



Demographic Trends in Japan and the Future of Life Insurance

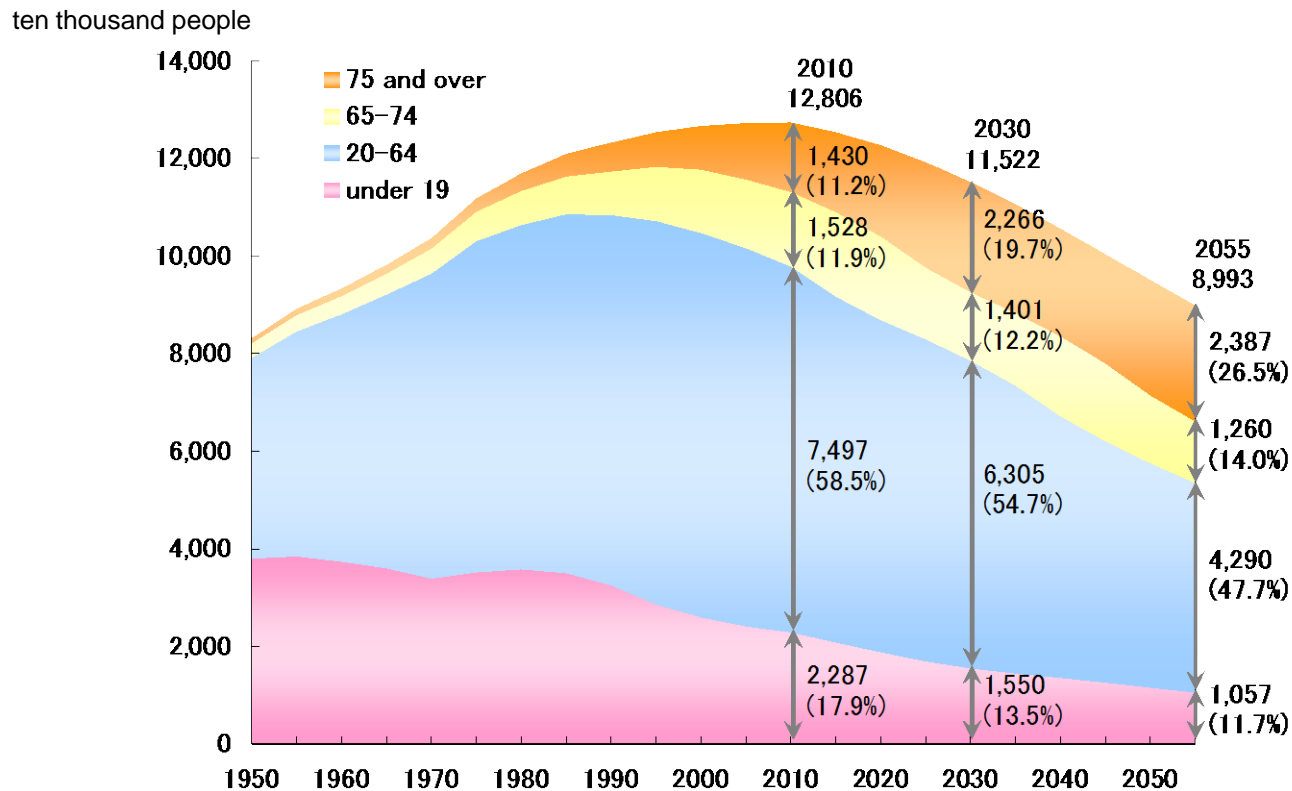
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- Demographic Trends in Japan
- Effects of Declining Birthrate and Aging Society on Life Insurance
- Business Case Studies of Declining Birthrate and Aging Society in Japan

Demographic Trends in Japan

- Japan faces a dramatic population decrease due to the declining birthrate and aging population
 - Japan's population will have shrunk by 30% by 2055
 - People aged 65 and older will account for 40% of the total population

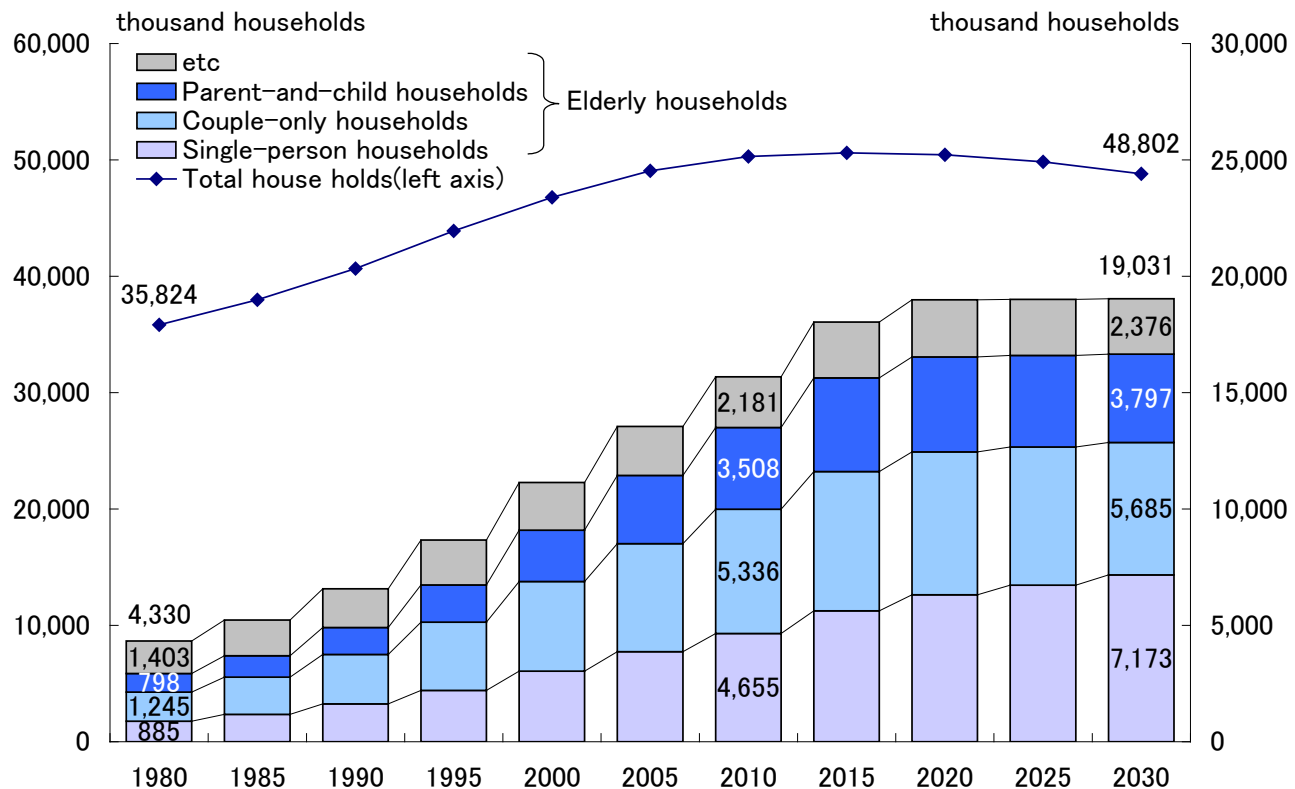
Fig. Actual and projected population of Japan by age, 1950-2055



Population Trends

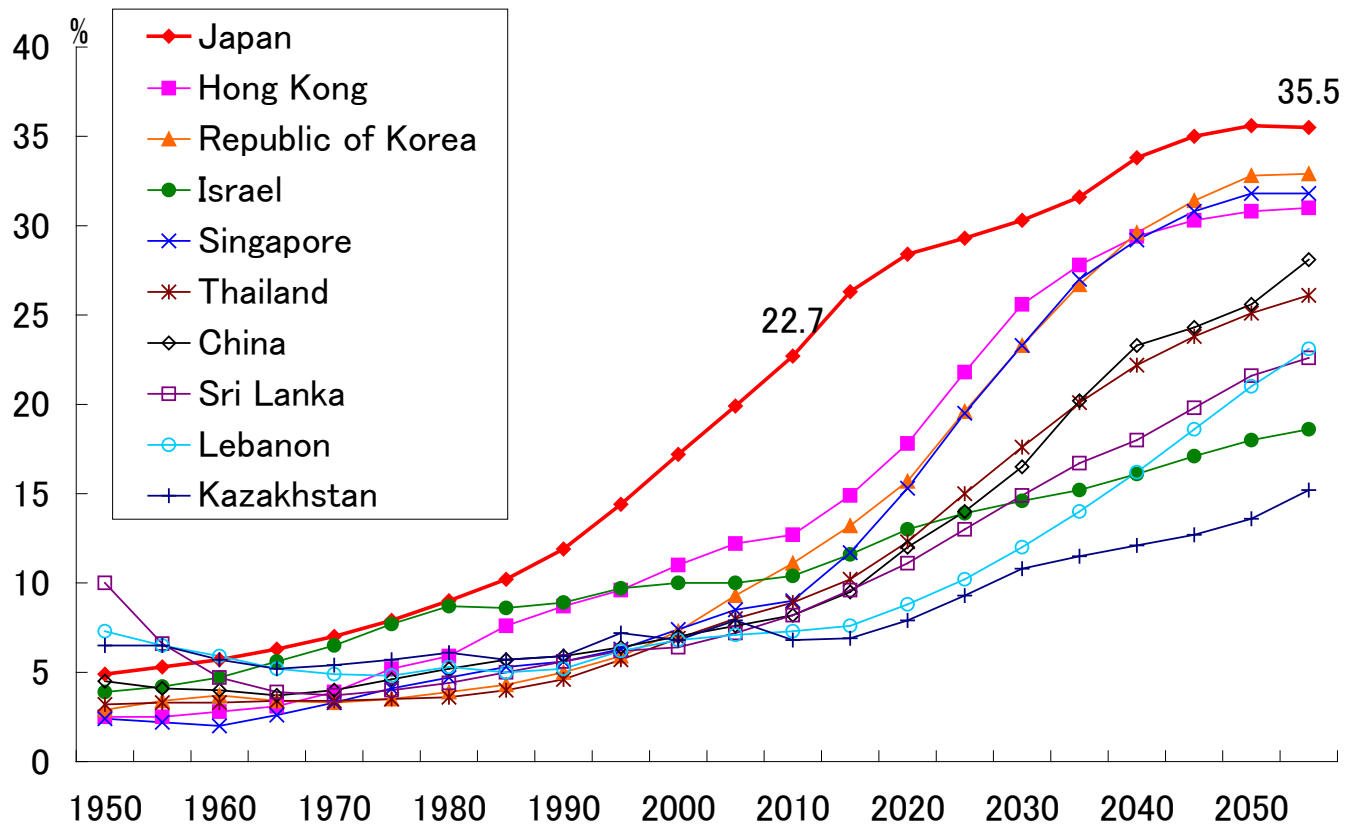
- Elderly households will account for 40% of the total households in Japan in 2030
- Single elderly households have been increasing

Fig. Actual and projected number of total households (left axis) vs. elderly households broken down by household type (right axis) in Japan, 1980-2030



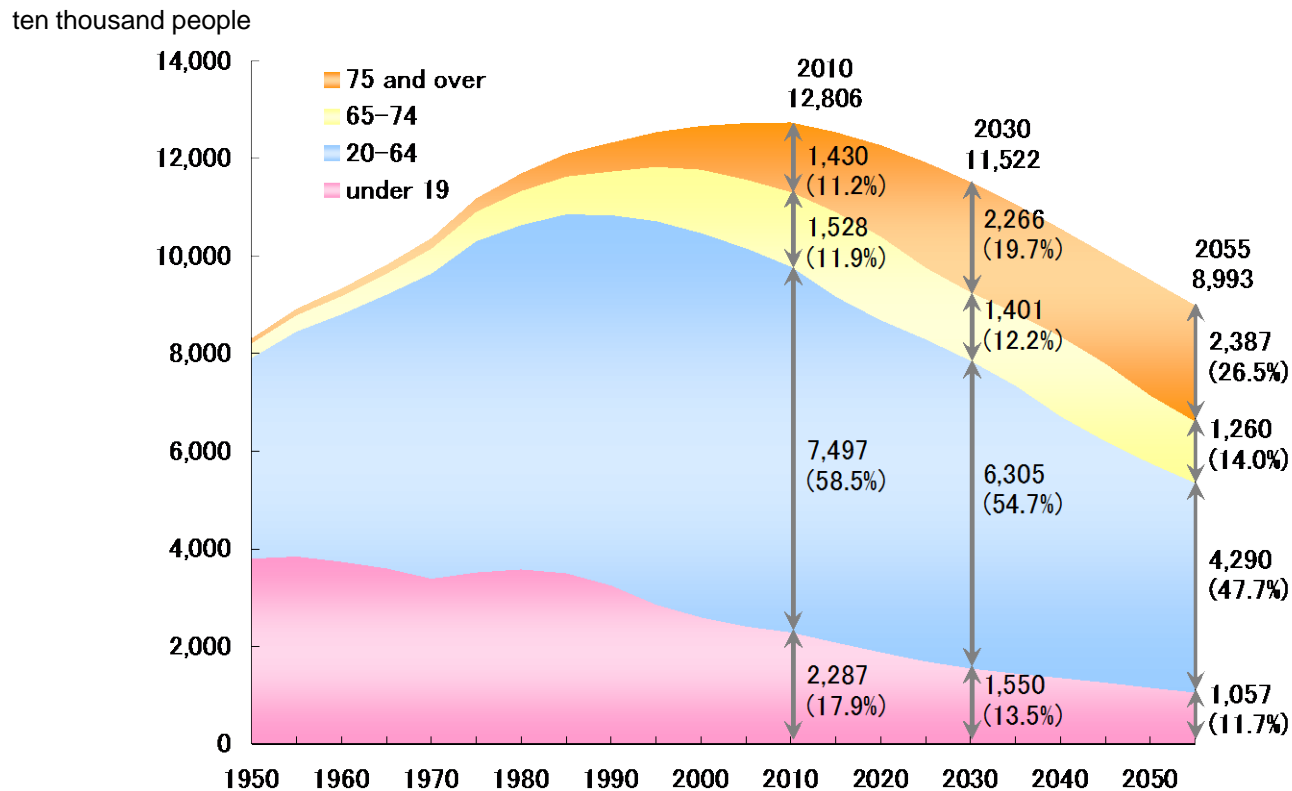
- Japan has the highest percentage of elderly people in Asia

Fig. Actual and projected percentage of elderly people in Asia : the 10 highest countries in 2010, 1950-2055



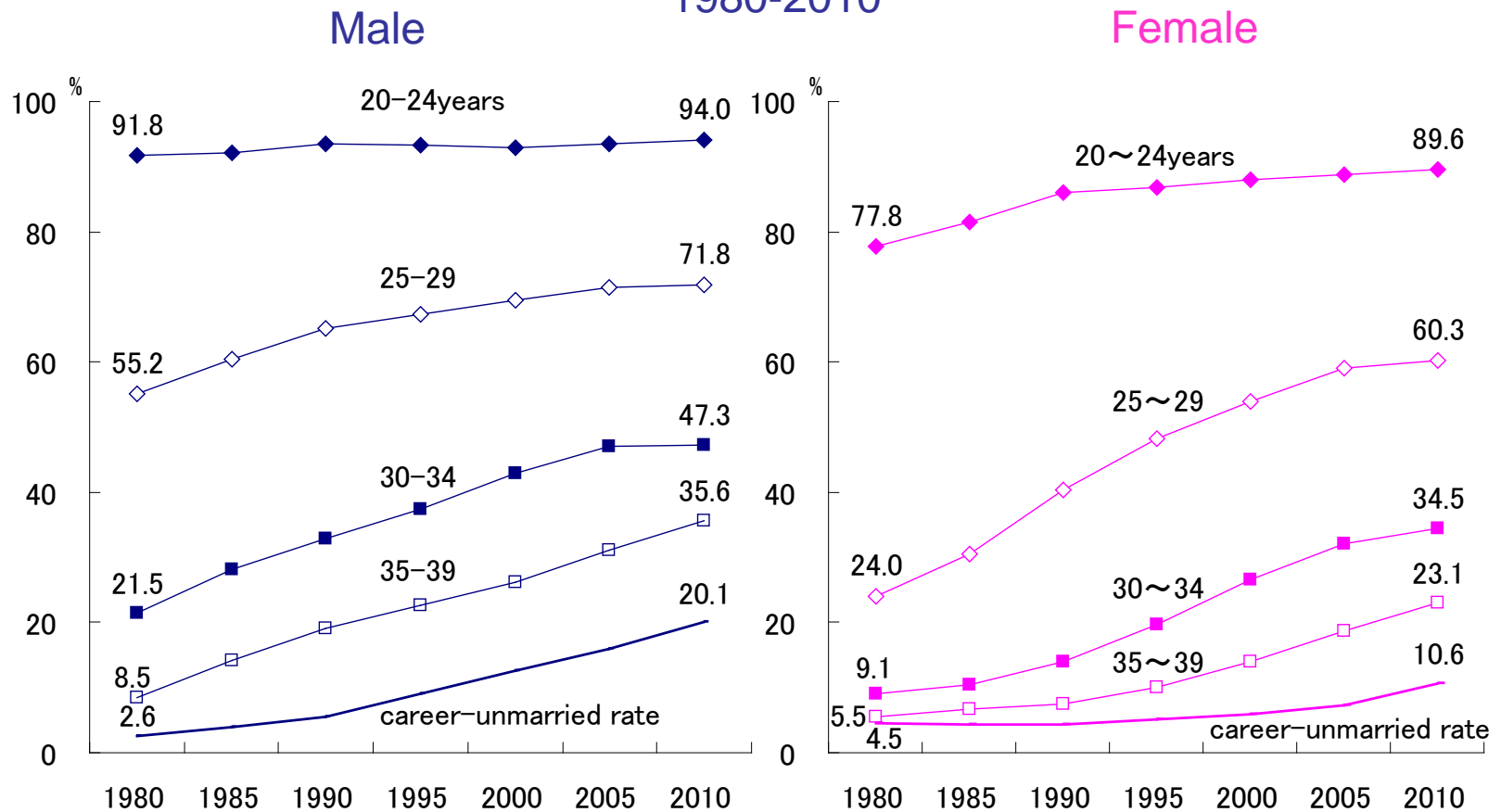
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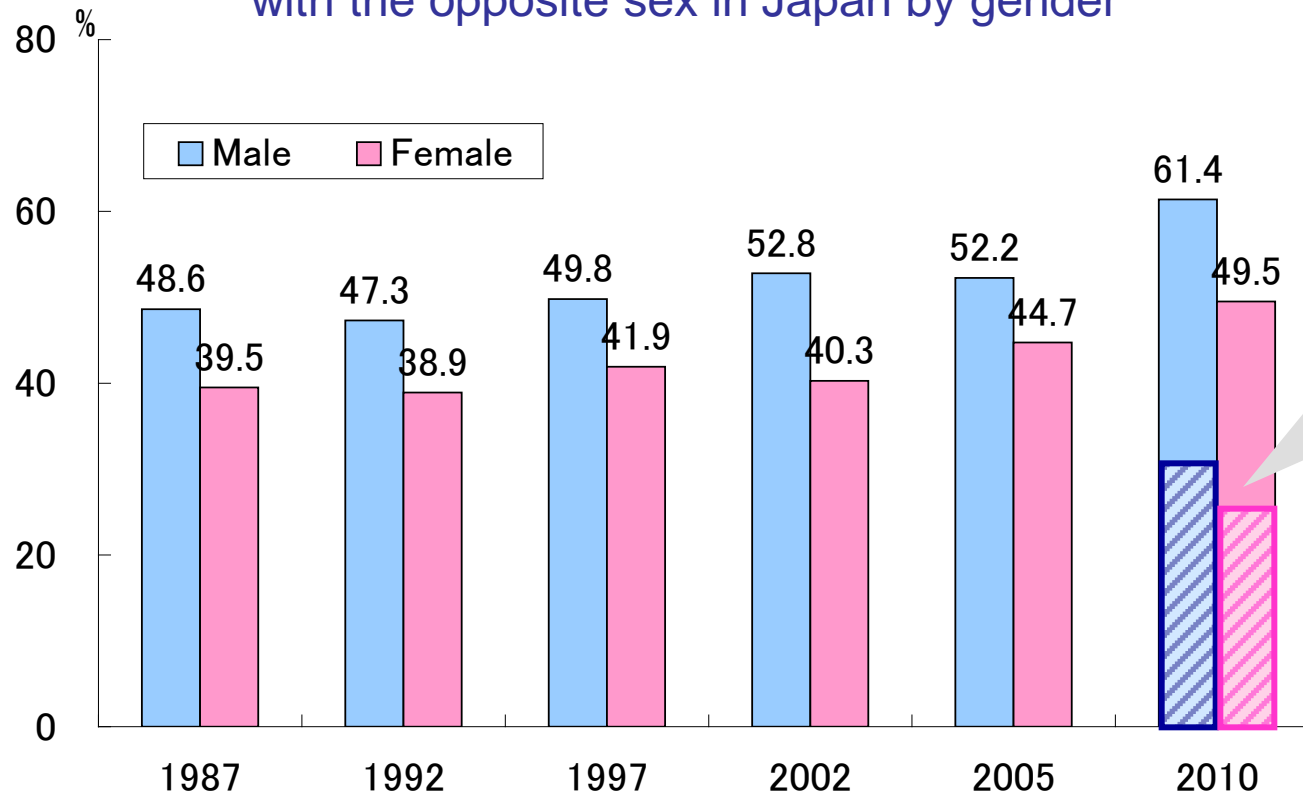
■ Rate of unmarried people has been rising in Japan

Fig. Rate of unmarried people in Japan by age and gender, 1980-2010



- Dating with the opposite sex has been turning negative
- “Herbivore men” and single women have been increasing in Japan

Fig. Rate of unmarried men and women not dating with the opposite sex in Japan by gender



About 50% of them have no interest in dating

Background on Declining Birthrate in Japan



- Average age of first marriage has been increasing
- Birth rate has been decreasing

Fig. Average age of the first marriage in Japan by gender, 1950-2011

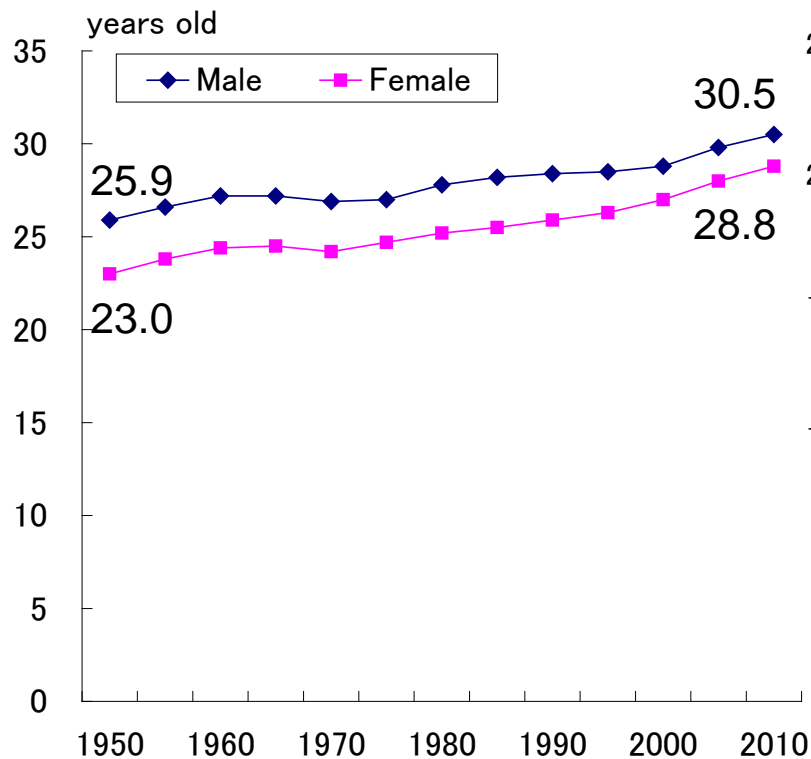
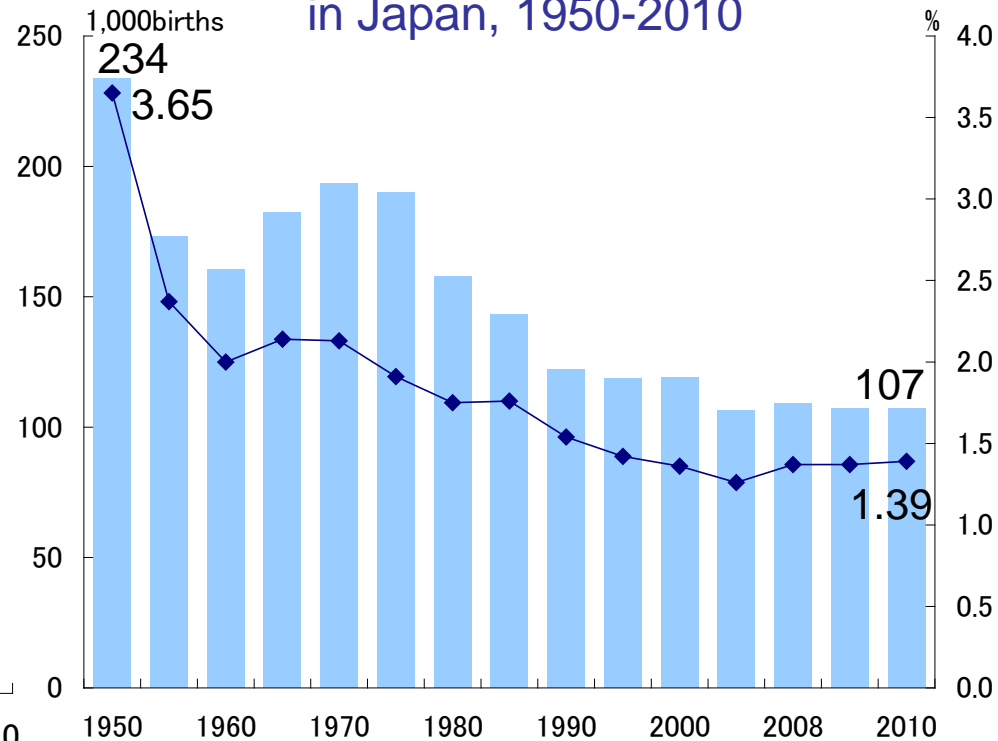


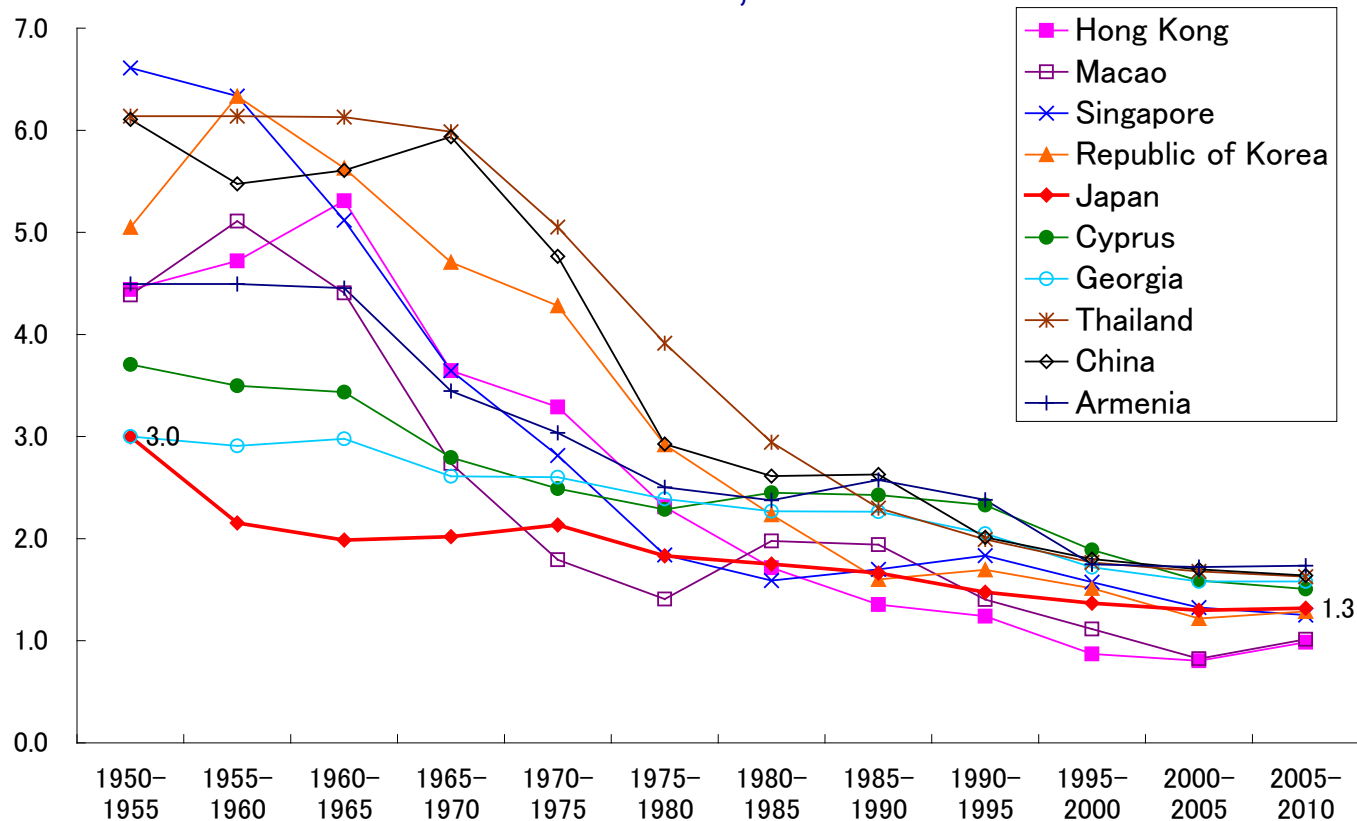
Fig. Number of births (left axis) vs. the total fertility rate (right axis) in Japan, 1950-2010



Background on Declining Birthrate in Japan

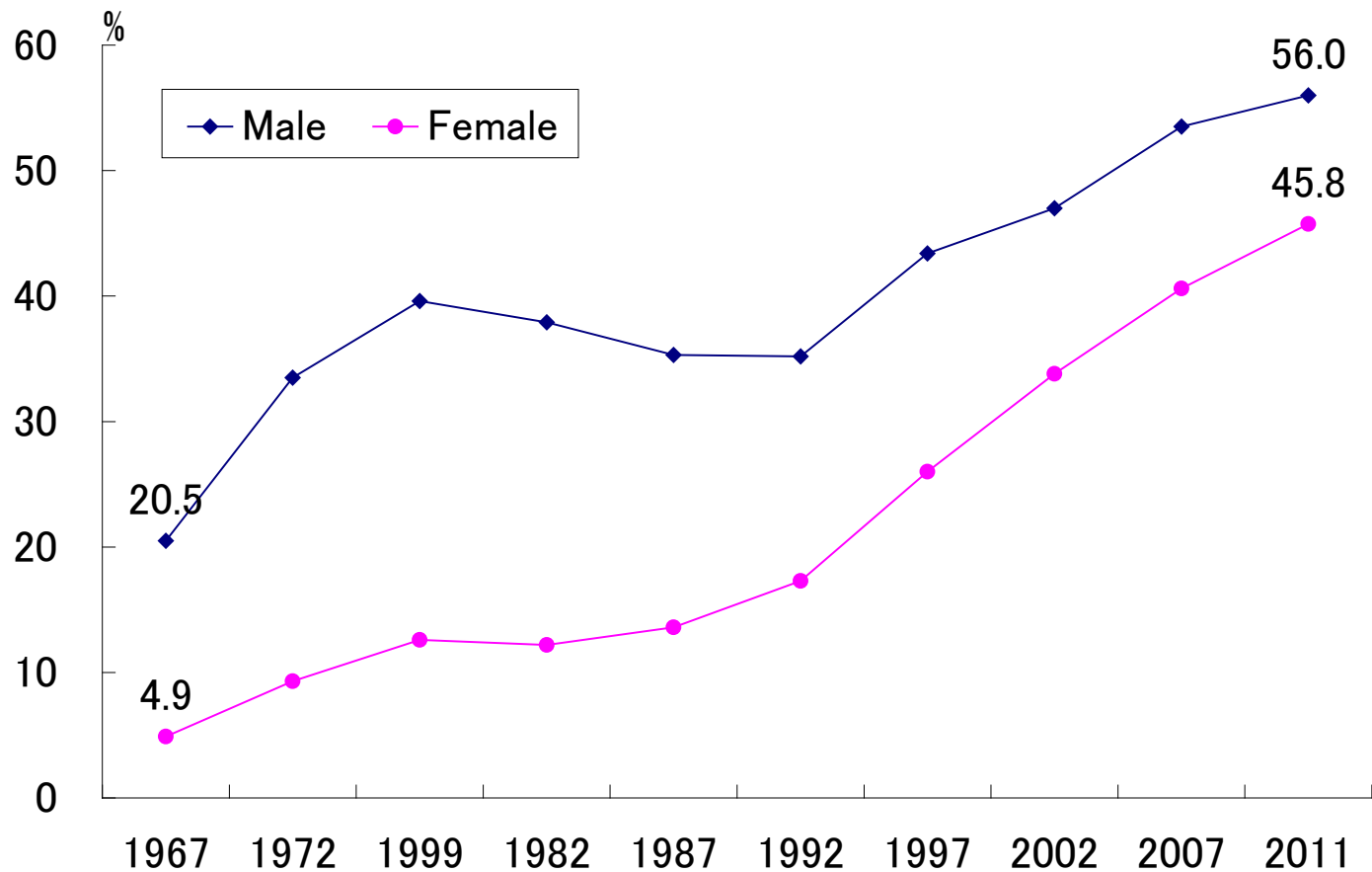
- Though Japan had the lowest birth rate, recently the birth rates of Hong Kong, Macao, Singapore and Republic of Korea have been lower than that of Japan

Fig. Actual total fertility rate in Asia: the 10 lowest countries in 2005-2010, 1950-2010



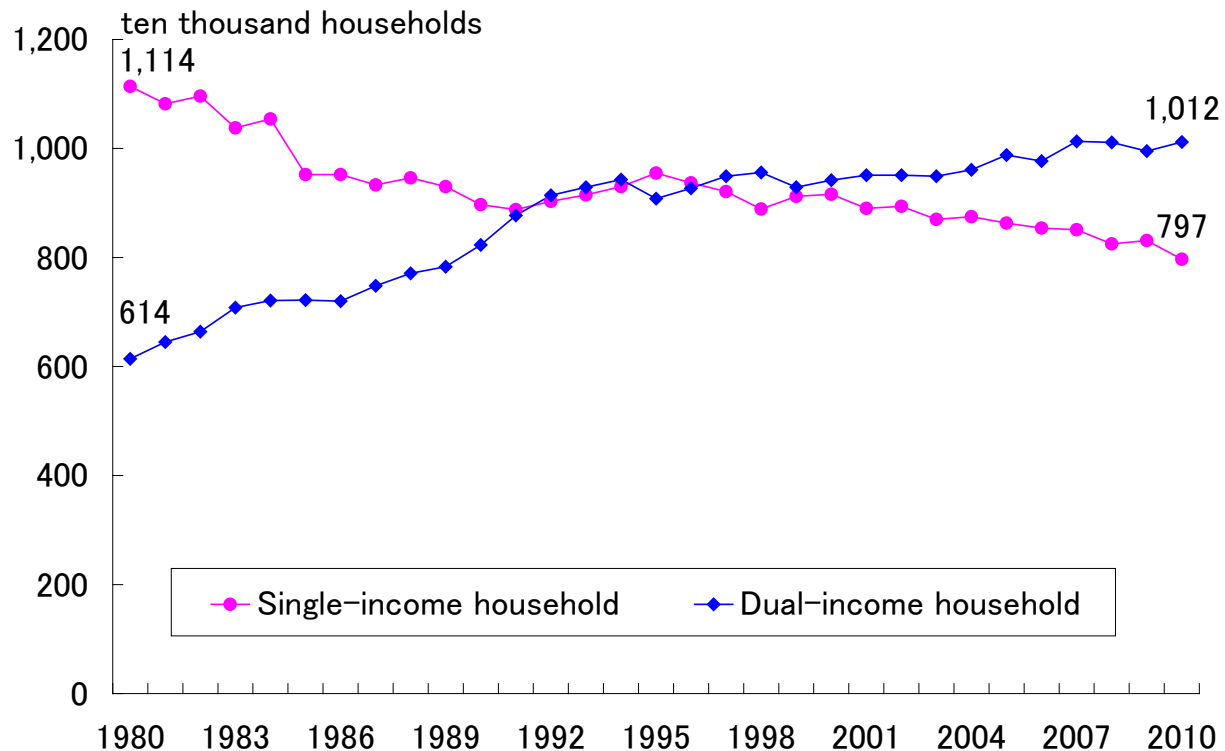
- Female college enrollment rate has been rising in Japan

Fig. College enrollment rate in Japan by gender



- The number of dual-income households has surpassed that of single-income households with a housewife in Japan since around 1995 due to rising female college enrollment rate and the recession

Fig. Number of single-income households with a housewife and dual-income households in Japan, 1980-2011

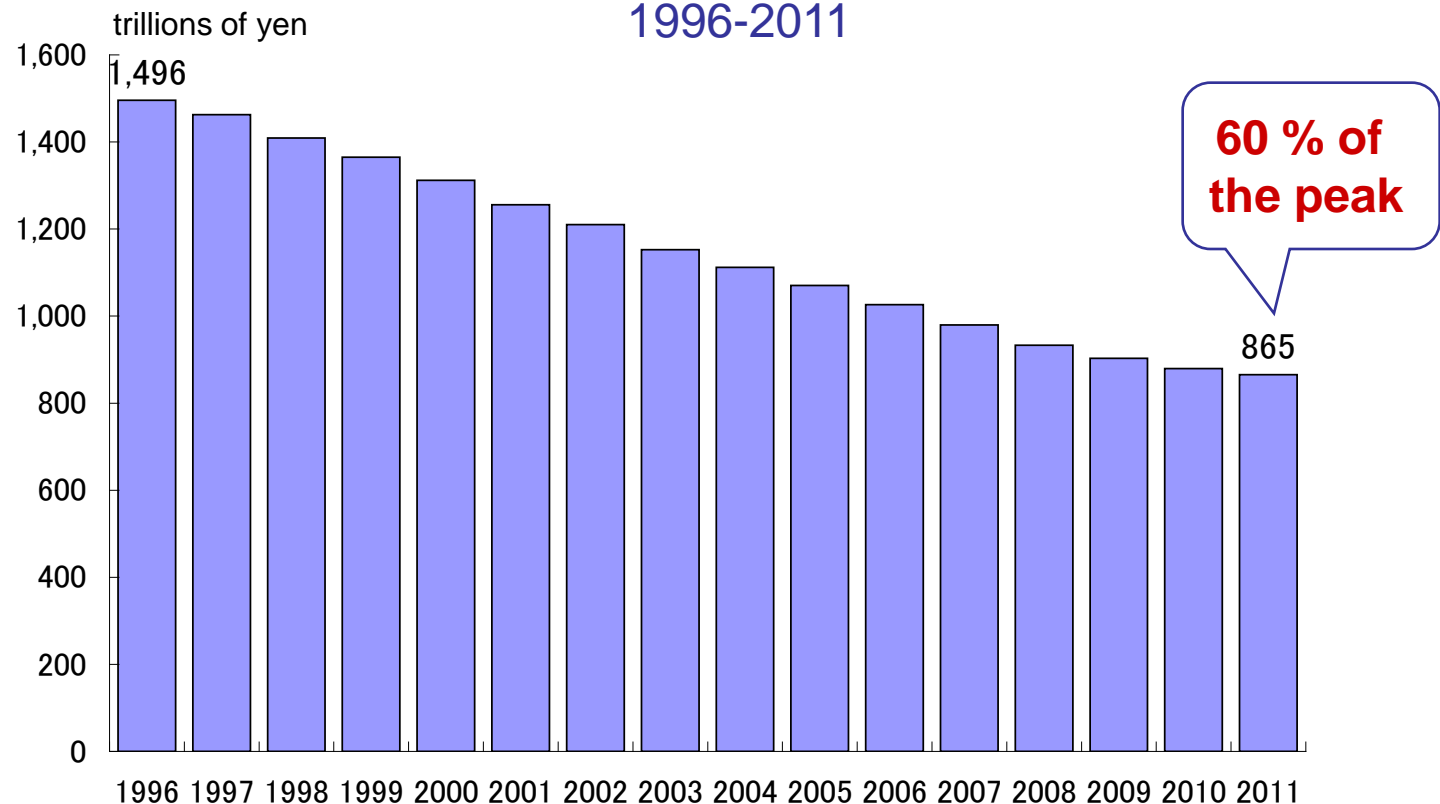


Source: Government of Japan, 2011

Effects of the Declining Birthrate and Aging Society on Life Insurance

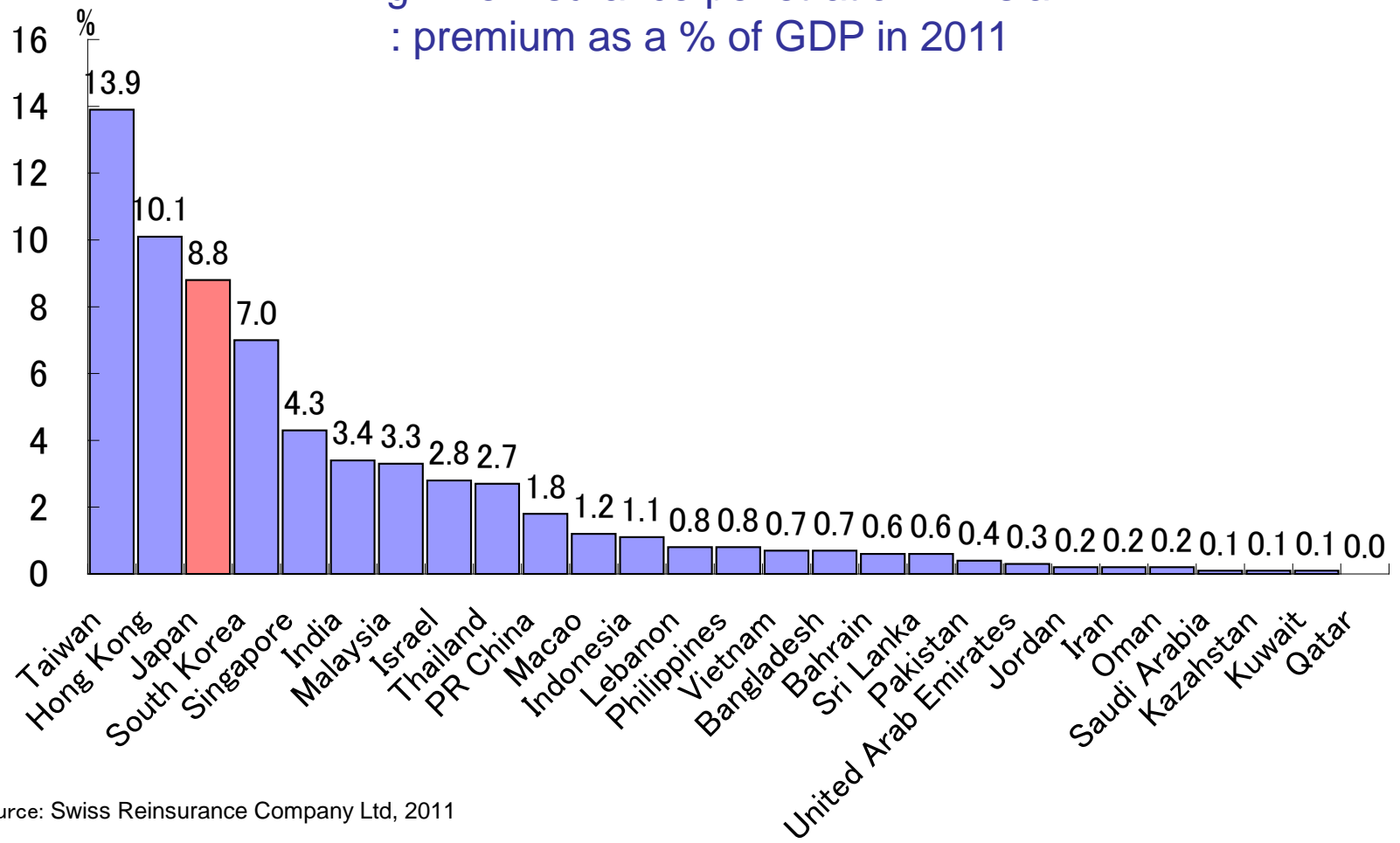
- **Japan's life insurance market has been shrinking** due to the declining population, declining birth rate, tendency of late marriage and rising unmarried rate

Fig. Amount of policies in force of individual life insurance in Japan, 1996-2011



- The life insurance penetration in Japan is higher than in almost all other Asian countries

Fig. Life insurance penetration in Asia
: premium as a % of GDP in 2011



- **How large will the market size be?**

Based on the projected population shrinking by 30% by 2055, it is estimated that the size of Japan's life insurance market will shrink accordingly.

- We try to estimate the number and amount of individual life insurance of new policies and policies in force up to 2055.

■ Calculation procedure

● New policies

Number

$$NN_{\text{time,gender,age}} = (NN_{2009,\text{gender,age}} / P_{2009,\text{gender,age}})(P_{\text{time,gender,age}})$$

Amount

$$NA_{\text{time,gender,age}} = (NA_{2009,\text{gender,age}} / P_{2009,\text{gender,age}})(P_{\text{time,gender,age}})$$

Projected population

● Policies in force

Number

$$FN_{\text{time}} = FN_{t-1} + NN_t - DN_{\text{time}}$$

Amount

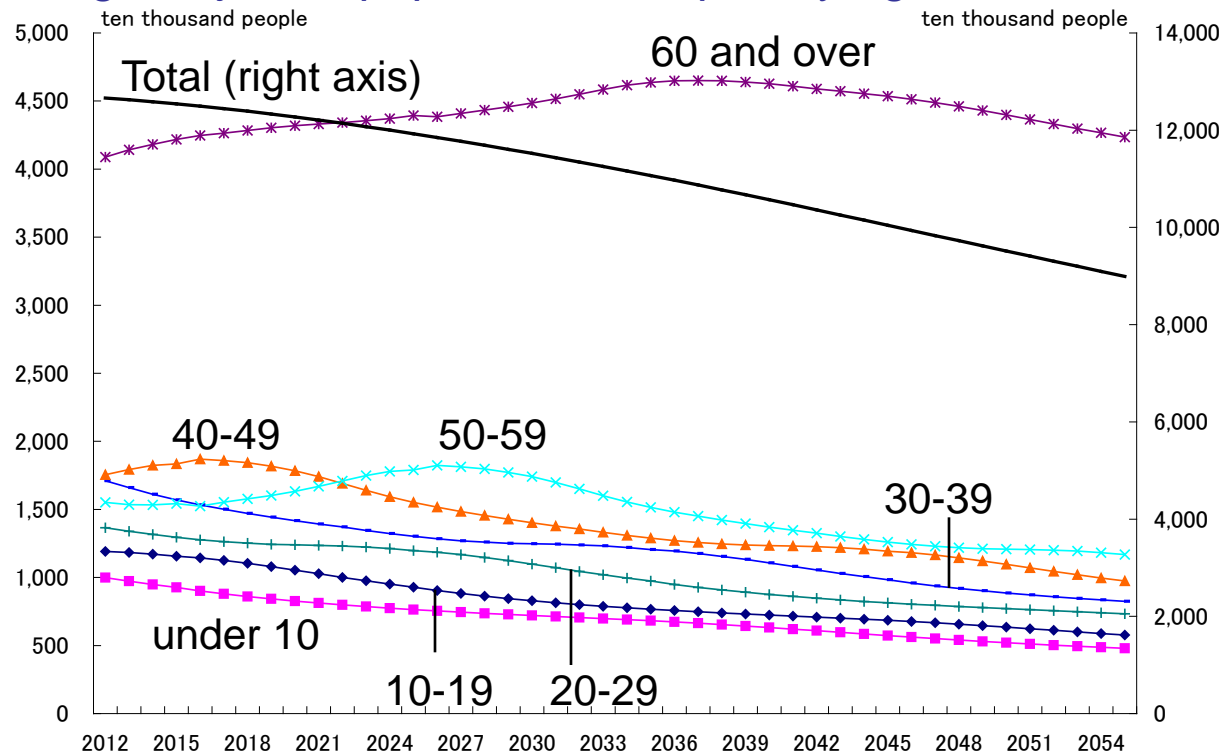
$$FA_{\text{time}} = FA_{t-1} + NA_t - DA_{\text{time}}$$

Cancelled and invalid policies

The actual number and amount of policies in force broken down by age and gender are not available, therefore we calculated only the total number and amount.

- Total population will decrease to 70% of the present by 2055
- Population of people under 40 will decrease monotonically
- Population of people over 40 will initially increase due to the influence of the Baby Boomer generation and their children, and then decrease

Fig. Projected population of Japan by age, 2012-2055





- **The number of new policies will decrease by 40% by 2055**
 - People under 40 make up a high percentage of the number of new policies. Therefore the decrease in the population of people under 40 will influence the total number of new policies.
- **The age composition will shift**

Fig. Projected number of new policies of individual life insurance in Japan, 2012-2055

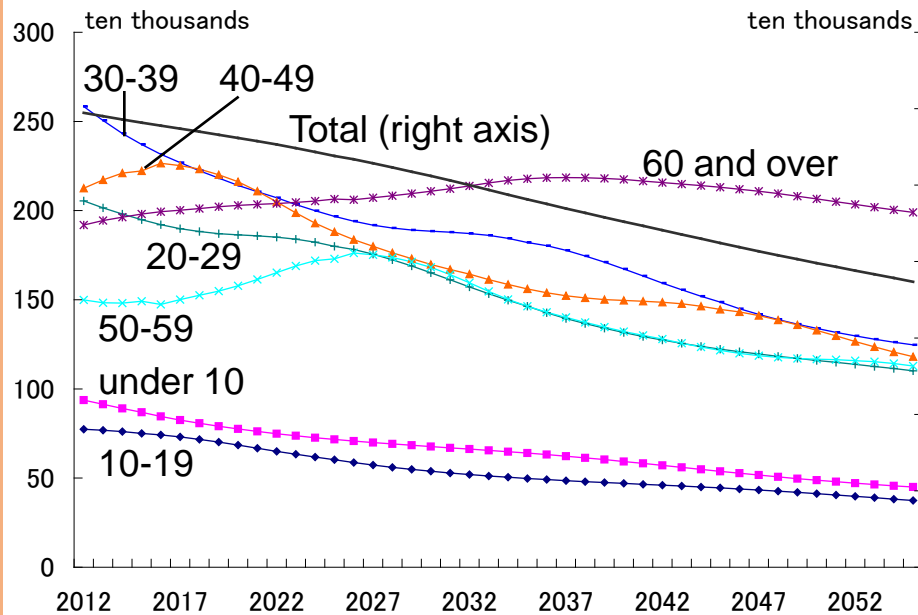
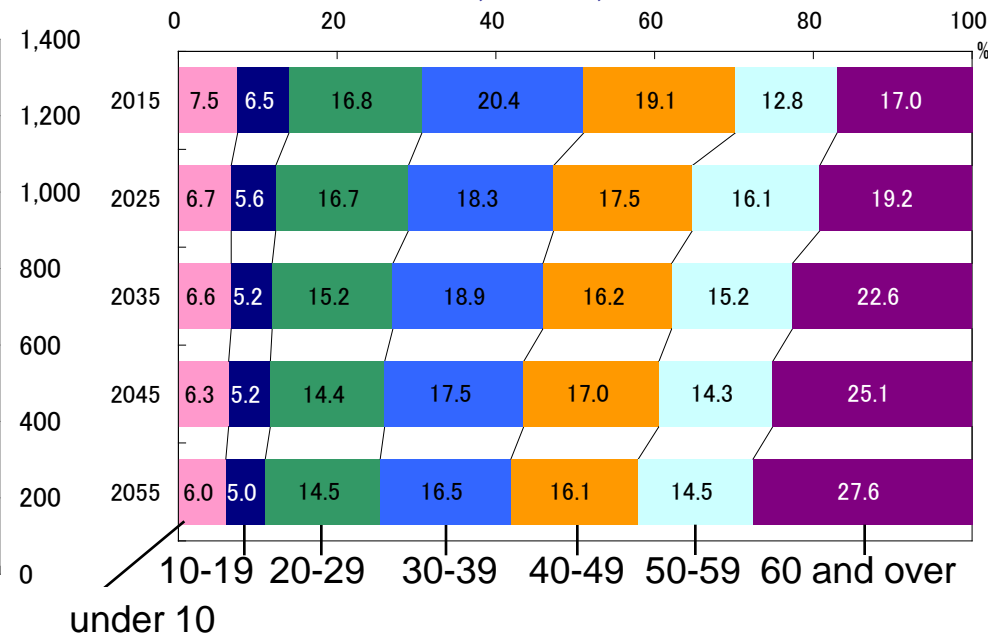


Fig. Age composition of new policies of individual life insurance in Japan, 2015 vs. 2025, 2035, 2045 and 2055





- The small population size of young people who tend to make higher volume policies will decrease by 50% by 2055
- The age composition will be older, but not so much compared with the number of policies

Fig. Projected amount of new policies of individual life insurance in Japan, 2012-2055

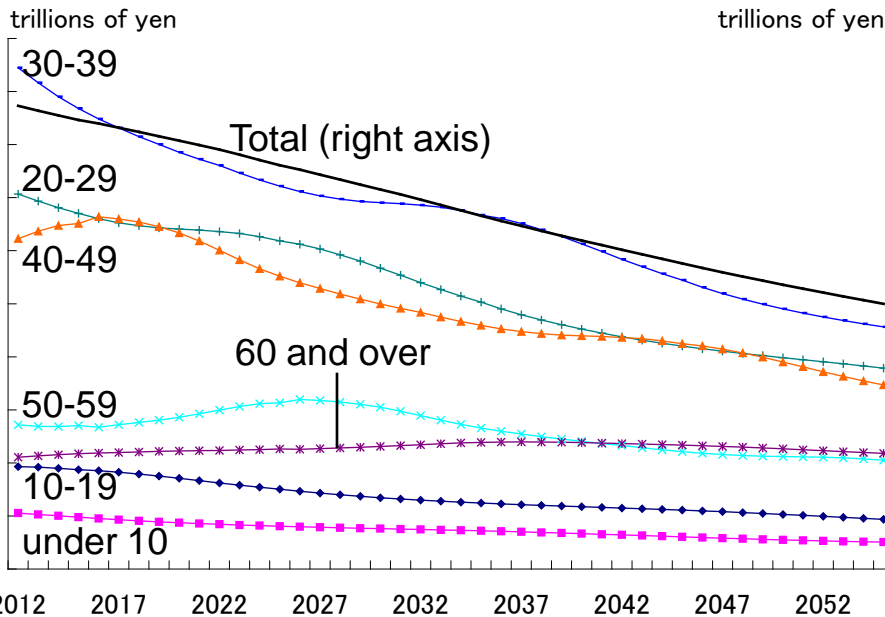
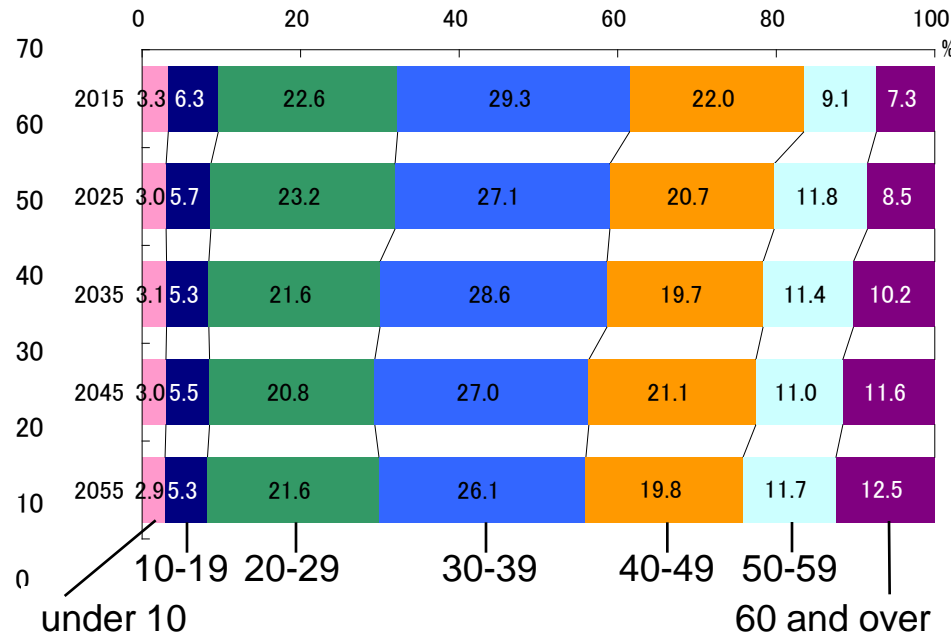
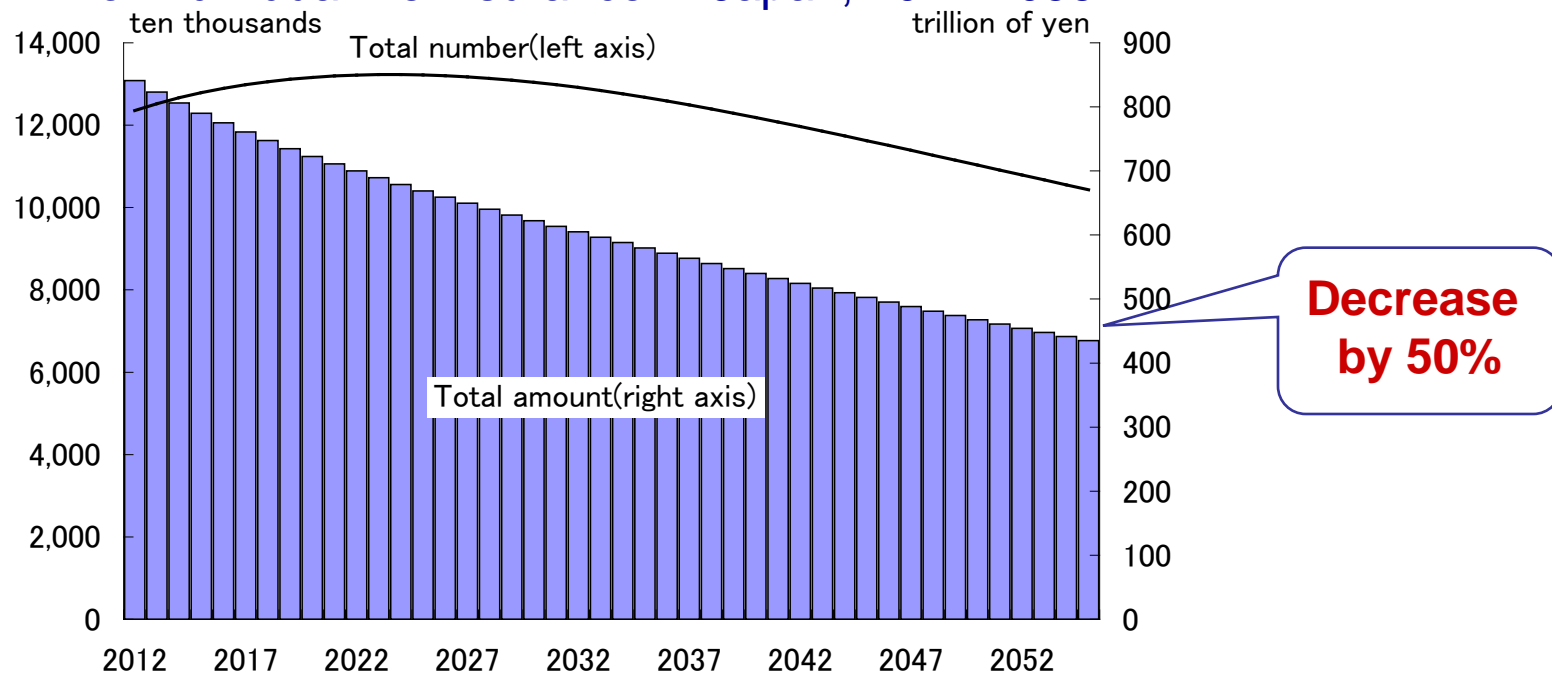


Fig. Age composition of new policies of individual life insurance in Japan, 2015 vs. 2025, 2035, 2045 and 2055



- **The number of policies in force will be 90% of the current number**
 - The number of policies in force has been increasing with private medical life insurance in recent years
 - For the present, the increasing tendency of private medical life insurance influences the total number, but after a while it will start to decrease
- **The amount of policies in force will decrease by 50% by 2055**

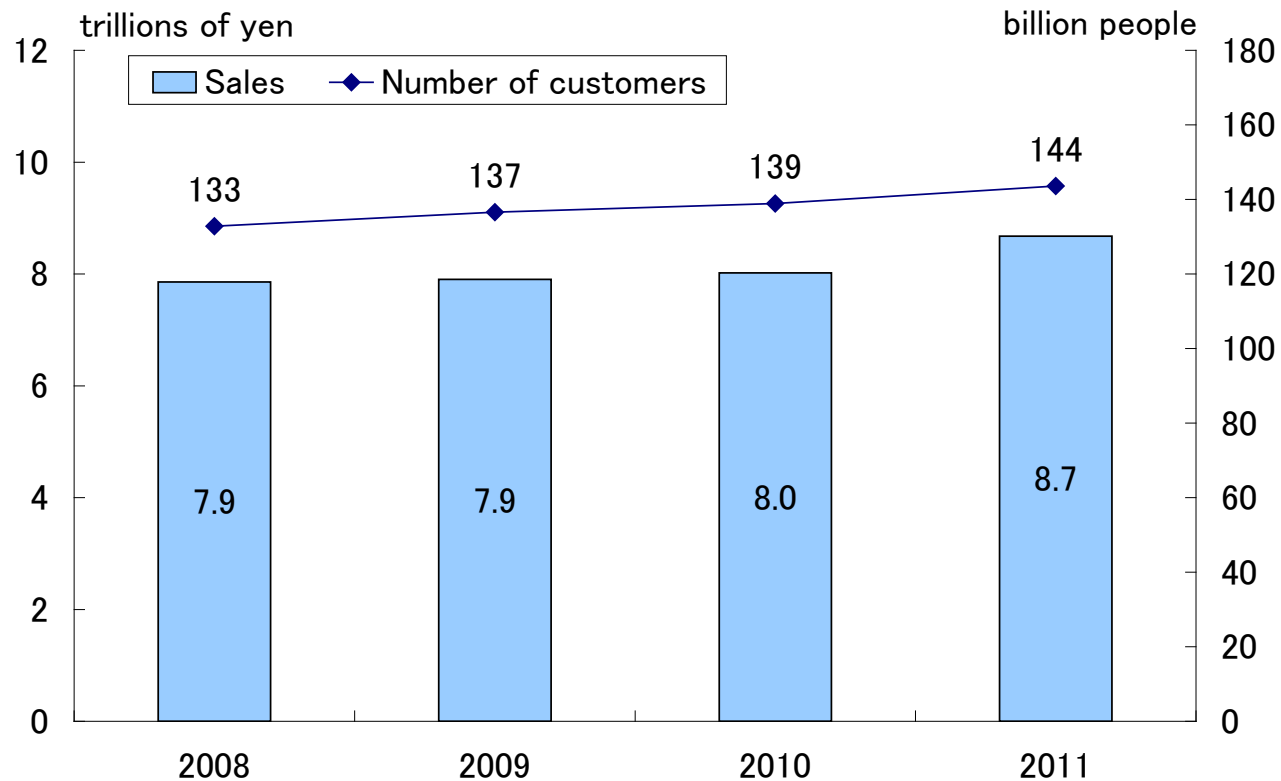
Fig. Projected number and amount of policies in force of individual life insurance in Japan, 2012-2055



Business Case Studies of Declining Birthrate and Aging Society in Japan

- Despite the recession and the decreasing population, sales of convenience store has been increasing.

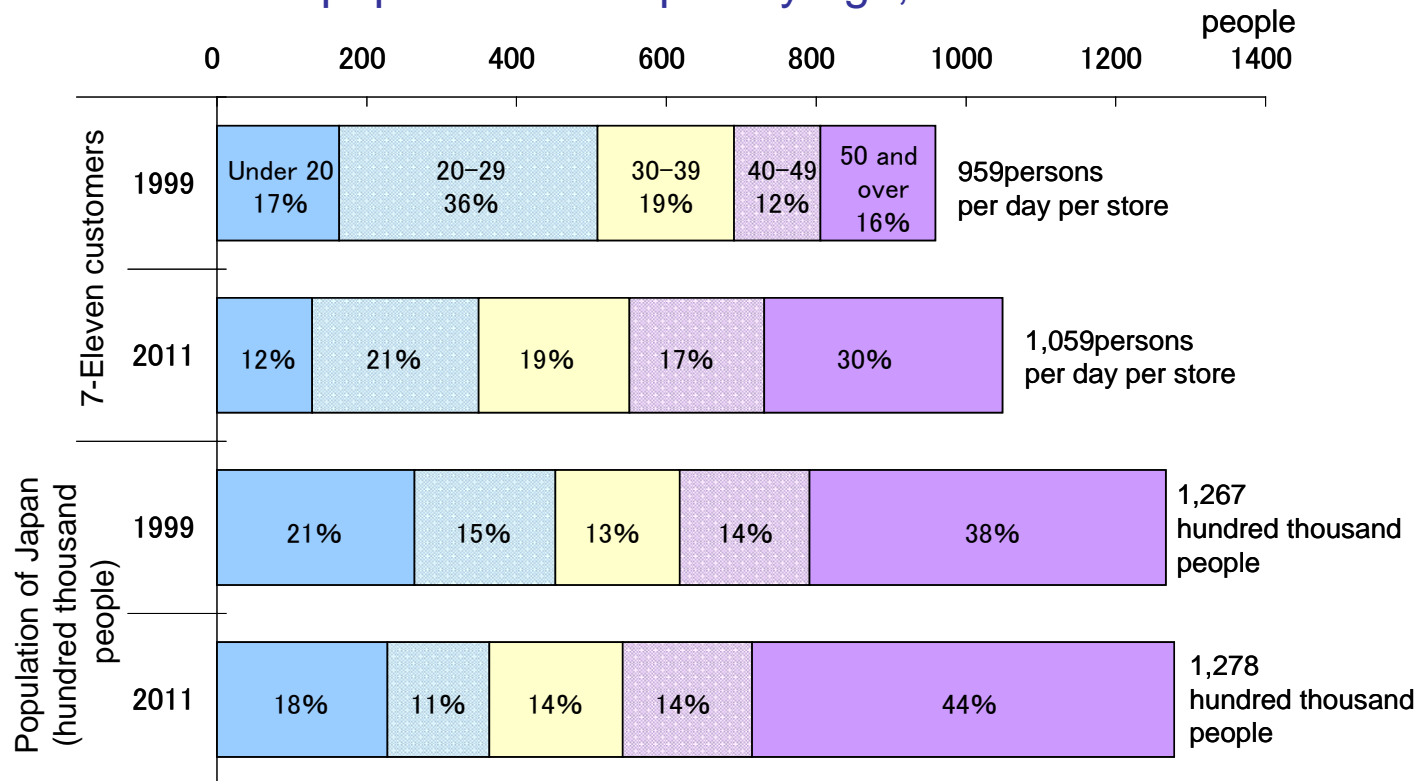
Fig. Convenience store sales (left axis) and convenience store customers (right axis) in Japan, 2008-2011



- 7-Eleven customers have aged faster than Japan's population.

Japan's leading convenience store operator

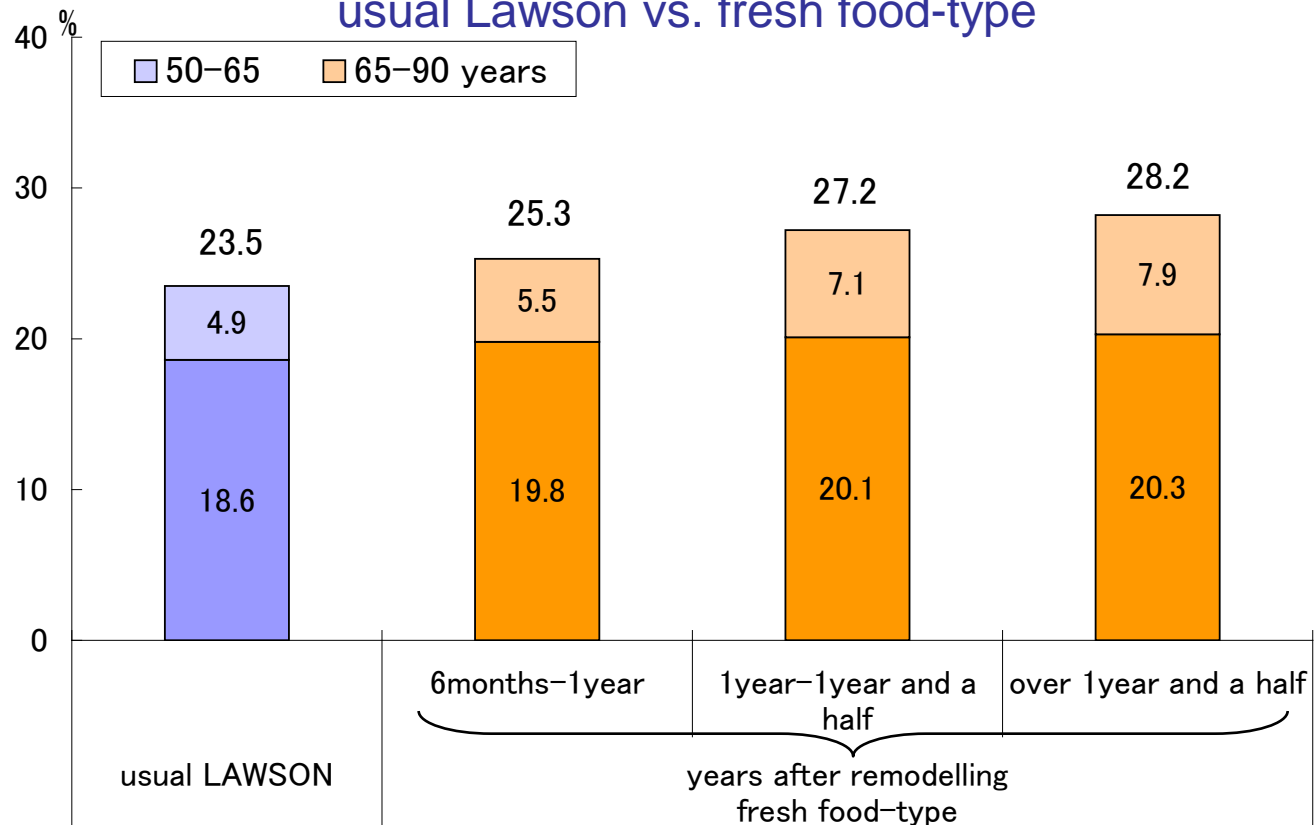
Fig. Number of customers of 7-Eleven in Japan and population of Japan by age, 1999 vs.2011



- The number of senior and female customers has increased in the fresh food-type Lawson stores

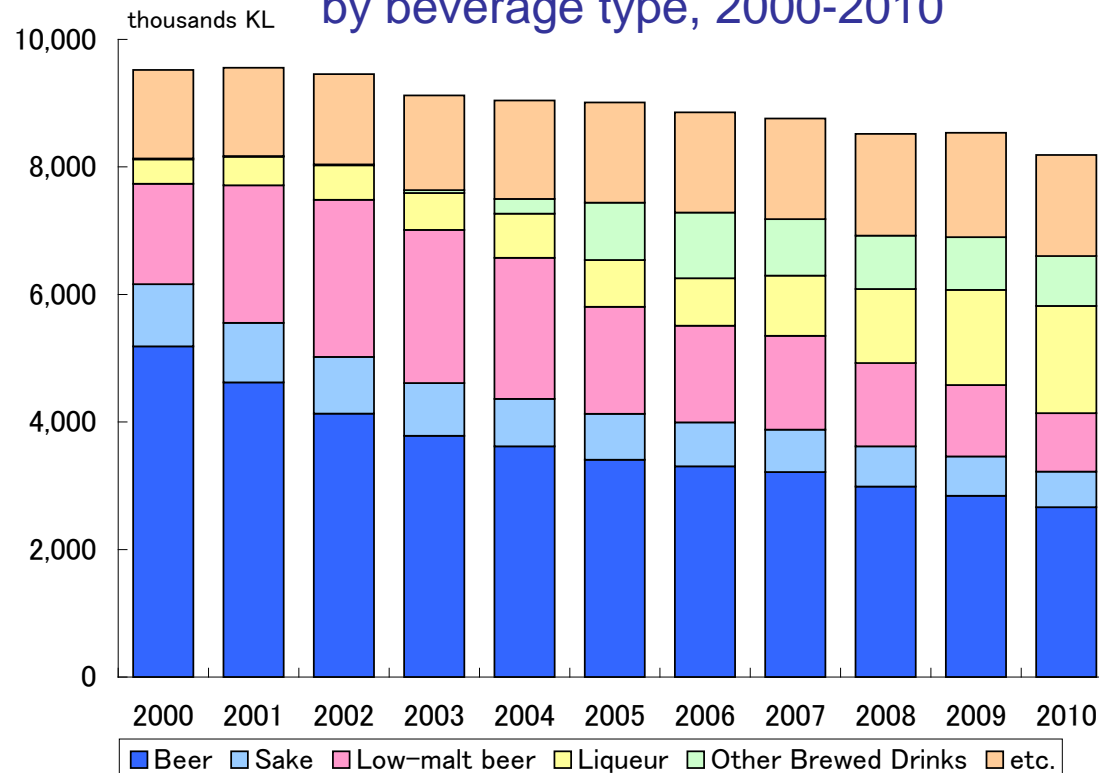
The second largest convenience-store operator in Japan

Fig. Ratio of elderly people in Lawson stores by age, usual Lawson vs. fresh food-type



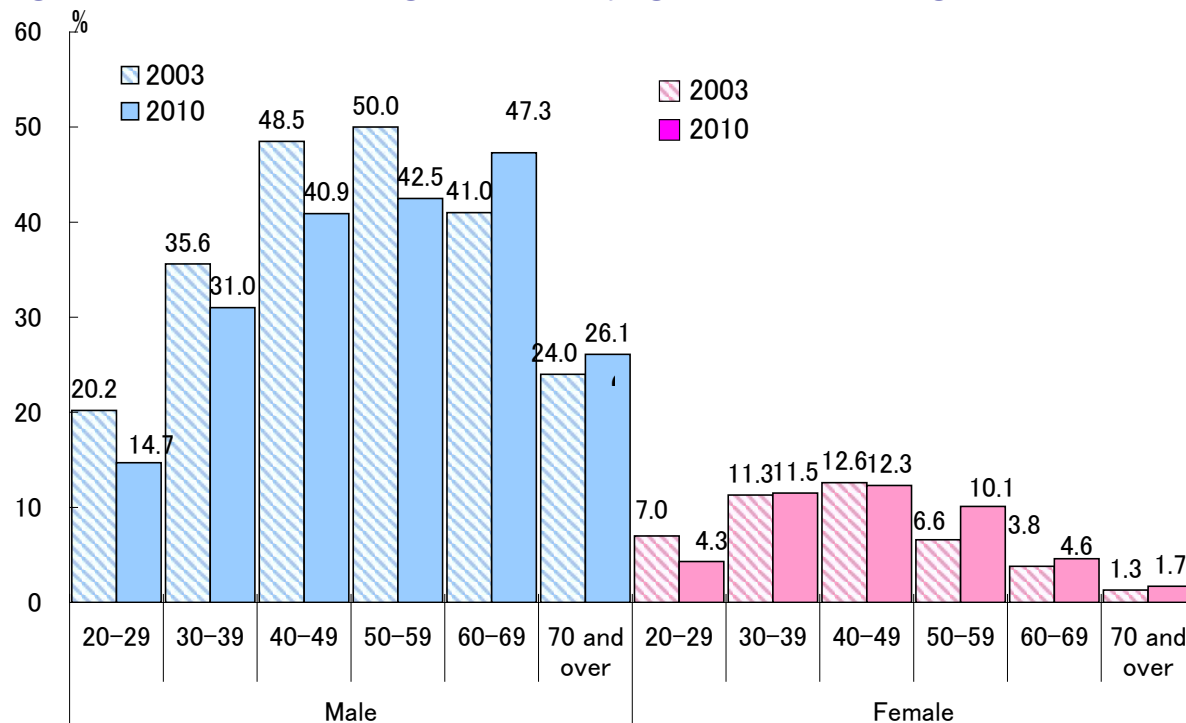
- Alcoholic beverage market has been shrinking in Japan
- Consumer's preferences for alcoholic beverages have been changing in lower alcoholic ones

Fig. Breakdown of alcohol consumption in Japan
by beverage type, 2000-2010



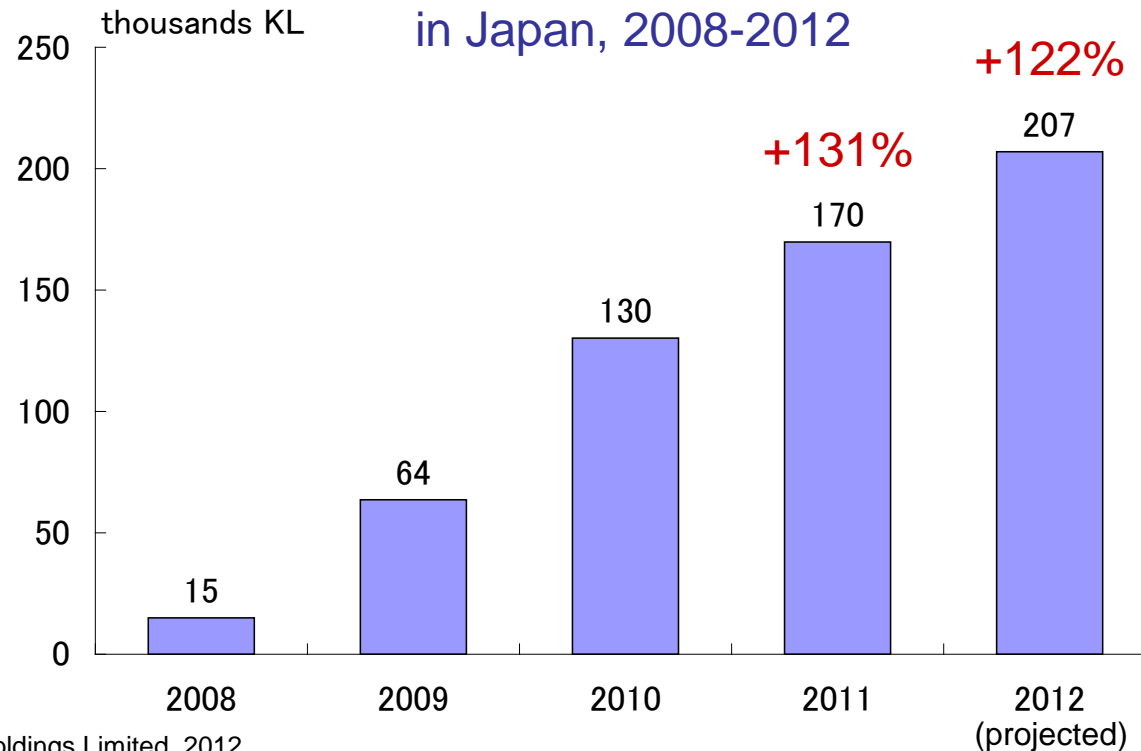
- Ratio of drinking habits has declined among young men and women, as well as among the men under 60-year-olds.
- On the other hand, it has risen among over 60-year-olds.

Fig. Ratio of drinking habits by gender and age, 2003 vs. 2010



- Japan's non-alcoholic beverage market has been growing in recent years
- Non-alcoholic beverages are consumed as not only an alternative of alcoholic beverages, but also are enjoyed by people who abstain from alcoholic beverages

Fig. Actual and projected consumption of non-alcoholic beverages in Japan, 2008-2012



Conclusion

■ Demographic Trends in Japan

- Japan faces a dramatic population decrease due to the declining birthrate and aging population
- Elderly population has been increasing
 - Elderly households will account for 40% of the total households in 2030, and single elderly households have been increasing
- Birth rate has been decreasing
 - Rate of unmarried people has been rising
 - ◆ Dating with the opposite sex has been turning negative
 - ◆ “Herbivore men” and single women have been increasing
 - Average age of first marriage has been increasing
 - ◆ Female college enrollment rate has been rising
 - ◆ The number of dual-income households has surpassed that of single-income households with a housewife

- Effects of the Declining Birthrate and Aging Society on Life Insurance
 - Japan's life insurance market has been shrinking due to the declining population and birth rate, tendency of late marriage and rising unmarried rate
 - The amount of policies in force will decrease by 50% by 2055
- Business Case Studies of Declining Birthrate and Aging Society in Japan
 - Convenience store sales have been increasing
 - The reason for the increase is that the convenience store operators realized the demographic trends ahead of the actual changes and adopted effectively
 - Alcoholic beverage market has been shrinking
 - On the other hand, sales of non-alcoholic beverages have been increasing rapidly due to the changes in consumer's preferences and demographic trends

- Although the existing market is shrinking, **we have to learn from other industry's case studies, and adopt a proactive approach to increase new targets such as elderly people or unmarried people by recognizing the demographic trends quickly and accurately.**
- By so doing, we might be able to mitigate or change the expected market shrinking scenario to some extent.



Thank You!

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