

Some variables which affect sales of insurance companies – after 1998 in Japan -

Hideto Azegami (Kyotogakuen University)

Abstract

There are two purposes of this study. The first is to depict the disparity of distribution channels of the life insurance products among regions in Japan. The next is to estimate the sales of the individual life insurance and the individual annuity in prefectures to some selected explanatory variables.

The distribution of insurance products through banks was completely permitted in October 2007. Although the number and amount of individual insurance policies in force are decreasing in this decade, the number of new business of individual annuity turned to rise up after fiscal 2007. The disparity of the sales of individual annuity per branch office among prefectures was enlarged after fiscal 2002.

To shed light on these changes we adopted cross-sectional study and panel data analysis. Our cross-sectional data consist of variables in 1,795 municipalities at the time of 2006. The dependent variables are the number of establishments of insurance institutions, the number of branches and offices of financial institutions, and the number of post offices. The explanatory variables are the size of inhabitable area, the number of establishments of all industries, the share of elderly in the population, the total fertility rate, and the sum of the taxable income. The influence of the share of elderly in the population on the number of the establishments of insurance institutions is significantly negative.

Next we created panel data for 12 years from fiscal 1998 to 2009 and 47 prefectures. We examine the quantitative differences of contracts of new business for individual annuity per branch office among prefectures. The dependent variables are the amount of contracts of new business for individual annuity and individual insurance. Since the disparity among prefectures was enlarged after 2002, we estimate from fiscal 2002 to 2009 as well as all through the periods. The independent variables are the taxable income per capita, the number of households per square kilometer of inhabitable land, the number of offices or branches of banks per square kilometer of inhabitable land, the number of post offices per square kilometer of inhabitable land, the changes in bank deposits, and the changes in postal savings.

We find that there still exist a number of small municipalities without establishment of financial institutions in Japan. The accessibility of insurance services is also different among regions. Deregulation and competition diversified service channels in the insurance markets. Nevertheless regional disparity of accessibility has not diminished yet.

In the aspect of insurance companies, they may make their best effort to acquire a customer through various channels. Although bancassurance is expected to be one of the major sales channels, the number of establishments of financial institutions is decreasing. We presume that regional disparities will remain hereafter. Accordingly, if an insurance company develops a delivery channel to improve accessibility, it can have a dominant position in the market.