

Competition in the Japanese Life Insurance Industry

By Toshiyuki Souma and Yoshiro Tsutsui

〈SUMMARY〉

This paper examines the change that has taken place in the level of competition in the Japanese life insurance industry over the period of 1986-2002. In order to obtain the degree of noncompetition and collusion, we estimated the first-order condition for profitmaximizing insurance oligopolies. The estimation results suggested the following: (1) Not only stock companies but also mutual companies maximize their own profits rather than pay out dividends to policyholders; (2) competition has increased since 1995;(3) competition was promoted by the revision of the Insurance Business Law and the failures of the insurance companies; and (4) in the recent years, competition has been more lax than in the prewar period. The results suggest that it is preferable to further promote this deregulation in order to increase the benefits of increased competition.

© Japan Society of Monetary Economics 2010