

## 9. “Policy Overview” and “Warning Information”

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### a) Background

In July 2005, the “Study Group on Sales Solicitation of Insurance Products” of the Financial Services Agency issued an “Interim Report.” The report pointed to the following problems involved in the offering and solicitation of insurance products, with proposals for some countermeasures.

- Consumers are provided with too much information  
→ Hampers consumers’ understanding
- Amount of information provided by each insurer varies widely  
→ Consumers’ understanding of insurance products may also vary widely  
Difficult to compare products among insurers

Following measures  
are deemed effective:

- Select minimum important pieces of information to the extent that it would not discourage ordinary consumers from understanding the fundamental points
- Clarify the minimum important matters by product category

⇒	<u>Policy Overview</u>	Information necessary for customers to understand insurance products
	<u>Warning Information</u>	Information which insurance companies should provide to call customers’ attention

The Study Group advised that the framework for the specific contents of “Policy Overview” and “Warning Information” be set under laws and regulations, with details for each product category to be prescribed by the industry’s voluntary guidelines. Thus, the Life Insurance Association of Japan, in March 2006, formulated the guideline for the preparation of “Policy Overview” and the guideline for the preparation of “Warning Information,” in line with the Study Group’s “Interim Report.” Based on the above guidelines, life insurance companies prepared the “Policy Overview” and “Warning Information” and provided them to customers in their sales and solicitation activities, from April 2006 (in October 2006 at the latest).

In June 2007, the LIAJ upgraded the guideline with detailed suggestions for explanations to be provided at the time of concluding contracts and also amended some of the contents in accordance with the revisions made to laws and regulations concerning the cooling-off system. Both intended to establish proper procedures for the payout of insurance benefits.

**b) Items to be included in “Policy Overview,” “Warning Information,” “Sales of Life Insurance with Market Risks” and “Pre-contract Documentation” under the Guidelines**

Policy Overview	Warning Information
<p><u>Common to all products</u></p> <ul style="list-style-type: none"> <li>· Policy period, coverage</li> <li>· Principal events subject to the payout of insurance benefits (exemption from premium payments)</li> <li>· Sex, birth date and entry age of the insured</li> <li>· Premium, premium payment period, mode of premium payment, premium payment channel</li> <li>· Base date of calculation</li> <li>· Matters concerning dividends</li> <li>· Matters concerning surrender value for cancellation</li> <li>· Name of underwriting insurer</li> <li>· Contact section for complaint handling or consultation of the underwriting insurer, including the phone numbers, etc.</li> <li>· Explanation about “The Life Insurance Consultation Center” within the Life Insurance Association of Japan</li> </ul>	<p><u>Common to all products</u></p> <ul style="list-style-type: none"> <li>· Cooling-off</li> <li>· Duty of disclosure</li> <li>· Date of commencement</li> <li>· Exclusions of claim payment</li> <li>· Grace period for premium payments</li> <li>· Matters concerning invalidation, reinstatement of coverage</li> <li>· Surrender and surrender value</li> <li>· About the Life Insurance Policyholders Protection Corporation of Japan</li> <li>· Matters designated to call for attention under laws and regulations</li> <li>· Matters needed to call for attention from the viewpoint of appropriate insurance payout</li> <li>· Contact section for complaints and consultation of the underwriting insurer, including the phone numbers, etc.</li> <li>· Explanation about “The Life Insurance Consultation Center” within the Life Insurance Association of Japan</li> </ul>

**Items to be added for insurance products with strong investment characteristics**

Variable insurance, variable annuities

- Mention that these products are also life insurance products
- Insurance amount
- Variability in surrender value depending on investment performances
- Whether or not there is minimum guarantee, and its contents
- Types of assets held in special accounts, valuation method, investment policy
- Matters concerning miscellaneous expenses

Foreign currency-denominated insurance

- Explanation about exchange risks
- Matters concerning costs