

5. Measures Taken Against Moral Hazard

Life insurance industry is taking various countermeasures to prevent moral hazard, i.e. fraudulent claims to collect hospital benefits, intentional murder to collect life insurance proceeds, etc. for the purpose of preserving sound management.

Primary countermeasures against moral hazard are as follows:

(1) Strengthening the Connection with the Police

In order to prevent insurance-related crime and eliminate moral hazard, liaison meetings have regularly held between the Association and the National Police Agency since June 1980. The meeting was set up in response to the concerns of the National Police Agency, with regard to the high incidents of insurance-related crimes. In addition, "Liaison Conference Between Life Insurers and Police" was established between local Association offices and police. As a result, crime prevention measures were worked out to produce effective results in each region.

(2) Policy Data Registration

The life insurance companies may register the policy contents with the registration center of the Life Insurance Association of Japan in case where they receive claims or applications for insurance policies with a hospitalization rider. Registration is made with the consent of policyholders and insureds. Before issuing a new policy, insurance companies refer to information stored at the Association to decide whether to accept or decline the application for the new policy. The companies also take this information into account when they receive claims in deciding whether the payment should be made.

Policy data registered at the Association are 1) name, date of birth, gender and address of the insured 2) policyholder's name 3) the amount of benefit payable when death or accident occurs 4) type of hospital benefit and amount of hospital benefit per day 5) date when policy was issued 6) date when policy was reinstated 7) name of the company from which the policy was issued.

(3) Policy Data Inquiry System

From April, 2002, LIAJ and National Mutual Insurance Federation of Agricultural Cooperatives introduced "Policy Data Inquiry System" for the information when they receive applications or claims of insurance policies. Through this system they inquire the policy contents each other.

(4) Introduction of Assessment Data Inquiry System for Claim Payment

On June 18, 2004, aiming at further strengthening the countermeasure against possible moral hazard, LIAJ announced the introduction of "assessment data inquiry system for claim payment" beginning in January 2005, as a supplement to the policy data registration system and policy data inquiry system. This new system makes it possible for the member companies to exchange the information on their policyholders such as policy and payment status. The system is briefly described below,

*All the member companies of LIAJ are required to participate in the system.

*If judged necessary from the viewpoint of moral hazard, the member companies obtain the information on their policyholders, through the network center operated by LIAJ, concerning insurance policy contents, claim payment, and amount of benefit payment for using them as a reference for claim assessment.

*If the information on the insured, such as “name, date of birth, gender and address, date when policy was issued, date when accident occurred, date of decease, date of hospitalization, and other details”, are requested by a certain member company, it would be responded by the other member companies along with additional data such as name of insured, and beneficiaries, their relationship to insured, amount of payable when death or accident occurs, content of each rider, claim and payment.