

# **Life Insurance Services for the Elderly in the Super-Aged Society**

**- Initiatives to Better Serve the Elderly -**

**June 2013**

**The Life Insurance Association of Japan**



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## **Introduction**

Japan is one of the world's fastest aging societies with the highest longevity; both the number of elderly and life expectancy are increasing.

While the average age of policyholders has been rising in this super-aged society, the needs of the elderly diversify, such as for post-retirement security, medical security, long-term care security as well as death security, and whole life type products with the long-term characteristics have made strong sales. Under this situation, it is anticipated that customers will be required to conduct further various procedures regarding their policies.

The Life Insurance Association of Japan (LIAJ) has reviewed the various issues and the role of the life insurance industry in today's aging society, while member companies are also taking innovative approaches based on the opinions from customers and external experts.

In addition, the life insurance industry as a whole including the LIAJ and its member companies actively responded after the Great East Japan Earthquake in March 2011, such as simplifying procedures with the cooperation of stakeholders, checking the safety of customers, and encouraging insurance claims. As a result, we received a high evaluation from various quarters, and the disaster reaffirmed the importance of life insurance for all people.

This experience taught us the need to better respond to cases involving difficulties in insurance related procedures such as policy management and insurance claims, especially for the elderly, while continuing to build relationships of trust with customers.

This Report clarifies the issues concerning services for the elderly both at the stage of policy management/payment management, and at the stage of sale of new contracts. It shares the practices of each member company according to the characteristics of the elderly, based on lessons learned from population aging and the earthquake, as well as the discussions on improving financial services in the aging society in the Public-Private Financial Roundtable, in which the LIAJ participated. The Report also describes the expectations for a series of systems to enhance convenience and the quality of services for the elderly based on an analysis of the challenges for the elderly and good practices of member companies identified in this Report.

# 1. Recognition of the Surrounding Environment

This Report starts by summarizing the aging of society and projections for the elderly population, the number of elderly households and the number of elderly with dementia, and also maturation of life insurance contracts (e.g. aging of policyholders and increase in the number of payments). Also, the Report reviews the industry's response to the Great East Japan Earthquake and introduces the contents of the Report of the Public-Private Financial Roundtable entitled "Improvement of financial services in the aging society."

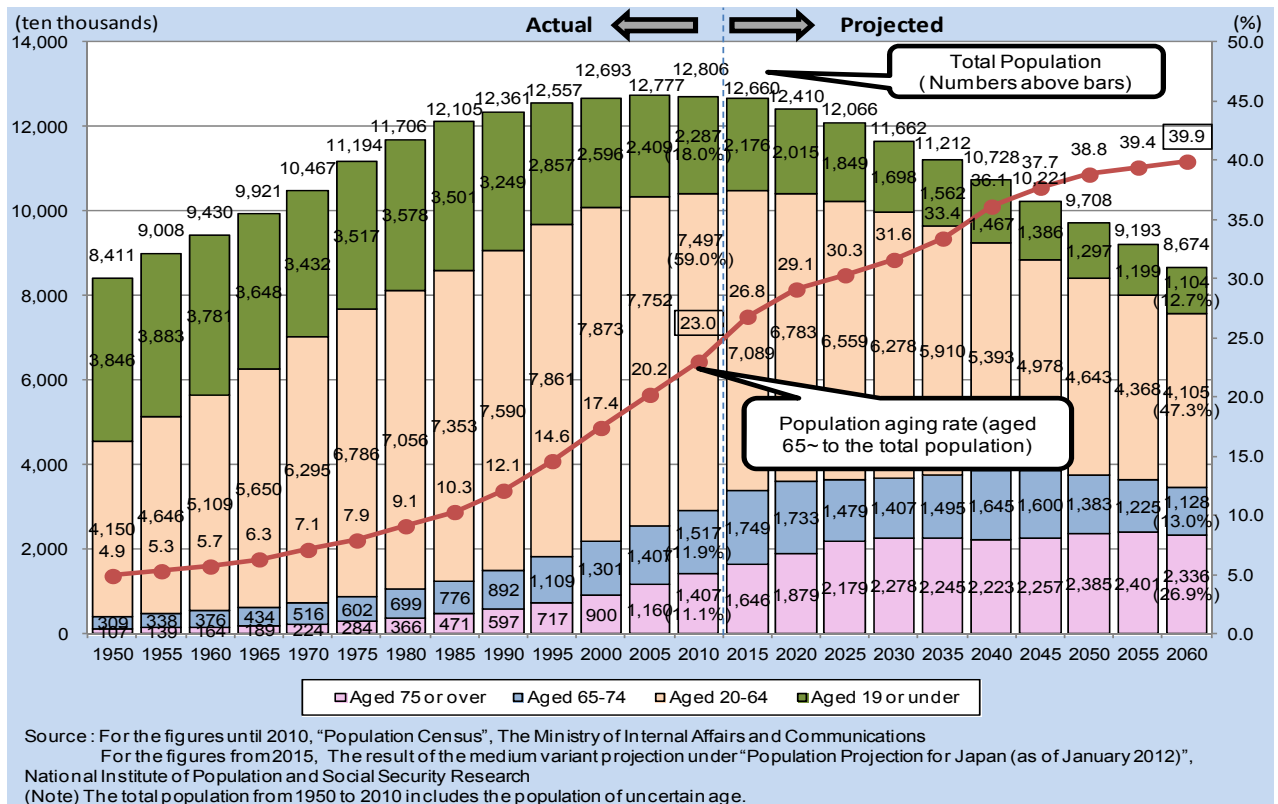
## (1) Progress of the Super-Aged Society

### a. Changes in the Elderly Population and Future Projections

The number of elderly population (aged 65 or over) stands at 30.79 million, and the ratio of the elderly population to the total is 24.1% as of October 2012, a new high that heralds the super-aged society. The ratio of the elderly population is expected to increase, exceeding 30% in 2025 and reaching 40% in 2060 (i.e. one out of every 2.5 persons will be elderly). In addition, the population aged 75 or over is projected to exceed 20 million in 2025, twice the number in 2005 (Figure 1).

As the elderly population rapidly increases, life insurance companies expect a rapid increase in the number of insurance claim payments as well as the number of insurance related procedures for elderly policyholders.

**Figure 1: Population Demographics**



Source: Annual Report on the Aging Society in 2012

### b. Projection of Elderly Households

The number of households whose head of household is aged 65 or over is expected to increase as the elderly population increases. Also, among the households whose head of household is aged 75 or over, the ratio of single-person households exceeds 30% of the total, and is projected to exceed 4 million in 2025 (Figure 2).

The increase in the number of elderly households may result in the absence of agents/proxies for insurance related procedures. Also, the increase in the number of single-person elderly households may result in an increase in the number of elderly policyholders whom life insurance companies are unable to contact due to address unknown.

**Figure 2: Projection of the Number of Elderly Households**

	2010	2015	2020	2025	2030	2035
Households whose head of household is aged 65 or over (thousands)	16,200	18,887	20,060	20,154	20,111	20,215
Of which, single-person households (thousands)	4,980	6,008	6,679	7,007	7,298	7,622
Households whose head of household is aged 75 or over (thousands)	7,308	8,815	10,231	11,867	12,208	11,736
Of which, single-person households (thousands)	2,693	3,265	3,820	4,473	4,726	4,660
Ratio	36.8%	37.0%	37.3%	37.7%	38.7%	39.7%

Note: The projections are for the quarter century from 2010 to 2035 based on the population census conducted in 2010.

Source: Projection of households in Japan (January 2013), National Institute of Population and Social Security Research

### c. Projection of Elderly with Dementia

The number of elderly with dementia whose daily life independency level is level 2 or worse is projected to exceed 3 million in 2012, increasing by 100 thousand persons every year. Level 2 is the stage at which people have symptoms or difficulties in moving and communicating, struggle to perform daily activities, but are able to remain independent if they receive support from others. Also, the ratio of the elderly whose daily life independency level is level 2 to the total population is expected to increase gradually (Figure 3).

There is concern that the increase in the number of elderly with dementia may lead to an increase in the number of elderly claimants unable to complete the necessary procedures regarding their policies (e.g. due to their reduced mental capacity).

**Figure 3: Projection of Number of Elderly with Dementia**

	2010	2012	2015	2020	2025
Elderly with dementia whose daily life independency level is level 2 or worse (million)	280	305	345	410	470
Ratio of those elderly to total aged 65 or over	9.5%	-	10.2%	11.3%	12.8%

Note: Figures in 2010 are calculated based on the data concerning certification of long-term care need. Data since 2012 are future projections based on the projection of the number of households in Japan (January 2012), National Institute of Population and Social Security Research.

Source: Briefing paper on the number of elderly with dementia (August 2012), Ministry of Health, Labour and Welfare

**(2) Maturation of Life Insurance Policies**

With the progress of the super-aged society, the aging of policyholders is also advancing. For example, in the case of a certain domestic life insurance company, 40% of its existing policyholders are now aged 65 or over (Figure 4).

Furthermore, regarding individual annuities, over 1 million policies will mature in fiscal 2014, double the number in fiscal 2012 (Figure 5).

Therefore, the number of elderly policyholders who struggle to perform normal procedures is expected to increase due to the acceleration of demographic aging and the increase in the number of payments for annuity contracts. In addition, insurance policies are rapidly reaching maturity.

Moreover, the ratio of policyholders aged 60 or over has recently started to rise, according to an analysis of statistics regarding the number of new individual insurance contracts (excluding converted contracts) by age group (Figure 6).

**Figure 4: Ratio of Existing Policyholders by Age Group (Example of a major insurer)**

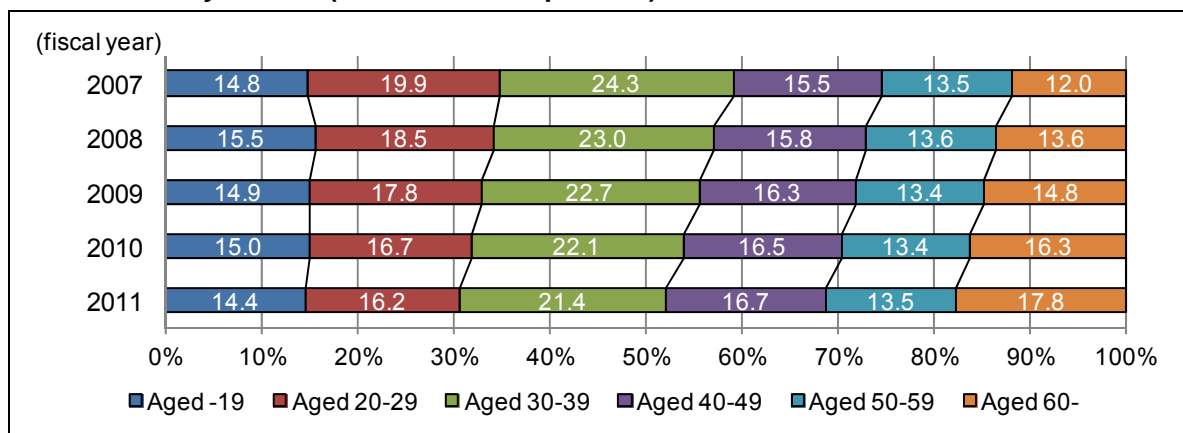
	Age of existing policyholders (as of October 2012)					
	Under 50	50's	60's	70's	80's	Older than 90
Ratio of existing policyholders	40.8%	20.1%	22.0%	13.4%	3.5%	0.2%

**Figure 5: Projected Number of Individual Annuity Contracts Reaching Maturity**

	FY2012	FY2013	FY2014
Projected number (thousands)	489	772	1078
Average of 33 insurers (thousands)	15	23	33

Source: Survey conducted by the LIAJ in November 2012 (Answers submitted by 33 companies)

**Figure 6: Changes in Percentage Distribution of Individual Insurance by Age Group of Policyholders (number of new policies)**



Source: Life Insurance Fact Book (2012), The Life Insurance Association of Japan

### (3) Life Insurance Industry's Response to the Great East Japan Earthquake

In the wake of the Great East Japan Earthquake, the LIAJ determined the fundamental policy of the industry's actions, stating that "The whole life insurance industry will give utmost consideration to the affected people to provide them peace of mind as soon as possible." Based on this policy, the life insurance industry set up a scheme to ensure reliable insurance payouts in addition to providing life support for the disaster areas and checking the safety of customers.

This experience showed the importance of better responding to cases which could cause problems concerning policy procedures, especially for the elderly.

#### **Actions of the Life Insurance Industry after the Great East Japan Earthquake**

Actions	Specific Approach
1. Providing livelihood support and relief for affected persons	<ul style="list-style-type: none"> <li>✓The LIAJ and member companies offered financial assistance (donations), material support (food, clothing, hygiene products, electric appliances, etc.) and physical support (sending backup staff from headquarters, volunteer activities, etc.) in order to help those living in the disaster areas.</li> <li>✓The life insurance industry immediately decided to take several measures for the life insurance contracts of affected people in order to assist those concerned about their insurance payouts and with difficulties in paying insurance premiums, including non-application of the exemption clause, extension of the grace period for paying premiums, reduction or exemption of interest, and simple/prompt payment of insurance benefits (without requiring the documents normally needed).</li> </ul>
2. Handling inquiries and claims procedures given the characteristics of the disaster	<ul style="list-style-type: none"> <li>✓The LIAJ and member companies established a consultation scheme to receive inquiries from customers more easily given the situation of the affected areas where large numbers of people were forced to live in evacuation centers after the disaster (handling of inquiries/claims at call centers of each member company, at the Life Insurance Consultation Center in the LIAJ and its local branches, as well as at temporary consultation centers in evacuation centers).</li> <li>✓The LIAJ established the Center for Searching for Life Insurance Contracts in Disaster Areas (a search system under which all member companies can investigate any relevant insurance contracts for people with no evidence of their insurance contracts due to the disaster).</li> </ul>
3. Confirming the safety of customers	<ul style="list-style-type: none"> <li>✓In order to notify customers of the necessary procedures for policy management and insurance claims, member companies made various efforts to confirm the safety of their customers and to secure channels of communication. The LIAJ has compiled details of such measures taken by member companies so far, and shared them among the companies to enhance their services.</li> </ul>
4. Multiple publicity activities for customers	<ul style="list-style-type: none"> <li>✓The industry has conducted multiple publicity activities to provide necessary information to all disaster victims, including visiting evacuation centers throughout the country.</li> </ul>
5. Establishing a network to ensure payment of insurance benefits	<ul style="list-style-type: none"> <li>✓The LIAJ established an industry-wide database for collecting and sharing among member companies information which member companies cannot obtain by themselves in order to ensure payment of insurance benefits.</li> <li>✓The LIAJ and member companies cooperated with relevant ministries to ensure payment of insurance benefits. Member companies can access official family and resident registers, which makes it possible to identify legal heirs and to inform them promptly about necessary procedures for insurance claims.</li> <li>✓In order to ensure proper payment of insurance benefits for minors who lost both of their parents or guardians in the disaster, the LIAJ established an information-exchange network with the cooperation of administrative bodies and local bar associations, called the "Life Insurance Support Network for Orphaned Minors".</li> </ul>



#### (4) Discussions in the Public-Private Financial Roundtable in Fiscal 2012

In September 2012, the FSA held the Public-Private Financial Roundtable as a platform for detailed discussions and exchanges of opinions, at which representatives of the financial industry and financial authorities discuss ways to improve and revitalize Japanese financial functions. The Roundtable set up a task force on "Improvement of financial services in the aging society", and has exchanged opinions on various perspectives regarding financial products and services accommodating the needs of the elderly.

The discussions also covered the increasing needs of the elderly, particularly those living alone. The Roundtable discussed what actions should be taken, including by the LIAJ for compiling this Report, and actions by the financial industry and relevant authorities for investigating the accessibility of the Social Security and Tax Number System, which was also mentioned in the Report written by the task force, "Towards Improving Financial Services in the Aging Society," as follows:

##### **2.3 Needs relating to personal lives: increase in number of elderly people living alone**

- ◆ The number of elderly people living alone apart from their families is growing. When such people try to use financial services, they often find it difficult not only to obtain necessary certificates from administrative institutions but also to send identifying information and information on their well-being.
- ◆ Financial services essential for daily life need to be made easy for elderly people living alone to allow them to take reactive stance to some degree during the procedure, especially as this need will increase as society ages. One solution is the Social Security and Tax Number System, which the government intends to establish, for such elderly people.
- ◆ Some participating institutions will take new actions as follows:

##### **[Future Action V]**

**Based on discussions in our task force as well as consumers' opinions, the Life Insurance Association of Japan will: (i) compile a report which identifies the challenges and introduces good practices taken by member companies with respect to procedures and services for elderly people, especially those living alone, and (ii) help member companies to come up with new actions.**

##### **[Future Action VI]**

**To enable people who are deteriorating both physically and mentally, such as elderly people living alone, to use financial services essential for their lives, relevant financial industry groups and the Financial Services Agency will investigate, as a medium- and long-term matter, the possibility of using, with the customers' consent, the Social Security and Tax Number System. The study will consider the content of the system as well as public opinion, if it is established.**

(Reference) Public-Private Financial Roundtable, *Towards Improving Financial Services in the Aging Society* (May 2013)

## **2. Past Actions of the LIAJ to Address Challenges for the Elderly**

This chapter explains the past actions which the LIAJ has taken so far to address the challenges for the elderly. To clarify the background, the chapter also introduces opinions and comments received by the LIAJ in the past regarding the challenges for the elderly.

### **(1) Comments Received by the LIAJ in Interactive Dialogues on Life Insurance**

The LIAJ holds the "Interactive Dialogues on Life Insurance" in cooperation with consumer organizations across the country to collect consumers' opinions and promote a proper understanding of the life insurance business (the LIAJ held 100 meetings in fiscal 2012). The LIAJ recognizes the increasing importance of improving services for the elderly, and has received various comments and requests regarding such issues (including dementia) during the meetings, such as on providing adequate services for the elderly, public relations for the (designated) third-party claim scheme, and enhancement of the adult guardianship scheme. Also, the LIAJ periodically feeds back received opinions and requests to member companies to help them improve their management.

Topic	Specific comment, request, question
General Service for Elderly regarding Policy Service	<ul style="list-style-type: none"> <li>• Comment: A husband may struggle to understand his contract details due to aging, but his wife also cannot understand it only by reading the insurance policy and its clauses.</li> <li>• Request: The elderly should be given assistance to follow up their contracts in a careful and easy-to-understand way.</li> <li>• Question: Policyholders may forget their contract details or even that they have one due to its long-term nature. Do insurance companies try to deal with those risks, especially for those living alone or elderly with dementia?</li> <li>• Request: Due to the long-term nature of life insurance contracts, the elderly may forget the details of their contract which was taken out at a young age. Therefore, follow-up confirmation on the contract details for the elderly should be provided.</li> </ul>
Designated Third-party Claim Scheme	<ul style="list-style-type: none"> <li>• Request: Since some people still do not know what the designated third-party claim scheme is, every policyholder (especially the elderly) should be informed about this scheme, both new and existing policyholders.</li> <li>• Request: Sometimes the insured cannot make insurance claims since the policyholder did not designate a claim agent, so the designated third-party claim scheme should be publicized more actively.</li> <li>• Question: Are there any existing contracts whose policyholder is elderly but has not designated a claim agent yet? Are insurance companies trying to encourage those elderly policyholders to designate a claim agent in other ways, such as by publicizing this scheme in writing (e.g. by sending postcards)?</li> </ul>
Insurance Claim Procedure	<ul style="list-style-type: none"> <li>• Question: How do insurance companies deal with cases where it is difficult to receive confirmation on contract details or complete claim payments since the policyholder, claimant or claim agent is elderly?</li> <li>• Question: Are insurance companies considering other ways to complete insurance claim payments other than appointment of an adult guardian?</li> <li>• Comment: I have heard that an adult guardian should be appointed to make insurance claims in case the beneficiary loses mental capacity due to dementia for example. However, I think few people are using this scheme even though the number of elderly households is increasing.</li> </ul>

Topic	Specific comment, request, question
	<ul style="list-style-type: none"> <li>• Question: Are there any other ways to complete insurance claim payments other than the adult guardianship scheme if a beneficiary develops dementia or becomes bedridden (when a claim agent is not designated)?</li> <li>• Question: If an elderly person without any relatives (or husband or child) becomes unconscious after hospitalization or surgery, how can insurance claim payment procedures be made instead of by the elderly person?</li> <li>• Question: As instructed by the insurance company, do I have to use the adult guardianship scheme to complete insurance claim procedures of an insurance contract for my aunt who is single, elderly and has reduced mental capacity?</li> <li>• Comment: There is an insurance contract in the process of insurance claim payment for disability benefits, but the insured has no mental capacity and a claim agent has not been designated. Although the consent of all heirs is required in order to complete insurance claim payments, it is difficult to obtain such consent since one of them cannot be contacted.</li> <li>• Request: The documents required to complete insurance claim payments should be reduced, and such documents should be made easier to read and understand, especially for the elderly.</li> <li>• Question: Is there a simpler way to appoint an adult guardian since the current procedure is complicated and time-consuming if the policyholder suffers dementia?</li> <li>• Request: Insurance claim payment procedures other than by appointing an adult guardian should be considered in case the policyholder or beneficiary suffers dementia.</li> </ul>
Cancellation Procedure	<ul style="list-style-type: none"> <li>• Comment: An insurance company told me that the insurance policy should be cancelled by the policyholder, but I need to cancel an insurance policy of my father who suffers dementia.</li> </ul>
Solicitation and its Structure	<ul style="list-style-type: none"> <li>• Request: Insurance companies should consider better ways to explain matters to the elderly.</li> <li>• Request: Insurance companies should be kind and thoughtful toward the elderly, since there are great differences in their ability to understand things.</li> <li>• Request: Insurance companies should consider ways to explain matters simply to the elderly and to avoid the elderly having to do procedures by themselves.</li> <li>• Question: Do insurance companies set any rules for selling insurance products to the elderly, as their ability to understand and judge may be impaired?</li> </ul>
Bancassurance	<ul style="list-style-type: none"> <li>• Comment: In bancassurance, insurance products have been sold to the elderly who misunderstood the product as a sort of bank deposit. This misunderstanding is caused because the explanation is made at a bank counter.</li> <li>• Comment: Some elderly people sign an insurance contract unintentionally through a bank due to insufficient explanation and aggressive sales.</li> <li>• Question: Investment-type insurance products (e.g. variable insurance) seem difficult for the elderly to understand. The suitability of products for the elderly should be checked, such as by telephone reconfirmation by the manager and confirmation in writing.</li> <li>• Request: Banks should carefully check the suitability of products for each customer, such as whether the asset investment period and annuity benefit payment period are appropriate, and whether the customer has sufficient spare cash.</li> <li>• Comment: Most elderly people do not understand the risk of loss of principal due to cancellation before maturity, due to insufficient explanation by banks.</li> </ul>
Attitude	<ul style="list-style-type: none"> <li>• Request: Some life insurance companies seem too business-like and unkind. The companies should provide services in a kind and respectful way, especially for elderly customers.</li> </ul>

## (2) Information-sharing on Good Practices by the Secretariat of Consumers' Opinions

With the aim of reflecting consumers' opinions in the management of member companies, the LIAJ established the Secretariat of Consumers' Opinions in 2006 to collect and analyze information such as on counseling or complaints received at the Life Insurance Consultation Center, as well as opinions of consumers received at the Interactive Dialogues on Life Insurance and the Arbitration Advisory Committee.

The Secretariat conducts questionnaire surveys of member companies on themes related to complaints, opinions and requests received by the LIAJ. The results of the surveys, namely the good practices of member companies, are shared among the companies to help them improve their management.

In fiscal 2008, the Secretariat conducted a survey of member companies regarding their initiatives for the elderly, reflecting the findings of the Commission on Life Insurance (predecessor of the Interactive Dialogues on Life Insurance) that there were many complaints regarding bancassurance for the elderly. The Secretariat shared the good practices of member companies, classifying them into the four stages of policy procedures: "sale of new contracts", "collection of premiums", "policy management" and "payment of insurance benefits".

## (3) Information-sharing on Good Practices in line with Voluntary Guidelines

In order to ensure appropriate and sound management of the life insurance business, the LIAJ drew up voluntary guidelines on practice models and considerations as a reference for member companies and their directors.

To help increase customers' trust in the life insurance business, the LIAJ conducts questionnaire surveys annually on measures taken by member companies in line with the voluntary guidelines since 2007, to encourage the companies to apply the guidelines.

Member companies' good practices related to the elderly, such as on the sale of insurance products with market risks, are also shared among the companies.

### **3. Information-sharing on Good Practices Tailored to the Elderly**

This chapter discusses information-sharing on good practices of member companies related to the sale of new contracts and policy management tailored to the elderly, based on discussions in "Recognition of the surrounding environment" and "Past actions of the LIAJ to address the challenges for the elderly" as well as comments from consumers.

The good practices introduced here are not those of all member companies, but the examples of some companies.

### **3.1 Challenges for the Elderly at the Stage of Policy Management and Good Practices**

This section firstly explains the current situation of services for the elderly at the stage of policy management and payment management after the conclusion of insurance contracts. It then identifies challenges for member companies and looks at their initiatives, based on the survey results collected by the Policy Management Committee of the LIAJ.

#### **(1) Current Situation Surrounding the Elderly and Life Insurance Policy Services**

This part examines ideal ways to provide life insurance policy services for the elderly in the super-aged society and as life insurance policies mature, and looks at the current situation.

#### **a. Characteristics of the Elderly to be Considered When Providing Insurance Services for the Elderly, and Ideal Way to Provide Insurance Services**

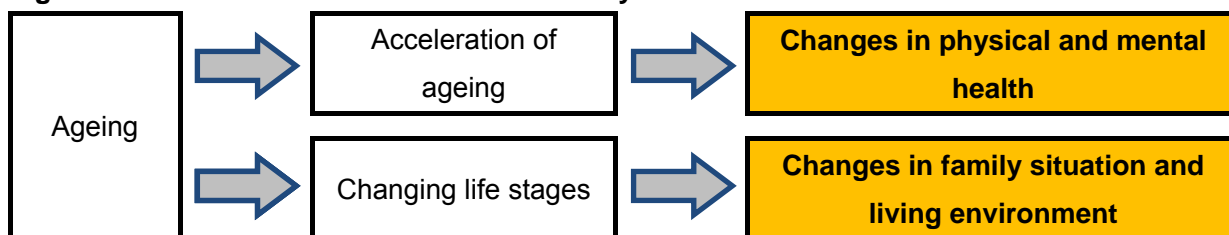
##### **(i) Characteristics of the Elderly**

Generally, the physical and mental conditions of the elderly change due to the ageing process. They also face changes in family situation and living environment as they go through life's stages.

Examples of changes in physical condition include loss of motor function (e.g. bone and muscle weakness) and loss of sensory function (e.g. decrease in vision or hearing). Examples of changes in mental condition include a decline in intellectual capacity, such as cognitive ability.

Many elderly people suffer deterioration of brain function due to diseases of the body and brain caused by ageing, which may lead to dementia and other ailments. This may make it difficult for the elderly to cope with policy procedures such as filling out forms and obtaining/preparing the required documents.

**Figure 1. General Characteristics of the Elderly**



(ii) Ideal Way to Provide Life Insurance Policy Services

Generally, life insurance contracts are ultra-long term (i.e. long-term coverage such as whole life). Another characteristic of insurance procedures is that a stakeholder other than the policyholder can be authorized to perform certain procedures, such as can be a claimant of certain procedures, such as where an insured makes insurance claim for medical benefits or where a beneficiary makes insurance claim for death benefits.

Because of these characteristics, life insurance companies are required to enhance customer services throughout the long period of policy management and payment management, while recognizing that claimants will experience changes in condition, family situation and living environment.

b. Current Practices of Member Companies to Provide Life Insurance Policy Services

There is still room for improvement in the current life insurance policy services offered by life insurance companies, as described above.

In particular, life insurance companies must urgently improve their services for the elderly, such as by offering secure and prompt insurance procedures and customer services.

I. Services Tailored to the Elderly

In terms of services regarding life insurance contracts, while life insurance companies are pursuing secure and prompt insurance procedures, insurance procedures (e.g. handling rules) also need to be improved taking into account elderly-specific conditions such as changes in their condition and changes in their household or lifestyle. Especially regarding address management, while it is important for administering insurance policies, life insurance companies basically obtain only the address of their policyholders.

Life insurance companies have established their own designated third-party claim scheme (e.g. designated third-party claim riders) which allows designated agents to claim insurance benefits on behalf of the insured where the insured is a beneficiary but is unable to claim insurance benefits by themselves. Life insurance companies encourage their existing policyholders to add this rider to their main contracts, but uptake of this rider varies between companies. Besides, this scheme only applies to the payment of living needs benefits or other insurance benefits, and not to contracts which do not meet the conditions for insurance claims.

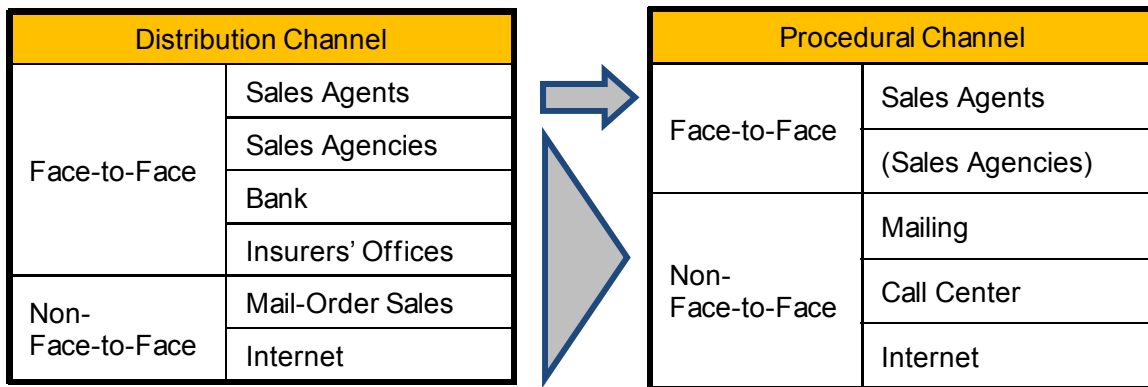
Meanwhile, customer notification forms and records exclusively for the elderly are still being developed.

## II. Procedural Channels

For now, although distribution channels are diversifying, procedural channels for insurance policy administration procedures and payment procedures are limited mainly to tied sales agents as face-to-face channels (customer-passive) and to mailing/call center/internet as non-face-to-face channels (customer-active).

In order to improve customer services for the elderly in this area, the advantages of each channel should be used to provide better services.

**Figure 2. Distribution Channel versus Procedural Channel**



## (2) Possible Challenges in light of the Current Situation

This part highlights challenges which life insurance companies are facing regarding insurance procedures for the elderly. The major challenges are "risks that impede secure and prompt insurance procedures (procedural risks)", "prevention of procedural risks" and "consumer service tailored to the elderly."

### a. Risks that Impede Secure and Prompt Insurance Procedures (Procedural Risks)

While life insurance companies strive to conduct secure and prompt insurance procedures, the procedures may be disrupted in the case of elderly customers, making it difficult to conduct ordinary insurance procedures. This section analyzes the risks that impede secure and prompt insurance procedures (procedural risks) before or during the procedures from three perspectives: "procedures cannot be started", "prolonged procedures" and "increased number of procedures" all of which result from changes in their condition or in household or lifestyle of the elderly.

#### I. Procedures Cannot Be Started

Firstly, in some cases it is impossible to verify the intention of elderly claimants (e.g. policyholders or beneficiaries) due to changes in their condition with ageing, or impossible to make contact due to address unknown or where agents/proxies of the procedure are absent, making it impossible to begin the procedure.

Elderly claimants may experience decline in mental or claim capacity, for example, if their mental capacity lowers due to dementia, which may disrupt the claiming procedure.

Where it is impossible to make contact and there is no agent/proxy, elderly claimants may have failed to inform their insurance companies about a change of address in case they moved several times during the insurance period, or the insurance companies cannot identify the addresses of all or some of the legal successors named as beneficiaries.

#### II. Prolonged Procedures

Next, procedures may be prolonged due to the conditions surrounding elderly claimants (e.g. policyholders and beneficiaries) even if the claimants intend to make a claim. Similar to being unable to begin the procedures, prolonged procedures can be caused by declining mental capacity of claimants, and the impossibility of making contact with or absence of agents/proxies due to changes in household or lifestyle.

Elderly claimants may experience a decline in mental or physical capacity, making it difficult to sign or go out to obtain official certificates.

Meanwhile, it may be impossible to make contact with agents/proxies due to changes in their household or lifestyle (e.g. elderly claimants living alone).



### III. Increase in Number of Procedures

Finally, the number of payments and procedures will increase substantially in a super-aged society.

First, the number of benefit payments will increase as the population ages and morbidity rate increases, and as policies reach maturity or claimants reach pensionable age. Furthermore, regarding managing policies in force, the number of policy procedures will increase such as due to changes of address and changes of policyholder after the death of the original policyholder.

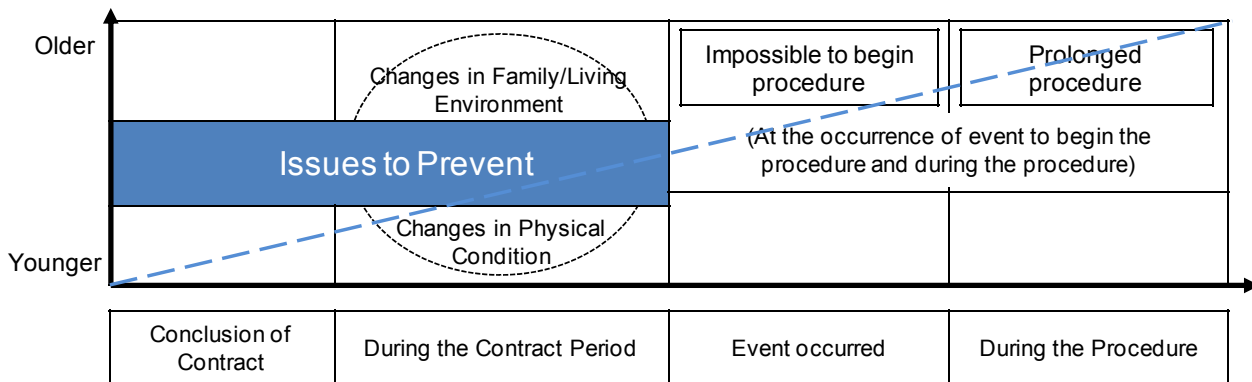
**Figure 3. Challenges before beginning procedures and during procedures, and factors**

		Event occurred	During the procedure	
Challenges		<b>Procedure impossible to begin</b>	<b>Prolonged procedure</b>	<b>Increased number of procedures</b>
		It is impossible to verify the intention of the policyholder or beneficiary, or to make contact with either of them as their address is unknown.	Even if the claimant intends to make a claim, policy procedures may be hindered by the environment surrounding the elderly.	Number of payments and procedures will increase substantially in a super-aged society
Characteristics of Elderly	Change in Condition	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Factor 1: Declining mental/claim capacity of claimants</div> <ul style="list-style-type: none"> <li>• Lower mental capacity of the policyholder or beneficiary (due to dementia, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty of signing by the policyholder or beneficiary (due to ageing, etc.)</li> <li>• Difficulty in going out to obtain official certificates, etc. (due to ageing, hospitalization, etc.)</li> </ul>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Factor 3</div> <ul style="list-style-type: none"> <li>• Increase in benefit payments</li> <li>• Increased number of policies reaching maturity</li> <li>• Increase in policy administration procedures</li> </ul>
	Change in Household or Lifestyle	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Factor 2: Impossibility to make contact/absence of agent/surrogate</div> <ul style="list-style-type: none"> <li>▪ Impossible to contact the policyholder or beneficiary (due to address unknown)</li> <li>▪ Impossible to find the beneficiary (or any legal heir)</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of agent/proxy (elderly policyholder living alone, etc.)</li> </ul>	

**b. Prevention of Procedural Risks**

Both life insurance companies and policyholders need to try to prevent the procedural risks that impede prompt and reliable insurance procedures because they do not consider the possibility of that procedures may be impossible to begin or may be prolonged during the contract period.

**Figure 4: Issues during the contract period**



Life insurance contracts are ultra-long term since policyholders take them out at a young age and life insurance companies provide various types of long-term cover. Therefore, policyholders will experience changes in their physical condition and family/living environment, which may cause procedural risks such as procedures being impossible to begin and prolonged procedures.

As such changes are unavoidable, life insurance companies need to work harder to prevent procedural risks. Meanwhile, policyholders need to try to avoid unclaimed insurance contracts, for example, by informing life insurance companies whenever they change address.

The main procedural risks are as follows.

- In general, only the policyholder is familiar with the policy provisions. Hence, it is necessary to inform family members with the consent of the policyholder of the policy provisions and how to make an insurance claim.
- Currently, life insurance companies collect the contact address of only policyholders, but they should improve address management, including registering multiple addresses.
- Although life insurance companies offer a designated third-party claim scheme which enables an agent to make a claim on behalf of the insured if the insured cannot do so, this does not apply to all policies and the scope of the scheme is limited.

c. Initiatives for Consumer Services Tailored to the Elderly

In addition to procedural risks and their prevention, life insurance companies do not sufficiently take into account the characteristics of the elderly such as changes in physical condition and family/living environment in providing life insurance services for the elderly.

We have also received opinions and requests from customers regarding services for the elderly during interactive dialogues on life insurance.

It is necessary to enhance customer services for the elderly and the hospitality of life insurance companies in order to eliminate anxiety and implement prompt insurance procedures without fail.

The main issues regarding customer services for the elderly are as follows:

- Forms for policy procedures are unintelligible or illegible.
- Continued efforts are needed to improve financial literacy (including life insurance) of the elderly.
- Life insurance companies are required to offer more respectful, tailored customer services for the elderly.

(3) Good Practices to Address Challenges for the Elderly at the Stage of Policy Management

The LIAJ's Operation Management Committee carried out a questionnaire survey of member companies regarding their initiatives in providing customer services for the elderly in policy management and payment management, collected those good practices, and shared them among all member companies. This section summarizes the survey results and model examples by category of issues.

a. Concept of Categorizing Good Practices of Member Companies

Taking into account "(2) Possible Challenges in light of the Current Situation" in this chapter, we categorize the good practices of each member company into three types by issue to be addressed: "secure and prompt policy procedures", "prevention of procedural risks" and "customer services tailored to the elderly." In addition, we categorize practices by types of channel into face-to-face, non-face-to-face, or both of them, taking into account the nature of each channel.

Issue	Category	Elements
Secure and Prompt Procedures	Initiatives to Address the Decline in Mental/Claim Capacity of Claimants	<ul style="list-style-type: none"> <li>▪ Lower mental capacity of policyholders or beneficiaries (due to dementia, etc.)</li> <li>▪ Difficulty in signing by policyholders or beneficiaries (due to ageing, disability, etc.)</li> <li>▪ Difficulty in going out to obtain official certificates, etc. (due to ageing, hospitalization, etc.)</li> </ul>
	Initiatives to Address Impossibility of Making Contact, Absence of Agent/proxy	<ul style="list-style-type: none"> <li>▪ Impossibility of contacting policyholders or beneficiaries (due to address unknown)</li> <li>▪ Impossibility of finding beneficiaries (legal heir)</li> <li>▪ Absence of agent/proxy (elderly policyholder living alone, etc.)</li> </ul>
	Initiatives to Address the Increase in Number of Procedures	<ul style="list-style-type: none"> <li>▪ Increase in benefit payments</li> <li>▪ Increase in policies reaching maturity</li> </ul>
Prevention of Procedural Risks	Continuous informing activities to the elderly and their family members about their policy provisions and its payment procedure	
Customer Services Tailored to the Elderly	Simplification of paperwork	
	Sophistication of services for the elderly and enhancement of hospitality	

**b. Examples of Good Practices to Ensure Secure and Prompt Policy Procedures**

**I. To Address the Decline in Mental/Claim Capacity of Claimants**

Item	Initiative (☐All, ■Face-to-Face, ●Non-Face-to-Face)
<ul style="list-style-type: none"> <li>Lower mental capacity of policyholders or beneficiaries (due to dementia, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>☐ Encourage appointment of an adult guardian to make a claim.</li> </ul>
	<ul style="list-style-type: none"> <li>■ Develop and implement procedural rules to accept a claim by any heir even if adult guardianship is not applicable when it is verified that a claimant has reduced mental capacity.</li> </ul>
<ul style="list-style-type: none"> <li>Difficulty in signing by policyholders or beneficiaries (due to ageing, disability, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>☐ Revise procedural rules overall to develop new “conditional rules” applicable to the elderly and policyholders who struggle with policy procedures, which are only for internal use.</li> </ul>
	<ul style="list-style-type: none"> <li>☐ Allow an agent to fill out claim forms on behalf of a claimant where it is verified that the claimant intends to make a claim. (Eligible persons for an agent are limited to a family member living in the same household or a relative within the third degree of kinship. In principle, any payment can only be made to an account held by a beneficiary.)</li> </ul>
<ul style="list-style-type: none"> <li>Difficulty in going out to obtain official certificates, etc. (due to ageing, hospitalization, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>☐ Develop new procedural rules to abolish the requirement regarding submission of insurance policy certificate or submission of seal registration certificate for the verification of intention.</li> </ul>
	<ul style="list-style-type: none"> <li>☐ Skip the submission of claim forms and identification documents when a customer ID or password can be used to identify policyholders (input on the Internet or by PDA).</li> </ul>
	<ul style="list-style-type: none"> <li>■ The head office, heads of the area offices or officers of branch offices may obtain a resident card, copy or extract of family register, seal registration certificates, etc. on behalf of, and with the authorization of, a customer.</li> </ul>
	<ul style="list-style-type: none"> <li>■ Regarding confirming existence at the time of annuity payment after the elapse of the guaranteed period, a sales agent may confirm the existence of a beneficiary in addition to requiring them to submit a current state report/a resident card and to visit the office.</li> </ul>
	<ul style="list-style-type: none"> <li>● For certain types of procedure, consider accepting an insurance claim over the phone without having the consumer fill out certain forms.</li> </ul>

**II. To Address the Impossibility of Making Contact/Absence of Agent/Proxy**

Item	Initiative (☐All, ■Face-to-Face, ●Non-Face-to-Face)
<ul style="list-style-type: none"> <li>Impossibility of contacting policyholders or beneficiaries (due to address unknown)</li> </ul>	<ul style="list-style-type: none"> <li>☐ Remind the policyholder of policy provisions (including those regarding information on beneficiaries) by annual or quarterly newsletter, booklet, etc. Take measures to identify the correct contact address (obtaining resident card, investigation by external institutions, etc.) if the notice from insurance companies fails to reach a policyholder.</li> </ul>
	<ul style="list-style-type: none"> <li>☐ Introduce a “family registration system” to list any family members to whom the same information on policy provisions can be provided as was disclosed to the policyholder. [Also falls under section c: Examples of good practices to prevent procedural risks]</li> </ul>

	<ul style="list-style-type: none"> <li>■ For elderly policyholders over a certain age, promote the collection of contact information on beneficiaries, family members, etc. as well as on the policyholder (and confirmation of existence) through home visits. [Also falls under section c: Initiatives to prevent procedural risks]</li> </ul>
<ul style="list-style-type: none"> <li>· Impossibility of finding beneficiaries (or any legal heir)</li> </ul>	<ul style="list-style-type: none"> <li>■ With the consent of the policyholder through periodical confirmation of policy provisions, etc. by a sales agent, make direct contact with the beneficiary to confirm his/her existence and notify that he/she is designated as a beneficiary of an insurance contract.</li> </ul>
<ul style="list-style-type: none"> <li>· Absence of agent/proxy (elderly policyholder living alone, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>□ Where a customer expresses the intention to make a claim, act on a case-by-case basis depending on the condition of the customer (e.g. allow a third-party claim by an unrelated homecare worker, institutional worker, social worker, etc.).</li> </ul>
	<ul style="list-style-type: none"> <li>■ Recommend adding designated third-party claim riders to their main contracts at regular visits by sales agents. [Also falls under section c: Examples of good practices to prevent procedural risks]</li> </ul>

III. To address the increase in number of procedures

Item	Initiative (□All, ■Face-to-Face, ●Non-Face-to-Face)
<ul style="list-style-type: none"> <li>· Increase in benefit payments</li> </ul>	<ul style="list-style-type: none"> <li>□ Sequentially develop systems to enhance the efficiency and sophistication of the examination process on insurance claims (e.g. introduction of automatic payment through computerized examination).</li> </ul>
<ul style="list-style-type: none"> <li>· Increase in policies reaching maturity</li> </ul>	<ul style="list-style-type: none"> <li>□ Improve the efficiency of the payment process by automating money transfers or simplifying paperwork under certain conditions.</li> <li>□ Encourage the giving of a 1-year notice of maturity through outbound calls and letters.</li> </ul>

c. Examples of Good Practices to Prevent Procedural Risks

Item	Initiative (□All, ■Face-to-Face, ●Non-Face-to-Face)
<ul style="list-style-type: none"> <li>· Continuous activities to inform policy provisions and payment procedure to the elderly and family members</li> </ul>	<ul style="list-style-type: none"> <li>□ Identify any address change through home visits, etc. and collect/record information on mobile phone numbers, as well as fixed-line phone numbers.</li> </ul>
	<ul style="list-style-type: none"> <li>□ At the beginning of the contract period, regularly remind the policyholder through various communication tools to tell his/her beneficiary or family members about the insurance policy.</li> </ul>
	<ul style="list-style-type: none"> <li>□ Prepare a special form to encourage customers to notify a change of address, and distribute it as necessary during policy procedures.</li> </ul>
	<ul style="list-style-type: none"> <li>□ Add text to encourage customers to notify a change of address on the envelope used for annual or quarterly communications/booklets, life insurance deduction certificates or insurance policies sent to policyholders.</li> </ul>
	<ul style="list-style-type: none"> <li>□ In addition to the periodical follow-up through sales channels, consider conducting follow-up by the Head Office for elderly policyholders and the insured, including checking the existence and claim procedures.</li> </ul>
	<ul style="list-style-type: none"> <li>■ Collect family information at the beginning, and provide tools giving</li> </ul>

	information to be shared among family members through regular home visits.
	<ul style="list-style-type: none"> <li>● Require registration of e-mail address for policyholders and request them to confirm their registered address several times before sending the deduction certificate.</li> </ul>

d. Examples of Good Practices for Consumer Services Tailored to the Elderly

Item	Initiative (□All, ■Face-to-Face, ●Non-Face-to-Face)
<ul style="list-style-type: none"> <li>· Simplification of paperwork</li> </ul>	<input type="checkbox"/> Use color, make forms larger, use larger fonts and adopt universal design.
	<input type="checkbox"/> Revise various claim forms into electronic forms to introduce electronics sales terminals which enable text to be displayed larger on the screen.
	<input type="checkbox"/> Introduce and use tailor-made claim forms (with preprinted requirements).
	<input type="checkbox"/> Prepare and distribute booklets describing the flow of claim procedures, concrete examples on whether to make payments or not, and the intended use (necessity) of official certificates.
<ul style="list-style-type: none"> <li>· Sophistication of services for the elderly and enhancement of hospitality</li> </ul>	<input type="checkbox"/> Develop a network of internally-accredited “elderly care advisers” through in-house training courses.
	<input type="checkbox"/> Participate in the training of “dementia patient supporters” promoted by the MHLW and organize awareness-raising seminars on care prevention.
	<input type="checkbox"/> Consider introducing a guardian referral service by judicial scriveners.
	<input type="checkbox"/> Consider sending information booklets for the elderly (with an appropriate amount of text in larger fonts) as ordinary annual notices/booklets on policy provisions and corporate initiatives which are sent to policyholders.
	<input type="checkbox"/> Promote kinder customer services especially for the elderly, by marking or sticky notes on necessary forms, and by speaking slowly and carefully, for example.
	<ul style="list-style-type: none"> <li>● When receiving applications at the call center from the elderly who are concerned about how to complete procedures, follow up their procedures appropriately by calling them after sending the required forms.</li> </ul>
	<ul style="list-style-type: none"> <li>● When receiving calls from the elderly at the call center, offer tailored customer services such as adjusting the volume on the microphone or by speaking slowly during the conversation.</li> </ul>

### **3.2 Challenges for the Elderly at the Stage of Sale of New Contracts and Good Practices**

As explained in Chapter 1 of this Report, the proportion of elderly policyholders has been increasing recently due to demographic changes as shown in Figure 6. In fiscal 2012, the Secretariat of Consumers' Opinions at the LIAJ analyzed complaints, opinions and requests from stakeholders based on the progress of ageing society as follows:

- Many comments and requests regarding customer services for the elderly were received during the Interactive Dialogues on Life Insurance.
- The Arbitration Advisory Committee pointed out the issues on solicitation for the elderly in terms of bancassurance.
- The top two complaints received from the elderly by the Life Insurance Consultation Center in the LIAJ are related to troubles during the sale of new contracts.
- The National Consumer Affairs Center of Japan published a report on the troubles regarding solicitation of single premium whole life insurance at bank counters, and pointed out the concerns on insurance solicitation related to bancassurance for the elderly.

The Secretariat of Consumers' Opinions picked up the "Issues on the Elderly (at the stage of sale of new contracts)" as the main subject for discussion in fiscal 2012, and shared good examples of member companies to address those issues in cooperation with the Operation Management Committee of the LIAJ.

#### **(1) Challenges Identified in light of Consumers' Opinions and Characteristics of the Elderly**

With respect to the sale of new insurance contracts to the elderly, the Secretariat of Consumers' Opinions received comments and complaints pointing out that elderly customers do not sufficiently understand their contracts (e.g. in bancassurance, some customers do not recognize the product as a life insurance contract, and the sales agent does not explain the disadvantages and risks of the product they recommend), as well as that products do not meet the customers' needs or intentions. To address these complaints and comments, since some elderly people cannot easily remember, understand and make appropriate decisions due to ageing, clearer explanations are essential for the elderly before concluding a new insurance contract.

Also, as the elderly face changing family situations and living environments (e.g. living alone) as they go through life's stages, it is difficult for insurance companies to deal with elderly people living alone and elderly households who do not have anybody nearby to ask for advice or support.

Moreover, it is essential to enhance customer services tailored to the elderly not only at the stage of policy management of existing customers but also at the stage of sale of new contracts, since the Secretariat of Consumers' Opinions has received complaints and comments that insurance companies do not consider how best to serve the elderly when selling new contracts.



## (2) Good Practices to Address the Challenges at the Stage of Sale of New Contracts to the Elderly

### a. Concept of Categorizing Good Practices of Member Companies

This part outlines good examples of member companies which were collected through a questionnaire survey conducted by the Secretariat of Consumers' Opinions to identify issues concerning the elderly (at the stage of sale of new contracts), and were shared among the member companies.

Taking into account the situations surrounding the elderly as described in "(1) Challenges Identified in light of Consumers' Opinions and the Characteristics of the Elderly" of this section, we categorize these good practices into three types by issue to be addressed: "1. Ensuring sufficient explanation at solicitation", "2. Dealing with elderly people living alone/elderly households" and "3. Customer services tailored to the elderly". Regarding 1, we further divide the contents into three: "Sales approach and procedures", "Follow-up before completing necessary procedures" and "Revision and improvement of solicitation materials".

<b>Issue</b>	<b>Category</b>	<b>Elements (Request and Complaints)</b>
I. Ensuring sufficient explanation at solicitation	• Sales approach and necessary procedures	• Insufficient customer understanding (for example, with bancassurance, customers do not recognize the product as a life insurance contract, and sales agents do not explain the disadvantages and risks of the product they recommend.) • Not meeting customers' needs/intentions
	• Follow-up before completing necessary procedures	
	• Revision and improvement of solicitation materials	
II. Dealing with elderly people living alone/elderly households	• Solicitation to elderly people living alone	• Absence of family members who support the elderly customer (persons who can give advice or support them)
III. Customer services tailored to the elderly	• Guidance and training for solicitors (sales agents)	• Insufficient consideration for the elderly

b. Examples of Good Practices at the Stage of Sale of New Contracts to the Elderly

Regarding good practices by certain distribution channels, we identify the types of channel below.

I. Ensuring Sufficient Explanation at Solicitation

Item	Initiative (■Face-to-Face, ●Non-Face-to-Face)
• Sales approach and necessary procedures	<input type="checkbox"/> If a policyholder is aged 70 or over, conduct interviews several times, and do not accept the application until the day after delivering the "pre-contract documents" (including the Policy Overview and Warning Information) to give the elderly sufficient time to consider whether to apply or not.
	<input type="checkbox"/> A manager of the sales agent also engages in sales procedures from the stage of product design regarding solicitations for the elderly.
• Follow-up before completing necessary procedures	<input type="checkbox"/> A different staff from the sales agent reviews/checks the contents of new insurance policies before the policies enter into effect. Interview a policyholder who is aged 70 or over on another day to check his/her intention.
• Revision and improvement of solicitation materials	<input type="checkbox"/> In addition to the existing "Important Information," prepare and distribute supporting materials describing important matters in an easy way for elderly people to understand. Put a toll-free phone number in the supporting materials for elderly consumers. [insurance agency]
	<input type="checkbox"/> Provide explanatory fliers when a family member or relative accompanies an elderly person at the time of explanation.
	● When sending the policy to a policyholder, attach explanatory sheets for family members, and encourage them to display those sheets at a visible place in their house. [mail-order sales or internet sales]
	<input type="checkbox"/> Create a special plastic folder for storing copies of the application, confirmation sheet and other forms, with "This is a life insurance product underwritten by XXX Life Insurance Company" marked on the cover. [Bancassurance]
	<input type="checkbox"/> Clearly describe the surrender value calculation in the summary of policy provisions, showing the actual possible loss of principal. [Bancassurance]
	<input type="checkbox"/> On the last page of the "Intent/Suitability Confirmation Form," present the "checklist before application," accompanied by a list with a color cartoon warning of possible complaints entitled "Examples of Post-Contract Complaints", to check whether the product really meets their needs.

II. Dealing with elderly people living alone/elderly households

Item	Initiative (■Face-to-Face, ●Non-Face-to-Face)
• Solicitation to elderly people living alone/elderly households	<input type="checkbox"/> Regarding solicitation by a sales agent, a manager accompanies the agent to provide explanations, or calls the policyholder to check whether the policyholder understands the policy provisions and points to consider.
	<input type="checkbox"/> For an elderly customer whose relatives cannot accompany him/her at the time of application, an expert staff designated by the company accompanies the customer to check their understanding, intention, and condition.

### III. Customer Services Tailored to the Elderly

Item	Initiative (■Face-to-Face, ●Non-Face-to-Face)
<ul style="list-style-type: none"> <li>• Guidance and training for solicitors (sales agents)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Prepare a booklet outlining the "standard treatment of new business," including a section on "how to accommodate the needs of elderly consumers", presenting actual examples of complaints, explanations and ideal behavior.</li> </ul>
	<ul style="list-style-type: none"> <li><input type="checkbox"/> Encourage banks to hold study sessions at the branch level and personal lectures for bank employees, using training materials developed for agencies including topics on communication gaps. [Bancassurance]</li> </ul>
	<ul style="list-style-type: none"> <li><input type="checkbox"/> Identify measures taken by a bank as an insurance agency to ensure careful service for the elderly during a bank audit, and provide feedback to the bank. [Bancassurance]</li> </ul>

## **Conclusions for Better Serving the Elderly**

We have explained the issues concerning services for the elderly and good practices of member companies, both at the stage of policy management/payment management and at the stage of sale of new contracts, while introducing the past actions of the LIAJ for serving elderly customers and the opinions and requests from external stakeholders regarding such issues.

First of all, life insurance companies must make ongoing efforts to enhance their services for the elderly by sharing and utilizing the good practices of member companies to address issues regarding "secure and prompt procedures" and "prevention of procedural risks" at the stage of policy management/payment management, and issues regarding "ensuring sufficient explanation at solicitation" and "dealing with elderly people living alone/elderly households", as well as issues regarding "customer services tailored to the elderly" at both stages.

In addition, it is necessary to develop and improve systems to enhance services for the elderly by cooperating with the public sector as society ages, in order to enable the elderly to use life insurance services without anxiety.

### (1) Information-sharing/Utilization of Good Practices

The life insurance industry needs to enhance its services for elderly customers by sharing and utilizing the good practices of the LIAJ's member companies in order to provide adequate services for customers amid the super-aged society.

The challenges and good practices of each member company discussed in Chapter 3, particularly items common to both "face-to-face" channels and "non-face-to-face" channels, will help member companies when considering initiatives for services for the elderly in line with their policies regarding management and services.

For life insurance companies, secure and prompt payment of insurance claims and benefits is their primary business. Accordingly, life insurance companies should enhance services for the elderly, especially at the stage of policy management, by incorporating the good practices of member companies outlined in this report into their business practices through sharing and utilizing issues that have been addressed and good practices related to services for the elderly, thus enhancing the social role of the life insurance business.

Also, we believe that life insurance companies should continue efforts to enhance their services for the elderly based on the discussions in this report, thus enabling the life insurance industry to accumulate experience and pursue new good practices in the future.

## (2) Expectations for Enhancing the Convenience of Related Systems

### a. Utilization of the Social Security and Tax Number System in the Private Sector

In addition to efforts by life insurance companies, support from the government (e.g. the establishment of new systems and operation of related systems) is also essential to enhance our services for the elderly.

The LIAJ published the report "Utilization and application of information and communication technology (ICT) through the social security and taxation number system in life insurance business" in June 2011, and requested that the private sector be allowed to use the social security and tax number system.

Currently, there are various public numbering systems such as the basic pension number which is necessary to receive public pension benefits, and the resident register code number, but those are managed separately. A new identification numbering system would enable administrative bodies, both the national government and local governments, to track each person's payments of income tax and public pension premiums as well as their benefits received from public services, thus preventing failure to pay social security benefits and collect taxes. Such a system would also simplify administrative procedures for the public.

If the life insurance companies could use even part of the network system under this new identification numbering system with the consent of their customers, which contains attribute information on them, the life insurance companies would be able to promptly notify beneficiaries of insurance claim procedures upon confirming the death of insured customers through crosschecking with administrative information, such as when the insured deceased person was an elderly person living alone. Furthermore, even when both the policyholder and original beneficiaries die, life insurance companies could promptly notify other possible claimants of necessary procedures to change the policyholder and beneficiaries by checking the administrative information and obtaining information about those possible claimants and their addresses.

In addition, the annuitants of whole life annuity contracts are currently required to submit a report on their current status with the mayor's seal after the guarantee period under current practice. By allowing the private sector to use the identification numbering system, it would reduce the burden on customers in completing necessary procedures, including visiting government offices and sending documents to the insurance company.

As noted above, the identification numbering system would enable insurance companies to proceed with important procedures promptly without fail, thus increasing convenience for their customers. Therefore, we sincerely hope that the private sector will be allowed to use this system to improve customer services for the elderly.

### Simplification of Application Procedures for a Copy of Residence Registers

With the coming super-aged society, the number of cases where elderly customers struggle to submit a copy of their residence registers promptly for insurance-related procedures due to their physical condition is likely to increase. After the Great East Japan Earthquake, the life insurance companies asked local government offices to disclose residence registers to them on behalf of their customers who faced various difficulties, and the request was accepted. As a result, the industry was able to successfully make appropriate insurance payouts. The LIAJ believes that such measures could be broadened to various other services of life insurance companies taking into account the characteristics of elderly customers. Therefore, the LIAJ requests that the procedure of applying for a copy of residence certificates be simplified, before allowing the social security and tax number system to be used by the private sector.

In particular, currently, if a life insurance company does not have the latest address of a customer and fails to send important notifications to the person, the company is allowed to request the local government to issue a copy of the residence register in order to fulfill the obligation under the insurance contract. However, there is no single common standard among local governments with respect to the documents necessary for the application.

Accordingly, the LIAJ urges local governments to standardize and clarify their administrative procedures in order to speed up the procedure of applying for a copy of residence registers by life insurance companies, especially as the number of insurance claims and the number of insurance contracts reaching maturity are increasing. In our view, this would enable local government offices and life insurers to streamline their administrative procedures. For example, life insurers could send important notifications to customers in a timely manner, which would reduce the time and burden of negotiations between local government offices and life insurance companies.

### b. Promotion of Adult Guardianship System

Due to the nature of life insurance contracts, there are many stakeholders who could be possible claimants, including not only policyholders but also the insured and beneficiaries, such as when a policyholder changes the name of the insurance contract, when an insured claims living benefits, and when a beneficiary claims death benefits.

In order to facilitate prompt insurance procedures without fail, life insurance companies are promoting the use of the third-party claim scheme for cases where the claimant does not have the mental or physical capacity to complete various procedures for the insurance contract, such as signing or going out.

However, the scope of the third-party claim scheme is currently limited to the insurance claims of insurance contracts whose insured is named as the beneficiary. Therefore, in the case of

procedures which a policyholder or beneficiaries need to complete or in the case where there is no agent or proxy of the claimant (e.g. the insured), life insurance companies often inform the customers of the adult guardianship system at the outset.

Given the increase in the number of elderly people with dementia or living alone, the number of cases where the claimant has reduced mental or physical capacity or where there is no agent or proxy of the claimant is expected to increase. The LIAJ wishes to encourage the use of the adult guardianship scheme, including by simplifying application procedures and other improvements, in order to ensure the legal stability of insurance procedures.

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