

## Analysis Report 2018 -Japan-

### **1. Gross Written Premium Development**

In the fiscal year 2017 ended 31<sup>st</sup> March 2018 Gross Written Premium in Japan in respect of Engineering Insurance decreased by 0.1% from Yen 84,779 million to Yen 84,702 million.

Trend of each Line of Business is ; -

- MB decreased by 2.6% to Yen 15,101 million. "MB" includes Machinery LOP and Boiler.
- EAR increased by 3.3% to Yen 21,038 million due mainly to the increase of renewable energy power plants (photovoltaic, wind and biomass) as well as replacement of aged thermal power equipment.
- CAR decreased by 0.7% to Yen 48,563 million. "CAR" includes Civil Engineering Completed Risks (CECR).

### **2. Gross Paid Claim Development**

In the fiscal year 2017 ended 31<sup>st</sup> March 2018 Gross Paid Claim in Japan in respect of Engineering Insurance decreased by 46.9% from Yen 60,656 million to Yen 32,204 million. The supposed main reason for this decrease is the absence of catastrophic loss events affecting mainly CAR.

### **3. Gross Written Paid Loss Ratio**

In the fiscal year 2017 ended 31<sup>st</sup> March 2018 with a Gross Written Paid Loss Ratio of 38.0% in respect of Engineering Insurance overall, improved approximately 30% year-on-year. The main reason is as stated in the above 2. Whereby The loss ratios for the lines of business were 57% for MB, 48% for EAR and 20% for CAR.

### **4. Business Outlook**

In 2017 Japan GDP grew by 1.7%, the economy was showing continued recovery from 2012.

Capital investment in 2017 into building, machinery & equipment and infrastructure increased by 4.6% compared with that of 2016.

Moreover, Capital investment in 2018 is expected expansion by 2.1%.

Demand for infrastructure and other construction in advance of the Tokyo Olympics and Paralympics will mount to a climax, and urban redevelopment projects in the Tokyo metropolitan area will give a further boost to the economy which in turn will make it possible for Engineering Insurance to grow.

On the other hand, if rise of material procurement costs and labor costs and the shortage of labor power in Japan become more widespread, this could create an obstacle to economic expansion.

Key issues in relation to Engineering Insurance in Japan for coming two to three years will be as below :

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1. Additional hike in national consumption tax from 8% to 10% scheduled for November 2019.
2. Increase of large-scale infrastructure construction projects, especially the renewal of urban infrastructure.
3. Increase of construction projects related to Tokyo Olympics and Paralympics in 2020.
4. Renewable energy market (photovoltaic, wind and biomass)
5. Civil construction for linear-motor express railway between Tokyo and Nagoya, which is planned to start operation in 2027.