

Summary of Life Insurance Business in Japan (Fiscal 2003)

1. Organizational Structure

The Life Insurance Association of Japan (LIAJ) represents all life insurance companies operating in Japan. During fiscal 2003, the number of member companies increased to 40 from the previous year of 42.

Also, the number of agents, the mainstay of distribution channels, began to fall after peaking at 440,000 in 1990, and decreased to around 270,000 in 2003. Meanwhile, given the further deregulation of sales of individual annuity by banks started from October 2002, the number of employees of agencies dramatically increased. Currently, the members of LIAJ consist of 33 stock companies, 7 mutual companies. In 1960, there were only 4 stock companies registered as members. This recent increase in the number of member stock companies is mainly attributed to the enforcement of the Revised Insurance Business Law in April 1996, which approved the non life insurance companies' entry into life insurance market by a subsidiary stock company, and the conversion of a mutual insurance company into a stock insurance company.

Table 1. Organizational Structure

Fiscal Year	Number of Member Companies	Agent, Agency		
		Agent (thousand)	Agency (thousand)	No. of Employees of Agencies (thousand)
1960	20(4)	160	-	-
1970	20(4)	318	-	-
1980	22(6)	306	-	-
1990	30(14)	444	-	-
1999	47(32)	336	187	204
2000	47(33)	315	182	232
2001	44(32)	302	145	296
2002	42(34)	284	139	693
2003	40(33)	268	130	714

(Notes) The numbers in brackets are the number of stock companies in member companies

2. Balance Sheet

At the end of 2003, the amount of assets held by member life insurers increased by 2.5 % from the previous year to ¥184 trillion (or roughly \$1744 billion), increased for the first time in three years. Because new businesses were written at the same levels at which business were cancelled or lapsed, liabilities showed a slight decline of 7.3%. While liability reserves slightly increased by 0.7 % from the previous year due to the recovery of stock market, as a result, there was 303 billion yen (or roughly ¥ 2.8 billion) buildup in price fluctuation reserves. The capital increased by 62.1 % to ¥ 9 trillion (or roughly \$85 billion).

YEN/US Dollar=¥105.64 (as of the end of March 2004) is applied to translation into dollar-denominated prices.

Table 2. Balance Sheet

(billion ¥)

Fiscal Year	Assets		Liabilities			Capital
	Total	% of Nominal GDP	Total	Liability Reserves	Price Fluctuation Reserves	Total
1960	752	4.5	710	628	0	41
1970	5,854	7.8	5,567	5,070	0	287
1980	26,257	10.7	24,689	22,019	-	1,568
1990	131,618	29.7	126,595	118,032	-	3,655
1999	190,032	37.0	185,610	168,103	707	4,422
2000	191,730	37.6	185,673	166,857	783	6,057
2001	184,370	36.6	177,299	161,221	603	7,071
2002	179,831	36.1	174,276	159,649	467	5,554
2003	184,329	36.8	161,484	160,714	770	9,003
G.R. (%)	2.5	0.7	- 7.3	0.7	303	62.1

3. Asset Distribution

At the end of 2003, assets held by life insurers amounted to \$184 trillion (or roughly \$1741 billion), Securities, the largest component of assets, amounted to ¥ 120.457 trillion (or roughly \$ 1140 billion), which accounted for 65 percent of total assets.

Loans were the second largest component, and amounted to ¥41.720 trillion (or roughly \$394 billion), which accounted for 23 percent of total assets.

With the regard to securities holdings, the percentage of domestic stock accounted for 11.6 percent, and exceeded corporate bonds of 10.2 percent. As interest rate remained low, insurers have invested their assets in various foreign securities, the percentage of foreign securities holdings was a record high of 18.3 percent. Reflecting weak corporate demand for funds, loans decreased to 22.6 percent, which was a further decline from the previous year.