



Japan's Insurance Market

2026



Japan's Insurance Market 2026

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To Our Clients

It gives me great pleasure to have the opportunity to welcome you to our publication, 'Japan's Insurance Market 2026.' It is encouraging to know that over the years our publications have been well received even beyond our own industry's boundaries as a source of useful, up-to-date information about Japan's insurance market, as well as contributing to a wider interest in and understanding of our domestic market.

The business environment surrounding the insurance and reinsurance industries is becoming increasingly challenging and uncertain. Driven by the increasing severity of natural catastrophes, escalating geopolitical tensions, particularly in the Middle East, the rapid advancement and widespread adoption of artificial intelligence, the emergence of a mature demographic transition characterized by population decline and aging, and heightened uncertainty in financial markets, the risk landscape facing society and businesses has become significantly more diverse and complex. As a result, the level of uncertainty has risen to unprecedented levels.

Amid these changes in the business environment, our Group enters the final year of "KIZUNA 2026," the Medium-Term Management Plan that commenced in fiscal 2024.

Over the past two years, we have promoted a Group-wide portfolio reform centered on a fundamental review of our underwriting portfolio.

These efforts have been guided by our mission to provide long-term and stable reinsurance capacity and to ensure that we can continue to fulfill this role for our clients with confidence and reliability in the years ahead.

In this final year of the plan, all officers and employees will work together with unwavering dedication to ensure that the outcomes of these initiatives are fully realized and translated into sustainable value for our stakeholders.

Since our foundation in 1940, the Toa Re Group has continuously devoted its efforts to fulfilling its role as a reinsurance company under our mission of providing peace of mind to society through the reinsurance business, as articulated in our Mission Statement.

Under this mission, all our officers and employees will continue to act with unity and resolve, responding swiftly and accurately to various challenges, with the aim of achieving sustainable growth and further enhancing corporate value.

We decided to issue this year's publication exclusively in electronic form, in recognition of the role that we all have in considering the environment and sustainability. I hope that our publication continues to provide a greater insight into the Japanese insurance market, and I would like to express my gratitude to all who kindly contributed so much time and effort towards its making.



Masaaki Matsunaga

President and Chief Executive
The Toa Reinsurance Company, Limited



Trends in Japan's Pet Insurance Industry

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1 ●

Introduction

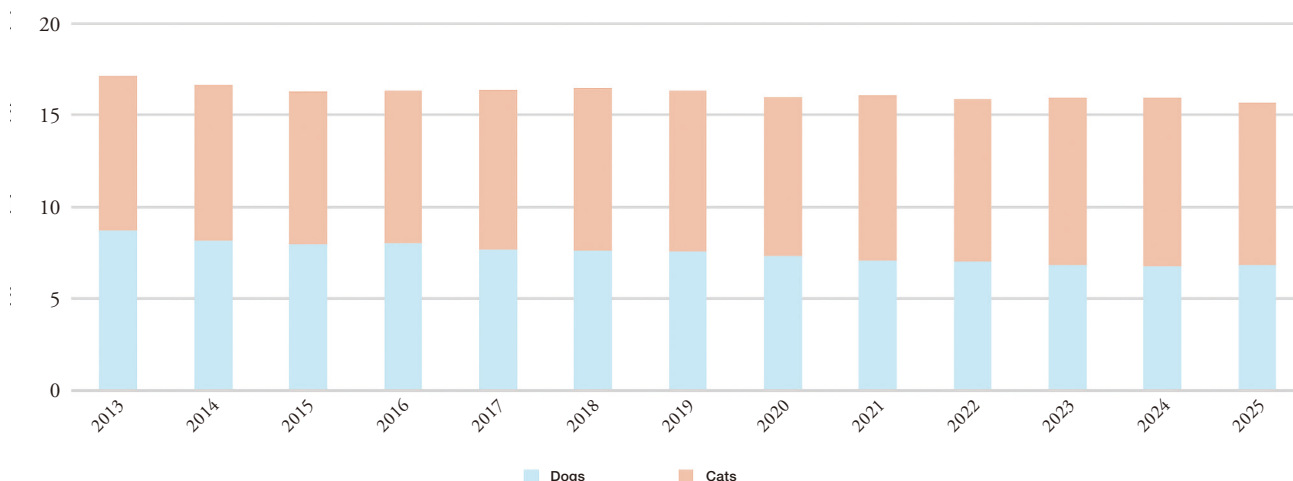
The Japanese pet insurance market has significant potential for growth over the medium to long term but is currently dealing with a changing regulatory environment and rising loss ratios. Companies therefore need to strike a balance between setting appropriate premium rates and pursuing growth strategies. Japan Credit Rating Agency (JCR) is the only agency providing credit ratings for Japan's pet insurance companies. This article outlines the characteristics and business models of these companies, discusses trends in the expanding pet insurance market, and presents an outlook for the future.

1. Overview of Japan's Pet Insurance Industry

In terms of ownership, the number of dogs and cats, the most common pets in Japan, has basically been flat in recent years, as Figure 1 shows. Japan had an estimated 6.82 million dogs and 8.85 million cats in 2025, for a total of 15.67 million, a number that exceeded the population of children of junior high school age or younger and equated to a ratio of one pet for every eight citizens. The ratio of household ownership for dogs has been declining while that for cats has remained stable. Figure 2 shows that the 2025 rates of household ownership were essentially the same at 8.5% for dogs and 8.4% for cats. It seems that lifestyle changes—such as the rise in single-person, dual-income, and elderly households—are reflected in a decline in the ownership rate of dogs, which require a higher level of care that includes walking and training.

Figure 1: Dog and Cat Ownership in Japan

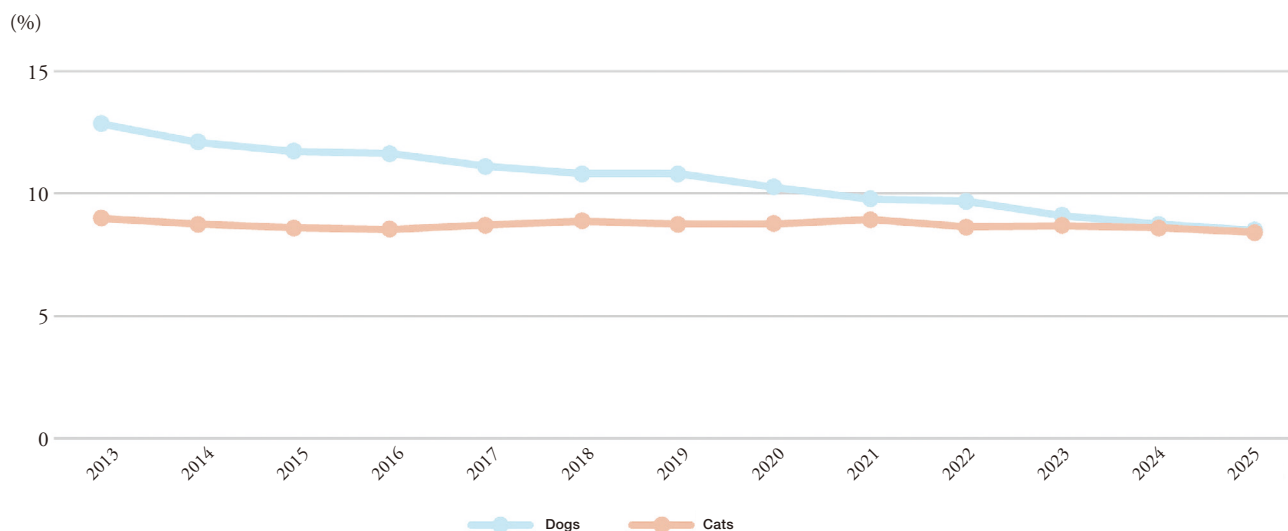
(Millions)



Source: Japan Pet Food Association, National Survey on Dog and Cat Ownership in Japan



Figure 2: Household Ownership Ratios for Dogs and Cats in Japan



Source: Japan Pet Food Association, National Survey on Dog and Cat Ownership in Japan

Pet ownership rates in Japan remain low compared to regions with the highest levels of pet ownership: the United States, with rates of 43% for dogs and 33% for cats; and Europe, with rates of 25% for dogs and 27% for cats. Several factors create significant barriers to pet ownership in Japan. A high proportion of residents live in condominiums and other multi-unit housing complexes in urban areas, where rules often prohibit pets due to concerns about noise and odor. Living space also tends to be comparatively smaller.

That said, people in Japan increasingly see pets as members of the family, akin to children or partners. While the total number of pets has remained flat, pet-related spending in categories ranging from food and treats to grooming and medical costs for illness or injury has been increasing and the market continues to expand. The pet insurance market is likewise growing, with the penetration rate increasing from approximately 2% in 2007 to 15% in 2020 and 21% in 2024. This penetration rate calculation is based on the total existing pet population, and the take-up rate among newly acquired pets is significantly higher. Pet insurance premium income was approximately 140 billion yen in 2024, which was small compared to 9.5 trillion yen for the overall non-life insurance market. However, pet insurance is one of the few growth segments of the mature non-life insurance market.

1. American Veterinary Medical Association: <https://www.avma.org/>
2. European Pet Food Industry Federation (FEDIAF), Annual Report 2024: <https://europeanpetfood.org/>

Pet insurance penetration rates vary significantly by country. Sweden and the United Kingdom have high rates of approximately 57% and 48%, respectively, which are among the highest in the world. In contrast, Japan has a relatively short history of pet insurance, with a penetration rate of 21%, which is less than half that of Sweden or the United Kingdom and suggests significant potential for future growth. However, the number of households in Japan is likely to decline in the future because of the nation's declining birthrate, aging population, and overall population contraction. This could put downward pressure on pet ownership over the medium to long term.

2. Business Model and Competitive Environment

Around 20 non-life insurance and small amount and short term insurance companies serve the Japanese pet insurance market. However, the market is an oligopoly. Anicom Insurance (Anicom), Dai-ichi Ipet Insurance (Ipet; formerly Ipet Insurance), and Pet & Family Insurance (Pet & Family) are the top three companies with a collective market share of more than 70%.

An effective business model backs the oligopoly. The leading companies have established systems for out-of-pocket copays at the point of care that are similar to the health insurance systems for humans. They have also expanded their networks of partner veterinary clinics to offer highly convenient products and services. When paying medical expenses at an in-network clinic, the pet owners who are policyholders simply present the insurance card for their pet and cover their out-of-pocket copay, which eliminates the need to file separate claims with the insurance company. The benefits of this system are substantial for pet care requiring frequent veterinary visits.

This convenient system for out-of-pocket copays at the point of care requires the establishment of relationships with individual veterinary clinics, which are not easy to structure in a short time. Furthermore, many veterinary clinics in Japan are small-scale, independently owned facilities, and partnering with multiple pet insurance companies could increase required administrative procedures and operational costs. Consequently, insurance companies that have already established these relationships can sustain their competitive advantage with greater ease. Anicom has relationships with over 7,000 of the more than 13,000 veterinary facilities for small animals in Japan, and Ipet with over 6,000, with some overlap. These relationships with veterinary clinics are an effective barrier to market entry and a key source of competitive advantage for the leading companies.

Underscoring the evolution of the institutional framework for calculating premium rates, in 2025 pet insurance became a candidate category for a reference loss cost rate calculated by the General Insurance Rating Organization of Japan. While product design was previously based on the experience and proprietary data of individual companies, market expansion is driving the standardization and sophistication of actuarial practices. Furthermore, the economic value-based



solvency regulations implemented at the end of March 2026 established a distinct risk factor category for pet insurance that allowed the application of lower risk factors than before. Although the importance of product design, underwriting capabilities, and networks of affiliated veterinary clinics remains unchanged, these institutional developments and regulatory changes could influence the stance to market entry of other companies.

In recent years, the high growth potential of the pet insurance market has attracted numerous new entrants from other industries in addition to moves by specialized small amount, short term insurance providers. However, some companies suspended underwriting operations because they were unable to compete on advantageous pricing alone. The wave of new market entrants is subsiding, and the leading companies are very likely to maintain their market share at current levels.

3. Anicom Holdings White Paper on Companion Animals 2025; <https://www.anicom-page.com/hakusho/>

4. Based on the websites, disclosure reports, and other information provided by pet insurance companies.

5. Anicom Holdings: Competitive Analysis for Pet Insurance and Prospects for Further Growth: <https://contents.xj-storage.jp/xcontents/AS70962/4a919b2e/2fe5/4582/8e7a/d0df6eea5c98/20230207163517701s.pdf>

3. Product and Sales Channel Features

3.1 Features of Pet Insurance Product

Pet insurance products cover a certain percentage of medical expenses resulting from illness or injury to pets, such as dogs and cats, up to a specified limit. Although classified as non-life insurance under the Insurance Business Act, pet insurance policies effectively function much like medical insurance policies for humans, which are categorized as third-sector insurance products. Household spending on pets has continued to increase, and this type of insurance plays a vital role in alleviating the financial burden of medical costs for pet owners.

Pet insurance primarily covers dogs and cats, but some insurance companies also extend coverage to birds, rabbits, and ferrets. As with humans, the risk of illness in pets and the expected increase in the frequency of concomitant insurance payouts increases with age, so some new policy enrollments typically set specific age limits. Although premiums vary based on the type of pet, age, coverage details, and policy terms, plans are generally structured to increase premiums at periodic renewal to account for the higher frequency of veterinary visits and the potential for expensive medical treatments associated with aging.

The most common types of policies cover outpatient care, hospitalization, and surgery, and various plans are available with coverage rates such as 30%, 50%, or 70%. Coverage scope varies by product, ranging from comprehensive plans that include outpatient care to lower-cost options limited to surgery. Many policies impose limits on maximum daily payouts and the number of claims allowed per

year. In some cases, owners are therefore exposed to significant out-of-pocket expenses in the event of major charges for treatment.

6. Ministry of Agriculture, Forestry and Fisheries website

3.2 Sales Channel Features

Pet stores acting as sales agents are the primary pet insurance sales channel. Owners are more likely to purchase insurance when they buy a pet, so these stores are a crucial channel for pet insurance companies to acquire customers. In recent years, opportunities to sell policies have expanded across a diverse range of channels, including direct sales by breeders, online sales, and sales via life and non-life insurance companies, banks, credit unions and other financial institutions. Sales channel diversification helps to broaden the business base and to reduce agency commissions and other costs associated with the sale of new policies.

While pet insurance is a discrete product that generates income, it can also be a gateway product for strengthening customer touchpoints. Pets are increasingly viewed as family members, so pet insurance facilitates engagement with affluent customers and households raising children. This creates the potential for insurance companies to cross-sell and expand their customer base over the long term. Major insurance groups have therefore enhanced their pet insurance portfolios. Ipet operates as part of the Dai-ichi Life Group, and Pet & Family is part of T&D Holdings within the T&D Insurance Group. Industry leader Anicom has partnered with insurers including Meiji Yasuda Life Insurance, Asahi Mutual Life Insurance, Fukoku Mutual Life Insurance, and Sumitomo Life Insurance.

4. Risks and Issues

4.1 Pet Insurance Industry Risks

(1) Impact of stricter regulations related to pets

One risk in the pet insurance industry is the impact that stricter regulations related to pets could have on sales channels. While Japan lagged behind Western nations in establishing systems for animal welfare, the nation enacted the Act on Welfare and Management of Animals in 1973. Subsequent amendments have toughened penalties for animal abandonment and abuse, and regulated proper animal husbandry. The most recent amendment enacted in June 2021 phased in standards for animal care and management, covering aspects such as housing facilities (breeders and pet stores) and equipment, limits on the number of animals kept based on staffing levels, and restrictions on breeding frequency and age. The direct impact on the pet insurance market appears limited for the time being. However, future promotion of animal welfare could result in stricter regulations on the sale and breeding of animals, and could affect new policy sales in the short term by reducing the number of new pets people can buy and altering sales channels.



The fundamental principles of animal welfare have gradually permeated society through successive amendments to the Act on the Welfare and Management of Animals. Heightened awareness of pet health management could potentially increase pet insurance market penetration over the medium to long term. Furthermore, stricter regulations may foster a sounder industry, weeding out weaker players and leading to consolidation around fewer providers, with the possibility of also increasing demand for pet health services. This would increase revenue opportunities in segments such as health management support and the pet food business.

(2) Risk of higher loss ratios

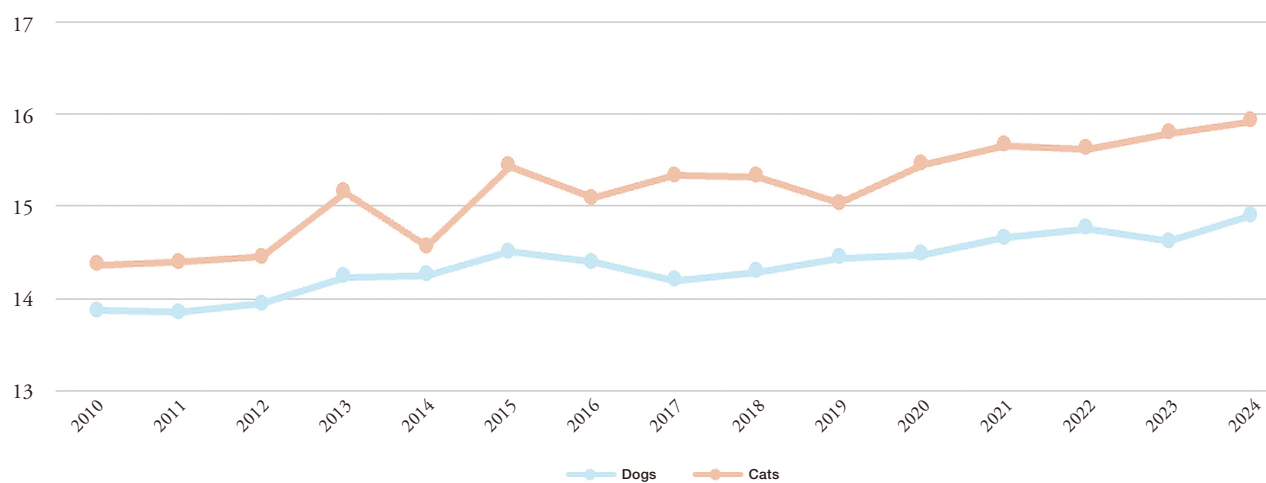
Rising loss ratios represent a risk within the pet insurance industry. Pet insurance aggregates small-value policies, so the law of large numbers generally applies and helps reduce income and payout volatility. However, changes in the external environment such as increased insurance payouts due to infectious disease outbreaks or rising medical costs driven by inflation could lead to higher loss ratios.

In Japan, the COVID-19 pandemic triggered a surge in pet ownership, while more time at home supported more frequent veterinary clinic visits. Insurance payouts apparently increased because of these factors, resulting in higher loss ratios. Cost per medical treatment continues to rise, which has kept upward pressure on loss ratios.

Furthermore, changes in the portfolio of policies in force resulting from the rising age of insured pets significantly impact claim payouts and loss ratios. Pet insurance is a recurring revenue business characterized by generally high policy renewal rates, generating income without ongoing sales activities. However, pets are similar to humans in that the morbidity rate increases with age. Specifically, the frequency of veterinary visits rises, and the incidence of high-cost treatments tends to increase during a pet's senior years. Figure 3 shows that average pet lifespan in Japan has increased from 13.9 years in 2010 to 14.9 years in 2024 for dogs, and from 14.4 years to 15.9 years for cats. This trend suggests a measurable influence on loss ratios.

Figure 3: Average Lifespan of Dogs and Cats in Japan

(Years)



Source: Japan Pet Food Association, National Survey on Dog and Cat Ownership in Japan

Pet insurance companies balance income and payouts by structuring premiums and coverage based on pet age, with the expectation that future claim payouts will increase. Inadequate premiums can lead to significantly higher loss ratios, while steep premium increases can drive up policy cancellation rates.

4.2 Risk Management

Pet insurance companies need to address these risks with appropriate measures that are in balance with price competitiveness. Companies are enhancing their underwriting capabilities with initiatives to diversify sales channels, set premiums appropriately based on age at policy inception, and implement rate revisions.

Non-life insurance companies generally stabilize their operations by using reinsurance to transfer all or part of their payment liabilities to other insurers as a means of diversifying and smoothing risk, and by curbing loss ratio fluctuations. In this context, pet insurance features limited exposure to natural disasters and low risk that individual claims will incur exceptionally high payouts. Some pet insurance companies and small amount and short term insurance providers do employ reinsurance as their portfolios grow. Generally speaking, however, the industry's primary objective is considered to be not so much preparing for massive losses—such as those caused by natural disasters—rather than to stabilize earnings by curbing loss ratio volatility and improving capital efficiency during periods of business expansion.

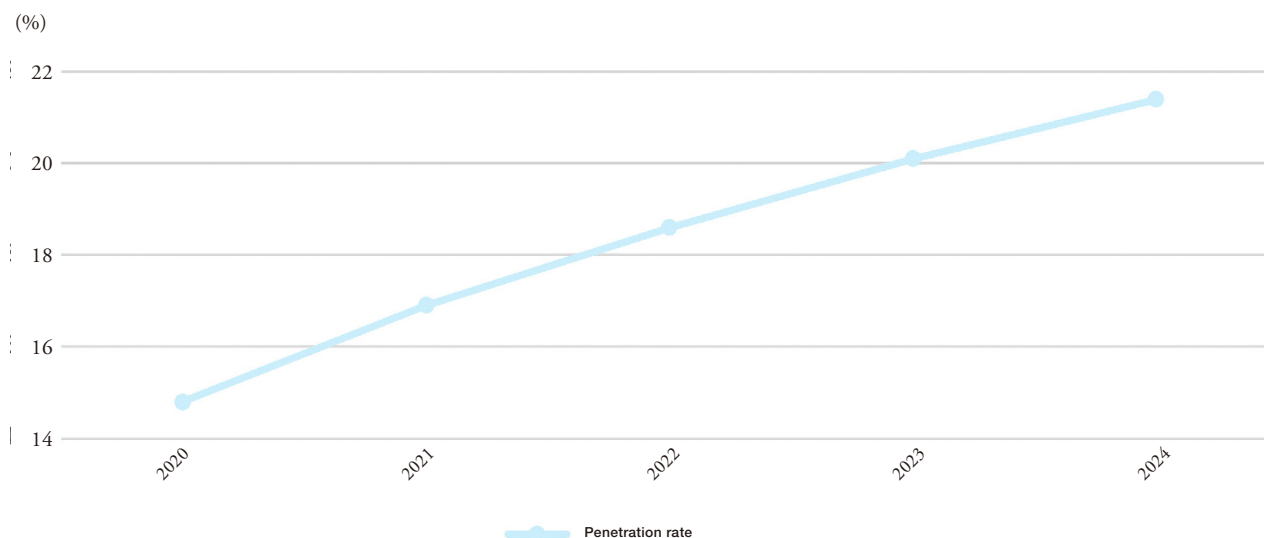
4.3 Pet Insurance Industry Issues

As previously mentioned, pet ownership and pet insurance penetration vary by country. Although Japan's pet insurance market continues to grow rapidly, both ownership and insurance penetration rates remain low compared to leading pet care countries such as Sweden and the United Kingdom. People in these countries were among the first to see pets as family members, and animal welfare is a deeply rooted social norm. Consequently, pet insurance is widely accepted as a means of preparing for high veterinary costs.

Spending on pet medical care and health management is rising in Japan, backed the growing perception that pets are family members. Figure 4 shows that the pet insurance penetration rate is also trending upward, which suggests significant potential for market expansion over the medium to long term. However, new policy sales are highly dependent on the pet store channel, so tighter regulation of the sale and breeding of animals could impact market growth. Furthermore, the importance of managing loss ratios is likely to increase as the market matures. Effectively communicating the need for pet insurance while balancing premium increases and policy retention rates will be key.



Figure 4: Pet Insurance Penetration Rate in Japan



Source: Anicom Holdings disclosure

5. Outlook for Japan's Pet Insurance Industry

The Japanese pet insurance market is likely to continue expanding for the foreseeable future. Factors contributing to this growth include market penetration rates that remain low, the growing tendency to view pets as family members and the ongoing increase in pet medical expenses driven by inflation.

At the same time, the industry's leading companies are likely to be the primary beneficiaries of market growth. Their distinctive business model for payment at the point of care is not easy for other companies to replicate quickly, which creates a significant barrier to entry. Furthermore, basing increased policy sales solely on price competitiveness would likely prove unprofitable. Given these factors, significant shifts in market share are unlikely, and the current oligopolistic structure dominated by the industry leaders is unlikely to change in the near future. Meanwhile, the competitive landscape is becoming increasingly challenging for small amount and short term insurance providers and other small and medium-sized enterprises. This gives rise to the possibility of future business alliances and corporate consolidation.

Given the changing regulatory landscape, key factors for industry leaders will include the ability to diversify policy sales channels and grow with the market while maintaining financial soundness with pricing that balances risk and return. Furthermore, the responsibilities of pet insurance companies in resolving social issues related to pet health and animal welfare are likely to increase.

Failure to adequately address the issues of pet abandonment, euthanasia, and breeding and sales under substandard conditions could damage the reputation of the entire pet industry and reduce the number of pets and their owners. Pet insurance companies need to ensure their own growth by doing more than simply underwriting risk. They must energetically resolve pet-related social issues in fostering the industry's sustainable development.



2. Understanding the Current State of Secondary Peril Risk in Japan

Hongyuan Li, Ph.D., Sayaka Ochi, MSc., John Moore
Aon Japan Reinsurance Solutions Analytics

1. Introduction

In recent years, secondary perils have become a major driver of global catastrophe losses, reshaping the risk landscape for (re)insurers. Historically regarded as lower-impact, higher-frequency events, secondary perils such as severe convective storms, floods, wildfires, and winter storms now account for a substantial share—often the majority—of annual insured losses worldwide. This shift reflects a combination of increasing exposure, improved reporting of smaller-scale events, and climate change.

Recent global experience has underscored the growing impact of perils such as severe convective storms, wildfires, and floods, which are increasingly capable of producing large and recurring losses. In response, the (re)insurance market has placed greater emphasis on these risks through changes in pricing, contract terms, and risk management practices.

However, this global narrative does not translate uniformly across all regions. Japan has a fundamentally different secondary peril profile, shaped by its distinctive climate, geography, and exposure patterns. While global discussions often emphasize hail, tornadoes, and wildfires, Japan's risk landscape is more strongly influenced by flood and snow, with convective storm activity playing a comparatively limited role.

This paper provides an overview of the current state of secondary peril risk in Japan and highlights the differences between global secondary peril trends and the specific characteristics of secondary perils in Japan.

2. What are Secondary Perils?

There is no universally accepted formal definition of “secondary perils” within the (re)insurance industry. Rather, the term is generally used as a practical classification to distinguish a broad set of natural hazards from traditional primary perils, which are commonly understood as major natural catastrophe perils with the potential to generate substantial peak monetary losses, typically through low-frequency, high-severity events such as tropical cyclones and earthquakes.

Secondary perils are typically defined in contrast to primary perils from three perspectives [Reference 1]: loss profile, causal link, and model and data maturity, as shown in Figure 1. These perspectives provide a useful analytical framework, but they are not applied consistently. In practice, the term may refer to one, two, or all three perspectives, and its interpretation varies across organizations and contexts.

- Loss profile: Secondary perils are often higher-frequency, low- to medium-severity hazards, although localized events can accumulate into significant annual losses. Primary perils are typically low-frequency, high-severity events that drive peak loss, capital, and solvency considerations.

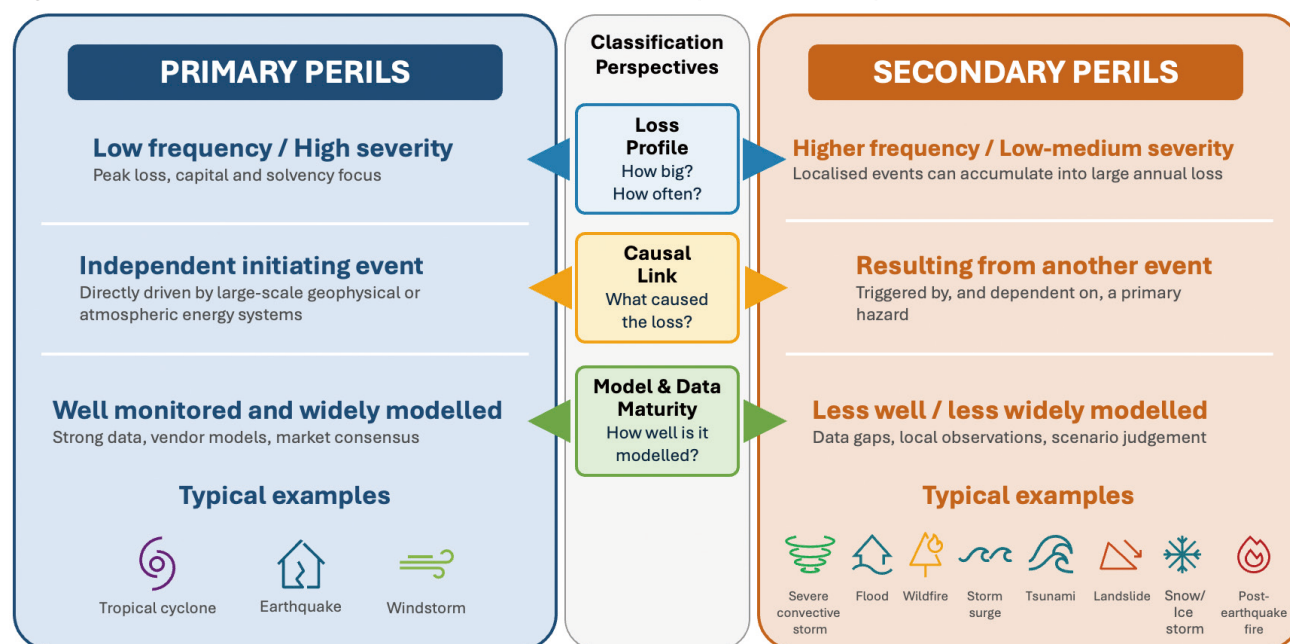


- **Causal link:** Secondary perils may be triggered by, or dependent on, another hazard — for example, flood associated with a tropical cyclone, tsunami following an earthquake, or post-earthquake fire. Primary perils are usually independent initiating events driven by large-scale geophysical or atmospheric energy systems. However, some perils commonly classified as secondary, such as flood, hail, and snow, may also occur independently, depending on regional characteristics.
- **Model and data maturity:** Secondary perils are typically less well monitored and less widely modelled, with risk assessment often constrained by data gaps, fragmented or localised observations, and greater reliance on scenario-based judgement. Primary perils tend to be better monitored and more widely modelled, supported by stronger data, greater vendor model availability, and broader market consensus.

The boundary between primary and secondary perils is not fixed. It varies by region, line of business, model availability, and institutional perspective. As a result, inconsistencies may arise when comparing loss experience, model outputs, or risk views across market participants. Establishing a shared understanding of how secondary perils are defined is therefore essential for meaningful analysis and communication.

In this paper, following the working convention used by *Aon Climate and Catastrophe Insight*, we define secondary perils as all natural hazards other than the traditional primary perils: tropical cyclone, earthquake, and European windstorm.

Figure 1: Differences in Peril Characteristics between Primary and Secondary Perils



3. Global Secondary Perils: Rising Losses and Reinsurance Market Response

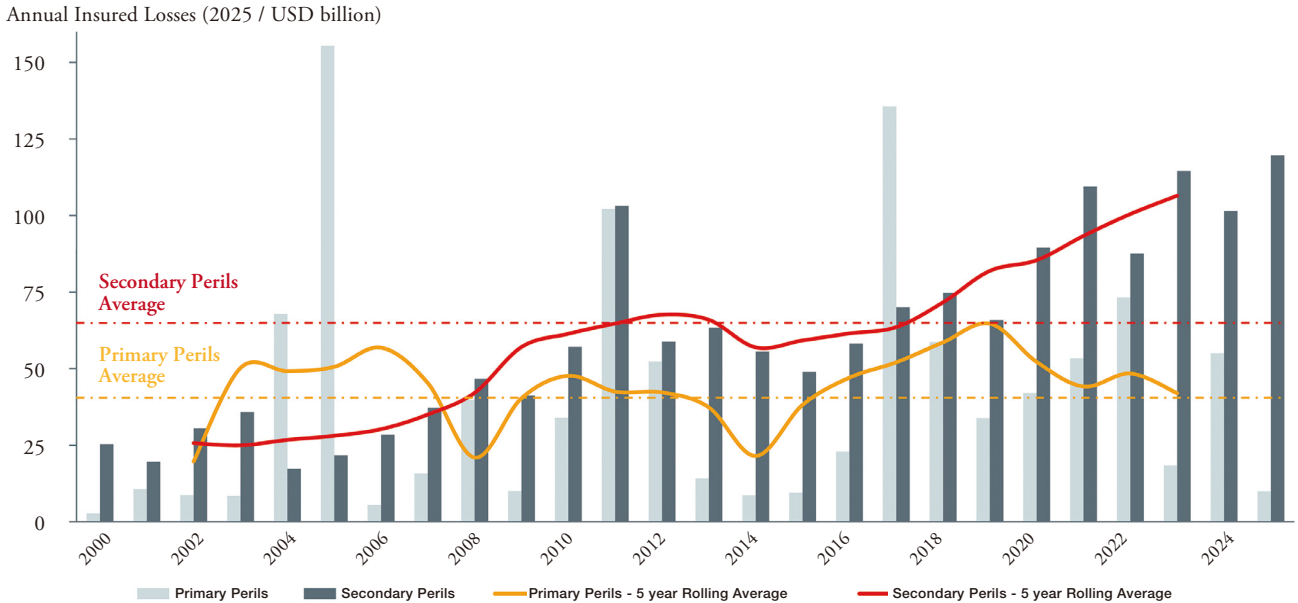
Global insured losses from secondary perils have increased steadily over the past two decades, while primary peril losses have remained relatively stable, aside from peak-event volatility, as shown in Figure 2. Importantly, average annual insured losses from secondary perils now exceed those from primary perils, highlighting their structurally greater contribution to global insured losses. In fact, peak perils surpassed secondary perils in only three years: 2004, 2005, and 2017.

Among secondary perils, severe convective storms (SCS) have emerged as the primary driver of recent loss activity. SCS have become the costliest insured peril of the 21st century and generated approximately USD 61 billion in insured losses in 2025 [Reference 2]. Flood remains a major global driver, affecting almost all regions and particularly exposing protection gaps in Asia. Wildfire has also become a core secondary peril, especially in areas where development has expanded into the wildland-urban interface. In 2025, the Los Angeles wildfires generated approximately USD 42 billion in insured losses, making them the costliest wildfire events on record globally [Reference 2].

These developments have materially affected reinsurance market practices. In recent years, reinsurers have begun to restrict coverage for secondary perils, including by shifting from broad all-perils coverage to more selective named-perils structures, particularly in the United States and Europe. At the same time, reinsurers have increased cedants’ retentions in property catastrophe excess-of-loss programs, reflecting the need to manage the accumulation of frequent, medium-sized losses and reduce exposure to secondary perils.

A further concern for the reinsurance market is that the risk characteristics of many secondary perils remain less well understood than those of primary perils. This uncertainty is compounded by the fact that most secondary perils are weather-related and therefore highly sensitive to climate variability and climate change, which introduces additional modelling challenges and volatility in loss outcomes.

Figure 2: Global Insured Losses from Primary and Secondary Perils (2025 / USD billion)



Source: Aon Catastrophe Insight



4. Japan Secondary Perils: A Different Risk Profile

Japan's secondary peril experience differs from the global pattern. As shown in Figure 3, insured losses from primary perils in Japan have far exceeded those from secondary perils over the past two decades. In addition, unlike the global experience, secondary peril losses in Japan do not show a clear long-term upward trend.

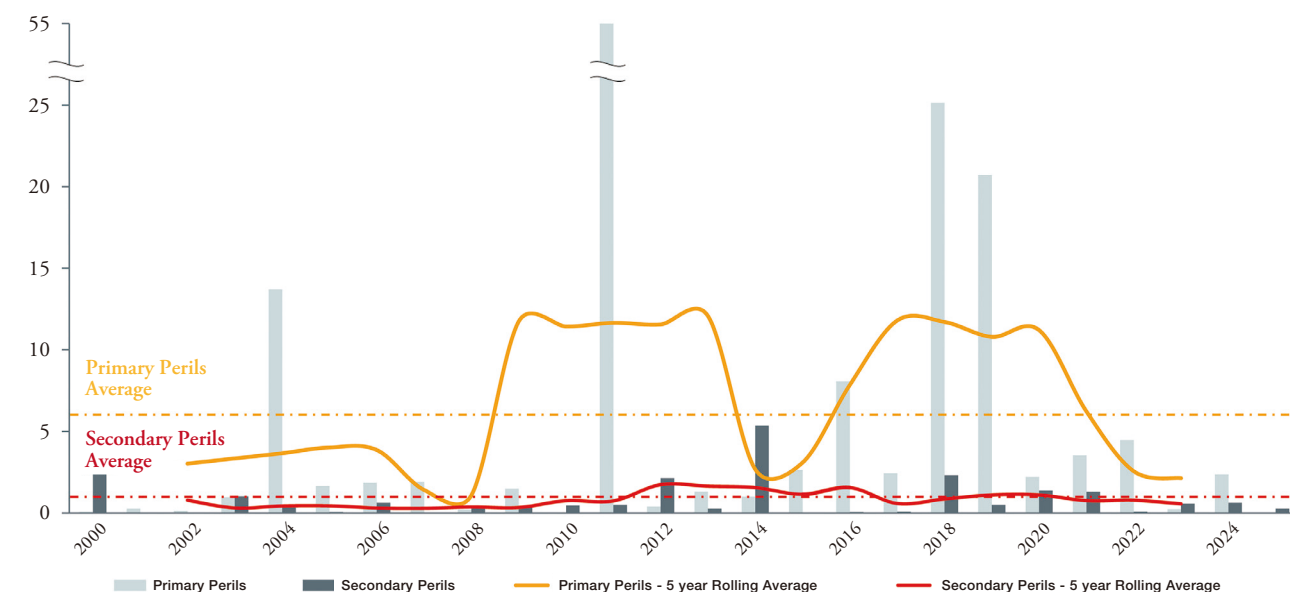
This does not mean that secondary perils can be ignored in Japan. Rather, it means that Japan's secondary perils should be assessed through a Japan-specific lens. Table 1 summarizes the characteristics of secondary perils in Japan.

Based on Aon's research and analysis, the current assessment of Japan's secondary peril risk profile can be summarized as follows:

- Japan's secondary peril losses remain materially lower than its primary peril losses.
- Flood is the most important and best-modelled secondary peril in Japan, with both hazard and market loss indicators trending upward.
- Snow has produced one of the largest secondary peril losses in Japan; however, the 2014 event is widely viewed as a remote recurrence scenario, and the long-term snow hazard is generally declining across much of Japan.
- Hail has attracted increasing attention in Japan in recent years, as recent events have generated material insured losses across both motor and property portfolios, although current evidence does not yet establish a significant increasing trend in the underlying hail hazard.
- Other perils, such as landslide, lightning, tornado, wildfire, and drought, remain relevant but are generally less significant for market-level catastrophe loss at present.

Figure 3: Japan Insured Losses from Primary and Secondary Perils (2025 / USD billion)

Annual Insured Losses (2025 / USD billion)



Source: Aon Catastrophe Insight

Table 1: Characteristics of Secondary Perils in Japan

Peril	Largest Recorded Event Loss JPY million (When)		Observed Loss Trend	Japan Cat Model(s) Available for Reinsurance	Potential Climate Change Influence
TY Flood	340,404	Oct. 2019 Hagibis	Increasing	Yes	High (Increasing hazard)
Snow	322,440	Feb. 2014	No clear trend	No	High (Reducing hazard)
Tsunami	257,936	Mar. 2011 Tohoku	—	Yes	Moderate
Non-TY Flood	195,595	Jul. 2018	Increasing	Yes	High (Increasing hazard)
Hail	135,960	Apr. 2024	No clear trend	No	N-R
Landslide	5,352	Aug. 2014 Hiroshima	Increasing	No	Moderate
Tornado	—	—	—	No	N-R
Lightning	—	—	Increasing	No	N-R
Wildfire	—	—	No clear trend	No	N-R
Drought	—	—	—	No	N-R

Notes:

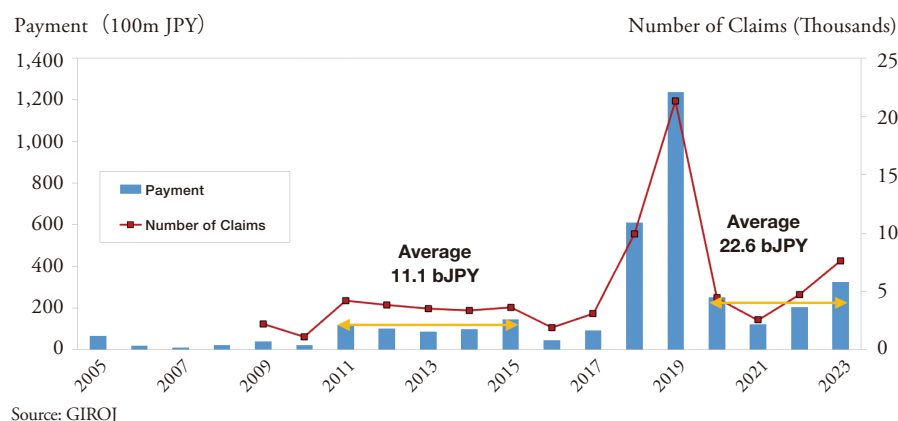
- Event loss data is sourced from the General Insurance Association of Japan (GIAJ) and the General Insurance Rating Organization of Japan (GIROJ).
- Losses represent non-life market insured losses and are not adjusted for exposure growth or inflation.
- “Available model” refers to fully probabilistic catastrophe model(s) used for reinsurance purposes.
- N-R = Not enough research.

5. Key Secondary Perils in Japan

5.1 Flood

Flood is the most important secondary peril for Japan from both loss and climate perspectives. Annual residential market flood losses have trended upward in recent years, as shown in Figure 4. The average annual payment for 2020–2023 was JPY 22.6 billion, more than double the average of JPY 11.1 billion for 2011–2015. Major recent events, such as the July 2018 Heavy Rain event and Typhoon Hagibis in October 2019, demonstrate the potential for flood events to produce market-scale catastrophe losses in Japan.

Figure 4: Annual Residential Non-Life Market Losses Caused by Flood

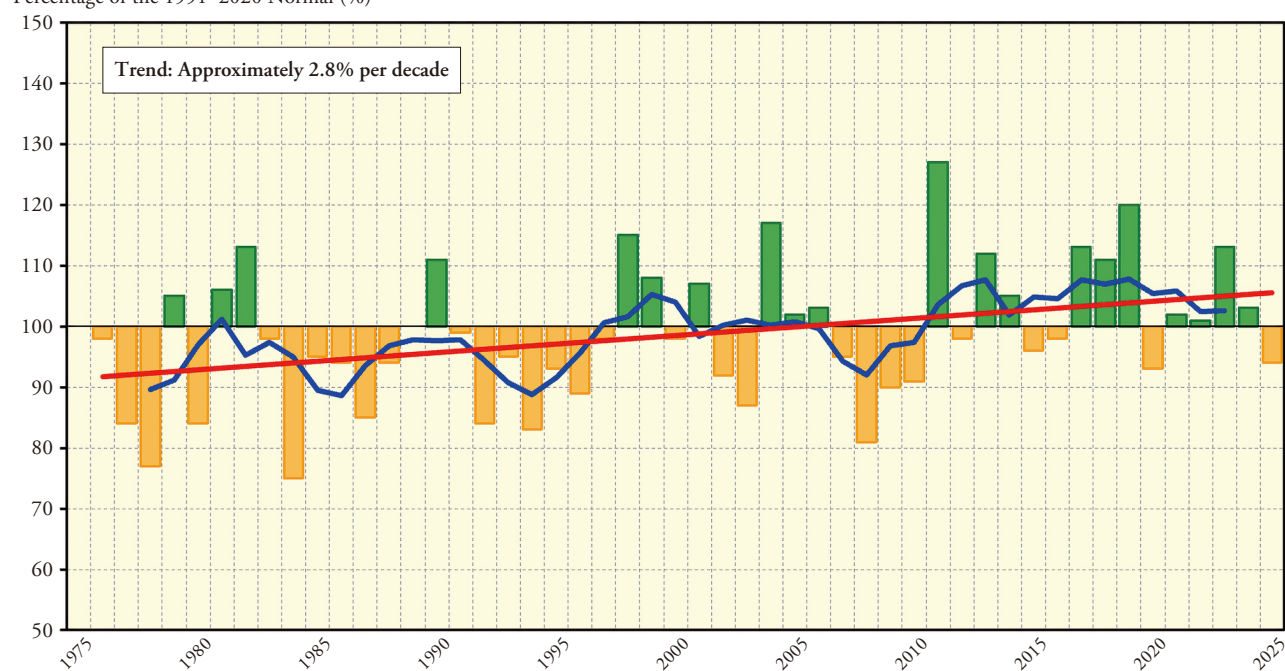




In the broader hazard context, annual maximum daily precipitation has increased by approximately 2.8% per decade, as shown in Figure 5. This suggests that the observed increase in losses is not solely an exposure-driven phenomenon but is also materially linked to changes in hazard.

Figure 5: Long-Term Trend in Annual Maximum Daily Rainfall

Percentage of the 1991–2020 Normal (%)



Source: Japan Meteorological Agency (JMA)

Climate change projections for precipitation reinforce this conclusion. According to the Ministry of Education, Culture, Sports, Science and Technology (MEXT) and the Japan Meteorological Agency (JMA) [Reference 3], under both 2°C and 4°C warming scenarios, the national average frequency of heavy precipitation events and annual maximum daily precipitation are projected to increase, as shown in Table 2. These projections indicate that extreme rainfall in Japan is expected to become both more frequent and more intense, suggesting a potential increase in flood risk.

Table 2: Projected Changes in Precipitation Patterns between 1980–1999 and 2076–2095, Averaged across Japan

	2°C Warming Scenario Potential conditions with achievement of the Paris Agreement's 2°C goal	4°C Warming Scenario Potential conditions with no future additional mitigation measures
Annual number of events with precipitation ≥ 50 mm/h	Approx. x1.8 increase	Approx. x3.0 increase
Annual number of days with precipitation ≥ 100 mm	Approx. x1.2 increase	Approx. x1.4 increase
Annual maximum daily precipitation	Approx. +12% (+13 mm)	Approx. +27% (+28 mm)
Annual number of days with precipitation < 1.0 mm	No statistically significant change	Approx. +9.1 days

Source: *Climate Change in Japan 2025*, MEXT and JMA

5.2 Snow

Snow losses in Japan show a different pattern from the underlying snow hazard. As shown in Figure 6, annual residential snow losses are characterized by substantial interannual variability, reflecting the event-driven nature of snow-related insurance losses. Over the longer term, market loss data suggest a slight upward trend in annual residential snow losses. In recent years, however, annual losses have fluctuated substantially around the average, without showing a clear persistent upward or downward trend.

The observed trend in snow hazard does not follow the same pattern. Long-term meteorological observations indicate that annual maximum snow depth has decreased significantly in areas along the Sea of Japan, with a decline of approximately 3.2% per decade, as shown in Figure 7. The divergence between the loss trend and the hazard trend suggests that the slight increase in snow-related insurance losses is likely driven by factors other than snow hazard. These factors may include changes in exposure, exposure concentration, inflation, and insurance penetration.

Climate change projections for snow hazard are consistent with the decreasing trend observed in long-term hazard data. According to MEXT and JMA [Reference 3], under warming scenarios, both annual maximum snow depth and total snowfall are projected to decline across Japan, with particularly large decreases of around 60% under the 4°C warming scenario. In addition, the snowfall season is expected to become shorter, with delayed onset and earlier termination. These projections indicate a general reduction in average snow conditions across the country in the future.

Based on the observed decrease in snow depth and the projected decline in future snowfall, snow hazard in Japan as a whole is expected to decrease. From an insurance risk perspective, this suggests that snow-related risk may decline or remain broadly unchanged at the national level. However, continued monitoring remains important, as insurance losses can still be affected by exposure growth, regional concentration, inflation, and individual severe snow events.

Figure 6: Annual Residential Non-Life Market Losses Caused by Snow

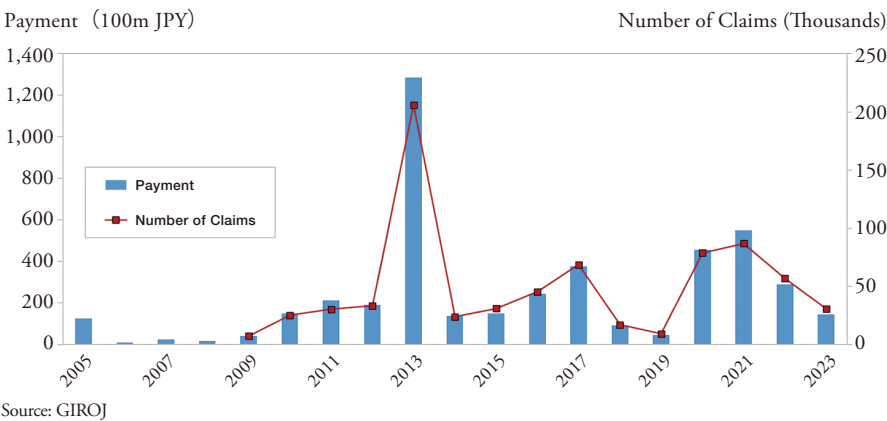


Figure 7: Long-Term Trend in Annual Maximum Snow Depth on the Sea of Japan Side of Northern Japan

Percentage of the 1991–2020 Normal (%)

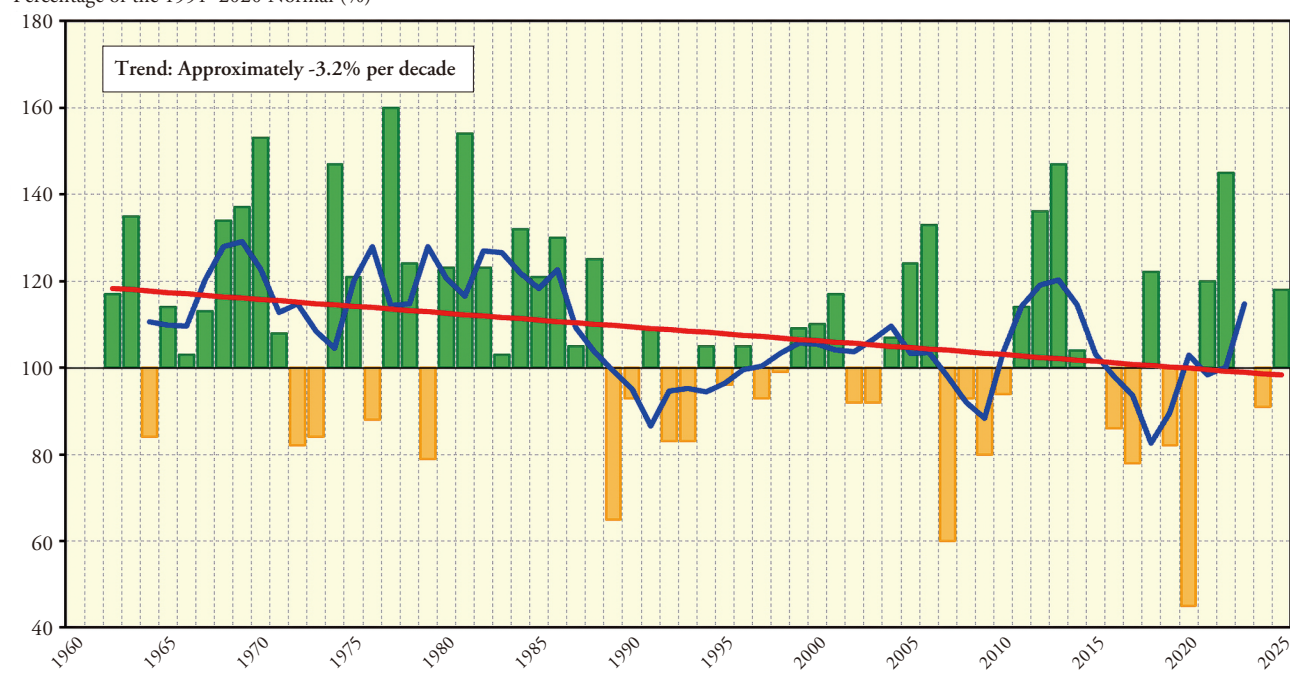


Table 3: Projected Changes in Precipitation Patterns between 1980–1999 and 2076–2095, Averaged across Japan

	2°C Warming Scenario Potential conditions with achievement of the Paris Agreement's 2°C goal	4°C Warming Scenario Potential conditions with no future additional mitigation measures
Annual maximum snow depth and snowfall	Approx. -30% (Changes in Hokkaido are expected to be small, and are difficult to project.)	Approx. -60%
Snowfall period	(Change unclear)	Shorter (Delayed start, early end)

Source: *Climate Change in Japan 2025*, MEXT and JMA

5.3 Hail

Table 4 summarizes non-life market losses from relatively large hail events in Japan. In recent years, major hail events have occurred in three consecutive years: the June 2022 Kanto event, the July 2023 Gunma event, and the April 2024 Hyogo event. These events generated significant losses, especially in motor insurance, and have increased the insurance industry's attention to hail-related risk.

Despite the recent occurrence of several large-loss events, available historical hazard data do not indicate a clear increasing trend in hail occurrence frequency in Japan. As a proxy indicator, the number of crop damage events caused by hail shows no significant upward trend over the observation period, as shown in Figure 8. This suggests that recent insured loss experience should be interpreted with caution. Large hail losses may reflect not only changes in the underlying hazard, but also

changes in exposure and vulnerability, including the accumulation of insured assets and the concentration of motor vehicles in affected areas.

At present, limited research specifically addresses the impact of climate change on hail in Japan. Global research on climate change and hail remains highly uncertain. The study by Raupach et al. [Reference 4] suggests that hailstorm severity may increase in many regions, although regional frequency trends differ substantially. For East Asia, the study even suggests a possible decrease in hail frequency. However, limited observations and incomplete scientific understanding mean that confidence in these projections remains low.

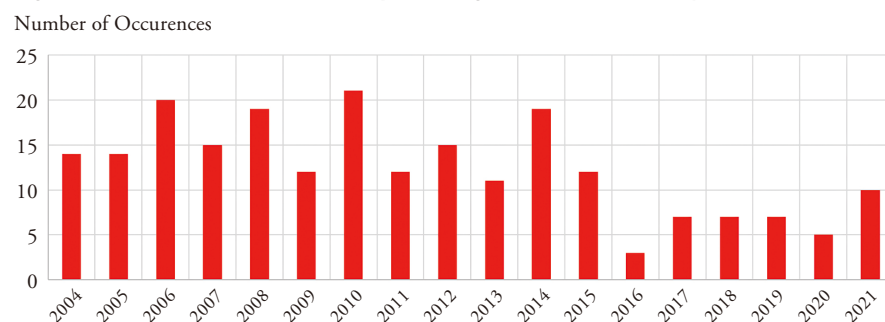
For the Japanese market, this means that hail remains a challenge in terms of data and model maturity. Reinsurers may pay increasing attention to hail if losses continue to affect high-value motor portfolios, solar panels, commercial roofs, or densely exposed urban areas. Insurers should therefore strengthen exposure management, event attribution, and accumulation monitoring for hail, even though current evidence does not indicate a clear increasing trend in the underlying hazard.

Table 4: Non-Life Market Hail Losses from Relatively Large Events

Event	Loss Amount (JPY million)		
	Property	Motor	Total
2000 May Kanto	N/A	N/A	70,000
2011 Jun. Hokkaido	20,247	N/A	N/A
2017 Jul. Kanto	10,475	N/A	N/A
2022 Jun. Kanto	49,417	65,934	115,351
2023 Jul. Gunma	22,009	53,832	75,841
2024 Apr. Hyogo	53,912	75,985	129,897

Source: GIROJ and GIAJ
N/A: Not publicly available

Figure 8: Annual Number of Crop Damage Events Caused by Hail



Source: Ministry of Agriculture, Forestry and Fisheries (MAFF)



6. Conclusions

Secondary perils are now a central theme in global catastrophe risk discussions, but Japan's experience differs from the global pattern. Primary peril losses continue to dominate Japan's catastrophe loss history, and secondary peril losses have not shown the same clear upward trend observed globally. This distinction is important for market communication and reinsurance strategy.

At the same time, Japan's secondary perils require continued attention.

- Flood risk is increasing and is expected to rise further, supported by recent loss experience and observed and projected increases in the frequency and intensity of extreme precipitation under climate change.
- Snow risk is likely to decrease or remain broadly stable for Japan as a whole, reflecting observed and projected reductions in snow hazard. Nevertheless, the 2014 event remains a reminder that rare snow events in high-exposure regions can produce major losses.
- Hail risk has gained attention because of large recent events, but its long-term trend and climate-change signal in Japan remain highly uncertain, and catastrophe modelling remains immature.

The central task for Japan's (re)insurers is therefore to develop a more granular view of each peril. This requires better data, stronger model governance, local vulnerability analysis, and scenario design around both peak and earnings risk. Japan's secondary perils may not mirror the global narrative, but they deserve disciplined and increasingly sophisticated treatment in Japan's insurance market.

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Trends in Japan's Non-Life Insurance Industry

3

Non-Life Underwriting & Planning Department 1

Non-Life Underwriting & Planning Department 2

The Toa Reinsurance Company, Limited

1. Overview of the Non-Life Insurance Industry

1.1 Status of Non-Life Insurance Companies, Cooperatives and SASTI

As of July 1, 2025, a total of 57 general insurance companies were operating in Japan. A total of 35 companies were licensed as domestic insurers, including foreign capital domestic insurers, while 22 companies were licensed as branch offices of foreign insurers.¹

Japan began liberalizing its insurance industry with the financial big bang in 1996. Its non-life insurance companies have increased operating efficiency since then while conducting mergers and business integrations in stages. As a result, the non-life insurance market has become an oligopoly comprising the three largest non-life insurance groups (in alphabetical order: MS&AD Insurance Group Holdings, Inc., Sampo Holdings, Inc. and Tokio Marine Holdings, Inc.). Last year, meanwhile, MS&AD Insurance Group Holdings, Inc. announced that it was decided to proceed with the merger of two core non-life insurance companies within the group, Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. The new holding company name from April 1, 2027 will be Mitsui Sumitomo Insurance Group.²

The market also includes cooperative and mutual insurance companies (referred to as 'Kyosai Organizations'), which offer fire, life, personal accident, automobile and annuity products. Kyosai is a mutual aid system where the members share their premium to establish mutual assets, and the funds are paid out at times of unexpected contingencies to compensate for the financial deficit and stabilize the lives of the members and their families. The main Kyosai Organizations that make up Japan Cooperative Insurance Association Incorporated had premium income of about 2.1 trillion yen in fiscal 2024 in total of fire, personal accident and automobile kyosai products (excluding life and annuity kyosai products), according to our calculation.³

In another development, the Small Amount and Short Term Insurance (SASTI) business was introduced in Japan following an amendment to the Insurance Business Act in April 2006. SASTI companies, which are limited to selling insurance products in small amounts with limited terms, provide non-life and/or life insurance products. In fact, regulations make it much easier for SASTI companies to enter the insurance business than is the case of establishing a new insurance company. For example, SASTI companies need only to register and need not be licensed by the Financial Services Agency (FSA) to operate. The minimum capital required is 10 million yen, compared to 1 billion yen for an insurance company, and they may sell both life and non-life insurance products. The total premium income of member companies of The Small Amount and Short Term Insurance Association of Japan actually continues to expand. Non-life insurance products sold in this market are mainly renters insurance, including fire insurance for the home contents of renters and rental housing liability insurance sold through the real estate agent channel, recent strong-seller pet insurance, and pecuniary insurance. Some SASTI companies have grown to the extent that they may choose to get a license to operate as an insurance company, while some existing non-life insurance companies have newly established SASTI companies.



The Small Amount and Short Term Insurance Market Data⁴

Figure 1: Member Companies

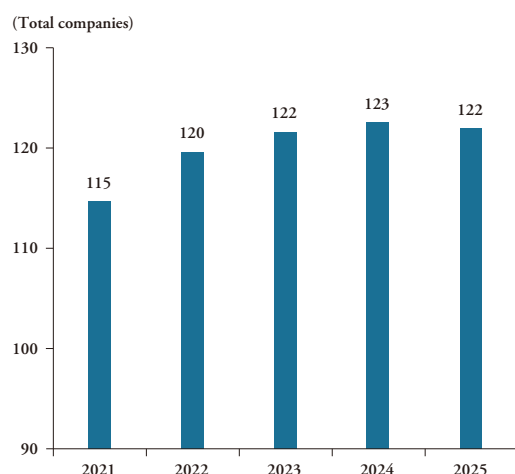
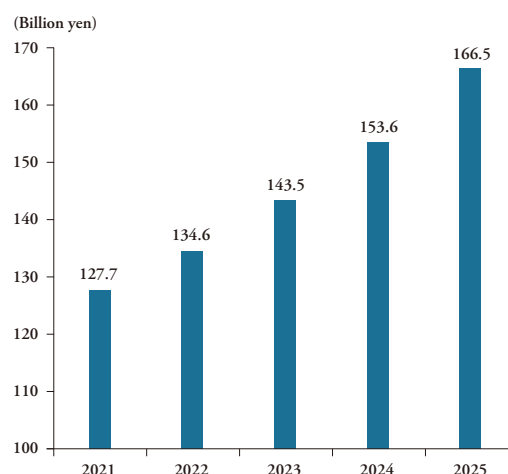


Figure 2: Premium Income



Source: The Small Amount and Short Term Insurance Association of Japan

1.2 Trends in Business Results of Non-Life Insurance Companies for Fiscal 2025⁵

The following is a summary of the main financial results (total) of the 31 members of the General Insurance Association of Japan (GIAJ) in fiscal 2025.

Net premium income in all lines of business increased by 394 billion yen from the previous fiscal year to 9,973 billion yen, mainly due to automobile and fire classes with revisions of insurance products and insurance premium rates.

Net claims paid decreased by 112 billion yen to 5,460 billion yen reflecting lower earthquake claims following the 2024 Noto Peninsula Earthquake and reduced natural disasters related fire claims, partially offset by higher automobile claims due to inflation. As a result, the loss ratio decreased by 3.1 percentage points to 61.0%.

Expenses increased by 51 billion yen to 3,110 billion yen, while the net expense ratio reduced by 0.7 percentage points to 31.2% owing to the increase in net premium income.

Underwriting profit increased by 234 billion yen to 360 billion yen.

Ordinary profit, calculated as the sum of underwriting profit and investment profit, increased by 132 billion yen to 2,382 billion yen. After deducting tax expense, net income decreased by 50 billion yen to 1,767 billion yen.

1.3 Overseas Business Developments of the Three Largest Non-Life Insurance Groups

The three largest non-life insurance groups have all positioned overseas business as a growth driver, and have aggressively implemented initiatives such as forming business alliances with foreign insurance companies and engaging in M&A.

The three groups' global business developments and/or restructuring in the non-life insurance segment in recent years are as follows:

Mitsui Sumitomo Insurance Company, Limited, a subsidiary of MS&AD Insurance Group Holdings, Inc., announced in March 2025 that it invested in Coalition, Inc., a U.S.-based cyber Insurtech company and a leading provider of cyber insurance with advanced cyber risk assessment technologies, to expand its global cyber insurance business with preventive measures and optimal protections. MS&AD Insurance Group Holdings, Inc. further announced in March 2025 that Mitsui Sumitomo Insurance Company, Limited was entering into 'Investment and Voting Agreements' with the founding family of W. R. Berkley Corporation, a Fortune 500 company and a leader in specialty insurance lines in the commercial and select parts of the specialty consumer space.^{6,7}

Sompo Holdings, Inc. announced in August 2025 that through the subsidiary Sompo International Holdings Ltd., it entered into a definitive agreement to acquire 100% of the outstanding ordinary shares of Aspen Insurance Holdings Limited, a specialty insurance group that operates insurance and reinsurance businesses primarily in the U.S., U.K. (including the Lloyd's market), and Bermuda. It completed the acquisition of Aspen Insurance Holdings Limited in February 2026.^{8,9}

In 2024, Tokio Marine Holdings, Inc. announced that it had completed the sale of Tokio Marine Pacific Insurance Limited, its subsidiary in Guam, the U.S. and the sale of all of its shares in Arabian Shield Cooperative Insurance Company, a life and non-life insurance company in Saudi Arabia. In addition, they announced in March 2026 that they entered into a comprehensive strategic partnership with National Indemnity Company, the core reinsurance entity wholly owned by Berkshire Hathaway Inc.^{10, 11, 12}

With a focus on life and non-life insurance, on the other hand, the three groups are expanding and strengthening an array of various areas based on synergies with insurance products and promotion of insurtech, including financial services, risk solutions and services, nursing and senior care, healthcare, and digital. They are enhancing alliances and investments in a variety of overseas companies including artificial intelligence startups and insurtech companies.



1.4 Claim Payment for Natural Disasters

Japan is exposed to natural disasters such as typhoons and earthquakes, and in various ways non-life insurance products and their related services support those who suffer losses from natural disasters.

Largest Claims Paid for Typhoons and Windstorms in Japan

(Updated in March 2026 by GIAJ)¹³

	Name of Disaster	Date	Total amount of claim payments (in billions of yen)
1	Typhoon No. 21 (Typhoon Jebi)	Sep. 3-5, 2018	1,067.8
2	Typhoon No. 19 (Typhoon Hagibis)	Oct. 6-13, 2019	582.6
3	Typhoon No. 19 (Typhoon Mireille)	Sep. 26-28, 1991	568.0
4	Typhoon No. 15 (Typhoon Faxai)	Sep. 5-10, 2019	465.6
5	Typhoon No. 18 (Typhoon Songda)	Sep. 4-8, 2004	387.4

Largest Claims Paid for Earthquake Insurance on Dwelling Risks

(As of March 31, 2025)¹⁴

	Earthquake (Region name)	Date of occurrence	Reinsurance claims paid (in billions of yen)
1	The 2011 off the Pacific coast of Tohoku	Mar. 11, 2011	1,289.7
2	The 2016 Kumamoto	Apr. 14, 2016	391.3
3	Fukushima-ken-oki	Mar. 16, 2022	278.2
4	Fukushima-ken-oki	Feb. 13, 2021	251.4
5	Osaka-fu Hokubu	Jun. 18, 2018	125.2

2. Topics of the Non-Life Insurance Market

2.1 Trends in the Fire Insurance Market

Due to the fact that fire insurance business results in Japan in the past, mainly driven by major natural disasters and other factors, Reference Loss Cost Rates (advisory pure premium rates) for fire insurance, as calculated by General Insurance Rating Organization of Japan (GIROJ)*, were revised upward four times since 2018. In response, non-life primary insurance companies revised their premium rates and progressively tightened terms and conditions such as shortening the maximum policy period, increasing deductibles, and introducing limits of liability.

As a result of these measures, fire insurance results in Japan have shown an improvement trend in recent years, and further measures are expected to be implemented to address natural catastrophe risks and inflation going forward.

* Under the Act on Non-Life Insurance Rating Organizations, GIROJ calculates Reference Loss Cost Rates (for voluntary automobile insurance, fire insurance, personal accident insurance, and so on), which are pure premium rates, and Standard Full Rates (for compulsory automobile liability insurance and earthquake insurance), which consist of pure premium rates and expense loading, based on insurance statistics from the data reported by its member insurance companies. GIROJ provides them to its member insurance companies as advisory rates.¹⁵

Outline of Announcements by GIROJ **	
July 2018 ¹⁶	Reference Loss Cost Rates for Homeowners' Comprehensive Insurance increase by 5.5% on average. Background of revision: Increase in claims related to natural disasters and water damage from plumbing
December 2019 ¹⁷	Reference Loss Cost Rates of Homeowners' Comprehensive Insurance increase by an average of 4.9% with discounts for relatively new dwellings. Background of revision: Increase in claims related to natural disasters and reflection of risk differentials by building age
July 2021 ¹⁸	Reference Loss Cost Rates of Homeowners' Comprehensive Insurance increase by an average of 10.9%. Key background factors for revision: Increase in natural hazard risk and reflection of risk trend
September 2023 ¹⁹	Reference Loss Cost Rates for Homeowners' Comprehensive Insurance are to increase by an average of 13.0% with segmentalization of Premium Rates for water disasters into 5 categories according to the regional risks. Key background factors for revision: • Increase in the amount of claims by natural disasters and significant change of the risk environment • To ensure the fairness among policyholders in terms of the burden of water disaster premium rates

** In the case where each insurance company chooses to reflect the revision of the Reference Loss Cost Rates in their fire insurance products, it may take 1 year or more from the date of the GIROJ announcement.



2.2 Reinsurance Renewals in 2026

Most reinsurance contracts of domestic non-life insurance companies, including cooperatives and SASTI companies, are renewed at the start of their fiscal year, generally April 1.

While the impact of the geopolitical turmoil in the Middle East was a concern, the April reinsurance renewals in Japan proceeded practically without any direct effect from it. There was a further softening of the reinsurance market since the January renewals, and the cedants generally enjoyed improved terms and conditions in various lines of business, such as reduction in reinsurance premiums for non-proportional treaties and a raising of commission rates for pro-rata treaties.

Against this background, encouraged by favorable performance and strong capital positions, reinsurers offered plentiful capacity for the Japanese reinsurance renewals. Additionally, continuous efforts by Japanese direct insurers to enhance the profitability of fire insurance, and to decrease overseas exposure in liability insurance, were favorably considered by the reinsurers in the renewal negotiations.

2.3 Acceleration of Digital Transformation

Major insurers and others have rapidly accelerated digital transformation using various digital technologies premised on 'zero contact.' The following are examples:

- The introduction of various mechanisms and tools that enable remote and paperless customer interactions including insurance consultations, contract application and loss reporting, along with insurance premium and claims settlement.
- The application of AI techniques for customer communications, risk assessment, claim surveying, disaster prediction and mitigation, as well as for various new products and services.

2.4 Trends in Regulation by Regulatory Agencies

Financial institutions are required to make accurate management decisions that take into account various challenges. These include changes and uncertainties in the domestic and international economic environment and monetary policy, the further advancement of digital technology and so on. The Financial Services Agency (FSA) has stated that it is the responsibility of financial authorities to ensure confidence in the stability and fairness of the financial system through rigorous onsite and offsite supervision and regulatory improvements. As for insurance companies, the FSA amended the Insurance Business Act which was put into effect in June 2026 to ensure thorough customer-oriented business conduct to realize a sound competitive environment. They intend to carry out onsite and offsite supervision to ensure that insurance companies maintain appropriate information management systems. Companies that operate both domestically and internationally are facing an increasing risk of business interruption, primarily due to the growing frequency and severity of natural disasters, as well as the emergence of geopolitical risks. Moreover, the potential for expanded losses is growing, driven by soaring damages from litigation and inflation. The FSA has stated that it is crucial to foster a market where non-life insurance products tailored to the specific risks of each company and project can be traded and for this purpose, the FSA would collaborate with relevant ministries and agencies to facilitate communication between companies and non-life insurance companies regarding specific needs and risk management expertise, aiming to cultivate a shared understanding among all stakeholders.^{20 21}

Pertaining to the introduction of the Insurance Capital Standard (ICS) adopted in December 2024 by the International Association of Insurance Supervisors (IAIS), the FSA promulgated the new regulations and the amendments to the existing regulations for the insurance business, which were applied in March 2026. The economic value-based solvency regulatory framework adopts the three pillars, Pillar 1. Solvency Regulations, Pillar 2. Internal Controls and Supervisory Reviews, and Pillar 3. Disclosure, with the objectives of policyholder protection, enhancement of risk management at insurance companies, and information disclosure to consumers and market participants. The standard model in Japan follows the basic structure of the ICS, while modifying the ICS specifications to the extent necessary.^{22 23}



2.5 ESG and SDGs Initiatives

Japan is among the countries promoting ESG and SDGs. Led by major insurers, various companies are proceeding with implementation of a broad array of studies and initiatives in areas including asset management, personnel systems, corporate governance, compliance and social contribution, in addition to improving insurance products and services.

The three largest non-life insurance groups have established sustainability committees and have officially incorporated the ESG framework into the decision-making process for insurance operations and investment. They regularly publish the sustainability reports. In addition, they are addressing the greater frequency and intensity of natural disasters as a result of climate change by cooperating more closely with other industries, local governments and other organizations in disaster mitigation initiatives ranging from disaster prevention to repair cost reduction. The three groups are also enhancing insurance products that facilitate and support renewable energy development.

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4

Trends in Japan's Life Insurance Industry

Life Planning Department

The Toa Reinsurance Company, Limited

1. Trends in Japan's Life Insurance Industry

During the fiscal year ended March 31, 2026 (fiscal 2025), premium income and other revenues of Japan's 41 life insurance companies increased by 4.7% year on year to 45.0 trillion yen, backed by rising interest rates in Japan and increased sales of yen-denominated single-premium products.

Ordinary profit declined by 5.1% year on year to 3.0 trillion yen because companies recognized higher losses on the sale of securities as they reallocated assets in response to falling bond prices brought on by rising interest rates. However, basic profit increased by 11.9% year on year to 4.8 trillion yen due to a wider net interest spread resulting from higher interest and dividend income.

Thus rising interest rates enhanced the earnings environment, but also temporarily depressed investment earnings. This phenomenon was the result of a transition to assets with higher yields, which will likely support enhanced earning power over the medium-to-long term.

Source: Compiled from financial statements disclosed by the Life Insurance Association of Japan and individual life insurance companies

2. The Impact of Interest Rate Normalization

In March 2024, the Bank of Japan discontinued its negative interest rate policy and yield curve control (YCC), and returned to a conventional monetary policy framework, targeting short-term interest rates at around 0% to 0.1%.

This normalization process has had conflicting effects on asset and liability management (ALM) among Japan's life insurance companies. Changes in the interest rate landscape have led to more sophisticated criteria for valuing products, which has heightened the need for product redesign. For ALM, rising interest rates are expected to improve reinvestment yields, which could support higher interest margins over the medium to long term. In the short term, however, volatility has intensified because of factors such as higher unrealized losses on existing long-term bond holdings and shifts in policyholder surrender behavior. Furthermore, the changes in Japan's interest rate environment have led to an evolution in the market for foreign-currency-denominated, single-premium products. These products capitalize on higher interest rates outside Japan, and their high crediting rates superficially drove valuation. However, the market is now valuing these products using total return, a comprehensive metric that incorporates factors such as foreign exchange fluctuations, market value adjustments pursuant to interest rate changes, surrender charges, and various charge and fees. Moreover, the Financial Services Agency (FSA) has indicated that the investment returns on these products are structurally prone to erosion resulting from early surrender and product switching. It has also identified deficiencies in sales management frameworks that include inadequate comparative explanation and after-sales service.

The normalization of monetary policy presents life insurance companies with both the tailwind of increased investment yields and the headwinds of volatile valuation, policy surrenders, and liquidity issues. It is important to address three



challenges in future product redesign. First, companies must develop product designs, such as those featuring variable interest rates, to mitigate abrupt fluctuations in earnings even during periods of interest rate volatility. Second, they must revise their frameworks to discourage early policy surrenders and incorporate after-sales service that is aligned with the objective of long-term policy retention. Third, companies must transition toward commission structures and management systems that engender continuous customer support, rather than overemphasizing the first year of policies. In summary, in a positive interest rate environment, determining the sustainability of earnings for life insurance companies will not be about simply increasing sales volume, but rather the quality of products and sales frameworks that balance ALM stability and customer value.

3. Quantitative Expansion and Qualitative Evolution in the Life Reinsurance Market

In recent years, Japan's life reinsurance market has undergone quantitative expansion with an increase in ceded volume, as well as qualitative evolution involving a fundamental shift in the role of reinsurance. The primary underlying factor has been the introduction of the Economic Value-based Solvency Regulations (ESR), which took effect at the end of March 2026. Because this economic value framework emphasizes the impact of interest rate fluctuations and embedded options to a far greater extent than previous regimes, the level of required capital now has a direct impact on insurers' financial condition, which incentivizes insurers to reduce risk exposure and enhance capital efficiency by transferring risk. Consequently, demand has surged for reinsurance covering longevity, lapse, guaranteed-rate, and other risks that were previously limited, as has demand for block reinsurance. This suggests that the life reinsurance market has entered a phase conducive to quantitative expansion.

Meanwhile, the quality of reinsurance transactions is also changing. Symbolizing this shift, reinsurance companies associated with U.S. funds have become prominent counterparties to reinsurance contracts with Japanese life insurers. This underscores the evolution of reinsurance beyond discrete risk transfers to linkage with asset management. Reinsurers have an incentive to deploy assets equivalent to the liability reserves they have assumed into relatively high-return, low-liquidity investments. This leads to the creation of a framework whereby ceding insurers can benefit through improvements in capital metrics. This qualitative evolution has led to a new set of risk-related issues that include credit and counterparty risk; the composition and transparency of investment portfolios; and liquidity and contagion effects during periods of market stress. The FSA has addressed the expanding use of reinsurance by publishing proposed amendments to its Comprehensive Guidelines for Supervision of Insurance Companies, with the objective of further enhancing risk management frameworks. The focus of scrutiny is expected to shift from the discrete use of reinsurance to the intrinsic substance of such use. This would mean that scrutiny will emphasize the entity assuming the

transferred risk, the structural framework employed, and the extent of the transfer, as well as the continuity of financial soundness. Further quantitative expansion is likely in Japan's life reinsurance market. However, the scrutiny of both regulators and the market is also likely to motivate restructuring that enhances soundness by differentiating high-quality from low-quality deals.

4. Sales Channel Restructuring

Structural change in the sales channels of Japan's life insurance industry is accelerating. Traditionally, the life insurance business has relied heavily on an in-person model involving direct sales by agents. However, evolving customer behaviors and labor shortages resulting from Japan's declining birthrate and aging population are challenging the viability of this approach. In particular, demographic changes and diversifying customer needs are compelling a structural overhaul of traditional sales models.

Younger demographics have largely driven significant change in the insurance product evaluation process. This customer segment generally gathers and compares information online, which drives demand for online enrollment models and reducing customers' reliance on sales representatives as their primary source of information. Given this trend, insurance companies are aggressively developing simple products that are easy to understand along with systems that enable customers to enroll without the need for in-person interaction. Sales channels have also become remarkably diverse. Strategies that combine multiple channels have become commonplace, including collaboration with comparison websites and digital platforms. These approaches complement traditional channels, ranging from sales by banks and independent insurance agencies to direct online channels. As a result, customers are now able to select the channel best suited to their individual purchasing preferences, while companies are able to tailor their approach to distinct customer segments across various channels.

In addition, over the past several years the insurance industry has moved beyond simply diversifying channels with a shift to ecosystem business models featuring collaboration with digital enterprises and companies in unrelated industries. Aiming to expand customer touchpoints and generate new value, insurers are offering their products as part of packages encompassing financial, healthcare, and lifestyle support services rather than solely insurance. This approach ties in closely to the strategic use of data and the establishment of digital identity infrastructure. Additionally, sales channel restructuring is significantly impacting cost structures. The traditional sales agent model involves significant personnel expenses, but the use of digital channels enables more efficient customer acquisition that has the potential to reduce sales expenses and enhance price competitiveness. Nevertheless, in-person channels remain important for explaining complex products and handling high-value policies. A hybrid model that does not eliminate in-person channels but complements them with remote channels is therefore emerging as the mainstream.



In the future, sales support that leverages artificial intelligence (AI) and data analytics will likely become increasingly sophisticated, enabling the delivery of proposals at the optimal moment based on a customer's life events and behavioral history. This should make progress the optimization about who to offer what to, as well as when and through which channel, which should create a new competitive axis that enhances both sales efficiency and customer satisfaction. The increased sophistication of channel strategies is therefore positioned as a critical turning point that will ultimately determine the competitive advantage of individual companies.

5. Use of AI in Underwriting and Assessment

Japanese life insurance companies are increasingly adopting AI to enhance the sophistication of underwriting and assessment, and to address chronic labor shortages. The underwriting and assessment process typically involves a process involving the verification of application information, acquiring health information, referencing underwriting manual, presenting underwriting results, and recording and explaining policies. Within this process, interpreting and referencing information impose a significant workload and are prone to inconsistencies in judgment depending on the experience and proficiency of the underwriter. Consequently, companies are employing AI to support rather than directly replace human judgment, and are using it to organize and extract required information to allow assessors to concentrate on key points in making decisions.

Specific use cases include the analysis of unstructured documents such as health declarations, medical examination reports, and attending physician statement. AI optical character recognition and natural language processing can extract and structure key data ranging from disease names, test results, and medication status to medical history and outpatient visit records. AI can then reference this data against internal underwriting manual to generate preliminary assessment recommendations and identify points requiring further verification. Consequently, this approach should reduce processing time for standard cases and mild substandard cases. AI is also likely to offer additional benefits such as standardizing decision-making, preventing oversights, enhancing audit capabilities by improving record-keeping, and reporting results to customers more quickly. Moreover, the automation of routine verification tasks will minimize rework within the underwriting process, which will help improve overall operational efficiency.

At the same time, underwriting decisions directly impact policy condition and premiums, so complete automation using AI requires a cautious approach. Particular challenges include AI's ability to explain underwriting rationales transparently, ensuring fairness, protecting personal information, and continuously managing model accuracy. Inappropriate decisions resulting from biases in training data are another potential risk, as is the negative impact on performance due to shifts in disease patterns and the medical environment, product revisions, or changes to application forms. Robust approval workflows that feature continuous monitoring, systematic human oversight, and underwriter training will therefore be essential.

Furthermore, the use of machine learning to complement traditional statistical methods is increasing for disease risk and mortality rating as a means to gain a more detailed understanding of risk structures derived from multivariate data. Advances in generative AI should also add sophistication to ancillary operations, such as documenting underwriting rationales and creating support materials and internal memos. However, the deployment of these technologies presupposes operations designed for transparency, governance, and accountability.

6. Cancer Insurance Products: Evolution and Issues

Traditionally, cancer insurance has evolved with a core focus on providing lump-sum benefits upon diagnosis as well as hospital-related benefits. However, insurers have expanded outpatient benefits to address the shift toward outpatient-based cancer treatment and the increasing duration of treatment. Consequently, policy design has changed to prioritize benefits linked to the treatment process. Underlying factors include the recent increase in outpatient cases involving the ongoing administration of drug therapies and radiation treatments, and the decrease in the average length of hospital stays. Data from the Ministry of Health, Labour and Welfare's Patient Survey also shows that outpatient care has replaced hospital care as the primary setting for treatment.

In addition, the High-Cost Medical Benefit program included in Japan's public health insurance system caps monthly out-of-pocket expenses for covered medical services at a predetermined limit. However, certain expenses that include private room charges, transportation costs for outpatient visits, and technical fees for advanced medical treatments are not covered by insurance. The role of private cancer insurance therefore extends beyond simply reimbursing medical expenses because it also serves as a vital source of the funding required to sustain both ongoing medical treatment and day-to-day life.

Expanded outpatient benefits are a standout trend among current products. Initially limited to outpatient visits following hospitalization, the scope of these benefits has gradually widened, and product designs that broadly cover outpatient visits associated with specific treatments have now become the norm, whether those visits occur prior to hospitalization or are entirely independent of it. Consequently, the significance of these benefits as a means of preparing for the various costs associated with outpatient treatment has steadily increased. The widespread adoption of monthly treatment benefits is another major trend. Outpatient chemotherapy frequently involves repeated, ongoing treatment sessions that do not require hospitalization. Product designs that address the realities of this medical care with a fixed-sum benefit for specific treatment in a given month tend to be appealing. This type of product design provides coverage tailored to the actual nature of the medical treatment received.

On the other hand, policy definitions and payment conditions tend to become more complex as coverage becomes more diverse. This creates difficulties for



consumers in comparing different products. The quality of product explanation during the sales process is therefore critically important because factors such as the scope of specific treatments and limits on the number of benefit payments significantly influence the true value of the coverage. Highly transparent explanation and benefit structures that are easy to understand will both be key factors for determining the true value of cancer insurance with clear understanding of the High-Cost Medical Benefit program included in Japan's public health insurance system and actual expenses outside the system.

Company Overview

Profile

The Toa Reinsurance Company, Limited (Toa Re), was established in 1940. With the reinsurance market evolving and clients' needs expanding, we have recognized the importance of being able to provide a diverse line of life and non-life reinsurance products to lead the market as Japan's primary professional reinsurer. Toa Re is based in Tokyo with subsidiaries in New Jersey (U.S.A.) and Zürich (Switzerland). Increasing demand for reinsurance products in Asian countries prompted us to expand our operations in those regions and establish branch offices in Singapore, Kuala Lumpur and Hong Kong.

In acknowledgment of Toa Re's outstanding financial profile, credit rating agencies, Standard & Poor's Financial Services LLC, A.M. Best Company, Inc. and Japan Credit Rating Agency, Ltd., have assigned Toa Re ratings of A, A and AA+, respectively. As of March 31, 2026, the Toa Re Group boasted total assets of 1,202.0 billion yen. Net premiums written during the fiscal year ended 31st March 2026, totaled 273.3 billion yen.

Mission Statement



ToaRe Mission Statement

Providing Peace of Mind

Toa Re aims to realize its mission by

working with society and applying the principles of fairness and integrity to all aspects of our business

offering long-term, solid support to our clients by supplying reinsurance products and services that enable them to maintain stable operations

striving to enhance our corporate value for the interests of our shareholders through open and transparent corporate management

respecting the creativity of our group employees and valuing their contributions

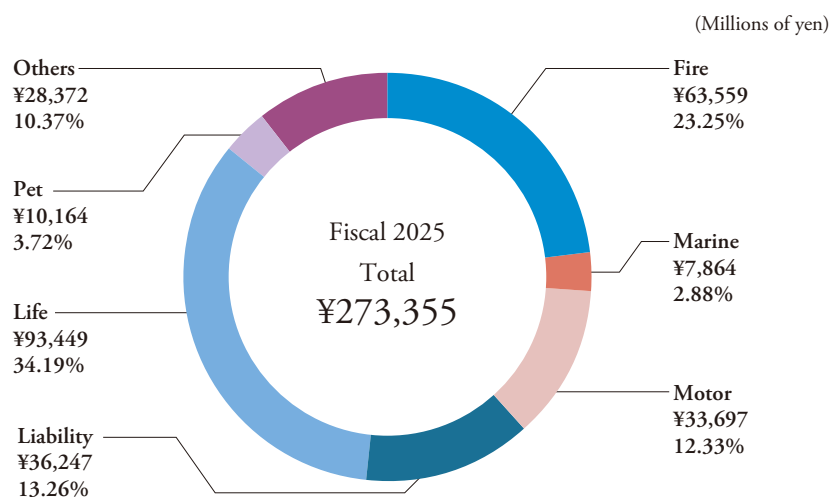
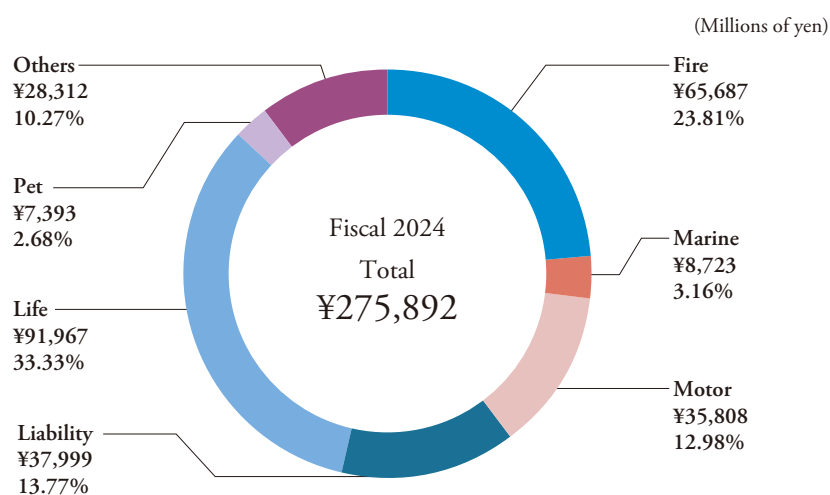
conserving the environment and contributing to a sustainable society

Consolidated Financial Highlights

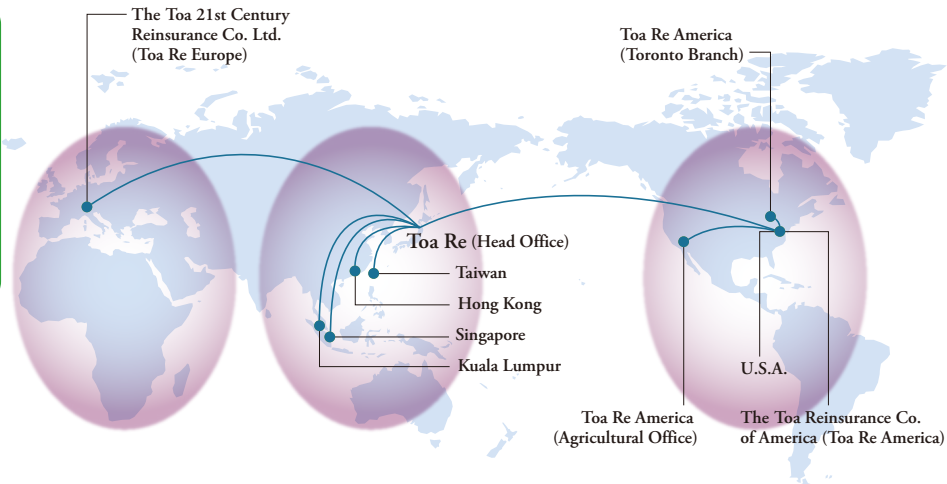
	Millions of yen					Thousands of U.S. dollars
	2026	2025	2024	2023	2022	2026
For the year ended March 31						
Ordinary income	¥335,116	¥342,443	¥329,071	¥349,337	¥329,804	\$2,096,047
Net premiums written	273,355	275,892	280,826	320,822	302,024	1,709,751
Ordinary profit (loss)	50,998	37,813	21,197	3,238	827	318,976
Net income (loss) attributable to owners of the parent	39,270	28,475	15,556	2,450	(1,248)	245,621
As of March 31						
Total net assets	435,808	339,995	289,658	196,303	201,307	2,725,844
Total assets	1,202,096	1,098,952	1,021,441	905,749	860,421	7,518,739

(Rate: ¥159.88 = US\$1)

Net Premiums Written by Class (Consolidated Basis)



Overseas Network



Locations

Branches

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Representative Offices

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Providing Peace of Mind

The Toa Re Group is a global composite reinsurer that provides peace of mind to its clients by protecting them from a broad range of perils such as catastrophic earthquakes and typhoons, casualty events, crop damage, mortality and health care.

We at The Toa Re Group aim to be chosen by clients from across the world because of our ability to offer a secure long-term partnership of optimal solutions and strong financial security.

