

## **The Latest News in Japan's Life Insurance Market 2019:**

### **The Next-Generation Medical Insurance**

#### **1. Japan's first insurance to cover the medicinal therapy, *Okusuri (Medicine) Hoken (Insurance)***

A next-generation-type of medical insurance has been drawing increasing attention.

The reasons behind this are the shortening of hospitalization period and the increase in outpatient treatment. The area which cannot be insured with the conventional medical insurance, which mainly covers hospitalization and surgeries, is expanding.

For example, let's divide one's health condition into three phases.

- ①Healthy Phase–Prevention of illness or early detection of illness to prevent progression.
- ②Sick Phase–Supporting medical treatment as a main function of insurance.
- ③Post-illness (or Recovering) Phase–Supporting rehabilitations, for example, to regain the healthy life.

The conventional medical insurance can provide the coverage for the phase ②Sick but both of the phases ①Healthy and ③Post-illness have been long neglected and almost no coverage has been developed so far in those areas.

In addition, the increased prevalence of lifestyle-related illness has become a public concern and Japanese national and local governments have been promoting the measures focusing on prevention of onset and progression of lifestyle-related diseases.

How do insurers should respond to the shift from hospitalization to outpatient treatment and the prevention of onset and progression of the ever increasing lifestyle-related illness, then? The key is in “the next-generation-type medical insurance.” Life insurance companies now compete against each other, developing new products to acquire a new market.

In the midst of such situation, the first medical insurance in Japan to cover the treatment with drugs on outpatient basis has been released. Medicare Life Insurance Co., Ltd. announced its launch of a new product which supports the prevention of progression of illness *Okusuri Hoken, Medifit EX*, which is the formal product name, on May 13.

*Medifit EX* covers the medicinal treatment for nine diseases: those classified as the three major diseases, cancer, heart disease and cerebrovascular disease, artery and vein disease

(economy class syndrome), kidney disease (nephritis), liver disease (hepatitis B), pancreatic disease (pancreatitis), diabetes and dyslipidemia.

The total number of patients with those nine diseases reached 10 million according to *Summery of 2014 Patient Survey* conducted by Ministry of Health, Labour and Welfare. By disease, diabetes with 3.16 million people, dyslipidemia with 2.06 million people, heart disease with 1.72 million people, cancer with 1.63 million people and cerebrovascular disease with 1.17 million people are high in ranks.

How about the average monthly medication cost borne by patients?

With the calculations of Medicare Life based on JMDC receipt data of November 2017, patients are responsible for JPY64, 147 for cancer treatment, JPY22, 442 for heart disease treatment, JPY16, 819 for cerebrovascular diseases treatment, and JPY22, 784 for diabetes treatment on an average.

Drug prices for those nine diseases covered by *Medifit EX* are said to have high prices and patients' economic burden will be heavy over a long period of time, according to Medicare Life.

There are more than 1, 400 drugs covered by *Medifit EX*. Even a new drug is placed on the market in future; it will be covered by the insurance if it falls under the requirements set forth by Medicare Life such as the new drug "has the same effect as existing drugs."

How those drugs have been chosen to be covered, then?

The key drugs for preventing the progression of illness are basically guaranteed to be covered. There are cases, however, in which multiple drugs are prescribed for one disease. For example, for cancer patients, a type of drugs such as a painkiller and anti-nausea may be prescribed but only anti-cancer drugs including hormone drugs will be covered.

Submission of a medical certificate is required upon initial claim filing. With the medical certificate, Medicare Life can confirm that whether or not the drug is prescribed for treating those nine diseases the insurance would cover. Once the confirmation is made, benefits will be paid simply by submitting a prescription receipt.

In the case of "9 disease basic plan" (anti-cancer drug treatment up to JPY100, 000 a month, specific treatment with drugs up to JPY50, 000 a month, total payment up to 120 times type, unlimited payment for anti-cancer drug treatment), monthly premiums for 40-year-old male and 40-year-old female are JPY4, 900 and JPY 4, 260 respectively.

Medicare Life is a wholly owned subsidiary of Sumitomo Life Insurance Company and

established in April 2010. The total number of policies in force reached 700, 000 in February 2019, that is in 8 years and 10 months from the establishment. The target sales goal for *Okusuri Hoken* is set as 30, 000 policies for the first year and it is sold through insurance shop and bancassurance channels.

## **2. Premium discount according to a result of health promotion activities**

As a next-generation medical insurance, *health-promotion-type insurance* which supports health promotion is also drawing attention. The following products have been already placed on the market in Japan.

- *Aruku* (Walk) *Hoken* (Insurance) with *health promotion rider*, Tokio Marine Anshin Life Insurance Co., Ltd. (Released in August 2017)
- *Linkx*: (pronounce as link cross) *Protection for you and your family with health challenge system*, Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (Released in April 2018)
- *Vitality*, Sumitomo Life Insurance Company (Released in July 2018)
- *Just with health check-up discount*, Dai-ichi Life Insurance Company Ltd. (Released in March 2018)
- *Best Style with cashback rebate*, Meiji Yasuda Life Insurance Company (Released in April 2019)

*Vitality* is a wellness program developed by a South African company, Discovery in 1997 and in Japan, Sumitomo Life has the exclusive agreement with Discovery for its sales.

To join the program, a *health promotion multiplier rider* should be applied to the existing insurance policy. Assumed that a participant will engage in health promotion activities, a 15% discount on insurance premium is offered upfront, at the time of policy inception.

Moreover, a participant's status, Blue, Bronze, Silver or Gold, is to be determined based on the accumulative points earned through his/her health promotion activities in a year. The higher the status is the more the discount on premiums and the rewards (benefits) provided by partner companies. The maximum discount rate on insurance premium is said to be 30%.

Since the risk assessment based on such behavioral characteristic data and the pricing to set a discount rate on premiums likewise are something breaking the mold of insurance to date, it is highly interested within the life insurance industry.

Sales target for *Vitality* is 5 million policies in 10 years. The sales achieved 100, 000 policies in 3 month after its launch in July last year; however, the accumulative sales stood only at 200, 000 policies as of the end of March 2019.

At the time of the first half of FY2018 report in November last year, Sumitomo Life mentioned that although a wide range of age groups has joined the *Vitality* program, at the time of the product launch, the number of new business from the young people in their 20s and 30s increased significantly. As the young generation would be Sumitomo Life's main customer base over a long period of time, with a lot of new business with those young people, the company was confident that it made a very good start. Sumitomo Life further stated that the company was enthusiastic to play a new role of reducing the risk itself through promoting healthy habits, in addition to the role of preparing for the risk, the same as always.

On the other hand, Dai-ichi Life's *Just* has been recording strong sales in numbers. More than 1 million policies are sold in one year after the release.

*Just* is a type of insurance which allows policyholders to combine necessary coverages among 17 areas of protection such as death, three major diseases, nursing care, and medical care, and *Health Check-up Discount* rider is available only for the products covering a death and three major diseases. Besides a declaration of health, submission of a health check-up report is required at the time of contract.

The percentage of adding *Health Check-up Discount* to the policy is about 80% and the number of policyholders who submitted a check-up report in FY 2018 increased by 2.4 times compared to that of FY 2017.

According to the customer satisfaction survey targeting policy holders, in addition to "Suitable contents of the product" and "Extensive protection coverage", "Discounts on premium just submitting a health check-up report and as such" recorded the top three highest customer satisfaction levels.

Discount rates of *Health Check-up Discount* vary according to age, but in the case of a 10-year term insurance, with *Health check-up Basic* and *Health check-up Excellent*, premiums become approximately 10% and 15-20% less respectively compared to those of

policies without *Health Check-up Discount*.

Health-promotion-type insurance holds the merit in its products as the more a health condition of an insured person improves, the less his/her premium becomes. This can be the motivation for healthy habits like “Let’s walk 8,000 steps a day on average,” which eventually leads to the less payout of insurance money for life insurance companies.

With that being said, there are cautious responses to this particular trend.

Some of the arguments are including “How much level of the healthy activities will actually be reflected to premiums. There are still unknown areas and we need to continue to study and research on the relationship between life insurance and those health promotion activities or lifestyle improvements,” and “What happens if the insured stops his/her health promotion activities? Just increase the premium? If the health condition of the insured deteriorates, there will be a possible risk that the insurance is no longer affordable for him when he is in a great need of it.”

There are still quite a few hurdles that the health-promotion-type insurance has to overcome as it has just been set out.

About the writer:

**Kenichi Suzuki** is an insurance journalist working for a major insurance trade paper for 34 years. From 2000 onward, he covers a wide range of insurance news including on-line life insurers, insurance shops, overseas expansion of Japanese major life insurers, business strategies, Insurance Council, InsurTech, to name a few. He hosts a private study group, Insurance Marketing Study Group. He occasionally takes a role of a speaker for OLIS seminars and has previously lectured at OLIS overseas seminars in Taipei, Seoul, Beijing, Bangkok and Jakarta.