

*Kawai Memorial OLIS Asia Life Insurance Symposium  
Demographic Trends and Life Insurance Business in Asia*

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# **Life Insurance Trust, as a Service Innovation**

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## ➤ Core Values of Prudential



### **Core Values**

**Worthy of Trust  
Customer Focused  
Respect for Each Other  
Winning**



### **Vision**

**Prudential of Japan strives to revolutionize the way  
life insurance business is conducted in Japan  
and to become the most admired life insurance partner to its customers**

### **Mission**

**Our mission is to provide the highest quality service and to deliver  
to each and every customer financial security and peace of mind**

### **Strategy**

**Prudential of Japan strives to foster professional life planners, promote needs-based sales on  
an individual customer basis, and provide personal service throughout  
the customer' lifetime until the time when benefits are delivered**

## ➤ New Value to Be Created by the Life Insurance Trust

**Insurance is defines as... previous arrangements to “deliver the necessary benefits to people in need of money when necessary.”**

**Specifically, life insurance is ... an instrument that expresses “affection for the bereaved” through insurance money.**



**However ...**

**There are cases where the recipient of insurance money cannot manage the money properly or where there is concern as to whether the money will be used as the policyholder wishes.**

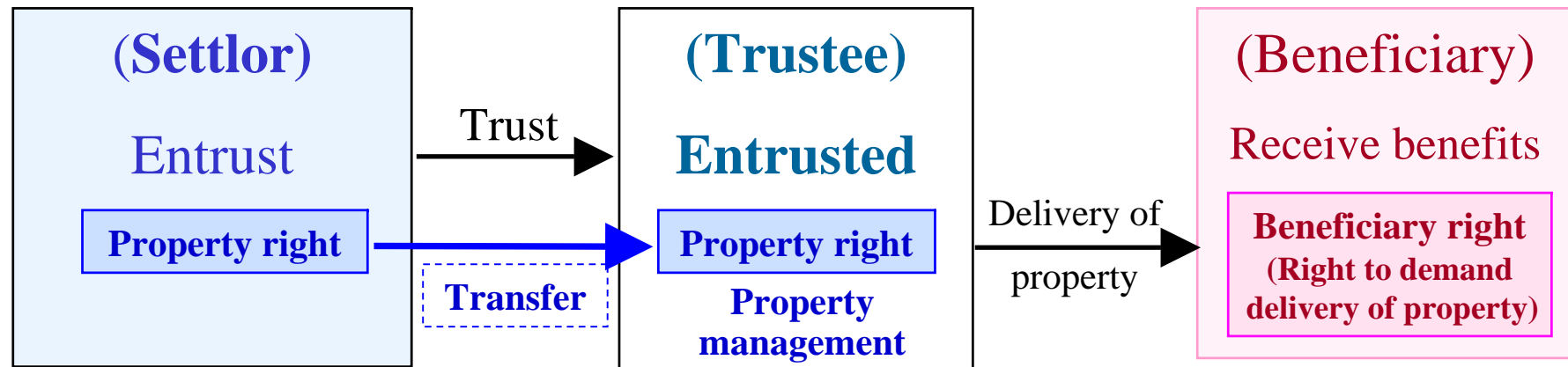
**Trust is ... an instrument to express “affection” in the way the property is used and to “entrust” such property.**



**Therefore,...**

**Utilization of the Life Insurance Trust enables a policyholder to establish how death benefits are to be used, making it possible to determine the manner of utilization of insurance money after a death.**

## ➤ Basic Structure of Trust



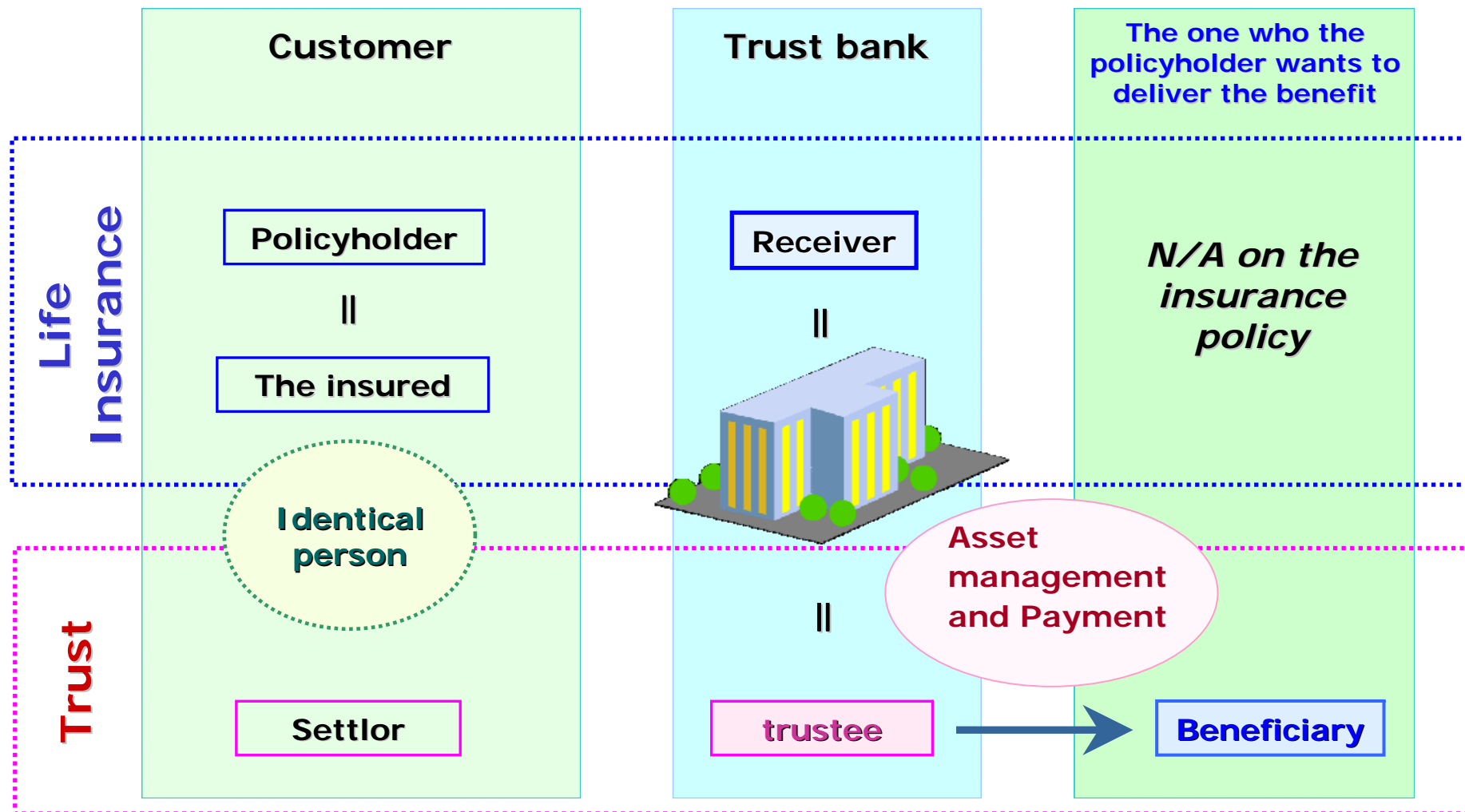
Property right remains in the hands of Trustee but shall be managed separately from Trustee's own property.

=> *Independence of trust property*

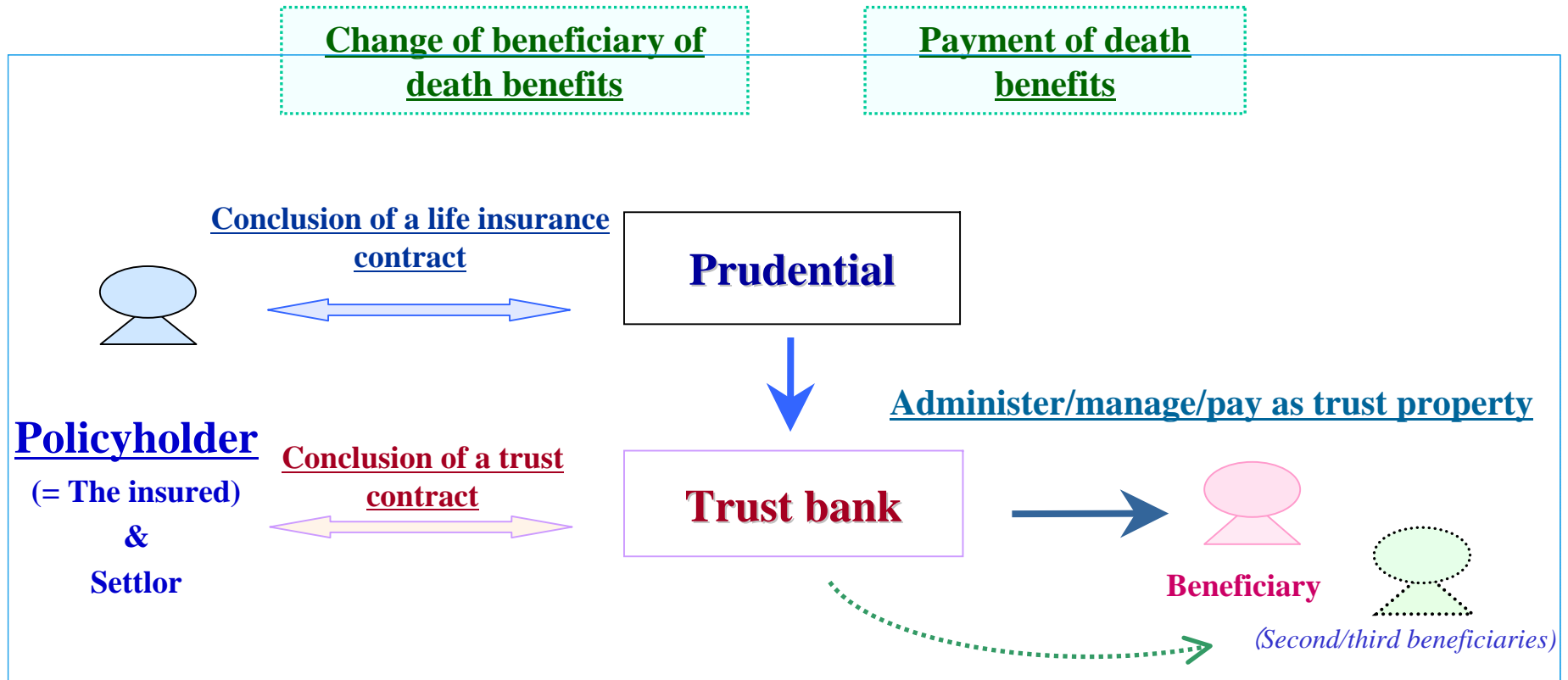
**Restrictions imposed by the purpose of the trust, contract/will and the Trust Act (the duty of the diligence of a good manager/duty of loyalty/duty of separate management)**

## ➤ Relationship diagram of Life Insurance Trust

Prudential pays the benefit to the trust bank, and the trust bank manages the asset and makes payment to the beneficiary.



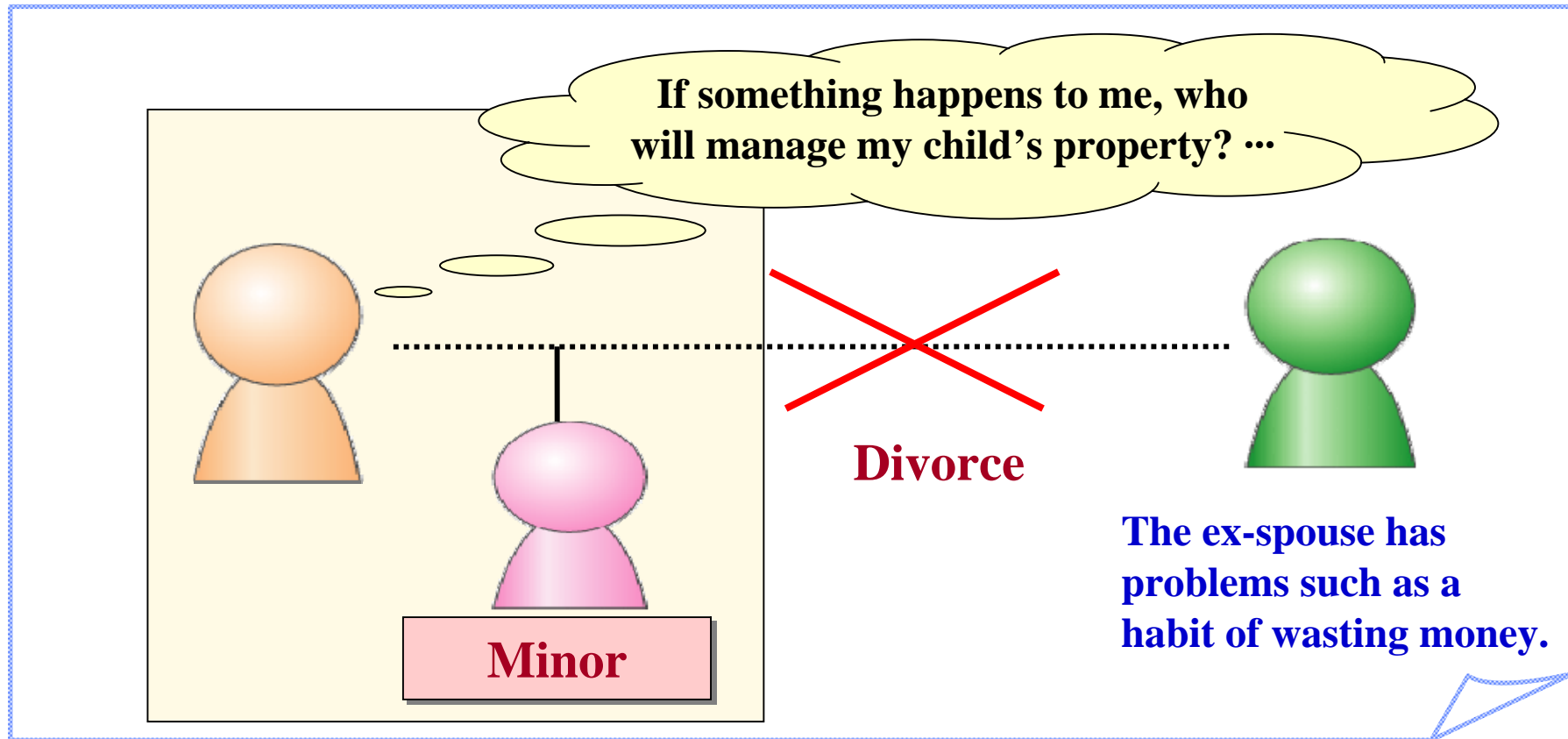
## ➤ Relationship diagram of Life Insurance Trust



## ➤ Utilization Example of Life Insurance Trust (i)

Case where there is concern about the beneficiary's ability to manage property

### <Case 1> ... Protection of a minor (child)



It is possible to continue safe and secure delivery of property until the child comes of age and becomes socially independent.

## ➤ Utilization Example of Life Insurance Trust (i)

### <Case 2>

**In the case of mentally persons with Intellectual Disability or demented elderly persons in addition to minors ...**

- It is possible to use the Adult Guardianship System and leave everything to the guardian, however, it presents certain problems in terms of stability, such as increasing the burden on the guardian.
- Also in the case where a professionally reliable third party, such as a judicial scrivener, is appointed a guardian, provided that such guardianship extends over a long period of time, there may be aspects that would make it difficult for an individual to ensure the continuation thereof.



**If you utilize the trust function through Life Insurance Trust, ...**

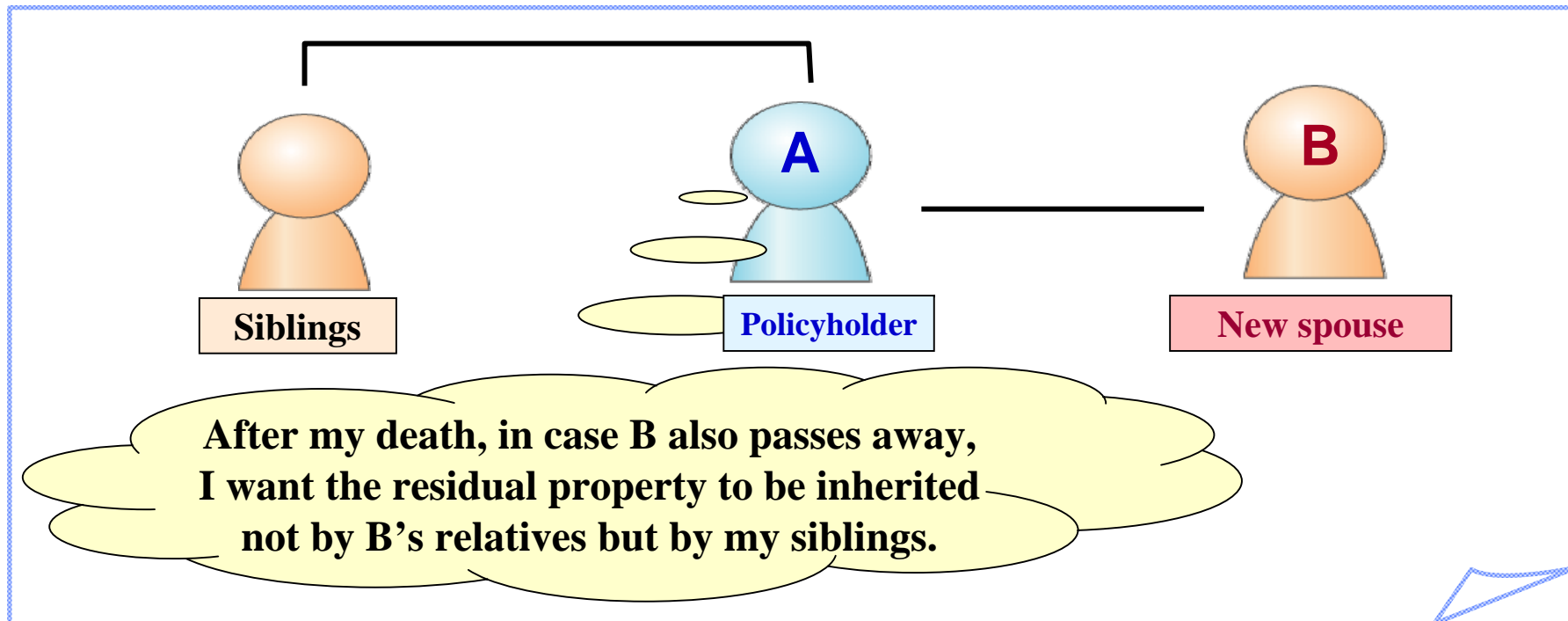
- ✧ Your burden of property management will be lightened by having monthly regular delivery of benefits made without fail through trust arrangement and leaving the payment relating to extra expenses to the instructions of the person authorized to issue directions.
- ✧ A trust bank is a corporation specialized in property management, and therefore, even if the trust of property extends over a long period of time, it is possible for the trust bank to continue stable property management.



## ➤ Utilization Example of Life Insurance Trust (ii)

**Case where it is hoped that the utilization of insurance money according to the policyholder's instructions will be achieved.**

**<Case 1> ... Diversification of family relationships due to remarriage**



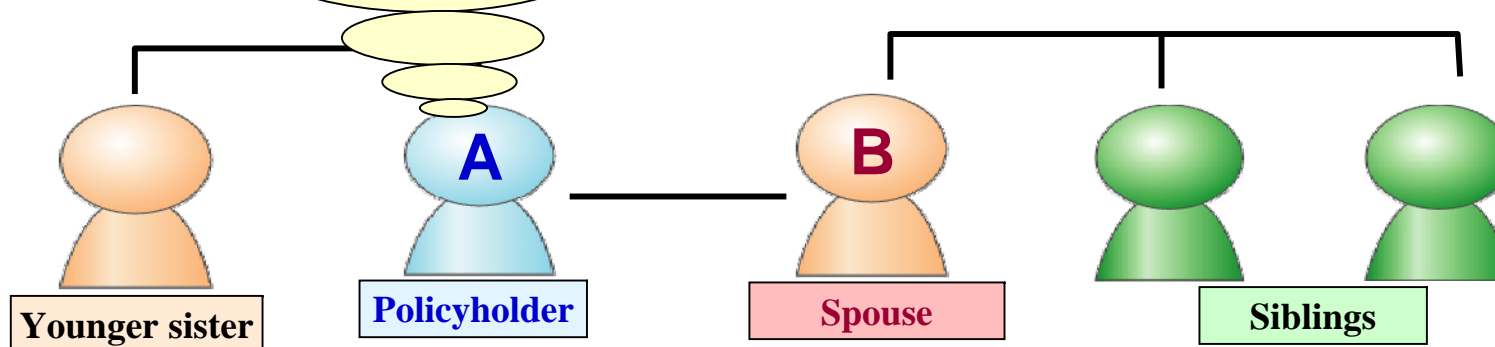
**Your hope will come true provided you set up such a trust that appoints B as the beneficiary and bequeaths to your siblings the residual property after B's death.**

➤ Utilization Example of Life Insurance Trust (ii)

<Case 2> ... Issue of inheritance of a married couple without a child

1. A married couple has no child. B is in a state that requires considerable nursing care.
2. B's siblings do not provide any help for nursing care and A's younger sister provides help instead.

I don't think it permissible that after my death, in case B also passes away, the insurance money will be paid to B's siblings.



Your hope will come true provided you appoint the beneficiaries as in the order, “First to B and after B's death, to my younger sister.”

<For your reference: Relationship between Will, Gift, and Life Insurance Trust (Conceptual Image)>

Main assets ∴ Real property + Deposits and savings



Deposits and savings

### Gift before death

- Gift is a “contract” and therefore, once gifted, it is not freely cancellable.
- Imposition of gift tax

### Will

- To be prepared to allocate all the property.
  - Once the will has been executed, allocated property becomes each party’s property.
- => It is impossible to make a will of “devise to the heir” type.

### Trust

- It is possible to provide for in advance about the management/preservation of property.
- It is possible to enjoy continuous receipt of benefits.

### Life insurance

- It is possible to utilize the property creation function of insurance.
- It is possible to obtain a loan for policyholders during your lifetime.

Life Insurance Trust ∴ enables you to utilize the values of both insurance and trust.

## ➤ Utilization Example of Life Insurance Trust (iii)

**Case where the donation that suits the public interest needs to be made in a flexible and secure manner.**

### <Case 1>

✓ **Those who live in the housing facilities for the elderly, already separately from their children, and therefore, wish to make donations after their death to the operating bodies of their facilities or their alma maters.**



### <Case 2>

✓ **Those who are single with their parents having already passed away and do not wish to leave property to distant relatives but wish to make donations to public interest groups.**

**(Utilization of the Trust enables you to *prepare for donations and also prepare for longevity-related risks.*)**

