

Preliminary Findings on Challenges Stemming from Dementia

November 2020



The Life Insurance
Association of Japan

Executive Summary

- ◆ Japan is progressing as a super-ageing society, which has led to a continuous increase in the number of people with dementia.
- ◆ Life insurance is characterised by the involvement of many parties. In order to avoid unnecessary conflicts/disputes among family members, only the policyholder has the right to perform claim procedures. In cases where the policyholder develops dementia, such a strict control sometimes causes inconvenience to the relevant policyholders as well as those who support the dementia patients.
- ◆ The LIAJ will present solutions to address these challenges, which would include:
 - Building a life insurance policy inquiry system which enables relevant people to access the details of life insurance policies when a policyholder/insured gets dementia (*);
 - Publishing a booklet for consumers to present the ways to address the issues caused by dementia; and
 - Sharing Japanese life insurers' various initiatives to utilise digital technology.

(*) The Adult Guardianship System established by the Government allows a selected individual to perform tasks related to property management on behalf of the person requiring assistance.

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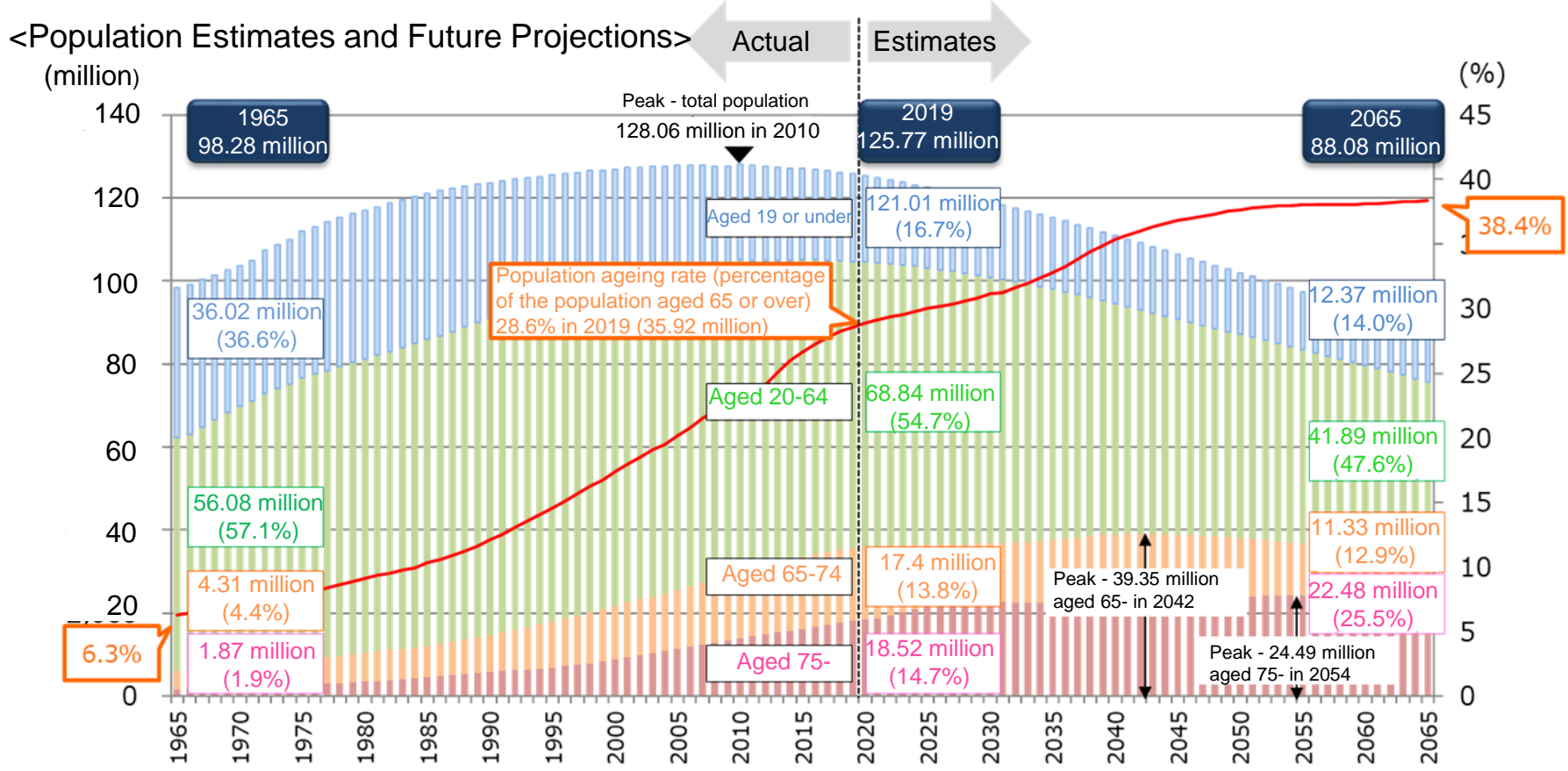
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1. Recognition of the Surrounding Environment (1) Progression of the Super-Ageing Society

- Japan's elderly population (those aged 65 and over) was around 35.89 million as of October 2019, making up around 28% of the entire population. The super-ageing society expects to expand even further.
- The population aged 75 and over continues to rise, and is already greater than the number of people between the ages of 65 and 74. By 2065, 1 out of every 3.9 citizens is expected to be 75 years old or over.

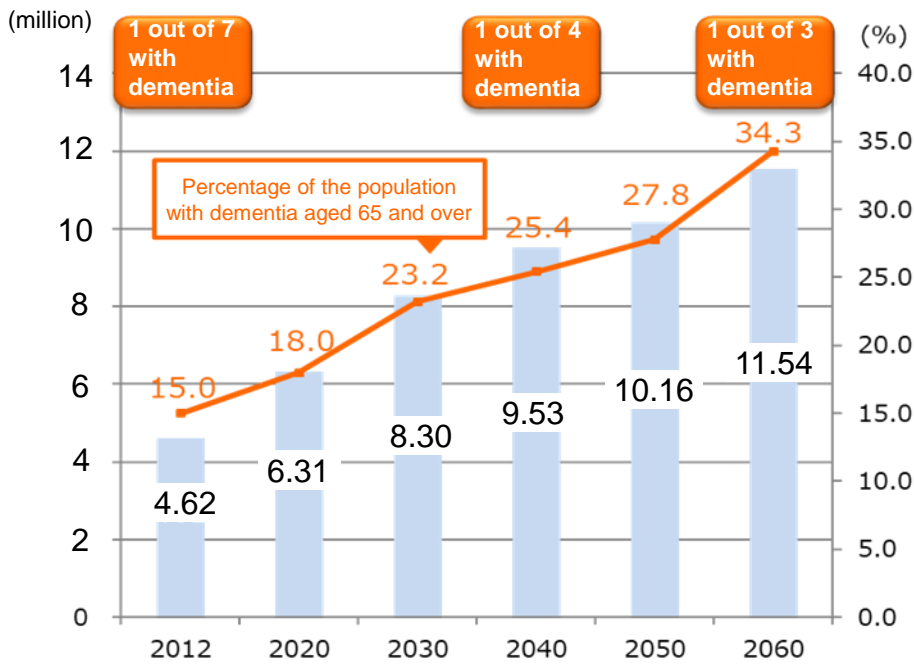


(Source) Prepared by the LIAJ based on the "Population Estimates" by the Ministry of Internal Affairs and Communications, and the results of the medium variant projection of the "Population Projections for Japan (2017)" by the National Institute of Population and Social Security Research

1. Recognition of the Surrounding Environment (2) The Increasing Number of Elderly People with Dementia

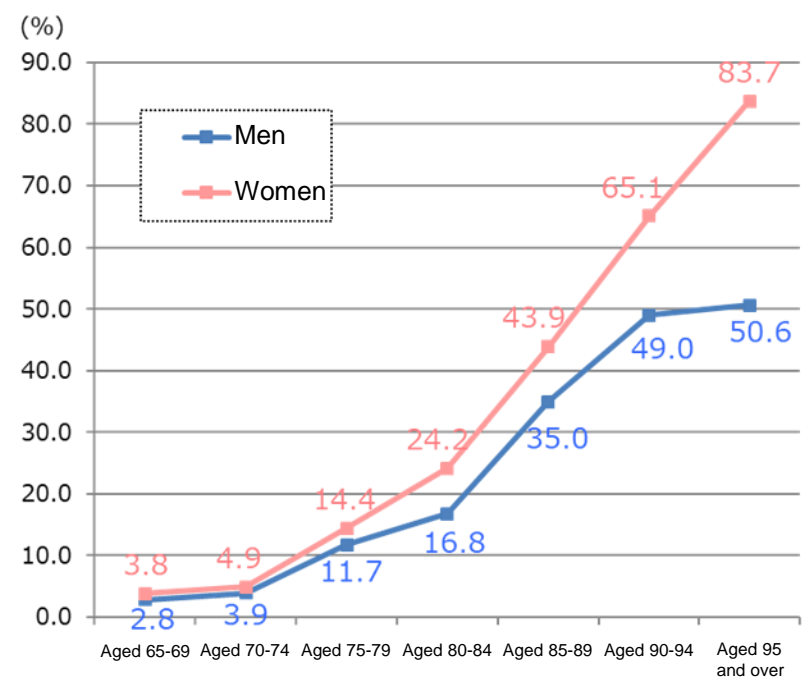
○ The number of people with dementia continues to rise in line with progression of the super-ageing society. In particular, the prevalence of dementia rises rapidly after the age of 75.

<Future Projection of Elderly People with Dementia>



(Source) Prepared by the LIAJ based on the preliminary results from “Research on the Future Estimation of the Elderly Population with Dementia in Japan” (Special Research Project for the MHLW Health and Labour Sciences Research Grants of FY2014 by Professor Ninomiya of Kyushu University) and projected number of people/(rate) with dementia on the assumption that the prevalence of dementia for each age group increases

<Prevalence of Dementia by Age Group>



(Source) Prepared by the LIAJ based on the FY2011 summary/shared research report “Incidence Rate of Dementia in the Urban Area, and Response to Living Functional Disability Caused by Dementia” of the Comprehensive Research Project on Measures against Dementia for the MHLW Health and Labour Sciences Research Grants (Takashi Asada et al.)

1. Recognition of the Surrounding Environment (2) The Increasing Number of Elderly People with Dementia

- The government proposed a basic concept and specific measures regarding dementia with the formulation of the Framework for Promoting Dementia Care.
- The FSA has considered ways to support customers suffering from deteriorating cognitive abilities. Challenges stemming from dementia have become widely recognised and interest by society has grown.

<Overview of the Framework for Promoting Dementia Care> (Formulated in June 2019)

		Details
Fundamental Concept		Aiming for a society in which the onset of dementia can be delayed and people can live everyday life with hope after developing dementia, and promote measures with inclusion and risk reduction.
Specific Measures	1. Promoting public awareness and efforts supporting people with dementia by widely sharing their stories and opinions with the public	- Promote dementia supporter training among companies and occupational fields and help spread the word of hope for living with dementia, etc.
	2. Risk reduction	- Increase social locations which are easily accessible by the elderly, etc. - Gather and disseminate evidence regarding risk reduction, etc.
	3. Medical / care / nursing care services / support for caregivers	- Improve environment for enabling early detection / early response and strengthen cooperative ties. - Promote family support gatherings and peer support activities among families, etc.
	4. Promote a barrier-free environment for dementia / support individuals with early-onset dementia / support social interaction	- Create an environment for daily life which is easy to use for individuals with dementia. - Promote various private insurance options related to dementia. - Promote the use of the adult guardianship system, etc.
	5. Promoting research and development conducted by industry and disseminating their results internationally	- Establish cohorts for swift response to clinical drug trials, etc.

<Overview of the FSA’s “Report by the Working Group on Financial Markets - Toward Progress in Customer-Oriented Business Conduct”> (Released in August 2020)

- Ideal way to conduct financial services in a super-ageing society**
- Response to customers whose mental capacity have declined.
 - Research ways to tailor services based on given circumstances and determine the mental capacity of individuals using digital technology
 - Consider incorporating a system allowing persons other than the individuals themselves to make inquiries regarding financial transactions

[Reference] The Adult Guardianship System

- The government established a Master Plan for Promoting the Use of the Adult Guardianship System for legally supporting people who have lost sufficient mental capacity.

<Outline of the Adult Guardianship System>

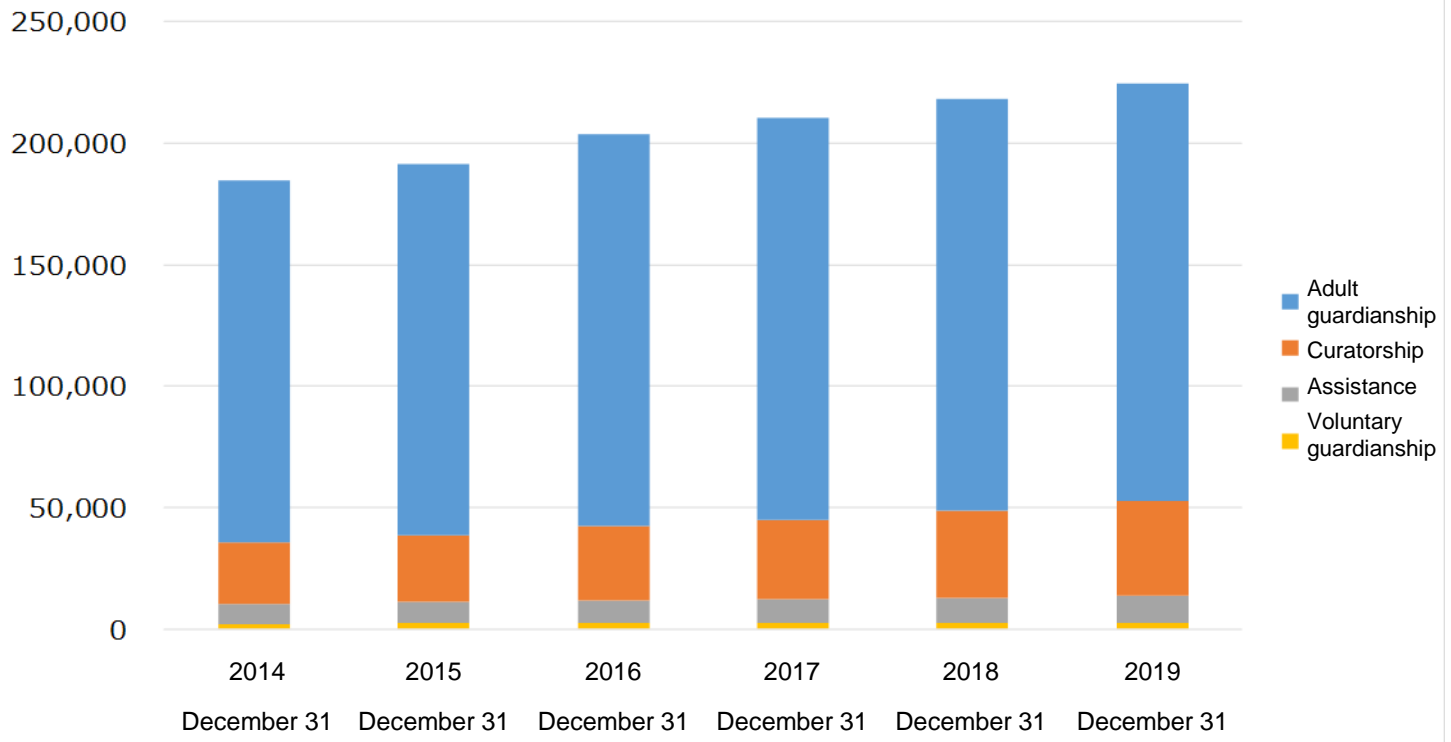
Outline of the systems	
Legal guardianship system	A system whereby an adult guardian, etc. (adult guardian, curator, assistant) is selected by a family court to legally support an individual after that person loses the ability to make proper judgements and decisions
Voluntary guardianship system	A system in which an individual determines beforehand, while still possessing sufficient mental capacity, a person to act as his or her voluntary guardian and the details of duties to be entrusted to that guardian in the future (tasks related to one's living, property management, etc.)

<Master Plan for Promoting the Use of the Adult Guardianship System> (Established in March 2017)

- Overview of the master plan**
- (1) Improvement of systems and their implementation so that users can fully appreciate beneficial results
 - > Prioritising not only property management but also decision-making support and personal custody
 - > Medical certificates in which diagnosis details based on the living conditions of the individual can be written
 - (2) Creation of a network for regional cooperation related to support for rights advocacy
 - > Establishment of functions including (i) publicity for the systems (ii) consultation toward use of the systems (iii) promoting utilisation of the systems (matching) (iv) supporting guardians
 - (3) Balance between prevention of fraudulent use and ease of use
 - > Consider new measures that provide an alternative to or supplement for legal guardianship support trusts

[Reference] The Adult Guardianship System

<Trend in the number of users of the adult guardianship system>

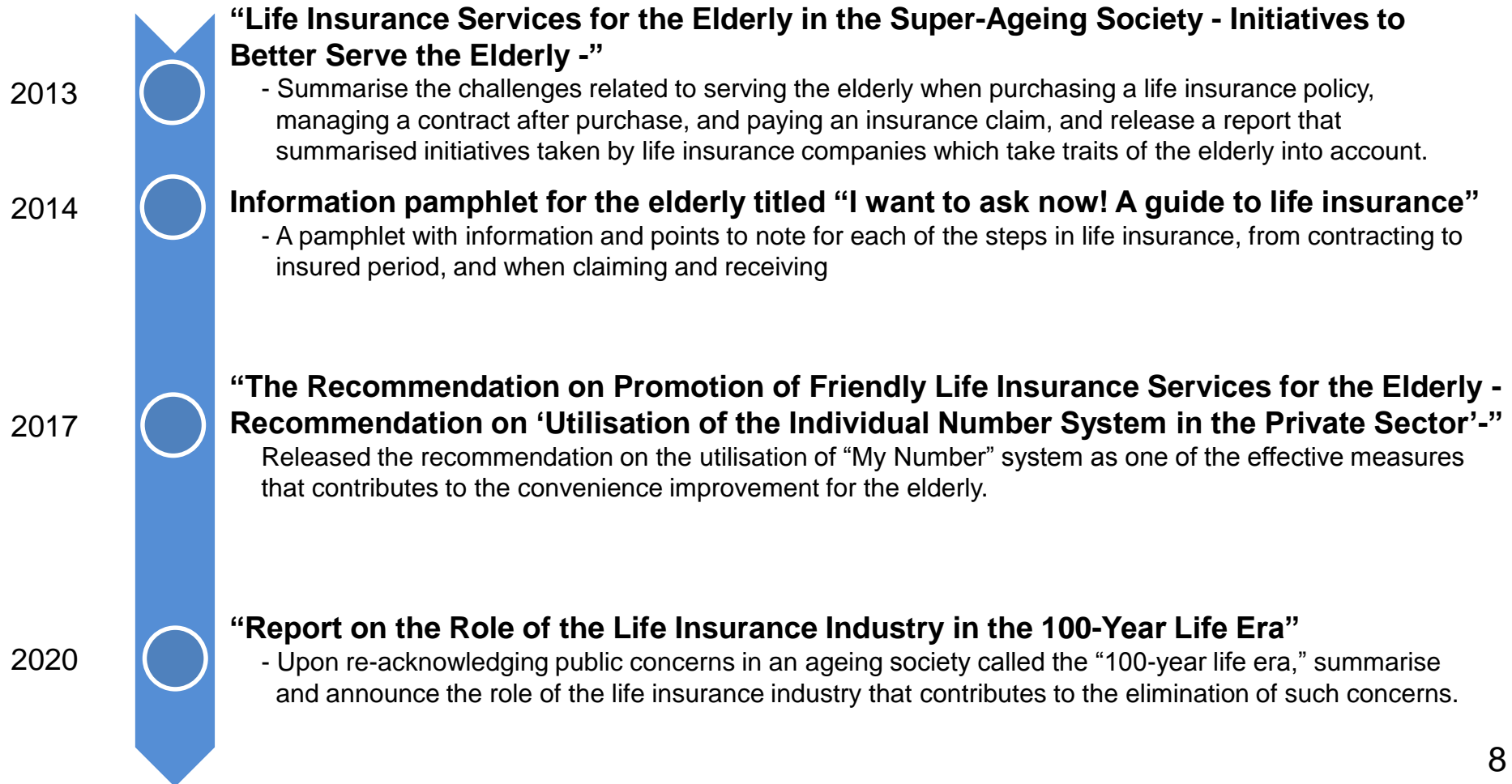


		December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Legal guardianship	Adult guardianship	149,021	152,681	161,307	165,211	169,583	171,858
	Curatorship	25,189	27,655	30,549	32,970	35,884	38,949
	Assistance	8,341	8,754	9,234	9,593	10,064	10,983
Voluntary guardianship		2,119	2,245	2,461	2,516	2,611	2,652
Total		184,670	191,335	203,551	210,290	218,142	224,442

(Source) Compiled by the LIAJ based on the report by the MHLW on the status of implementing measures for promoting the use of the adult guardianship system (June 2020)

2. Past Measures of the Life Insurance Industry in Dealing with the Super-Ageing Society (1) Initiatives for the Elderly

- The LIAJ has chosen serving the elderly as one of the priority action items for realising SDGs and has taken other initiatives that are related to serving the super-ageing society.
- It has explored the best way to provide life insurance services in the super-ageing society and has released reports, recommendations and pamphlets with information for the elderly.



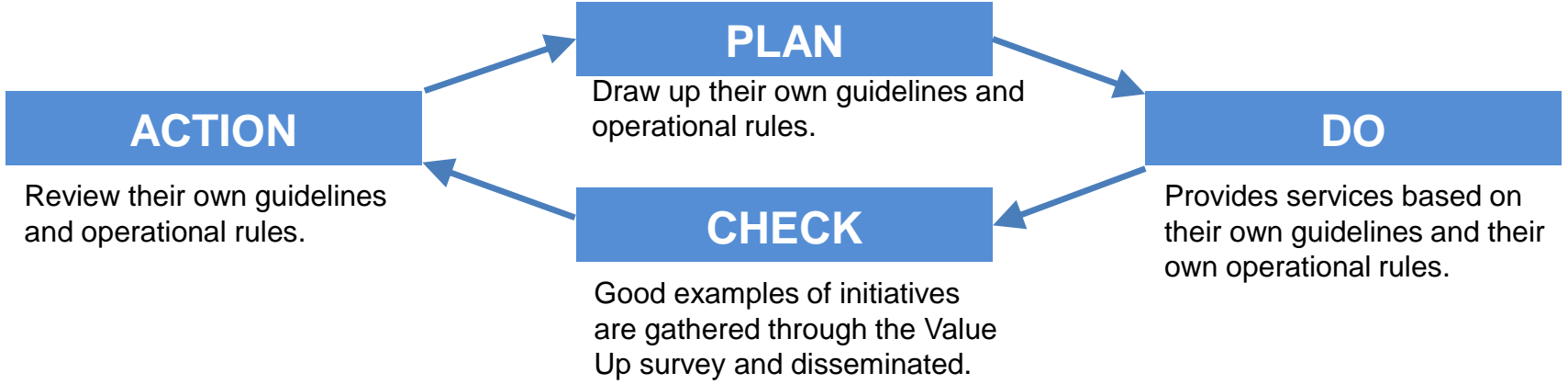
2. Past Measures of the Life Insurance Industry in Dealing with the Super-Ageing Society (1) Initiatives for the Elderly

- Life insurance companies have drawn up their own guidelines covering the basic concepts and points to note to provide appropriate and easy-to-understand support for the elderly.
- We support the PCDA efforts of life insurers by sharing their useful initiatives based on our annual surveys.

<Guidelines for providing life insurance services to the elderly>

- Summarised points and perspectives for enhancing services so that life insurance companies can properly respond when an elderly customer purchases an insurance policy, makes a contract renewal, and when going through or requiring such procedures.

<Survey regarding initiatives by life insurance companies carried out in line with their own guidelines (Value Up survey)>



2. Past Measures of the Life Insurance Industry in Dealing with the Super-Ageing Society (1) Initiatives for the Elderly

- Life insurance companies have been promoting various efforts for supporting the elderly.
- Life insurance companies provide appropriate and sufficient explanation when signing up a customer, with methods such as requiring attendance by a family member. As support for contract renewal and before/during insurance procedures, and appropriate encouragement of insurance claims is carried out.

*The following is a few examples of the various initiatives

Starting the
contract

Attendance by family members

- Ask family members to confirm the policyholder's understanding level.

Set multiple opportunities to meet for insurance sales

- Ensuring understanding of contract content, such as having a meeting twice, is made mandatory.

Confirm that products offered contain terms in line with the customer's intent

Contract
renewal

Notification of contract content

- Send out a "Notification of Contract Terms" once a year.

Prevent procedural risks and other risks in advance

- Register contact information for family members of the policyholder.

Before insurance
procedures
During procedures

Follow up on the status of the policyholder and encourage insurance claims

- Regularly check the current situation and whether the policyholder has any insurance claims

Improve ease of procedures

- Allow family members to sign documents on behalf of elderly policyholders under certain conditions.

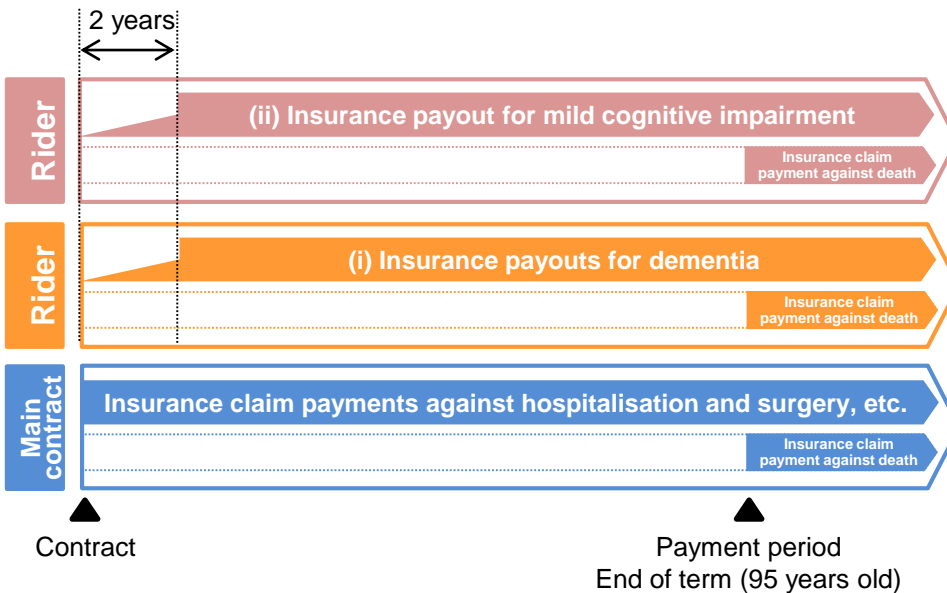
Establish methods for procedures to be made by agents etc.

- Designation of designated proxy applicants, etc.

2. Past Measures of the Life Insurance Industry in Dealing with the Super-Ageing Society (2) Initiatives Related to Dementia

- Life insurance companies provide products that cover dementia and mild cognitive impairment (MCI).
- There is a trend for increasing the variety of services in relation to dementia, such as support for prevention of dementia as well as for families when the policyholder develops dementia.

<Overview of dementia insurance products (examples)>



- (i) Coverage for dementia, an affliction challenging today's society
 - (ii) Payment of a minimal amount <up to 10% of the amount in (i)> for the mild cognitive impairment (MCI) stage
- > Promote early detection and prevent worsening of the condition by offering payment at the MCI level

<Various services in relation to dementia (examples)>

(a) Services for the prevention of dementia

- **Provide an app for risk reduction of dementia and to check cognitive function**
 - Supporting creating opportunities for early medical examination
- **Screening test for MCI**
 - An advanced medical test for determining the risk of MCI from a person's blood

(b) Services for families when policyholders become afflicted with dementia

- **Home visits on behalf of the family**
- **Adult guardianship system support**
 - Handling of referral of judicial scriveners capable of providing support in legal procedures

(c) Other services

- **Assistance in obtaining medical certificates**
- **Set up a consultation hotline for dementia**
- **Introduce nursing-related services**

3. Challenges Stemming from Dementia in the Life Insurance Industry

- Policyholders who become afflicted with dementia are difficult to carry out the procedures. Given that their family typically support them in such situations, our analysis focuses on requests filed by their family to life insurance companies.
- The LIAJ assumes an increase in the number of cases where the policyholder and his/her family cannot determine whether a life insurance policy exists (request (i) below). Measures for this situation are under consideration.

(i) It is unknown whether the family member who has developed dementia is covered by life insurance

- To check what other issues exist, a survey was conducted by member companies to understand the concerns that customers expressed in relation to dementia. As a result, we learned that the requests below were frequently received from families of policyholders who were afflicted with dementia.

(ii) Do not know the terms of the life insurance policy held by the family member who has developed dementia

(iii) Want to take over the procedures on behalf of the family member who has developed dementia (such as for insurance claims and changes in name, etc.)

*In the future, issues may be added in line with deliberations by the LIAJ and changes in the external environment.

3. Challenges Stemming from Dementia in the Life Insurance Industry(1)

<Request from a Family Member>

I do not know whether the individual who has become afflicted with dementia is covered by life insurance

E.g.) A case where a family member of an individual who has become afflicted with dementia contacts the LIAJ to inquire whether that individual has a life insurance policy.

<Current practice of the life insurance industry>

- Life insurance companies are working to make regular visits to customers to confirm the existence of contracts and their terms.
- The LIAJ, since the Great East Japan Earthquake, has established the Center for Searching for Life Insurance Contracts in Disaster Areas, and responses can be made to inquiries by family members and bereaved families, in an area applicable under the Disaster Relief Act, about whether a life insurance policy exists for an individual who has become deceased or is missing.

<Challenges>

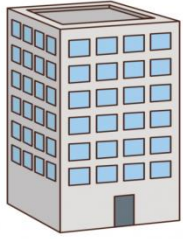
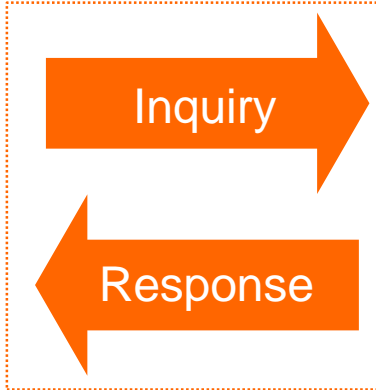
- Assuming that the number of cases of inquiries similar to the above will rise due to an increasing number of persons with dementia, **it is necessary for the LIAJ's system for searching for life insurance contracts to become available during non-disaster times to be able to check the existence of life insurance contracts when a policyholder/insured person becomes deceased or suffers a decline in the cognitive ability to make judgements** (already under consideration, information on the next page).

3. Challenges Stemming from Dementia in the Life Insurance Industry(1)

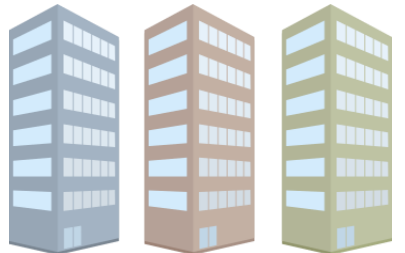
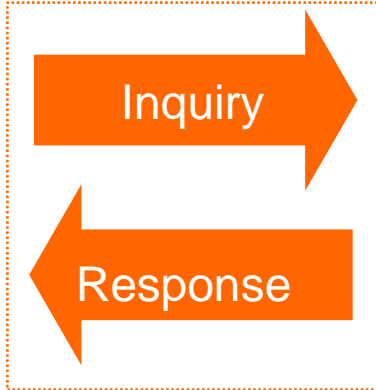
<Outline of the new system>



Inquirer
(Do not know whether family member is insured)



LIAJ



LIAJ members
(total of 42 companies)

	New system (Non-disaster times)	Current system (Center for Searching for Life Insurance Contracts in Disaster Areas)
Facility to check the existence of life insurance contracts	If the policyholder/insured is deceased or <u>The mental capacity of the policyholder/insured person has deteriorated.</u>	A policyholder/insured has become deceased or is missing in an area applicable under the Disaster Relief Act, and contracts cannot be looked for with homes washed away or burned.

Family members can make inquiries about insurance contracts even during non-disaster times, including when the policyholder's cognitive function has declined.

3. Challenges Stemming from Dementia in the Life Insurance Industry(2)

<Request from a Family Member>

Do not know the details of the life insurance policy held by the individual with dementia

E.g.) A case where a family member learns of an insurance policy for the first time after the policyholder becomes afflicted with dementia and contacts the life insurance company to inquire about the terms of the contract.



<Current practice of life insurance companies>

- Only the policyholder can receive a response for inquiry regarding the terms of a contract (an inquiry from the insured or beneficiary can be answered within a certain range).
- An inquiry from an adult guardian (voluntary guardian) can also be responded to.



<Challenges>

- Consent of the policyholder is required to respond to insurance policy inquiry. However, if the policyholder becomes afflicted with dementia, insufficient cognitive abilities may make it impossible to gain that consent, which will make responding smoothly to inquiries from family members who are not the insured, beneficiaries, adult guardians, etc. difficult.

3. Challenges Stemming from Dementia in the Life Insurance Industry(3)

<Request from a Family Member>

I want to settle procedures on behalf of the family member afflicted with dementia

E.g.) A case where a family member requests to make an insurance claim, or to change the beneficiary of the insurance payouts after the policyholder becomes afflicted with dementia (there are also requests for cancellation or to change a bank account).

<Current practice of life insurance companies>

- It is possible for family members to make claims for insurance payouts by using third-party claim riders and the designated third-party claim scheme.
- The consent of all heirs presumptive(*) will have to be obtained for change to the beneficiary of insurance payouts to be performed by anyone other than the policyholder (rigorous confirmation is required). Adult guardians (voluntary guardians) can complete procedures on behalf of a policyholder.

(*) If an inheritance were to occur now, the heirs in that instance

<Challenges>

- Changes to the beneficiary require consent by the policyholder. However, if the policyholder develops dementia and is unable to provide consent due to reduced mental capacity, procedures by family members who are not an adult guardian (voluntary guardian) become complicated.