

Japanese Fintech Market: Insurance

In Japan's FinTech market, the insurance sector has a market size of 809 million USD (88.6 billion JPY) in 2019, and further market expansion is expected. This report takes a look at the size and the trends of the InsurTech market, which is the sub-segment of FinTech in the insurance sector.

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Japan's insurance market is one of the largest in the world. In 2016, Japan's life insurance market was valued at 354,053 million USD, the second largest in the world; and its non-life insurance market was worth 115,612 million USD, the fourth largest in the world.

Global life insurance market size (2016)² : Left
 Global non-life insurance market size (2016)² : Right

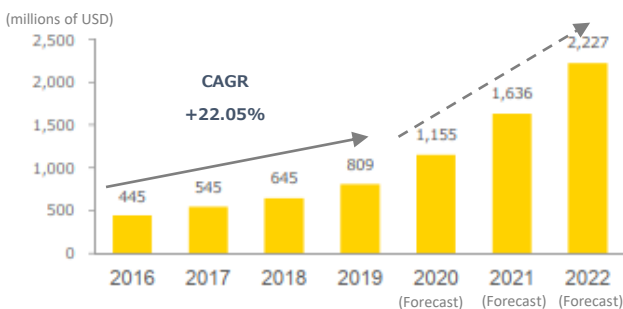
Rank	Country	Direct Premium (millions of USD)	Rank	Country	Direct Premium (millions of USD)
1	U.S.	558,847	1	U.S.	782,501
2	Japan	354,053	2	China	200,684
3	China	262,616	3	Germany	118,686
4	U.K.	199,369	4	Japan	115,612
5	France	152,817	5	U.K.	103,381

1. Market Size, Growth Potential

The InsurTech market is expanding fueled by diversification of sales methods leveraging digital channels and products using advanced technologies such as IoT and AI.

The market size of InsurTech in Japan grew at a CAGR of 22.05% from 2016 to 2019 and reached 809 million USD (88.6 billion JPY) in 2019. The market expansion is expected to accelerate after 2020 to reach 2,227 million USD (244 billion JPY) by 2022.

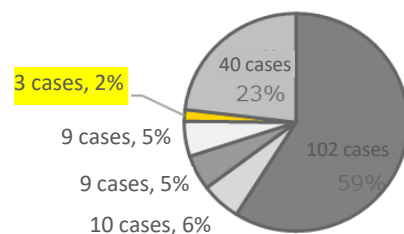
Trends in InsurTech Market Size¹



On the other hand, the number of InsurTech companies in Japan is small for the size of the insurance market. In 2016, the number of investments in InsurTech in Japan was only three. Japan is a latecomer in the global InsurTech market and this implies that there is a lot of room for foreign players to enter Japan.

Number of InsurTech Investments by Country (2016)³

Total: 173 cases



■ U.S. ■ Germany ■ U.K. ■ China ■ Japan ■ Others

※Converted as 1 USD = 109.6 JPY as of Dec. 31, 2018

Source :
 1. Yano Research Institute, A study undertaken on the domestic InsurTech market in the life insurance sector, Mar.12, 2020
 2. MS&AD Holdings, Basics of the Insurance Industry, 2017
 3. CB Insights, Insurance Tech Startups Raise \$1.7B Across 173 Deals in 2016, Jan. 5, 2017

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2. Recent Trends in Each Sector

The InsurTech market is expanding in both life insurance and non-life insurance sectors.

2.a. Life Insurance

In the life insurance sector, data collection is undertaken for the development of health-promotion insurance.¹

Health-promotion insurance is a type of insurance product with premiums that are calculated based on the results of health checkups and life log data of the insurance subscribers. Driven by a system to lower premiums in accordance with the degree of health improvement efforts of subscribers, this type of insurance is gaining popularity as a way to promote people's health stipulating the market expansion.

For example, in 2018, Sumitomo Life Insurance launched "Vitality", a health-promotion insurance policy with premiums that vary based on subscribers' health checkup results and exercise data. The number of policies exceeded 500,000 as of September 2020.²

Moreover, SBI Life Insurance has been developing "personal insurance", which is a health-promotion type insurance using a healthcare app provided by FiNC Technologies.³ The app has been downloaded more than 8 million times as of January 2020, and has accumulated a vast amount of data on users' genetic tests, health checkups, and lifestyle habits. Based on the accumulated data, the app calculates appropriate insurance premiums and offers advice on lifestyle improvement by healthcare professionals and artificial



Left : (<https://vitality.sumitomolife.co.jp/>)

Right : (<https://company.finc.com/>)

2.b. Non-life Insurance

In the non-life insurance sector, the development of telematics insurance, which acquires automobile driving data and uses it for automobile insurance products, is underway.

Telematics insurance is a type of insurance product that uses hardware, such as drive recorders, and software, such as smartphone apps, to acquire and analyze information, including the driver's driving distance and driving characteristics, and calculate automobile insurance premiums. It is expected to help reduce the number of traffic accidents by encouraging insurance subscribers to drive safely and for an appropriate distance.

SmartDrive, for instance, has been developing a mobility data platform that utilizes mobility data acquired from automotive IoT devices and smartphones. The company analyzes the driving history of drivers, such as sudden braking, sudden start, idling, etc., and converts it into driving safety points, which are provided to insurance companies and car manufacturers.

SmartDrive has formed a business alliance with Sompo Japan Insurance Inc. in 2020 to develop a telematics insurance called "mobility insurance for people" by incorporating the idea of Mobility as a Service (MaaS)⁴.



(<https://smartdrive.co.jp/>)

Source :

1. Yano Research Institute, *A study undertaken on the domestic InsurTech market in the life insurance sector*, Mar.12, 2020
2. SankeiBiz, *Sumitomo Life Insurance to Complete Final Contracts Online*, Sep.30, 2020
3. Press release of FiNC Technologies, Aug. 30, 2016
4. SmartDrive, *Application Examples*, viewed on Feb. 12, 2021

Japanese Fintech Market: Insurance

3. Government Initiatives

Government-led deregulation is expanding business opportunities for InsurTech companies.

Revision of the Insurance Business Act ¹

The Financial Services Agency (FSA) amended the Insurance Business Act in 2019, relaxing the restriction on holding more than 10% of voting rights of a company, which had been imposed on insurance companies. The amendment has allowed insurance companies to take full stakes in information technology (IT) companies, etc., which are expected to have synergies with their core business, and to make them subsidiaries.

This legislative amendment has provided an opportunity for InsurTech companies to expand their collaboration opportunities with insurance companies. In addition, the amendment encourages insurers to invest in venture companies and provide more funding opportunities for InsurTech companies.

Regulatory Sandbox System²

The Japanese government introduced a regulatory sandbox system in 2018 to promote the practical application of innovative technologies and business models, including InsurTech. This system aims to expedite deregulation for new technologies, etc. based on the results of demonstration experiments. Currently, demonstration experiments for a platform-type insurance called "Peer-to-peer (P2P) insurance" are being conducted.

P2P insurance is a system in which all insurance subscribers pay equal amount of premiums in the event of an accident to cover the insurance claims. P2P insurance has been widespread in China, Europe and the USA. Meanwhile, in Japan, there is no precedent for it, and it is expected that demonstration experiments will drive further deregulation.

Launch of "Financial Services Intermediary Business"

The government launched "financial services intermediary business" by passing the Act on the Amendment of the Financial Instruments and Exchange Act in June 2020 in an effort to deregulate the financial industry.

This has eliminated regulations such as the qualifications of "Insurance Solicitor" which used to be required to sell insurance products, and the "affiliation system" which limits insurance sales to specific financial institutions.

The upcoming deregulation will allow non-financial institutions, such as e-commerce (EC) companies, to sell insurance products as InsurTech companies. This is expected to expand the sales channels for insurance products.

In addition, this deregulation will make it possible to offer a wide variety of products across the financial sector (see the table below). It also reduces the need for complicated licensing procedures, which is expected to help increase the number of foreign InsurTech companies entering the Japanese market.

Image of Products/Services That Can Be Handled ³		
	Eligible	Not Eligible
Banks	<ul style="list-style-type: none"> Savings account Mortgage 	<ul style="list-style-type: none"> Structured deposit
Securities	<ul style="list-style-type: none"> Government bond Listed share Investment trust 	<ul style="list-style-type: none"> Unlisted share Derivative
Insurance	<ul style="list-style-type: none"> Accident insurance Travel insurance Golf insurance 	<ul style="list-style-type: none"> Variable life insurance Foreign currency life insurance

Source :

1. Financial Services Agency, *The Act Partially Amending the Payment Services Act, etc. for Responding to the Advancement of Information and Communications Technology and Other Environmental Changes*, Jun. 2019

2. Prime Minister's Office of Japan, *Regulatory Sandbox System*, viewed on Feb. 12, 2021

3. Financial Services Agency, *Reference released by the Secretariat of the 5th Working Group on Payment and Settlement Legislation and Financial Services Intermediary Legislation*

Japanese Fintech Market: Insurance

4. Successful Cases of Foreign Companies Entering the Japanese market

simplesurance

simplesurance is an InsurTech company based in Germany which provides a platform for insurance sales on e-commerce websites that allows for one-stop insurance processing from product purchase. This service is available in 29 countries, mainly in Europe, and the company established a Japanese subsidiary in 2018.

simplesurance's technology enhances convenience for end users by integrating insurance sales tools into the websites and apps of e-commerce and retail businesses. This technology eliminates the hassle of re-entering personal information when purchasing insurance.

It also enables insurance companies to expand their sales channels to online buyers by selling insurance products that match the product services on EC websites.



(<https://www.simplesurance.com/ja/>)

wefox Germany GmbH

wefox is a German InsurTech company which offers a digital platform leveraging AI, big data and the cloud to manage insurance information for consumers, insurance brokers and insurers. The company entered the Japanese market in 2019 and established SBI wefox Asia jointly with SBI Holdings to provide financial services business in Japan.

wefox's platform provides a centralized app for consumers to diagnose coverage, manage insurance, contact brokers, file claims, and more. This facilitates insurance buyers' access to insurance that meets their needs and life circumstances.

The platform also provides brokers with a customer management system enabling them to streamline operations and offer products that suit consumers' needs.

It is currently used by insurance brokers and more than 250,000 policyholders in Germany, Switzerland, and Austria. In Japan, the development of localized insurance agency business has been underway.



(<https://www.wefox.de/en/>)