



FALIA Invitational Seminar in Japan
“Individual Life Insurance Marketing Course”

**Products Development
in response to
Changes in the Social Environment**

May 22nd, 2015

Ken Shimo

Manager

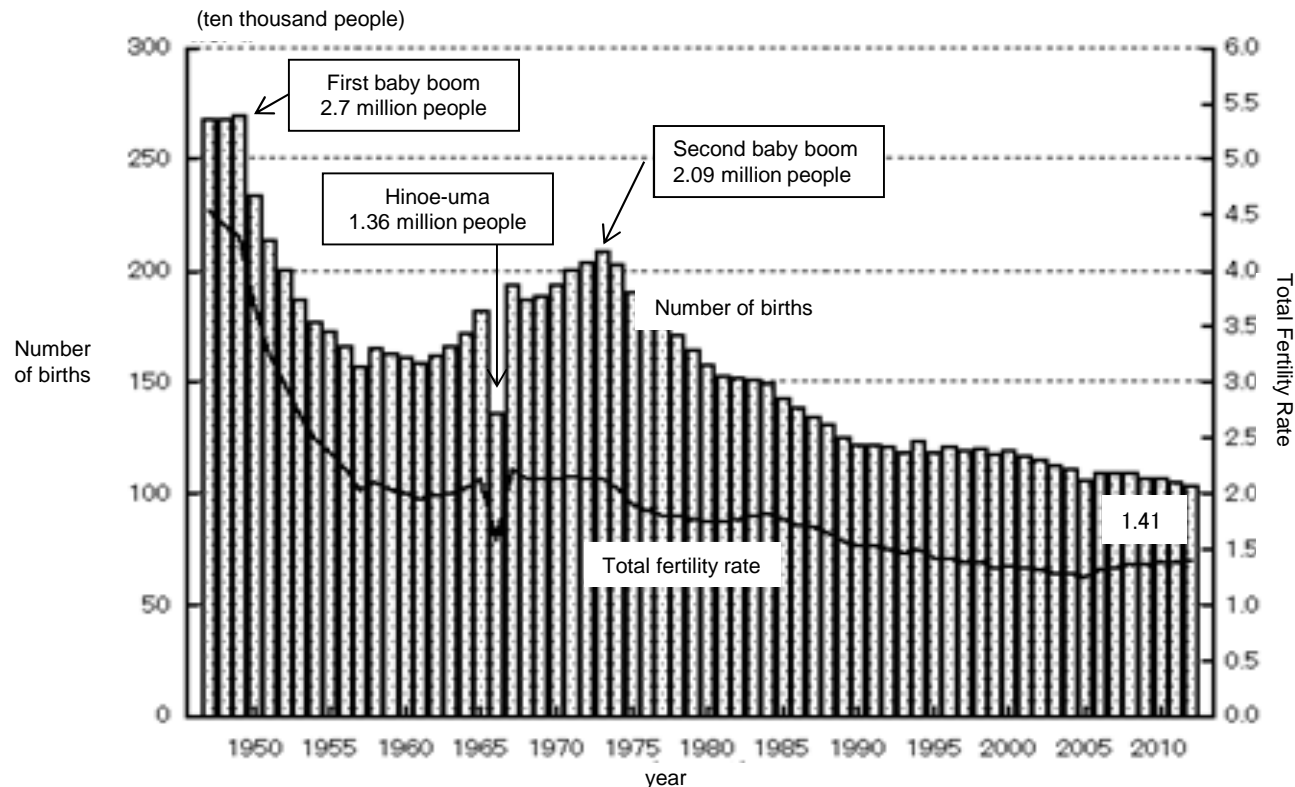
**Product Development and Management Unit
The Dai-ichi Life Insurance Co., Ltd.**

**I. Changes of environment
surrounding the life insurance market**

1. Progress in aging and falling birthrates

- In Japan the birthrate is falling and the number of births is on a downward trend.
- The birthrate in 2010 was 1.39, which falls far short of the level (2.07) at which it is possible to maintain the population over the long term.

<Transitions in the Birthrate and Number of Births>



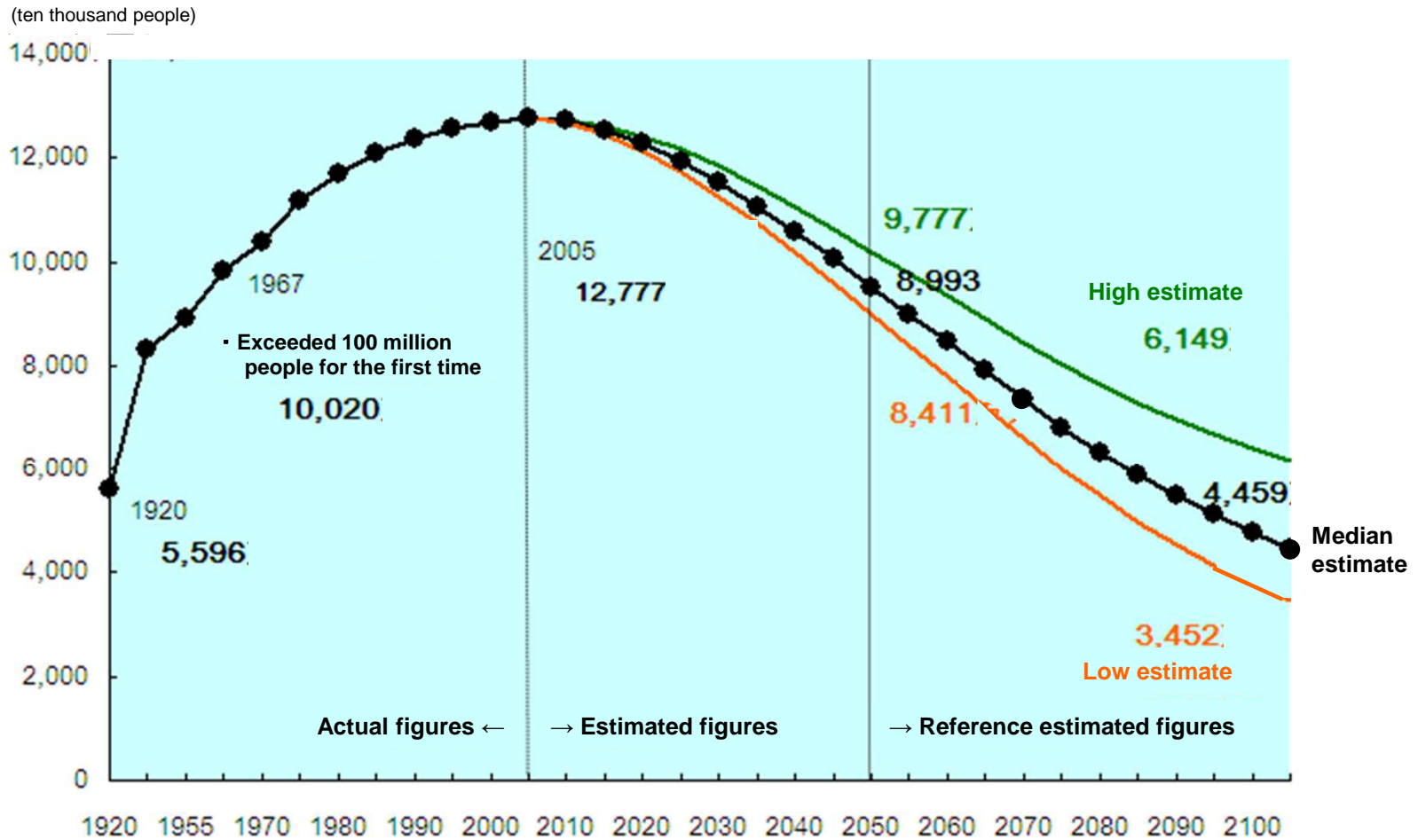
Created from the Outline of vital statistics from the Statistics and Information Department of the Ministry of Health, Labour and Welfare and the Journal of Population Problems by the National Institute of Population and Social Security Research

Latest Demographic Statistics, National Institute of Population and Social Security Research

1. Progress in aging and falling birthrates

- The population has entered a declining phase, and is projected to drop at an accelerated pace in the future.

<Population Transitions and Predictions>



[Created by the National Institute of Population and Social Security Research]

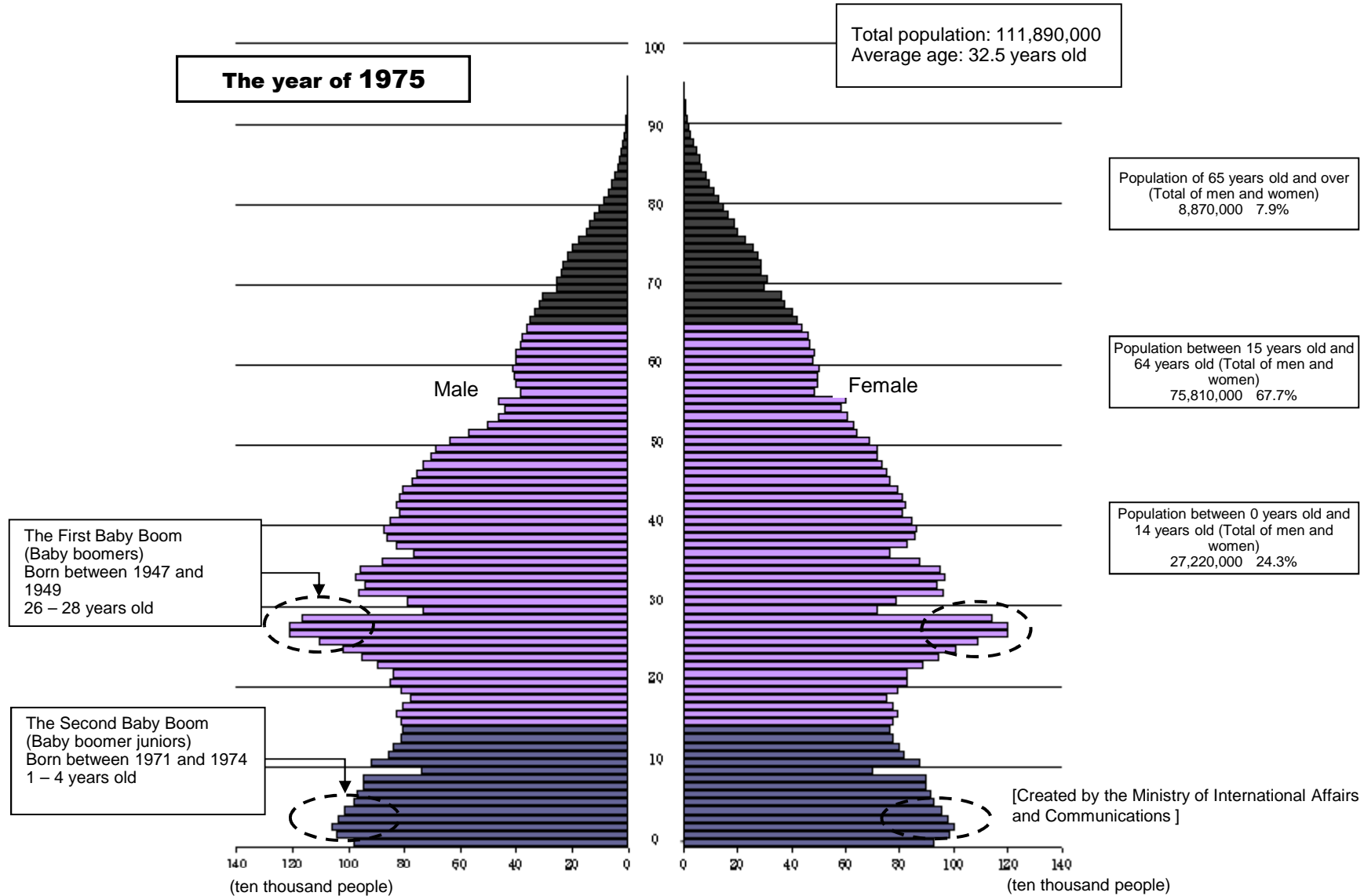
1. Progress in aging and falling birthrates

Correction

35 years ago

Japanese population structure with two lumps

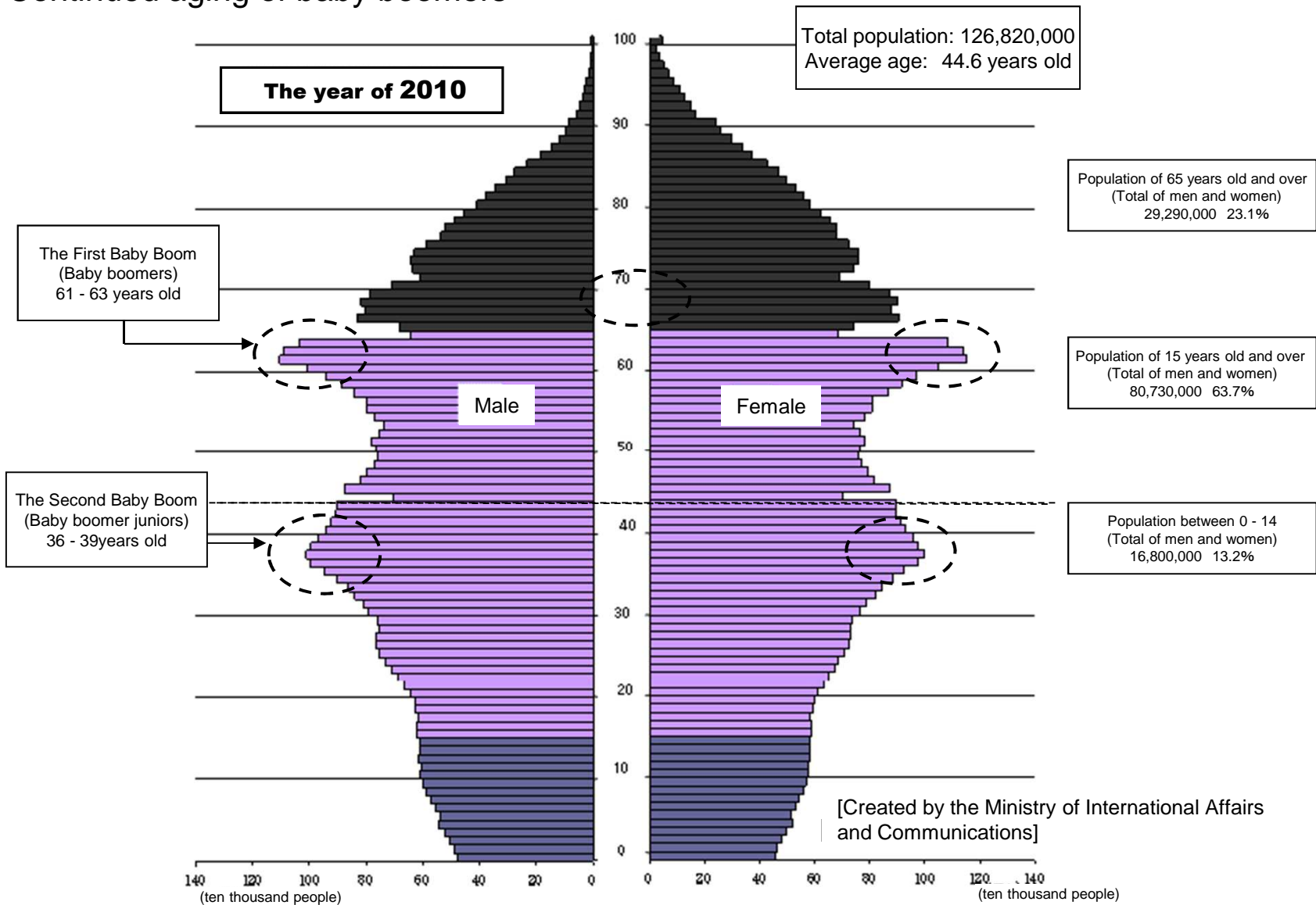
- Two lumps, one late 20s and the other under 4 years old.



1. Progress in aging and falling birthrates

Present

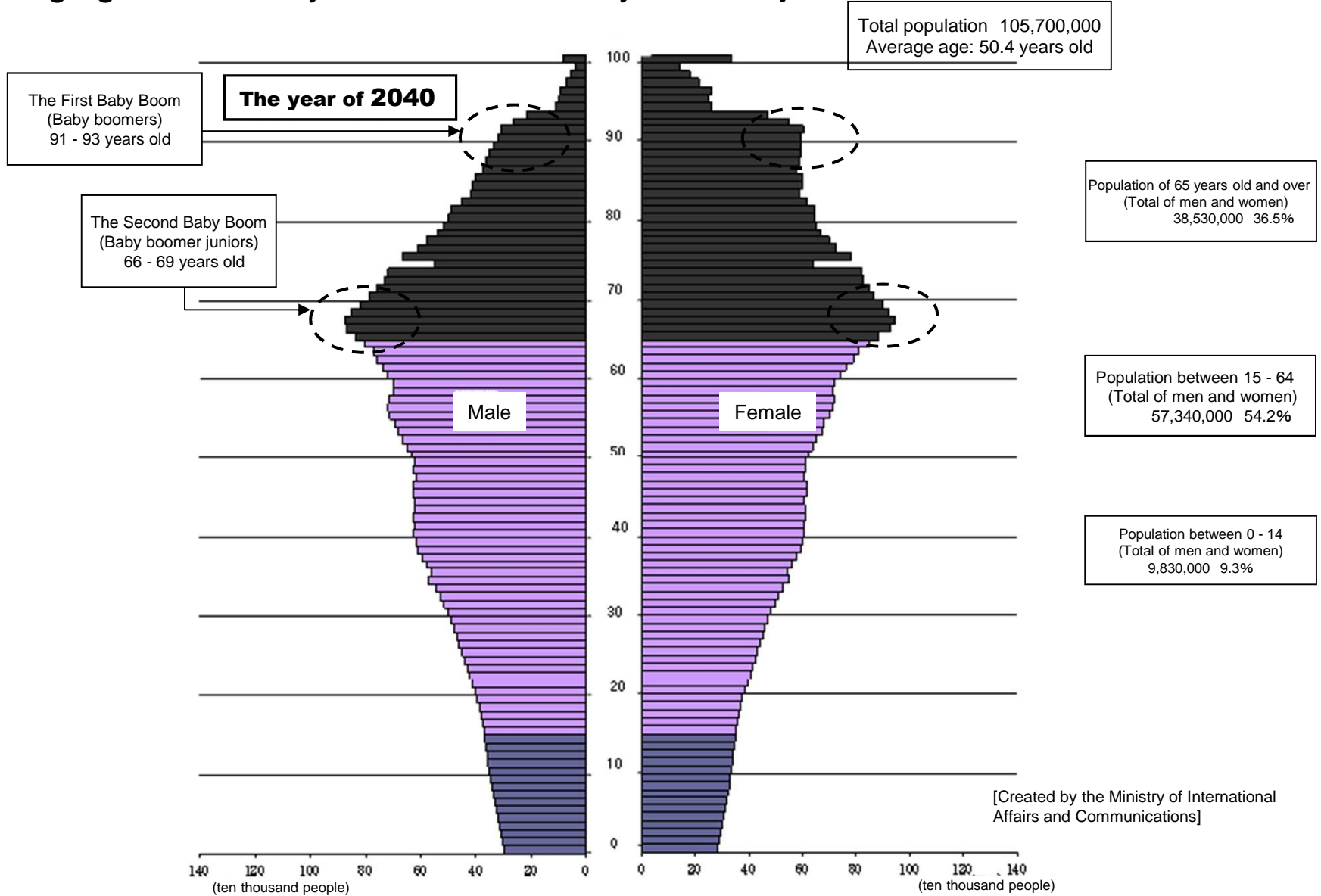
- Baby-boomer juniors account for main bulk of the household-forming strata.
- Continued aging of baby boomers



1. Progress in aging and falling birthrates

30 years later

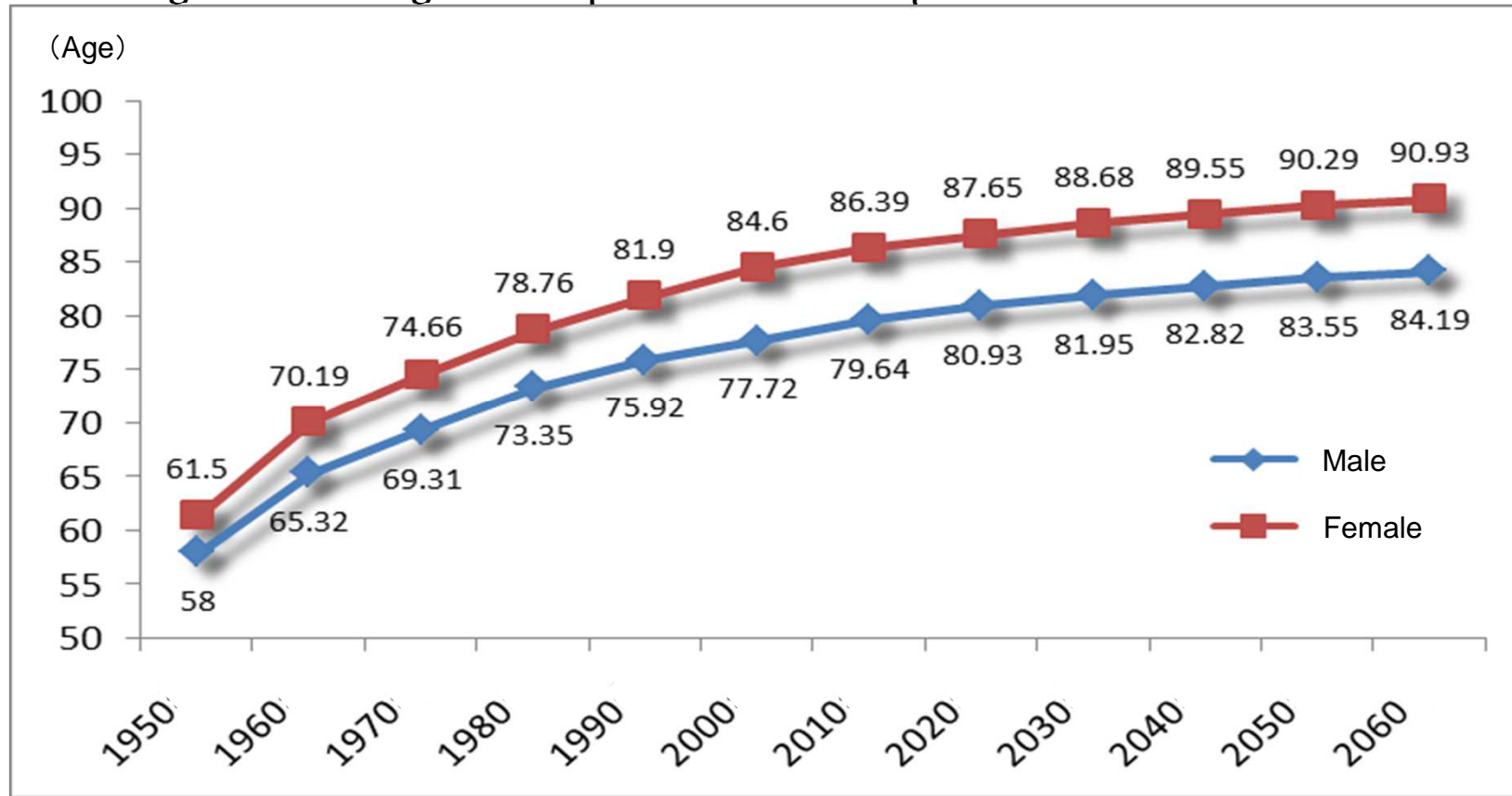
• Aging of both baby boomers and baby boomer juniors.



1. Progress in aging and falling birthrates

The average life expectancy of Japanese is expected to increase into the future.

<Changes in average life expectancies of Japanese and future estimations>

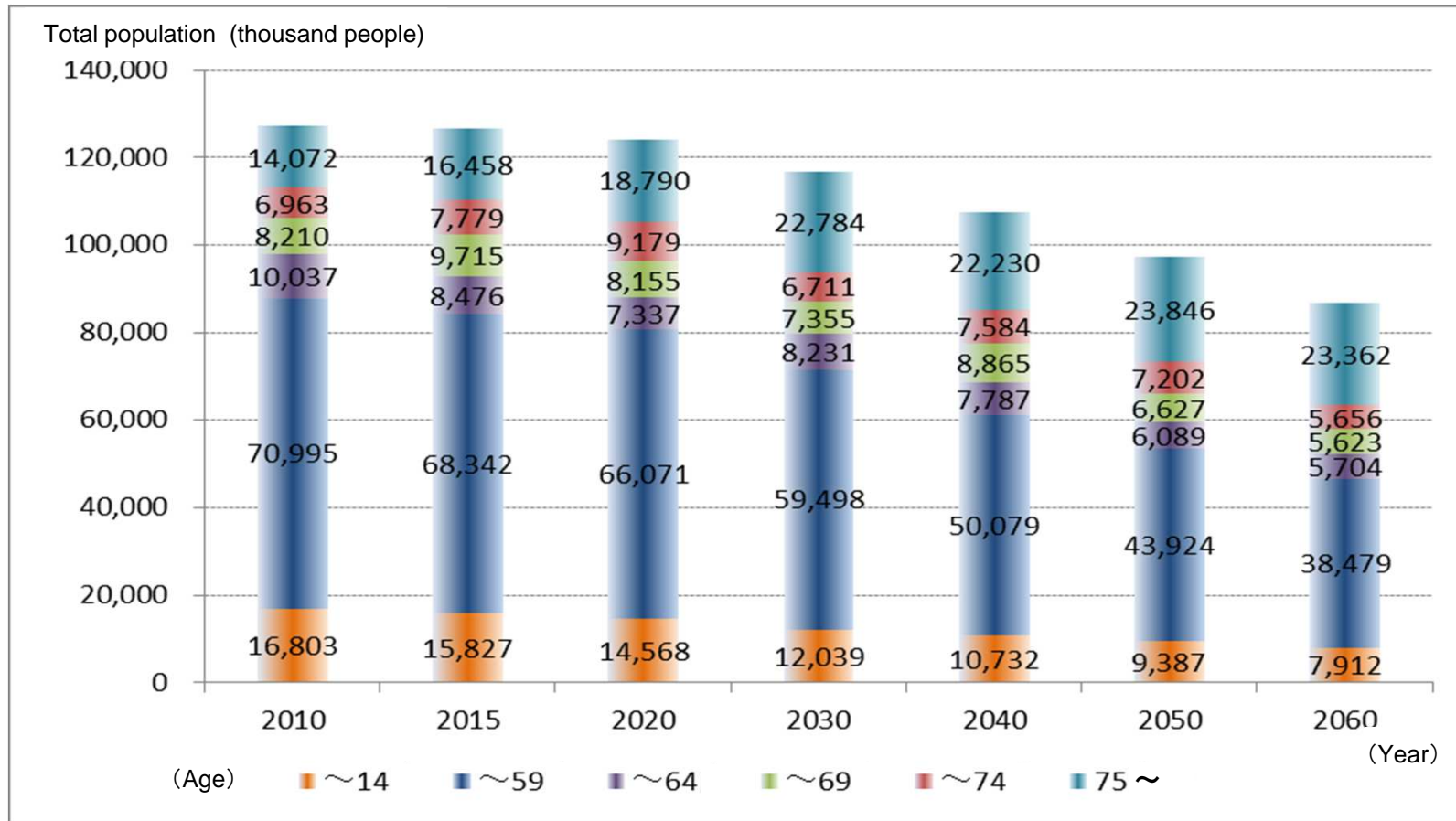


<Average life expectancy in 2013> Males 80.21 (World No.4) Females 86.61 (World No.1)

1. Progress in aging and falling birthrates

- Elderly persons 65 years old and older already exceed 20% of the population, creating an aging society.
- It is predicted that it will turn into a super-aging society in the future.

<Population Structure by Age Group>



[Source: FY2012 White paper on the aging society by the Cabinet Office]

2. Deterioration of the National Treasury – Changes in tax revenue

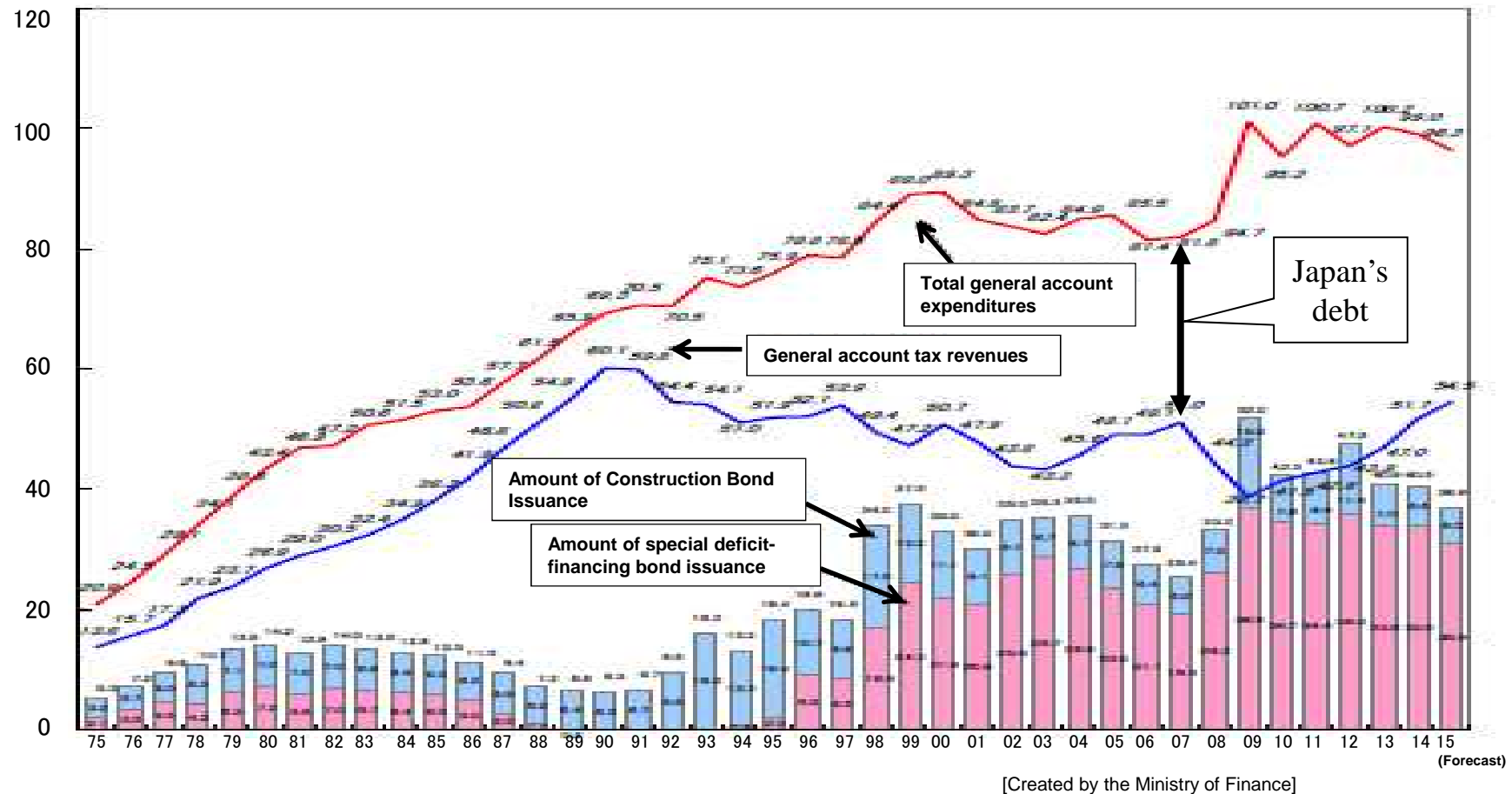
◇ Changes in Japan's National Treasury

<Revenue> General account revenue in FY2015 is JPY54,500 billion

<Expenditure> General account expenditure in FY2015 is JPY96,300 billion

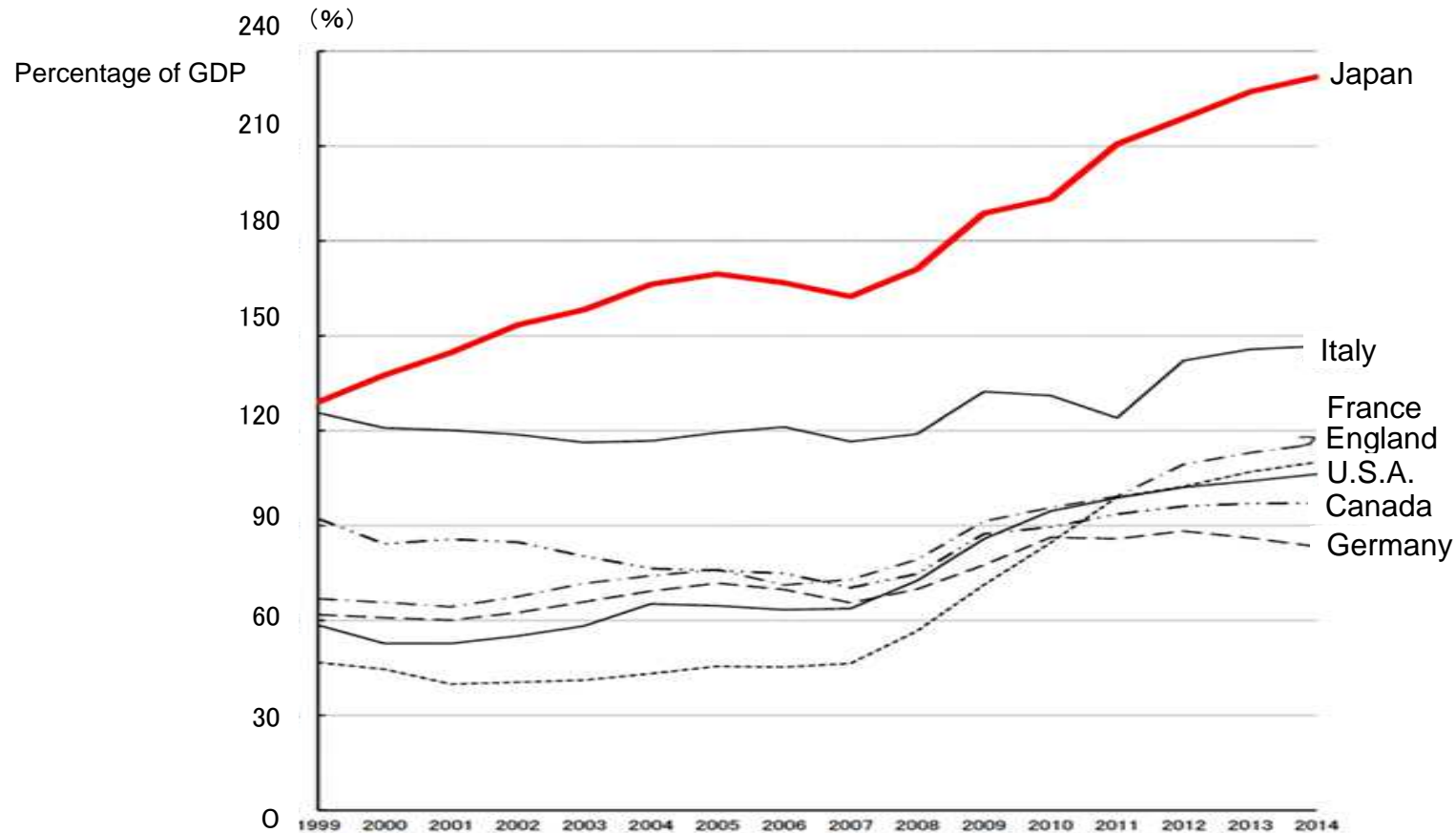
⇒ The balance (approx. JPY42 trillion) is financed by the revenue from public bond.

(trillion yen)



2. Deterioration of the National Treasury – Japan’s outstanding obligation

To keep up with the increase in annual spending, the government has issued government bonds. As a result, Japan’s outstanding obligation is one of the worst in the world.



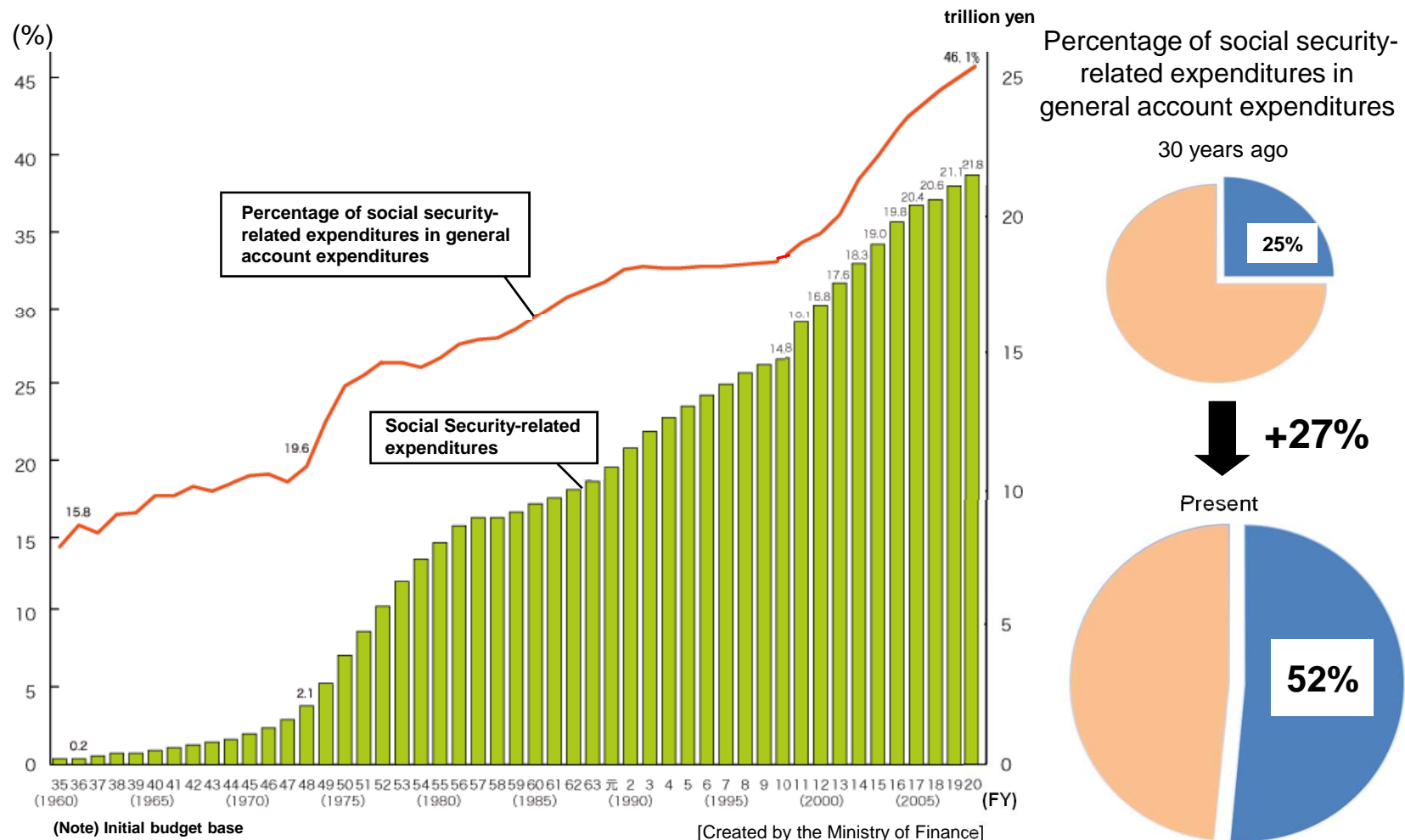
Each Japanese is estimated to carry a debt of JPY 8.17 million.

[Created by the Ministry of Finance]

3. Effects on the social security system – Increase of social security-related expenditures

◇ Increase of the social-related expenditure

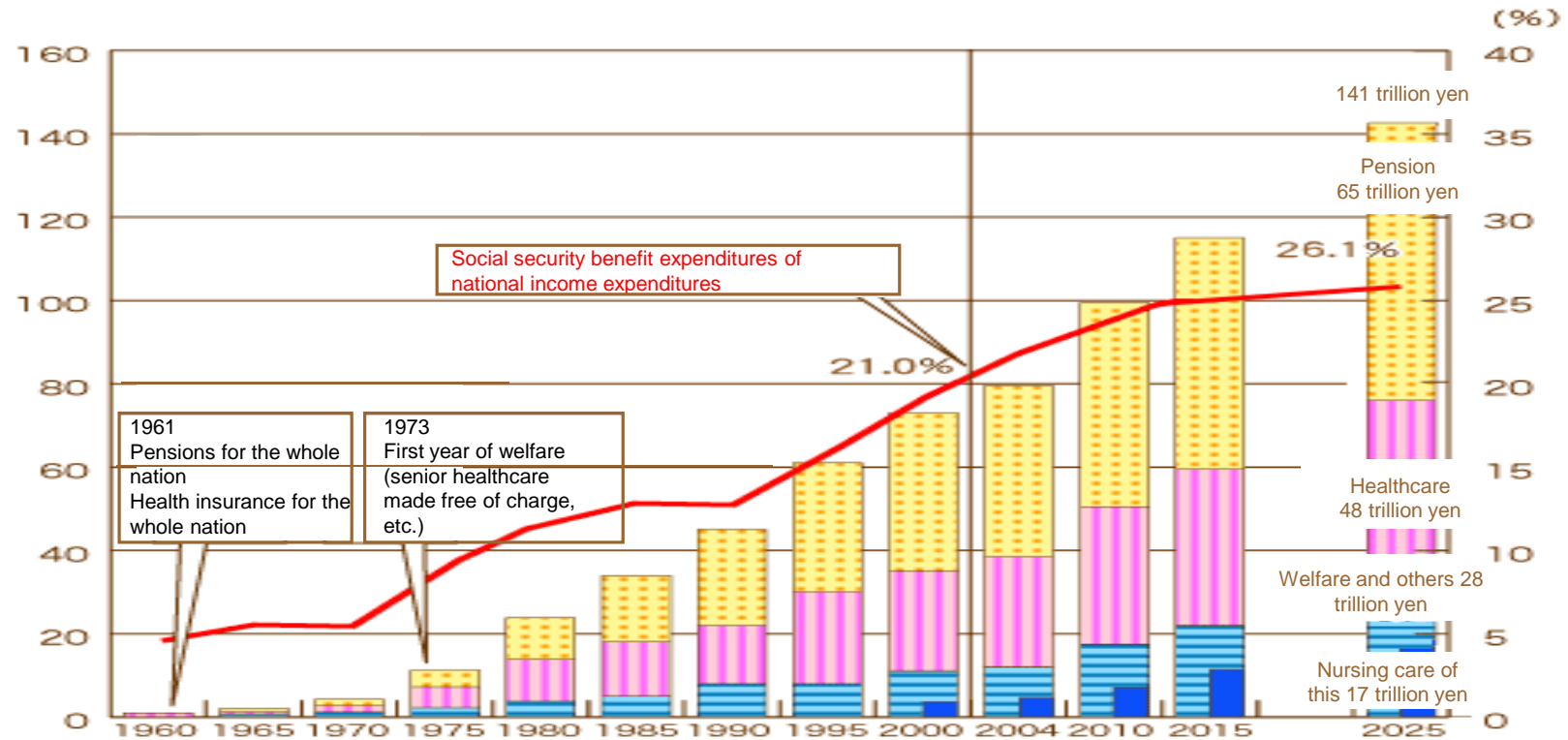
- The social security-related expenditure as a percentage of the general account expenditures is highly growing.
- This shows that social security-related expenditures has a major impact on national finances.



3. Effects on the social security system – Increase of social security benefits and premium burdens

◇Expansion of Social Security Benefits and Burdens

- Premium burdens on individuals are just growing larger and larger as a consequence of the year-by-year expansion in social security benefits due to the impact of the aging population.



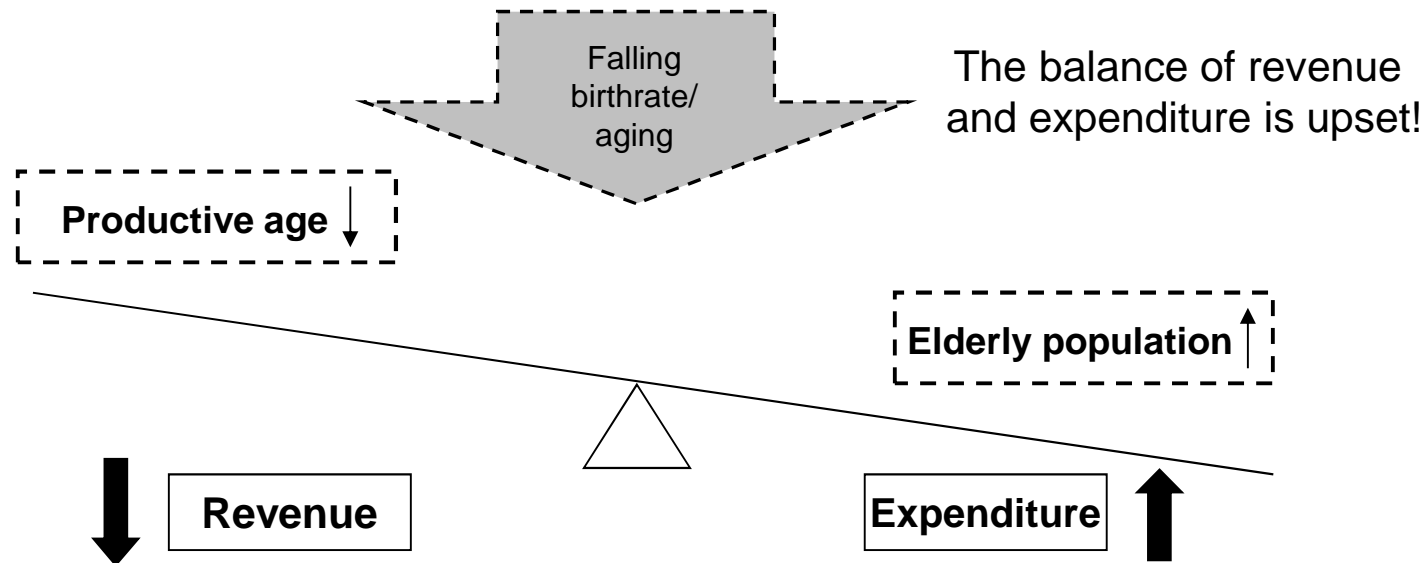
	1970	1980	1990	2000	2006	2015	2025
Social security benefits (A)	4 trillion yen	25 trillion yen	47 trillion yen	78 trillion yen	90 trillion yen	116 trillion yen	141 trillion yen
National income (B)	61 trillion yen	203 trillion yen	348 trillion yen	372 trillion yen	376 trillion yen	461 trillion yen	540 trillion yen
Proportion of national income (A/B)	5.8%	12.2%	13.6%	21.0%	23.9%	25.3%	26.1%

[Created by the National Tax Agency]

4. Basic design and necessity of reducing Japan's social security system

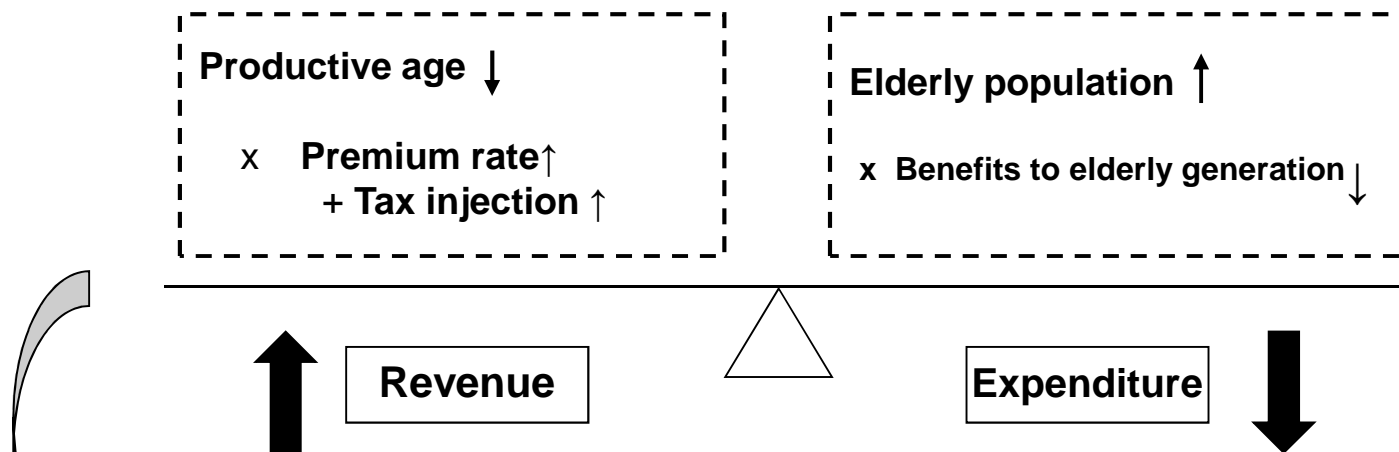
- ◇ Necessity of reducing the social security system by progress in aging population
 - Three Major Social Security Systems: “Public Health Insurance”, “Public Pension System” and “Public Nursing Care Insurance System”
 - Social Security System in Japan is basically adopting “pay as you go” method

Productive age population X Premium rate + Tax injection = Elderly population X benefits to elderly generation



4. Basic design and necessity of reducing Japan's social security system

- In order to retrieve the balance between revenue and expenditure caused by a falling birthrate and aging, revenues in the forms of premium rates and taxes need to be increased. At the same time, expenditures in the form of benefits to the elderly population need to be reduced.



To cope with an aging society, a reevaluation of the standards of social security benefits and scope of benefits is inevitable.

5. Japan's social security system and the direction of its reform

◇ Overview of Japan's Social Security System

Japan's social security system contains the five fields of social insurance, public assistance, social welfare, public health, and healthcare for the elderly.

Social insurance contains health insurance, pension insurance, nursing care insurance, and so on.

Social insurance	Health insurance, Pension insurance, Nursing care insurance, Workers' accident compensation insurance, Employment insurance
Public assistance	Livelihood protection
Public welfare	Welfare for the elderly, Welfare for the disabled, Child welfare, Maternal and child welfare
Public health	Infectious disease countermeasures, Food sanitation, Water supply, Waste disposal
Healthcare for the elderly	Healthcare system for latter-stage elderly (people aged 75 and over)

5. Japan's social security system and the direction of its reform – Health-care

◇ Overview of the Public Health Insurance System

- “Health insurance for the whole nation” in which all of the people enroll
- “Health insurance for the whole nation” was realized in 1961.
- The public health insurance system can largely be divided into the two systems below.

Employees' insurance	Workers at companies and their families can enroll
National Health Insurance	Self-employed individuals and non-workers can enroll

- Employees' insurance can further be divided into the two systems below (civil servants are separate).

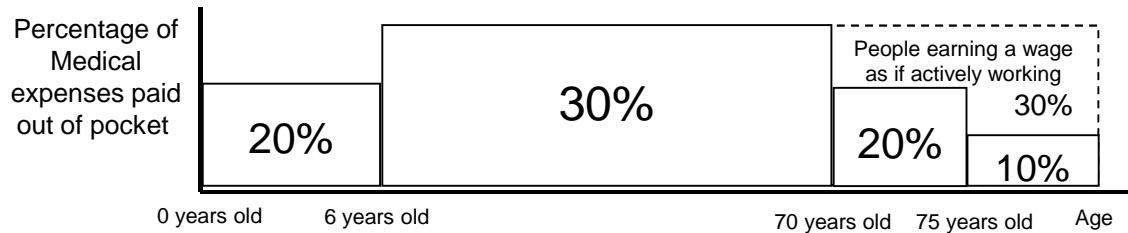
Japan Health Insurance Association	Workers at small to medium-sized companies and their families can enroll
Society-Managed Health Insurance	Workers at large companies and their families can enroll

- Benefits are provided for medical fees (illnesses, injuries, births, etc.) arising from visits to medical institutions.

5. Japan's social security system and the direction of its reform – Health-care

◇ Out of Pocket Expenses in the Public Health Insurance System

- Percentage of expenses that enrollees pay out of pocket



- Limit to expenses paid out of pocket

There is a limit per month.

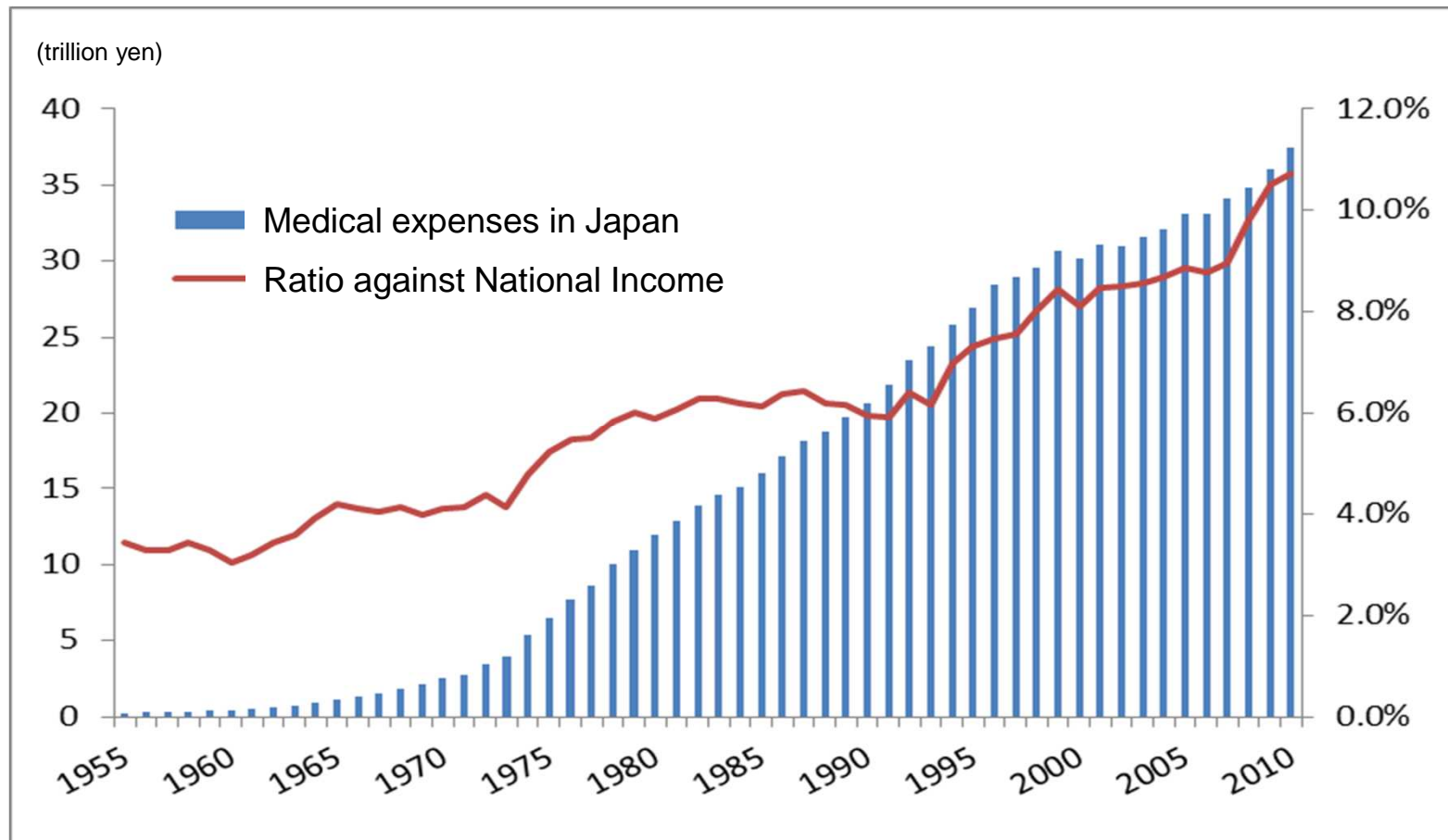
The amount of this limit varies depending on income and age, but for an ordinary income (for someone under 70 years old) it would be $80,100 \text{ yen} + (\text{total medical expenses} - 267,000 \text{ yen}) \times 1\%$

* If total medical expenses are less than 267,000 yen, then 30% of this portion is paid out of pocket, with 1% of the portion exceeding 267,000 yen paid out of pocket.

- In addition to the above, fees like food expenses and amenity bed expenses incurred while hospitalized are paid out of pocket.

5. Japan's social security system and the direction of its reform – Health-care

- ◇ Increase in medical expenses
 - Medical expenses in Japan are increasing as the population grows older



[Source: Ministry of Health, Labor and Welfare]

5. Japan's social security system and the direction of its reform – Health-care

◇ Enlarging the Ratio of Out of Pocket Expenses in the Public Health Insurance System

	Principal	Family (hospitalization)	Family (outpatient)
Before 1996	10%	20%	30%
Since 1997	20%	20%	30%
Since 2003	30%	30%	30%

◇ Raising the Amount of the Limit on Out of Pocket Expenses in the Public Health Insurance System

Before 1999	51,000 yen
Since 2000	63,600 yen + (total medical expenses – 212,000 yen) × 1%
Since 2002	72,300 yen + (total medical expenses – 241,000 yen) × 1%
Since 2006	80,100 yen + (total medical expenses – 267,000 yen) × 1%

5. Japan's social security system and the direction of its reform – Health-care

◇Enlarging the Out of Pocket Expenses of the Elderly (“Seniors”)

Before 1996	900 yen per month for outpatient, 600 yen per day for hospitalization
Since 1997	500 yen each time for outpatient, 1,000 yen per day for hospitalization, bear some of the costs for drugs
Since 2001	Bear 10% (outpatient limited to 5,000 yen per month, hospitalization limited to 37,000 yen per month)
Since 2006	Seniors with a high income bear 30%

5. Japan's social security system and the direction of its reform – Health-care

◇ Decrease in Medical Expenses: Elimination of “Social Hospitalization”

What is “social hospitalization”?

- When people continue to stay in the hospital for a long time without needing treatment, as opposed to remaining in the hospital for treatment purposes (for reasons like their family cannot care for them at home)

Elimination of “social hospitalization”

- Medical expenses were reduced through the elimination of “social hospitalization” by introducing a structure in which the remuneration for medical treatment which medical institutions could receive when people were hospitalized for a long time was reduced, and by accepting these people into the nursing care insurance system.

→ Shortening the number of days hospitalized

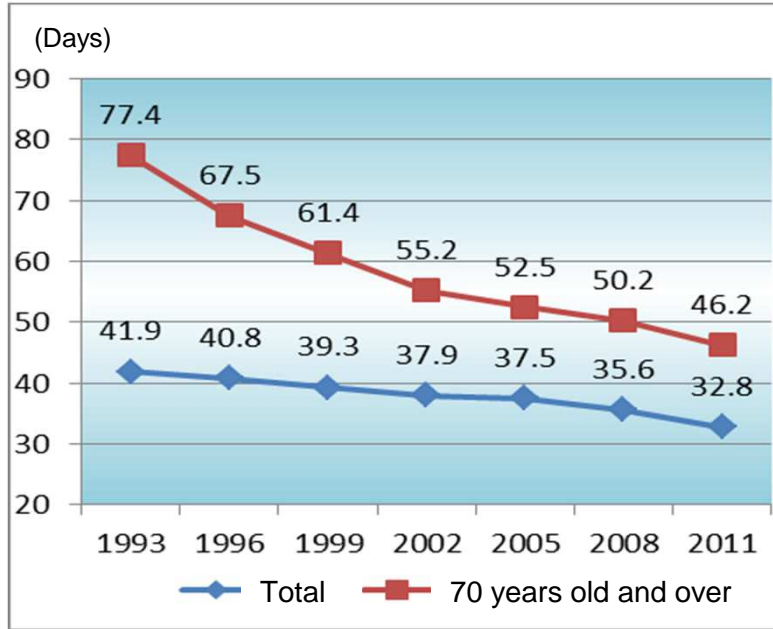
◇ Advancements in Medical Technology

The number of days people are hospitalized for has been shortened and day care hospitalizations and day surgeries have increased through the spread of procedures with a low level of invasiveness, such as fiberscope procedures.

→ Shortening the number of days of hospitalization

5. Japan's social security system and the direction of its reform – Health-care

◇ Reducing hospitalization period and national



With “**improved medical technology**” and “**reduction in medical expenses**”, the trend is for hospital stays to get shorter and shorter.

Moreover, the government is also taking measures to shorten the average hospitalization period, and “**re-assessing payment for home-based medical treatment**”.



People who enrolls a life insurance policy with hospitalization coverage will receive less “**hospital benefit**” when their hospitalization period are shortened.

Long-term hospitalization is a burden on medical expenses and national finances. In order to shorten the hospital inpatient days, the government is implementing a medical fee points system that favors short-term hospitalization.



Average hospitalization period and basic hospitalization cost based on the medical fee points system
Basic hospitalization cost for a general ward (per day)

Basic hospitalization cost for a general ward				Basic hospitalization cost	Additions based on length of hospitalization
Standards as established by the Minister of Health, Labor and Welfare					
	Patients : Nurse ratio (*1)	Percentage of nurses (*2)	Average hospitalization period (*3)		
Basic hospitalization cost	7 : 1	More than 70%	Within 19 days	JPY 15,550	Within 14 days JPY 4,280
	10 : 1		Within 21 days	JPY 12,690	
	13 : 1		Within 24 days	JPY 10,920	Between 15 and 30 days JPY 1,920
	15 : 1	More than 40%	Within 60 days	JPY 9,540	
Basic cost for special hospitalization		Less than 40 %	—	JPY 5,750	Within 14 days JPY 3,000 Between 15 and 30 days JPY 1,550

(*1) “Patients : Nurse ratio” refers to number of patients assigned to 1 nurse.

(*2) “Percentage of nurses” refers to the percentage of nurses to nursing staff

(*3) “Average hospitalization period” refers to the average hospitalization period over the last 3 months

[Source: Reference: 2006 Medical Fee Points Table]

5. Japan's social security system and the direction of its reform – Nursing care

◇ Overview of the Public Nursing Care Insurance System

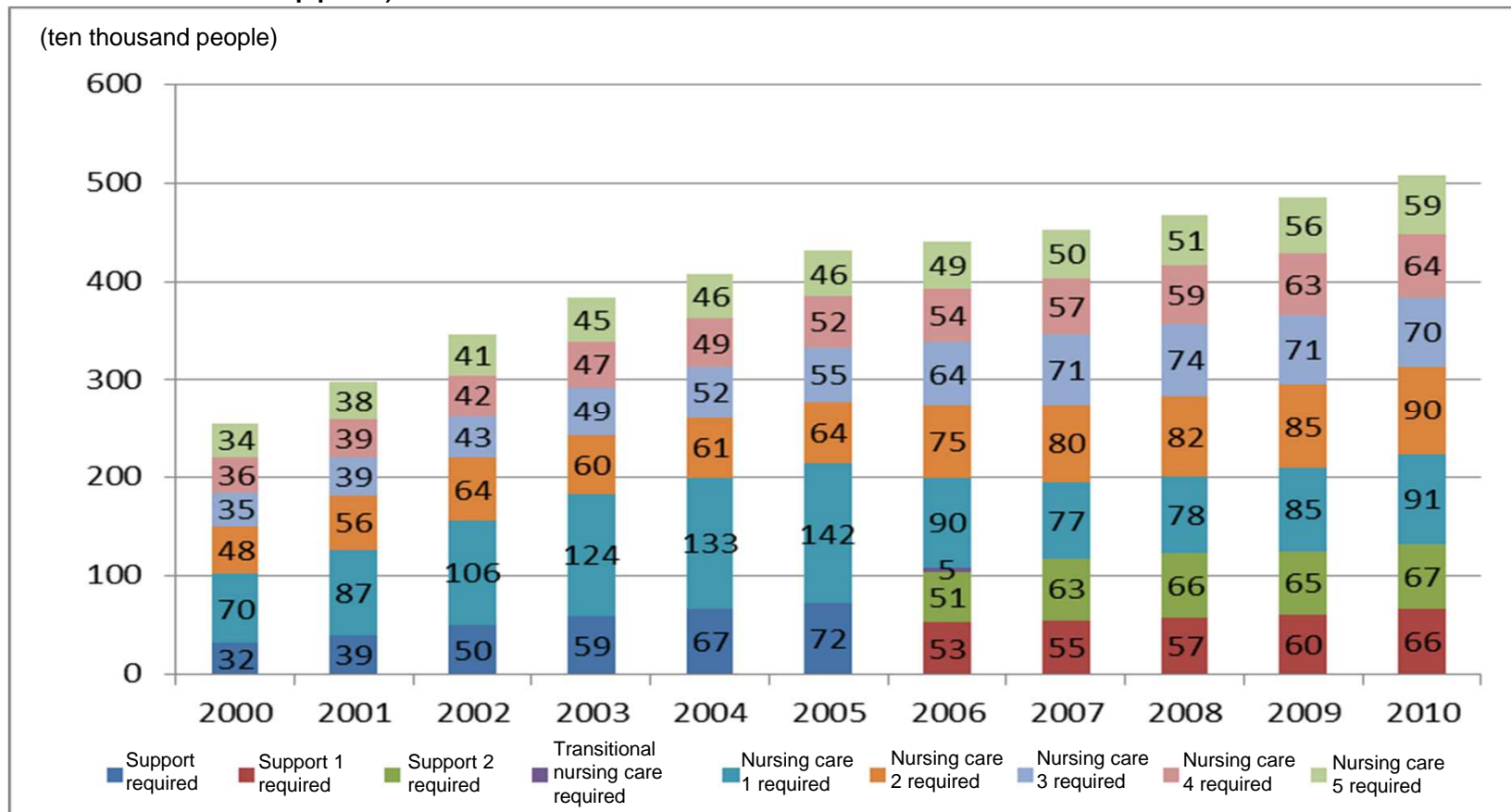
People enrolled to health insurance (healthcare insurance, National Health Insurance) who are 40 years old or older enroll in nursing care insurance. They are categorized as first insured persons or second insured persons depending on their age.

	Primary insured persons	Secondly insured persons
Insurers	Municipalities and special wards in Tokyo	
Those eligible	Persons over 65 years old	Health insurance enrollees over 40 but less than 65 years old
Beneficiaries	Those requiring nursing care (bedridden, cognitive disorders, etc.) Those requiring support (frail)	Those requiring nursing care (bedridden, cognitive disorders, etc.) Those requiring support (frail)
Collection of premiums	Deducted from annuities or collected individually	Lump sum payment with health insurance premiums
Benefit details	Nursing care benefits, prevention benefits, special municipal benefits	
Out of pocket expenses	Around 10% born (varies depending on benefits)	
Demarcation between nursing care and disability		

5. Japan's social security system and the direction of its reform – Nursing care

◇ Increase in the Number of People Requiring Nursing Care in the Public Nursing Care Insurance System

<Increase in People Requiring Nursing Care (Total of People Requiring Nursing Care and Support)>



[Source: Report on the Situation in the Nursing Care Insurance Industry (Annual), Ministry of Health, Labour and Welfare]

5. Japan's social security system and the direction of its reform – Nursing care

◇ Recent revisions and future direction

- Enforced in April 2000 and reviewed once every 5 years.

<Revisions in 2005>

- Shift to preventive-oriented system
- Review of facility benefits
 - Accommodation and food expenses at nursing insurance facilities not covered by insurance benefits.
- Recommendation to expand definition of insured person

«Future direction»

- Copayment for people requiring nursing care will increase
- Premium burden on insured person will increase
 - (Reference) Nationwide average nursing care monthly premium for the insured at age 65 or over (the primary insured person)
 - In 2000 year of foundation: 2,911 yen
 - In 2003 year of revision: 3,293 yen (increase by 13%)
 - In 2006 year of revision: 4,090 yen (increase by 24%)
 - In 2009 year of revision: 4,160 yen (increase by 1.7%)
- Unification of nursing care and disability (permeation of understanding that nursing care risks are not limited to aged people)

5. Japan's social security system and the direction of its reform – Pension

◇ Basic structure of Public Pension System

- Public pension system is divided into the National Pension Plan and Employees' Pension Plan.
- The benefits to salaried workers are attractive but not for self-employed workers.

	Primary insured person	Secondly insured person	Thirdly insured person
Target	Self-employed workers, students or unemployed person between 20 and 60 years old and residing in Japan	Salaried workers, civil servants insured by Employees' pension plan or Pension plan of mutual aid association	Spouse supported by secondly insured person between 20 and 60 years old
Pension		<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> Employees' (mutual aid) pension Monthly amount JPY 120,000 </div> <div style="border: 1px solid black; padding: 5px; width: 80%; margin: 10px auto;"> Basic pension Monthly amount JPY 66,000 </div>	
Premium	National pension premium	Employees' (mutual aid) pension premium	None

* Basic pension benefit begins from 65 years old.

5. Japan's social security system and the direction of its reform – Pension

◇ Recent revisions and future direction of Public Pension System

<Recent revisions>

- Raising of commencement age for receiving pension (60→65 years old)
- Lowering of level of benefits for pension
 - While there have been calls to raise the retirement age, there is also the possibility of pension for elderly employees or a part of it to be reduced.

«Future direction»

- In an increasingly aging society, the level of benefits for pension are expected to be lowered further.
- Increased need for individuals to prepare living expenses for themselves when they reach 60 years old or so.
 - Increased awareness for self-supporting efforts
 - => Growth of market

(Reference) A feeling of security or insecurity toward living fund for old age

Insecurity: 74.7%, Security: 23.6%, Other: 1.6%

(Source: Survey in 2012 by “Japan Institute of Life Insurance”)

6. The development of the social security system and efforts to reform it

Reforms were oriented towards increasing the burden and decreasing benefits

	Public Pension	Public Health Insurance	Public Nursing Care Insurance
1961	- Universal pension system instituted	- Universal insurance system instituted	
1973	- Price indexation instituted	- Medical costs waived for the elderly - Costly medical expense system introduced	
1983		- Lump sum payment introduced for the elderly	
1984		- Switch from fixed payment to payment of 10% of the expenses for individuals	
1989	- Full price indexation instituted - Compulsory participation of college/university students in the National Pension Plan		
1994	- Age of old-age pension payment eligibility for the fixed amount component (the first tier) raised from 60 years old to 65 years old	- Food and medical expense system introduced	
1997		- Payment for individuals raised from 10% to 20% of the expenses - Revision to the elderly's payment (Outpatient: 500 yen per visit, hospitalization: 1,000 yen per day, partial payment for medicine expenses)	
2000	- Age of old-age pension payment eligibility for the earnings-related component (the second tier) raised from 60 years old to 65 years old		- Introduction of public nursing care insurance (Provision of nursing care services according to the condition requiring care. Payment of 10% of the expenses)
2001		- Switch from fixed payment to payment of 10% for the elderly (Maximum payment of 5,000 yen per month for outpatient and 37,000 yen per month for hospitalization)	
2002		- Maximum payment limit raised for the elderly, and payment raised from 10% to 20% of the expenses for high-income elderly	
2003		- Payment for individuals raised from 20% to 30% of the expenses - Payments for families raised from 20% for inpatient and 30% for outpatient to 30% of the expenses for both of these (20% of the expenses for children under three years old)	
2004	- Employees' pension premiums raised - Adjustment to pension benefit growth		
2005	- National pension premiums raised		- Revision to the benefits of those staying in nursing care facilities (facility stays and food expenses no longer covered)
2006		- Payment of 30% of the expenses for high-income elderly (maximum payment limit raised)	- Introduction of prevention benefits
2007	- Introduction of adjustments to old-age pension benefits for employees over 70 years old	- Entry into force of the Revised Health Law (considered shortening the average length of the hospitalization period)	
2008		- Establishment of a health care system for latter-stage elderly – golden agers (revision of the premium burden for the elderly, etc.)	

**II. Product development responding to
the progress in aging and
sharing the role with
the social security system**

1. Case example of product development based on the change of environment – Health insurance

<Background>

- Repeated revisions to Public Health Insurance have gradually put more burden of medical expenses on patients. (Currently individual payment of 30% of the medical expense)
- Accordingly, various measures have been requested, such as the shortening of minimum hospitalization period for benefit payment, the extension of the maximum hospitalization period for benefit payment and the extension of the benefit guarantee period.

<<Dai-ichi Life's responses>>

- 1974: Launched a rider paying hospitalization benefits for hospitalization of 20 days and more
- 1987: Launched a rider for hospitalization benefits for "Hospitalization for 5 days or more"
- 2002: Shortened the minimum hospitalization period for benefit payment from 5 days to 2 days.

Addition of whole life medical insurance rider possible with new contracts

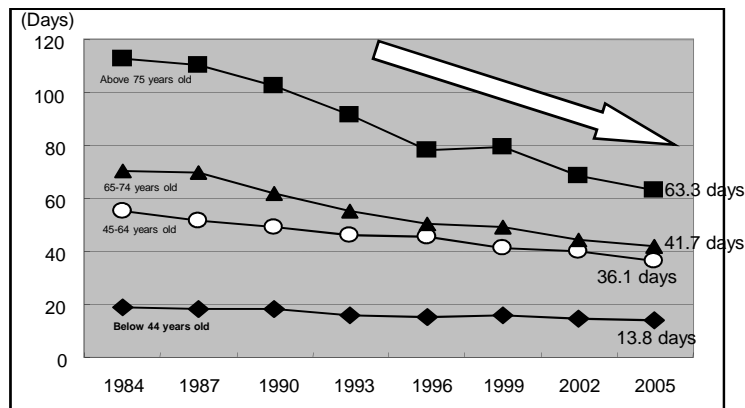
- 2004: Launched whole life medical insurance.
- 2007: Expanded hospitalization coverage to "0 stay 1 day"
Link reasons to pay surgery benefits to the public medical insurance system.
- 2010: Abolished the condition of irradiation level for radiation treatment benefits.

1. Case example of product development based on the change of environment – Health insurance

As medical technology improves

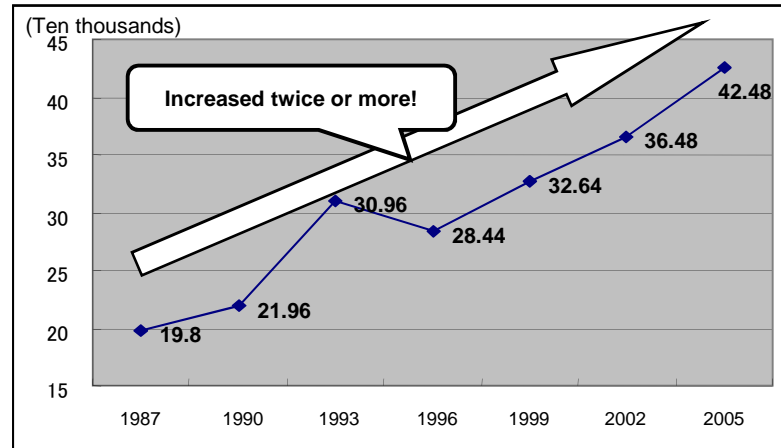
- ① hospitalization period decreases further
- ② number of day patients increases with the spread of day surgeries
- ③ types of surgeries increased as surgeries become more precise and more complicated

<Annual trend of average hospitalization period (according to age)>



[Source: MLHW "Survey on Patients"]

<Annual trend of day patients (total annual converted number)>

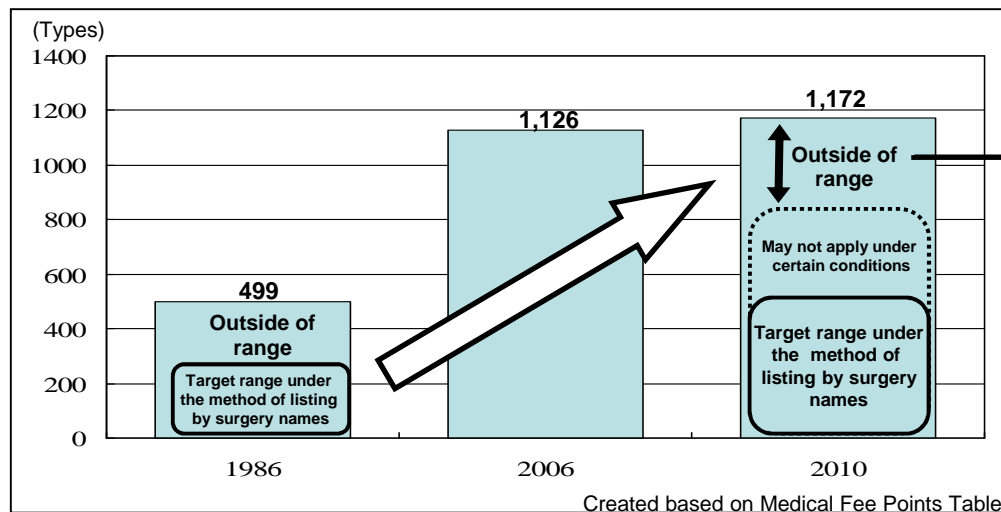


[Source: MLHW "Survey on Patients"]

1. Case example of product development based on the change of environment – Health insurance

When compared to the time when the method of listing by surgery names was introduced, the types of surgeries which are the targets applicable to the public medical insurance has increased more than twice.

<Gap between trend of surgeries applicable to public medical insurance and target range under the method of listing by surgery names>



With an increase in the types of surgeries, the number of surgeries outside the range of the method of listing by surgery names also increased.

- Even common surgeries exceed 1 million times.
- 93% of surgeries are outpatient surgeries.

	Unit: Times		
	Total	Inpatient	Outpatient
Eardrum incision surgery (surgery to remove pus due to middle ear infection)	670,408	19,548	650,860
Sty incision surgery (surgery to remove the sty)	174,338	12	174,326
Cervical polyp extraction surgery	133,524	2,532	130,992
Nasal mucous membrane cauterization surgery (burn the interior of the nose with a laser for allergy-type nasal infection)	80,076	6,816	73,260
Hemorrhoid surgery	53,196	1,932	51,264
Tonsil surgery	43,296	43,296	0
Mastectomy	23,304	5,424	17,880
Total	1,178,142	79,560	1,098,582

[Source: Survey of Medical Care Activities in Public Health Insurance (2004)]

1. Case example of product development based on the change of environment – Health insurance

Customers' proposal regarding surgery benefits

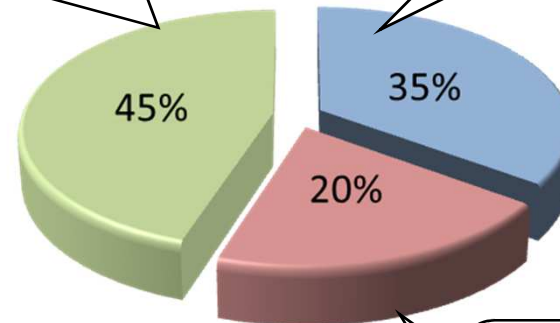
- Under the method of listing by surgery names, it is difficult to understand which surgeries are claimable and the benefit rates.

Unable to understand why surgeries are not claimable and benefit rates are low

- Despite having gone through a major surgery requiring hospitalization, the amount of benefit is low because the benefit rate is only 10 times.
- Unable to understand why tonsil surgery, which is a major surgery, cannot be claimed.

Inaccurate guidance

- Told beforehand that surgery is claimable but told not claimable when trying to make a claim.



Difficult, not easy to understand

- Unable to get a straight response even after undergoing the surgery on whether the surgery is claimable and the rate of the benefit that can be claimed.

1. Case example of product development based on the change of environment – Health insurance

Basic Policy : Whole-life Medical Insurance

Rider : New medical rider

[Features] - Expanding hospitalization coverage to “day hospitalization”

- Operation benefit claim reasons linked to Public health insurance system

=> Able to keep up with even the latest medical treatment in the future.

Benefits	Coverage	Amount
Accidental hospitalization benefit	1 or more hospital inpatient days due to injury (includes day hospitalization)	JPY 5,000 x hospital inpatient days
Illness hospitalization benefit	1 or more hospital inpatient days due to illness (includes day hospitalization)	JPY 5,000 x hospital inpatient days
Operation benefit	Surgery for injury or illness covered under public health insurance or surgery classified as advanced medical treatment	<ul style="list-style-type: none"> • inpatient surgery JPY 5,000 x 20 • outpatient surgery JPY 5,000 x 5
Radiation treatment benefit	Radiation treatment covered under public health insurance or classified as advanced medical treatment	JPY 5,000 x 10

2. Case example of product development based on the change of environment – Nursing care coverage

Background

- **Nursing care coverage market and the increasing needs for nursing care**

Introduction of “Public Nursing Care Insurance System” in April, 2000

→ Separation of “Health” and “Nursing Care” sectors. Emergence of nursing care coverage market.

→ With the “elimination of social hospitalization” and the “move toward a preventive-oriented system”, the amount of copayment in the event when nursing care is required has increased.

Awareness of providing for nursing care raised.

- **Further expansion of the nursing care coverage market**

Government is considering unifying nursing care with disability because of the difficulty in segregating one from the other and for financial reasons.

→ Nursing care coverage market will be expanded to the young.

→ Emerging need to provide against various risks other than those associated with growing old.

2. Case example of product development based on the change of environment – Nursing care coverage

«Product Development Concepts»

- Being financially prepared in the event when nursing care is required (one-off expenses and recurring expenses)
- Providing against risks of nursing care, regardless of age
 - Scope of nursing care has expanded – from caring for young people injured in sports or traffic accidents to sick elderly people.

«Product line up»

	Lump sum payment for Nursing care	Nursing Care Annuity	Rider of exemption from payment of premium
Amount	JPY 30,000,000	JPY 5,000,000 x whole life	Exemption from premium payment x whole life
Reason for benefits, etc.	Stipulated conditions that require nursing care*	Stipulated conditions that require nursing care*	Stipulated conditions that require nursing care* Stipulated conditions of disabilities
Age	Entry is possible from 6 years old	Entry is possible from 40 years old	Addition is possible from 6 years old

* Nursing Care Level 2 or higher as stipulated in the Public Nursing Care Insurance system, and it's coupled with the level recognized by the government.

III. Direction of the product development strategy going forward (responding to the further progress in aging)

1. Market surrounding life insurance companies

◇ Market surrounding life insurance companies

“The first sector” = Life Insurance : Death Benefit, Annuity Insurance, etc.

“The second sector” = Property-casualty Insurance : Automobile Accident Insurance, Fire Insurance, etc.

“The third sector” = Accident and Sickness Fixed Sum Insurance

→ Market for life insurance companies are “The first sector” and “The third sector”

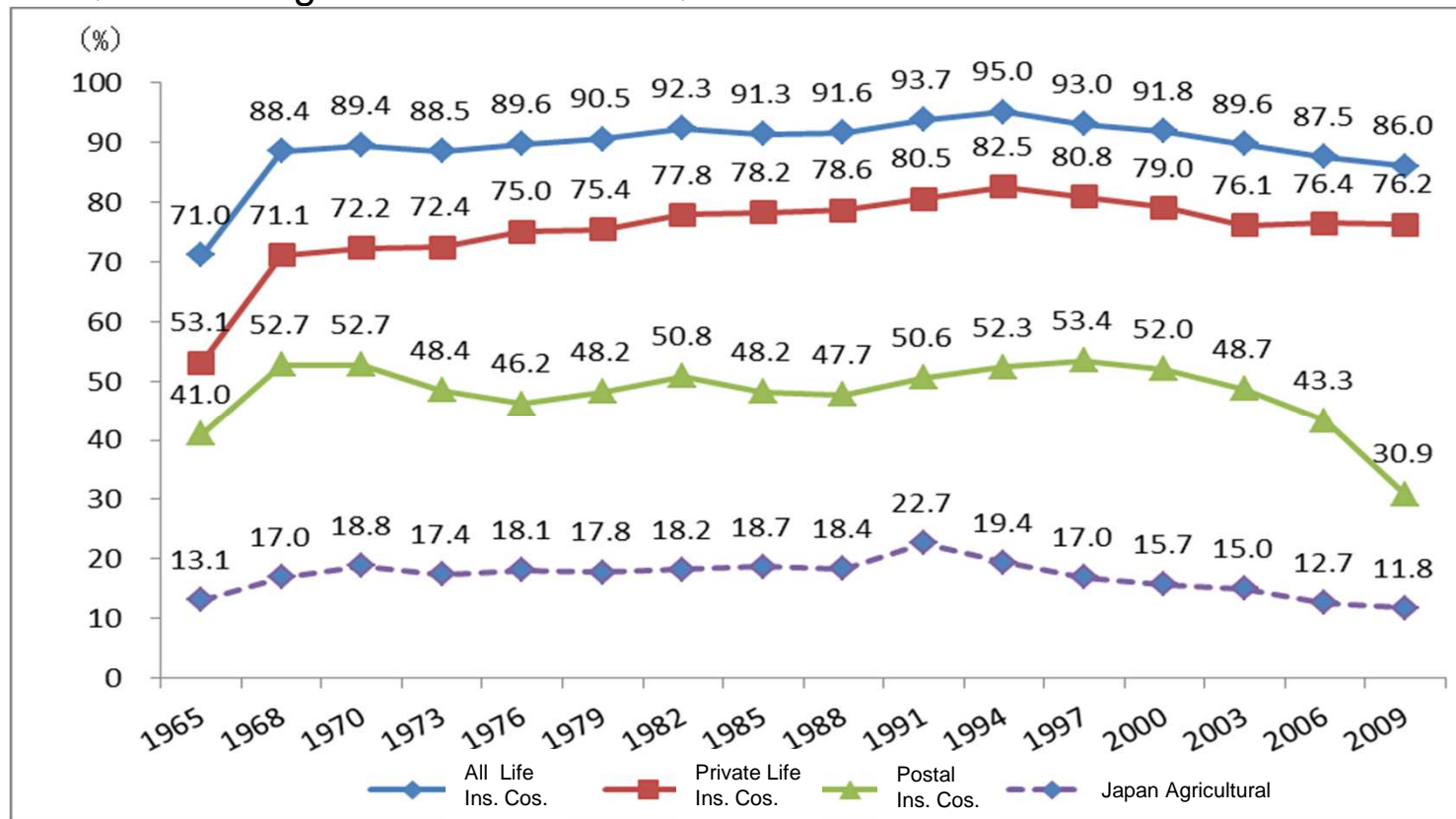
* Market for non-life insurance companies are “The second sector” and “The third sector”

1. Market surrounding life insurance companies – Death benefit market

◇ The first sector market ~ Market for death benefit

- The market is matured and is estimated to shrink further because of the decrease of population and an aging population.

<Purchasing rate of households>



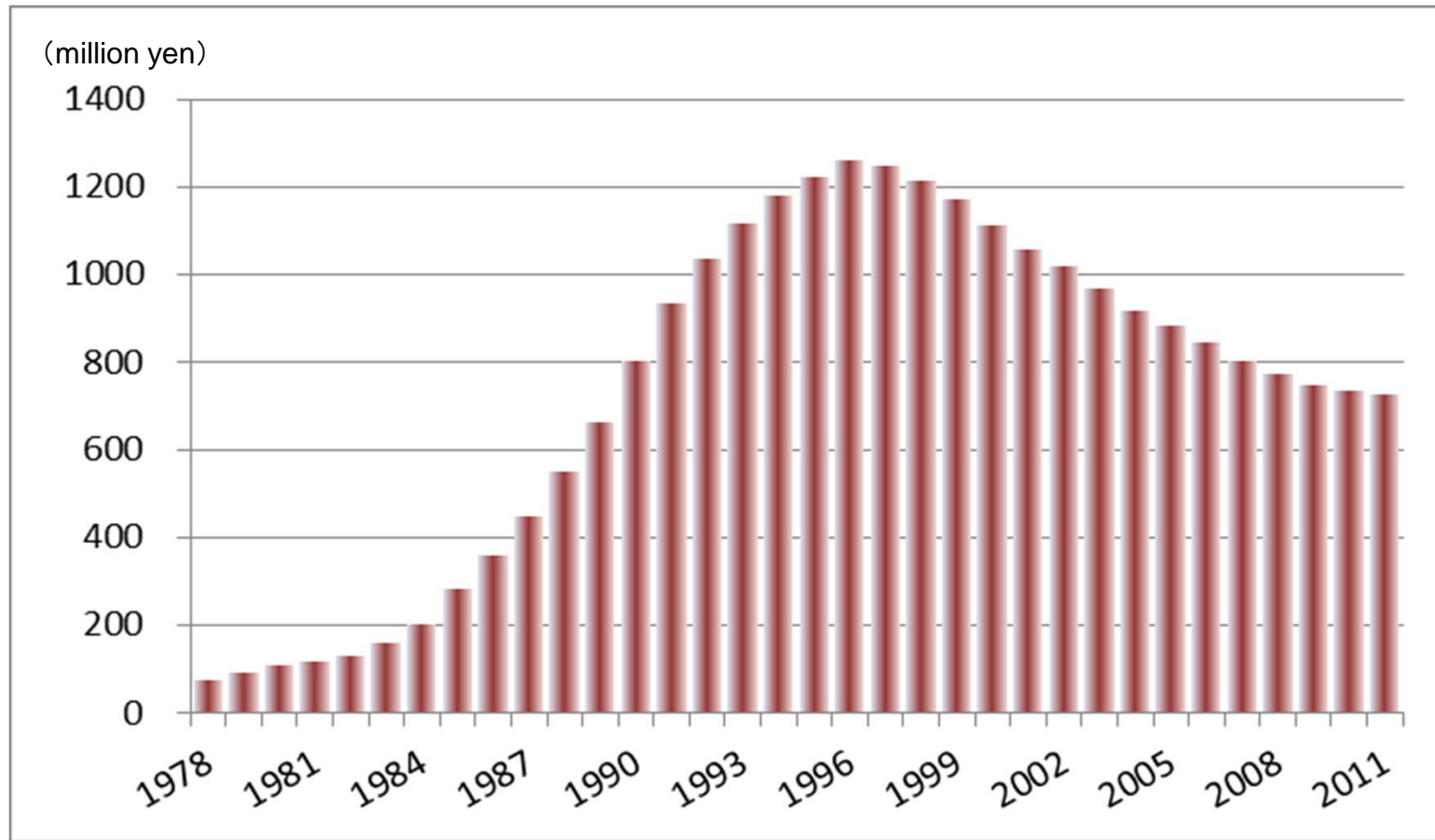
(Note) Purchasing rate of household=Number of households which are purchasing at least one life insurance/All households which replied × 100

[Source: Japan Institute of Life Insurance FY2009 "National survey on life insurance"]

1. Market surrounding life insurance companies – Death benefit market

◇ The first sector market ~ Market for death benefit

< Insurance in force of death benefits are decreasing
(Total sum insured of all life insurance companies) >



[Source: Hoken Kenkyujo (Insurance Research Institute) "Insurance - Statistics of Life Insurance Business in Japan" of each year.]

1. Market surrounding life insurance companies – Living benefit (Annuity) market

◇First Sector Market ~ Existence Security (Annuities) Market

- A promising market against the backdrop of the aging population, increase in the senior population, and longer life spans
- The role of the private sector (private pensions) is also expanding due to the shrinking of public pensions

<Young and Middle-Aged Demographics>

Enhanced need to prepare for one's old age backed by anxiety over the future
(Need to save)

<The Elderly>

Life expectancy after retirement is also elongating, and the need for existence security after retirement is expanding
(Need to augment)

- ▪ Under low interest rates, the key to product development is to satisfy each of the conditions of having product appeal for the customer, sales incentives for the sales channels, and profitability for the company (especially reserve types).
- For bank's over the counter sales, the stock market aimed at the elderly is the main channel.

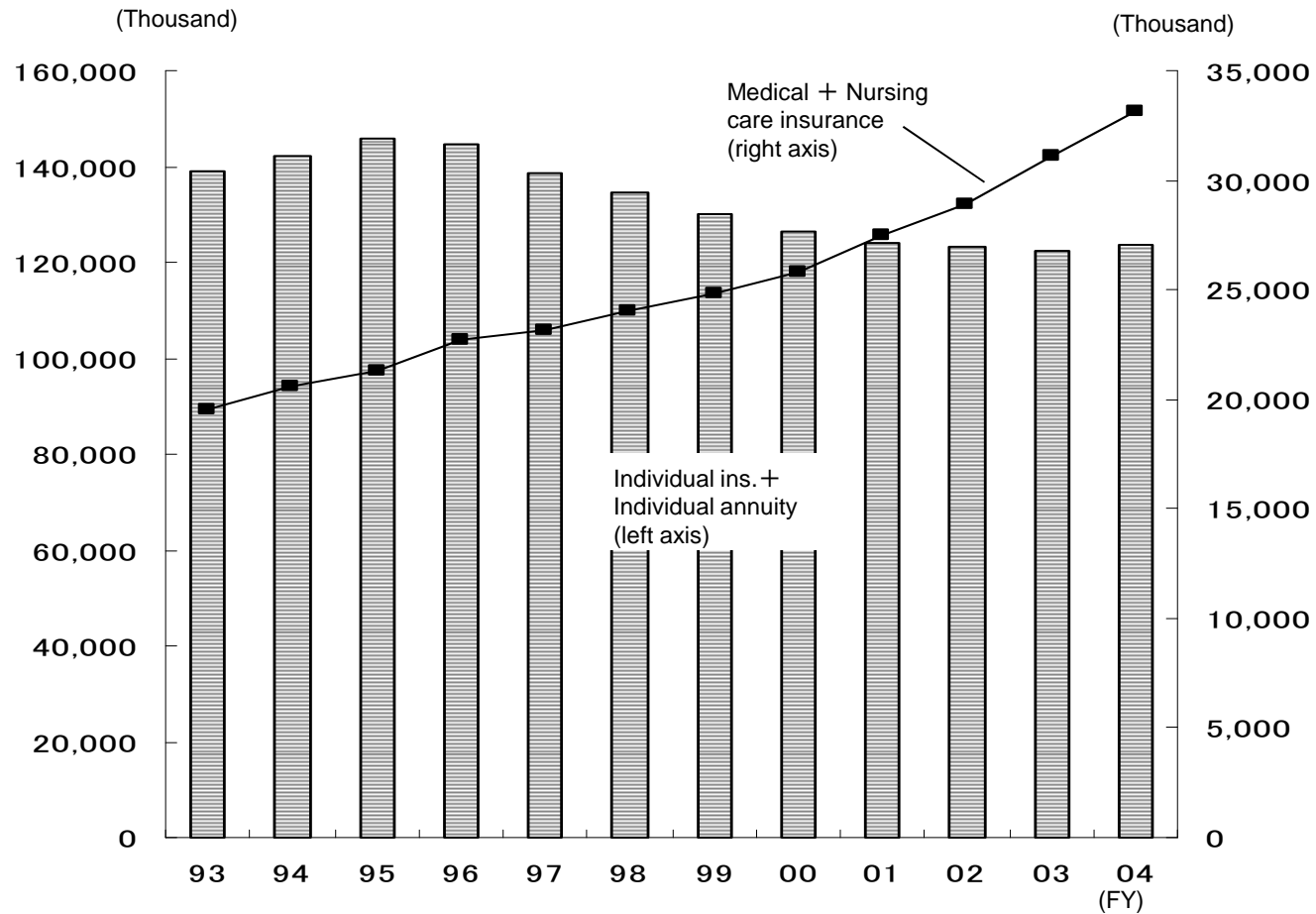
1. Market surrounding life insurance companies – Medical and Nursing care market

◇ Third Sector Markets ~ Medical and Nursing Care Security Market

- Needs are expanding significantly backed by the aging of society.
- The role of private insurance is growing backed by the expansion of out of pocket expenses and the devaluation of benefits in the public health insurance system.
- Similarly, the role of private insurance is increasing for the public nursing care insurance system as well.
- For life insurance companies, this market covers the drop in profits from the shrinking of the death security market, and the companies have positioned it as an important market for their growth.
- The importance of the sum of in-force business, as well as premium income and embedded value (EV), have increased as indicators denoting profitability.

1. Market surrounding life insurance companies – Medical and Nursing care market

While number of all individual life insurance policies in force is decreasing after peaking in 1995, number of medical, nursing care products in force is increasing.



[Created based on The Life Insurance Association Japan]

1. Market surrounding life insurance companies – Medical and Nursing care market

◇ Increasingly Severe Competition in the Medical Care Security Market

- Private health insurance has many players, including foreign life insurance companies, mutual aid, and non-life insurance, making it a sector with severe competition.
- It is necessary to develop competitive products in terms of both the security content and price.
 - Security content: Is there security for day case hospitalization, are there benefits coupled with the public health insurance system, etc.
 - Price: Non-surrender value type products (introduction of an assumed cancellation rate), reduced payment limit for one hospitalization, etc.

◇ Increase in Sales of Healthcare Products

- Major life insurance companies have mainly sold healthcare security products as riders for death security.
- Dai-ichi Life has sold healthcare products which target people 50 years old and older since 2004.
- In recent years, sales of healthcare products by major life insurance companies have expanded, and companies selling healthcare products starting with the youth demographic have increased.

1. Market surrounding life insurance companies – Medical and Nursing care market

◇ Development of Nursing Care Security Products

- Before the introduction of the public nursing care insurance system in 2000, the mainstream was comprised of products that only provided security for those in relatively severe conditions which required nursing care.
- After the introduction of the public nursing care insurance system, development moved forward on products which expanded the secured range to more minor conditions than before which required nursing, as well as products with content coupled with the public nursing care insurance system.
- Dai-ichi Life has sold products which provide security for those requiring generally “nursing care level 2” or higher since 2001, and has sold products coupled with the “nursing care level 2” since 2014.
- Products that provide security including the condition requiring “nursing care level 1” where the nursing care level is lower are also being sold. (Dai-ichi has also sold the same type of product since January, 2014.)

2. Future direction of product development

◇ Becoming a Company that Supplements Social Security

- It is believed that the social security system will continue to become smaller and smaller in the future owing to the impact from the aging population and falling birthrates, etc.
 - The people's out of pocket expenses are increasing.
 - ⇒ The need for private insurance that supplements social security is rising.
- The death security market is at a level of approximately 1,000 trillion yen in terms of the sum of in-force business and remains the main market. Yet attention has not just been focused on death security; it is also important to focus attention on existence security such as health security.
- Products which match the needs for each of the death, healthcare, nursing care, and annuities markets must be developed. In doing so, the products and sales channels must be matched.