

Wednesday, 25 October 2017

Life Insurance Business in Ageing society



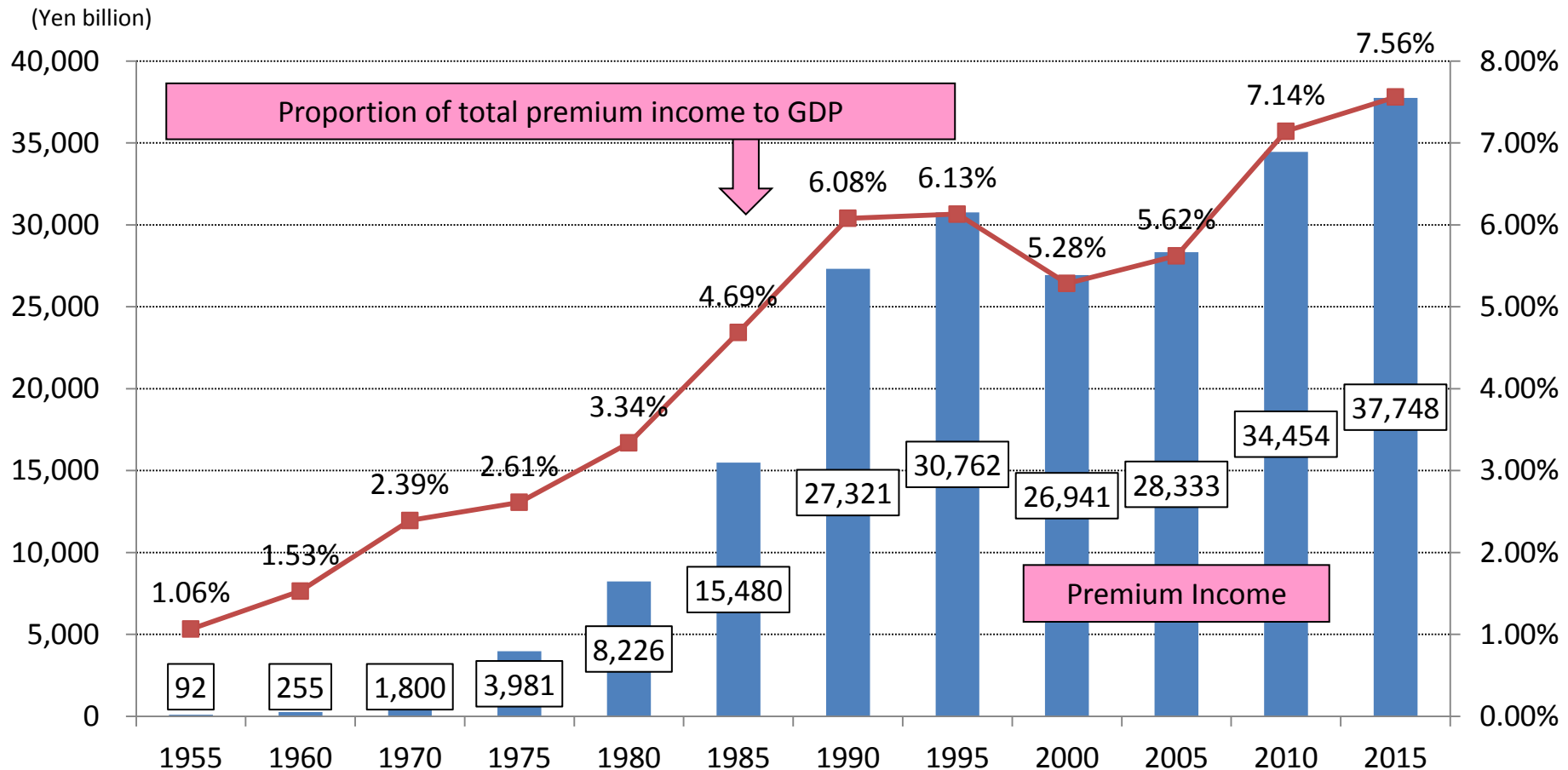
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Brief History of Market Development

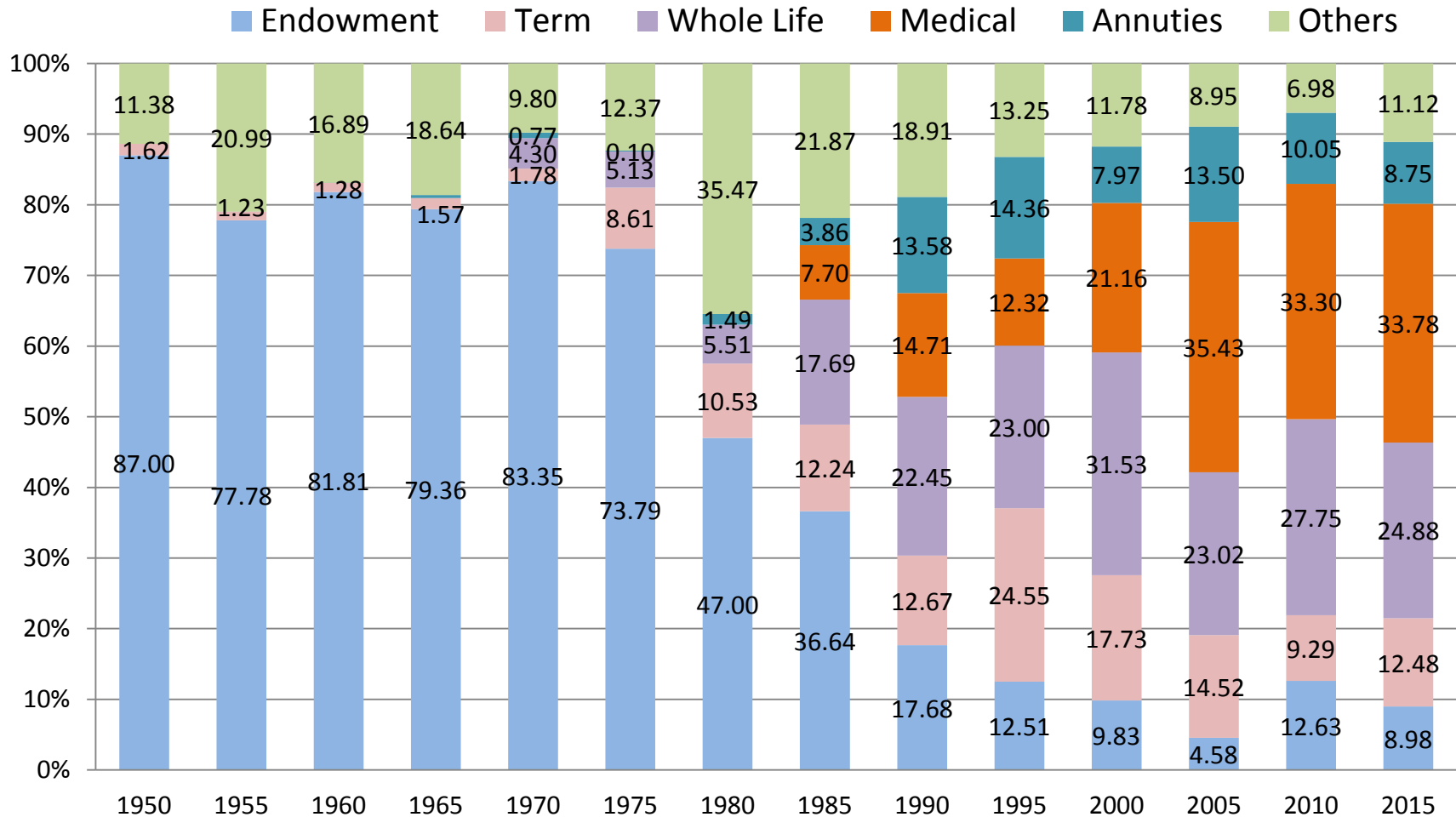
Brief History of Market Development

Total Premium Income to GDP (actual)



Brief History of Market Development

Changes in Product Portfolio (in the number of new policies)



Brief History of Market Development

What brought those changes?

- ✓ Economic climate
 - : economy affects consumers' capacity and appetite
- ✓ Sophisticated medical technology
 - : growth in consumers' appetite for medical coverage
- ✓ Demographic change / Ageing
 - : less younger population and more elder population

Brief History of Market Development

Economic Climate

: economy affects consumers' capacity and appetite

- ✓ In the last 50 years, Japanese economy:
 - enjoyed breezy climate in 1970's;
 - was overheated by heat wave in 1980's;
 - was hit by a perfect storm in 1990's;
 - suffered damp climate in 2000's;
 - still suffers prolonged damp climate in 2010's.

- ✓ **Low interest rate environment** would not change in the last couple of decades, however, it will not last forever.

Brief History of Market Development

Sophisticated medical technology

: growth in consumer's appetite for medical coverage

- ✓ Sophisticated medical technology enabled:
 - longer life;
 - earlier detection of cancer;
 - broader application of advanced medical treatment.

- ✓ Statistics revealed the fact that more than 25% of the population dies because of malignant tumor (e.g. cancer) (28.7%), followed by heart disease (15.2%), pneumonia (9.4%), cerebrovascular disease (8.7%).

Brief History of Market Development

Demographic change / ageing

: less younger population and more elder population

- ✓ Mass retirement of baby boomers was observed in 2000's
- ✓ In ageing society, those retired need to be financially self-reliant in their life after retirement with multi-pillared pension
- ✓ Those retired looked for investment opportunities that would be appropriate for the purpose of long-term retirement saving
- ✓ People seek for investment opportunities that are less risky than active investment and more profitable than deposit

Demographic Change / Ageing

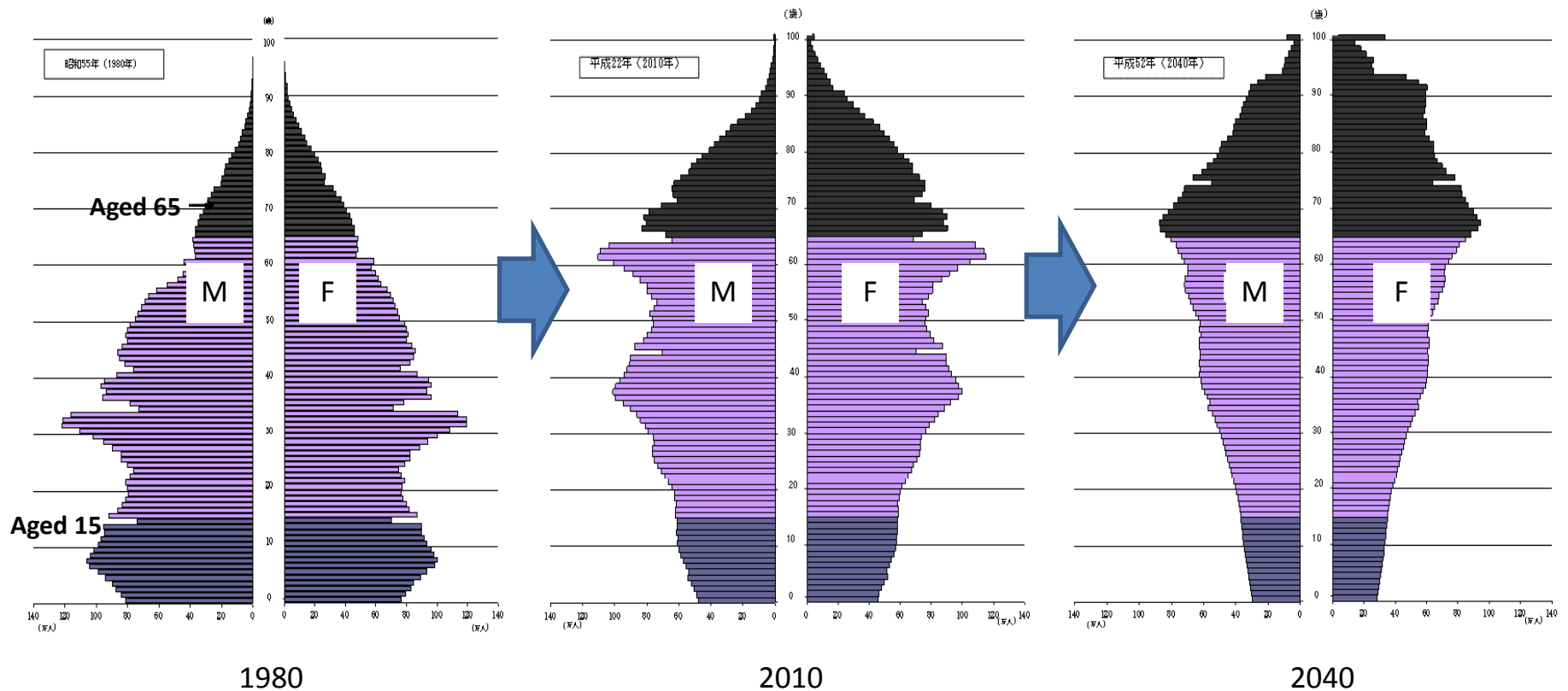
Is it a challenge?

Or is it a potential for growth?

Demographic Change / Ageing

Ageing - less younger population, more elder population

< Population pyramid >



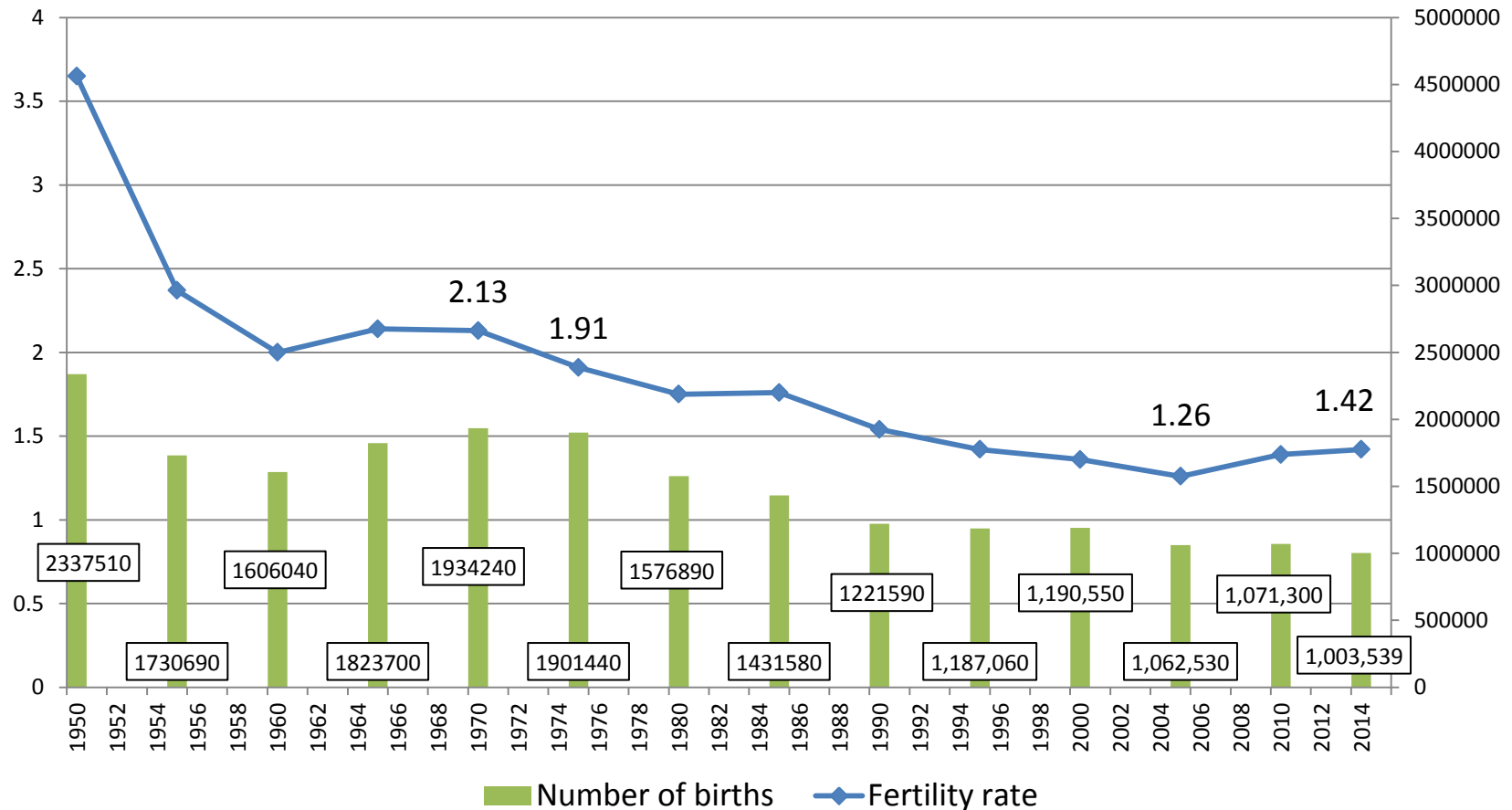
Source : For the figure of 1980, "Population Census", The Ministry of Internal Affairs and Communications

For the figure of 2010 and 2040, The result of the medium variant projection under "Population Projection for Japan (as of January 2012)", National Institute of Population and Social Security Research

Demographic Change / Ageing

Ageing - less younger population, more elder population

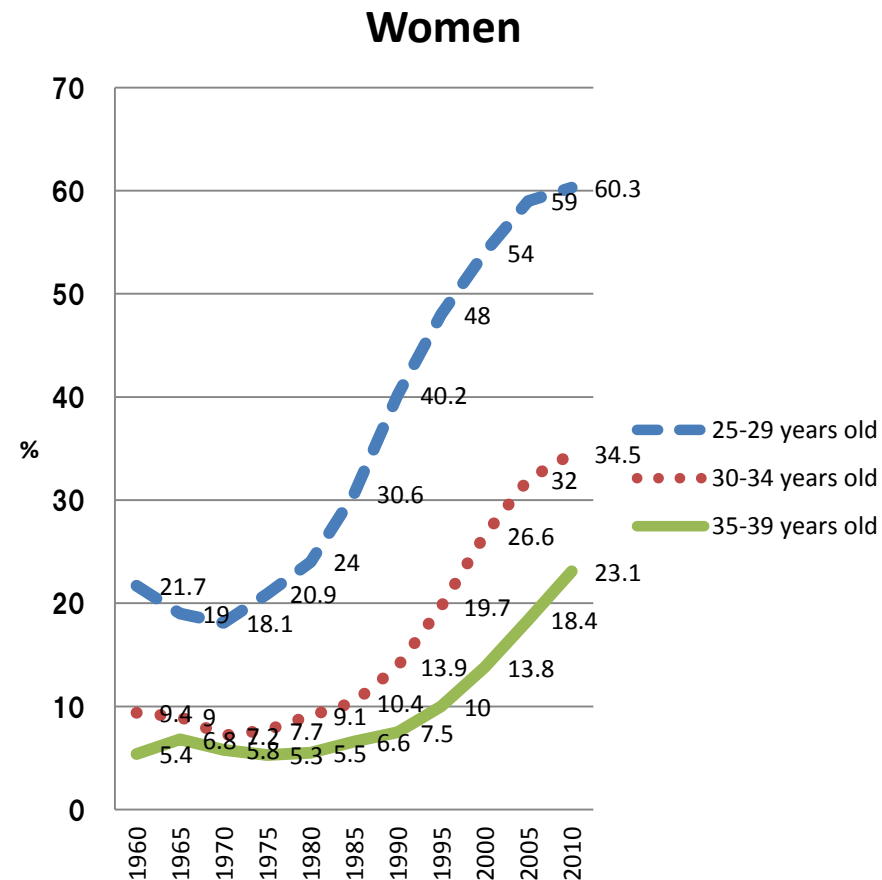
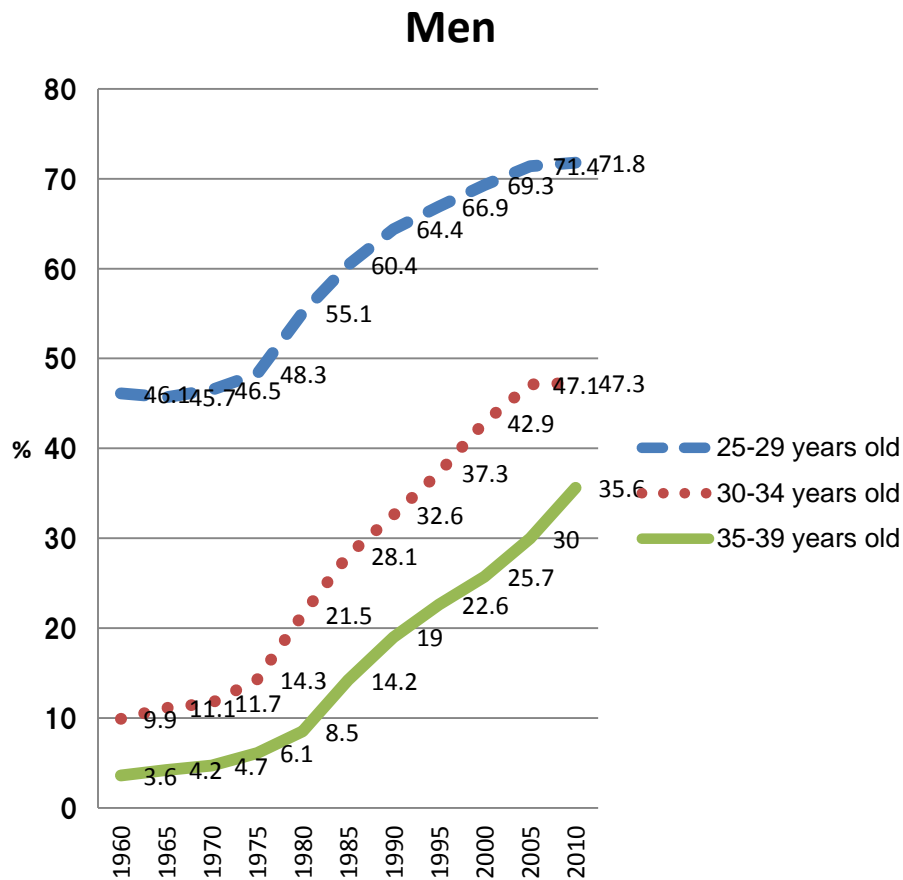
< Fertility rate and number of births >



Demographic Change / Ageing

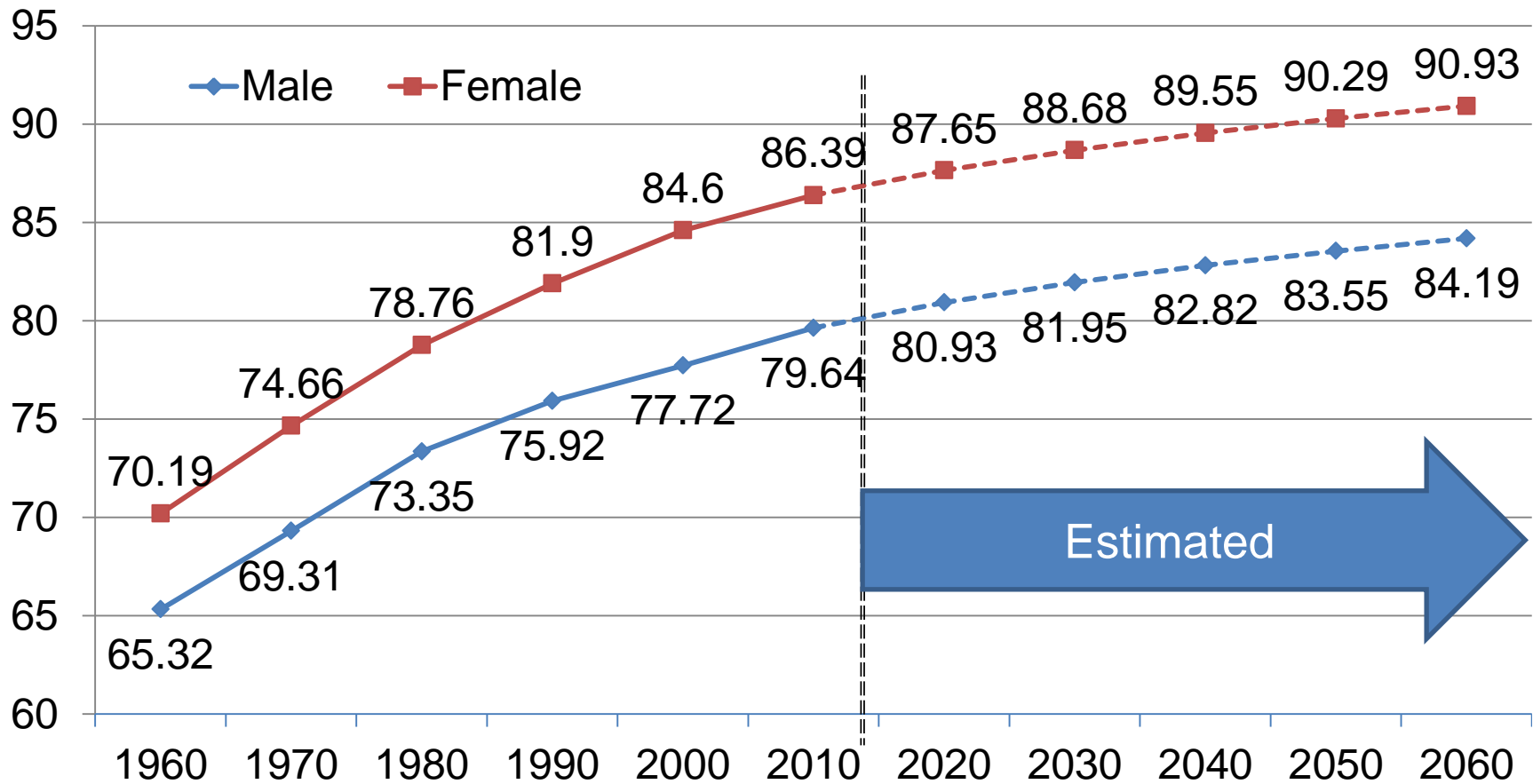
Ageing - less younger population, more elder population

< Trend in the percentage of unmarried by age bracket >



Demographic Change / Ageing

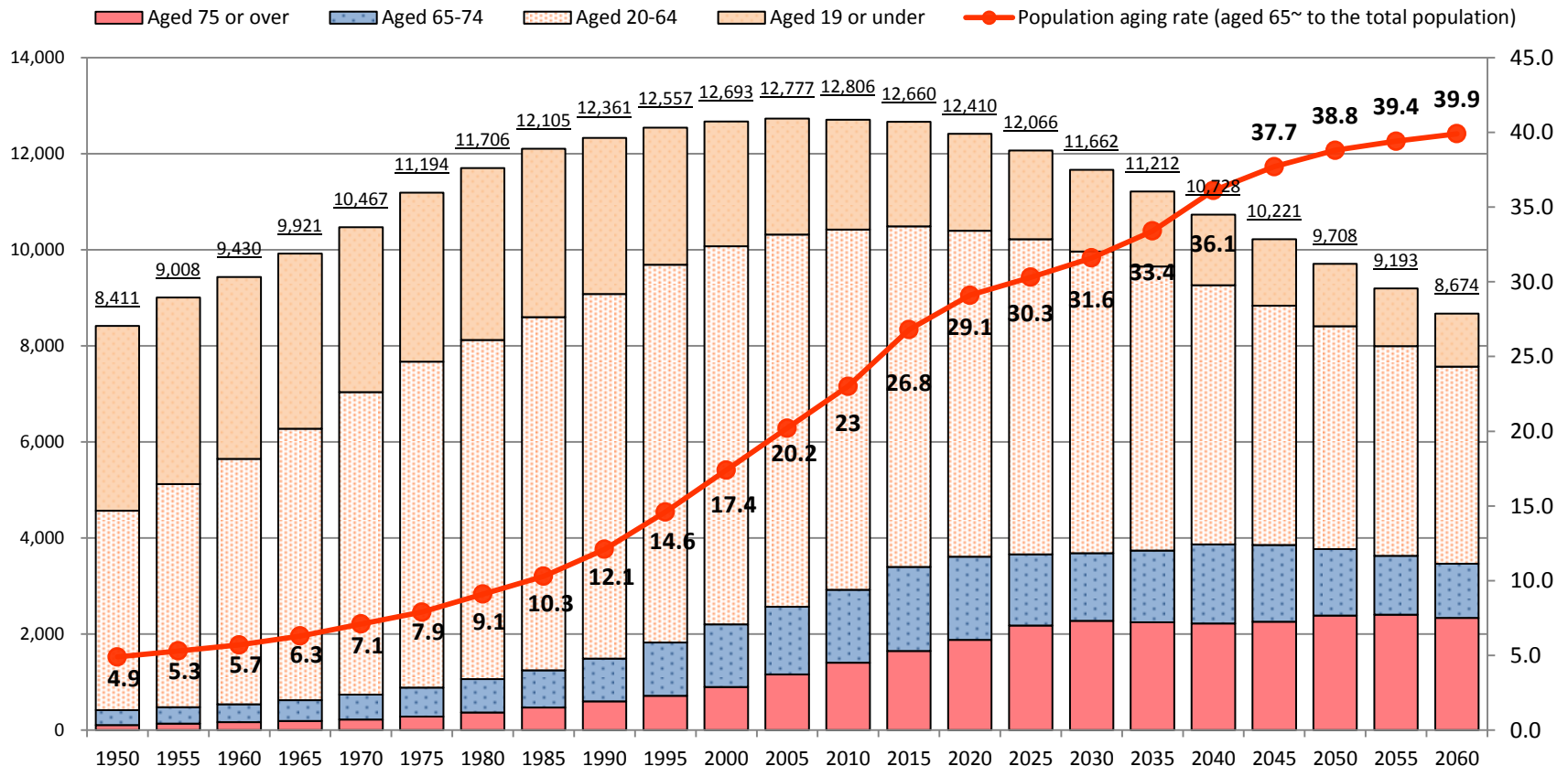
Average Life Expectancy - longer after-retirement years



Demographic Change / Ageing

Ageing - less younger population, more elder population

< Population demographics >



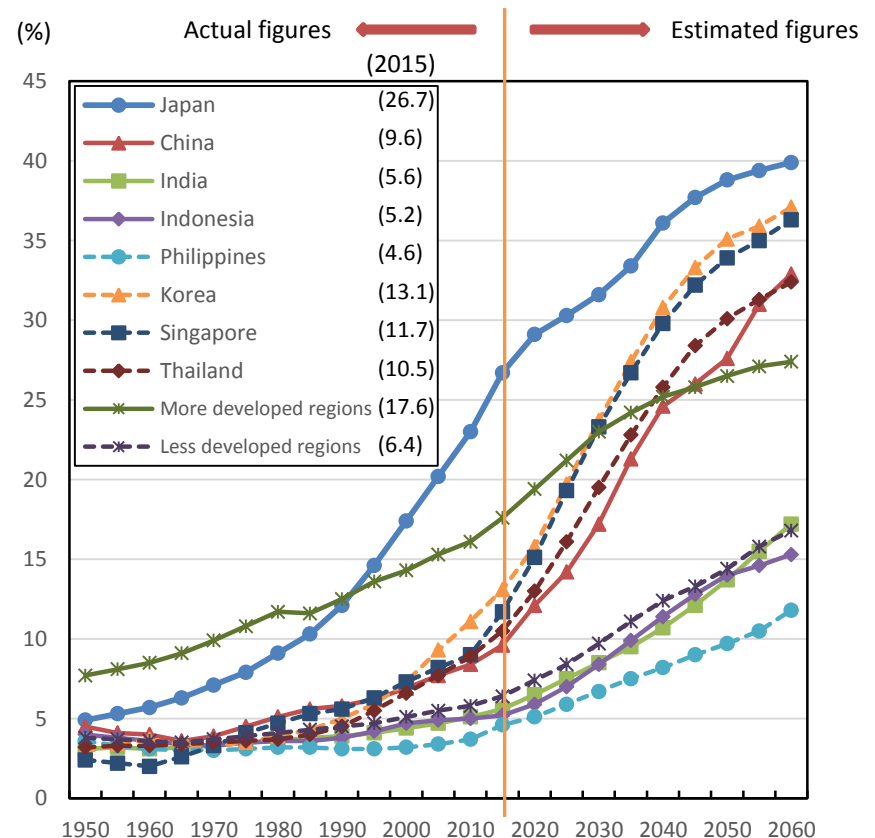
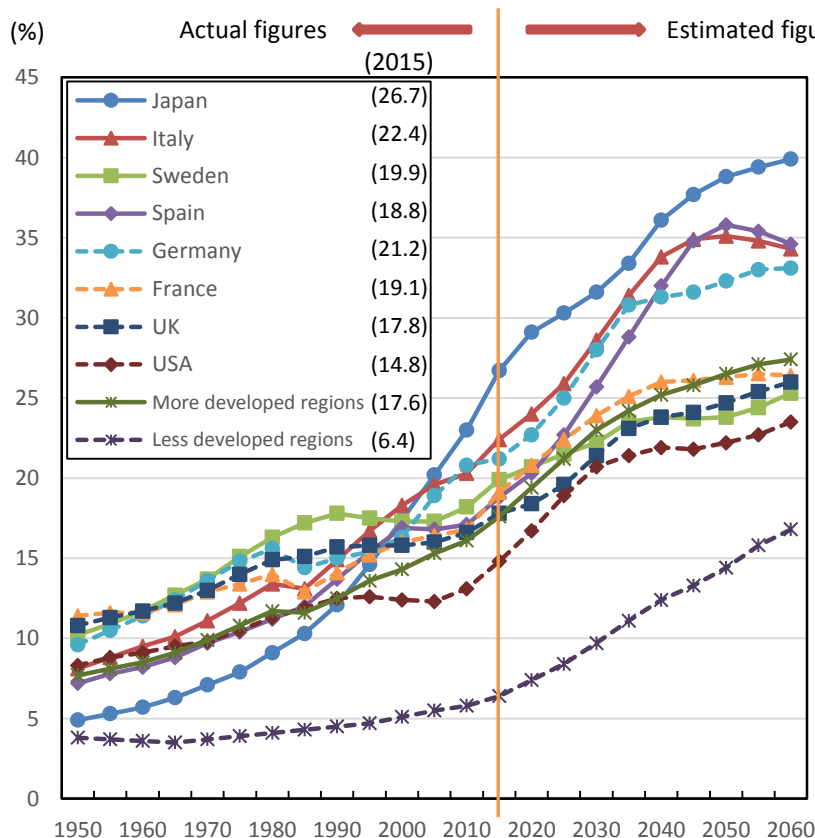
Source : The Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research
 Note: The total population from 1950 to 2010 includes the population of uncertain age.

Demographic Change / Ageing

Ageing Population in the World

< Europe and North America >

< Asia >



Source : United Nations; The Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research

Demographic Change / Ageing

- No one can tell for sure what will happen to the business environments for the industry
- Nevertheless, it is almost true to assume that: **ageing will continue for the next several decades in Japan**
- Ageing will happen to any country sooner or later

Demographic Change / Ageing

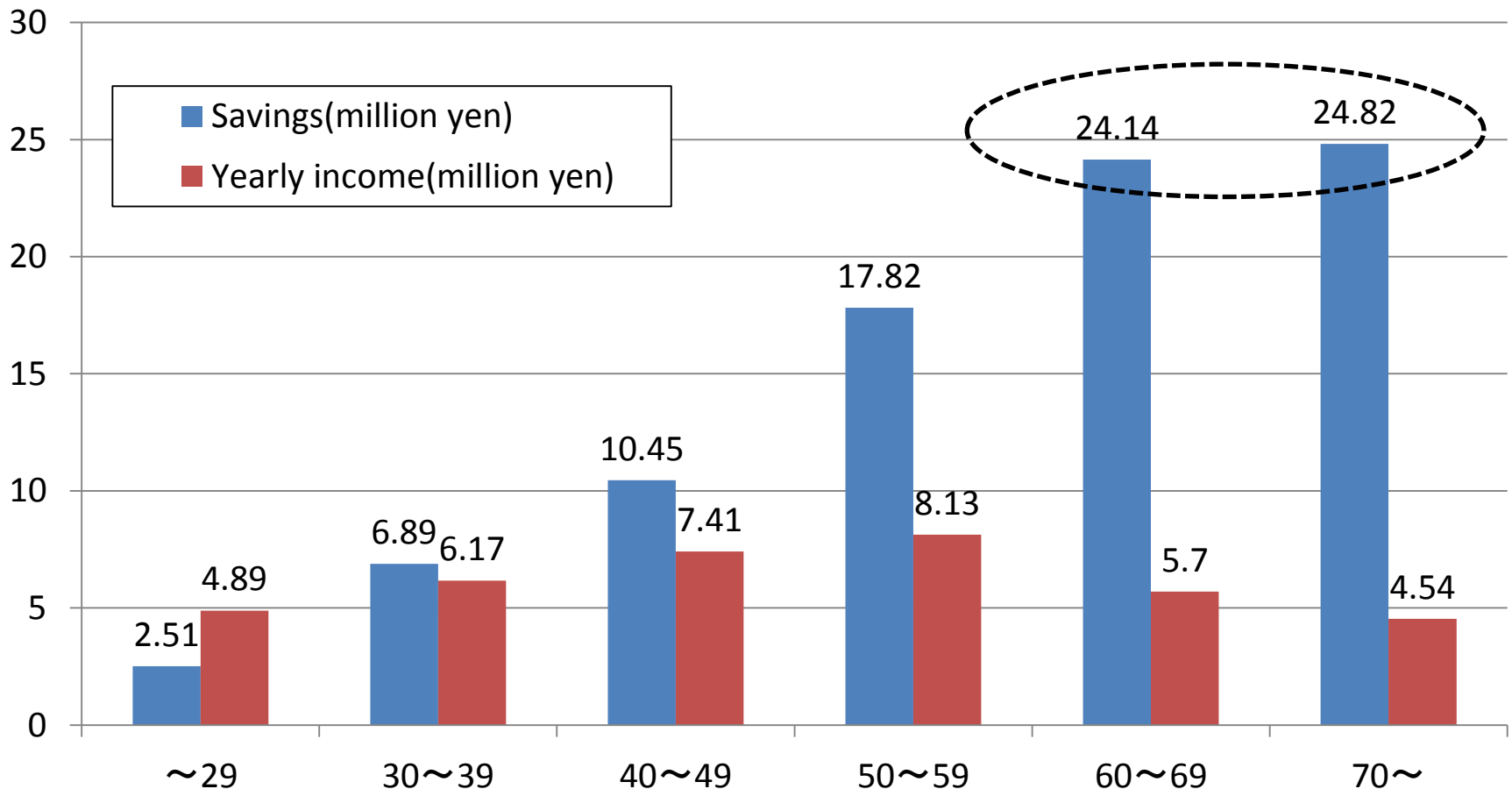
Implications of ageing to the industry:

- ✓ More elder population
 - : do they still have purchasing power?
 - If yes, how can we encourage their purchase?
- ✓ More un-married population
- ✓ More families with less children
 - : do they have less risks to be insured than married?
 - do they have someone who will take care of them in their old-age?
 - If not, how can we raise their awareness?

Demographic Change / Ageing

Amounts of Savings per Household

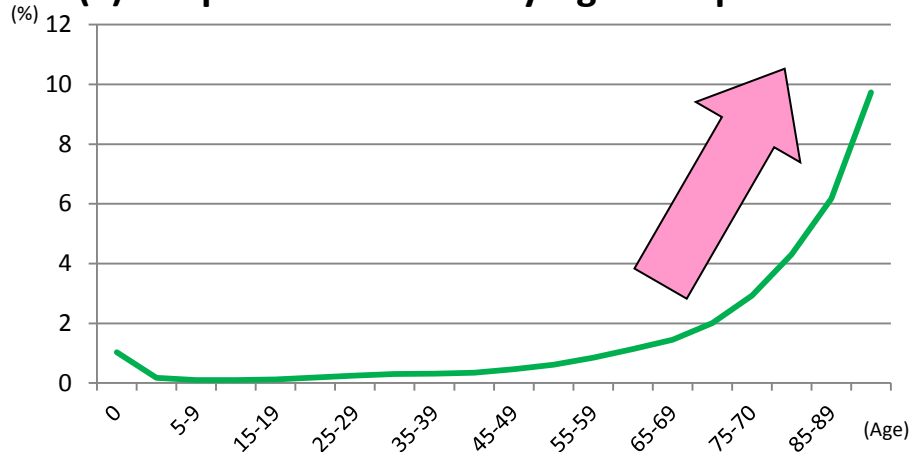
(million yen)



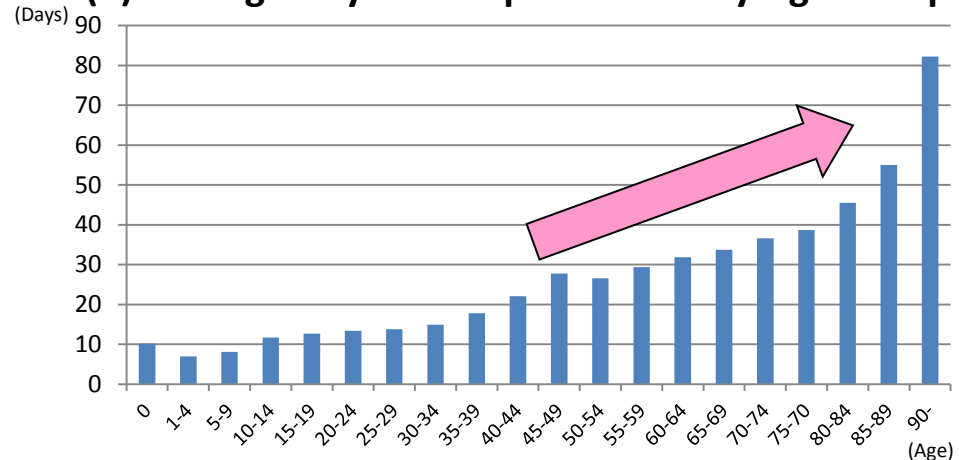
Demographic Change / Ageing

Medical Expenses

(a) Hospitalization Rate by Age Group

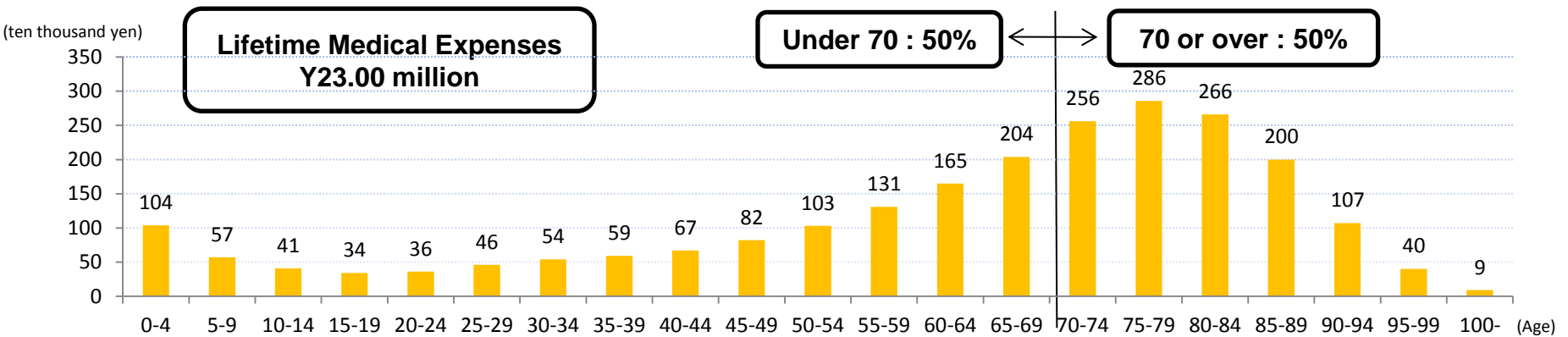


(b) Average Days of Hospitalization by Age Group



Source: "Patient Survey (2011)", Ministry of Health, Labour and Welfare

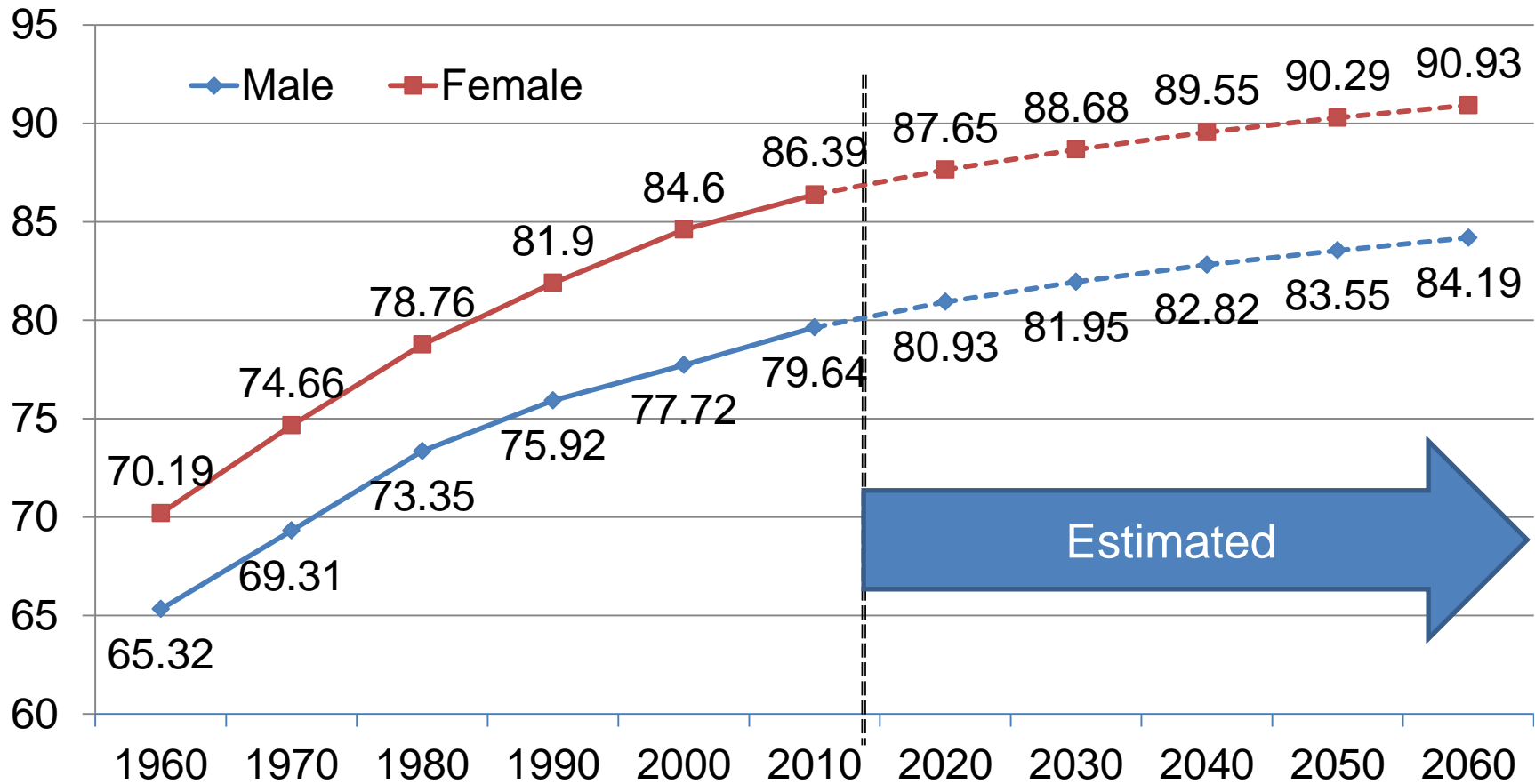
(c) Lifetime Medical Expenses (Estimates in Fiscal 2009)



Source: Ministry of Health, Labour and Welfare

Demographic Change / Ageing

Average Life Expectancy [revisit]



Demographic Change / Ageing

Long-Term Care Expenses

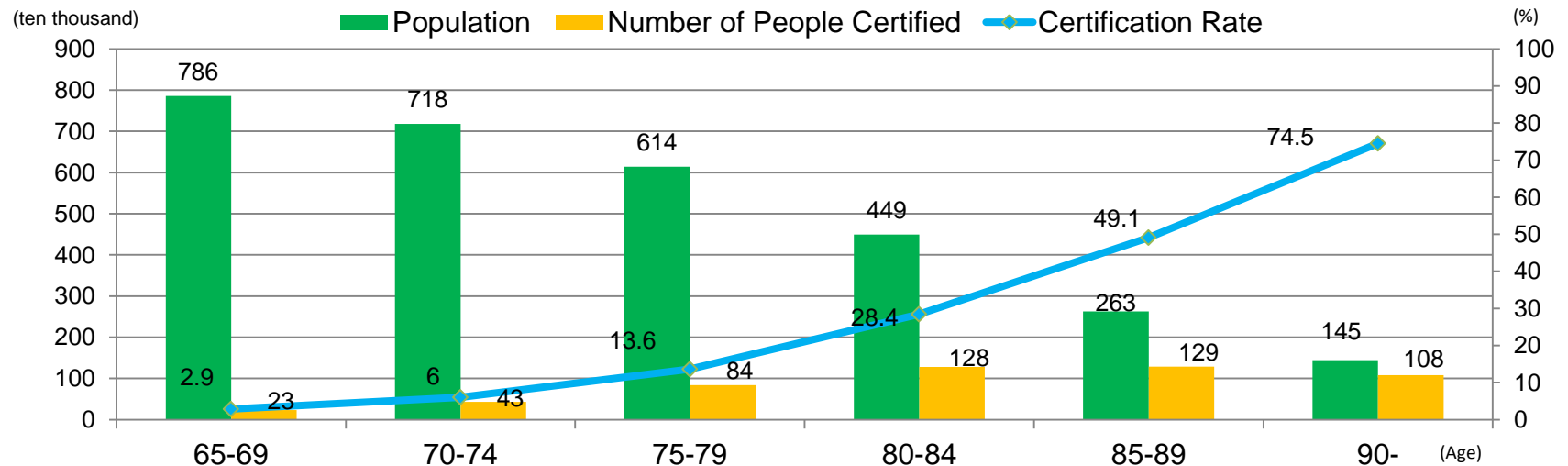
(a) Period of Unhealthy Condition = Average Life Expectancy at Birth – Healthy Life Expectancy

Year	Male			Female		
	Average period of a life WITHOUT physical limitations	Average period of a life WITH physical limitations	Average life expectancy	Average period of a life WITHOUT physical limitations	Average period of a life WITH physical limitations	Average life expectancy
2010	70.4	9.2	79.6	73.6	12.8	86.4

(Years)

Source: Ministry of Health, Labour and Welfare

(b) Certification Rate of Needed Long-Term Care in 2011 By Age Group

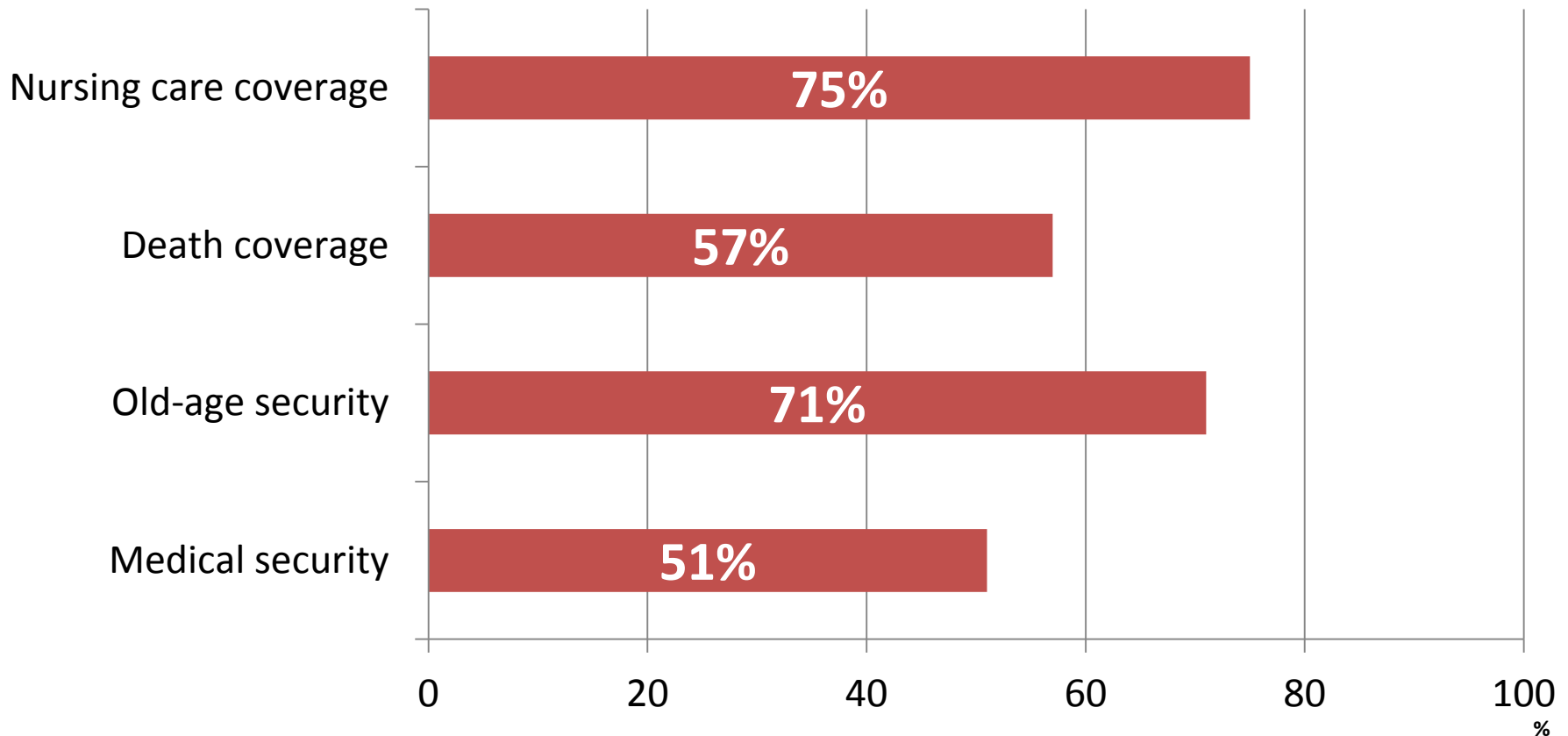


Source: "Survey of Long-Term Care Benefit Expenditures", Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications

Demographic Change / Ageing

Consumer sentiment on insurance coverage

< The percentage of those who feel dissatisfied with life security >



Demographic Change / Ageing

Opportunities in ageing society:

- ✓ Medical care (term/whole life)
- ✓ Long-term/nursing care
- ✓ Retirement savings: annuity
- Implications for longer-term policies suggests opportunities for life insurance industry, which has experience and expertise in managing long-term policies/services

LIAJ in addressing ageing

LIAJ in addressing ageing

Promotion of better consumer experience

- ✓ LIAJ has been promoting better consumer experience with particular focus on the elderly customers

Identified challenges that could lead to bad consumer experience;

- ✓ **Discontinuation of service processing**

In some cases, it is practically impossible to verify the intention of the policyholder or beneficiary, or to make contact with either of them.

- ✓ **Intermittent service processing**

Even when service processing is successfully initiated, policyholders or beneficiaries might not have capacity to facilitate prompt service processing

- ✓ **Increased pressure on service processing**

The number of various payments and procedures will increase substantially in a super-aged society (claims for benefits, policies reaching maturity, various conservation procedures).

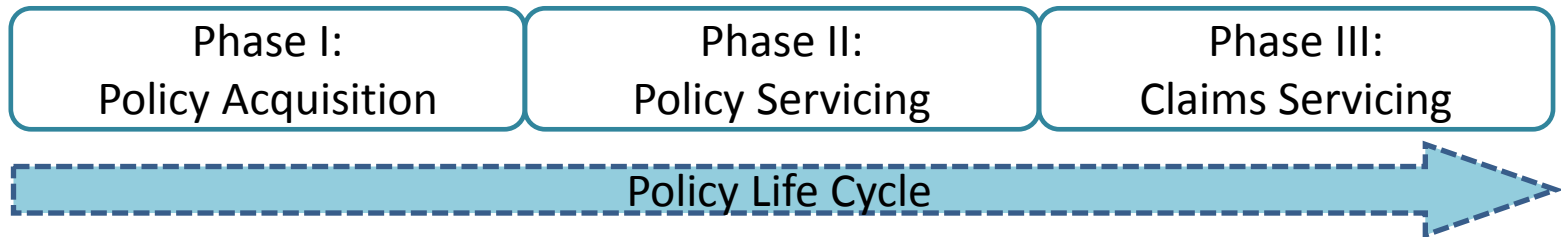
LIAJ in addressing ageing

Voluntary Guidelines

- ✓ LIAJ developed guidelines which specifically highlights the elderly
- ✓ The new guidelines were developed based on the recognition of key challenges in servicing the elderly

➤ **Guidelines for Life Insurance Services for the Elderly (2014)**

- ✓ The guidelines recognize three phases of the life cycle of life insurance contracts



- ✓ The guidelines try to identify key factors that should be considered when serving the elderly customers in order to improve consumer outcomes

LIAJ in addressing ageing

Utilization of Individual Number System

- ✓ LIAJ recommended that people should benefit from newly-introduced public infrastructure through improved insurance servicing practices by allowing its use by life insurers

➤ **Examples of use cases by life insurers**

- ✓ Access to the official administrative information on existence (dead/alive) of the elderly - it is expected to contribute to smooth and prompt delivery of policy benefits and less burdensome claims filing.
- ✓ Access to the official administrative information on current address of the elderly - it is expected to contribute to timely and sure delivery of services from life insurers.
- ✓ Delivery of notices to each elderly via Individual Number Web Portal - it is expected to contribute to timely and sure delivery of important notices from life insurers

LIAJ in addressing ageing

Recommendation for pensions overhaul

- ✓ LIAJ recommended for establishment of “Longevity Pension”
- ✓ Longevity Pension is a whole life private pension designed to be mixed together with the public pension to enhance lifetime regular income

➤ **Three distinguishing features of Longevity Pension:**

1. Lifetime payout

Longevity Pension mitigates the risk of outliving retirement savings by providing lifetime payout in line with public pension.

2. Lifetime stability

Longevity Pension provides secure and stable income regardless of market conditions.

3. Universal accessibility

Longevity Pension is designed to be universally accessible to everyone regardless of their occupation and financial literacy by embedding partial public funding.

Thank you