

14. Anti-Moral Hazard Measures

a) Countermeasures taken to date

(1) Policy Data Registration System (in operation since October 1980)

Without good faith of a large majority of policyholders and trustful relationships between policyholders and insurers, life insurance business would not work properly. To ensure a sound insurance institution and to promote its trustworthiness so that people can enroll in insurance with a greater sense of safety, in October 1980, the LIAJ established the Policy Data Registration System in which relevant data of policyholders are stored in the centralized database at the registration center within the LIAJ.

Each member life insurer can retrieve information from the database so that it assists insurers' decisions in underwriting a policy or in paying the insurance money or other benefits.

Reference: Main Items of the Policy Data Registration System

(a) Registration of Contents: Upon the filing of insurance application form by potential policyholders, the following data items may become subject to the registration of the center's database.	
(i) Name, date of birth, and sex of the insured.	(v) Type of hospitalization benefits and the amount of daily hospital stay benefit
(ii) Address (up to the level of city, ward or county) of the insured ¹	(vi) Date of issuance
(iii) Name of policyholder ²	(vii) Date of reinstatement (or of restoration; increase in insured amount; midterm addition of riders) ²
(iv) Insured amounts of death benefits or accidental death benefits.	(viii) Name of insurer
<p>Note:</p> <p>¹ If the insurer agreed, the address (up to the level of city, ward, or county) of policyholders is also entered.</p> <p>² The name of the policyholder is registered only when the amounts of death benefits or accidental death benefits need to be registered.</p>	
(b) Period of Registration and Availability	
<ul style="list-style-type: none"> - Up to five years from the date of issuance, reinstatement, restoration, increase in insured amount, and midterm addition of rider, the above data items are subject to record-keeping and can be used in the decisions over underwriting or payout. - After five years from the date of issuance, reinstatement, restoration, increase in insured amount and midterm addition of rider, the registered data on declined insurance contract applications will be deleted. 	

(2) Policy Data Inquiry System

In April 2002, a cross-reference system for plural policy data registration systems, namely, the "Policy Data Inquiry System" was created. Now the data held by *Zenkyoren* (National Mutual Insurance Federation of Agricultural Cooperatives) and the data registered in the above-mentioned Policy Data Registration System by the LIAJ can be cross-referenced. It covers the data on policies written since April 2002 and aims to strengthen anti-moral hazard measures.

b) Newly Established Countermeasure

In January 2005, all LIAJ members and three other organizations, namely *Zenkyoren* (National Mutual Insurance Federation of Agricultural Cooperatives), *Zenrosai* (National Federation of Workers and Consumers Insurance Cooperatives) and Japanese Consumers' Co-operative Union (*Nihon Seikyoren* or *JCCU*) started operating jointly the "Cross Reference System for Assessing Insurance Claims." This new system makes it possible for all participants to cross-reference other parties' data on policyholders such as the status of policies or payment, in order to strengthen anti-moral hazard measures.

(1) Outline of the system

Upon receiving a claim, where judged necessary from the viewpoint of moral hazard prevention, member companies/organizations can be provided with relevant policyholder information, for example on policy contents, claim payment, and the amount of benefit. The cross reference of information is executed through a database located and operated in the network center within the LIAJ. Insurers can make use of information obtained when they have to make decisions as to whether or not to terminate or cancel an existing contract (legally, to rescind or nullify a contract) or to accept a claim from policyholder.

Information that can be cross-referenced will be limited to the data shown in the following paragraph (2), items (a) to (c), and will not be used for other purposes. Also, both the LIAJ member companies and the aforementioned three organizations are prohibited from disclosing the information obtained through this system to a third party.

(2) Information to be cross-referenced

The following data are cross-referenced, except for the data on the policies of which the contract term has expired more than five years.

- (a) Insured's name, date of birth, sex, address (up to the level of city, ward, or county)
- (b) Date of realization of the insured event, date of death, date of hospital admission/discharge, and other information on insured events subject to claims (the data mentioned here cover up to five years from the date when inquiries were made)
- (c) Type of insurance, date of policy issuance, date of reinstatement, date of extinction of contract, name of policyholder and his or her relationship to the insured, as well as the sum insured for death benefit amount, amount of daily hospital benefit, details of each rider, premium amount and the way of premium payment.