

Actions Toward Improving Services for the Elderly in the Super-Aged Society



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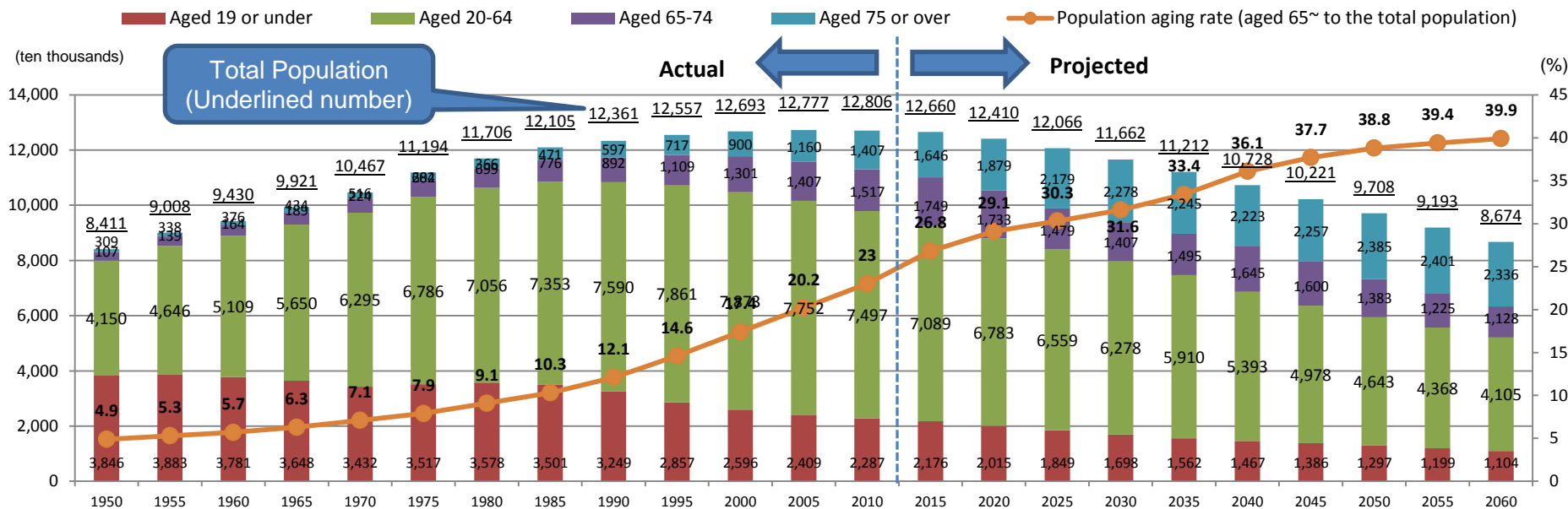
II – V. Better Serving the Elderly

I. Role of Insurance in Super-Aged Society: Life Insurance Market in Japan



1. Population Demographics

(a) Population Demographics

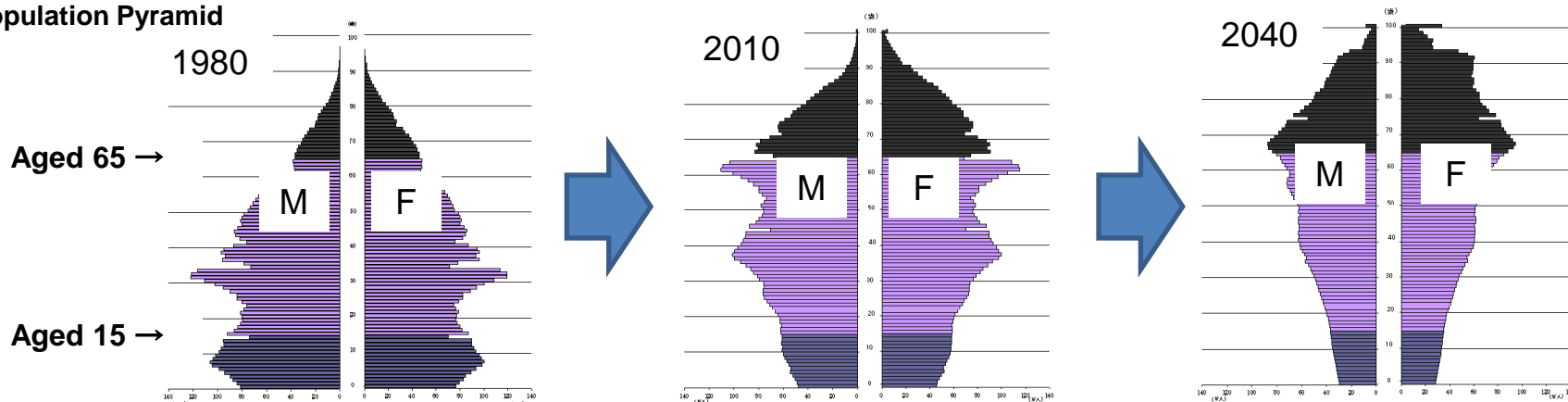


Source : For the figures until 2010, "Population Census", The Ministry of Internal Affairs and Communications

For the figures from 2015, The result of the medium variant projection under "Population Projection for Japan (as of January 2012)", National Institute of Population and Social Security Research

(Note) The total population from 1950 to 2010 includes the population of uncertain age.

(b) Population Pyramid

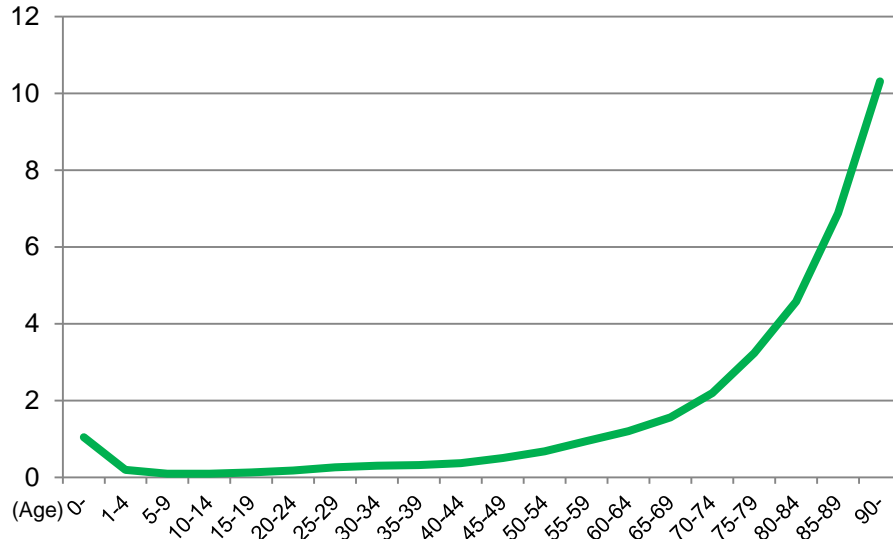


Source : For the figure of 1980, "Population Census", The Ministry of Internal Affairs and Communications

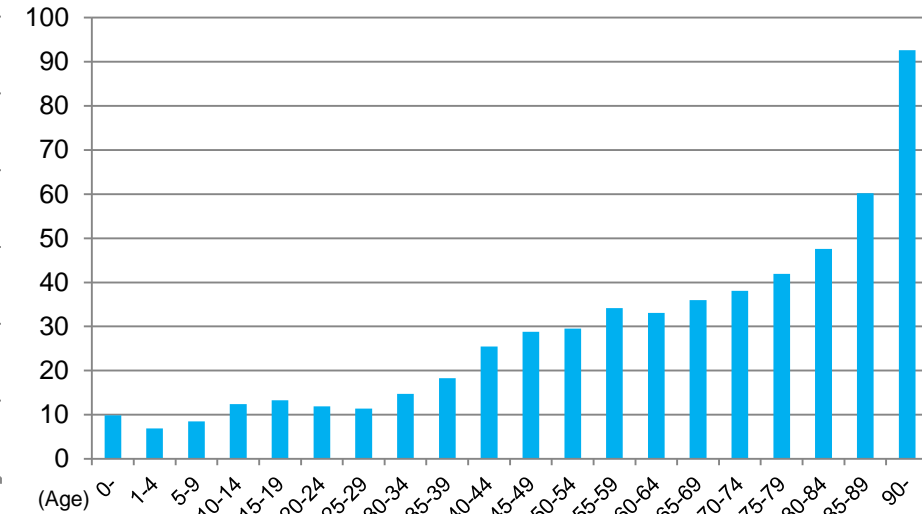
For the figure of 2010 and 2040, The result of the medium variant projection under "Population Projection for Japan (as of January 2012)", National Institute of Population and Social Security Research

2. Medical Expenses

(%) (a) Hospitalization Rate by Age Group

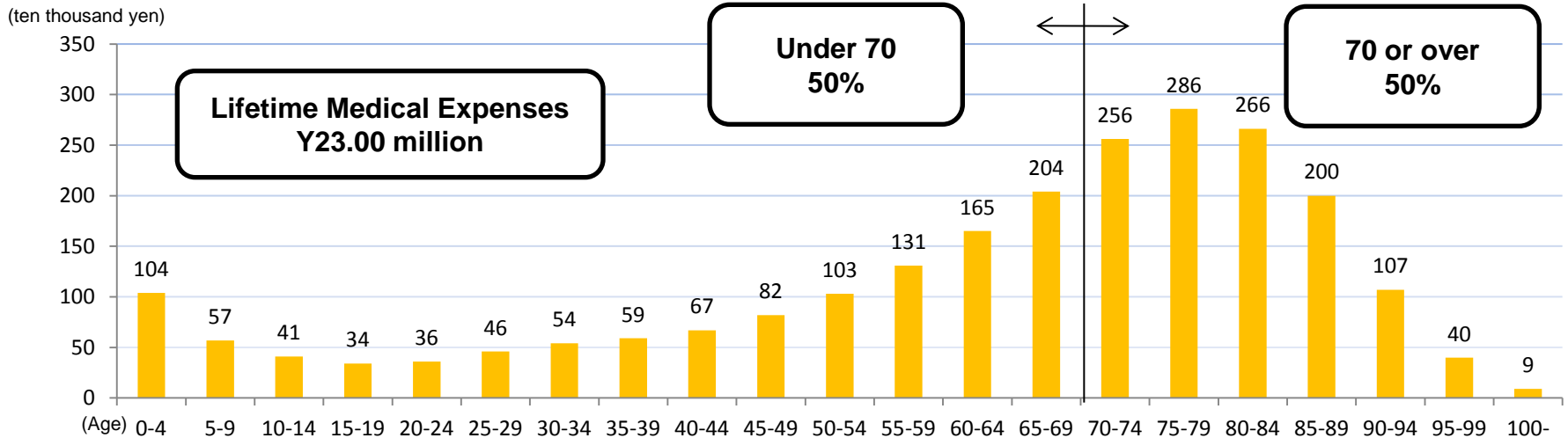


(Days) (b) Average Days of Hospitalization by Age Group



Source: "Patient Survey (2008)", Ministry of Health, Labour and Welfare

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



Source: Ministry of Health, Labour and Welfare

3. Long-Term Care Expenses

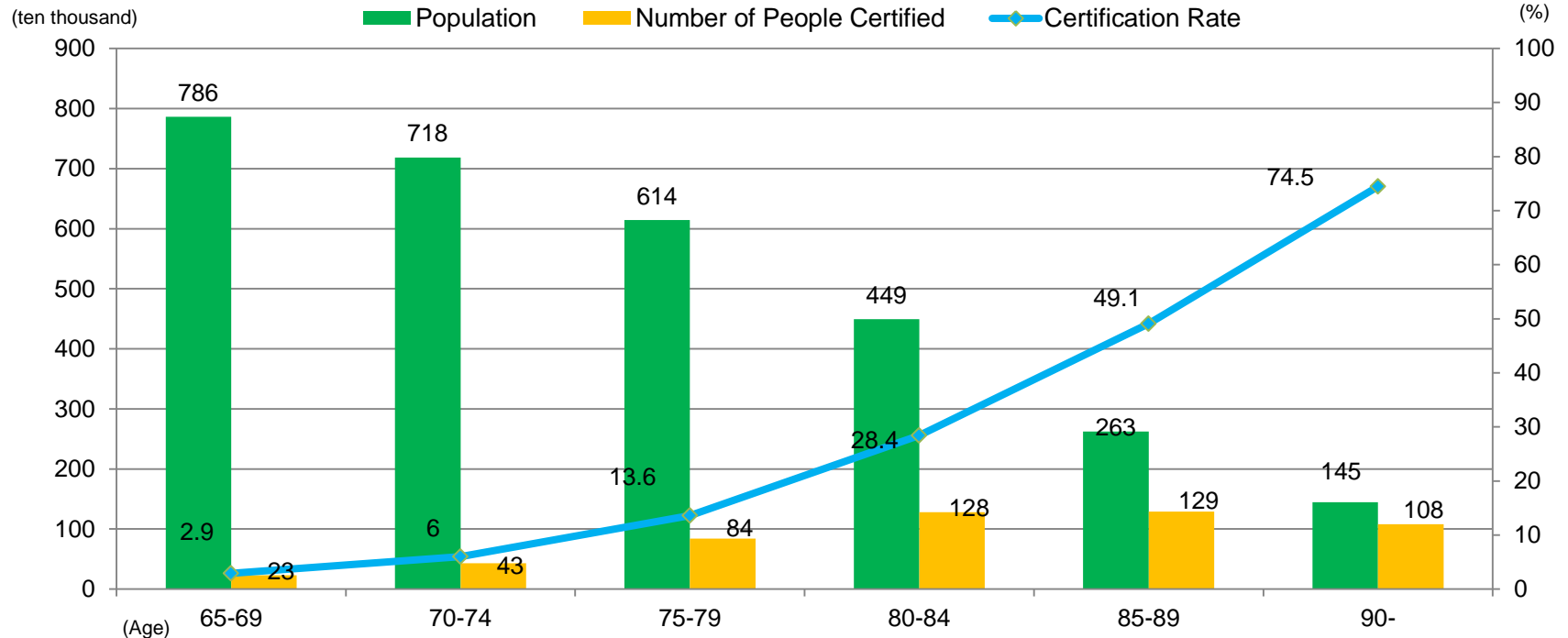
(a) Period of Unhealthy Condition = Average Life Expectancy at Birth – Healthy Life Expectancy

(Years)

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

Source: Ministry of Health, Labour and Welfare

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

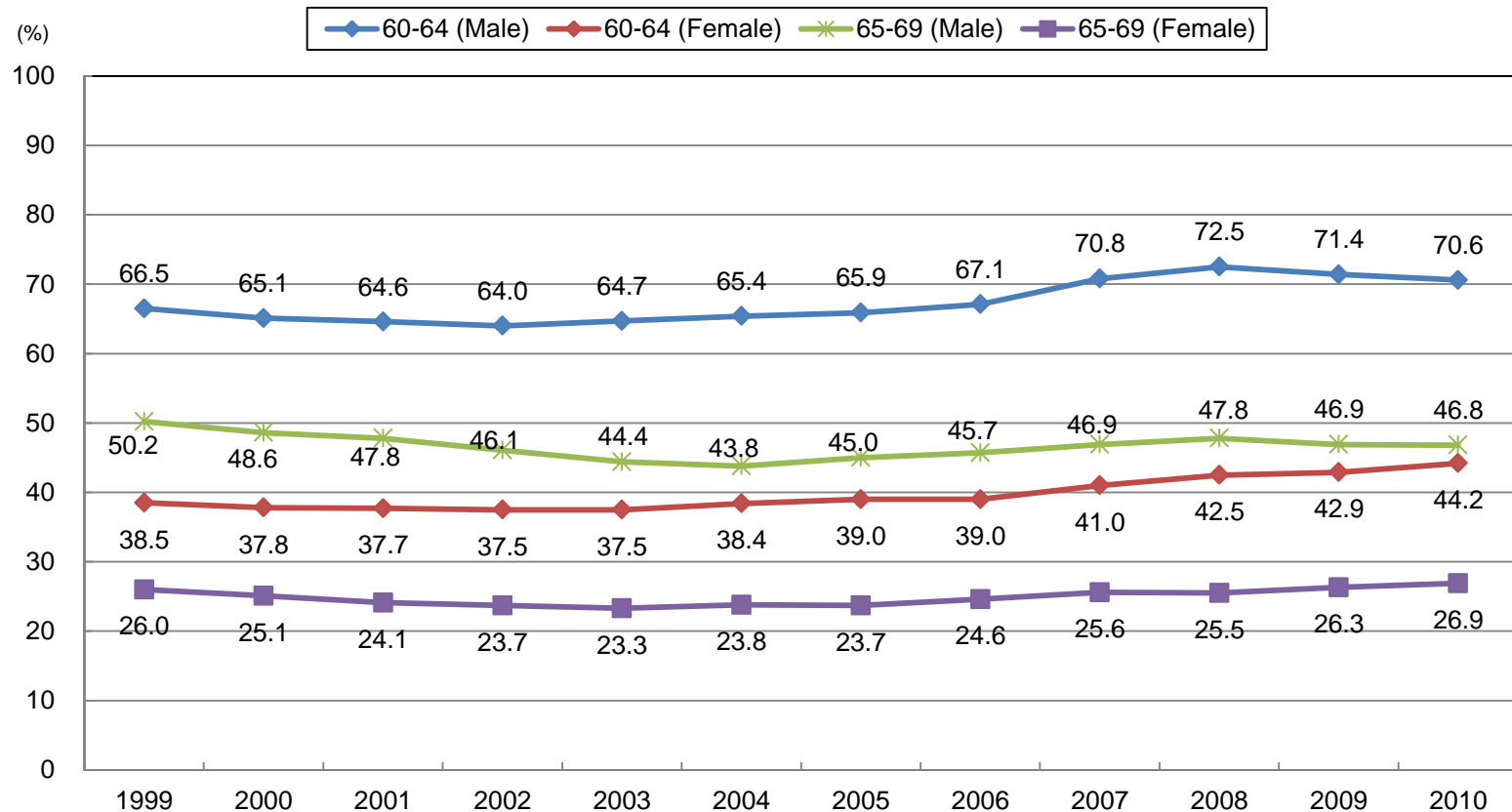


Source: "Survey of Long-Term Care Benefit Expenditures", Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications

4. Employment and Asset Holdings of the Elderly

(a) Labour Force Participation Rate of the Elderly

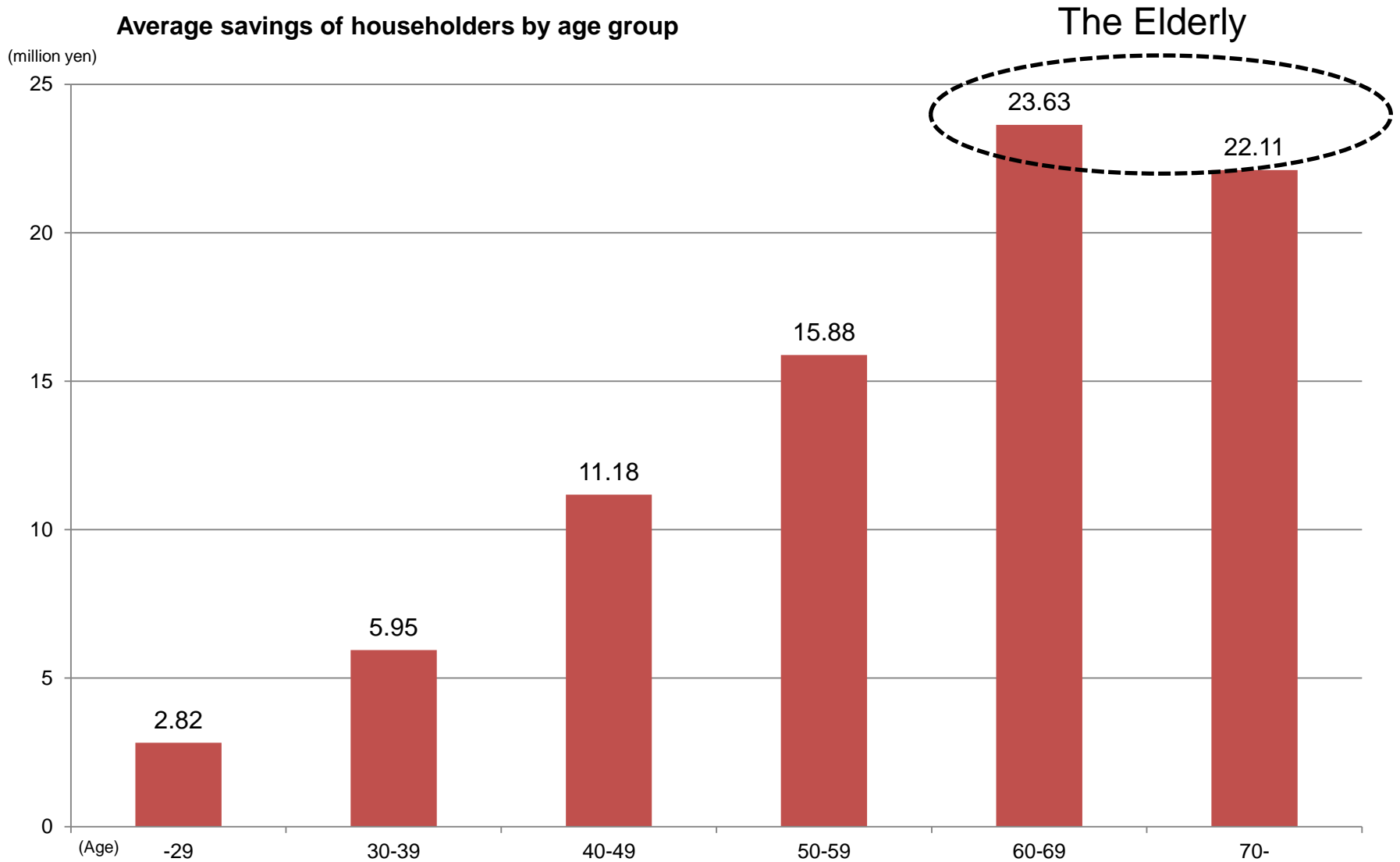
Proportion of elderly employees to population by age group



Source: "Labour Force Survey", Ministry of Internal Affairs and Communications

- Note that about 40% of unemployed elderly men are willing to work.

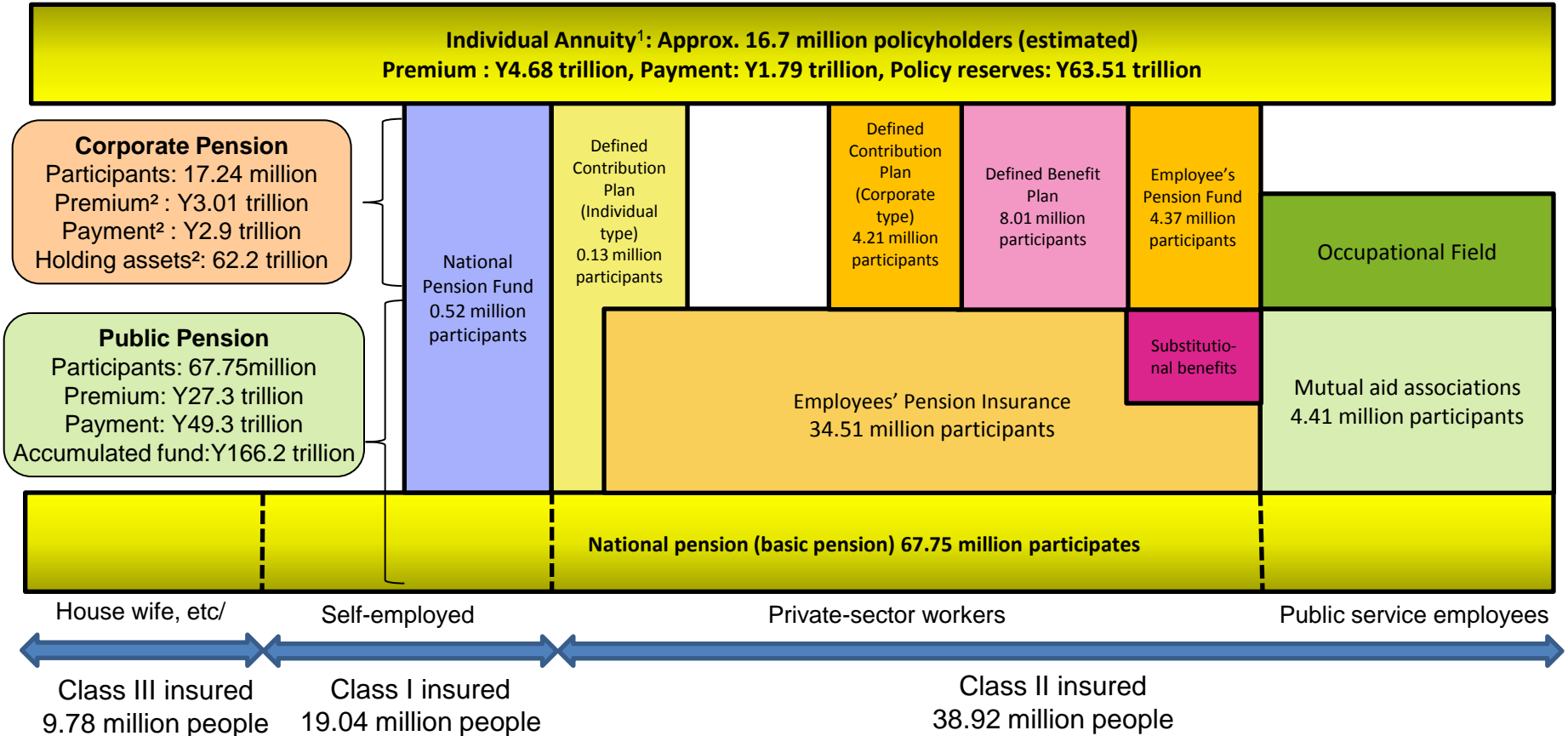
(b) Assets of the Elderly



1. Post-Retirement Security

◆ The pension system in Japan is composed of four pillars.

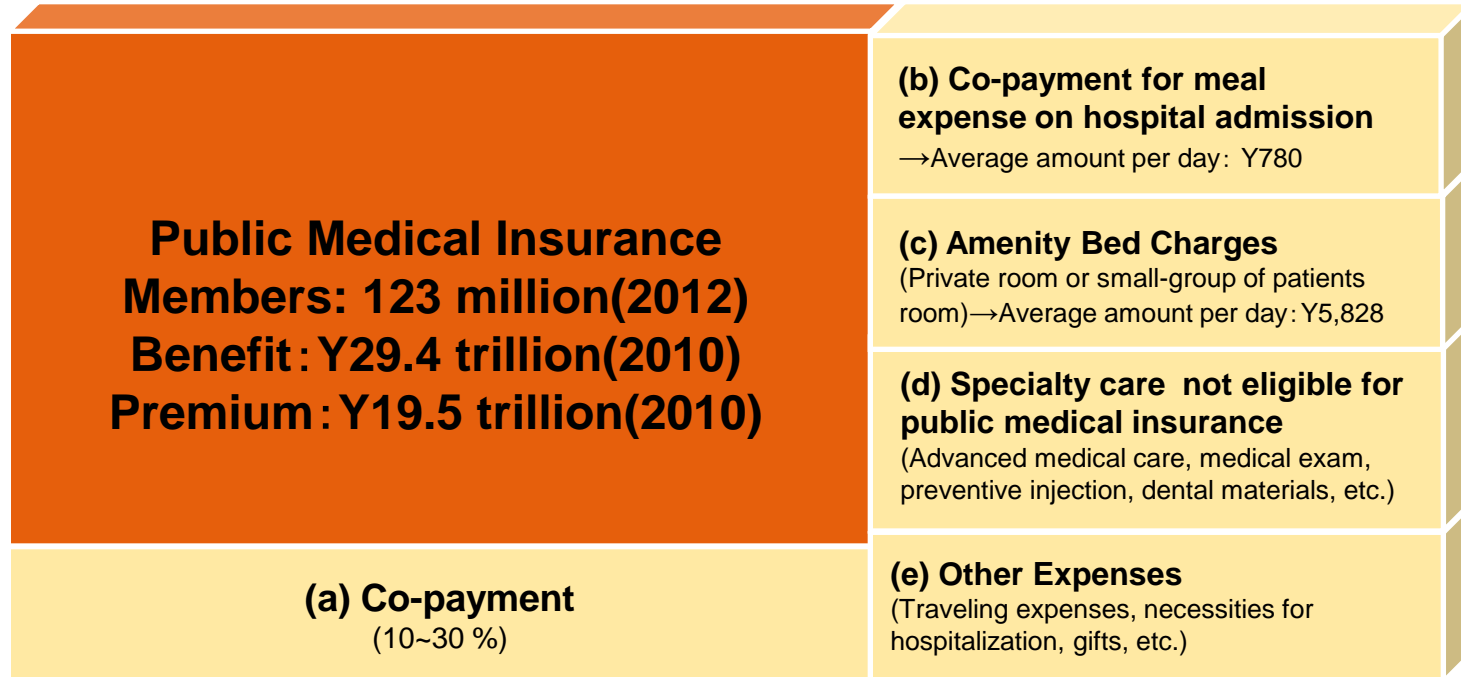
<Pension System in Japan (the end of March, 2012)>



1. Estimated by the survey of JILI
 2. Total of employees' pension fund and defined benefit plan

2. Medical Security

- ◆ Private medical insurance is necessary to cover copayments and other out of pocket expenses.
- ◆ 60 million people have some type of private medical insurance coverage.



Out-of-pocket cost in public medical insurance

.....(a)+(b)

Other out-of-pocket cost

.....(c)+(d)+(e)



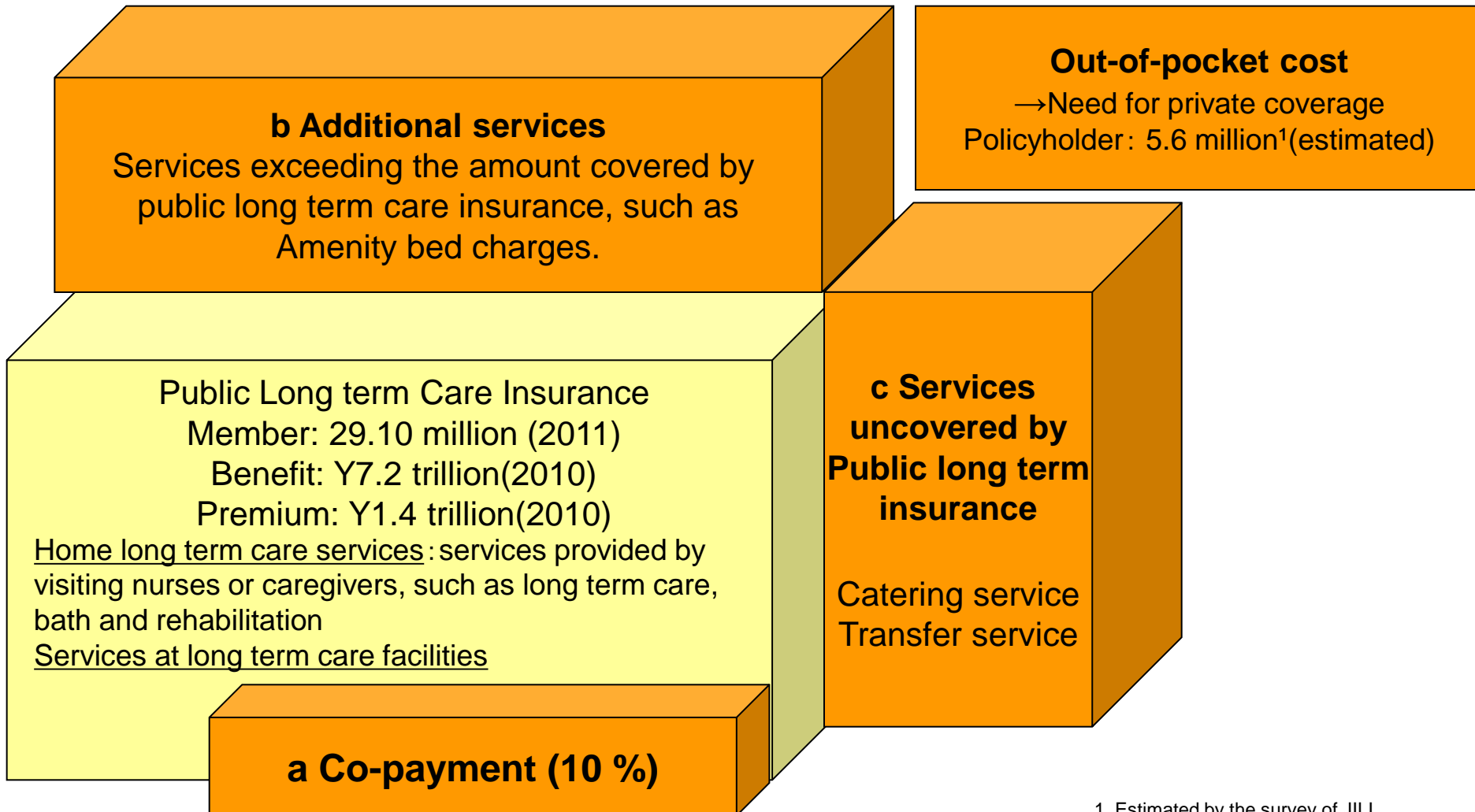
Need for private coverage
 Policyholders¹: 60 million (estimated)
 Premium²: Y5.25 trillion

1. Estimated by the survey of JILI

2. Including medical, accident and long term care insurance

3. Long-Term Care Security

- ◆ Private long-term care insurance is necessary to cover copayments and other out of pocket expenses.
- ◆ 5.6 million people have some type of private long-term care insurance coverage.



1. Estimated by the survey of JILI

4. Social Security System Reform

Publication of Report on the National Council on Social Security System Reform (August 2013)

21st Century Japan Model of Social Security: Proposing the system to provide necessary benefits and services for all generations in need with the capacity-based burden sharing rather than the age-based one.

⇒ **Currently under consideration toward its realization**

✓ **Public Medical Insurance System Reform**

Examples of revisions of medical insurance service

- > Reviewing the existing co-payment scheme on hospital admission (e.g. meal expense)
- > Reviewing the existing High Cost Medical Treatment System (capacity-based burden sharing)
- > Raising payments by patients aged between 70 and 74 at hospitals to 20% (currently 10%)

✓ **Public Long-term Care Insurance System Reform**

- > Reviewing the current system from the perspective of the capacity-based burden
- > Enhancing the efficiency of long-term care services

✓ **Public Pension System Reform**

- > Now in the process of raising the pensionable age gradually until 2025
- > Aiming to enhance its sustainability for the long term and to strengthen the social security net
 - Revision of adjustment mechanism for pension benefit level
 - Review of the pension benefit payment to high-income earners



Potential Impacts on Private Security

Reference

High Cost Medical Treatment System

The public medical insurance system to place monthly limit on co-payments by patients, and to pay back the amounts exceeding the limit to the patients if any.

Under this system, the upper limit of maximum monthly co-payment by patients in medical expenses is specified respectively depending on their income.

1. Sense of Anxiety

Ratio of consumers with anxiety in the following area by age group (%)

	Injury and disease	Post-Retirement Life	Life of Bereaved Family	Long-Term Care for themselves
20s	81.4	75.1	62.8	78.5
30s	90.5	88.9	79.0	89.8
40s	93.6	90.0	78.6	91.6
50s	90.5	90.8	66.2	93.9
60s	88.8	84.0	58.9	91.9

2. View on Life Security provided by Public Sector

Ratio of consumers considering that the public coverage in the following area is NOT enough to cover the required expenses by age group (%)

	Public Medical Insurance	Public Pension	Public Death Security	Public Long-Term Care Insurance
20s	52.5	83.3	67.4	80.8
30s	59.3	89.6	77.7	87.0
40s	63.0	87.5	75.2	88.4
50s	67.2	82.1	72.5	87.8
60s	58.9	71.2	65.8	79.5

3. Sense of Sufficiency in Life Security

Ratio of consumers WITHOUT a sense of sufficiency in the coverage in the following area by age group

(%)

	Medical Security	Post-Retirement Security	Death Security	Long-Term Care Security
20s	56.2	71.6	60.4	68.6
30s	60.4	80.7	69.5	77.8
40s	61.1	79.8	61.9	81.1
50s	61.1	77.1	60.3	80.8
60s	60.3	68.1	54.8	69.6

4. Consumer's Intention of Preparing for Life Security Economically

Ratio of consumers WITH the intention of preparing for life security economically in the following area by age group

(%)

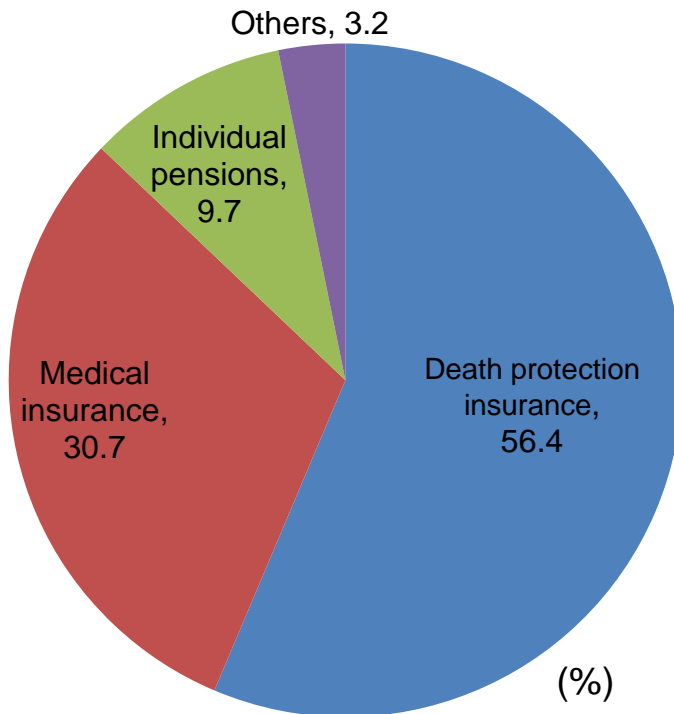
	Medical Security	Post-Retirement Security	Death Security	Long-Term Care Security
20s	82.6	82.4	77.0	78.7
30s	80.2	90.0	75.2	86.2
40s	72.9	84.7	67.1	83.1
50s	64.3	75.5	57.0	75.1
60s	42.3	41.9	34.5	49.0

1. Individual Insurance Share by Type

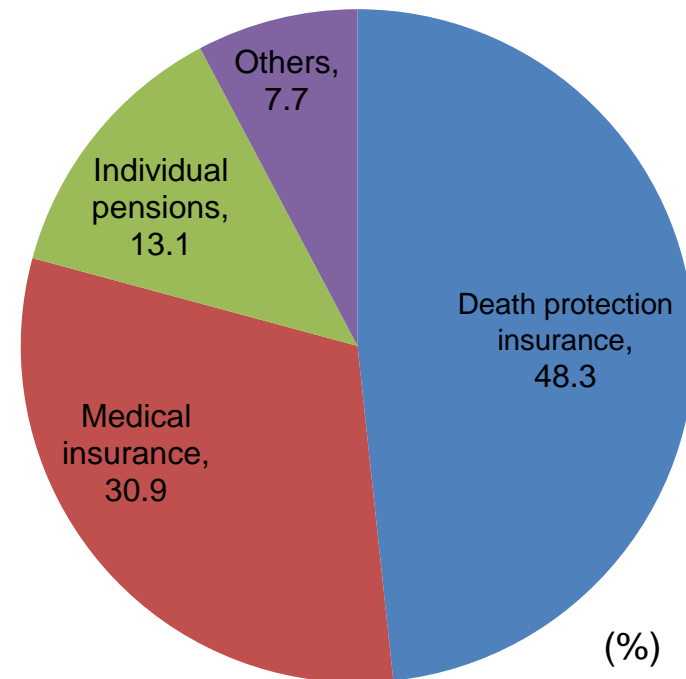
(a) Proportion of number of policies by type of coverage (as at the end of March 2012)

◆ Death protection insurance accounts for about half and medical insurance accounts for around 30%.

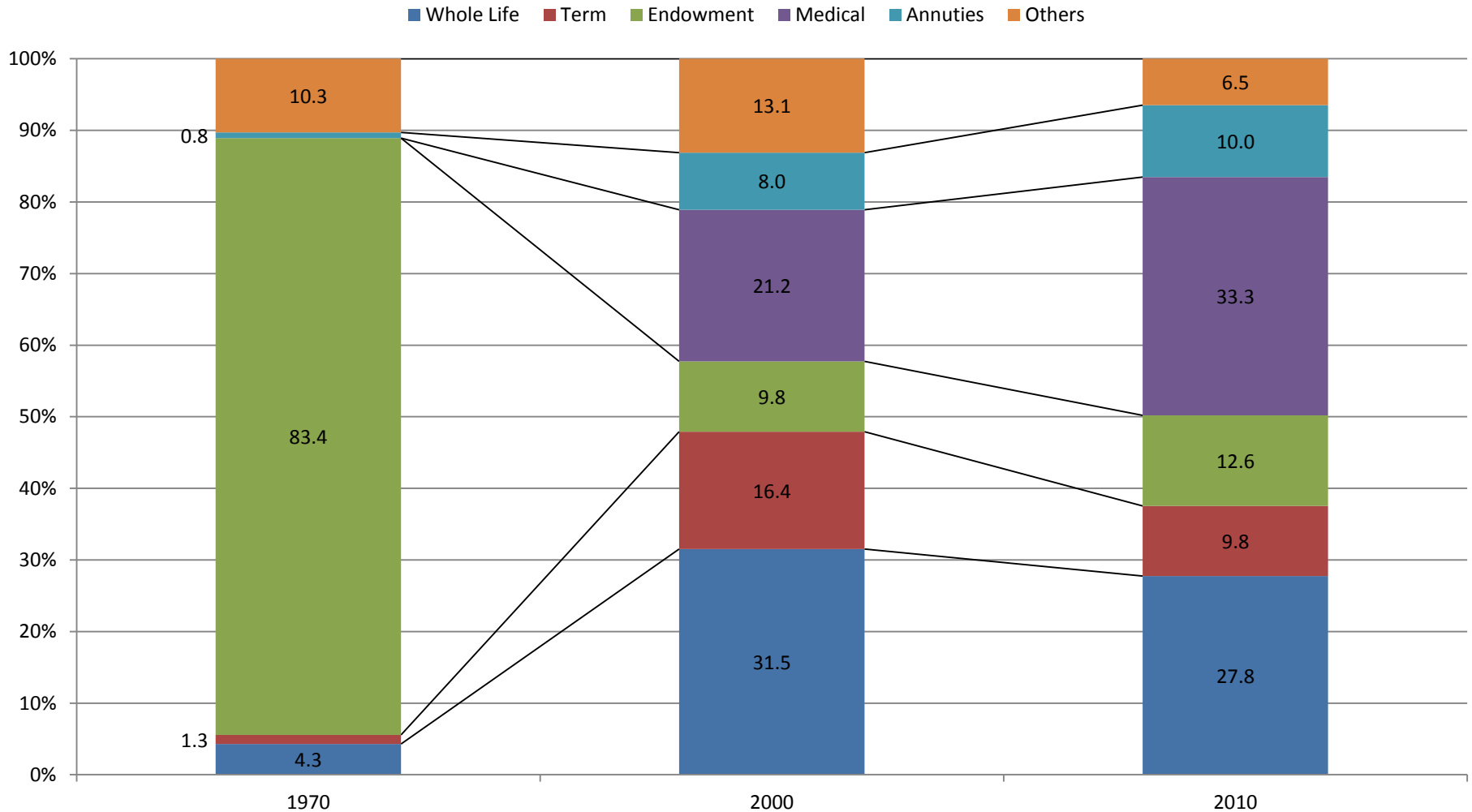
New policies



Policies in Force



(b) Changes in Product Portfolio (Number of New Policies as at the end of March 2012)

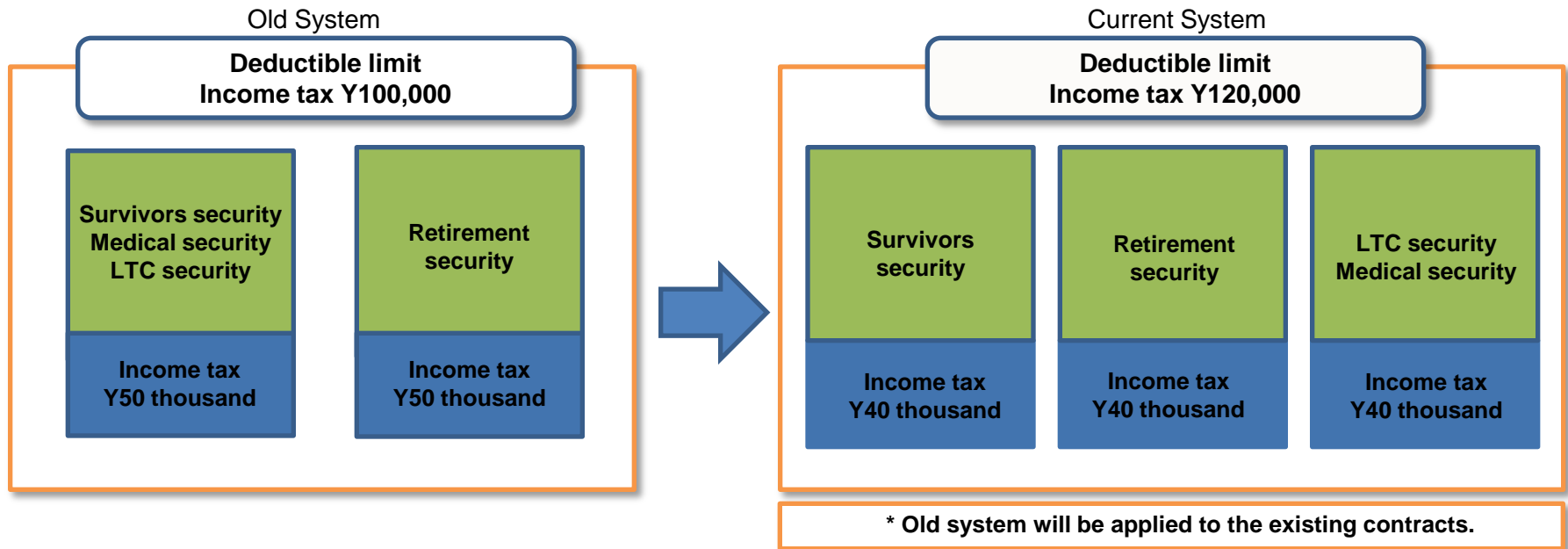


2. Individual Pensions

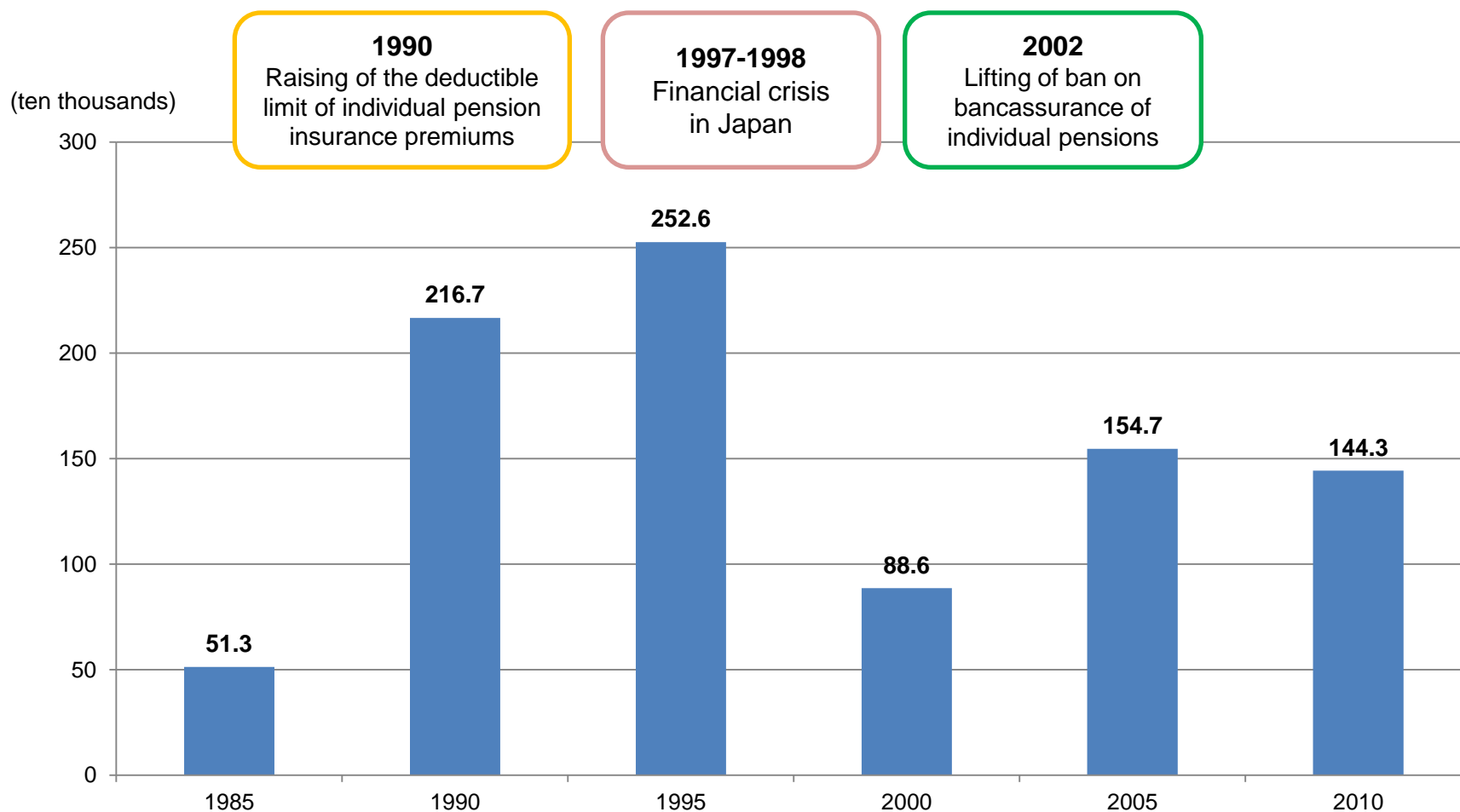
(a) Progress in Facilitating Individual Pensions

Year	Actions
1984	Establishment of tax deduction system for individual pension insurance premiums (deductible limit was Y5,000)
1990	Deductible limit of individual pension insurance premiums raised to Y50,000
2002	Introduction of individual-type defined contribution plans
2012	Introduction of matching contribution to corporate-type defined contribution plans Enhancement of the tax deduction system for insurance premiums [<ul style="list-style-type: none"> · Deductible limit of income tax raised from Y100,000 to Y120,000 · Introduction of deductible limit of Y40,000 for long-term care/medical insurance premiums (Y40,000)]

Tax Deduction Scheme for Life Insurance Premiums



(b) Change in Number of New Individual Annuity Policies in Force



Source: The Life Insurance Association of Japan

3. Corporate Pensions

(a) Overview of Defined Benefit-type Corporate Pension (as of March 2013) (Employees' Pension Fund + Defined Contribution Pension)

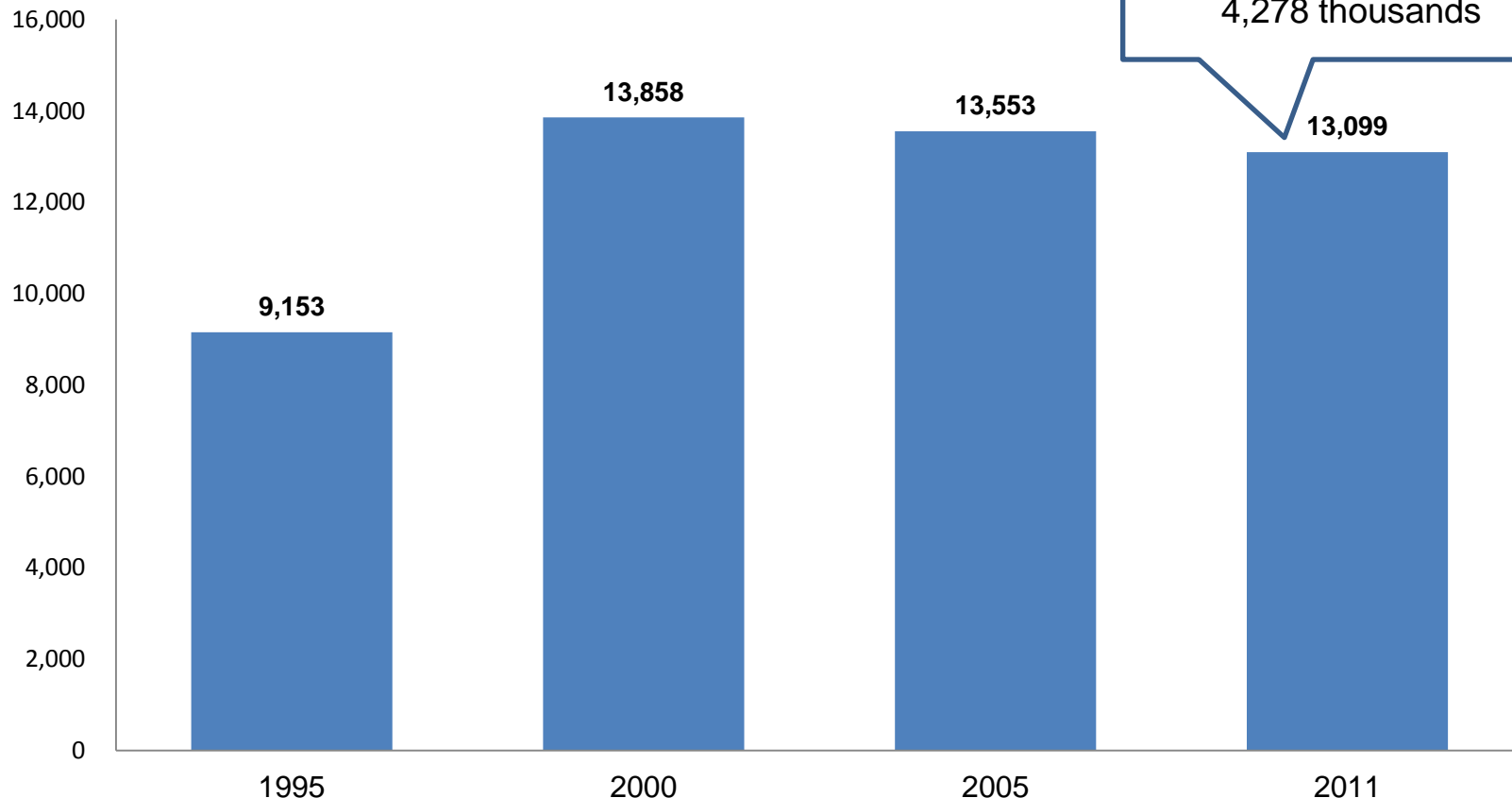
	Number of Pension Plans/Funds	Asset Balance (billion)	Number of Participants (ten thousands)
Life Insurers	10,582	14,543.8	325
Trust Banks*	4,272	63,983.5	887
Total	15,236	78,915.1	1223

Source: The Life Insurance Association of Japan

* Trust Banks : Include the plans/funds whose assets are invested by investment advisory companies under discretionary investment contracts, as well as the plans/funds directly undertaken by trust banks.

(b) Amount to be paid under Contribution-type Corporate Pension Plans (Amount of policy reserves)

(Amount: million)



Contribution-type Corporate Pension: Pension plans managed by corporations/organizations to motivate employees' self-help efforts. Employees can enroll in the plans voluntarily. The amount of premiums and benefits may differ among participants.

II. Initiatives by Life Insurers in Super-Aged Society: Better Serving the Elderly



Projection of the number of elderly households

		2010	2015	2020	2025	2030	2035
Households whose householders are aged 65 or over (thousand)		16,200	18,887	20,060	20,154	20,111	20,215
	Of which are single-person households (thousand)	4,980	6,008	6,679	7,007	7,298	7,622
Households whose householders are aged 75 or over (thousand)		7,308	8,815	10,231	11,867	12,208	11,736
	Of which are single-person households (thousand)	2,693	3,265	3,820	4,473	4,726	4,660
	(%)	36.8	37.0	37.3	37.7	38.7	39.7

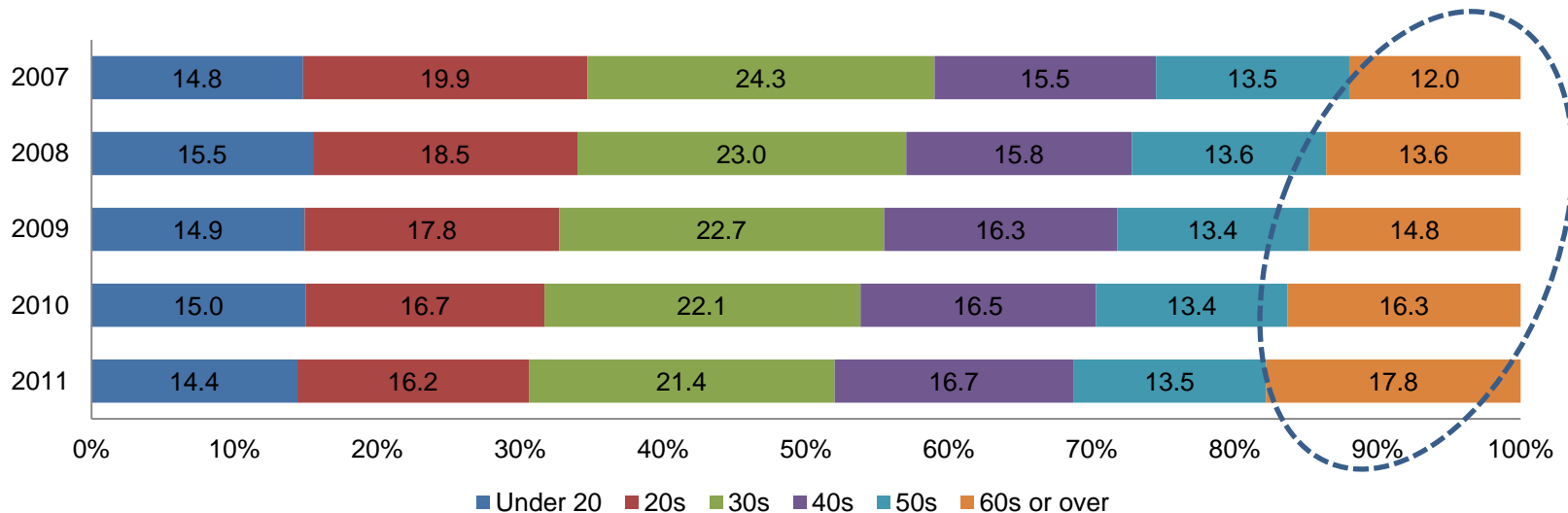
Source: National Institute of Population and Social Security Research

Projection of the number of dementia elderly

		2010	2012	2015	2020	2025
Dementia elderly whose degree of independent living is level 2 or worse (million)		2.80	3.05	3.45	4.10	4.70
	Ratio of those elderly to total aged 65 or over (%)	9.5	-	10.2	11.3	12.8

Source: Health, Labour and Welfare Ministry

Changes in Percentage Distribution of Individual Insurance by age group of policyholders (number of new policies)



Source: The Life Insurance Association of Japan

Projected Number of Annuity Policies to Become Payable

(Number: ten thousands)

	2012	2013	2014
Projected number (ten thousands)	48.9	77.2	107.8
Average of 33 insurers (ten thousands)	1.5	2.3	3.3

Source: The Life Insurance Association of Japan

Learnings from Post-Great East Japan Earthquake Experience

**Major consequence of the Great East Japan Earthquake:
Large number of persons killed, missing or displaced**

Whole industry worked together to ensure benefit payments.

⇒Renewed awareness of the necessity for better responding to the cases involving difficulties in policy administration procedure with particular attention to elderly policyholders

<Ref.>

Individual annuity claims

- In addition to identification documents, official certificates such as resident card are required for the initial payment of annuity benefits in order to verify the survival of the policyholder.

Medical claim procedure (for hospitalization, surgery, etc.)

- Medical certificate issued by a medical institution is required. Claim has to be made by the insured.

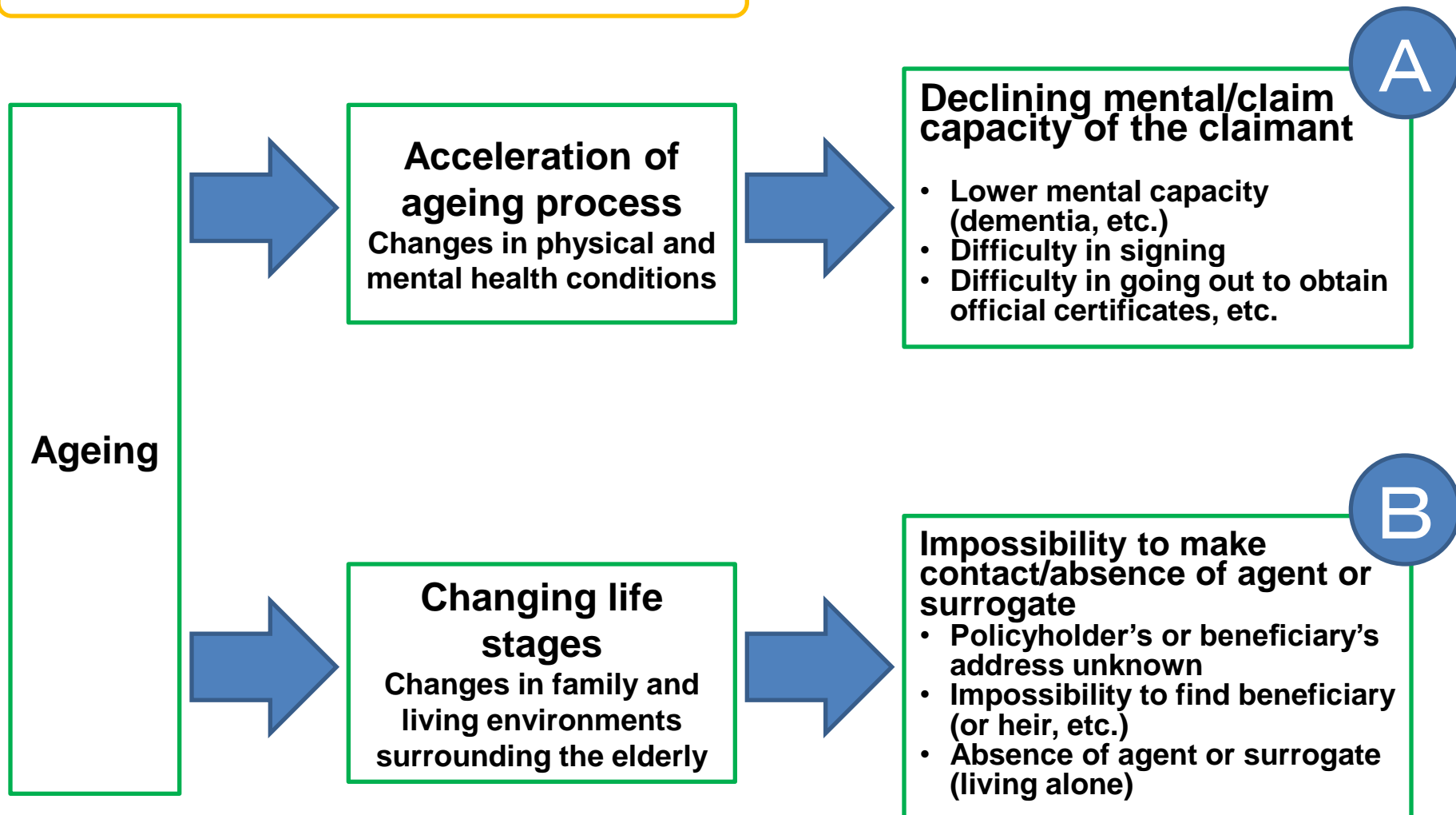
Death claim procedure

- Death certificate is required along with official certificates attesting to the decease of the insured. The claim has to be made by the beneficiary. Heirs to the designated beneficiary are entitled to the claim where the beneficiary had deceased and no other beneficiary has been designated.

Address change procedure

- Policyholders are required to notify any address change to the insurer (on a voluntary basis). Insurer may lose track of policyholders who keep changing their address without notification.

General characteristics of the elderly



Risks to secure and prompt policy procedure

- **Procedure impossible to complete**

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

- **Prolonged procedure**

Even if the claimant has the intention to make a claim, smooth progress in policy procedure may be hindered depending on the environment surrounding the elderly.

- **Increased number of procedures**

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



Prevention of procedural risks

D

- In general, only the policyholder is familiar with the policy provisions. Hence, it is necessary to inform family members of the policy provisions and the necessary procedure for benefit payment (with the consent of the policyholder).
- Current address management only covers the contact address of the policyholder, which calls for the sophistication of address management including through the registration of multiple addresses.
- Although a designated third-party claim scheme may be available, enabling an agent to make a claim on behalf of the insured where the insured is incapable of making the claim, this is not the case with all policies and the applicability of the scheme is limited.

Consumer service with special attention to the elderly



- Forms for policy procedure are unintelligible or illegible.
- Continued efforts are needed to improve financial (life insurance) literacy among the elderly.
- More hospitality is required to improve our attitude and attention to the elderly. Likewise, our service for the elderly needs to be improved under suitable “specifications.”

<Ref.>

Designated third-party claim scheme

- Where the insured is in a “special condition,”^{*1} the designated third-party claim scheme enables an agent designated by the policyholder to make a claim for benefits^{*2} on behalf of the insured. Each insurer has its own designated third-party claim scheme. The policyholder has to obtain the consent of the insured when designating the agent.

- * 1 A “special condition” refers to any case where (example of a life insurer):
 - (1) The insured is incapable of indicating his/her intention to make a benefit claim due to injury or illness;
 - (2) The insured is not given notice of his/her injury/illness or life expectancy for treatment purposes; or
 - (3) The insured is in any other condition similar to (1) or (2) above.
- * 2 The types of benefits covered by the scheme depend on the insurer concerned, but the insured has to be the beneficiary in any case. Examples include hospitalization and surgery benefits. Some insurers allow third-party claims for maturity proceeds and annuity benefits, among others.

<Ref.>

Adult guardianship

- Legal scheme to protect and support those whose judgment is constantly impaired by a mental disorder (dementia, intellectual disturbance, mental disturbance, etc.)

Under this scheme, the guardian of adult appointed by the family court may represent the principal in performing any juridical act such as entering into a contract in the interest of the principal. The principal or guardian may also rescind any disadvantageous juridical act performed by the principal.

A Initiatives to address the “declining mental/claim capacity of the claimant”

Item	Initiative
Lower mental capacity of the policyholder or beneficiary (due to dementia, etc.)	Encourage appointment of a guardian to make a claim.
	Develop and implement procedural rules to accept a claim by any heir presumptive when a decline in the mental capacity of the claimant can be verified, even if adult guardianship is not applicable.
Difficulty of signing by the policyholder or beneficiary (due to ageing, disability, etc.)	Revise the whole procedural rules to make new “conditional rules” applicable to the elderly and other policyholders experiencing difficulty in administration procedures, to be disclosed internally.
	Allow an agent to fill the claim forms on behalf of the principal where the intention of the principal to make a claim can be verified. (The agent has to be a family member living in the same household or a relative within the third degree of kinship. In principle, any payment can only be made to an account held by the beneficiary.)
Difficulty in going out to obtain official certificates, etc. (due to ageing, institutionalization, etc.)	Develop new procedural rules to abolish the requirement of policy submission or seal registration certificate submission for the verification of intention.
	Omit the submission of the claim forms and identification documents when the policyholder can be identified using the consumer ID or password (input on the Internet or from PDA).
	The Head Office, the head of the area office or an officer of the branch office to obtain the resident card, copy or extract of family register, seal registration certificate, etc. on behalf of, and with the authorization of the consumer.
	As regards the verification of survival at the time of annuity payment after the elapse of the guaranteed period, the salesperson may verify the survival of the beneficiary where the beneficiary cannot submit the declaration of current conditions and resident card, or come to the office in person.
	For certain types of procedure, consider accepting a claim over the phone without having the consumer fill out the forms.

B Initiatives to address the “impossibility to make contact/absence of agent or surrogate”

Item	Initiative
Impossibility to contact the policyholder or beneficiary (due to address unknown)	Remind the policyholder of the policy provisions (including those regarding information on the beneficiary) in the annual or quarterly newsletter, booklet, etc. Take measures to identify the proper contact address (obtain resident card, use an external investigative body, etc.) if the notification fails to reach the policyholder.
	Introduce a “family registration system” to list any family member who may receive identical information on the policy provisions to that disclosed to the policyholder. <Also falls under Section D: Initiatives to prevent procedural risks>
	For elderly policyholders over a certain age limit, promote the collection of contact information on the beneficiary, family members, etc. as well as on the policyholder (and the verification of survival) through home visit. <Also falls under Section D: Initiatives to prevent procedural risks>
Impossibility to find the beneficiary (or any heir at law)	With the consent of the policyholder through periodical confirmation of policy provisions, etc. by the salesperson, make direct contact with the beneficiary to verify his/her survival and remind him/her of the existence of the policy.
Absence of agent or surrogate (elderly policyholder living alone, etc.)	Where the intention to make a claim can be confirmed, act on a case-by-case basis depending on the condition of the consumer (e.g. accept a third-party claim by an unrelated home care worker, institutional worker, social worker, etc.)
	Recommend the (designated) third-party claim rider at the time of regular visit by the salesperson <Also falls under Section D: Initiatives to prevent procedural risks>

C Initiatives to address the “increase in the number of procedures”

Item	Initiative
Increase in benefit payments	Successively develop systems to raise the efficiency and sophistication of the examination process, including for automatic payment through computerized examination.
Increased number of policies reaching maturity	<ul style="list-style-type: none"> • Improve the efficiency of the payment process by systematizing automatic money transfer or simplifying paperwork under certain conditions, for example. • Make 1-year notice of maturity through outbound calls and letters to encourage the taking of the procedure.

D Initiatives to prevent procedural risks

Item	Initiative
<p>Continued communication about policy provisions and payment procedure to the principal and family members</p>	<p>Identify any address change through home visit activities, etc. and collect/record information on mobile, as well as fixed-line phone numbers.</p>
	<p>From the start, regularly remind the policyholder to tell the beneficiary or family members about the policy through various communications.</p>
	<p>Prepare a special form to encourage address change notification and distribute it to consumers on the occasion of various preservation procedures, for example.</p>
	<p>Print language to encourage address change notification on the envelop when sending annual or quarterly communications/booklets, life insurance deduction certificate or insurance policy to the policyholder.</p>
	<p>In addition to the periodical follow-up through the sales channel, consider the possibility of follow-up by the Head Office for elderly policyholders and insureds, including on survival verification and claim procedure.</p>
	<p>Collect family information from the start, and provide tools containing information to be shared among family members at the time of regular home visit.</p>
	<p>Require registration of e-mail address and request confirmation of the registered address several times before sending the deduction certificate.</p>

E Initiatives for “consumer service with special attention to the elderly”

Item	Initiative
Simplification of paperwork	Colorize and enlarge forms, use larger fonts, adopt universal design, etc.
	Computerize various claim forms to introduce sales terminals capable of enlarging the size of letters showing on the screen.
	Introduce and use tailor-made claim forms (with preprinted requirements).
	Prepare and distribute booklets showing the flow of claim procedure, concrete examples of payment and non-payment, and the intended use (requirement) of official certificates.
Sophistication of service for the elderly and improvement of hospitality	Develop internally-accredited “elderly care advisers” through in-house training courses.
	Participate in the development of “dementia patient supporters” promoted by the MHLW and organize awareness-raising seminars on care prevention
	Consider introduction of guardian referral service to be provided by judicial scriveners.
	Consider sending information booklets for older age groups (with adjustments of text and using larger fonts) in lieu of the standard annual communications and booklets sent to other policyholders on policy provisions and corporate initiatives.
	Promote friendly services to the elderly, by using marking pens and sticky notes on various forms, and speaking slowly and carefully, for example.
	Call center to follow up as appropriate on any request for a form by an elderly caller after sending the requested form, where the elderly feels uneasy about the procedure.
	Call center to adapt to the physical condition of elderly callers by adjusting the volume of the microphone or speaking slowly, for example.

Clear explanation at solicitation

F

Complaints and comments from consumer administration and advocacy groups

- Consumers do not really understand the products (not recognized as insurance products when sold by banks, no explanation on demerits and risks inherent in risk-involving products).
- Consumers do not get the products that they really want.

Adaptation to elderly consumers living alone

G

More elderly consumers are living alone or only with aged family members.
⇒ No family members to support them (absence of advisor or assistant)

Consumer service with special attention to the elderly

H

The elderly do not get the attention they deserve.

F Initiatives to ensure “clear explanation at solicitation”

Item	Initiative
Improvement of sales approach and application procedure	Where the prospective policyholder is 70 years old or over, conduct multiple interviews and accept application on the day following the delivery of “pre-contract documents” (containing the summary of policy provisions and information calling for attention) at the earliest to ensure sufficient time to reflect on the application.
	A superior to engage in product development from the design stage when soliciting new business with the elderly.
Follow-up on application procedure	A non-sales employee to review the whole new business before the policies enter into effect. Interview the prospective policyholder on another day to reconfirm his/her intention where the policyholder is aged 70 or over.
Adaptation of solicitation materials	Aside from the existing “Important Information,” prepare and distribute supporting materials that describe important matters in a more understandable manner for elderly consumers. Include a toll-free phone number for elderly consumers in the supporting materials <insurance agency>.
	Distribute fliers to help improve understanding when any family member or relative is present at the session.
	Attach explanatory sheets for family members in sending the policy so that they may be posted at a visible place in the house.
	(Following initiatives concern bancassurance) Create a special clear file for the copy of application, intent confirmation and other forms carrying a text to call for attention on its surface – “This is a life insurance product underwritten by XXX Life Insurance Company.”
	Present the method of surrender value calculation more explicitly in the summary of policy provisions, using concrete values indicating a loss of principal.
	On the last page of the “Intent/Suitability Confirmation Form,” present the “matters to be reconfirmed before application,” accompanied by a list calling for attention to possible complaints using a color cartoon entitled “Examples of Post-Contract Complaints,” in order to verify if the product really suits the intention of the prospective policyholder.

G Initiatives for “adaptation to elderly consumers living alone”

Item	Initiative
Solicitation of new business with elderly consumers living alone or only with aged family members	As regards new business handled by a salesperson, the head of the organization accompanies the salesperson to provide explanations or calls the prospective policyholder to verify if the policyholder understands the policy provisions and points of concern.
	An employee designated by the company verifies the understanding, intention, condition, etc. of the prospective policyholder on the spot, where it is difficult to have any relative accompany the policyholder, probably because he/she lives alone.

H Initiatives for “consumer service with special attention to the elderly”

Item	Initiative
<p>Guidance and training for solicitors, etc.</p>	<p>Prepare a booklet outlining the “standard treatment of new business,” including a section on “how to accommodate elderly consumers” to present actual examples of complaints, provide explanations and illustrate the expected behavior.</p>
	<p>(Following initiatives concern bancassurance) Promote study sessions at the branch level and personal lectures for bank employees using training materials developed for agencies including on communication gaps.</p>
	<p>Agency to identify the measures taken to ensure careful service for the elderly at the time of bank audit, and provide feedback on the result to the bank.</p>

Share/leverage initiatives undertaken by member companies: Ongoing efforts

- In order to provide life insurance services suited to the oncoming super-aged society, we need to strengthen our efforts to accommodate elderly consumers by sharing and leveraging the lessons learned, and initiative undertaken by member companies in an effort to improve their services to the elderly.
- Looking ahead, ongoing efforts are crucial for enabling the life insurance industry to accumulate, and build on best practice in serving elderly consumers.

Support expected of the government for system building and scheme implementation

- **Making the Social Security and Tax Number System available to the private sector**
Making the social security and tax number system, recently endorsed by the Diet, available to the private sector will enable insurance companies to crosscheck their data with government information, thus speeding up and simplifying the claim handling and payment processes for the benefit of consumers.
- **Promoting the use of adult guardianship**
Promoting the use of the adult guardianship scheme, including through the simplification of the application procedure and other operational improvements, is crucial for ensuring the legal stability of policy procedure.