

Steady Route for Japan's Reinsurance Market in 2024



By Hironori Takahashi

In 2023, Japan's (re)insurance sector experienced a dynamic landscape marked by resilient growth, emerging product developments and capital solutions needs. New policies with a higher sum assured were being underwritten and sales activities gained momentum. Asia Insurance Review spoke with RGA Japan's Hironori Takahashi to find out more.

Japan's life and health market is known to be the third largest in the world, in terms of life and health insurance premium volume. With a mature and competitive market environment, the need for new business growth and capital efficiency has led to the development of reinsurance solutions in the areas of underwriting, product development, and capital solutions, said RGA Japan CEO Hironori Takahashi.

"Japan's life and health reinsurance sector recorded strong year-over-year growth in the last year. The traditional activity provided by reinsurers to primary insurers is underwriting service that expand the underwriting capacity of primary insurers," he said.

"We have observed new policies with high sum assured being underwritten and gaining momentum ever since sales activities recovered after the pandemic in 2023," he said.

Several reinsurance activities in both protection and savings-oriented products have been observed too.

RGA notes that the Japanese life and health insurance and reinsurance market is said to be at a "mature stage, particularly when evaluating the high level of insurance penetration among households."

Product development trends

The Japanese life and health primary insurance market has a well-balanced new business annualized new premiums (ANP) product mix of approximately 55% mortality, 20% annuity and 25% morbidity, according to insurer disclosures in March 2023, RGA notes.

“Recent market growth has been driven by sales of savings-oriented products in the mortality and annuity segments. Several insurers have launched foreign currency annuity or whole life mortality products,” Takahashi said.

“This area continues to be a driver for growth but with competition for interest yield. Additionally, we expect the market to move toward differentiation through protection riders, for example living benefits,” he said.

The main morbidity products in Japan are hospital cash or surgical cash type medical products and cancer products.

“As the penetration of these products is high, the focus continues to be on developing unique benefits. One example of this is the product benefit that covers the cost of cancer treatment that is not being covered by public health insurance,” he added.

Mortality products, on the other hand, are moving back to basics.

“The development of mortality products with a decreasing term structure is being reactivated and new features such as underwriting simplification is being developed,” he said.

Implementation of ESR

One of the major regulatory issues being discussed in the market is the planned implementation of the economic value-based solvency ratio (ESR) in 2025.

“The implementation will have a significant impact on life insurers with long-term assets and liabilities on their balance sheets,” he said.

“We are closely monitoring the development, although all details are not yet finalized.”

In addition, although IFRS-17 is voluntary and not used for supervision purposes in Japan, some insurers use it together with JGAAP reporting (an accounting standard in Japan).

“Senior market” – a potential area for exploration

Commenting on the outlook of Japan’s life and health (re)insurance sector in 2024, Takahashi said ‘senior market’ is a potential area for further exploration from a socioeconomic perspective.

“With a low birth rate and an ageing society, the proportion of the population in the senior segment is increasing and insurers are paying more attention to it,” he said.

RGA expects the demand for insurance in this customer segment to increase with the preparation of inheritance through mortality products and more financial coverage for medical costs with the “100-year life era.”

With Japan being the third largest life and health market in the world in terms of premium volume, it leads to increasing needs for capital solutions, efficiency on in-force portfolios. RGA expects continued momentum in reinsurance capital solutions with the planned implementation of the ESR in 2025. Opportunities will include both new product development for new business growth and balance sheet management for in-force business.

“Looking ahead to the medium term, it is crucial not to overlook the enhancement of customer experiences brought about by insurtech innovations. We anticipate further advancements in underwriting value propositions using big data analytics. These developments will complement existing enhancements in policy maintenance services and the new business underwriting process,” Takahashi said.



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