

Summary of Life Insurance Business in Japan

(Fiscal 2004)

A. Industry Overview

The Life Insurance Association of Japan (LIAJ) is a trade association of which the membership is made up of all life insurance companies operating in Japan. As of the end of fiscal 2004 (the end of March 2005), the number of LIAJ member companies was 39, a decrease of one company from the previous fiscal year.

With regard to distribution channels, although sales agents have long been the linchpin of the life insurance sales activities in Japan, they continue to fall in number, to around 260 thousand in 2004, after peaking at approximately 440 thousand in 1990. Meanwhile, the number of agency employees has been on the rise since its growth in 2002, when Japanese banks started selling individual annuity products in October of the same year.

The number of stock companies has almost doubled over the past decade, contrasting starkly to the 1960s where only four stock companies were registered with the LIAJ. This surge can be mainly attributed to the drastic revision to the Insurance Business Law (IBL), which came into effect in April 1996.

As the revised IBL included the introduction of a demutualization scheme which allows a mutual insurance company to be converted into a stock insurance company, it prompted several existing mutual companies to demutualize. Also the removal of the ban on the reciprocal entry between two insurance sectors paved the way for non-life insurance companies to newly join the life insurance market by means of establishing a subsidiary stock company (or vice versa). With the gradual participation of foreign life insurance companies as another factor, all the above changes have contributed to the increase in the number of stock companies¹.

Table 1. Industry Overview

Fiscal Year	LIAJ Member Companies	Sales Agents/Agencies (in thousand)		
		Agents	Agencies	Agency Employees
1960	20 (4) ^a	160	-	-
1970	20 (4)	318	-	-
1980	22 (6)	306	-	-
1990	30 (14)	444	-	-
2000	47 (33)	315	182	232
2001	44 (32)	302	145	296
2002	42 (34)	284	139	693
2003	40 (33)	268	130	713
2004	39 (33)	263	124	721

^a Numbers in parentheses are those of stock companies.

¹ As of 1 October 2005, the Association has a total membership of 38 companies, comprised of 32 stock companies and 6 mutual companies.