

TABLE OF CONTENTS

0.0 EXECUTIVE SUMMARY	1
1.0 INTRODUCTION	3
What is this report about?	3
<i>Distribution partnerships with banks and other lending institutions constitute the focus of this report</i>	<i>3</i>
Rationale	3
<i>Bancassurance in Japan is a developing channel that still offers partnership opportunities</i>	<i>3</i>
Methodology	4
Survey of banks and other lending institutions	4
Market data	4
Definitions	5
Investment-related life insurance	5
Retirement savings	5
Risk life insurance	5
Critical illness insurance	5
Income protection insurance	6
Accident insurance	6
Health / hospital cash plans	6
Medical expenses insurance	6
Personal motor insurance	6
Household insurance	6
Creditor insurance	7
Mortgages, consumer finance and credit cards	7
Weighted provider share of partnerships	7
Operating models	8
Abbreviations and exchange rates	9
PartnerBASE™ and market data annexe	9
Finaccord	9
2.0 MARKET BACKGROUND	12
Banks and other lending institutions covered	12
Economic background	12
<i>Japan has the third-largest economy in the world in terms of national economic output</i>	<i>12</i>
<i>The country's economy was hit by the global financial crisis in 2008 and by the earthquake in 2011</i>	<i>13</i>
<i>The service sector accounts for around 75% of the total economy</i>	<i>13</i>
<i>Government debt and negative population growth are the main challenges for the future</i>	<i>13</i>
<i>In the World Bank's Ease of Doing Business Index Japan is ranked 20th in the world</i>	<i>14</i>
Introduction to the banking sector	14
<i>The banking sector is dominated by three major groups</i>	<i>14</i>
<i>... albeit regional banks and Shinkin banks also play an important role in the market</i>	<i>14</i>
<i>The penetration of foreign-owned banking institutions is very limited</i>	<i>15</i>
<i>The banking sector has seen major structural changes since the early years of the 21st century</i>	<i>15</i>
Introduction to bancassurance	15
<i>The sale of insurance products by banking institutions was fully deregulated only in 2007</i>	<i>15</i>
<i>... with only a few restrictions now remaining</i>	<i>16</i>
<i>Banks usually act as insurance agencies that collaborate with a large number of underwriters</i>	<i>16</i>
<i>... some of which are investing strongly to increase their sales via the bancassurance channel</i>	<i>16</i>

BANCASSURANCE IN JAPAN: LIFE, NON-LIFE AND CREDITOR INSURANCE

<i>The importance of the bancassurance channel is increasing most in the life segment</i>	17
<i>... and bancassurance is generally less important in the non-life insurance sector</i>	17
<i>Online sales of insurance remain comparatively low in Japan</i>	17
3.0 INVESTMENT-RELATED LIFE INSURANCE AND RETIREMENT SAVINGS	18
Insurance market size and growth	18
<i>The market for investment-related life insurance experienced rapid growth between 2008 and 2012</i>	18
<i>... and encompasses a wide range of products</i>	19
<i>Life insurance policies regularly combine protection, health and savings elements</i>	19
<i>Child education and tuition fee insurance policies are popular products in Japan</i>	20
Distribution share of banks	20
<i>The bancassurance distribution channel is likely to have advanced in recent years</i>	20
Bancassurance provision rates, operating models and partnerships	20
Investment-related life insurance	20
<i>A wide range of investment-related life insurance products is sold through banks</i>	20
<i>Nippon Life is the leading provider for investment-related life policies by weighted share of partnerships</i>	20
<i>Japan Post Insurance and Orix Life are the only captive underwriters active in the market</i>	21
<i>Two brokers are active in the market for investment-related life insurance</i>	21
<i>24 of the banking organisations researched do not sell investment-related life insurance</i>	21
Retirement savings	23
<i>Over 60% of banks surveyed in Japan offer retirement savings products</i>	23
<i>... with Mitsui Sumitomo Primary Life ranked first by weighted partnership share</i>	23
<i>MetLife Alico and AXA are the two largest foreign-owned providers in this market</i>	23
<i>Though not in the top five, Dai-ichi Frontier Life is an important provider in the market</i>	23
Performance of key bancassurance underwriters	25
<i>Captive underwriters are not a common feature of the market</i>	25
4.0 PROTECTION-RELATED LIFE INSURANCE	26
Insurance market size and growth	26
<i>The market for protection-related life insurance increased in value between 2008 and 2012</i>	26
<i>Risk life policies are often bundled with other forms of protection</i>	26
<i>Cancer insurance is by far the most widespread type of critical illness insurance</i>	26
Distribution share of banks	27
<i>Banks play a comparatively minor role in the distribution of protection-related life insurance</i>	27
Bancassurance provision rates, operating models and partnerships	28
Risk life insurance	28
<i>Around half of Japan's banking institutions promote some form of risk life insurance</i>	28
<i>Aflac has seen soaring sales through the bancassurance channel in recent years</i>	28
<i>Manulife has distribution partnerships with over 40 financial institutions across Japan</i>	28
Critical illness insurance	30
<i>Critical illness insurance is often bundled with other types of cover</i>	30
<i>Market leader Aflac has a particular focus on cancer insurance policies</i>	30
<i>Tokio Marine & Nichido Anshin Life claims partnerships with a total of 17 banking organisations</i>	30
<i>MassMutual Life has a sole partnership with Mizuho Bank</i>	30
Income protection insurance	32
<i>Income protection insurance is less commonly offered by banking organisations in Japan</i>	32
<i>In terms of weighted partnerships, NKSJ Himawari Life leads the market</i>	32
<i>Lifenet, which was only launched in 2008, benefits from its ties with credit card issuers</i>	32
<i>AXA has set up Nextia Life to compete in the online insurance market</i>	32
<i>Orix Life is the only captive underwriter found to be active in this market segment</i>	32
Performance of key bancassurance underwriters.....	34
5.0 ACCIDENT AND HEALTH INSURANCE	35
Insurance market size and growth	35
<i>The market for accident insurance contracted in nominal terms between 2008 and 2012</i>	35

BANCASSURANCE IN JAPAN: LIFE, NON-LIFE AND CREDITOR INSURANCE

<i>Accident insurance is usually configured as a fairly standardised product</i>	35
<i>Health insurance products are frequently underwritten by life insurance companies</i>	35
Distribution share of banks	36
Bancassurance provision rates, operating models and partnerships	37
Accident insurance	37
<i>Accident insurance is less commonly offered by banks in Japan</i>	37
<i>... with American Home Direct dominating the market in terms of weighted share of partnerships</i>	37
Medical expenses insurance.....	39
<i>The provision rate for medical expenses insurance is significantly higher than that for accident cover</i>	39
<i>...with Aflac leading the bancassurance market in this domain</i>	39
<i>26 banking organisations have no apparent scheme in place for accident insurance</i>	39
Health / hospital cash plans	41
<i>Health or hospital cash plans are commonly offered through banking organisations</i>	41
<i>...and the top five providers are identical to those for medical expenses insurance</i>	41
Performance of key bancassurance underwriters.....	43
6.0 PERSONAL MOTOR AND HOUSEHOLD INSURANCE.....	44
Insurance market size and growth	44
<i>Personal motor insurance grew at a nominal compound annual rate of 0.9% between 2008 and 2012</i>	44
<i>Third party motor liability insurance is mandatory in Japan</i>	44
<i>... although most bancassurers elect to sell comprehensive motor insurance</i>	44
<i>Fire insurance policies are often tied to mortgages</i>	44
Distribution share of banks	45
Bancassurance provision rates, operating models and partnerships	46
Personal motor insurance	46
<i>Just over one quarter of the banking organisations researched offer personal motor insurance</i>	46
<i>...with Zurich ranked first by weighted share of partnerships</i>	46
Household insurance.....	48
<i>The provision rate for household insurance is higher than that for personal motor insurance</i>	48
<i>...and subsidiaries of large insurance groups are most prominent in this field</i>	48
Performance of key bancassurance underwriters.....	50
7.0 CREDITOR INSURANCE	51
Consumer lending market size and growth	51
Mortgage lending	51
<i>Japanese residential mortgage balances grew at a compound annual rate of 2.0% between 2008 and 2012</i>	51
Non-mortgage lending.....	52
<i>Consumer non-mortgage lending balances outstanding have fallen by over 20% in recent years</i>	52
Credit and other pay later cards.....	53
<i>Japan's large credit card market has probably reached its peak</i>	53
Creditor insurance provision rates, operating models and partnerships.....	54
Creditor insurance linked to mortgages.....	54
<i>All major mortgage lenders offer related creditor insurance</i>	54
<i>Basic creditor insurance is mandatory with most mortgage contracts</i>	54
<i>... with Meiji Yasuda Life and Nippon Life commonly used as group scheme administrators</i>	55
<i>Where offered, cover for temporary incapacity and / or unemployment is a separate package</i>	55
<i>... with Cardif identifiable as the market leader in this field of activity</i>	55
Creditor insurance linked to consumer finance	57
<i>Loan payment protection insurance is rarely offered by lending organisations in Japan</i>	57
Creditor insurance linked to credit cards	57
Creditor insurance risk coverage.....	59
<i>All mortgage-related propositions cover death and permanent disability</i>	59
Creditor insurance market size, growth and forecast.....	60

BANCASSURANCE IN JAPAN: LIFE, NON-LIFE AND CREDITOR INSURANCE

The value of Japan's creditor insurance market is dominated by mortgage-related insurance 60
Limited growth only is forecast by 2016 as a result of a variety of factors..... 60

LIST OF GRAPHICS / TABLES

0.0 EXECUTIVE SUMMARY	1
Overview of bancassurance provision rates for different types of insurance in Japan, 2012	2
1.0 INTRODUCTION	3
Banks and other lending institutions in Japan contacted by Finaccord, segmented by type.....	4
2.0 MARKET BACKGROUND	12
Key economic indicators for Japan, 2012.....	14
3.0 INVESTMENT-RELATED LIFE INSURANCE AND RETIREMENT SAVINGS.....	18
Gross written premiums for investment-related life insurance and retirement savings in Japan, 2008 to 2012	18
Gross written premiums for investment-related life insurance and retirement savings in Japan, 2008 to 2012 (data)	19
Bancassurance provision of investment-related life insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships	22
Bancassurance provision of retirement savings in Japan, 2012: provision rate, operating models and weighted provider share of partnerships.....	24
Market share in total life insurance of key bancassurance underwriters in Japan, 2007 to 2011	25
4.0 PROTECTION-RELATED LIFE INSURANCE.....	26
Gross written premiums for protection-related life insurance in Japan, 2008 to 2012	27
Gross written premiums for protection-related life insurance Japan, 2008 to 2012 (data)	27
Bancassurance provision of risk life insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships.....	29
Bancassurance provision of critical illness insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships.....	31
Bancassurance provision of income protection insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships	33
5.0 ACCIDENT AND HEALTH INSURANCE	35
Gross written premiums for accident and health insurance in Japan, 2008 to 2012	36
Gross written premiums for accident and health insurance in Japan, 2008 to 2012 (data).....	36
Bancassurance provision of accident insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships.....	38
Bancassurance provision of medical expenses insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships	40
Bancassurance provision of health / hospital cash plans in Japan, 2012: provision rate, operating models and weighted provider share of partnerships	42
6.0 PERSONAL MOTOR AND HOUSEHOLD INSURANCE.....	44
Gross written premiums for personal motor and household insurance in Japan, 2008 to 2012	45
Gross written premiums for personal motor and household insurance in Japan, 2008 to 2012 (data)	45
Bancassurance provision of personal motor insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships	47
Bancassurance provision of household insurance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships.....	49
Market share in total non-life insurance of key bancassurance underwriters in Japan, 2007 to 2011	50
7.0 CREDITOR INSURANCE	51
Residential mortgage lending balances outstanding in Japan (absolute and per capita), 2008 to 2012....	51
Consumer non-mortgage lending balances outstanding in Japan (absolute and per capita), 2008 to 2012	52
Credit and other pay later cards issued and per capita in Japan, 2008 to 2012	53

BANCASSURANCE IN JAPAN: LIFE, NON-LIFE AND CREDITOR INSURANCE

Key data points for the consumer lending market in Japan, 2008 to 2012.....54

Provision of creditor insurance linked to mortgages in Japan, 2012: provision rate, operating models and weighted provider share of partnerships.....56

Provision of creditor insurance linked to consumer finance in Japan, 2012: provision rate, operating models and weighted provider share of partnerships58

Risk coverage of creditor insurance policies in Japan, segmented by type of underlying product, 2012...59

Creditor insurance gross written premiums in Japan, segmented by policy type, 2008, 2012 and 2016...61

Creditor insurance gross written premiums in Japan, segmented by cover type, 2008, 2012 and 2016 ...62

Creditor insurance gross written premiums in Japan, segmented by policy and cover type, 2008, 2012 and 2016 (data)63