

## **E. Measures against Moral Hazard**

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

Primary measures against moral hazard are as follows:

### **1. Strengthening the Cooperation with the Police**

In order to prevent insurance-related crimes and eliminate moral hazard, liaison meetings have been regularly held between the Association and the National Police Agency since June 1980. The meeting was arranged in response to the concerns of the National Police Agency, with regard to the high incidents of insurance-related crimes. In addition, the “Liaison Conference between Life Insurers and the Police” was established between local Association offices and the police. As a result, crime prevention measures came to work out proving effectiveness in each area.

### **2. Policy Data Registration**

The life insurance companies may register the policy contents with the registration center of the LIAJ in case where they receive claims or applications for insurance policies with a hospitalization rider or death benefit. Before issuing a new policy, insurance companies refer to data 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.

### **3. Policy Data Inquiry System**

From April 2002, the LIAJ and National Mutual Insurance Federation of Agricultural Cooperatives (Zenkyoren) introduced “Policy Data Inquiry System” to store the information to be used when they received applications or pay claims for life insurance policies or cooperative insurance policies. Through this system they inquire the policy contents of the policy data registration system and those of National Mutual Insurance Federation of Agricultural Cooperatives reciprocally.

### **4. Implementation of Cross Reference System for Assessing Insurance Claims**

Since January 2005, all the member companies of the LIAJ as well as Zenkyoren, National Federation of Workers and Consumers Insurance Cooperatives (Zenrosai) and Japanese Consumers’ Co-operative Union (Nihon Seikyoren or JCCU) have implemented “Cross Reference System for Assessing Insurance Claims.” This new system makes it possible for the members to exchange the information on their policyholders such as policy and payment status.

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