

## **Life Insurance Trust in Japan**

### **Possibilities of a new type of life insurance by combining insurance with something**

The idea of combining insurance with something is expanding the possibilities of insurance. The first example is a health promotion type of insurance, which combines insurance with health promotion. This type of insurance offers benefits such as premium discounts and refunds to policyholders according to their health performance. Not for the event of getting sick or death but for staying healthy---policyholders take out insurance with the positive attitude instead of negative, and their health-conscious initiatives will be reflected in the form of premium discounts and more, which also leads to coverage continuation. This is surely a revolutionary product.

As another example, there is small-amount and short-term insurance. Generally speaking, life insurance is something you need to pay premiums that don't come cheap for a long time. Small-amount and short-term insurance products are developed by reversing such conventional thinking. Non-life insurance products of these kinds, for example, bicycle insurance, golf insurance and fire insurance, do have been existed. However, it was not until April 2006 that the revised insurance business act was enacted and the regulation for small-amount and short-term insurance providers was finally set. Since then, various types of products have been released to cover a niche market to respond to the diversified needs of today's customers. Such products include legal expenses insurance, diabetes insurance, cancer treatment insurance and funeral expenses insurance to name a few.

The keyword to expand those possibilities of insurance is CX, or Customer Experience. How much they can provide customers with valuable experiences---that is all about it.

### **Providing valuable experiences on death protection insurance**

In the case of life insurance, death protection insurance in particular makes it hard for policyholders to experience the actual moment of "I'm glad I've taken it out!" although they would be able to feel peace of mind, since in the majority of death protection insurance contracts, the policyholder who pays the premium and the beneficiary who receives the insurance proceed are not the same person. For that reason, how to provide CX to customers when it comes to death protection insurance has long been a challenging task.

Then comes Life Insurance Trust by combining life insurance and trust, drawing much attention. In Life Insurance Trust, a company such as a trust company becomes a beneficiary of a life insurance policy. Following the death of the policyholder, life insurance proceeds will be delivered to the designated person(s) by the trust company at the certain timing and by the certain method, all set by the deceased while alive.

It'd be a tragedy if receiving a large sum of insurance money all at once ruins a beneficiary's life. Also, an insurance proceed could be inherited by an heir of a beneficiary (who happens to be an unfavorable person to a policyholder) even though the proceed was successfully delivered to this beneficiary prior to his/her death. Through Insurance Trust, policyholders can control risks such as the poor spending habit of beneficiaries or the secondary inheritance through which the insurance proceed would be handed to undesirable persons for the policyholder.

With the life insurance contracts so far, the insurance proceeds are generally paid to the beneficiaries in a lump sum at the time of the insured's death. On the contrary, the life insurance trust enables the policyholders to have a realistic image of the flow of the insurance money and arrange it in details hence the CX unique to Life Insurance Trust would be provided to customers.

### **Life Insurance Trust makes a mandate contract for after-death tasks with a third party more accessible**

Even more possibilities are opened up for Life Insurance Trust. A mandate contract for after-death tasks through Life Insurance Trust is it. After-death tasks indicate series of formalities which arise immediately following one's death. They usually concern the followings.

<Examples of After-death Tasks>

- Funeral or/and memorial service arrangements and payment to each institution
- Burial arrangements
- Exit procedures for a hospital or nursing home such as picking up personal items and settling any fees and charges
- Terminating a residential lease contract and managing such residence until handing it over to realtors.
- Official procedures to administrative agencies. Returning a health insurance card and a pension handbook
- Cancelling utilities contracts such as electricity, gas and water

Source: *Hanaemi*, [www.hanaemi.info/shigo-jimutetsuduki/](http://www.hanaemi.info/shigo-jimutetsuduki/). Accessed June 14, 2023.

(Available only in Japanese)

If you need professional help to take care of the above-mentioned procedures, you have to pay a certain amount of money at the time of signing a contract with these professionals. With a service like a mandate contract for after-death tasks through Life Insurance Trust, the insurance proceed will be used to pay off such cost, and it would be a good service for those who have financial difficulties to make the arrangement while they are still alive.

Now that unattended deaths including a death of someone who is completely isolated from families and societies, and unclaimed cremains have become social issues, an end-of-life planning also has come to the talk among a lot of people.

After getting old, taking out insurance will be out of your options. Your children might live somewhere far from you, your spouse or siblings whom you count on would be gone first, and you might no longer have confidence in your health. Often times it is too late to plan something after you become insecure. A mandate contract for after-death tasks by using Life Insurance Trust will accelerate an end-of-life planning and become a strong help for those who are considering such planning while they still have an energy to do it. There is no doubt that it will be the service which provide the CX with the death protection insurance, surprising people how far it can go.

<Reference Information>

- Some examples of the life insurance companies offering Life Insurance Trust products

\*Inside the parentheses refers to tie-up trust companies

The Prudential Life Insurance Company, Ltd. (The Prudential Trust Company, Ltd.)

The Gibraltar Life Insurance Co. Ltd. (The Prudential Trust Company, Ltd.)

The Prudential Gibraltar Financial Life Insurance Co. Ltd. (Sumitomo Mitsui Trust Bank, Limited.)

The Dai-ichi Life Insurance Company, Limited (Mizuho Trust & Banking Co., Ltd.)

The Dai-ichi Frontier Life Insurance Co. Ltd. (Mizuho Trust & Banking Co., Ltd.)

FWD Fuji Life Insurance Company, Limited (Mizuho Trust & Banking Co., Ltd.)

Sony Life Insurance Co., Ltd. (Sumitomo Mitsui Trust Bank, Limited.)

\*As of June 14, 2023

- Some product/service examples of Mandate Contract for After-death Tasks using Life Insurance Trust

- *Shukatsu Support -My Ending Care-* (The Prudential Trust Company, Ltd.)  
(*Shukatsu* means an end-of-life planning in Japanese)
- *Ohitori-sama Shintaku* (Sumitomo Mitsui Trust Bank, Limited.)  
(*Ohitori-sama* means a single person whereas *Shintaku* means a trust in Japanese)

\*As of June 14, 2023

*Oriental Life Insurance Development Center bears sole responsibility for the contents of this article.*