

# A Post-war History of the Tokio Marine and Fire Insurance Company, 1945-1979.

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## 1. Introduction

The aim of this paper is to describe the outline of the post-war history of Tokio Marine and Fire Insurance Company, using the after-mentioned methodological framework. This company was established in 1879 and became a leading company among Japanese non-life insurance companies, being a member of the Mitsubishi zaibatsu in the pre-war period. The company has maintained such position in the post-war period and occupied an important place in the Mitsubishi group, which was formed newly after the zaibatsu dissolution. The methodological framework adopted here is shown in a following chart.



Enterprises adopt specific strategies to adapt to the change of the circumstances surrounding themselves. As a result of business activities along these strategies, they obtain specific business performances in terms of a market share and a profit-rate. Enterprises take new strategies in response to these performances. As for the strategies, we focus on the top management level and the department level, such as the level of marine, fire and automobile etc. in this paper.

The periods which are observed here are limited to the post-war part of the 100 year history of the company and divided into five; the first is 1945-1949, the second is 1950-1957, the third is 1958-1965, the fourth is 1966-1971, the fifth is 1972-1979 and each period corresponds nearly to the period during which each president took the office except for both the first and second period when president Tanaka continued to take the office.

In each chapter dealing with the specific period, we will deal with the composition of insurance premium first, then with the strategies which were adopted by the company to adapt to the change of the market and lastly with the performance which the company acquired as a result of the activities along these strategies. In the last chapter we will indicate several points characterising the activities of Tokio Marine during the post-war

period<sup>1</sup>.

## 2. The Effect of GHQ's Reform Policy

GHQ in the Allied Forces, which occupied Japan, practised the policies of democratisation and demilitarisation of Japan earnestly. The democratisation policy consisted of the purge of the member of the top management in big businesses during the wartime from their post, the abandonment of foreign assets owned by Japanese companies, the dissolution of zaibatsu combines and the division of the companies with the excessive economic powers.

Persons who occupied the positions above a managing director's level during the wartime were purged from their posts and the members of the board of directors of Tokio Marine changed drastically from 1945 to 1947. As a result, the average age of the board members changed from 64.4 to 49.4. The board members became much younger by 15 years on average<sup>2</sup>. New board members had no experiences in the top management and it surely produced a certain kind of uneasiness about their ability as directors but, on the other hand, youngness enabled them to adapt to the new circumstances more easily and with more flexibility than older members. This adaptability was most effective when they met with the fierce labour movement, which occurred suddenly immediately after World War II.

The abandonment of foreign assets gave the largest hit to Tokio Marine among non-life insurance companies in Japan because it had owned the largest amount of foreign assets among them at the end of World War II. The amount of special losses, which Tokio Marine suffered in the old account by the Industrial Reconstructiin and Reorganisation, was 3.7 time as much as the amount of Yasuda Fire Insurance Company's losses and 4.5 times as much as those of Taisho Marine and Fire Insurance Company's losses<sup>3</sup>. Yasuda ranked second and Taisho ranked third among Japanese non-life insurance companies at that time. Thus, the difference in the amount of operating assets between Tokio Marine and these two companies decreased largely. The ratio of the amount of operating assets between Tokio Marine, Yasuda Fire and Taisho Marine changed to 100 : 68 : 45 on March

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<sup>1</sup> I wrote *Tokio Kaijo Kasai Hoken Kabushiki Kaish Hyakunen Shi Ge (One Hundred Years History of the Tokio Marine & Fire Insurance Co. Ltd. Vol. 2)* which dealt with the post-war period, 1945-1979, and was published in 1982. This paper is mainly based on the description of this book.

<sup>2</sup> *Ibid.*, p.18.

<sup>3</sup> *Ibid.*, p46

1948, whereas the ratio was 100 : 28 : 31 on March 31, 1946<sup>4</sup>.

The zaibatsu dissolution policy also gave a large effect on Tokio Marine because it was affiliated with Mitsubishi zaibatsu, the second largest zaibatsu in Japan at that time. Under this policy, Tokio Marine stocks owned by Mitsubishi affiliated companies had to be sold to the public through the Holding Company Liquidation Commission and Tokio Marine itself had to sell Mitsubishi affiliated companies' stocks which it owned in the same manner. In order to adapt to this situation, the company asked institutional investors to own Tokio Marine stocks on condition that the company would deposit equivalent amounts of money to those of these stocks or own same amounts of these investors stocks. Stabilising stockholders of Tokio Marine was the aim of this operation<sup>5</sup>. As for stocks which Tokio Marine owned, the company asked banks, such as Tokyo Trust Bank, First Trust Bank, Chuo Trust Bank, Daiichi Bank, Tokyo Bank and Daiwa Bank, to own these stocks on condition that Tokio Marine would deposit equivalent amountns of money to those of these stocks in these banks, pay commissions for their stockownership and repurchase them afterwards. Avoiding dispersion of Mitsubishi affiliated companies stocks were the aim of this operation. These operations contributed to the so-called "Revival of Zaibatsu", in other words, formation of the new type business group, which was developed afterwards very much.

Although the anti-concentration law was not applied to Tokio Marine finally, there was a moment, when they thought division of the company would be inevitable, in the process of enforcement of this law. Kenzo Mizusawa, a manager of the planning department at that time kept a close contact with Royston who was in charge of this policy in GHQ and succeeded to get enough information to adapt quickly to the change of situations. The data that recorded the negotiations between them shows the high ability of Mizusawa's power of collecting information from GHQ clearly<sup>6</sup>. Mizusawa had been in New York and London as a trainee for years before the War and became a section chief of Ministry of Finance later.

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<sup>4</sup> Hoken Mainichi Shinbun Sha (Daily Insurance News Paper CO.), *Sonpo Jyugonen Shi (A 15 Years History of Non-life Insurance Business)*, 1960.

<sup>5</sup> Cf., *Tosha Kabushiki Hosyutsu ni tomonai Antei Kabunushi o mooheru Taishaku (A Policy to establish stabilised Large Stockholders at the Time our Company's Stocks will be sold to the Public)*, Business Archives of Tokio Marine.

<sup>6</sup> Cf., *Kaisha Bunkatsu Mondai Keika Nisshi (A Diary concerning the Problem of the Dissolution of the Company)*, Business Archives of Tokio Marine.

### 3. The Period immediately after the War, 1945-1949

During the period 1945-1949, Japanese economy fought with inflation and succeeded to check it in the end by Dodge Line, a radical deflationary policy, which was led by Dodge, an economic advisor to GHQ. Fire insurance occupied a dominant part in the company's total premium income and its market share in non-life insurance businesses of Japan stood at the level of 14 % or 15 % (Table 1). Tokujiro Tanaka was a president of the company at that time and carried out following policies.

First, he kept the policy of co-operation with labour union and made an agreement with the union on the expenditure ratio. The expenditure ratio agreement meant that the company would pay an agreed ratio of expenditures as wages<sup>7</sup>. Therefore, the union could earn larger amount of wages when the company grew faster and could spend larger amount of expenditures. The new wage system adopted by the company was based on basically living wage type.

Second, he emphasised the necessity of expansion and strengthening of the front line of sales, and tried to expand and reorganise the sales network.

Third, he rebuilt relationships with international markets. Willis, Faber & Dumas Limited and Willis Faber & Partners Limited had been agents of Tokio Marine since 1899 for London market and Appleton & Cox, Inc. since 1911 for the US market in the pre-war period. In April 1950, Tokio Marine revived the reinsurance business of cargo in London market through Willis, Faber & Dumas Limited and that of fire through Willis Faber & Partners Limited. In July 1951, the company revived that of hull with London market through the former<sup>8</sup>. As for American market, since April 1952 the company became to be given 1 % of premium income of the Appleton pool by Appleton & Cox Company<sup>9</sup>. In January 1956, Tokio Marine nominated Willis, Faber and Dumas limited as the General Manager for the United Kingdom and Europe and Appleton & Cox, Inc. as the US manager<sup>10</sup>. Tokio Marine's overseas businesses started to grow on a full scale since that time.

Although it was not specific to Tokio Marine but common to all non-life insurance

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<sup>7</sup> The Tokio Marine, *op. cit.* (*One Hundred History*), pp. 20-21.

<sup>8</sup> *The Tokio Marine & Fire Insurance 1879-1979; The First Century*, 1980, pp. 147-48.

<sup>9</sup> The Tokio Marine, *op. cit.* (*One Hundred History*), p. 205.

<sup>10</sup> *Ibid.*, pp. 207-08.

companies, the performance of fire insurance businesses worsened violently in 1947. There were many roughly built markets in large cities, such as Tokyo and Osaka, and fires occurred frequently in these markets. It was natural that the performance worsened in fire insurance businesses. Premium of fire insurance was raised largely in January and November 1947 in the end. At that time, Shozo Nagasaki, who had been an employee in Tokio Marine before, was a chief of the insurance section of Ministry of Finance<sup>11</sup>. There were none of specialists of insurance businesses in Ministry of Finance at that time and that Ministry, becoming a chief of that section invited Nagasaki. It is safe to suppose that fire insurance businesses of those days benefited largely from this situation in terms of the timing and the ratio of raising of the premium. Moreover, it should be noticed that there were two persons, Mizusawa and Nagasaki, who moved from Tokio Marine to Ministry of Finance and became a section chief of the Ministry immediately after the war. Later, Mizusawa returned to the company and was promoted to a chairman of the board, and Nagasaki also returned to the company, being promoted to a vice-president. Ministry of Finance had a strong controlling power on insurance businesses after the War. Therefore, Tokio Marine benefited surely in many ways from this kind of close connection with that Ministry.

As a result of the large rise of the premium, the ratio of the margin between revenue and expenditure to premium income in fire insurance businesses was improved largely, changing from -1.9 % in 1946 to 32,4 % in 1947.<sup>12</sup>

Talking about the performance of the company as a whole, the ratio of underwriting balance to premium income recorded 2.6 % on average in 1948 and 1949, and the average profit rate, which means the ratio of net profit to total capital, recorded 2.92 % during these two years (Table 2).

#### **4. The Period of the Post-war Recovery, 1950-1957**

President Tanaka was in office until 1957. The period 1950-1954 is generally called that of the post-war recovery. Japanese economy was hit heavily by the Dodge's deflationary policy but was given a chance to recover by the Korean War in 1950, attaining recovery to the pre-war level in most of important economic indices until 1954. President Tanaka was in office in this recovery period of Japanese economy but during three years, which

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<sup>11</sup> Ibid., p.125.

<sup>12</sup> Ibid., p.125.

followed it as well. Therefore, strictly speaking, the period during which Tanaka took a position as a president includes both the post-war recovery period and the early stage of the rapid economic growth period. Here, in order to simplify the title, we call this period that of post-war recovery. For the composition of premium income, marine insurance revived and both marine and non-marine became two cores of the company's business (Table 3). The company's market share was stable and kept the level of 16 % or 17 % (Table 2).

The important policy led by President Tanaka was a partial revision of their attitude to the labour union. The company revised the labour agreement and removed the intervention of the union in the company's right of personnel administration in 1950, and abolished the agreement of the expenditure ratio in 1953. The latter was enforced under Ministry of Finance's instruction<sup>13</sup>. The policies partly meant a revision of co-operation between management and labour immediately after the War, that caused a strong resistance of the union. The union went on a strike of earlier leave for one hour, which was the first one in the company's history, in March 1957. Disagreement on March bonuses was another reason for this strike<sup>14</sup>.

Besides this, following policies were carried out at each department level.

(Hull) Acquiring contracts of large fleets was promoted. As a result, the market share of the company decreased slightly but the net position in the reinsurance business was improved. The increase in retention of contracts, the raise of reinsurance commissions and the increase in reciprocity contributed to the latter<sup>15</sup>.

(Cargo) Transactions with large trading companies were expanded because mergers of trading companies were very active, leading the formation of large trading companies during this period. Especially new Mitsubishi Shoji was established in 1954 after the frequent mergers of small trading companies which were born as a result of the dissolution of old Mitsubishi Shoji in 1947. Moreover, the company led the co-operation in Japan's cargo insurance business by taking leadership in the Major Import Cargo Agreement<sup>16</sup>. The performance of Japan's cargo business had worsened since the cargo insurance business had resumed in 1950. MICA was concluded in 1951 in order to avoid

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<sup>13</sup> Ibid., pp.195-99.

<sup>14</sup> Ibid., pp.201-02.

<sup>15</sup> Ibid., pp.242-44, 247.

<sup>16</sup> Ibid., pp.256-57

excessive competition between insurance companies. Tokio Marine endeavoured to keep co-operation between companies under this system as a leading company in Japan's non-insurance businesses.

(Fire) Development of new insurance products was emphasised. The market expanded with the reconstruction of Japanese economy and competition between companies became fierce. In this circumstances, a manager in the fire department proposed the policy that the company should cover the part, which it would lose in the straight fire, by developing new products, such as those which expanded security to damages from storm and flood, and earthquake, group insurance, small sum of insurance, machine insurance and new type of profit insurance etc. Simplification of business organisation and rationalisation of business operation, and improvement of net position were also emphasised. In addition to it, adaptation to the trend toward business affiliation and co-operation with Nisshin Fire Insurance Company were recommended. Enterprises being affiliated with large zaibatsu, such as Mitsui, Mitsubishi and Sumitomo, began to combine again, forming new type of business group in which banks occupied a central position and member companies owned stocks with each other. Therefore, under this policy Tokio Marine tried to expand sales of insurance products to Mitsubishi affiliated companies. In Nisshin's case, Tokio Marine and Nisshin concluded an agreement that Nisshin would refrain from entering Mitsubishi market and Tokio Marine would pay a specific consideration in reinsurance business with Nisshin in return<sup>17</sup>.

(Automobile) Tokio Marine restricted underwriting of automobile insurance because of its bad performance. But, after May 1956, when the premium was raised, the company changed its attitude toward automobile insurance to active one<sup>18</sup>. On the other hand, although the compulsory motor third party insurance was introduced in February 1955, Tokio Marine was conservative and its market share was only 9.2 %, ranking fourth in 1955<sup>19</sup>.

Business profit and loss was black and its ratio to premium income kept high level, recording 3.82 % on average during 1950-1955. In 1956 and 1957, the margin changed to red but the real performance was not so bad, because the ratio of the reserve for contingencies increased largely<sup>20</sup>. The average profit rate recorded 5.19 % during 1950-1957, being the

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<sup>17</sup> Ibid., pp.270-72.

<sup>18</sup> Ibid., pp.285-89.

<sup>19</sup> Ibid., pp.289-91.

highest level through the company's post-war history (Table 2).

## 5. The First Period of Rapid Economic Growth, 1958-1965

During the period 1958-1965, Japanese economy recorded the high tempo of economic growth. The growth rate of GNP in real terms was around 10 % on average. Mikio Takagi took a position as a president in this period.

As for the composition of premium income, casualty and surety insurance (new-type insurance), and automobile insurance including compulsory one grew rapidly. As a result, the composition in which marine and non-marine stood abreast changed to that in which marine, fires and new-type including automobile stood in a triangular position (Table 3). The market share of the company decreased slightly from the level of 17 % to the level of 16 % (Table 2).

At this time, president Takagi instructed rationalisation of management as well. First, business operations were mechanised and an IBM1401 all transistor type computer was introduced. The speed of disposition of business operations was raised from milli second to microsecond. Business organisation was also modernised. Board of managing directors, which would discuss general strategic policy of the company, was institutionalised, and the powers to control daily operations were transferred to the lower level. Relating to it, the rule of official authority was established. The operating audit system was also introduced<sup>21</sup>. Moreover, lire insurance department and new-type insurance department were unified to respond to customers' needs precisely<sup>22</sup>.

As for the relation between management and labour, this period marked an important turning point in the company's history. Co-operation between management and labour changed to conflict between them. Distribution of bonuses with priority began in March 1960. Negotiations about the revisions of the labour agreement went into difficulty and the situation of non-agreement begun in July 1962. The company proposed wage payment in gross in 1964 and the union opposed to it strongly, asking arbitration to the Central Labour Relations Commission. Until this time, wages had been decided in net (after tax) in the negotiations between management and labour and tax had been born by the company. Therefore, the change of wage payment method from in net to in gross meant

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<sup>20</sup> Ibid., pp.339-40.

<sup>21</sup> Ibid., pp.361-73.

<sup>22</sup> Ibid., pp.393, 396-97.



the reduction of wages which labourers could get actually by the amount of tax and the union resisted to this proposition strongly.

In these processes, the union went on unlimited strike on 25 of March 1960. It was very much symbolic that the manager of the personnel department was Minoru Kikuchi at that time, who was the first chairman of the labour union organised immediately after the War and became a president of the company later. The union was defeated in this struggle and opposition to the leaders of the union became clamorous. The opposition produced a powerful effect on members of the union gradually and the new union was organised in 1967. A large part of members of the union participated in the new union, which followed the policy of co-operation between management and labour. The new union criticised the policy of the "old union", which still organised a small numbers of personnel under its control, that it was too political and based on the ideology of class struggle<sup>23</sup>.

Overseas businesses were expanded. Overseas agent network was expanded and the numbers of license of direct underwriting increased from 8 countries and 7 states (U. S. and Canada) at the end of 1957 to 14 countries and 11 states (U. S. and Canada) at the end of 1965<sup>24</sup>. The premium received by overseas direct businesses increased to 4.45 times as much as the level of the end of 1957 during this period and it occupied about 3 % of premium received in direct business of the company<sup>25</sup>. Overseas residences existed in only two places, New York and London, at the beginning of this period, but their numbers also increased, reaching 11 places, including several east-Asian countries, France, West Germany and Brazil in 1965<sup>26</sup>

Talking about the policies adopted by the fire insurance department and automobile insurance department, following points were noticeable.

(Fire) A manager of the fire department instructed to raise the company's market share in fire insurance businesses from 13 % to 15 % for coming 5 years<sup>27</sup>. The development of the market of ordinary objects was aimed and the sales department in Tokyo area was divided into four; the first dealt with objects of Mitsubishi group, the second with ordinary objects, the third with objects of cinema theatres, electric railroad companies and department stores, and fourth with those of companies relating to automobiles<sup>28</sup> As for

<sup>23</sup> Ibid., pp.378-85.

<sup>24</sup> Ibid., p.404.

<sup>25</sup> The Ministry of Finance, *Hoken Nenkan (Insurance Yearbook)*, 1957 and 1965.

<sup>26</sup> The Tokio Marine, *op. cit (One Hundred History)*, p.406.

<sup>27</sup> Ibid., p.453.

<sup>28</sup> Ibid., p.393.

the market share of the company according to objects in fire insurance businesses. Tokio Marine's share in ordinary objects was lower than that in objects of industrial and warehouse. Tokio Marine aimed to divide the market and cultivate each of it more deeply, attaining the raise of the market share in fire insurance businesses.

Tokio Marine followed a cautious policy about automobile insurance because the result of that business was bad. It was barely the beginning of 1963 when the company changed the policy to become active toward it. In spite of conservativeness of the policy during this period as a whole, the market share of the company in this field increased from 15.52 % in 1957 to 18.05 % in 1964<sup>29</sup>, because other large companies, such as Sumitomo Marine and Fire Insurance Company and Taisho Marine and Fire Insurance Company restrained themselves from accepting this insurance more than Tokio Marine.

The ratio of underwriting balance to premium income decreased from 25.6 % in 1957 to 16.4 % in 1962. Although it recovered to around 22 % in 1963 and 1964, the average ratio of this period stood at 19.5 %, far lower than 26.0 % of the average of the former period. The bad performance of the automobile insurance, which recorded almost red in profit and loss account on earned basis during this period and increased its share in total premium income of the company, caused mainly this result. As for the profit rate, roughly speaking, it also declined from 5.67 % and 6.17 % in 1957 and 1958 to 2.36 % in 1965 as a trend (Table 2).

## 6. The Second Period of Rapid Economic Growth, 1966-1971

During this period, Japanese economy grew rapid again and the average growth rate of GNP in real terms recorded more than 10 %. President Genzaemon Yamamoto was in office during this period.

The composition of premium income changed to that which automobile insurance including compulsory one occupied more than half of the total premium income (Table 3). The market share of the company decreased largely from 17.5 % in 1967 to 15.7 % in 1971 (Table 2). This was the first case of the substantial decrease in the market share of the company in Tokio Marine's post-war history. President Yamamoto appealed to the employees "Let's make our company Heaven of salaried people in which all members of the company can live life worth living"<sup>30</sup> Yamamoto tried to change the atmosphere within the

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<sup>29</sup> Ibid., pp.469-72.

company, which became gloomy after the split of the trade union by raising a kind of spiritual revolution.

Firstly, Yamamoto established a communication committee to investigate problems, which prevented communications between personnel in the company. The committee heard the opinion of people at the lower class than a section chief widely about the problems, which they felt to be solved in their daily works. Its report submitted to the president pointed out 25 problems to be solved and recommended 4 improvement measures for them. The problems included an evil of vertical organisation, shortage of mutual understanding among employees, lack of policy which was based on long-term outlook, and shortage of communication etc., and four recommendation were establishment of a management development department as a general staff for the top management, formation of a team to consider the measures to save daily clerical works, promotion of personnel interchange between departments and expansion and arrangements of sales network dealing with personal lines business<sup>31</sup>.

In response to this report, the planning department was reorganised to a comprehensive administrative department. Members of the department increased and the function of investigation and planning about general matters of the company was strengthened. Although saving of daily clerical works could not be solved immediately, numbers of female employees were increased in order to reduce the busyness of people dealing with clerical works<sup>32</sup>. Moreover, this department drew up a long-term outlook of the company for 1971-1975, which included a comprehensive profit plan. It was the first time in the history of long-term plan of the company that profits plan was included in the plan<sup>33</sup>. In addition to these improving measures, we should not overlook that through the investigation of the committee and discussions about problems pointed out by the committee, communications within the company was improved largely. We may say it was this fact that should be evaluated most about the activities of the communication committee.

Secondly, a new building was constructed during this period. More than 50 years had passed since the old building was constructed, and it deteriorated. Tokio Marine made a

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<sup>30</sup> Genzaermon Yamamoto, 'Shin'nyuu Shain Shokun o mukaete (A Welcome Speech to new employees)', *Tokai Geppo (Tokai Monthly News)*, April 1968.

<sup>31</sup> The Tokio Marine, *op. cit (One Hundred History)*, pp.533-35.

<sup>32</sup> *Ibid.*, p.535.

<sup>33</sup> *Ibid.*, p.546.

plan to construct 30 stories and 128 meters high building but the Metropolitan Government office of Tokyo did not admit this plan for the reason that it would hurt the fine view at the front of 'the Imperial Palace. President Yamamoto negotiated with the office persistently and changed the height of the building to 20 storied with 100 meters, and consequently has got an admission of the authorities. It took, however, 4 years and 2 months for the company to get this admission. New building was completed on 12th of March, 1974. The atmosphere of work places was improved largely by this construction. The new building was a symbol of salaried people' s Heaven which president Yamamoto mentioned<sup>34</sup>. In addition, IBM360 computer, the third generation computer. was introduced and a series of office works was made quickly by the computer, using masterfile which accumulated information of every contracts, Thus, HTS (Hull Total System), CTS (Cargo Total System), ATS (Automobile Total System), and FTS (Fire Total System) were established<sup>35</sup>.

Thirdly, for the wage system, wages on job evaluation was introduced in 1967. Wages on job evaluation meant wages on evaluation of job performing ability and the introduction of this wages meant that the company begun to revise the traditional seniority-based wage system to modernise it. It was said that about 40 % of basic pay were occupied by the part of this kind of job evaluation in 1972<sup>36</sup>.

Fourthly, automobile insurance was most troublesome for the company during this period. Main risks of automobile insurance changed from corporate one to personal one and reported figures did not necessarily tell the real performance in this insurance. For example, there were many incurred but not reported losses concerning with personal damages caused by traffic accidents in this insurance but the method to assess IBNR accurately was not known well by Japanese non-life insurance companies yet. In this sense, a loss management was imperfect in automobile insurance at that time.

Confronting with worsening of performance of automobile insurance, Hanawa, a leader of the automobile insurance department researched the method to manage losses in automobile insurance, how to add back outstanding claims reserve and how to assess the incurred but not reported loss (IBNR). He persuaded the person in charge of non-insurance businesses in the Ministry of Finance (MOF) earnestly that the real

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<sup>34</sup> Ibid., pp.536-40.

<sup>35</sup> Ibid., pp.542-45.

<sup>36</sup> Ibid., pp.546-52.

performance of the automobile insurance business was very bad and it was an urgent necessity for this business to raise the premium, while using the new method of assessing a real performance of this insurance. The raise of its premium was admitted in the end and its performance was improved<sup>37</sup>.

In this process, Tokio Marine restricted underwriting of automobile insurance strictly because of its bad performance and the market share of the company in this business declined largely from 20.41 % in 1967 to 15.84 % in 1971. Moreover, the strict restriction left a great after-effect. Customers whose application had been rejected by the company once would not come back to the company again even after the restriction was abolished. Thus, Tokio Marine had to experience hard times in competition between companies in automobile insurance for following several years<sup>38</sup>.

The ratio of underwriting balance to premium income stood at 25.8 % on average in this period, which was larger than 19.5 % of the average ratio of the former period (Table 2). But this ratio did not show the real performance of the insurance business at the stage when automobile insurance occupied a large part of it and the character of the risks in this insurance was changing largely. When we notice business profit and loss obtained by subtracting addition to reserves, which consisted of outstanding claims reserves and liability reserves, from underwriting balance and adding release of reserves to it, we can find that the ratio of business profit and loss to premium income stood -4.73 % during 1966-1969 far lower than -2.45 % of the average ratio in the former period. This suggests that the real performance of the company's insurance business was much worse during 1966-1969 than that of the former period. The bad performance of the automobile insurance caused mainly this result. Nevertheless, in June 1970 the premium of automobile insurance was raised and the ratio of business balance turned for the better suddenly, recording 4.86 % in 1970 and 7.37 % in 1971. Almost paralleling with this movement of business balance ratio, the profit rate of the company recorded 1.95 % to 2.23 % during 1966-1969 and turned for the better suddenly, recording 3.61 % in 1970 and 4.05 % in 1971 (Table 2).

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<sup>37</sup> Cf., *Hanawa Zenta Moto Fukushacho Kaikodan Shiryo (A One-time Vice President Zenta Hanawa's Retrospect of the Life in the Company)*, Company's Archives and Z. Hanawa, *Showa no Songai Hoken (Non-life insurance in the Showa period)*, Songai Hoken Kikaku, 1989, pp.99-111.

<sup>38</sup> The Tokio Marine, *op. cit. (One Hundred Hisstory)*, p.617.

## 7. The Transitional Period, 1972-1979

Although Japanese economy still recorded rather high growth rate in 1972 and 1973, which were 10.4 % and 6.5 % respectively in real GNP base. It decreased the speed of the growth largely after the oil shock in 1973 and the average rate of economic growth in real GNP base recorded only 4.4 % during 1974-1979. Japanese economy finished the rapid growth, moving to the slow growth, and Minoru Kikuchi and Fumio Watanabe were presidents of this company during this period.

As for the composition of premium income, automobile insurance and new-type (casualty and surety) insurance occupied a central part of the total revenue (Table 3). Tokio Marine's market share braked the decline and begun to increase during 1977-1979 (Table 2). Tokio Marine was established in 1879, therefore 1979 was a 100th anniversary year of its establishment. This movement of the market share of the company was a result of the endeavours of all members of the company to celebrate the 100th anniversary with the good performance of the company.

Kikuchi announced a new policy named "Go Go Strategy". "Go Go" means "Five Five" in English and was a pivot word of "Go Go". The aim of "Go Go Strategy" was to increase the premium income of the company to 550 billion-yen and the market share by at least 1 % during 1977-1979. At the same time, the sound of this slogan appealed to the members of the company to go ahead towards this aim. The main pillars of this strategy were popularisation and internationalisation, and the former was especially important. Popularisation policy's aim was to check the decline in the market share of the company in popular objects insurance. Tokio Marine had an advantage in company objects insurance because it had a close connection with Mitsubishi-affiliated companies and was evaluated highly by even other big businesses. Contrary to that, its advantage was not so strong in popular objects insurance. Tokio Marine's market share in total premium income of non-life insurance companies in Japan had been declining gradually at that time. Personal lines business occupied a larger position in automobile and new-type insurance than in other kinds of insurance in terms of the premium income of the company<sup>39</sup>.

Therefore, the trend in which automobile and new-type insurance increased their position in total premium income caused the decline in Tokio Marine's market share in

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<sup>39</sup> Ibid., pp.672-74.

total premium income of Japanese non-life insurance companies.

Under this general strategy, a large number of sales offices were established newly in new-type insurance department. The analysis of the factors which caused the decline in the share of the company in popular objects market found the fact that there were absolute shortages in sub-branches and agents of the company, and these offices were placed all around. Being based on this analysis, a large increase in the number of sales offices and concentration of investment of resources upon growing areas were proposed. Together with this policy, measures to financial institutions and groups were taken. Talking about financial institutions, they played an important role in fire insurance and guaranty insurance in housing loan. When financial institutions lent money, they demanded customers usually to insure goods deposited as collateral and in addition to it, in the case of housing loans, they demanded customers to insure their guaranties. In order to make a close contact with them, Tokio Marine deposited money in the financial institutions and/or bought their stocks and/or debentures, and asked to increase the Tokio Marine's market share in insurance contracts with which their lending activities had relations. Measures to groups meant those to employees in big business and with which Tokio Marine transacted and their subcontractors. Tokio Marine tried to grasp them as a group. In both cases, Tokio Marine tried to divide sales channels and cultivate the market more deeply according to channels<sup>40</sup>.

In the automobile department, the on-line system was developed by computer, and the loss management became more efficient and a rapid adaptation to customers' needs became easier than before. New insurance products were developed and sold such as wholesale group insurance, monthly payment plan for 12 months and automobile insurance with services acting private settlements for customers in personal damages. In this department too, sales offices were established newly in concentration in growing markets, and sales networks were rearranged in these areas. For the voluntary automobile insurance, the numbers of canvassing trainees, who would become independent as agents later after a few years of training, were increased largely, and for the compulsory automobile insurance a large numbers of automobile repair shop agents were established newly<sup>41</sup>.

As a result of these measures, the goal of "Go Go Strategy" was attained completely and the amount of premium income in 1979 reached over 550 billion yen and the market

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<sup>40</sup> Ibid., pp.723-26.

<sup>41</sup> Ibid., pp.726-28.

share in the domestic market increased by 1 % for planned 3 years. If we include the overseas market, the increase in the share of the company becomes 1.3 %<sup>42</sup>.

On the other hand, internationalisation was also proceeded. The numbers of overseas offices, such as liaison offices, increased from 15 in 1971 to 32 in 1978 and the numbers of overseas resident officers also increased from 20 in 1971 to 63 in 1978<sup>43</sup>. Moreover, Tokio Marine parted from overseas operations, which relied on agents mainly, moving to those on its own account. There were four types in the latter operations whose representative cases will be shown below.

The first were wholly-owned subsidiaries which operated as agents for Tokio Marine, and Tokio Marine Management Inc. in the US and Tokio Marine Management (Australasia) Pty. Ltd. were established in 1976 and 1977. The second were agents under joint management. Tokio Marine owned 96.7 % of stocks of the Wuphoon Insurance CO. Ltd. in Hong Kong in 1973. The Wuphoon changed from a wholly Chinese-owned agent to a agent under Japanese-Chinese joint management. The third were insurance companies under joint management. Tokio Marine raised the share of the stock holding in a local insurance company in Thailand from 10 % to 15 % in 1974 and owned 49 % of stocks of the Jarasraya CO. in Indonesia in 1976. The fourth were local branches of Tokio Marine's and it put an end the agent contract with Overseas Assurance CO. in Malaysia and established its own branch office newly in 1974<sup>44</sup>. The direct premium overseas increased from 4,074 million yen in 1971 to 43,095 million yen in 1979 and the latter occupied 7.4 % of the company's total direct premium income at that time<sup>45</sup>. The numbers of Tokio Marine's related companies overseas became 23 in January 1980 and it invested 3,245 billion yen in these companies, which amounted 7.2 % of Tokio Marine's capital stock at the same time<sup>46</sup>.

As for the performance of the company, Rise in the ratio of net expenses to net premium caused decline in the ratio of underwriting balance to premium income, leading the low level of the business balance ratio. In addition, yield on investment assets decreased and marked low level ( 6.8 % on average, far lower than the ratio of the former

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<sup>42</sup> Cf, *Watanabe Fumio Shacho Kaiko Dan Shiryo* (A President Fumio Watanabe's Retrospect of the Life in the Company), The Company's Archives.

<sup>43</sup> The Tokio Marine, *op. cit.* (*One Hundred History*), p.710.

<sup>44</sup> *Ibid.*, pp.710-14.

<sup>45</sup> *Ibid.*, p.716.

<sup>46</sup> *Ibid.*, pp.720-21.



period)<sup>47</sup>. Thus, the profit rate remained at the low level of 2 % for 1974-1979 (Table 2).

## 8. Concluding Remarks

Putting above survey of the post-war history of Tokio Marine together, we can indicate following three points as special characteristics of its history. First, the relation between management and labour occupied a very important position in its post-war history. Successive presidents were concerned about this problem largely. The most symbolic facts about it were that the manager of the personnel department, who was in charge of labour management when the attitude of the company toward the labour union changed from compromise to confrontation in 1959, was Minoru Kikuchi and he had been a first chairman of the labour union at the beginning of the post-war period, becoming a president of the company later. A leader of the labour union was promoted to a manager of the personnel department and even to a president of the company. Besides him, several union leaders, such as Kanematsu and Hanawa, were also promoted to a vice president afterwards. This suggests that persons of wide reputation among company members led the labour union movement at the beginning of the post-war period, and learnt sense of management and its know-how through discussions with managers of the company in management council, rising a management ladder after they returned to daily works of the company. On the other hand, there was a radical group who aimed to control the company by the union and led an all-out strike in March 1959 and strikes of long-term and waves, being defeated in the long run. The defeat of left wing social movement in general in the anti-Security Treaty between the US and Japan in 1960 worked disadvantageously on the movement of this group. The labour union was split into two and the new union, which succeeded to organise a large part of the company members as its members took a moderate attitude toward the company. At the beginning of the post-war period, the labour movement led by persons of youth and wide reputation among company members produced democratic atmosphere within the company. After the company experienced a severe conflict between management and labour, influential members of the top management felt keenly the importance of employees' support to the company, being based on their past experiences as union leaders. They paid a great consideration on employee's welfare. President Yamamoto's "Heaven of Salaried People" slogan and establishment of

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<sup>47</sup> Ibid., p.820.

the communication committee which he proposed played a very important role in this context too. President Kikuchi also announced a "Welfare Policy" including a pension scheme under which 300 thousands yen per month old age pension would be guaranteed to persons with a standard carrier.

Second, the consciousness of a leading company was very strong throughout the history. On one hand, it brought a leadership in co-operation between companies in the non-life insurance industry and a strong consideration about keeping the order of the industry. Tokio Marine took a lead to form MICA and to keep its rate. As a result of it, the performance of cargo insurance changed better. As for automobile insurance, Tokio Marine also took a lead to investigate the factors, which caused the bad performance of this insurance, to know how to assess its real performance, and after that the company persuaded MOF to admit the raise of its premium. On the other hand, Tokio Marine had a strong desire to keep its position as a leading company. In the field of fire insurance, a manager of that department during the period of president Takagi's emphasised the importance of keeping the company's market share and "Go Go Strategy" during the period of president Kikuchi's aimed to raise the overall market share of the company by 1 % for 3 years. As a result of this strong consciousness of a leading company, the overall market share of the company was comparatively stable through the post-war period.

Third was a high adaptability of the company to the change of the surrounding circumstances. As mentioned earlier, the composition of premium income changed drastically during the post-war period. In spite of this change of circumstances, Tokio Marine could keep its market share comparatively stable. What was the reason for that ?

One reason is that Tokio Marine has been a member of Mitsubishi group, the largest business group in the post-war Japan, standing at the advantageous position in dealing with big businesses, other enterprises and individuals being related with Mitsubishi-affiliated companies. Moreover, the company has had larger capital power than other companies in non-life insurance industry of Japan and it enabled the company to adapt to the change of the circumstances more smoothly.

Nevertheless, following two points should be added here to that. First, Tokio Marine adopted the strategy, which attached importance to non-marine insurance businesses since president Takagi's and president Yamamoto's period. Non-marine businesses were unified already in 1964. A person from non-marine departments became a president in 1966 for the first time and persons from non-marine departments occupied over half of the members of

the board of directors at that time. Second, adding one more important point about human factors, there is an interesting fact in the composition of new graduates and managing directors according to their academic carriers. At the beginning of the post-war period, graduates from the University of Tokyo and the Hitotsubashi University occupied a dominant part of both of them. But as time went on, the concentration ratio into these two universities declined and the numbers of new universities in the list of new graduates increased largely. New personnel with vitality have been found from wider sources and promoted to the executives of the company.

Table 1 Tokio Marine's Market Share and Composition of Direct Premiums  
classified by Lines of Insurance (1945-1949) (%)

	market share	Hull	Cargo	Transportation	Fire	New Type	Automobile	Total
1945	18.2	21.0	8.6	4.1	65.5	0.7	0.3	100.0
1946	14.9	13.8	10.0	5.3	67.1	3.9	1.9	100.0
1947	14.8	10.2	11.9	6.7	67.5	3.7	2.1	100.0
1948	14.7	12.4	16.6	6.6	61.2	3.3	2.2	100.0
1949	15.2	18.0	15.8	5.3	57.6	3.3	2.4	100.0

Notes) Market share is based on net premium income base.

Direct premiums include maturity-refund and cancellation-refund premiums.

Source)

Tokio Kaijyo Kasai Hoken Kabushiki Kaisha (The Tokio Marine & Fire Insurance Co. LTD.), "Tokio Kaijyo Kasai Hoken Kabushiki Kaisha Hyakunenshi Ge ( One Hundred Years History of The Tokio Marine & Fire Insurance Co. LTD. Vol. 2), 1982

Table 2 Tokio Marine's Market Share and Business Performance

	market share	underwriting balance	business profit and loss	net profit
		premium income	premium income	total capital
1948	—	40.9 %	2.3 %	3.67 %
1949	17.3	32.1	2.9	2.16
1950	18.0	19.2	0.2	2.50
1951	18.9	31.4	0.1	3.80
1952	17.9	31.1	0.5	5.09
1953	18.1	30.0	9.6	4.83
1954	17.3	25.1	6.6	7.18
1955	16.6	22.6	5.9	6.32
1956	16.8	22.9	-1.1	6.10
1957	17.5/17.0	25.6	-0.1	5.67
1958	17.5	19.6	-0.43	6.17
1959	17.5	17.4	-0.65	5.91
1960	17.6	20.9	-4.87	5.02
1961	17.9	17.6	-1.27	5.36
1962	17.6	16.4	0.5	5.34
1963	17.1	22.4	-4.35	4.77
1964	16.5	21.9	-3.44	2.54
1965	16.2	19.9	-5.1	2.36
1966	16.3	24.3	-5.17	2.17
1967	17.5	28.2	-3.8	2.23
1968	17.3	23.9	-4.98	2.10
1969	16.9	20.9	-4.96	1.95
1970	16.3	28.1	4.86	3.61
1971	15.7	29.2	7.37	4.05
1972	15.8	29.8	8.77	4.35
1973	15.8	26.7	1.99	3.54
1974	15.8	18.6	-0.34	2.73
1975	15.7	18.8	-1.95	2.45
1976	15.8	17.9	1.63	2.77
1977	16.1	19.3	1.14	2.01
1978	16.4	20.7	3.82	2.26
1979	17.4	22.4	0.91	2.02

## Notes)

1 underwriting balance = net premium - (net claims + net expenditures)

business profit and loss = underwriting balance - addition to reserves + release of reserves

reserves consist of outstanding claims reserves and liability reserves

2 There is a slight difference in calculation method of market share between 1949-1957 and 1957-1979. The calculation is basically based on direct writing premium income (excluding maturity- refund and cancellation-refund premiums) base but figures before 1958 include those refund premiums.

## Source)

Tokio Kaijyo Kasai Hoken Kabushiki Kaisha (The Tokio Marine & Fire Insurance Co. LTD.), "Tokio Kaijyo Kasai Hoken Kabushiki Kaisha Hyakunenshi Ge (One Hundred Years History of The Tokio Marine & Fire Insurance Co. LTD. Vol. 2), 1982

Table 3 Tokio Marine's Composition of Direct Premiums classified by Lines of Insurance (%)

	Hull	Cargo	Transportation	Fire	New Type	New Type		Total
						Automobile	Compulsory Automobile	
1949	17.4	16.7	5.6	56.9	3.4	2.4	-	100.0
1950	18.6	17.2	5.0	54.4	4.8	3.1	-	100.0
1951	23.2	20.6	5.5	46.4	4.2	3.6	-	100.0
1952	30.0	16.4	3.4	45.1	5.2	4.3	-	100.0
1953	29.1	18.4	3.0	43.0	6.4	4.7	-	100.0
1954	28.8	16.9	2.8	43.9	7.6	5.5	-	100.0
1955	28.4	18.5	2.4	41.5	9.3	5.7	1.8	100.0
1956	26.6	19.7	2.3	41.3	10.1	5.9	2.2	100.0
1957	27.8	19.7	2.1	38.6	11.8	6.8	2.3	100.0
1958	29.5	16.8	1.5	38.3	13.9	8.3	2.7	100.0
1959	27.4	19.1	1.8	36.0	15.6	9.6	3.3	100.0
1960	24.6	19.4	2.0	34.1	19.9	12.1	4.3	100.0
1961	22.6	18.9	2.0	31.8	24.7	15.1	4.8	100.0
1962	22.0	16.9	1.9	32.2	27.0	15.1	6.4	100.0
1963	18.3	16.9	1.8	30.4	32.6	17.1	9.0	100.0
1964	14.2	14.7	1.5	27.4	42.2	16.9	19.3	100.0
1965	13.6	14.4	1.1	27.8	43.1	18.5	18.4	100.0

  

	Hull	Cargo	Transportation	Ordinary Fire	Earthquake	Long Term Fire	New Type	New Type		Total
								Automobile	Compulsory Automobile	
1966	11.9	13.2	1.0	23.7	0.4	-	6.5	23.2	20.1	100.0
1967	9.7	11.2	0.9	20.2	0.4	-	7.5	28.3	21.8	100.0
1968	9.7	11.1	0.9	19.3	0.4	-	8.5	28.4	21.7	100.0
1969	9.2	10.8	0.8	16.6	0.3	3.7	9.0	24.4	25.2	100.0
1970	8.4	10.0	0.6	13.7	0.2	4.9	8.6	23.0	30.5	100.0
1971	9.2	10.0	0.7	14.0	0.2	5.0	9.3	23.1	28.5	100.0
1972	9.5	9.2	0.7	14.0	0.2	4.9	10.1	22.9	28.3	100.0
1973	9.2	10.2	0.9	15.2	0.3	4.4	10.9	22.7	26.1	100.0
1974	9.4	12.3	1.0	16.9	0.3	3.7	11.6	22.8	22.1	100.0
1975	8.7	10.3	0.9	16.8	0.3	3.4	12.5	26.4	20.8	100.0
1976	8.1	10.7	0.9	16.2	0.3	3.1	13.3	28.4	18.9	100.0
1977	7.5	10.0	0.9	15.9	0.4	3.0	14.6	29.1	18.6	100.0
1978	6.2	8.7	0.9	15.5	0.4	3.6	15.1	31.3	18.4	100.0
1979	6.0	10.2	1.0	14.6	0.3	0.1	18.2	31.9	17.8	100.0

Source) Same as Table 1