

OLIS 2010 Spring

The Trend of Life Insurance Industry

June 21st, 2010

Oriental Life Insurance Cultural Development Center
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Before my lecture begins....

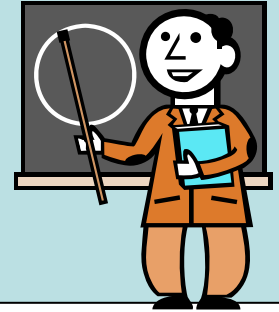
Seminar theme : Life Insurance Business and Marketing Strategy in Japan

Program	Lecture Theme	Point of lecture
Basics	The overview of Life Insurance business	Business Overview
	Life Insurance related regulations	Regulations
	Sales Channels and products	Marketing
Topics	The trend of Life Insurance industry	Industry trend
	Regulations such as Insurance Law and Life Insurance marketing	Regulations and insurance
	The marketing strategy in the future	Marketing strategy

Outline of the Lecture

The trend of Life Insurance Industry in Japan . . .

We will attempt to **ANALYZE** the information directions, **GRASP** the current situation and **FORECAST** future outlook drastically.



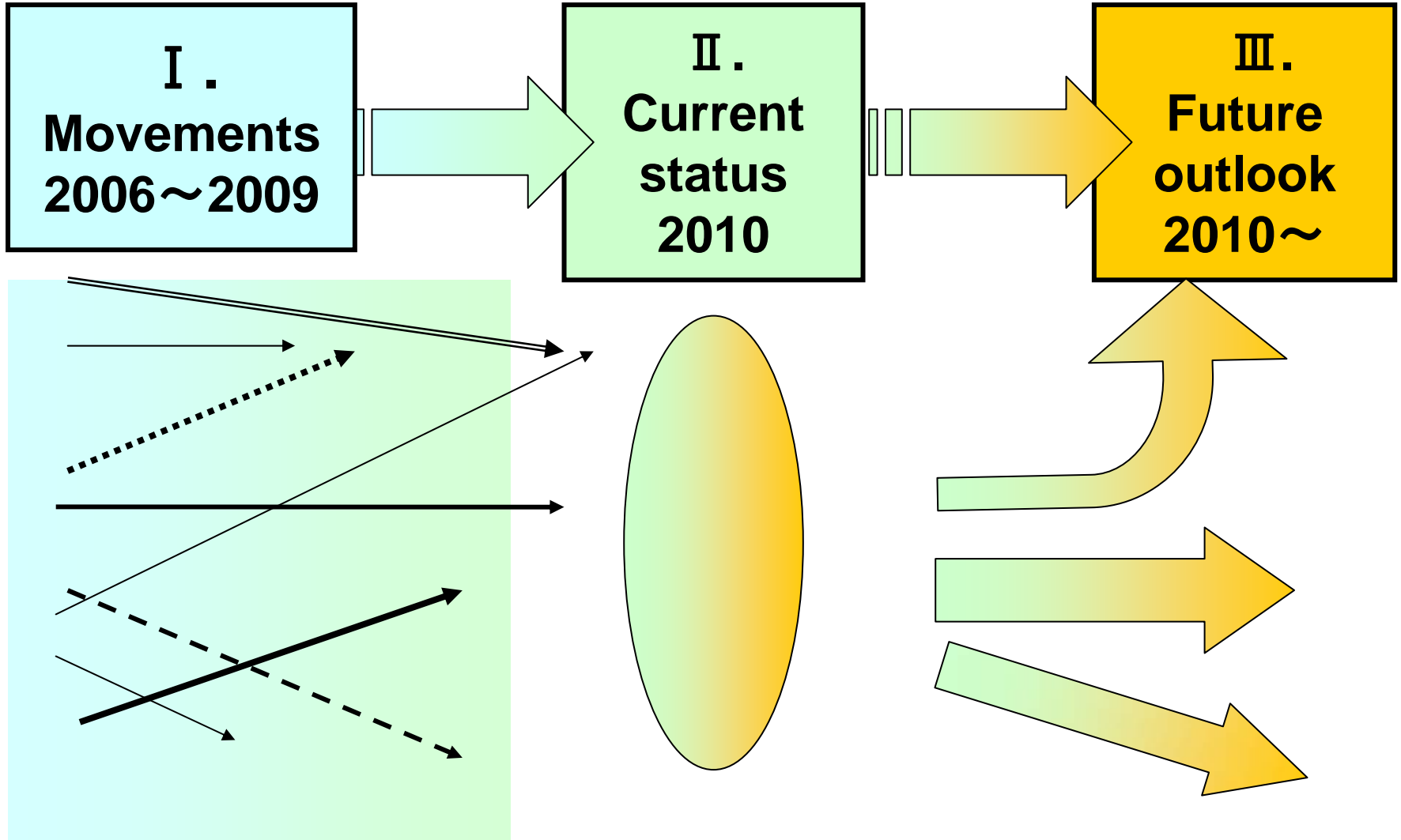
□ Current Surroundings

- Financial Crisis started in US
- Distrust of life insurance industry generated by unpaid claim scandals
- Deregulation of over-the-counter-sales
- Privatization of Japan Post Holdings and etc.

□ Constant Issues

- Long term deflation economy
- Aging and less child society
- Limitation of social security system

Industry Trends



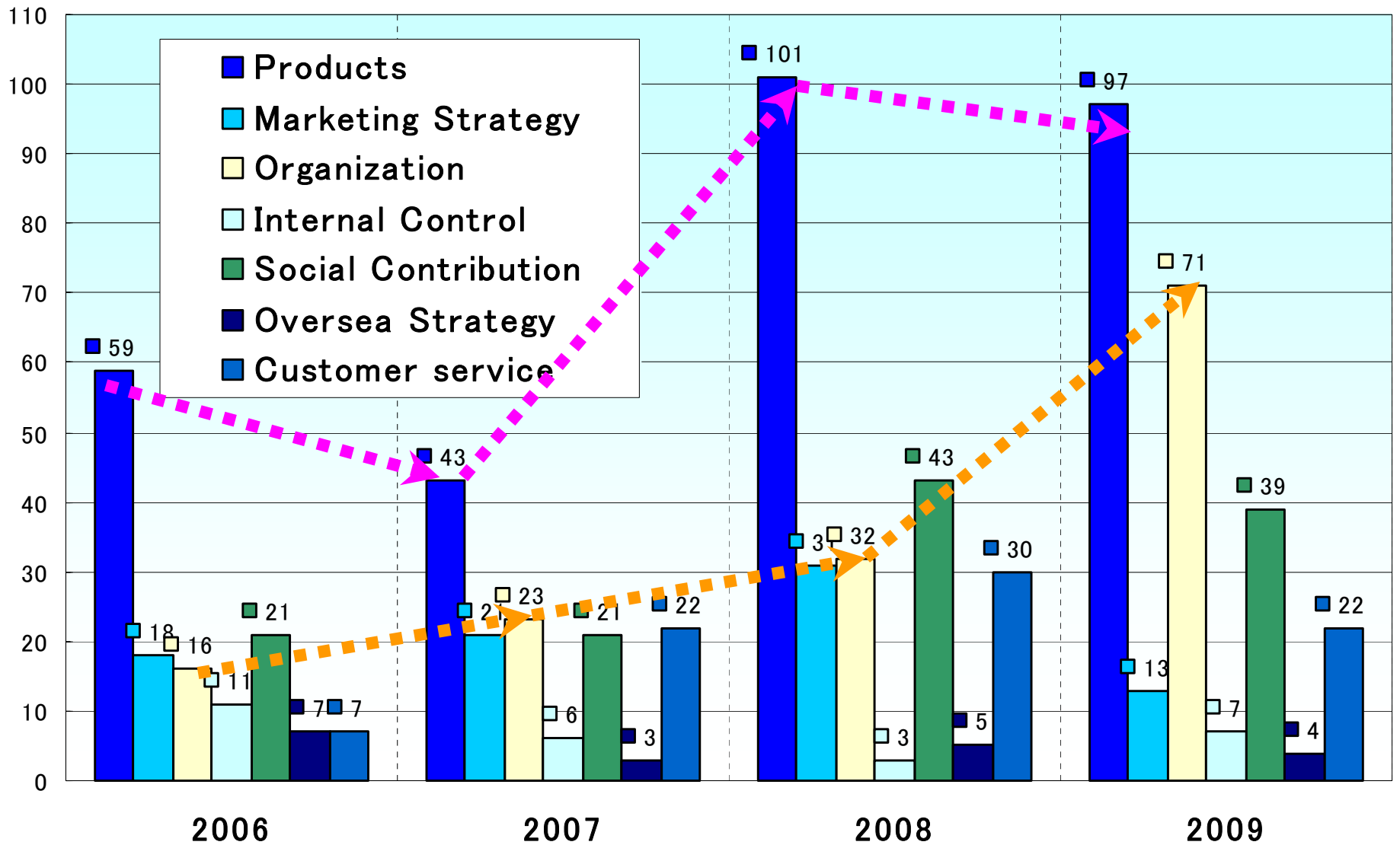
I . Industry Movements

Objective and Point of this session

• • • Review each “category” of MOVEMENTS in Japanese life insurance industry in recent years, make assumption of trends and vector in order to search where its heading to.

Statistics by category

Yearly headlines on trade papers in Japan



Highlights in 2006

2006 ····· 2007 ····· 2008 ····· 2009

1. Financial Services Agency ordered business suspension for **Unpaid Claims Scandal cases**
2. All insurance companies were ordered to investigate unpaid claim cases
3. Life Insurance Companies has started to release 3 major sources to the public

Unpaid Claim Scandal

How to wipe out distrust atmosphere
against insurance industry
generated by unpaid claim scandal

(1). Reorganization of company structure

(2). Simplifying products

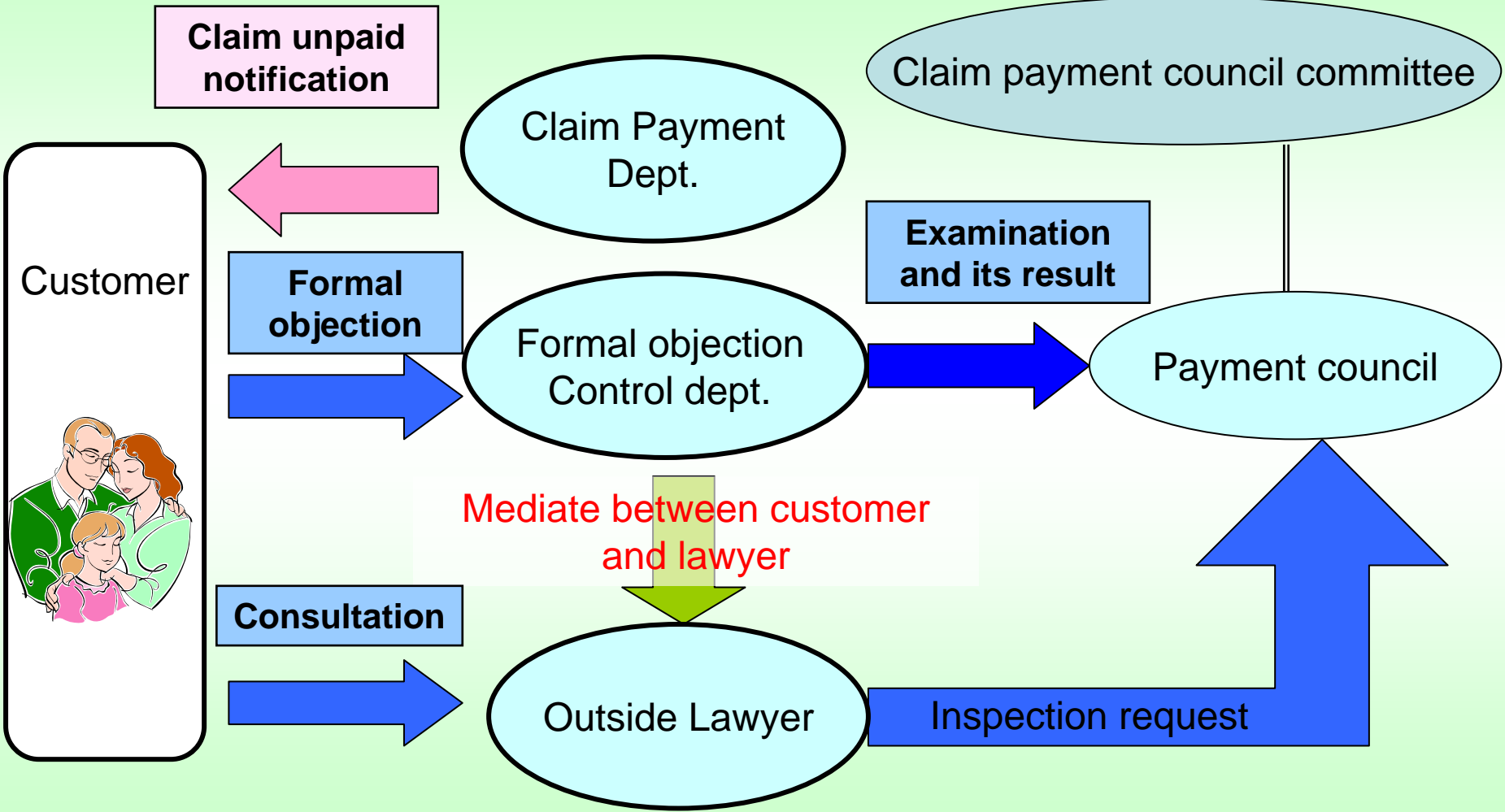
(3). Customer Service

(1). Reorganization of company structure

Clarifying payment function and placing 3rd party organization

- Dai-ichi Life set up [Claim Payment Committee](#)
- Meiji-Yasuda Life set up [Complaint Consultation System](#) on claim payment
- Prudential Life set up [Claim Council](#) by outside experts
- T&D Financial set up [Claim Administration Committee](#)
- AIG Edison set up [Claim Payment Administration Council](#)
- Nippon Life set up [Complaint Consultation Office and Arbitration System by lawyers](#)
- Dai-ichi Life set up [Complaint Consultation Office and Claim Council](#)
- Mitsui Life set up [Claim Council](#)
- Sumitomo and Taiyo set up [Consultation Office](#) on claim payment

Payment Council and Examination model



(2). Simplifying the products

To avoid unpaid claims and deepen the understanding by customers, more **Simplified Products** were developed

- Meiji Yasuda Life released new medical insurance for women (Simple products with clause which is easy-to review and use)
- AIG STAR LIFE INSURANCE released the products with benefits corresponding to the kinds of injury or sickness.
- American Life Insurance Company developed the products with simplified representation items and eased underwriting.

(3). Customer Services

Examples of Industry correspondences to customer protection movements

- The Dai-ichi life Insurance simplified their claim payment request form and bears the acquisition cost of medical examination.
- Information requests are available through HP for Meiji Yasuda Life Insurance
- Mitsui Sumitomo Kirameki Life Insurance improved policy certificate mailing services.
- Nippon Life Insurance posted “Easy explanation of policy provisions.”

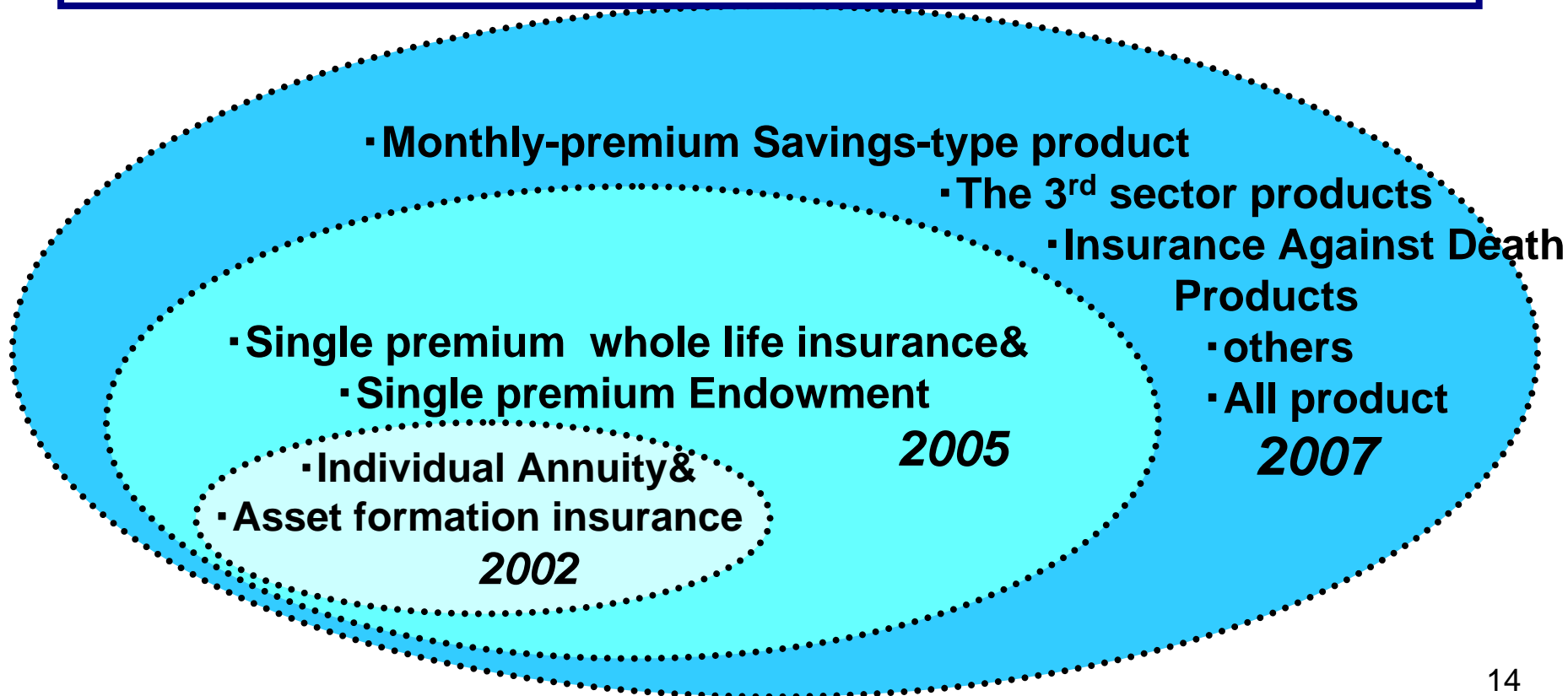
Highlights in 2007

2006 ····· **2007** ····· 2008 ····· 2009

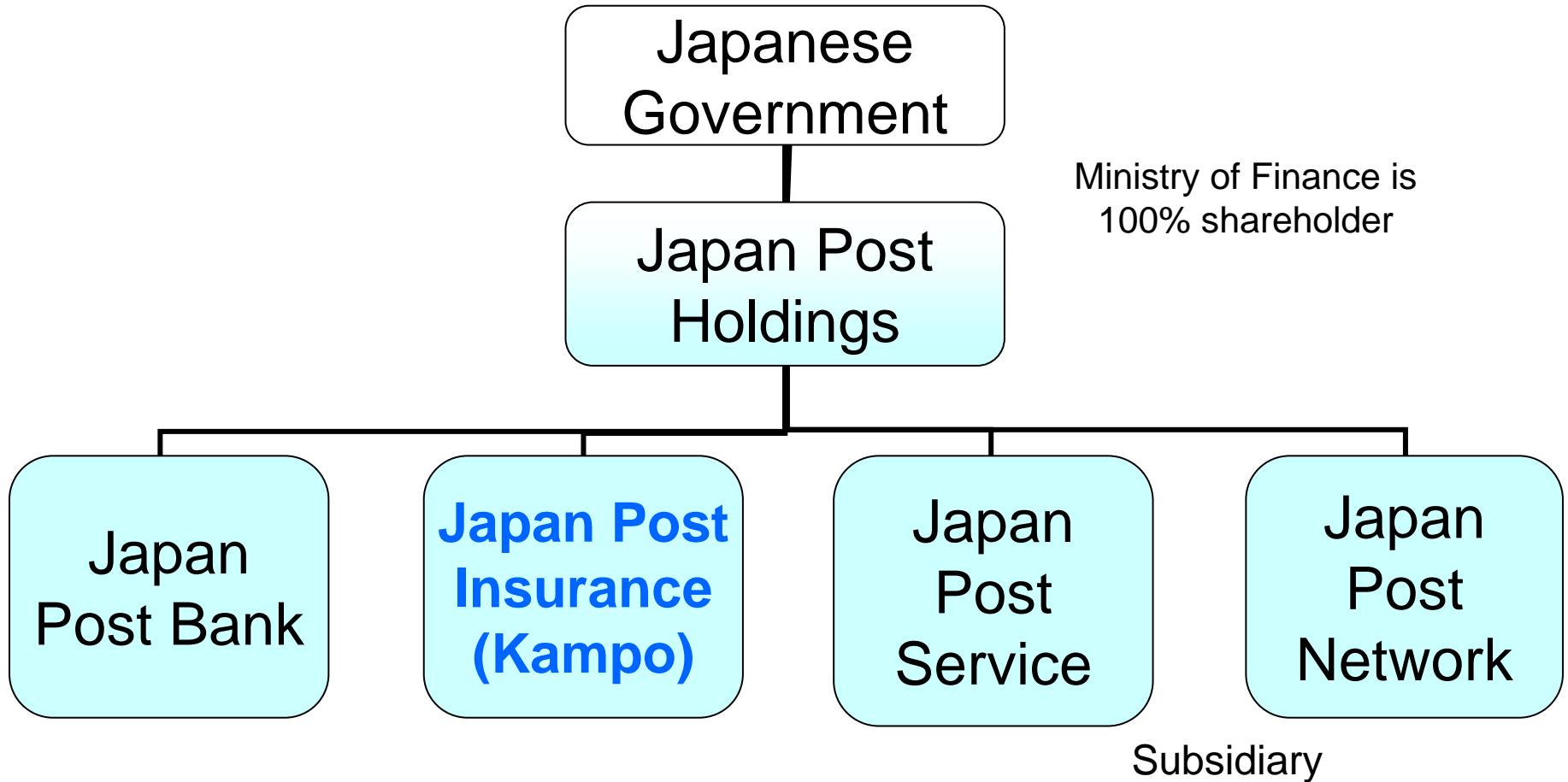
1. Overall deregulation of the
Over-the-Counter Sales at Banks
2. Establishment of Japan Post Holdings
3. Enforcement of Financial Instruments
and Exchange Act

1. Overall deregulation of the Sales-Over-the Counter at Banks

The whole Life Insurance industry expressed objection to deregulation even though they were in process of developing exclusive products in accordance with agency contract with financial organizations



2. Establishment of Japan Post Holdings



Business Summary of fiscal year 2008

(Unit :1 billion yen)

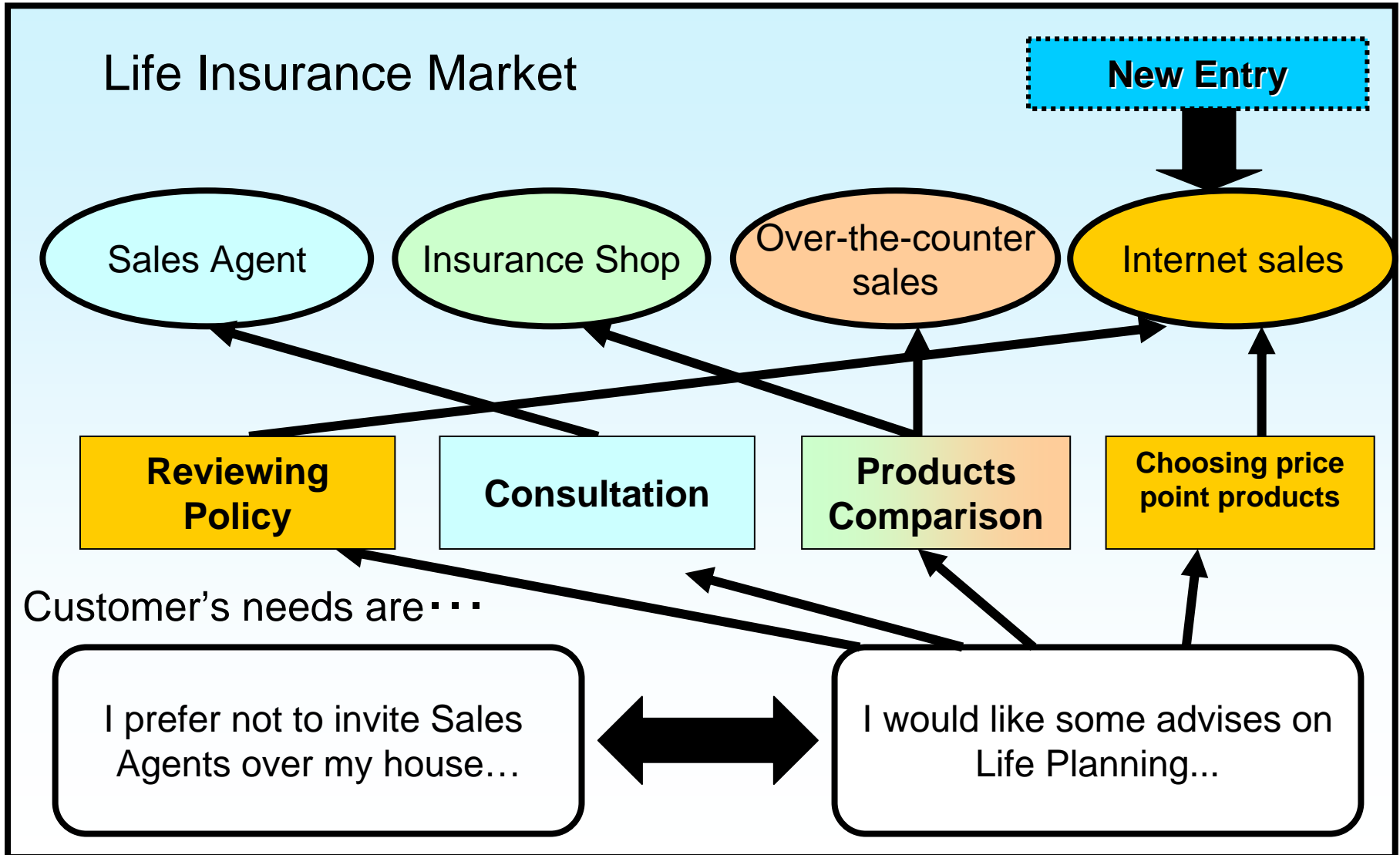
	Total Asset	Ordinary Income	Premium
Nippon Life	45,825	6,605	5,035
The Dai-ichi Life	30,022	5,182	2,903
Meiji Yasuda Life	23,903	3,784	2,684
Sumitomo Life	22,609	3,604	2,529
Japan Post	106,577 34%	15,533 28%	7,881 23%
Others	82,784	19,662	13,031
Total	311,720	54,370	34,063

Highlights in 2008

2006 ····· 2007 ····· **2008** ····· 2009

1. US AIG's failure
2. Business Alliance between Japan Post Insurance and Nippon Life
3. Allianz Life Insurance obtained a license in Japan
4. SBI AXA Life and LIFENET Insurance
 - (1) **New sales channel**
 - (2) **Products diversifications**

(1) New Sales Channel

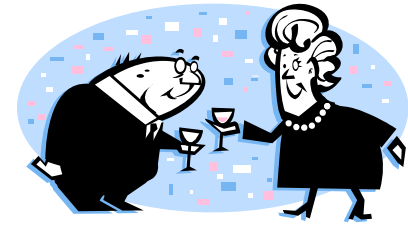


(2) Products Diversifications

Causes :

- 1. Changes in movement of the population**
- 2. Changes in customer's awareness**
- 3. Changes in economic state**
- 4. Changes in sales channel**

- Individual Annuities



1. Distributed exclusively through financial organization

**2. From fixed to variable
(Interest sensitive savings-type)**

**3. Security more than interests rate
(Guaranteed-type)**

4. Solution to low interest (Denominated in foreign currency, investment-type)

- Medical (Cancer) Insurance

- 1. Price Point ··· No surrender values**
- 2. Savings ··· Health Bonus**

3. Lowering acceptance standard

· · Representation, anamnesis

4. Additional Service · · · Nursing care insurance

Advanced Technology

Support for hospitalization

Doctor, health consultation



- Term Insurance



1. Lower pricing

2. Increasing term (Corporate-type)

3. Risk-subdivided tariff

Highlights in 2009

2006 ····· 2007 ····· 2008 ····· **2009**

- 1. 2008 business review (April – December)**
Sevier influence caused by financial market chaos
2. Variable annuities and Whole Life insurance deal was suspended
3. A LICO Japan customer information database was drained

- Financial crisis impacts to the industry

● **Impacts to the industry caused by financial crisis**

Impacts and issues to the industry caused by confusion in
US financial market

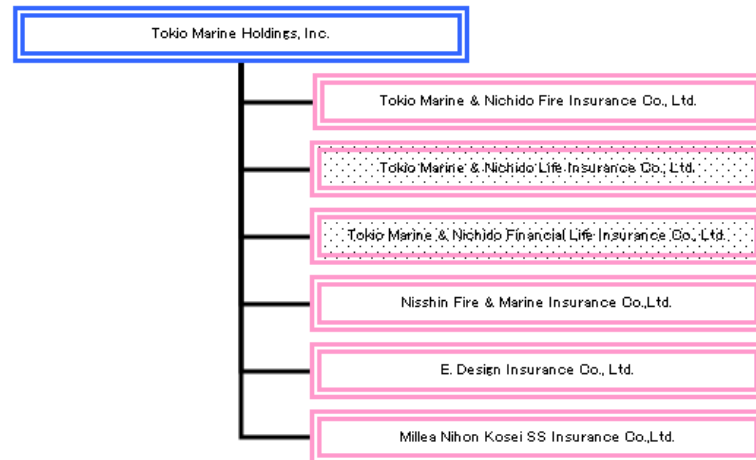
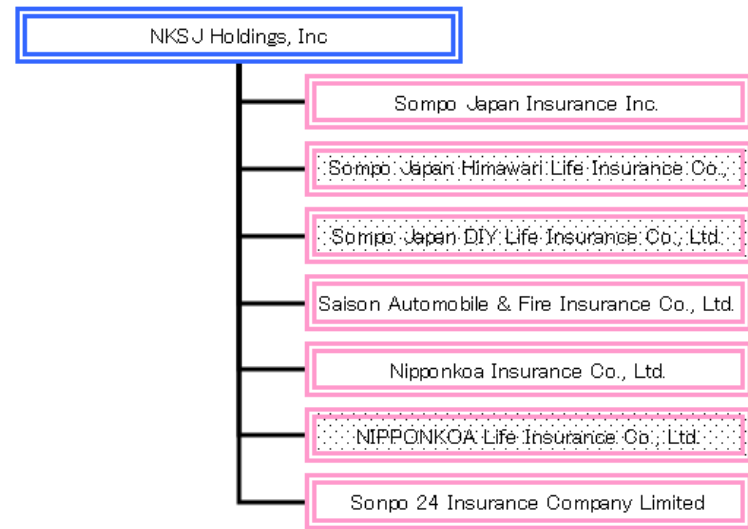
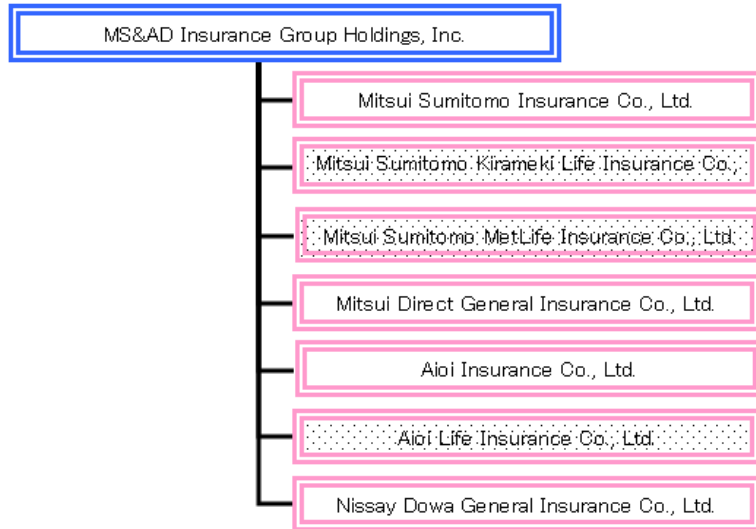
1. Strengthen the power of organization
2. Reorganization of company

1. Strengthen the power of organization

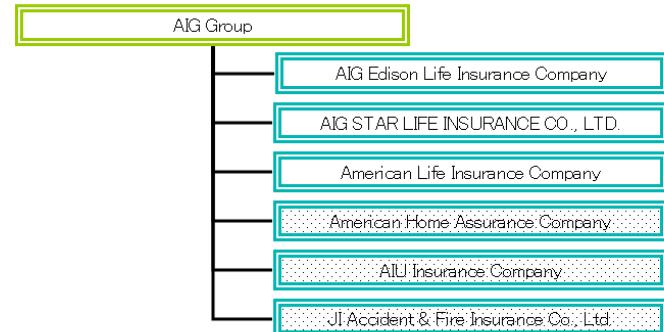
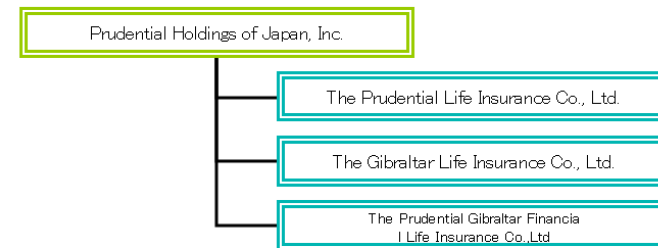
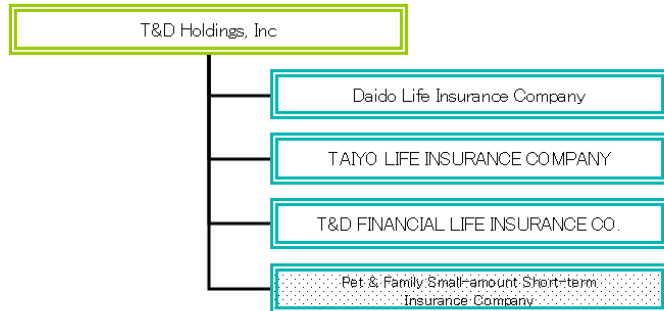
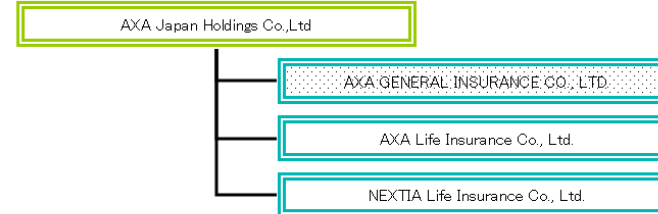
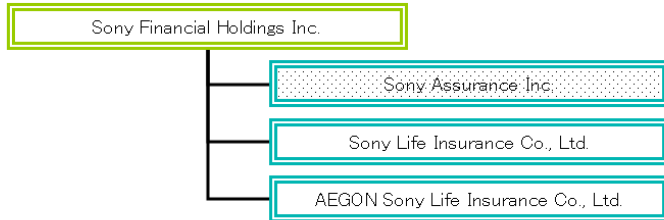
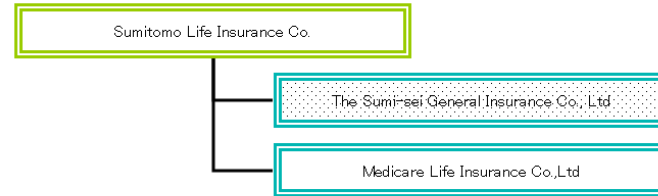
Results of strengthening the power of company by capital increase Unit: 100 million yen

	2006	2007	2008	2009
T&D FINANCIAL LIFE	320	–	–	1,200
ING Life	100	–	150	68
Tokio Marine & Nichido Financial Life	250	50	–	–
Sumitomo Life	500	–	–	1,000
MassMutual Life	100	–	130	
Tokio Marine & Nichido Life	500	–	–	–
Sompo Japan Himawari Life	–	200	–	–
Mitsui Sumitomo MeLife	–	51	204	–
Aioi Life	–	100	–	–
Mitsui Life	–	–	600	
The Dai-ichi Frontier Life	–	–	–	100
Allianz Life	–	–	–	26
Fukokushinrai Life	400	–	–	–

2. Reorganization (Non-Life Insurance)



2. Reorganization (Life Insurance)



2. Reorganization (Life Insurance) Case - 1

Case - 1

The Dai-ichi Life Insurance Co. Ltd.

The Dai-ichi Frontier Life Insurance Co.

2. Reorganization (Life Insurance) Case - 2

Case - 2

Sumitomo Life Insurance Co.

The Sumi-sei General Insurance Co., Ltd

Medicare Life Insurance Co.,Ltd

2. Reorganization (Life Insurance) Case - 3

Case - 3

Sony Financial Holdings Inc.

Sony Assurance Inc.

Sony Life Insurance Co., Ltd.

AEGON Sony Life Insurance Co., Ltd.

2. Reorganization (Life Insurance) Case - 4

Case - 4

AXA Japan Holdings Co.,Ltd

AXA GENERAL INSURANCE CO., LTD.

AXA Life Insurance Co., Ltd.

NEXTIA Life Insurance Co., Ltd.

2. Reorganization (Life Insurance) Case - 5

Case - 5

T&D Holdings, Inc

Daido Life Insurance Company

TAIYO LIFE INSURANCE COMPANY

T&D FINANCIAL LIFE INSURANCE CO.

Pet & Family Small-amount Short-term
Insurance Company

2. Reorganization (Life Insurance) Case - 6

Case - 6

Prudential Holdings of Japan, Inc.

The Prudential Life Insurance Co., Ltd.

The Gibraltar Life Insurance Co., Ltd.

The Prudential Gibraltar Financial
Life Insurance Co., Ltd

2. Reorganization (Life Insurance) Case - 7

Case - 7

AIG Group

AIG Edison Life Insurance Company

AIG STAR LIFE INSURANCE CO., LTD.

American Life Insurance Company

American Home Assurance Company

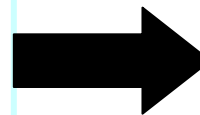
AIU Insurance Company

JI Accident & Fire Insurance Co., Ltd.

II Current status in industry

We will study insurance industry's correspondences to major issues and important points today, as of 2010

- Strengthen the power of organization
- Products diversification
- Customer's needs
- Reformation of sales channel
- Strengthen profitability



Correspondences
of
Each company

Case 1 - Company 'N' (Comprehensive type)

Strategy	Detailed measures	Key Point
New unification Plan	Establishing structure of new administrative service	Customer service
	Developing products which are easy to understand	Products
	Expanding diversified channels based on customer's needs	Sales Channel
	Maintenance the structure of sales and education system based on new clerical and service system	Education structure
	Newly established IFRS investigation office	Accounting

Case 2 - Company 'S' (Sales Strategy type)

	Detailed measures	Key Point
Reorganization of company	Promoting insurance sales through agency	Marketing
	Reexamining sales structure in urban area	Sales
	Reorganizing whole sales department	Marketing
	Reorganizing group annuities department	Business

Case 3 - Company 'AF' (Company Reorganization type)

Strategy	Detailed measures	Key point
Organization change	New establishment of 'Store Support' Department	Organization (Sales)
	Reorganization of Financial Corporate Branch	Organization (Sales)
	Reorganization and removal of Department	Organization (Headquarter)
	New establishment of field administration Department	Organization (Marketing)
	New establishment of IT Planning Department	Organization (Service)
	Risk management of assets investment was newly established	Organization (Investment of assets)

III Future outlook of Industry

We will organize “Trends” that are changing from ‘Movements’ to ‘Current status’, in order to forecast future outlook.

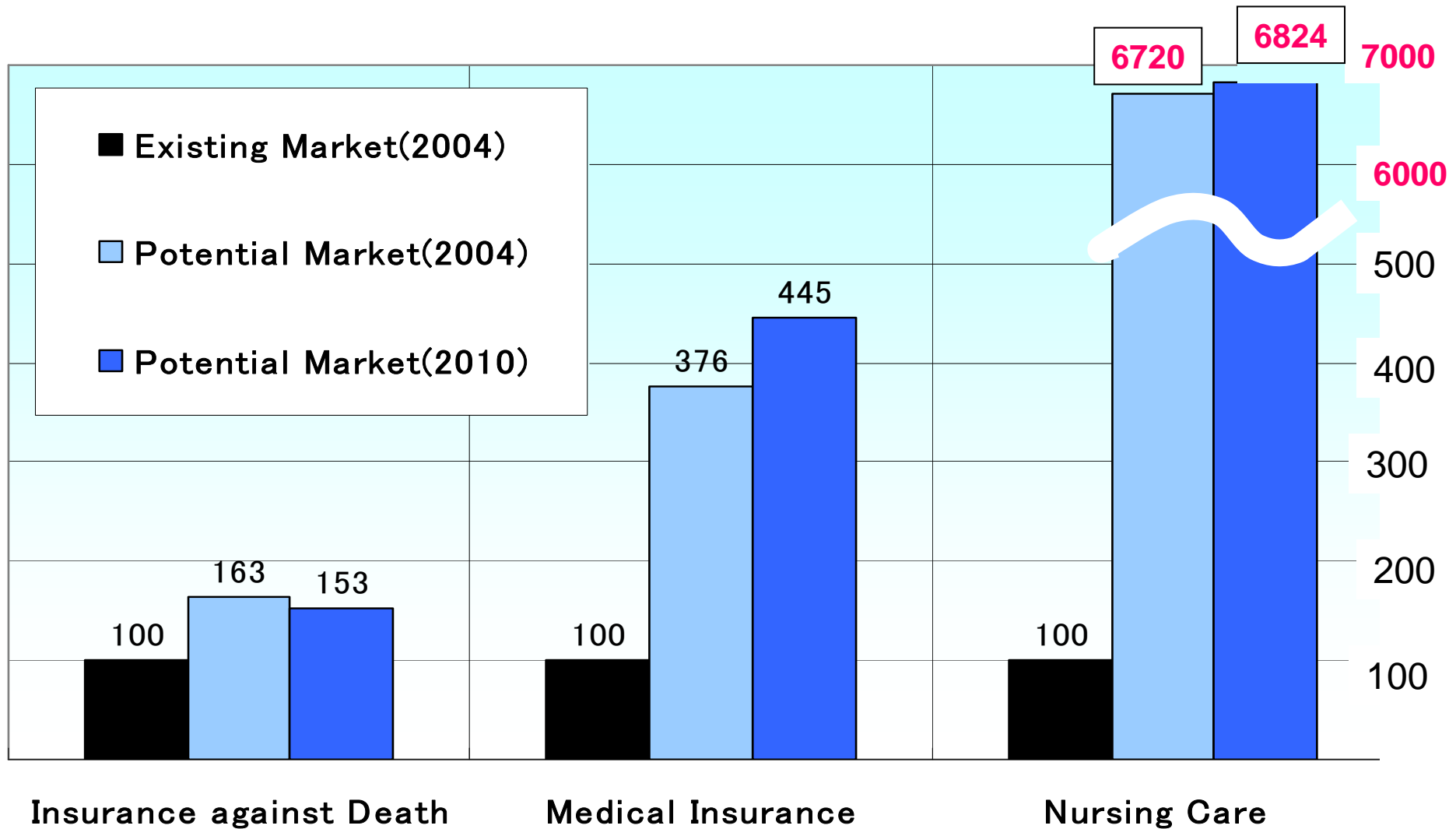
1. Management strategy that industry is aiming for..
2. Insurance business operators
(Organization Form)

1. Management strategy that industry is aiming for..

Focus on growing market and combine channel and product that are suitable to market, to create original business model

- (1) Market Scale
- (2) Sales channel
- (3) Product strategy
- (4) Business Models

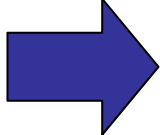
(1) Market Scale - 1



(1) Market Scale - 2

Number of death	Number of hospitalized people	Number of nursing care-needed people
Annually Approx. 1 Million	Annually Approx. 1.46 Million	Annually Approx. 3.6 Million
	Average days of hospitalization 19.8 days	Cared more than 2 yrs 60%

Expanding Aged Market

‘Speed of ‘Aging’  ‘Increase in Numbers’

	2010	2015	2030
Ratio of age over 65 to total population	1 / 5 20%	1 / 4 25%	1 / 3 33%
Purchase ability of aged over 60	67 Trillion JPY 40%	72 Trillion JPY 42%	77 Trillion JPY 47%

Image of Aged Market

Market for the aged is aggregation of a variety of segments.

Weak & aged

10%

Ordinary aged

80%

Wealthy & aged

10%

Medical, nursing,
welfare service

Large-amount
asset service

**Products for
Senior Insurance Market**

**Undeveloped
Territory**

**Products for
Inheritance & Trust**

(2) Sales Channel

Sales Channel	Sales Agent	Financial Planner	Agencies	Financial Organization counter	Mail order sales	Internet sales
Retail (Individual)			ALICO		AFLAC	
Occupational Based	Domestic major					
Home						LIFENET
Upper middle		Prudential Sony		Hartford		
Wholesales (Company)						

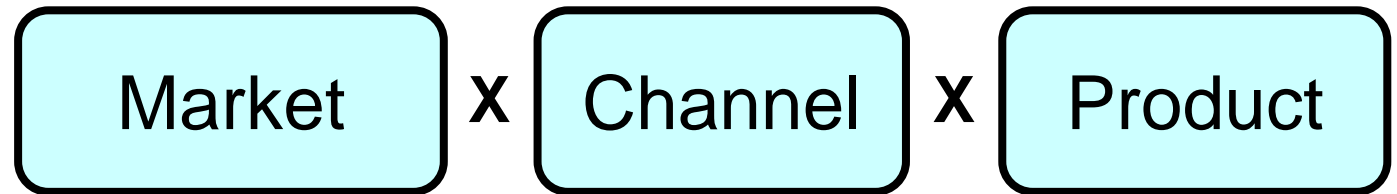
(3) Product Strategy

Profitability

		3 rd Sector
Insurance against Death (Occupational Based Market)	Insurance against Death (Home based Market)	
		Variable Annuities

Growing potential

(4) Business Model



Major Companies	Occupational Based	Sales Agents	Widely
3rd Sector Exclusive	Individual(Home)	Direct net	Lower Priced Medical Insurance
Variable Annuities Exclusive	Individual (Upper-middle)	Bancassurance	Investment Type Guaranteed Type

2. Insurance Operators (Form of organization)

(1) Private companies

Major life insurance supplier. Future issue on “mutual” or “stock” company

(2) Japan Post

Privatized in 2007. Argument about maximum insurance amount. Reliance on the government as the shareholder. Solid nation-wide network of 24,000 post-offices.

(3) Insurance cooperatives

Playing an important role, though a supplemental supplier in the past. Same protection and contribution. Insured persons are confined to specific area or occupational organization.

(4) Small-amount and short-term insurance dealers

New category systematized in 2006. Dealing in small-amount and short-term insurance for wedding/funeral expense, pet, earthquake, furniture, etc.

Restriction on and Scale of Insurance Dealers

Insurance operators offer protection to 120 million Japanese people.

	Private companies		Cooperative insurers		Small-amount and short-term dealers
	Life companies	Japan Post	JA	Zenrosai Prefectural cooperative Consumers Cooperative	
Supervisory law	Insurance Business Law		Agricultural Cooperative Law	Cooperative Law	Insurance Business Law
Authorities	FSA		MAFF	MHLW	FSA
Approval of product	Required		Required	Required	Required
Policy reserves	Required		Required	Required	Required
Minimum capital	¥1 bil		¥1 bil	Not required	¥10 mil
Restriction on amount	Not restricted	¥13 mil	Voluntary	Voluntary	¥3 mil
Product	Life		Life/Nonlife	Life/Nonlife	Life/Nonlife
Safety net	Established	Established (Tacit government guarantee)	Not established	Not established	Not established
# of policies	130 mil		40 mil		
# of companies	46	24,000 post-offices	20 laws, 80 insurers		66

~Next Time~

I'd like to talk about the trends in the life insurance industry, focusing on:

- 1. Strict restriction and relaxation**
- 2. Trends in overseas advancement**
- 3. Enterprises' social contribution**



Thank you!