

Japan Insurance Agency Software Market Assessment, By Type [Life Insurance, Auto Insurance, Life and Health Insurance, Home Insurance, Property and Casualty Insurance, Travel Insurance, Others], By Deployment Type [On-premises, Cloud], By End-user [Small Business, Medium-sized Business, Large Business], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

Japan insurance agency software market is projected to witness a CAGR of 5.78% during the forecast period FY2025-FY2032, growing from USD 358.88 million in FY2024 to USD 562.57 million in FY2032. Insurance agency software provides insurance companies with the tools for performing functions such as premium calculation, underwriting, customer care management, and regulatory compliance. Advanced models of this tool integrate AI and machine learning to enhance functionality and increase their processing capability, making them one of the key elements in gaining efficiency and effectiveness in modern insurance practice. Consequently, continuously evolving customer expectations drive the growth of the insurance agency software market in Japan for frictionless digital engagement, personalized services, and speedier claims processing. Since AI and machine learning form vital technologies in addressing these demands by enhancing the level of accuracy and productivity, this is increasingly accelerating the pace of adoption amidst growing requirements for increased digital engagement.

The technological innovations, along with the growing demand by consumers, have been acting as catalysts for the rapid growth in the Japan insurance agency management software market. Major industry participants are concentrating on the development of high-tech products using large-scale investments in R&D. Favorable government initiatives coupled with encouraging regulations further accelerate the market growth. Increasing disposable incomes and emerging trends toward preference for premium and value-sustainable products further support the market's growth. Consequently, more firms are focusing on providing products and enhancing their business practices to meet the standards of going green. This would mean a significant development in the economic growth of the nation and a strong growth for the insurance agency management software market in Japan.

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For instance, in December 2023, Akur8, a French startup founded in 2018, developed a machine-learning and data-driven insurance pricing platform in Japan that automates and optimizes pricing business processes in the insurance industry and has been providing services to over 100 companies in 40 countries worldwide.

Digital Transformation is Shaping Japan's Insurance Market

Digital transformation is one of the key drivers for phenomenal growth in the Japanese insurance market. A rising number of insurers are adopting advanced technologies such as AI, ML, and Big Data Analytics to improve their business operations. Advanced technologies allow the automation of complex processes for valuable insight into data and informed decision-making. For instance, AI can speed up the process of claims by automatically evaluating and confirming claims based on set conditions, therefore saving time and effort taken for manual checks. Big data analytics helps insurers know their customers' behavior and preference, hence designing more personalized insurance products and services. Moving to digital solutions will smoothen the operations and please customers by offering speedy and accurate service delivery.

For instance, in April 2024, Oracle revealed a USD 8 billion investment in cloud computing and AI Infrastructure in Japan. This significant investment aims to cater to the country's increasing demand for cloud services and advanced technological capabilities.

The Impact of Japan's Aging Population on Insurance Needs

The second important driver for the growth of the insurance market is Japan's aging population. With one of the highest life expectancies in the world, Japan has an increasing requirement for long-term care and life insurance products. The elderly population requires comprehensive insurance coverage to finance health care costs and ensure financial security in old age. This, therefore, has been changing the nature of the insurance business by innovating products for older adults in the form of long-term care insurance and annuities. More importantly, aging has forced insurers to adopt technologies enabling remote consultations and digital health monitoring to easily have elderly customers served with ease. The focus on the aging population, while filling an extremely critical market need, increasingly drives the innovation in insurance products and services.

For instance, in December 2023, The Ministry of Health, Labor, and Welfare (MHLW) in Japan proposed an increase in long-term care insurance premiums for individuals aged 65 and above having high incomes. This proposal aims to address the growing financial demands of Japan's aging population and ensure the sustainability of the long-term care insurance system. The proposed changes are part of broader efforts to balance the financial burden more equitably among different income groups.

The Role of Regulatory Compliance in Japan's Insurance Industry

The insurance industry in Japan is regulated by the Financial Services Agency, commonly known as FSA, and the Local Finance Bureau of the Ministry of Finance, which work to ensure that insurers conform to a set of strict guidelines and standards. These include laws on licensing of operations, solvency, and reserve requirements, investment regulations, and others. These regulations are very important in relation to market stability and protection of the interests of policyholders. Positively, insurance software solutions have been developed to help insurers fulfill these requirements efficiently through automation of compliance processes, reporting with high accuracy, and data security. Insurers operating in this market can thus use technology effectively to achieve ease in compliance, while they focus on the core aspect of providing quality service with the least risk of regulatory breach.

For instance, the FSA requires insurance companies to maintain specific solvency margins to ensure they can meet their long-term obligations to policyholders. This involves calculating the solvency margin ratio, which is a measure of an insurer's financial health and ability to withstand financial shocks. To comply with these regulations, many insurers in Japan have adopted advanced insurance software solutions. These systems automate the process of calculating solvency margins, generating accurate reports, and ensuring data security.

Dominance of Cloud-based Segment Software

In Japan insurance agency software market, cloud-based solutions are more widely used among insurers. The adoption of cloud-based insurance software has been driven by its cost-effectiveness, scalability, and flexibility features. Cloud-based systems allow insurers to access applications, data storage, and computing power on-demand, which is particularly beneficial for managing large volumes of data and ensuring seamless operations.

While on-premises solutions are still in use, the trend is shifting towards cloud-based systems due to several benefits, such as cost-effectiveness for insurers as it doesn't require major upfront investments in hardware and infrastructures. It allows insurers to

opt for pay-as-you-go models that support economic scaling by reducing maintenance costs. Apart from this, cloud systems are scalable, so insurers can scale up and down depending on demand and, therefore, manage sudden peaks in data volumes during catastrophes. The flexibility of cloud-based systems allows for remote work to be enabled through access to applications and data from anywhere on any device connected to the internet. This boosts productivity and business continuity. Additionally, the cloud-based solution has emerged as part of a wider insurance market digital transformation that will embrace the emerging technologies of AI, ML, and big data analytics to enable business process automation, efficiency enhancement, and fact-based decisions.

For instance, in April 2024, Microsoft announced it would invest USD 2.9 billion over the next two years to increase its hyperscale cloud computing and AI infrastructure in Japan. It will expand its digital skilling programs to provide AI skills to more than 3 million people over the next three years, open its first Microsoft Research Asia lab in Japan, and deepen its cybersecurity collaboration with the government of Japan. This will help insurance software companies scale AI-driven cloud-based software and increase awareness about cloud computing.

Central Region of Japan Dominates Insurance Agency Software Market Share

The Central region, especially the Kanto area, is Japan's economic and financial center. Many insurance companies, financial institutions, and multinational corporations are headquartered or base their operations in Tokyo. With so many large enterprises, highly functional insurance software enhances operational efficiency and is in high demand.

In addition, Tokyo and its metropolitan area are known for technology and innovation. It is a hub of technology-savvy companies and a pool of high labor, driving the development and adoption of sophisticated insurance software. The region's dynamic atmosphere encourages digital transformation initiatives, integrating cloud-based AI-driven solutions. Excellent infrastructure and connectivity rope in the region is characterized by high-speed internet and an advanced system of communication that further facilitates the deployment of modern insurance technologies. Also, the heterogeneous customer segments of the Central region range from individual policyholders to business houses and build up demands for strong and flexible insurance software solutions. One of the most well-known examples of digital transformation in Tokyo's insurance industry is Tokio Marine Holdings. The firm has been using advanced technology to create better advantages over its existing services. It established an incubator for startup firms with regards to bringing new products related to digital insurance. This is facilitated by Tokyo's vibrant high-tech environment and labor force for the incubation process.

Future Market Scenario (FY2025 – FY2032F)

- ☐☐Digital tools automate key processes such as claims and policy management, cutting costs, and improving resource use, while real-time analytics enhance service personalization.
- ☐☐Cloud solutions will provide scalability and flexibility, helping insurers handle peak demands and improve their services in the forecast period.
- ☐☐Unique demographic features such as the aging population and high population density will aid the growth of the insurance and insurance agency software market.

Key Players Landscape and Outlook

The competitive landscape of Japan insurance agency management software market is highly diverse, with participants ranging from long-standing industry players to new entrants bringing innovative ideas and approaches. This dynamics is driven by the need for ongoing innovation and the capability of customized solutions targeted at specific needs. It is a fact that success in this arena increasingly relies on a company's capability to harness innovative technologies and make rapid adjustments to the evolving trends in the market. The organizations that can implement more advanced technological solutions, are more agile to the evolution of customer demand, likely to hold an advantage in the ever-changing environment.

In August 2024, Applied Systems was recognized as a Global 5-Star Insurance Technology Provider by Insurance Business. Applied received the award for its continued commitment to alleviating long-standing industry challenges through innovation and fully connecting the Digital Roundtrip of Insurance, delivering a seamless end-to-end experience for all stakeholders.

In March 2024, DUAL Group won Celent Model Insurer Award, which recognizes insurance companies for excellence and innovation in their use of technology for Boosting Productivity and Revenue with the implementation of Vertafore's MGA Systems.

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