

Summary of Life Insurance Business in Japan

(Fiscal 2005)

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 2005 (end of March 2006)¹, the number of LIAJ member companies stood at thirty-eight, a decrease of one company from the previous fiscal year.

With regard to distribution channels, tied sales agents have long been the linchpin of the life insurance sales activities in Japan. However, after peaking at approximately 440 thousand in 1990, the number of agents continued to shrink, and in 2005 fell slightly below 260 thousand. Meanwhile, the number of sales representatives at agencies has been on the rise since it sharply swelled more than twofold in 2002, when Japanese banks started selling individual annuity products subsequently to the partial lifting of the ban on bancassurance 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.

The removal of the prohibition on the reciprocal entry between two insurance sectors paved the way for non-life insurance companies to newly join the life insurance market through establishing a subsidiary stock company (or vice versa) as well. And the gradual penetration of foreign life insurance companies in the Japanese market was also another important factor for the increase in the number of stock companies.

Table 1. Industry Overview

| Fiscal Year | LIAJ Member Companies | Number of Sales Force (in thousands) | | |
|-------------|-----------------------|--------------------------------------|----------|------------------------|
| | | Tied Agents | Agencies | Sales Reps at Agencies |
| 1960 | 20 (4) ^a | 160 | - | - |
| 1970 | 20 (4) | 318 | - | - |
| 1980 | 22 (6) | 306 | - | - |
| 1990 | 30 (14) | 444 | - | - |
| 2001 | 44 (32) | 302 | 145 | 296 |
| 2002 | 42 (34) | 284 | 139 | 693 |
| 2003 | 40 (33) | 268 | 130 | 713 |
| 2004 | 39 (33) | 263 | 124 | 721 |
| 2005 | 38 (32) | 259 | 122 | 747 |

^a Numbers in parentheses are those of stock companies.

¹ Hereinafter “Fiscal” or FY refer to a fiscal year beginning on the 1st day of April of the calendar year and ending on the 31st day of March of the next year.