



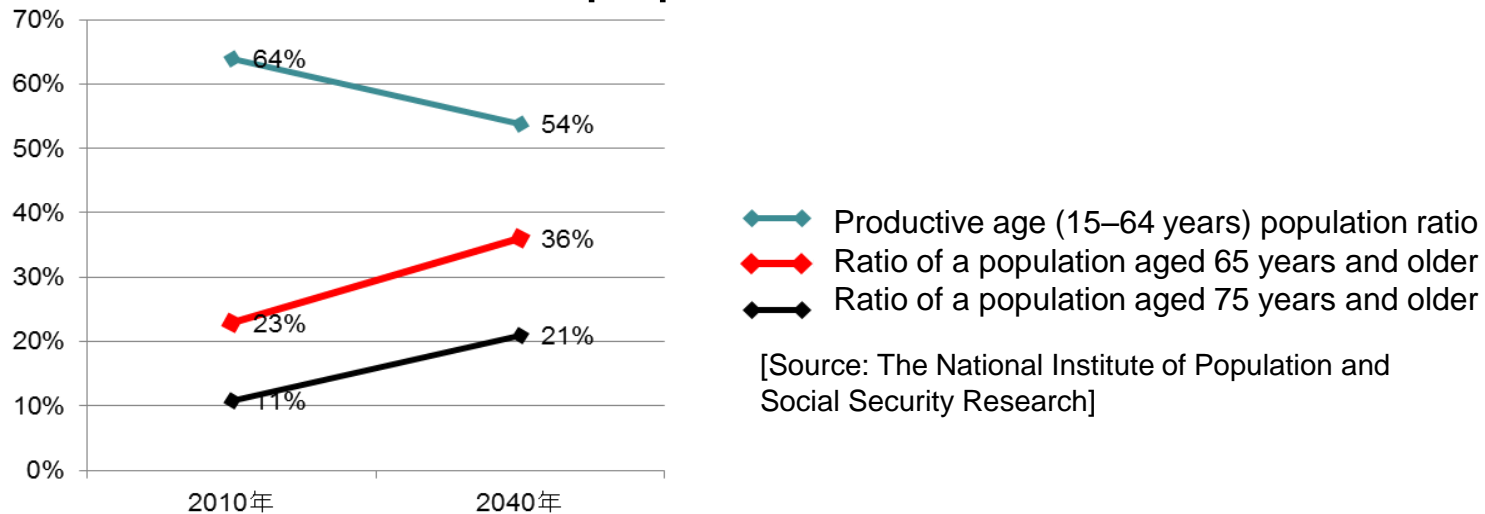
Provision of New Services by Japanese Life Insurance Companies

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Status and Future of Japan's Aging Society with Declining Birthrate

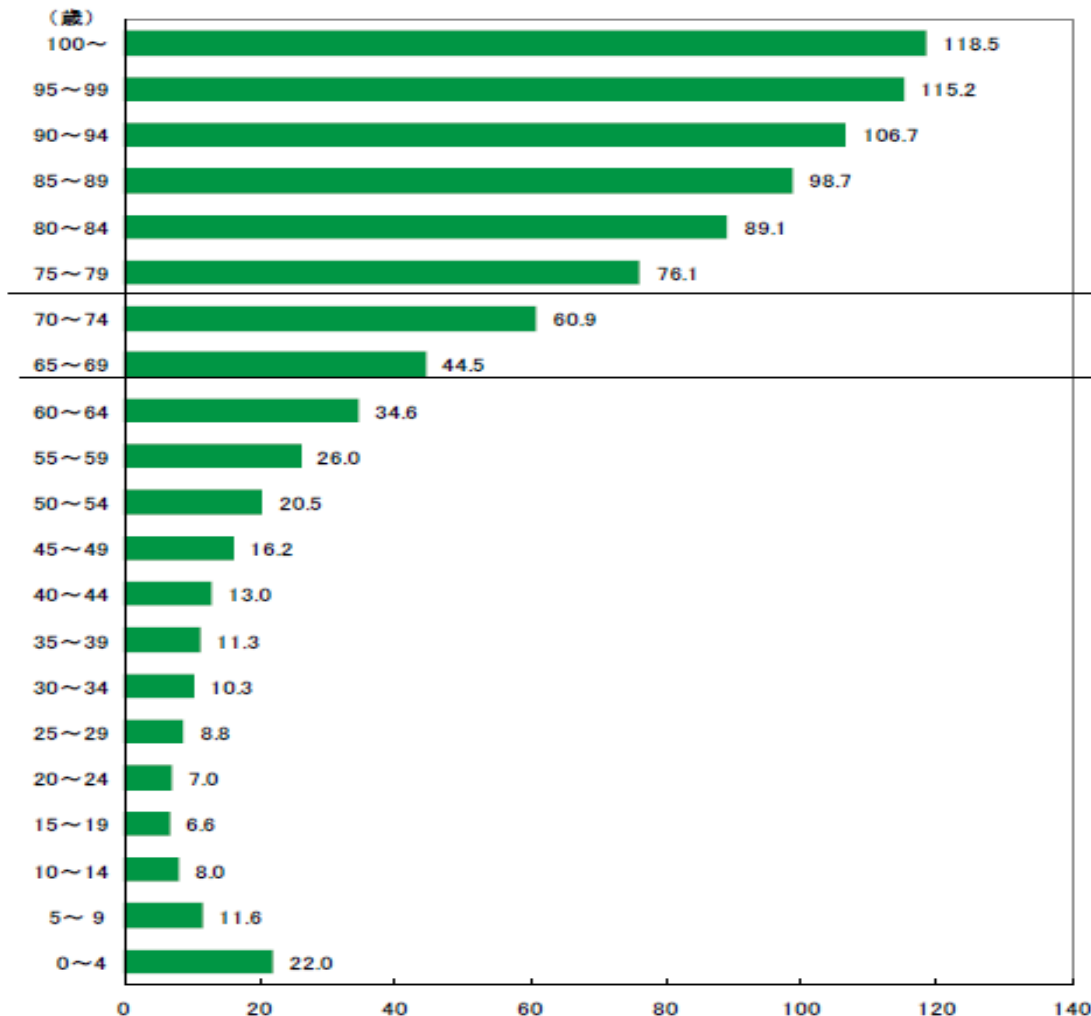
- In 2011, Japan plunged into a depopulating society.
- By 2040, the population 65 years and older will account for 36% of the total population.



- Productive age (15–64 years) population ratio decreases by 10 percentage points.
=> While tax revenues decrease, medical/nursing care expenses increase, pushing the public system to its limit.

Medical Expenses of the Aged (Reference)

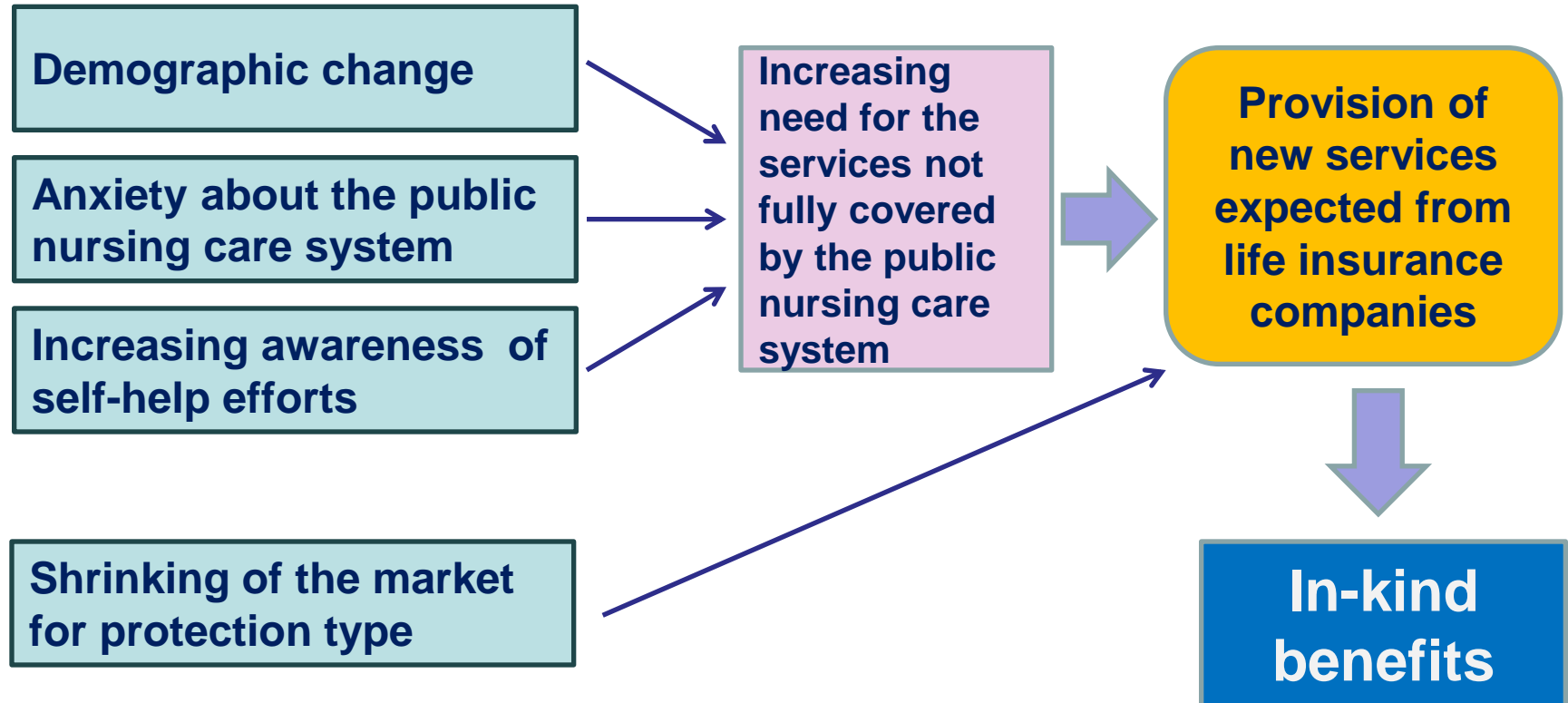
➤ Medical expenses of the aged are huge.



Annual medical expenses per person by age group (unit: 10,000 yen)

[Source: Website of the Ministry of Health, Labour and Welfare]

New Services Expected from Life Insurance Companies



Current Legal System

Insurance Business Act: Paragraph 4 of Article 3

- (4) The license for life insurance business shall be related to the insurance underwriting business listed on ...
 - (i) Insurance that receives premiums for human life or death ... **by guaranteeing the payment of a certain amount of insurance money** ...
 - (ii) With respect to the following events, by **guaranteeing the payment of a certain amount of insurance money** or **the indemnification of damage** that may be incurred by the relevant party from any of these events ...

Insurance Act: Paragraph 1 of Article 2

- (i) Insurance contract: Whether as an insurance contract, mutual aid contract, or any other type of contract, one of the parties ... property benefits on the condition that a certain event has occurred (in life insurance contracts and accident and sickness fixed amount insurance contracts, **it is limited to monetary payments** ...

In-kind Benefits by Life Insurance Companies

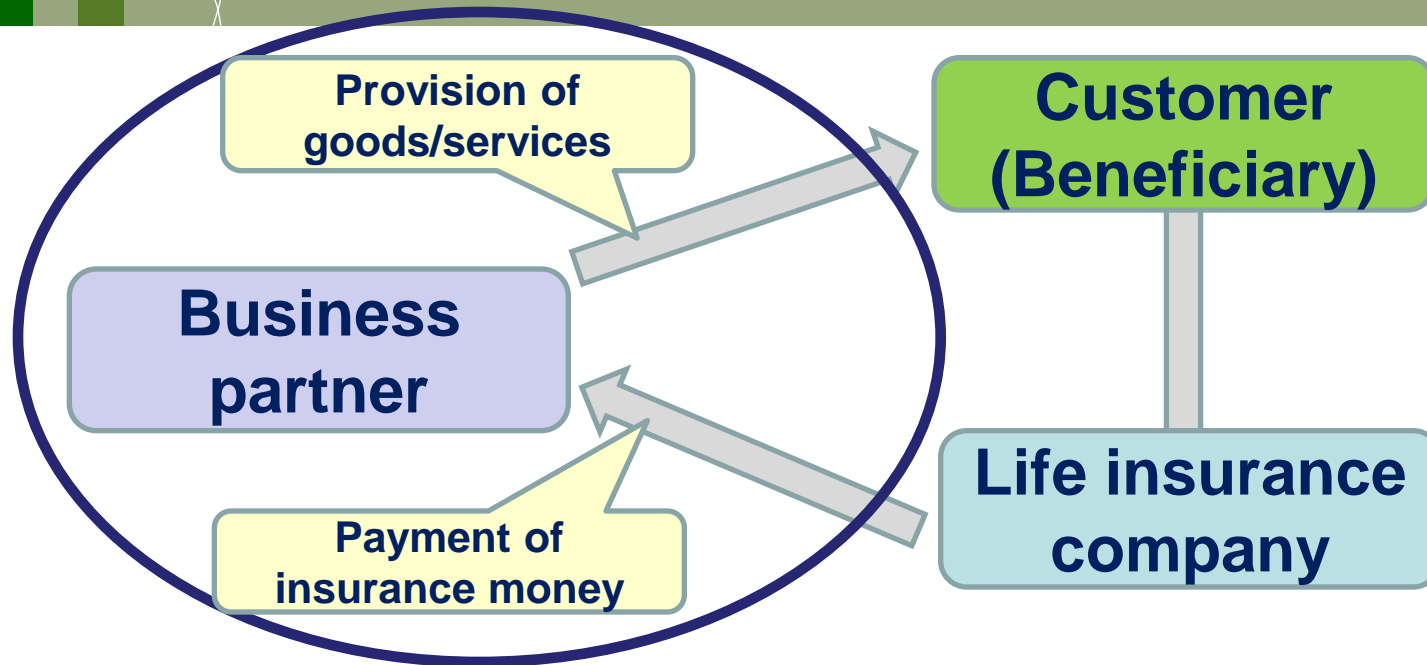
- ◆ The Insurance Business Act and Insurance Act prohibit, in principle, life insurance companies from providing in-kind benefits where services or goods are offered instead of insurance money or benefits.
- ◆ Following a change in society, the Financial Services Agency is scheduled to partially lift the ban on in-kind benefits as of FY 2014.

[Examples of in-kind benefits]

- Moving into a nursing or retirement home
- Funeral ceremonies
- Nursing care service
- Thorough physical checkups

Provided not by the life insurance company but by a subsidiary or business partner.

Provision of Information and Improvement of the System



It is necessary to protect customers' expectations about the goods and services.

Provision of information about the goods and services offered by the business partner.

Improvement of the system to recommend an appropriate business partner to the customer.

Customer Protection – 1. Provision of Information

To protect customers' expectations about the goods and services:

- Provide customers with the following information about the goods and services supplied by the business partner:
 - Specific details and levels of goods and services
 - Criteria for selecting a business partner
 - Able to select either the purchase of goods and services or the receipt of insurance money or benefits.
 - Able to receive (pay) in cash the difference between the goods and services and insurance money or benefits.

Customer Protection – 2. Improvement of the System

- To recommend an appropriate business partner to customers, improve the following system between the insurance company and the business partner:
 - Determine the contents and levels of goods and services provided to customers between the insurance company and the business partner.
 - Regarding the point that the costs be paid by the insurance company, the insurance company obtains prior consent from the business partner.
 - Determine in advance the communication and payment method for the customers when using the introduced service.
 - Maintain the condition that enables the introduction of a business partner satisfying the contents and levels explained to customers.

Introduction of the Nursing Home Business of Life Insurance Companies - 1

Kyoei Life Annuity Home by the former Kyoei Life

- ◆ In-kind benefits using the individual pension insurance (since 1965)
 - ✓ Residents are beneficiaries of the Individual Annuity Insurance with Kyoei Life Annuity Home rider (Single Premium)
 - ✓ The legislation at that time did not expressly prohibit in-kind benefits.
 - ✓ Medical care, meals, and housing of the residents are guaranteed for their entire lifetimes based on pensions paid directly to the Kyoei Life Annuity Home.
 - ✓ Sales were discontinued due to the bankruptcy of Kyoei Life in 2000.
- ◆ The Home was set up in five places throughout Japan, accommodating approx. 500 residents at the peak.

Introduction of the Nursing Home Business of Life Insurance Companies - 1

Kyoei Life Annuity Home by the former Kyoei Life (Cont'd)

- ◆ Currently, the Home is operated only in one location in the suburbs of Tokyo and houses 85 residents. (Provided that at least one person is in residence, the Home remains open and providing services.)



It was an extremely forward-thinking attempt; however, the Home failed as a business model following the bursting of the bubble economy and under the influence of the subsequent extremely low interest rates.

Introduction of the Nursing Home Business – 2

Nippon Life

In 1989, Nippon Life established Nissay Seirei Health & Welfare Foundation and participated in the management of fee-based nursing homes.

- ◆ Currently in operation in two places in Japan.
- ◆ The following costs need to be paid to move in:

Lump-sum admission fee	26.2 million yen to 56.8 million yen	Amount corresponding to the rent: 2.9 million yen for a cohabitor.
Nursing care charges	2.94 million yen	Payable even if nursing care is not required when moving in.
Health management fee	5.88 million yen	Regular medical checkups and around-the-clock medical services

- ◆ The following costs need to be paid monthly.

Usage fee	160,000 yen	Meal expenses + management fees
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Introduction of the Nursing Home Business – 3

Sony Life

In September 2006, Sony Life formed an alliance with Watami, a company that provides nursing care services.

- ◆ Life Planners (LP) of Sony Life implement the life planning of potential customers who are considering the use of Watami's nursing care facilities.
- ◆ Sony Life develops insurance products that reflect the needs of care sites.
- ◆ Watami's nursing care facilities preferentially accommodate customers referred by Sony Life at discount prices.
- ◆ The following costs need to be paid to move in (when a person having no disability moves into Rest Villa Hayama without a companion):

Lump-sum admission fee	17.8 million yen	One-room type
Monthly usage fee	247,000 yen	Total of management fees, meal expenses, and electricity and water charges.

- Because of a subsidy from the government, it costs less for a person with a Certification of Needed Long-Term Care to move in. In the event of the admission of a person of long-term care level 1 is needed, a lump-sum payment of 9.8 million yen, monthly payments of 205,000 yen, and the amount to be paid by an individual under nursing care insurance of 18,000 yen per month are required.

Introduction of the Nursing Home Business – 4

Meiji Yasuda Life

In March 2012, Meiji Yasuda Life purchased the management company of fee-based nursing homes and participated in the nursing care business.

◆Meiji Yasuda Life considers nursing care benefits to be its Fourth Strategic Pillar following death, pension and medical benefits.

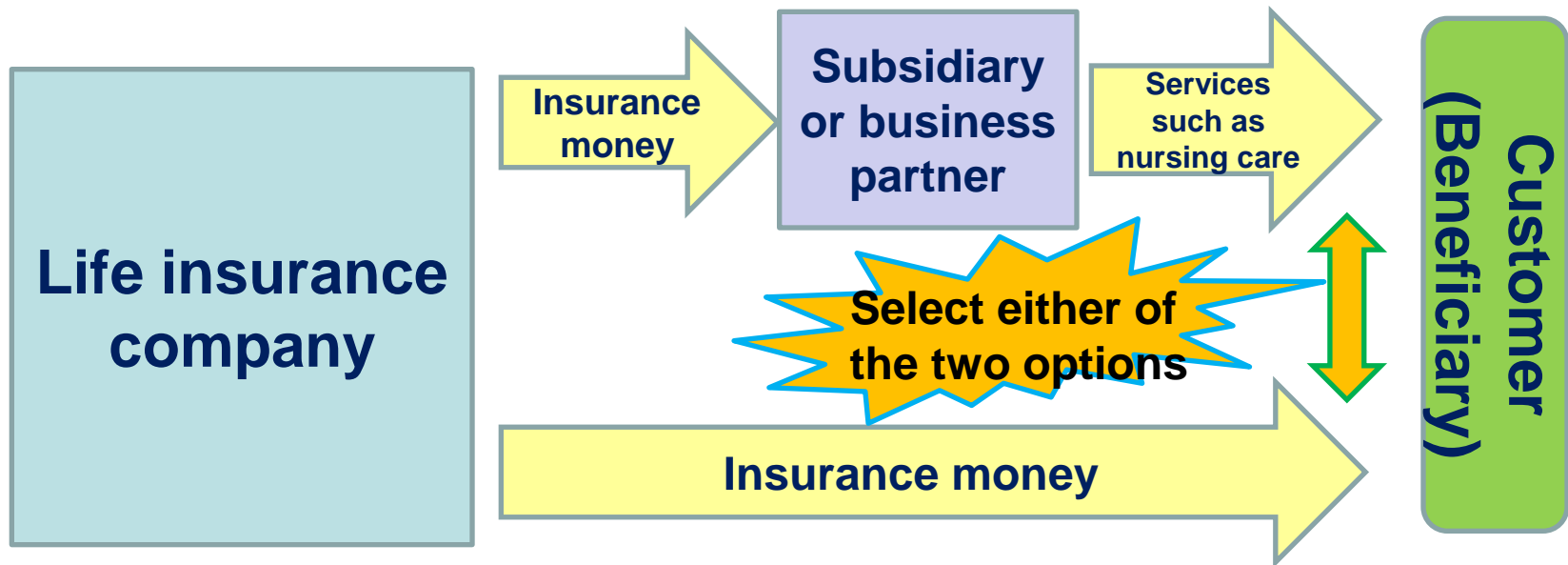
◆The following costs need to be paid to move in (70 years of age without a companion):

Lump-sum admission fee	43.1 million yen to 68.4 million yen	Amount corresponding to the rent: including lump-sum amount for nursing care of 7.8 million yen.
Monthly usage fee	92,400 yen	
Meal expenses	57,300 yen	Electric and water charges are to be borne by the individual.

- In the event the contract terminates within the assumed time of residence (move-in at the age of 60 to 74: 15 years; move-in at the age of 75 or older: 10 years), a certain percentage of the lump-sum admission fee will be returned.

Policyholders as “Optionee”

To protect customers when nursing care becomes necessary, policyholders may select either insurance money or in-kind benefits.



Impact of Giving Policyholders an Option for the Future ①

In case the future social conditions fall into ...

Extreme Deflation



From the standpoint of policyholders

In-kind benefits do not allow policyholders to enjoy services corresponding to the premiums paid.

Receiving benefits in cash enables policyholders to avoid deflation risks.



Impact of Giving Policyholders an Option for the Future ②

In case the future social conditions fall into ...

Extreme Inflation



From the standpoint of policyholders

In-kind benefits allow policyholders to enjoy better services compared to the premiums paid.

Receiving benefits in cash brings about inflationary risks.



Challenges for Insurance Companies

- ◆ Insurance companies with no alternative but to wait for policyholders to select an option do not have the means to avoid inflationary risks; consequently, the companies worry that profitability will deteriorate.
- ◆ A major challenge for insurance companies is to find a way to avoid the risk of fluctuations in future service prices.
- ◆ It is likely that a gap will arise between the attractive features of products (in terms of the services and premium rates) and asset management.

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