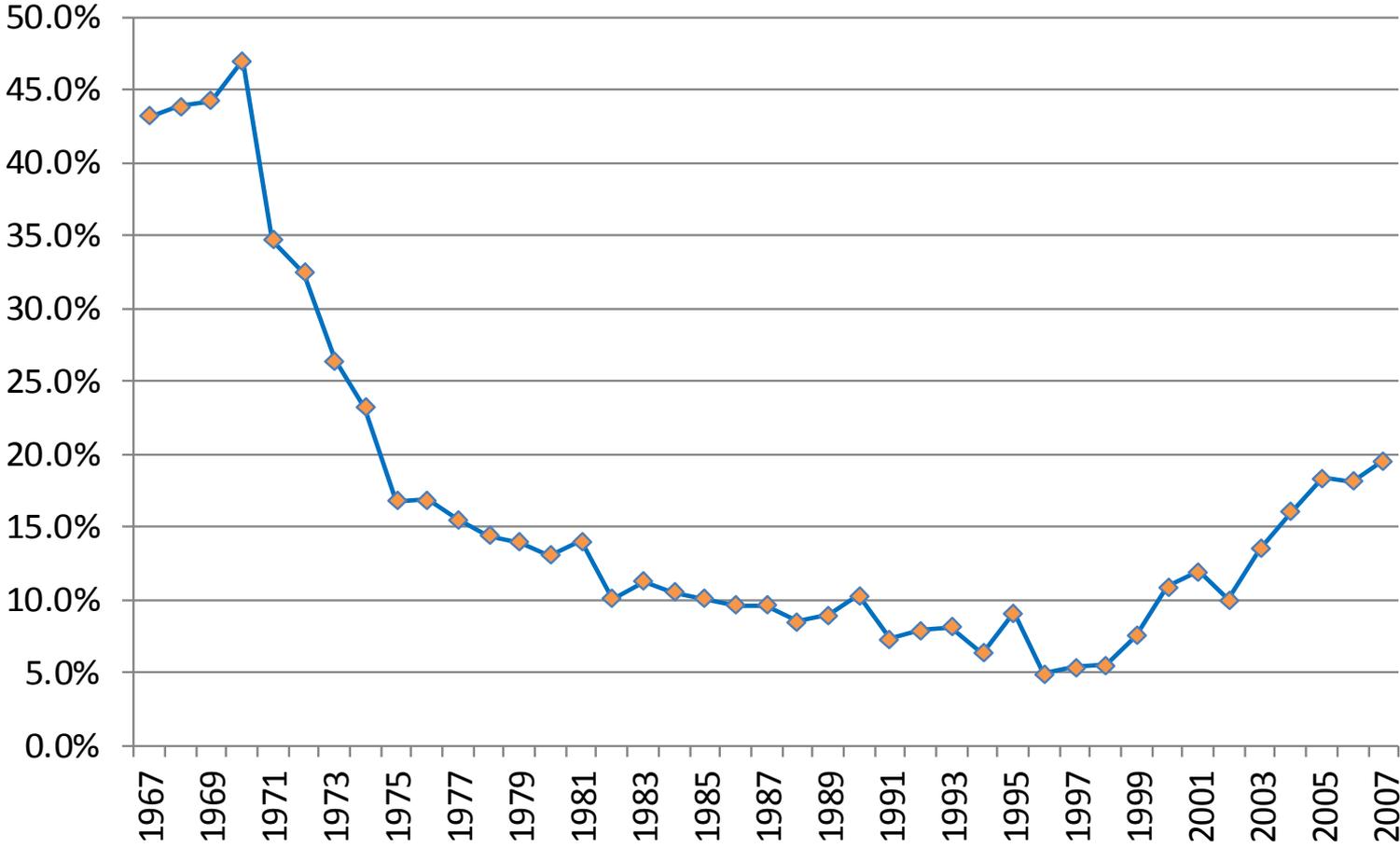
Changes in the Number of Active Sales Agent



Changes in the Turnover Rate of Sales Agent



Changes in the Turnover Rate of Sales Agent



Financial Liberalization and Deregulation Period: 1996~

◆ Revision of Insurance Business Act

- ✓ Deregulation on Mutual Company's Demutualization
- ✓ Cross Entry Between the Life and Property Insurance Business

◆ Diversifying Consumer Needs: ex. More Interest in such as

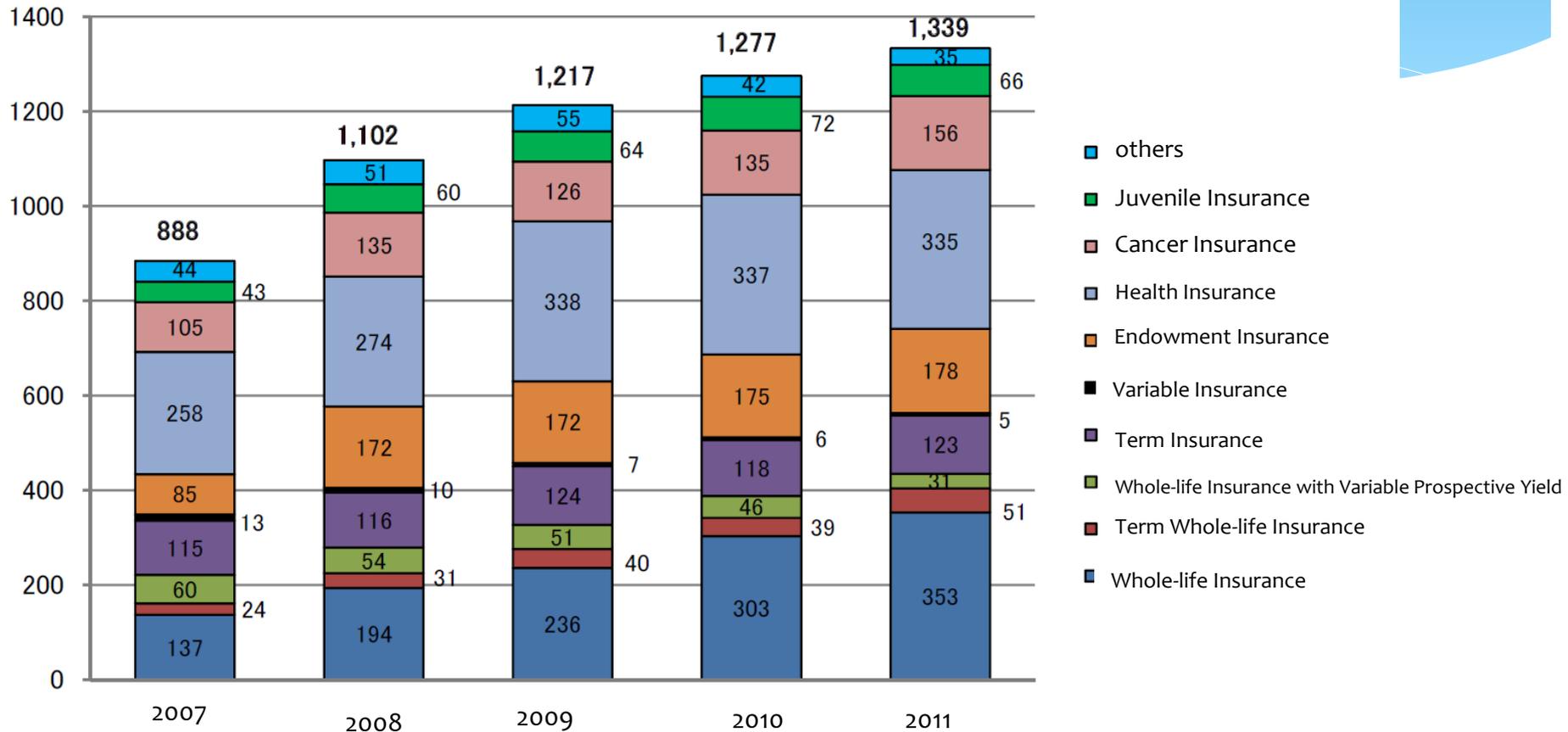
- ✓ Medical Service
- ✓ Nursing Care Insurance

◆ Progress of IT Technology

- ✓ Low Cost of Information Collection
- ✓ Easy Access to Necessary Information

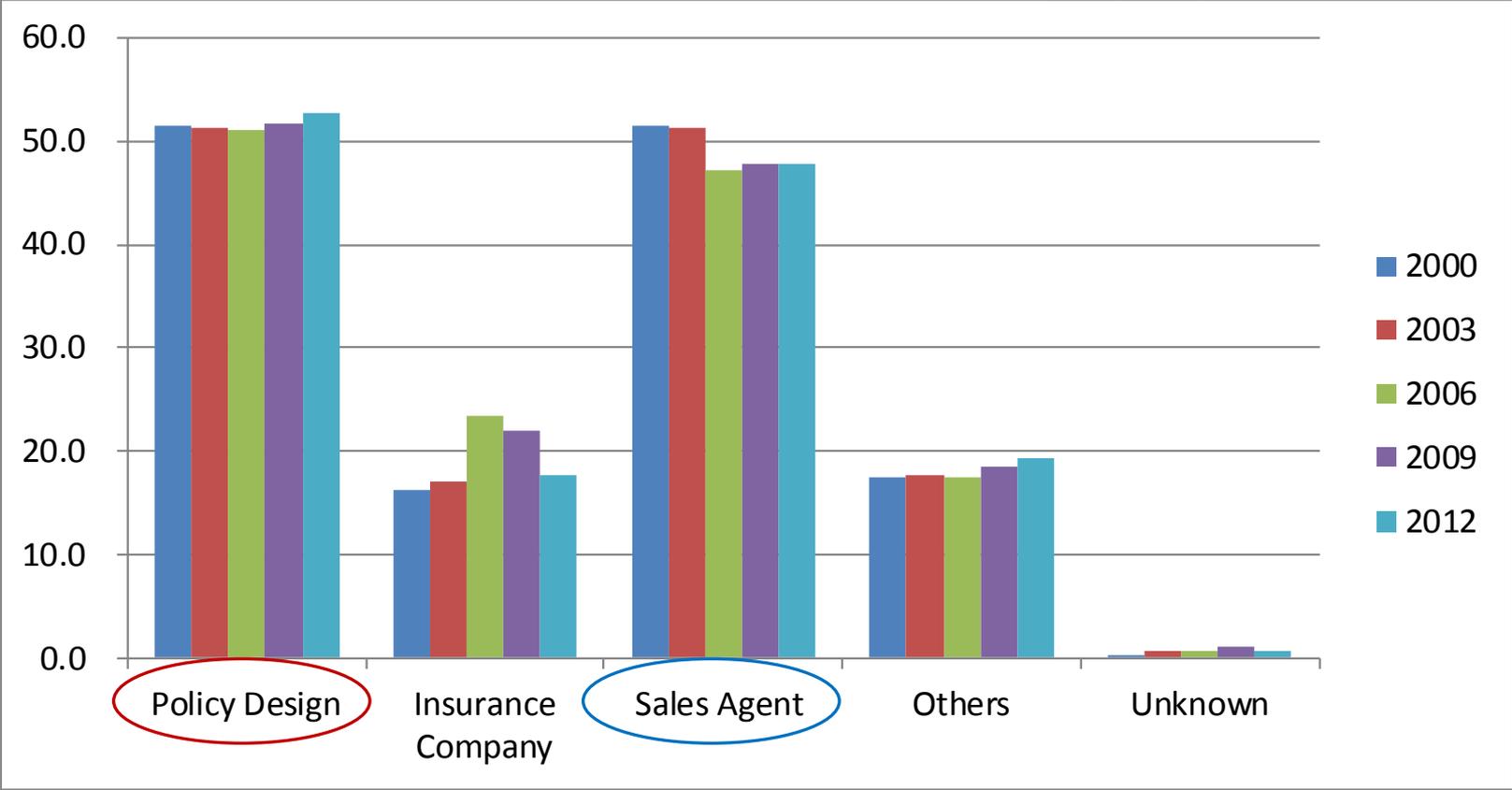
Recent Trend of Personal Insurance Needs

Number (10,000)

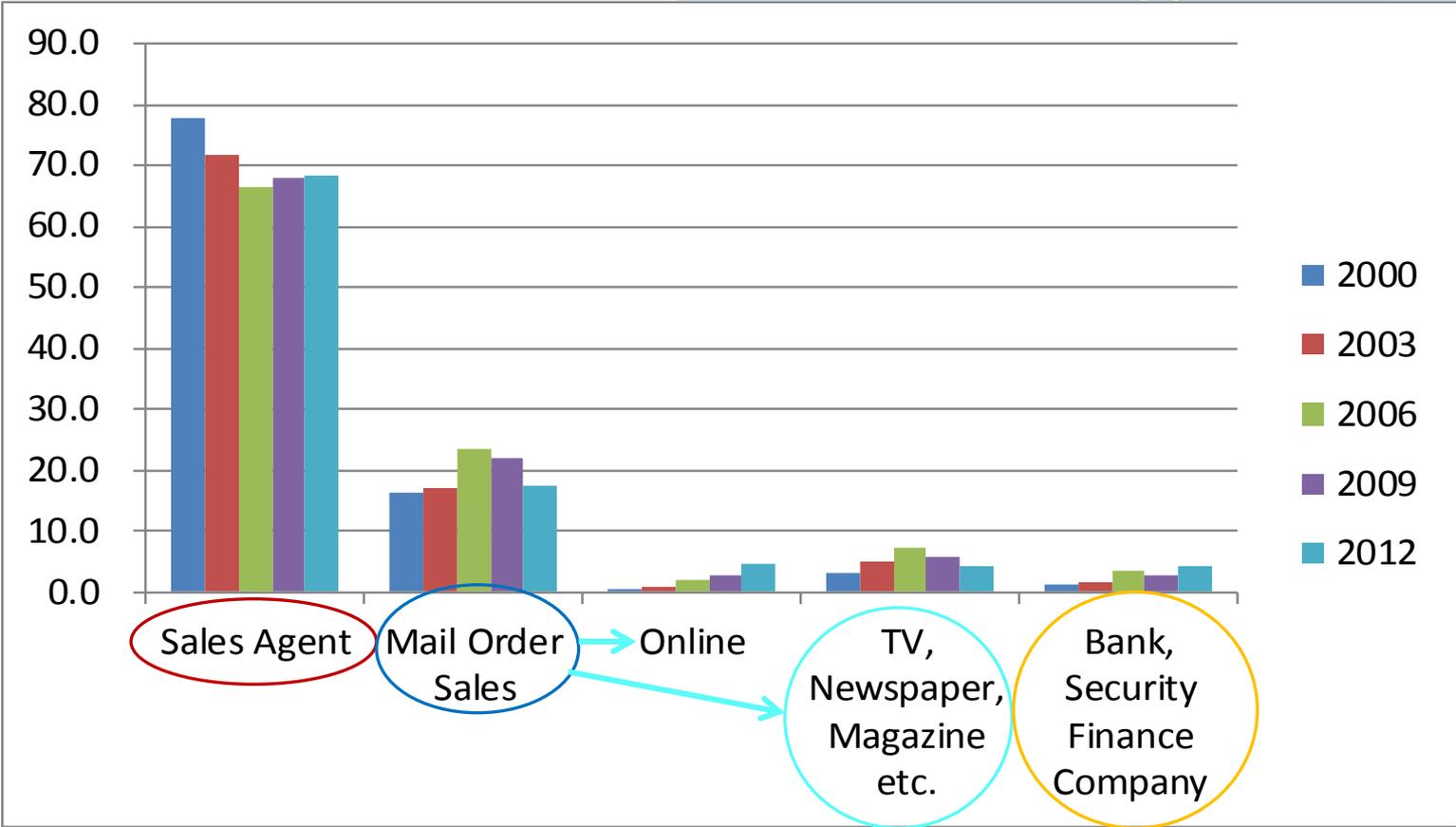


Source: Original Data from a Survey by *Japan Institute of Life Insurance*

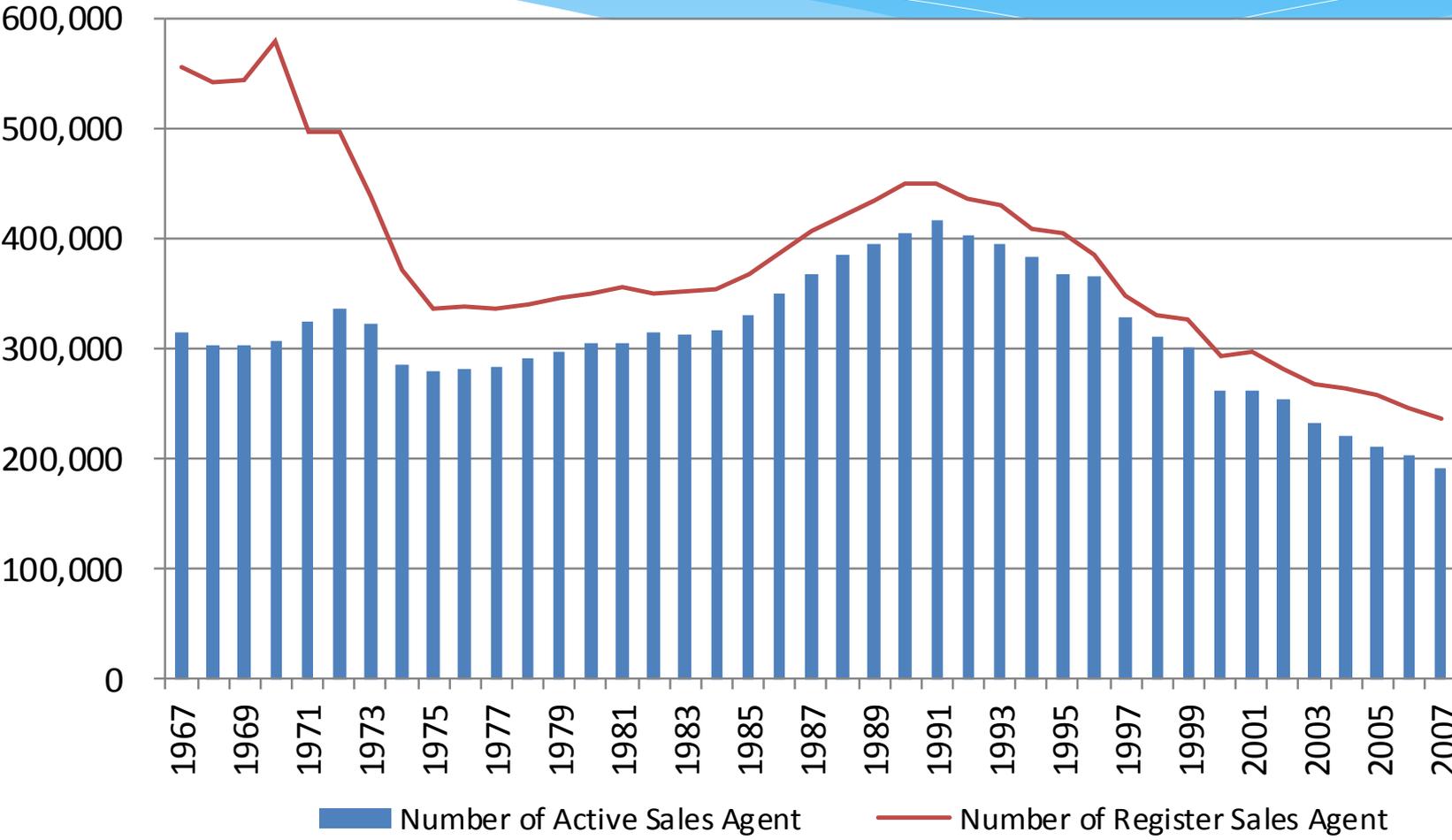
Survey Results on Reasons of Purchasing a Life Insurance Policy



Survey Results on Distribution Channels of Recent Life Insurance Policy Purchase



Changes in the Turnover Rate of Sales Agent





Thank you for your attention !

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