

Business of Foreign Life Insurance in Japan --- Series 3: Adapting to Postwar Regulatory Changes ---

Foreign business in Japan was highly regulated during a 20-year period following the end of the Second World War according to the Foreign Exchange and Foreign Trade Control Law, which had been put in force in December 1949. As for foreign insurance business, the Act on Foreign Insurance Business Operators was implemented in June 1949. Foreign insurers were required to obtain a license of the Minister of Finance in order to carry out business in Japan pursuant to Article 3, paragraph (1) of the Act.

By the end of 1960s, there were at least eight foreign life insurance companies operating business in Japan¹. However, those companies were only approved to sell life insurance to foreign residents in Japan who mostly consisted of the people living in US military bases. In other words, only dollar-based business was allowed at the time. Moreover, most of these companies ran their business via agencies except American Life Insurance Company which had set up a branch office in Tokyo.

In 1964, the government gradually started deregulations of foreign direct investment when Japan became member of the OECD, which required the liberalization of restrictions on inward direct investment in a broad range of industries according to the OECD Code on Liberalization of Capital Movements. The insurance industry became one of the designated industries for liberalization in March 1969. Accordingly, foreign ownership of up to 50% was automatically approved. Foreign ownership of up to 100% became automatically approved from May 1971 onwards.

In its meeting held on 20 June 1972, the Insurance Council, an advisory organ of the Minister of Finance established in April 1959, proposed to allow foreign companies to operate business in Japan if their products were not competing with domestic companies at the time. Such products included

¹ No.1 United States Life Insurance Company in New York: obtained the license in March 1951 and dissolved in June 1982. No.2 Pioneer American Insurance Company: obtained the license in July 1952. No.3 World Service Life Insurance Company: obtained the license in 1953. No.4 American Life Insurance Company: obtained the license in September 1954. No.5 Transamerica Occidental Life Insurance Company: obtained the license in January 1955 and dissolved in October 2008. No.6 American Amicable Life Insurance Company: obtained the license in 1957 and dissolved in Jan 1992. No.7 United Benefit Life Insurance Company: obtained the license in June 1964 and later changed its name to United of Omaha Life Insurance Company. No.8 Midland National Life Insurance Company: obtained the license in October 1964.



The appearance of fast-food in Japan: the first hamburger store opened in 1972 Ginza.

Allstate Life in Oct 1974 and January 1976 respectively. In the 1980s, there were seven more foreign life insurance companies obtained licenses, namely Sony Prudential Life and Combined Life in February and December 1981 respectively, INA (Life Insurance Company of North America) in February 1982, Omaha Life in October 1985, Nationale Nederlanden Life and Equitable Life of America in March and October 1986 respectively, Prudential Life in February 1988.

The fundamental differences among the companies mentioned above refer to the legal grounds on which the license was granted and the way they engaged in sales activities. Firstly, the licenses for Seibu Allstate Life, Sony Prudential Life, INA, Equitable Life and

Prudential Life were granted on the grounds of the Insurance Business Act, while the other companies received licenses on the grounds of the Act on Foreign Insurance Business Operators. Secondly, INA and Equitable Life and Prudential Life were approved as affiliated companies while Seibu Allstate Life was as a joint venture company. The other companies were registered as a branch office. Furthermore, in regards to the strategies of product and distribution channels, the foreign life insurers were quite distinct from the

nonparticipating insurance or whole life insurance, term insurance or health insurance². Six months after this meeting, American Life, became the first foreign life insurance company to obtain the license for selling products to Japanese citizens as a yen-based business.

In the 1970s, two more foreign companies obtained the license as well, namely American Family and Seibu



“Create a new life insurance today with our life planners’ assistance.” (An Opening Ad)

² Regarding the health insurance, only a few middle and small sized companies were allowed to sell at the time. Moreover, the major products of domestic companies were participating insurance.

domestic life insurers. This topic will be discussed in more detail in the next article.

To be continued...
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