What's next for Japanese insurers: Ten imperatives for 2026

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Foreword

The insurance industry is currently required to balance innovation and adaptation in a rapidly transforming business environment. Amidst various changes in the economic, regulatory, social and technological landscapes, strategic responses are essential to meet stakeholder expectations and pursue sustainable growth.

This report presents what we consider to be the ten essential imperatives for the insurance industry. These imperatives are closely related to the three core management resources—financial capital, trust capital and human capital—and the business domains that originate from them. Through specific approaches and solutions for each imperative, we aim to provide guidance for all stakeholders in the insurance industry to maintain competitiveness and achieve further growth in the evolving business environment.

We hope this report will offer valuable information and inspiration for your strategic planning and daily operations, contributing to the development of a stronger and more competitive organisation. We look forward to facing future challenges together and supporting your success.

Understanding the environment surrounding Japan’s insurance industry

Economic environment

Japan’s economic environment is becoming increasingly complex due to the gradual rise in interest rates and persistent inflation. As the country moves away from a prolonged period of low interest rates, the value of government bonds as investment products is being reassessed, while exchange rate volatility is also increasing. In particular, the trend of yen depreciation is driving up import prices and contributing to inflation. Against this backdrop, there is a growing demand across the financial industry for inflation-linked and foreign currency-denominated products. Additionally, with the strong performance of stock markets in both the United States and Japan, the shift from savings to investment is accelerating, even among younger generations. Although the domestic insurance market is mature due to population decline and ageing, personal assets remain concentrated among the elderly. The insurance industry is expected to play a key role in facilitating the transfer of these assets to the next generation. Furthermore, the importance of survival-related coverage, such as pension and long-term care insurance for the elderly, is increasing. As a result, the speed of new market development and product innovation has become critical for the industry as a whole.

Regulatory environment

The insurance industry must respond to changes in international regulations and stricter domestic regulatory requirements. Internationally, trends in reinsurance regulations are becoming increasingly important as transaction volumes expand. The introduction of the Economic Value-Based Solvency Regulation (ESR) from the fiscal year ending March 2026 symbolises international regulatory harmonisation and encourages the enhancement of capital adequacy and risk management frameworks. Domestically, there is a growing emphasis on customer-centric business operations, requiring companies to provide accurate services that meet diverse customer needs. With the advancement of digital technologies and the adoption of AI, companies must establish robust governance systems to ensure safe and compliant use of data and AI under the Personal Information Protection Law.

Social environment

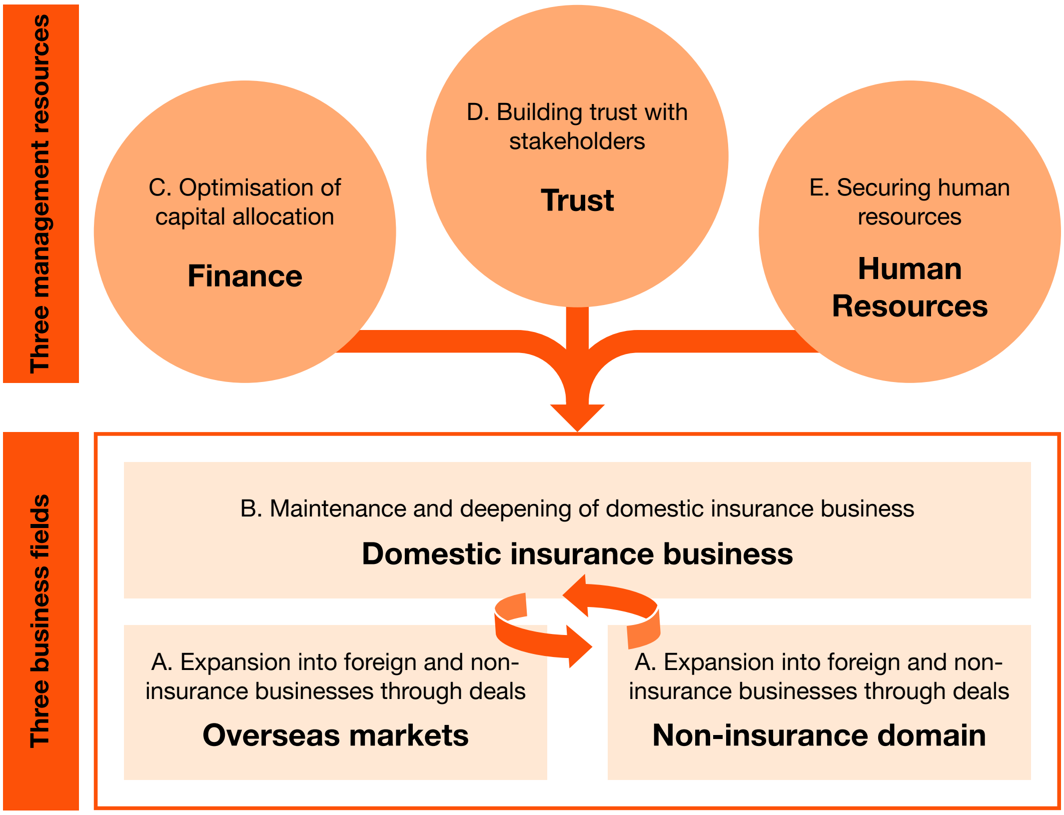
Japanese society is experiencing further ageing, with projections indicating that people aged 65 and over will account for more than 30% of the population by 2030[1]. As the proportion of elderly is projected to continue rising, it is essential to provide medical and long-term care insurance products tailored to their needs. At the same time, diversification in work styles and family structures is increasing the need for insurance products that can accommodate individual circumstances beyond traditional family models. As the number of single-person households grows, demand may shift from death benefits to products that enhance quality of life. Moreover, the intensification of natural disasters due to climate change poses a significant threat to community resilience. The industry is expected to contribute not only through the development of simple and affordable products but also by supporting preventive activities such as disaster risk reduction.

Technological environment

In an era of accelerated technological innovation, the insurance industry in 2026 must further promote digital transformation (DX). The use of AI, IoT and big data enables the provision of personalised insurance products based on customers’ lifestyles and health conditions. Insurance companies are required to rapidly analyse large volumes of data and extract valuable insights. It is also important to pay attention to technological changes affecting both corporate and individual customers. For example, the shift in the value of automobiles from internal combustion engines to operational systems is symbolic of how technological progress can fundamentally change the nature of value in society. At the same time, strengthening measures against cybersecurity risks is essential, and building transparent information management systems to protect customer data is an urgent priority. The industry as a whole must continuously expand investments in digital technologies and human resource development.

1 Ministry of Internal Affairs and Communications, ‘Older People in Our Country from the Perspective of Statistics’ (https://www.stat.go.jp/data/topics/pdf/topics146.pdf)

Ten key imperatives around five strategic themes (2026)



Strategic themes	Key imperatives
A. Expansion into overseas and non-insurance businesses through deals	Transforming business portfolios through deals
	Strengthening governance consistent with corporate portfolios
B. Maintenance and deepening of domestic insurance business	Advanced utilization of data
	Reviewing and reconstructing sales channels
	System modernisation
	Challenging new domains
C. Optimisation of capital allocation	Securing a robust capital base and aligning stakeholder interests
D. Building trust with Stakeholders	Initiatives to restore trust in the insurance industry
	The direction of ‘sustainability’ and communication with stakeholders
E. Securing human resources	Strengthening the human resource base

Source: PwC

A. Expansion into overseas and non-insurance businesses through deals

Transforming business portfolios through deals

With the domestic insurance market reaching maturity, many insurance companies are facing the limitations of traditional growth models. To break through this stagnation and achieve sustainable growth, transforming business portfolios has become an urgent priority. One of the most powerful options is the strategic use of ‘deals’, including mergers and acquisitions (M&A).

The first approach is expansion into overseas insurance markets through deals. Emerging markets, characterised by population growth and ongoing economic development, offer significant growth opportunities that cannot be found domestically. In mature markets such as North America, acquiring local insurance companies enables rapid access to sales channels, customer bases and, most importantly, local expertise and regulatory know-how. This accelerates business development and helps diversify revenue sources geographically, thereby reducing risk. However, success requires thorough due diligence to overcome country risks and differences in culture and systems, as well as meticulous post-merger integration (PMI) strategies.

Another important direction is entry into asset management, reinsurance and non-insurance sectors. Globally, there is a trend towards reorganising and expanding in-house asset management functions and forming partnerships with external asset managers. In addition to transferring risks externally by leveraging reinsurance functions, new business models are emerging, such as combining asset management and reinsurance to underwrite closed books. Non-insurance sectors such as healthcare, long-term care and cybersecurity are highly compatible with the insurance business, which is designed to prepare for unexpected events. By acquiring specialised companies in these fields through deals, insurers can create new services linked to insurance products and strengthen customer engagement. Incorporating expertise and technology from other industries can foster organisational innovation and provide opportunities to build unique business models through data utilisation.

Future deals should not be pursued solely for scale expansion or market share acquisition. It is essential to view deals as a means of fundamentally transforming business models and acquiring new growth engines. Companies must think globally about portfolio management, going beyond regional expansion and peripheral insurance domains. The key to successful transformation lies in having a clear vision of which markets and capabilities to target, discerning investment opportunities and exercising strong leadership to maximise post-acquisition value.

Strengthening governance consistent with corporate portfolios

Diversifying business portfolios through M&A and expanding into overseas and non-insurance sectors is becoming a standard growth strategy in the insurance industry. However, the success of this strategy depends on how well the expanded organisation is governed.

Strengthening governance is often associated with increased procedural complexity and short-term costs, but overcoming these burdens leads to greater long-term benefits. Overseas subsidiaries and businesses in different industries acquired through deals differ significantly from headquarters in terms of culture, risk characteristics and applicable regulations. Attempting to manage these entities with the same standards as before can create distortions and potentially lead to incidents that undermine the credibility of the entire group. Governance enhancement is a strategic investment to prevent such significant future losses.

Moreover, robust governance is not only a defensive measure but also a tool for enhancing corporate value. By visualising the status of the entire group, companies can accurately assess the risks and returns of each business and optimally allocate management resources to the most promising areas, enabling high-quality decision-making. Clear rules also promote collaboration between businesses, making it easier to generate new synergies, such as integrating insurance and healthcare services. Increased management transparency can earn investor trust and reduce funding costs, providing financial benefits.

To build governance that generates profits, it is essential to: (1) clarify the location, role and responsibilities of the 'strategic command centre' within the group; (2) identify areas where control has been lacking under the guise of subsidiary autonomy and activate group-wide discussions to pursue the optimal balance between supervision and delegation; and (3) develop and acquire global management talent capable of overseeing diverse businesses. In particular, securing management talent is crucial for success in non-continuous domains such as overseas markets and non-insurance sectors, requiring a balanced approach to internal development and external recruitment.

B. Maintenance and deepening of domestic insurance business

Advanced utilisation of data

Until now, many insurance companies have focused primarily on defensive data utilisation aimed at improving operational efficiency. However, what is required in the coming era is to take a step further and use data as an ‘offensive weapon’ to create new customer value and directly link it to revenue.

Specifically, companies can combine internal data, such as contract information and claims history, with health data obtained with customer consent and data on consumer behaviour and lifestyles through alliances with non-financial players. By doing so, they can propose products and services optimised for each individual at the right time. Furthermore, by analysing vast amounts of data with AI, it is possible to dramatically improve the accuracy of underwriting and premium calculation, thereby achieving both profitability and soundness of the business. These initiatives represent the creation of new business models driven by data.

To fully realise offensive data utilisation, it is essential to establish robust data governance and develop data infrastructure and API infrastructure as the foundation. First, companies must ensure data quality, security and privacy, and establish company-wide rules for data usage to enhance data governance. In addition to legal compliance, such as the Personal Information Protection Law, it is necessary to set ethical guidelines for data use that do not undermine customer trust, and to build a system that clearly manages who can use which data for what purpose. At the same time, it is important to aggregate siloed data from each department and build a cloud-based data management infrastructure that enables real-time analysis and utilisation. Without this foundation, data becomes an untapped resource, hindering swift decision-making and service development.

The advanced utilisation of data is no longer just an issue for IT departments. It is necessary to expand the base of users who can leverage this infrastructure, not just build it. Management must demonstrate a clear vision and leadership and promote advanced data utilisation across the entire organisation.

Reviewing and reconstructing sales channels

As the domestic insurance market matures and customer behaviour becomes increasingly digital, a fundamental review of sales channels is urgently needed. Many recent scandals in the insurance industry can be attributed to an excessive focus on channel benefits at the expense of customer perspectives. Additionally, the ageing of agency owners, lack of successors and the growing preference for online channels among younger generations highlight the limitations of traditional channels. On the other hand, there remains a strong demand for expert explanations of complex insurance products, revealing challenges that cannot be solved by simple digitalisation.

The key is not to compete for customers between channels, but to integrate each channel's strengths. However, as companies build multi-channel strategies, the risk of losing their unique characteristics and channel differentiation increases. To avoid this, it is essential to differentiate through the quality of customer experience (UX), which is rooted in deep customer understanding. From this perspective, the roles of traditional channels may change. Digital channels should serve as entry points for customers, handling information gathering, comparison and applications for simple products. AI chatbots can provide initial consultations and personalised product recommendations, strengthening customer engagement 24/7. Face-to-face channels should focus on high-value consulting, targeting corporate clients, high-net-worth individuals and customers requiring complex coverage designs. Agencies and sales staff should be equipped with remote meeting tools and electronic signature systems to balance efficiency and convenience.

Furthermore, companies should consider utilising diverse partner channels, such as bancassurance, walk-in shops and partnerships with e-commerce platforms. Especially for small, simple coverage products, embedding insurance into other industries' services (embedded insurance) can enable access to new customer segments. By combining multiple channels, companies can maximise customer contact points and build efficient sales structures tailored to each channel's characteristics.

To successfully reconstruct channels, it is also essential to review organisational and incentive structures. Shift from traditional channel-based sales management to customer-centric joint contribution evaluation, suppressing channel cannibalisation. KPIs should be unified across channels, with common indicators such as customer satisfaction, retention rates and acquisition costs. Regularly analyse customer lifetime value and cost-to-serve by channel, and build mechanisms for agile investment allocation and withdrawal decisions. To make multi-channel strategies effective, it is also necessary to establish strong governance systems that oversee systems and operations across channels. Management must present a clear vision and lead cross-departmental collaboration to realise flexible channel strategies that adapt to changing market environments.

System modernisation

System modernisation is a critical element for ensuring the sustainability of domestic insurance business. Many insurance companies face challenges such as increased maintenance costs due to ageing legacy systems and delays in developing new services, which hinder management. In an era of digitalisation, building a flexible system infrastructure that can quickly respond to customer needs is an urgent priority. System modernisation should not be confined to the IT department. It must be understood as a fundamental management strategy—specifically, determining which areas of the business should be differentiated and which should not, by clearly distinguishing between customisation and a "fit-to-standard" approach.

While legacy system issues are often highlighted as technical challenges, organisational problems also exist. Systems may become dependent on specific engineers or vendors, resulting in lengthy specification changes. Data silos across departments can also impede overall operational efficiency and consistency in customer service.

A phased approach to system modernisation is recommended, rather than attempting a complete overhaul at once. Prioritise the modernisation of front-end areas that interact with customers and business operations requiring frequent changes, and migrate to cloud-based microservices architectures to minimise business impact while advancing modernisation.

To succeed in system modernisation, it is necessary not only to update technology but also to transform organisational culture. Shift from traditional waterfall development to agile and DevOps, strengthening collaboration between business and IT departments. Form cross-functional teams to respond flexibly to market changes, enabling rapid service development and continuous improvement. Enhancing in-house capabilities to avoid excessive reliance on external vendors and maintaining technological competitiveness across the organisation are essential elements for supporting long-term growth. Management should treat modernisation as a management strategy, not just an IT investment, and demonstrate a clear vision and strong leadership.

Challenging new domains

The domestic insurance market is entering a phase of structural shrinkage due to population decline and ageing. Intensifying natural disasters caused by climate change are also significantly impacting insurers' earnings. Traditional life and automobile insurance products are mature, and acquiring new contracts is becoming increasingly difficult. In this context, management is required to improve the profitability of existing businesses while developing new growth areas—a dual approach.

Two new growth areas can be considered. The first is responding to emerging risks. Demand for coverage against cybersecurity risks, reputational risks and business continuity risks is rapidly expanding as companies promote digital transformation. New approaches are needed for products such as parametric insurance for natural disasters and short-term, on-demand insurance for the sharing economy.

The second is expansion into health and prevention domains. Health-promotion insurance linked to wearable devices and products specialising in dementia and long-term care are promising fields that meet the needs of an ageing society. Responding to these insurance needs by providing not only insurance sales but also services themselves will become a new growth engine.

Success in new domains requires building ecosystems rather than acting alone. Collaborate with InsurTech startups, medical and healthcare providers, IT companies and local governments to form value chains centred on solving customer issues. Examples include joint development of data platforms, connecting with external services via APIs and co-developing new products with other industries. By becoming the core of the ecosystem, insurers can expand customer contact points and provide comprehensive risk management services beyond insurance.

To achieve these goals, it is necessary to acquire digital talent, build in-house agile development teams and foster a corporate culture that promotes open innovation. In addition to traditional insurance operations, data analysis capabilities and partnership management skills will become sources of competitive advantage.

C. Optimisation of capital allocation

Securing a robust capital base and aligning stakeholder interests

With the introduction of the International Capital Standards (ICS), insurance companies are required to manage capital strictly based on economic value. As the importance of optimising capital efficiency and accountability within groups increases, management must develop more sophisticated capital strategies than ever before. At the same time, the normalisation of monetary policy by the Bank of Japan is leading to rising interest rates, increased hedging costs and continued high currency volatility. These complex environmental changes make it essential to redesign asset-liability management (ALM), and the use of reinsurance transactions to release and smooth capital has become a key management issue.

Meanwhile, the Financial Sector Assessment Program (FSAP) by the International Monetary Fund (IMF) in 2024 has indicated strengthened supervision of reinsurance transactions. New capital management methods involve complex risks such as counterparty risk, liquidity risk and collateral management. Therefore, it is necessary to pursue not only capital efficiency but also qualitative improvements in risk management.

In this environment, what is required is a capital plan that optimises Economic Solvency Ratio (ESR), Embedded Value (EV), accounting profits, dividend policies, share buybacks and growth investments in an integrated manner. It is essential to establish stress tests and contingency plans, and to define clear risk-hedging policies based on risk appetite. Continuous evaluation of the soundness of reinsurance counterparties and close monitoring of discrepancies between economic value and actual cash flow are also necessary. Furthermore, organisations must understand the gap between accounting profits and actual capital status to make appropriate decisions.

Finally, building relationships with diverse stakeholders is crucial. For shareholders, customers, employees and regulators, it is necessary to enhance transparency through quantitative KPIs and strengthen two-way communication.

D. Building trust with stakeholders

Initiatives to restore trust in the insurance industry

In recent years, the social role of insurance has been reaffirmed through responses to increasingly severe natural disasters and infectious diseases. For example, over JPY1.2tn[2] was paid out following the Great East Japan Earthquake, and more than JPY1tn[3] was paid during the COVID-19 pandemic, demonstrating the function of insurance as a social safety net. However, industry-wide trust remains fragile due to scandals caused by practices that prioritise channel profits over policyholders.

The core of restoring trust lies in how to truly embrace customer-centricity for ordinary citizens and businesses who do not think about insurance on a daily basis. Improving the customer experience at the 'moment of truth' in insurance contracts—namely, the payment of insurance claims—is undoubtedly aligned with customer-centricity. The use of AI for image and text analysis can enable faster and more accurate claims payments.

For individuals, mechanisms and initiatives that help them consciously identify risks not covered by public insurance or employer-provided insurance are key to realising customer-centricity. The same applies to companies: understanding the risks to corporate value and consciously choosing insurance to address those risks are essential. Insurance companies should actively build such mechanisms and initiatives for policyholders.

Going forward, the use of AI in insurance companies is likely to advance. For example, if AI can control past policy terms and process claims more efficiently and accurately, it will improve both operational efficiency and customer convenience. However, when using AI for deeper customer relationships, such as product recommendations, it is necessary to implement explainable AI and pay careful attention to governance.

It is also important to recognise that employees' trust in their company's initiatives is a critical factor—though often overlooked as a stakeholder consideration. If management claims to be customer-centric but focuses excessively on financial indicators, it may lose the support of employees who strive to realise customer-centricity in their daily work, ultimately harming long-term corporate value. The current crisis of trust in insurance companies should be used as momentum for genuine organisational culture reform.

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2 12 Years After the Great East Japan Earthquake, Japan Earthquake Reinsurance
https://www.nihonjishin.co.jp/pdf/news/t230309.pdf

3 The 2023 Insurance Monitoring Report, Financial Services Agency
https://www.fsa.go.jp/news/r4/hoken/20230630-2/20230630.html

The direction of sustainability and communication with stakeholders

The intensification of natural disasters due to climate change, acceleration of energy transition, the establishment of disclosure standards by the Sustainability Standards Board of Japan (SSBJ) and rising Environmental, Social and Governance (ESG) demands from investors have transformed sustainability from a CSR activity into an inseparable management issue tied to corporate purpose and value creation.

Many companies have been preoccupied with responding to disclosure requirements—the ‘first wave’. Now, a ‘second wave’ is emerging, where companies revisit the fundamental purpose of their activities and reconstruct strategies from the perspective of how these activities enhance corporate value. Insurance companies must clarify integrated policies across underwriting, investment and business operations, and consistently communicate how these activities contribute to corporate value with high resolution to stakeholders.

The ‘protection gap’ remains a critical theme. In disaster-prone Japan, addressing the protection gap in natural disasters, while organically linking issues such as climate change and natural capital, can serve as a reference for other countries. By publicly sharing concrete examples of support for climate change adaptation—such as claims payments, pricing, preventive services and regional cooperation agreements—along with quantitative data, insurance companies can make their social value visible. Such disclosures not only fulfil reporting obligations but also deepen engagement and collaboration with diverse stakeholders, including residents, customers, local governments, reinsurers and investors.

The key to an effective sustainability strategy lies in clearly identifying the materiality (key issues) that truly matter to the company among diverse initiatives and disclosures, and incorporating feedback from stakeholder dialogue into management with genuine conviction. For example, in addition to Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD), there is growing interest in new sustainability themes such as Sustainable Well-being Goals (SWGs) and Task Force on Inequality and Social-related Financial Disclosures (TISFD), which focus on social inequality. Sustainability should not be treated as an issue for specialised departments alone; boards of directors should oversee sustainability issues and demonstrate effective governance to further enhance stakeholder trust.

E. Securing human resources

Strengthening the human resource base

The insurance industry is currently facing major waves of transformation, including rapid digitalisation, increasingly complex customer needs and rising demands for sustainability. To respond to these changes and achieve sustainable growth, it is essential to review traditional business models and workforce structures. Among these, the most urgent issue is the acquisition and development of specialised talent.

Modern insurance business requires advanced expertise, such as the ability to utilise generative AI for digital transformation (DX) and analyse and leverage vast amounts of data for new business creation and enhancement of existing operations. The importance of IT and digital professionals, such as data scientists and AI engineers, has increased dramatically. Experts in cybersecurity and ESG management are also indispensable. However, these professionals are in fierce competition with other industries, making it difficult to secure them.

On the other hand, many insurance companies have not yet raised the overall digital literacy of their employees to a level where they can fully utilise highly specialised talent. It is urgent to enhance the capabilities of the entire workforce, not just focus on individual experts.

To overcome these challenges, a strategic approach is needed for both acquisition and development. For acquisition, it is important to create an attractive work environment for specialised talent by clarifying the company's vision, offering flexible work styles and establishing strong branding both internally and externally, in addition to competitive compensation and benefits. Moving away from seniority-based personnel systems and presenting career paths that fairly evaluate expertise are also key to attracting top talent.

For development, most training programmes currently offered by insurance companies focus on traditional business operations. It is essential to establish systems that enable each employee to autonomously consider and build their careers, but in reality, programmes such as job posting systems are still limited to a small number of motivated employees. Going forward, companies should promote not only reskilling but also strategic job rotations and transfers, as well as active personnel exchanges across the entire group, including acquired companies. Creating opportunities to experience diverse roles and cultures will generate synergistic ideas and help transform rigid organisational cultures.

As the specialisation of insurance business increases and the importance of highly skilled professionals in each domain grows, it is also crucial to have transformational leaders who can effectively guide and integrate these experts. A balanced talent portfolio—combining highly specialised professionals in each field with a workforce whose digital literacy has been broadly enhanced—and leaders who can maximise and direct these talents towards transformation will be the key to competitiveness. Strengthening the human resource base is not only essential for driving business transformation but also represents the most reliable investment for restoring customer trust and enhancing corporate value.

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