

**Responding to a Super-Ageing Society:  
Meeting the Challenges Stemming from Dementia**

April 2021

# Responding to a Super-Ageing Society: Meeting the Challenges Stemming from Dementia

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#### **About The Life Insurance Association of Japan (LIAJ):**

The Life Insurance Association of Japan is an incorporated association to which all life insurers who engage in the life insurance business in Japan belong. It operates to contribute to the improvement of people's lives, seeking for the sound development of the life insurance business and the maintenance of its reliability.

## Introduction

The life insurance industry has long focused on making reliable and prompt claims payments to provide security to policyholders. Thus, life insurers make contact with individual customers to check whether any insured event has occurred, and encourage them to make claims in relevant cases.

Now that Japan has reached the era of a super-ageing society, a large number of elderly people are given opportunities to buy life insurance or review their existing coverage. Under these circumstances, we are aware that our existing efforts must be supported by measures to ensure new or continuing life insurance coverage for the elderly. In recognition of this necessity, the life insurance industry has been promoting a wide range of initiatives such as encouraging the attendance of family members upon contract signing, followed by regular visits to explain the policy terms, in view of the declining mental and physical capacities that may accompany ageing.

With the progression of the super-ageing society, how to address dementia has become a serious social issue in recent years. Accordingly, each life insurer is doing its best to offer insurance products that cover dementia and ancillary services to prevent the disease.

Nevertheless, we believe the life insurance industry's efforts to address dementia still have room for improvement. We therefore examined the challenges stemming from dementia in the life insurance industry and considered possible ways to resolve those challenges. This proposal also presents recommendations for policyholders and their family members to prepare for dementia and for measures expected to be taken by the government.

April 2021  
The Life Insurance Association of Japan

# Chapter 1: Situational Analysis of the Super-Ageing Society

The rising elderly population in Japan is leading toward a hyper-ageing society in the foreseeable future. The progression of the super-ageing society has also been accompanied by an increase in the number of people with dementia, prompting a range of social measures to address related issues in recent years.

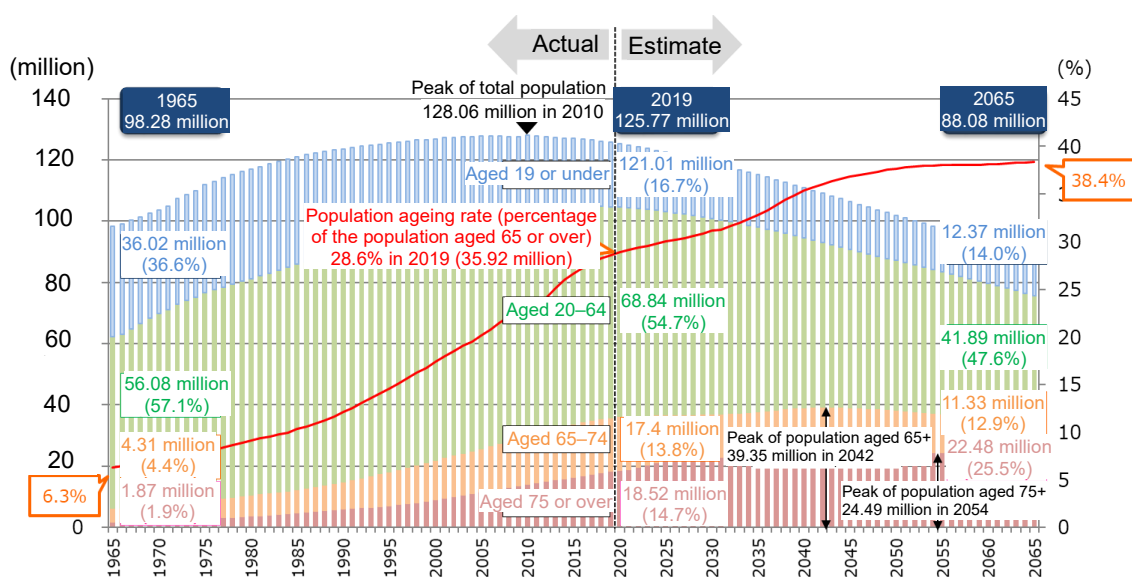
This chapter examines the following issues: progression of the super-ageing society; increasing number of people with dementia; and public initiatives on dementia.

## 1. Progression of the super-ageing society

Japan's elderly population (those aged 65 and over) was around 35.92 million as of 2019. The elderly population has been rising, and is expected to increase further in the years ahead. The Japanese government estimates that the population ageing rate (share of those aged 65 and over in the total population) stood at 28.6% in 2019, and is expected to reach 32.8% in 2035 and 38.4% in 2065, which means that one in about 2.5 persons in Japan will be aged 65 or over.

The population aged 75 and over has also continued to rise, and was already greater than the number of people aged 65–74 as of 2017. By 2065, one out of every 3.9 citizens is expected to be 75 years or older (see Chart 1).

**Chart 1: Trend of elderly population and future projections**

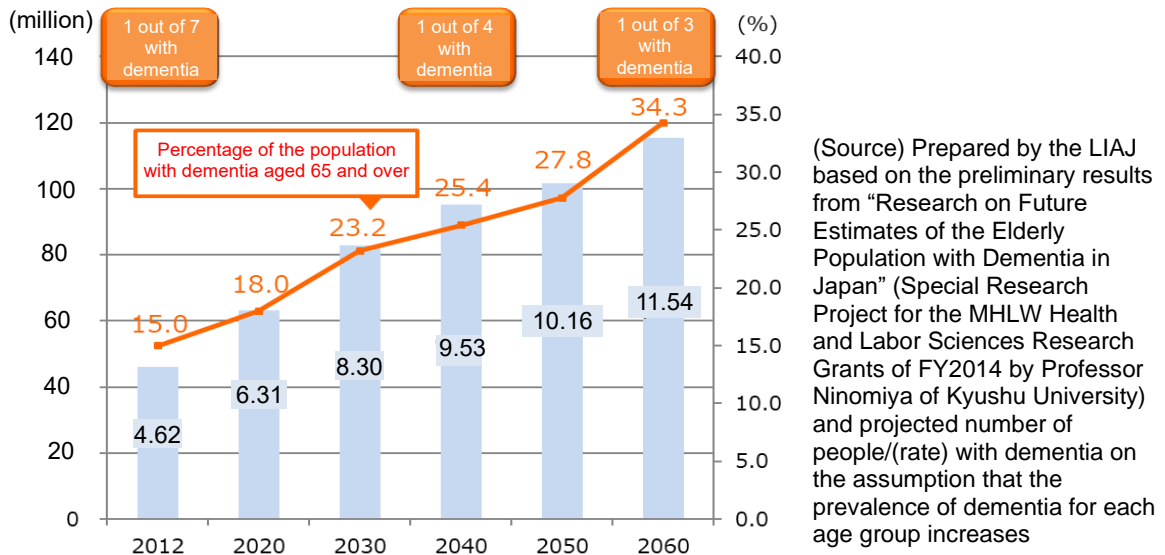


(Source) Prepared by the LIAJ based on "Population Estimates" by the Ministry of Internal Affairs and Communications, and the results of the medium variant projection of "Population Projections for Japan (2017)" by the National Institute of Population and Social Security Research

## 2. Increasing number of people with dementia

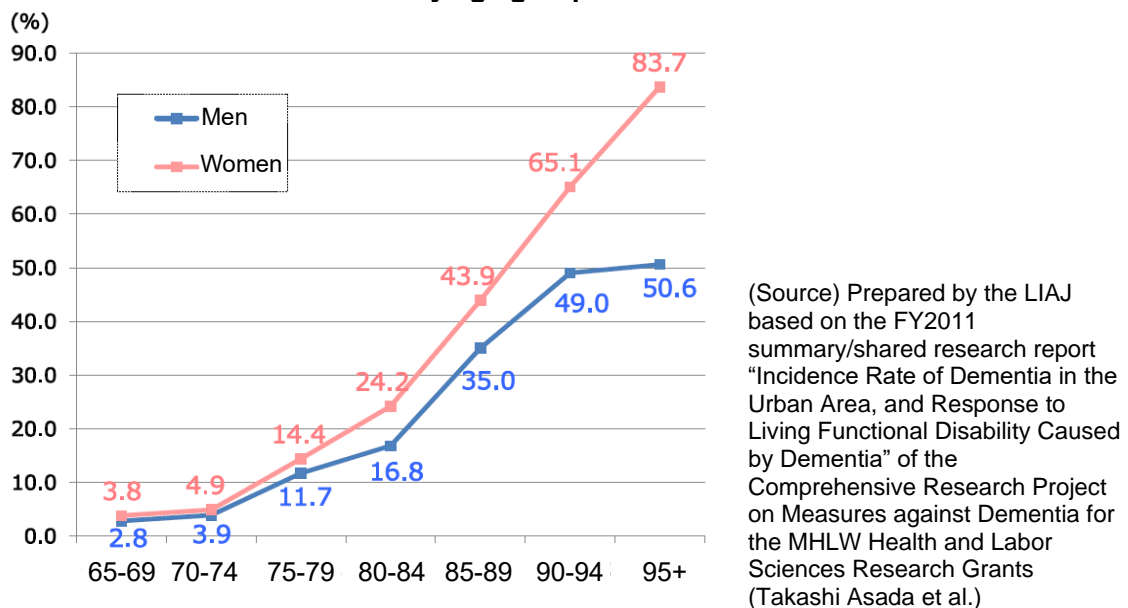
The number of people with dementia continues to increase in line with the progression of the super-ageing society. According to an estimate, 4.62 million people aged 65 or over had dementia in 2012, with a prevalence rate of 15.0% (about one in seven), but this ratio will increase to 29.9% (about one in five) in 2025 and 34.3% (about one in three) in 2060 (see Chart 2).

**Chart 2: Estimated cases and prevalence of dementia among people aged 65 or over**



Data also indicate a sharply rising prevalence of dementia in the 75+ age groups: 11.7% among men and 14.4% among women aged 75–79, 16.8% among men and 24.2% among women aged 80–84, and 35.0% among men and 43.9% among women aged 85–89 (see Chart 3).

**Chart 3: Prevalence of dementia by age group**



### 3. Public initiatives on dementia

As seen, the government and other public agencies have taken various initiatives to address social issues related to dementia in recent years, in view of the increasing number of people with dementia.

The government has drawn up the Framework for Promoting Dementia Care following discussions at the Ministerial Meeting on the Promotion of Dementia Care. Also, the Japan Public-Private Council on Dementia, established as a key driver in the government sector, has been considering specific measures to build a barrier-free society for people with dementia. How to provide financial services for customers with limited cognitive or mental capacity has also been considered by the Working Group on Financial Markets of the Financial System Council, Financial Services Agency in its reports.

#### Framework for Promoting Dementia Care

In January 2015, the government adopted the Comprehensive Strategy to Accelerate Dementia Countermeasures (New Orange Plan). This was followed by the formation of the Ministerial Meeting on the Promotion of Dementia Care in December 2018 to promote comprehensive measures to address challenges pertaining to dementia with a whole-of-government approach, in close coordination with relevant government agencies. Discussions at this Ministerial Meeting, as well as the Expert Advisory Panel and the Executive Committee, culminated in the Framework for Promoting Dementia Care, which was adopted in June 2019 to present basic ideas and concrete measures for addressing dementia issues (see Chart 4).

The Framework is intended to ensure steady implementation of measures for proactive, international communication of the national model to address the fastest-progressing population ageing in the world, and for the realisation of a society in which people with dementia can live their own lives in quality local community settings whenever possible.

**Chart 4: Overview of the Framework for Promoting Dementia Care**

		Details
<b>Fundamental concept</b>		Promote measures with the two objectives of inclusion and risk reduction with due consideration to the views of people with dementia and their family members, aiming for a society in which the onset of dementia can be delayed and people can live everyday life with hope after developing dementia.
<b>Specific measures</b>	<b>1. Promoting public awareness and efforts to support people with dementia by widely sharing their stories and opinions with the public</b>	<ul style="list-style-type: none"> <li>Promote dementia supporter training among companies and occupational fields.</li> <li>Help spread messages of hope for living with dementia, etc.</li> </ul>
	<b>2. Risk reduction</b>	<ul style="list-style-type: none"> <li>Increase social locations which are easily accessible to the elderly, etc.</li> <li>Gather and disseminate evidence regarding risk reduction, etc.</li> </ul>
	<b>3. Medical, health and nursing care services and support for caregivers</b>	<ul style="list-style-type: none"> <li>Improve the quality of existing systems, and enhance coordination for early detection and early response.</li> <li>Develop infrastructure, and recruit human resources for nursing care services, etc.</li> </ul>
	<b>4. Promote a barrier-</b>	<ul style="list-style-type: none"> <li>Develop a living environment accessible to individuals</li> </ul>

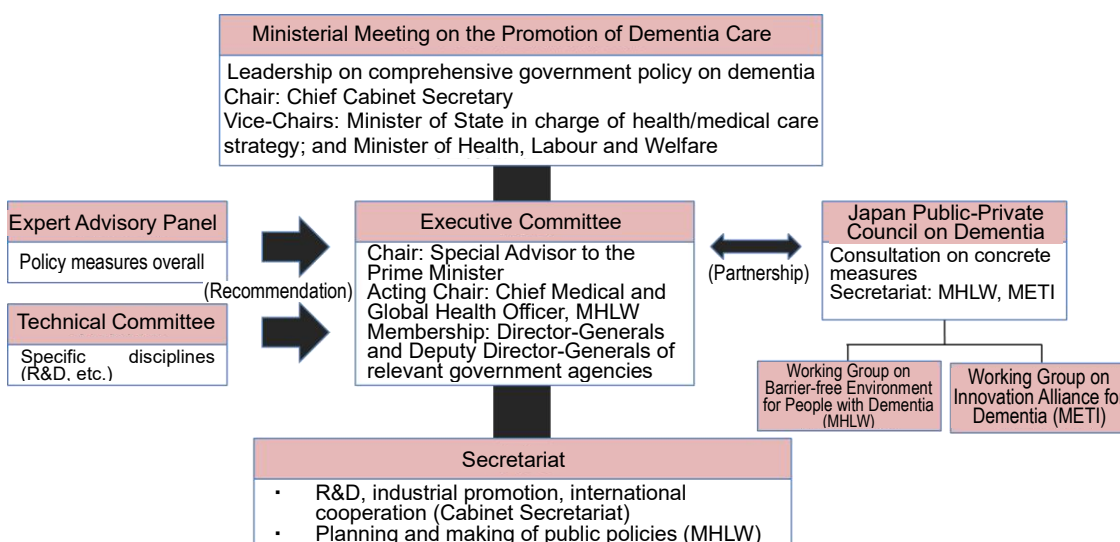
<b>free environment for dementia, support for individuals with early-onset dementia, and support for social interaction</b>	<ul style="list-style-type: none"> <li>with dementia.</li> <li>Promote various private insurance options related to dementia.</li> <li>Promote the use of the adult guardianship system.</li> <li>Support individuals with early-onset dementia.</li> <li>Promote social inclusion and contribution activities.</li> </ul>
<b>5. R&amp;D, industrial promotion and international implementation</b>	<ul style="list-style-type: none"> <li>Research on dementia prevention, diagnosis, treatment and care, etc.</li> </ul>

(Source) Prepared by the LIAJ based on the Ministerial Meeting on the Promotion of Dementia Care, “Framework for Promoting Dementia Care”

### Japan Public-Private Council on Dementia

The Japan Public-Private Council on Dementia was established in April 2019, with the objective of mobilising the national and local governments, industry groups and people affected by dementia to promote measures to build a barrier-free environment for people with dementia in a more integrated and timely manner. As a player in the governmental structure described above, the Council is tasked with deliberating concrete measures, among others. Indeed, specific topics are being considered by the two working groups placed under the Council: MHLW’s Working Group on a Barrier-free Environment for People with Dementia and METI’s Working Group on Innovation Alliance for Dementia (see Chart 5).

**Chart 5: Government structure for promoting dementia care**



(Source) Prepared by the LIAJ based on the Japan Public-Private Council on Dementia website

The Working Group on a Barrier-free Environment for People with Dementia examined the challenges and possible solutions to achieving a “barrier-free society for people with dementia,” culminating in the publication of the Guidance for Realising a Barrier-free Society for People with Dementia (Finance Industry) in April 2021.<sup>1</sup> The Guidance is intended to help relevant industries and companies develop their own manuals by providing information to help correctly understand dementia and how to treat people with dementia in industry (see

<sup>1</sup> The Guidance was also issued for the retail, housing and leisure/consumer goods industries.

Chart 6). The life insurance industry has also helped to develop the Guidance as a member of the Working Group.

**Chart 6: Outline of Guidance for Realising a Barrier-free Society for People with Dementia (Finance Industry)**

<u>Concept</u>
I. Realising a barrier-free society for people with dementia
<u>Knowledge: Understanding symptoms of dementia</u>
II. Correct understanding of dementia
III. Basic interaction with people with dementia
<u>Cases</u>
IV. Concrete symptoms of dementia and proper response
<u>Action</u>
V. Efforts for realising a barrier-free society for people with dementia

The Working Group on Innovation Alliance for Dementia published an interim report in March 2021, following discussions on how to drive innovations through collaboration with a wide range of livelihood supporting industries on the one hand, and public institutions and those involved in healthcare, welfare or people with dementia themselves, on the other.

**Report of the Working Group on Financial Markets, Financial System Council, Financial Services Agency: Toward Progress in Customer Oriented Business Conduct**

The Working Group on Financial Markets, established under the Financial System Council of the Financial Services Agency, also deliberated on customer oriented business conduct and the vision of financial business in the super-ageing society, culminating in the publication of the “Report of the Working Group on Financial Markets, Financial System Council: Toward Progress in Customer Oriented Business Conduct” in August 2020. The Report sets forth how financial business should ensure reliable and convenient services for customers with declining cognitive and mental capacities and their family members from a customer-centered perspective (see Chart 7).

**Chart 7: Outline of the Report of the Working Group on Financial Markets, Financial System Council: Toward Progress in Customer Oriented Business Conduct**

Theme	Description
Vision of financial business in the super-ageing society (excerpts)	Services for customers with declining cognitive and mental capacities
	The finance industry should develop guidelines on: <ul style="list-style-type: none"> <li>• How to transact with customers, as well as their family members and agents;</li> <li>• Closer coordination with welfare institutions; and</li> <li>• Curation and replication of good practices in providing services for elderly customers, etc.</li> </ul>
	Research on refining existing systems leveraging digital technology in light of the cognitive and mental capacities and situations of individuals
	Consideration of a system allowing other persons to verify the existence of a financial contract on behalf of the customer



**Reference 1: Global Partnership for Financial Inclusion (GPII)  
“G20 Fukuoka Policy Priorities on Ageing and Financial Inclusion”**

Financial inclusion is a critical social issue in a super-ageing society, as it ensures that senior citizens—who may have difficulty in visiting banks or making financial transactions due to age-related decline—can continue to use financial services with confidence and benefit as much as possible from these services.<sup>2</sup>

In this light, the Global Partnership for Financial Inclusion (GPII), a platform of the G20, launched the G20 Fukuoka Policy Priorities on Ageing and Financial Inclusion in June 2019. As the world faces emerging challenges that cannot be met by traditional financial services due to the rapid progression of population ageing, the international community set eight policy priorities to address the challenges of ageing under the theme of “ageing and financial inclusion” (see Chart 8).

**Chart 8: Outline of the G20 Fukuoka Policy Priorities on Ageing and Financial Inclusion**

Priority	Description
Use data and evidence	Use various sources of data and evidence to show which policies are working and identify what else needs to be done.
Strengthen digital and financial literacy	Aim to provide everyone with practical skills and knowledge to manage a changing financial landscape.
Support lifetime financial planning	Develop programs and products to encourage long-term plans.
Customise — address the diverse needs of older people	Create products and services that are tailored to the range of needs of older people.
Innovate — harness inclusive technologies	Make the most of technologies in developing financial products, protecting consumers and delivering financial education.
Protect — tackle financial abuse and fraud of older people	Identify problems quickly and use multi-pronged approaches to prevent older people from becoming victims of financial abuse or fraud.
Encourage stakeholder engagement — a multi-sectoral approach	Work with different sectors to ensure a consistent and comprehensive approach toward financial inclusion.
Target key audiences — address vulnerabilities	Consider the needs of groups who may be vulnerable or underserved.

<sup>2</sup> Taken from the keynote speech at the G20 High-Level Symposium on Ageing and Financial Inclusion (GPII Forum) in Tokyo (by Haruhiko Kuroda, Governor of the Bank of Japan)

## **Chapter 2: Past Measures of the Life Insurance Industry in Dealing with the Super-Ageing Society**

In order to fulfill its mission to provide security to customers by ensuring prompt claims payment, the life insurance industry has been making contact with policyholders to check whether any insured event has occurred, and encouraging them to file insurance claims. In the aftermath of the Great East Japan Earthquake in March 2011, we provided livelihood support to affected communities and confirmed the safety of policyholders, while seeking to develop solid infrastructure to ensure claims payment, including the launch of the System for Searching for Life Insurance Contracts in Disaster Areas, which requires life insurers to check whether a policy exists for those who have lost track of their insurance coverage.

Leveraging such experience in response to the super-ageing society, we have enhanced our initiatives for the benefit of the elderly. In recent years, we have focused on how to address dementia, one of the most urgent challenges facing Japan. This chapter outlines the life insurance industry's response to the super-ageing society, and its efforts to address the issues of dementia.

### **1. Initiatives in response to the super-ageing society**

#### **(1) Initiatives by the LIAJ**

##### **A. Vision of life insurance services in the super-ageing society**

In view of the rising number of insurance policies held, and procedures performed, by elderly customers, the LIAJ has been continuously considering a vision of life insurance services in the super-ageing society, publishing reports and proposals, and providing information brochures for older people.

##### **(i) Release of “Life Insurance Services for the Elderly in the Super-Ageing Society: Initiatives to Better Serve the Elderly”**

Published in June 2013, this report summarises the challenges related to serving the elderly when purchasing a life insurance policy, managing the contract after purchase, and filing an insurance claim, as well as initiatives by life insurers which take the traits of the elderly into account.

The report is based on experience gained in responding to the progression of population ageing and to the Great East Japan Earthquake, and discussions made at a public-private sector roundtable held on “Improving financial services in response to the ageing society” with the participation of the LIAJ.

##### **(ii) Preparation and provision of an information pamphlet for the elderly entitled “I want to ask now! A guide to life insurance”**

As part of our efforts to develop an environment that helps the elderly to buy and continue insurance coverage, we prepared and distributed in March 2014 a pamphlet with information and points to note for each of the steps in life insurance, from contract signing to the insured period, and to procedures for making claims and receiving benefits.

##### **(iii) Release of “Recommendation on Promotion of Friendly Life Insurance Services for the Elderly – Recommendation on Utilisation of the Social Security and Tax Number System in the Private Sector”**

In April 2017, we released our recommendation on private-sector use of the Social Security and Tax Number System, believing that life insurers' use of this new social infrastructure launched in 2016 could effectively improve convenience for the elderly in particular, as we work to sophisticate our initiatives for prompt and reliable claims payment, and improved customer convenience.

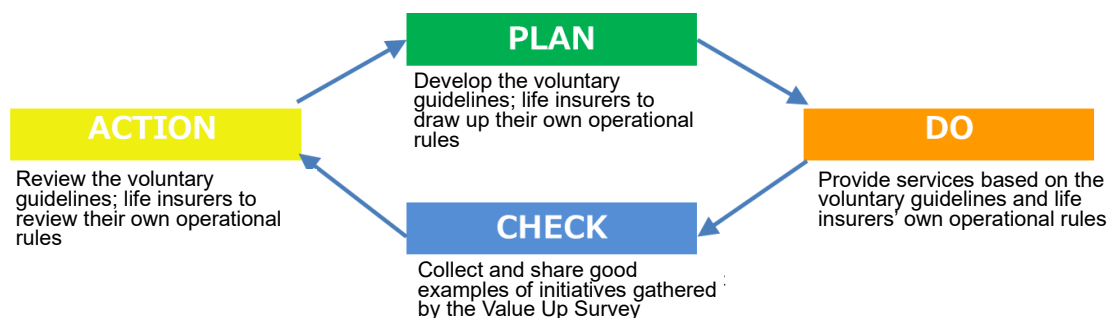
**(iv) Release of “Report on the Role of the Life Insurance Industry in the 100-Year Life Era”**

Recognising public concerns about emerging issues such as insufficient financial resources for life after retirement and rising cases of dementia, which accompany the various environmental changes in an ageing society dubbed the “100-year life era,” this report, released in April 2020, summarises the role of the life insurance industry in helping to alleviate such concerns by providing “three-pronged security (security of ‘comprehension’, security ‘just in case’ and security ‘to live one’s own life’).”

**B. Development of voluntary guidelines and support for PDCA efforts by life insurers**

The LIAJ has developed the Life Insurance Service Guideline for Elderly Customers, summarising basic ideas and perspectives for providing proper and easy-to-understand services for older people. We also conduct an annual “Value Up Survey” to evaluate life insurers’ progress in implementing the voluntary guidelines, and to collect and share cases of how life insurers are responding to consumers’ views and requests. We thus aim to help life insurers carry out the PDCA cycle and upgrade their services for the elderly (see Chart 9).

**Chart 9: Survey regarding initiatives by life insurers carried out in line with the voluntary guidelines (Value Up Survey)**



**(2) Initiatives by life insurers**

Individual life insurance companies have also been implementing initiatives in response to the super-ageing society. This chapter presents some of the measures taken by insurers in line with the voluntary guidelines developed by the LIAJ at three stages: contract signing, contract renewal (post-purchase), and (preparing for) procedures including for insurance claims.<sup>3</sup>

**A. Measures taken at the time of contract signing (see Chart 10)**

When the prospective policyholder is an older person, proper and adequate explanations of the insurance product are required, given that comprehension ability tends to decline with age. Actions taken by life insurers to that end include requiring the presence of family members when explaining the product and checking with the policyholder whether the product truly matches their intentions shortly after contract signing.

**Chart 10: Examples of measures taken at the time of contract signing**

Guideline	Measures taken by insurance companies
Attendance of family members	<ul style="list-style-type: none"> <li>• The policyholder is asked to enter the details of any attendant family member on the screen of the portable terminal to strengthen evidence management.</li> <li>• The presence of a designated proxy claimant is generally</li> </ul>

<sup>3</sup> The cases presented in this section refer to specific measures taken by life insurers; they do not indicate the existence of any standard action.

	<p>required at the time of explanation for any prospective policyholder aged 70 or over who seeks to purchase insurance product covering dementia. In addition, the contact center checks whether the designated proxy claimant understands the policy terms before finalising the contract signing procedure.</p> <ul style="list-style-type: none"> <li>• The presence and signature of a family member are required when explaining substantive matters, where a person aged 70 or over seeks to purchase a foreign currency denominated insurance product.</li> </ul>
Insurance sales by multiple agents	<ul style="list-style-type: none"> <li>• The presence of a sales office manager is required for (partial) conversion. The Additional Attendant Explanation Report has been revised to clarify the matters to be explained to the policyholder and those on which the policyholder's understanding should be verified.</li> </ul>
Multiple opportunities to meet for insurance sales	<ul style="list-style-type: none"> <li>• Ensuring the policyholder's understanding of the insurance coverages, including by having two meetings in principle or having an interview with a family member, is made mandatory.</li> </ul>
Confirmation that the product offered contains terms in line with the customer's intent	<ul style="list-style-type: none"> <li>• In making a call to a prospective foreign currency denominated policyholder, items specific to foreign currency denominated insurance are added to the warning statement.</li> <li>• For all contracts underwritten (except for those contracts executed in person in the presence of a family member), it is required to make a call to the policyholder to confirm their understanding of the policy terms and request them to ensure that family members also understand such terms.</li> <li>• The relevant Head Office department is responsible for confirming the customer's intent by a videophone call at the time of contract signing.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Internal rules were revised to allow a key assistant to sign application documents on behalf of a customer with difficulty signing the documents due to weakening eyesight, for example.</li> <li>• A leaflet with a smartphone-compatible voice code (including useful information such as a toll-free number for elderly consumers) was prepared and provided for customers with difficulty reading the letters due to ageing, etc.</li> <li>• Training documents and tools (Consideration points to Identify Potential Dementia) were developed to build correct knowledge of dementia for use in providing customer services.</li> <li>• A form for the cooling-off procedure was prepared and attached to the solicitation kit so that a customer who wants to think twice about purchasing a product after making an application may perform the procedure.</li> <li>• Agencies are given training in financial gerontology.</li> </ul>
Contactless approach	<ul style="list-style-type: none"> <li>• Every online insurance contract application is to be followed up by a confirmation call to the applicant over the phone, as in the case of a salesperson recruitment contract.</li> </ul>

### **B. Measures taken at the time of contract renewal (see Chart 11)**

Elderly policyholders may become oblivious of insurance coverages or even the fact that they are covered by an insurance policy at all, while the policy is being renewed several times. Measures taken by life insurers in this regard include regular notifications and visits to explain the insurance coverages.

Also, communications from the life insurer, including notifications, may fail to reach elderly policyholders due in particular to moving at the time of mandatory retirement or institutionalisation. In that case, the policyholder may become incapable of initiating any procedure or face a prolonged procedural period. To prevent any such eventuality, insurers

are taking appropriate action such as registering family members and recommending using a forwarding service upon moving, etc.

**Chart 11: Examples of measures taken at contract renewal**

Guideline	Measures taken by insurance companies
<b>(1) Communication of insurance coverages and payment procedure</b>	
Creating opportunities to verify the existence of policy, as well as insurance coverages and payment procedures, among others	<ul style="list-style-type: none"> <li>• The Notification of Insurance Coverages includes language to encourage the policyholder to provide information to family members, with the purpose of better informing the beneficiaries.</li> <li>• The delivery of a booklet to elderly policyholders living in certain areas including remote communities has been scaled up to cover the whole country. Following delivery of the booklet, the call center makes calls to identify any missing claim or unreported change in address, for example.</li> </ul>
Documents using easy-to-read, concise sentences in large letters	<ul style="list-style-type: none"> <li>• The Universal Communication Design Association's (UCDA) "eye-friendly design" certification served to improve the presentation and design of the text.</li> <li>• At the request of visually impaired policyholders, insurance policies (including reissuance) and the Notification of Insurance Coverages are provided as Braille documents or data for conversion to speech.</li> </ul>
<b>(2) Prevention of inability in or prolongation of procedures</b>	
Upgrading of address management including through registration of multiple addresses	<ul style="list-style-type: none"> <li>• A postcard is attached to the annual Notification of Insurance Coverages to facilitate registration with the family contact address scheme, modification of registered information and the registration of a secondary contact address. Registration with the family contact address scheme can be made from either a PC or smartphone.</li> <li>• A service to provide information on insurance coverages to family members was introduced to manage contact addresses of registered family members. The registered family members are also sent annual notifications of information on insurance coverages.</li> <li>• Internal rules were revised to allow (or require, in principle) the registration of the address and phone number of a designated proxy claimant to enhance communication with policy stakeholders at the time of new contract procedures.</li> </ul>
Recommendation to notify address change at the time of moving	<ul style="list-style-type: none"> <li>• The Address Change Guidance Service, provided by Japan Post, is used to recommend policyholders to notify any address change.</li> <li>• A Postcard for Address Change is attached to the annual Notification of Insurance Coverages to request notification of a change of address at the time of moving. The policyholder is also informed that the change-of-address procedure can be performed on a website for policyholders.</li> </ul>
Ongoing process to identify any change in the status of customers	<ul style="list-style-type: none"> <li>• Policyholders who could not be reached in the previous year are asked to fill in a form attached to the annual Notification of Insurance Coverages regarding change of contact address and the occurrence of any insured event, to be sent back in a self-addressed envelope.</li> </ul>
Confirmation of legitimate destination of correspondence in case of undelivered notification	<ul style="list-style-type: none"> <li>• Members of the Insurance Coverages Notification Scheme are provided with a service to confirm addresses by contacting a policy stakeholder including the beneficiary when a notification remains undelivered. The address may also be confirmed through SMS (short message service) instead of inquiring at a government office.</li> </ul>

### C. Measures taken at the time of (preparing for) procedures (see Chart 12)

It may not be possible to encourage a policyholder to file an insurance claim if the policyholder does not notify an address change upon moving to another place to live alone or becoming institutionalised, as a result of retirement or children leaving home. Older policyholders may also struggle to perform any procedure due to physical inability to sign a document, for example.

To address this issue, life insurance companies are taking measures to ensure insurance claims payment, such as regularly confirming policyholders' contact address and status, and simplifying the forms required for various procedures.

**Chart 12: Examples of measures taken at the time of (preparing for) procedures**

Guideline	Measures taken by insurance companies
<b>(1) Identification of address/domicile</b>	
Continued monitoring of the contact address and whereabouts of policyholders, etc.	<ul style="list-style-type: none"> <li>A system has been established to identify policyholders who have made no claim or a deficient claim and follow up with notifications or calls.</li> </ul>
Measures to identify the contact address of the beneficiary to the extent possible when the beneficiary becomes unreachable	<ul style="list-style-type: none"> <li>Where no claim is made for the maturity value or annuity, the relevant department of the head office obtains a copy of the family register and attachments thereto, and instructs the branch or sales office where the beneficiary might be domiciled to make further inquiries.</li> </ul>
<b>(2) Improved convenience (simplification of claim procedure)</b>	
Measures to improve convenience, including the simplification of documents required for various procedures	<ul style="list-style-type: none"> <li>As in the case of conservation procedures, electronic and customised claim forms have been introduced, which only require the policyholder's signature to perform a procedure.</li> <li>A new service has been introduced to obtain a medical certificate from the medical institution in cases where the customer is unable to obtain the certificate for a procedure due to health and other reasons, thus ensuring that all the insured events are covered in procedures for making claims and receiving benefits.</li> </ul>
Development of alternative ways to perform procedures including by an agent	<ul style="list-style-type: none"> <li>The scope of persons who qualify as an agent to sign the relevant documents where the claimant is unable to do so has been extended to include relatives in the third degree of kinship and beyond as well as third parties closely related to the customer.</li> <li>In order to ensure smooth claim procedures for older persons living alone without any relatives to rely on, a system was introduced to allow an employee to sign on behalf of the policyholder, with another employee checking the purpose of filing a claim via videophone call.</li> </ul>
<b>(3) Other</b>	
Readiness to provide easy-to-understand explanations and respond properly to inquiries from the beneficiary	<ul style="list-style-type: none"> <li>For customers who have made a claim on the helpline reserved for elderly policyholders, explanations about the required documents are provided over the phone, timed with the arrival of the claim documents sent by the life insurance company.</li> <li>Specific services are added to suit the characteristics of the elderly, such as using red marking ink instead of yellow sticky notes for the documents for a procedure to be sent to customers.</li> <li>Staff training including through encouragement to attend a lecture for developing dementia supporters and the distribution</li> </ul>

<p>Development of an adequate procedure to allow an agent to file a claim and receive insurance benefits on behalf of the beneficiary</p>	<p>of a guidebook on how to treat the elderly.</p> <ul style="list-style-type: none"> <li>• A policyholder agency system has been developed to allow an assigned “policyholder agent” to perform a specified procedure regarding an insurance policy on behalf of the policyholder, who is incapable of indicating their intention to perform the procedure, for example.</li> <li>• The scope of assigned agents authorised to file a claim has been expanded to include institutional caregivers, among others.</li> <li>• The Family Registration Service, Policyholder Agency Scheme and Insured Agency Scheme have been unified to create an enabling environment for family members to check on policy terms and perform a wide range of procedures on behalf of the policyholder.</li> </ul>
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**Reference 2: Life insurance industry’s response to the ageing society in major European countries and America**

To help upgrade our customer services, we also researched initiatives undertaken by the life insurance industry to address the ageing society in major European countries and America (US, UK, Germany and France) faced with similar issues to those of Japan due to the progression of population ageing.

Measures such as the attendance of family members at contract signing and the registration of a secondary contact address at contract renewal have not been observed in any of those countries.

Meanwhile, significant progress has been observed in the use of the adult guardianship system, from which Japan has much to learn.

(For further details, see the Research Report on the Life Insurance Industry’s Response to the Ageing Society.)

### Reference 3: Initiative taken by the life insurance industry in the aftermath of the Great East Japan Earthquake

Following the Great East Japan Earthquake on 11 March 2011, the LIAJ worked with its member companies on industry-wide efforts to support livelihoods in the affected areas, confirm the safety of customers, and develop infrastructure to ensure claims payment, with the basic policy of “doing whatever possible to alleviate the affected population as soon as possible.” This experience highlighted the importance of the life insurance industry’s function to pay claims promptly and thus reassure customers.

During the following decade, the life insurance industry has taken a variety of initiatives as the super-ageing society has progressed. For example, the System for Searching for Life Insurance Contracts in Disaster Areas, launched in the wake of the earthquake, will be developed into an Industry-wide Policy Inquiry System to improve convenience for customers.<sup>4</sup> We are committed to further upgrading customer services in the super-ageing society going forward.

#### Initiatives taken by the life insurance industry in the aftermath of the Great East Japan Earthquake

	Description
(1) Delivery of livelihood support and reassurance to the affected population	<ul style="list-style-type: none"> <li>In order to support livelihoods in the affected areas, the LIAJ and member companies provided financial support (donation of relief money), physical support (food, clothing, hygiene goods, electrical appliances, etc.) and human support (dispatch of helping staff, volunteers, etc.).</li> <li>The following “policy conservation measures” were immediately adopted to provide assurance to affected policyholders concerned about receiving insurance benefits or paying insurance premiums: non-application of the earthquake exclusion clause; extension of a moratorium on premium payment; special treatments including reduction or forgiveness of interest payment; and prompt, simplified insurance claims and benefit payments (exemption of some of the required documents).</li> </ul>
(2) Response to inquiries and procedures in light of specific aspects of the disaster	<ul style="list-style-type: none"> <li>Given that many of the affected population were forced to live in an evacuation center, a consultation system mindful of the situation of the affected areas (consultation provided by call centers of the member companies, Life Insurance Consultation Center and its local liaison offices, and outposts established at evacuation centers) was developed alongside the launch of the System for Searching for Life Insurance Contracts in Disaster Areas (member companies to check on the existence of any insurance policy on behalf of those who had lost track of their life insurance coverages).</li> </ul>
(3) Activities to confirm the safety of customers	<ul style="list-style-type: none"> <li>Activities to confirm the safety of customers and secure communication channels were conducted industry-wide to provide information on necessary procedures. Good practices were shared across the industry to upgrade the efforts of member companies.</li> </ul>
(4) Multi-faceted customer communication activities	<ul style="list-style-type: none"> <li>Multi-faceted communication activities were conducted to deliver necessary information to all affected policyholders including at evacuation centers located across the country.</li> </ul>
(5) Network to ensure claim	<ul style="list-style-type: none"> <li>Member companies built a network to ensure claim payments through industry-wide sharing of information that cannot be</li> </ul>

<sup>4</sup> See pp. 27-28 for details of the Industry-wide Policy Inquiry System.



payments	<p>collected by any single company, with the LIAJ serving as an information platform.</p> <ul style="list-style-type: none"> <li>• Coordination with relevant government agencies was also pursued to ensure claim payments. Policyholders with legitimate insurance claims were identified, and necessary documents sent, by obtaining the disclosure of family registers and residence certificates in a simplified way.</li> <li>• To ensure proper insurance claims payment to disaster orphans and other affected children, the Life Insurance Support Network for Minors was established in coordination with local bar associations and local governments.</li> </ul>

## 2. Initiatives related to dementia

In the preceding section, we examined how the life insurance industry has been responding to the super-ageing society, focusing on initiatives for the benefit of the elderly. As indicated in Chapter 1, the number of people with dementia has been increasing with the progression of the super-ageing society, and dealing with dementia has become a major social issue. The life insurance industry has also taken various initiatives in support of the rapidly increasing number of people with dementia and their family members, such as promoting understanding of dementia and providing related products and services. Given that “Toward Progress in Customer Oriented Business Conduct”, a Report of the Working Group on Financial Markets, Financial System Council, Financial Services Agency published in August 2020, refers to how financial business should be operated in the super-ageing society, we have provided an information brochure to prepare for dementia, created a policy inquiry system in case the policyholder develops dementia<sup>5</sup>, and published our recommendations on dementia.

This section highlights some of the initiatives taken by the LIAJ and individual life insurers.

### (1) Initiatives by the LIAJ

#### A. Building an enabling environment for the development of Dementia Supporters

The term “Dementia Supporter” refers to a person with correct knowledge and understanding of dementia who assists people with dementia and their family members in the local community or workplace to the extent possible.<sup>6</sup>

Recognising the importance for the employees of life insurers to acquire knowledge of dementia in order to provide better service to people with dementia and their family members, the LIAJ has been building an enabling environment for the development of Dementia Supporters in member companies (see Chart 13). We aim to increase the number of Dementia Supporters in the life insurance industry, estimated to be about 110,000 as of October 2020.

<sup>5</sup> See pp. 27–28 for details of the policy inquiry system.

<sup>6</sup> Anyone can become a Dementia Supporter by attending the Dementia Supporter training sessions organized by the local government or an industry/professional association.

**Chart 13: Key initiatives taken by life insurers to build an enabling environment for the development of Dementia Supporters**

Initiative	Description
Counting the number of Dementia Supporters	The total number of Dementia Supporters in the life insurance industry has been counted and published in order to monitor the efforts made by life insurers. (The number is estimated at some 110,000 as of October 2020.)
Support for initiatives taken by member companies for deepening their employees' understanding of dementia (upcoming)	<ul style="list-style-type: none"> <li>• Preparation of teaching aids for Dementia Supporter training sessions</li> <li>• Organisation of Dementia Supporter training sessions for life insurers</li> </ul>

**B. Preparation and publication of an information brochure for life policyholders “To Life Insurance Policyholders, Preparing Family Members for Dementia”**

The decline in mental capacity due to dementia not only affects the daily life of the policyholder but also deprives them of the ability to manage their assets, making it difficult to manage life insurance and other contracts and perform related procedures. In many cases the policyholder requires family members' support, but the family members may not know if the policyholder has any life insurance coverage or the exact terms of the policy involved. To avoid such eventualities, it is crucial for policyholders and their family members to be prepared for dementia in advance. Accordingly, we prepared a brochure to provide relevant information, which was published in February 2021 (see the next page). Professor Jin Narumoto of the Graduate School of Medical Science, Kyoto Prefectural University of Medicine<sup>7</sup>, kindly served as editorial supervisor for this project.

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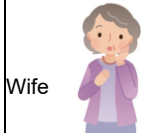
<sup>7</sup> Title as of April 2021.

## Reference 4: Brochure “To Life Insurance Policyholders, Preparing Family Members for Dementia” (excerpts)

### Example 1: Do not know whether family member is insured

- The policyholder (individual) is enrolled in health insurance. His judgment has been impaired for several years. Recently, he was hospitalised for pneumonia.
- Policyholder: individual; insured: individual; beneficiary: individual

#### Difficulties faced by family members



Wife

If he is enrolled in life insurance, I would like to claim benefits, but **I don't even know if he is enrolled.**

#### Preparations to make beforehand

- ✓ Make sure that family members know which insurance company and the details of the policy before developing dementia.

### Example 2: Do not know the details of the policy

- The policyholder (individual) is enrolled in insurance payable at death. Recently, his judgment has become impaired. His wife came across an insurance certificate that she did not know about.
- Policyholder: individual; insured: individual; beneficiary: wife

#### Difficulties faced by family members



Wife

I called the life insurance company to check the details of the policy, but I was told that **I would need the consent of my husband**, the policyholder. However, **he has dementia, so I cannot ask him.**

#### Preparations to make beforehand

- ✓ Tell family members about life insurance while healthy and let them know the details of the policy. (It is also important to come up with ideas, such as checking on an ongoing basis on special occasions or at other times.)
- ✓ Decide on a place to store insurance certificates and other documents related to the policy and let family members know.

### Example 3: Do not know whether benefits can be claimed on behalf of the insured

- The policyholder (and insured) let his family members know that he was enrolled in health insurance. His judgment has been impaired for several years. Recently, he was hospitalised for pneumonia.
- Policyholder: individual; insured: individual; beneficiary: individual

#### Difficulties faced by family members



Wife

**My husband has dementia, so he can't file a claim.**  
I'm concerned that I may just not be able to get the benefits.

#### Preparation to make beforehand

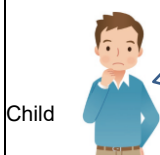
- ✓ Check to see if a proxy claim scheme (designated proxy claim scheme/ designated proxy claim riders) is used.
- ✓ If used, check to see who the designated proxy claimant is and let that person know they have been designated.

### Example 4: Beneficiary passes away

- The policyholder (individual) is enrolled in insurance payable at death. Recently, his judgment has become impaired. His wife, the beneficiary, passed away. As such, the beneficiary needs to be changed.

- Policyholder: individual; insured: individual; beneficiary: wife (⇒ needs to be changed to his child)

#### Difficulties faced by family members



Child

I would like to make myself the beneficiary, but I was told that **my father has dementia, so the change cannot be made.** What do I do?

\*Handling of cases such as that in the example varies depending on the life insurance company. Reach out to your life insurance company for details.

#### Preparation to make beforehand

- ✓ If you have wishes for how your property will be managed when you develop dementia, discuss them with your family and loved ones.
- ✓ Consider deciding on a voluntarily appointed guardian or a family trust as ways to determine how your property will be managed before you develop dementia.

The brochure also explains various schemes and mechanisms such as the designated proxy claim scheme/rider, the adult guardianship system (statutory guardianship and voluntary guardianship systems) and family trusts.

From the editor-in-chief (Jin Narumoto, Professor, Graduate School of Medical Science, Kyoto Prefectural University of Medicine)

We all share the desire not to develop dementia. Unfortunately, no matter how many preventive steps we take, a certain percentage of us will develop some type of dementia. Since a lot of people feel that thinking about developing dementia is depressing, they try not to think about it. However, developing dementia does not mean you cannot do anything anymore. As long as you have the proper support, you can still enjoy life even after developing symptoms.

It is important to make preparations now to ensure that the benefits make it into the hands of the family member(s) who will support you so that you can live a fulfilling life even if you develop dementia. This is also a difficult subject for family members to broach. Thus, we suggest that you share information with your family members during a holiday season, such as year-end/New Year's and Obon (Lantern Festival). Sharing your thoughts with your family members is sure to strengthen those bonds as well.

## (2) Initiatives by life insurers

### A. Provision of products covering dementia and similar impairments

In view of the increase of people with dementia in recent years, more life insurers are now offering products covering dementia and mild cognitive impairment (MCI)<sup>8</sup>. (The Framework for Promoting Dementia Care, developed by the Ministerial Meeting on the Promotion of Dementia Care in June 2019, also identifies the “promotion of various private insurance products covering dementia” as one of the key policy measures.<sup>9</sup>)

Various types of product have been offered to meet customer needs, including: products to

<sup>8</sup> “Mild cognitive impairment” refers to a state between the normal state and dementia, characterised by occasional memory loss that does not seriously affect daily living. About 4 million people are estimated to suffer from MCI as of 2012. It is reported that 10–30% of the MCI cases progress to dementia each year.

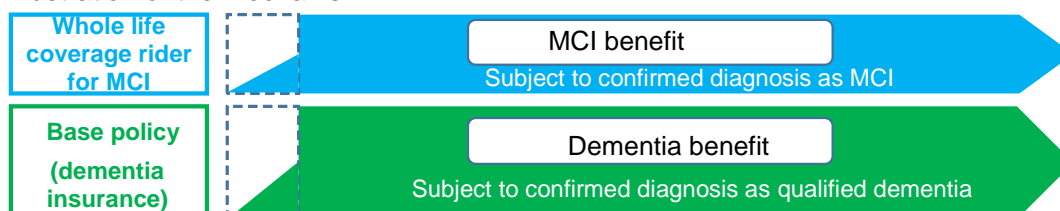
<sup>9</sup> Chapter 4 of the Framework (Promotion of a Barrier-free Environment for People with Dementia) includes the following explanation under Item xii (Promotion of Various Private Insurance for Dementia) of Section (1) (Promotion of a Barrier-free Environment for People with Dementia, support for individuals with early-onset dementia, and support for social interaction): “Initiatives by life insurers will be encouraged to popularize private insurance products to prepare for the onset of dementia as well as private liability insurance providing coverage for those with dementia and those responsible for supervising them.” The KPIs/targets for this measure include the number of life insurers dealing in private insurance to prepare for the onset of dementia.

cover dementia and similar impairments in the base policy (Case 1); products to cover dementia and similar impairments by adding a rider to the base policy, such as health insurance (Case 2); and care insurance products that accept claims for dementia and similar impairments (Case 3).

Insurance coverages vary depending on the insurer. For further information, please refer to the exhibit “Dementia Insurance and Dementia-related Services Offered by Life Insurers.”

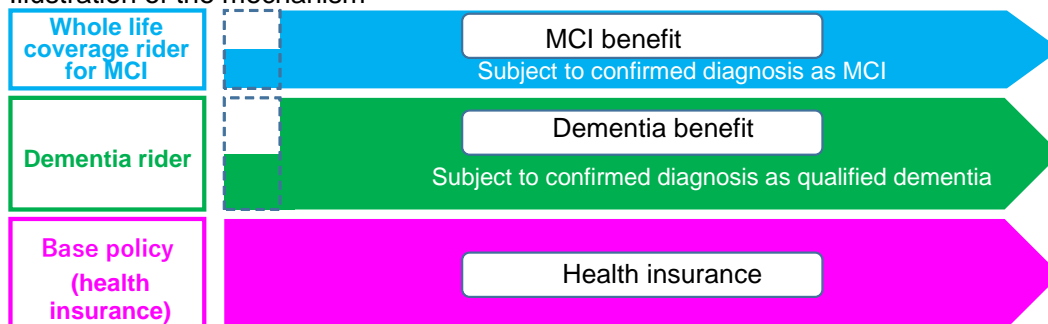
Case 1: Products to cover dementia and similar impairments in the base policy

Illustration of the mechanism



Case 2: Products to cover dementia and similar impairments by adding a rider

Illustration of the mechanism



Case 3: Care insurance products that accept claims for dementia and similar impairments

Illustration of the mechanism



**B. Provision of services related to dementia**

In addition to insurance coverage of dementia and similar impairments, efforts are needed to detect dementia and similar impairments at an early stage and support the policyholders and their family members. Thus, life insurers are actively providing ancillary services to their products covering dementia and similar impairments (see Chart 14).

Many of the services to support early detection of dementia leverage digital technology, such as an application dedicated to checking the state of cognitive function.

It is difficult for a policyholder with dementia to perform life insurance procedures and asset management due to the deterioration of mental capacity. Services to support the policyholders and their family members in such cases include assistance in selecting an adult

guardian<sup>10</sup> authorised to act on behalf of the policyholder with dementia, and consultation on family trusts,<sup>11</sup> an asset management technique.

**Chart 14: Services related to dementia**

Service	Description
<b>(1) Services for prevention and early detection of dementia</b>	
MCI/dementia helpline	A service for prevention/early detection of, and consultation on mild cognitive impairment (MCI) and dementia
Test for checking cognitive function	A service to check the state of cognitive function over the phone or with the help of an application
MCI screening test	A test for early detection of mild cognitive impairment (MCI) symptoms by drawing blood
Brain training app	A gaming application to prevent dementia
Healthcare app	A health promotion application to help enjoy daily health monitoring including using a pedometer
<b>(2) Support services in case the policyholder develops dementia</b>	
Support on the adult guardianship system	A service to introduce a judicial scrivener who can provide support for legal procedures to customers who require consultation on an asset management delegation agreement to prepare for future claim procedures or the appointment of an adult guardian including for filing a claim
Deemed guardianship system	A service to appoint a tentative guardian for convenience with the approval of other presumptive heirs where the claimant lacks mental capacity or does not have any appointed statutory agent including an adult guardian
Consultation on family trust	A service to make available a judicial or administrative scrivener for consultation over the phone or in person on a family trust to guard against assets being frozen as a result of dementia
Family mental care	A counseling service for care-giving family members on troubles and concerns
<b>(3) Other services</b>	
Visiting service on behalf of family members	A service to dispatch a security guard to check the safety of the policyholder at home on behalf of family members following the latter's request for a visit when they cannot get in touch with the policyholder
Representative service to obtain medical certificates	An insurer's service to obtain the medical certificate required for filing a claim on behalf of a customer who finds it difficult to obtain the certificate on their own
Service of referral to an agency for obtaining family registers	A service to refer to an agency to perform claim procedures, where the procedure requires the submission of a copy of the family register and the policyholder is incapable of performing the procedure
Helpline on medical institutions	A service to provide information on medical institutions and local comprehensive support centers nearby that can accept dementia patients and consultation on medical care in general
Helpline on care facilities	A service to provide information on care facilities and visiting services nationwide and consultation on livelihood support and nursing care
Family registration & inquiry service	A service to allow registered family members to inquire about policy terms, change the address, request policy reissuance and delivery of various forms for filing a claim, etc.

<sup>10</sup> See p. 25 for details of the adult guardianship systems.

<sup>11</sup> See p. 29 for details of family trusts.

## Chapter 3: Challenges Stemming from Dementia in the Life Insurance Industry

The preceding chapter described the proactive response to the super-ageing society promoted by the life insurance industry, including actions taken on dementia. However, there is still room for improving the various measures taken to address dementia in view of the rapidly increasing number of cases in recent years, including promoting understanding and providing products and services related to the disease.

In order to identify some of the challenges stemming from dementia, we examined the feedback provided by customers to the life insurance industry. The table below (see Chart 15) shows the four most common types of customer inquiry. These inquiries are expected to increase as more people develop dementia in future. It is therefore important for the entire life insurance industry to share the challenges regarding dementia and promote effective countermeasures.

This chapter outlines the challenges stemming from dementia in the life insurance industry, based on the four types of inquiry listed in the table below.

**Chart 15: Types of inquiry from policyholders' family members**

Inquiry	Category
(1) I don't know if the family member with dementia has a life insurance policy.	Uncertainty about life insurance coverage
(2) I don't know anything about the policy that the family member with dementia has purchased.	Provision of policy information to family members
(3) I would like to perform a procedure on behalf of the family member with dementia.	Procedures on behalf of the impaired right holder
(4) Inquiry regarding decline in mental capacity (stemming from the policyholder forgetting that they had bought insurance)	Careful approach and response to the elderly (from the perspective of financial inclusion)

### 1. Uncertainty about life insurance coverage

People often ask the LIAJ if their family member with dementia has life insurance coverage. Life insurers remind policyholders of the existence of a policy as well as insurance coverages through regular visits and so forth. If a policyholder's mental capacity declines due to dementia before sharing such information, however, the inability to easily confirm the existence of a life policy may cause considerable problems. (Since there is no industry-wide mechanism for family members to inquire about the matter, they have to check with individual life insurers (see Chart 16)).

**Chart 16: Current response to type 1 inquiries from family members, and relevant challenges recognised by the life insurance industry**

	Description
<b>Current response by the life insurance industry</b>	<ul style="list-style-type: none"> <li>Life insurers are taking measures to remind policyholders of the existence of a policy as well as insurance coverages, including through regular visits.</li> <li>The LIAJ launched the System for Searching for Life Insurance Contracts in Disaster Areas in the aftermath of the Great East Japan Earthquake, requiring life insurers to check whether a policy exists for anyone who has passed away or remains missing in an area covered by the Disaster Relief Act, at the request of the affected person's family member or</li> </ul>

	survivor.
<b>Recognised challenges</b>	<ul style="list-style-type: none"> <li>• Since there is no industry-wide mechanism for family members to inquire about the existence of an insurance policy, it is not easy for them to confirm the existence of such a policy if a policyholder's mental capacity declines.</li> </ul>

## 2. Provision of information on insurance coverage to family members

The second type of inquiry made to life insurers concerns the exact insurance coverages to check whether a claim may be filed for an insurance benefit. This applies to cases where family members only discover the existence of a policy after the policyholder has been affected by dementia. At present, a life insurer can only respond to an inquiry about insurance coverages from the policyholder or adult guardian (voluntary guardian) in general. Thus, problems may arise from the rule that insurance coverages may not be disclosed at the request of any other family member (see Chart 17).

**Chart 17: Current response to type 2 inquiries from family members, and relevant challenges recognised by the life insurance industry**

	<b>Description</b>
<b>Current response by the life insurance industry</b>	<ul style="list-style-type: none"> <li>• In principle, insurance coverages may only be disclosed to the policyholder.</li> <li>• Exceptionally, insurance coverages may be disclosed at the request of the adult guardian (voluntary guardian), etc.</li> </ul>
<b>Recognised challenges</b>	<ul style="list-style-type: none"> <li>• Disclosure of insurance coverages requires the consent of the policyholder. Even though the policyholder may not be capable of giving consent if affected by dementia, the above rule prevents the insurer from disclosing insurance coverages at the request of any family member who is not the adult guardian (voluntary guardian), etc.</li> </ul>

## 3. Procedures on behalf of the impaired right holder

The third type of inquiry from family members concerns contractual procedures for filing a claim or changing the beneficiary on behalf of the policyholder with dementia. (Inquiries may also concern cancellation or a change of account.) In general, any life insurance procedure must be performed by the policyholder, as the legitimate right holder. However, it may be difficult for a mentally-impaired policyholder to perform such procedures. Thus, a family member may file a claim on behalf of the policyholder under the designated proxy claim scheme.<sup>12</sup> Problems can emerge for some of the other procedures, including for changing the beneficiary, because a family member who does not have contractual rights is not allowed to act on behalf of the policyholder. (In this case, the policyholder may only be represented by the adult guardian (voluntary guardian), etc. (see Chart 18).)

**Chart 18: Current response to type 3 inquiries from family members, and relevant challenges recognised by the life insurance industry**

	<b>Description</b>
<b>Current response by the life insurance industry</b>	<ul style="list-style-type: none"> <li>• Family members may file a claim on behalf of the policyholder under the designated proxy claim scheme.</li> <li>• Only the adult guardian (voluntary guardian) or another authorised person can perform the procedure for changing the beneficiary on behalf of the policyholder, as it involves</li> </ul>

<sup>12</sup> The designated proxy claim scheme refers to a system adopted by specific life insurers to allow a designated agent to make a claim on behalf of the insured. The policyholder designates the agent at the time of, or after, contract signing.



	transfer of contractual rights.
<b>Recognised challenges</b>	<ul style="list-style-type: none"> <li>Any change of the beneficiary needs to be initiated by the policyholder, who has all contractual rights. If the policyholder's mental capacity deteriorates due to dementia, no family member may perform the procedure unless he/she is the adult guardian (voluntary guardian) or otherwise authorised to do so.</li> </ul>

<b>Reference 5: Adult guardianship system</b>	
<p>Procedures such as management of assets including real estate and saving deposits, conclusion of a contract including on nursing care services and institutionalisation, and discussion on inheritance allocation may be difficult for anyone mentally affected by dementia. The national adult guardianship system is intended to protect and support those with limited mental capacity; the system comprises the following two subsystems.</p>	
	<b>Outline of system</b>
<b>Legal guardianship system</b>	<p>A system whereby an adult guardian, etc. is selected by a family court, following an application by a family member, etc., to provide daily protection and support for the person in terms of livelihood, healthcare, nursing care and welfare, after the person loses the ability to make proper judgments and decisions due to dementia and similar impairments. The system offers three choices – guardianship, curation and assistance – which can be used depending on the level of mental capacity of the person, for example.</p>
<b>Voluntary guardianship system</b>	<p>A system in which an individual appoints in advance, while still possessing sufficient mental capacity, a person to act as his or her voluntary guardian in case he/she experiences mental decline and specifies in an agreement the details of duties to be entrusted to that guardian in the future. When the person's mental capacity does deteriorate, the voluntary guardian files an application to a family court for the appointment of a supervisor of the voluntary guardian to oversee the protection and support to be provided to the person with dementia.</p>

#### **4. Careful approach and response to the elderly (from the perspective of financial inclusion<sup>13</sup>)**


In a super-ageing society, it is necessary to create an environment where older people, and not only those with dementia, can have secure access to financial services. The life insurance industry must provide careful attention to the elderly, particularly in view of their specificities, at the stages of contract signing, contract renewal (post-contract signing) and (preparation for) procedures including for insurance claims.

At the time of contract signing, insurance coverages must be explained thoroughly to ensure full understanding, in anticipation of the cognitive decline that the prospective policyholder might experience with ageing. When renewing the contract, regular explanation of the

<sup>13</sup> "Financial inclusion" is the concept of ensuring that senior citizens—who may have difficulty in visiting banks or making financial transactions due to age-related decline—can continue to use financial services with confidence and benefit from them as much as possible (taken from the keynote speech at the G20 High-Level Symposium on Ageing and Financial Inclusion (GPI Forum) in Tokyo (by Haruhiko Kuroda, Governor of the Bank of Japan).

insurance coverages is also needed to remind the policyholder that he/she is covered by life insurance as well as the details of the insurance coverage. As the number of persons with dementia is expected to increase, a careful approach is required if we are to ensure financial inclusion (see Chart 19).

**Chart 19: Current response to type 4 inquiries from family members, and relevant challenges recognised by the life insurance industry**

	Description
<p><b>Current response by the life insurance industry</b></p> 	<ul style="list-style-type: none"> <li>In line with the Guidelines for Providing Life Insurance Services to the Elderly developed by the LIAJ, member companies have taken specific measures in view of the specificities of elderly policyholders at the stages of contract signing (attendance of family members, etc.), contract renewal (communication on insurance coverages and how to make a claim for payment) and (preparing for) procedures (identification of address or domicile).</li> </ul>
<p><b>Recognised challenges</b></p>	<ul style="list-style-type: none"> <li>Meticulous customer service is needed to ensure financial inclusion, particularly in anticipation of declining mental capacity.</li> </ul>

## Chapter 4: Finding Solutions to Dementia Issues

The preceding chapter provided an overview of the challenges stemming from dementia facing the life insurance industry. Life insurance typically involves multiple stakeholders including the policyholder, the insured and the beneficiary among others. Claims and benefits often sow seeds of conflict among family members. It is for this reason that robust rules are applied when dealing with inquiries regarding insurance coverages and various procedures, which may only be performed by legitimate right holders (usually only the policyholder).

However, it is difficult for a legitimate right holder (including the policyholder) with dementia to understand insurance coverages or perform procedures. Family members would like to provide necessary support in many of such cases but are often frustrated precisely because of the strict rules of the life insurers.

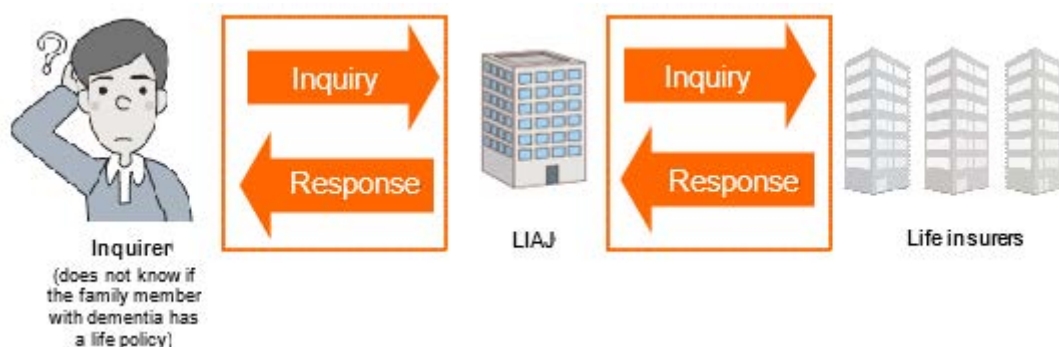
With the progression of the super-ageing society and the increasing number of persons with dementia, such cases are expected to keep increasing. This chapter presents some of the efforts made by the life insurance industry to solve such inconveniences without compromising the protection of policyholders. It also outlines the preparations that should be made by the customers and their family members,<sup>14</sup> as well as the actions to be taken by the government.

### 1. Uncertainty about life insurance coverage

#### (A) Initiatives by the life insurance industry

The life insurance industry does not currently have any mechanism to allow family members of a person suffering mental decline to inquire if any life insurer has issued a policy covering the person. To remedy this situation, the LIAJ has decided to launch an Industry-wide Policy Inquiry System so that family members may confirm the existence of a life insurance policy and file a claim for the relevant benefit<sup>15</sup>. The existing System for Searching for Life Insurance Contracts in Disaster Areas imposes some restrictions on inquiries, including a geographical limitation to the areas covered by the Disaster Relief Act. Under the new system, family members of a person suffering from mental decline will be able to make an inquiry about life insurance coverage at normal times as well as after a disaster (see Chart 20).

**Chart 20: Outline of the Industry-wide Policy Inquiry System and differences from the System for Searching for Life Insurance Contracts in Disaster Areas**



<sup>14</sup> For more information, please refer to the brochure entitled "To Life Insurance Policyholders, Preparing Family Members for Dementia."

<sup>15</sup> The system will enter operation in July 2021.

		Industry-wide Policy Inquiry System	System for Searching for Life Insurance Contracts in Disaster Areas
Conditions for inquiry about life insurance coverage	Normal times		(not allowed)
	After disaster	In both cases: <ul style="list-style-type: none"> <li>The policyholder or insured has passed away or</li> <li><u>The policyholder or insured suffers from mental decline</u></li> </ul>	<ul style="list-style-type: none"> <li>The policyholder or insured has passed away or remains missing in an area covered by the Disaster Relief Act, and there is no way to find out about insurance coverage as the person's house was washed away or burnt down, for example.</li> </ul>

**(B) Preparations to be made by the customers and their family members**

Policyholders are recommended to talk to family members about the existence of a life insurance policy, the scope of its coverage, etc., in case family members are troubled by insurance coverage should the policyholder develop dementia. (You can also find out about the coverage by reading the notifications about insurance coverages regularly sent by the life insurer.)

**2. Provision of information on insurance coverage to family members**

**(A) Initiatives by the life insurance industry**

As a way of providing information to family members, a handful of life insurers provide a service to register the contact address of a specific family member with the consent of the policyholder, who will be notified of the insurance coverages and other relevant matters if and when the policyholder suffers from mental decline. In general, no information on insurance coverages may be provided to a family member unless he/she is the adult guardian (voluntary guardian), for the policyholder with dementia is not capable of giving consent. Securing prior consent from the policyholder in this way is effective for avoiding such an eventuality. We will enhance customer convenience by sharing these good practices across the industry and upgrade the services of member companies as a result.

**(B) Preparations to be made by the customers and their family members**

Policyholders are recommended, for example, to talk to family members about insurance coverages or agree with them on where to keep the policy and related documents in case family members do not know about insurance coverages if and when the policyholder develops dementia.

**3. Procedures on behalf of the impaired right holder**

**(A) Initiatives by the life insurance industry**

In general, any procedure regarding life insurance must be performed by the policyholder. However, a policyholder with dementia may struggle to perform any procedure due to mental decline. To address this situation, a handful of life insurers provide a service to enable a family member (acting as an agent) to perform specified procedures<sup>16</sup> when the policyholder suffers from mental decline by obtaining the latter's prior consent to that effect. As mentioned in paragraph 2(A) above, a service to secure prior consent from the policyholder to allow a family member to act as an agent is an effective way to avoid problems later.

<sup>16</sup> Policy cancellation, reduction of insurance amount, change of address, etc. (depending on the insurer concerned)

With regard to other procedures, including for changing the beneficiary, the adult guardian (voluntary guardian) is the sole person who is authorised to act on behalf of the policyholder in general, as the transfer of contractual rights is involved. In this light, the life insurance industry has been conducting awareness activities to provide information on the adult guardianship system. As mentioned in pages 18–20, the LIAJ published in February 2021 an information brochure on how to address issues related to dementia entitled “To Life Insurance Policyholders, Preparing Family Members for Dementia.” Presenting an outline of the adult guardianship system, the brochure recommends optionally designating a voluntary guardian before the policyholder develops dementia to allow a family member to perform procedures on his/her behalf. With the help of this brochure, the life insurance industry will continue communication activities to raise awareness of the adult guardianship system.

**(B) Preparations to be made by the customers and their family members**

Performing a legal procedure or concluding a contract becomes difficult for a policyholder with dementia, whose intention can never be confirmed. In such cases, only the adult guardian (voluntary guardian) is authorised to act on behalf of the policyholder in principle. Designating a voluntary guardian in advance just in case is one way for family members to act on behalf of the policyholder.

**Reference 6: Family trusts**

It is important for a policyholder to talk with family members in advance about any preference for asset management in case he/she develops dementia. A family trust is one way to proactively decide how to manage assets.

A family trust allows a person to entrust his/her family with the management and disposal of his/her assets including real estate and saving deposits for specified purposes (e.g. coping with dementia, funding for post-retirement life or covering nursing care expenses). Three parties are involved in a family trust: trustor, trustee and beneficiary.

	Description
<b>Trustor</b>	Person who entrusts his or her own assets
<b>Trustee</b>	Person entrusted to manage, invest and dispose of the assets within the purposes of the trust
<b>Beneficiary</b>	Person who benefits from the proceeds derived from the entrusted assets

**(C) Actions to be taken by the government**

The government developed a Master Plan for Promoting the Use of the Adult Guardianship System in March 2017 (see Chart 21). The Master Plan introduces measures to encourage the use of the adult guardianship system in an integrated and systematic manner.

Although the government has been implementing various measures to promote the use of the adult guardianship system, as illustrated by the Master Plan, further efforts are needed, including enhancing communication activities to raise awareness of the system and improving the system and its implementation in terms of user-friendliness.

**Chart 21: Overview of the Master Plan for Promoting the Use of the Adult Guardianship System**

(1) Improvement of the system and its implementation so that users can fully appreciate the benefits ⇒Appropriate selection and replacement of the guardian prioritising not only asset management but also decision-making support and personal custody
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- ⇒ Consideration of medical certificates in which diagnosis details based on the living conditions of the individual can be written
- (2) Creation of a local network for cooperation to support rights advocacy
  - ⇒ Establishment of functions including: (i) publicity for the system; (ii) consultation on using the system; (iii) promotion of the use of the system (matching); and (iv) support for guardians
  - ⇒ Development of a team to observe the behavior of the individual, a mechanism for collaboration among local professional associations (Council) and a centralised mechanism (Center) for coordination
- (3) Balance between prevention of fraudulent use and ease of use
  - ⇒ Consideration of new measures that provide an alternative to or supplement legal guardianship support trusts

#### **4. Careful approach and response to the elderly (from the perspective of financial inclusion)**

##### **Initiatives by the life insurance industry**

Life insurers have already introduced various initiatives to take into account the specificities of the elderly. Initiatives at the time of contract signing include the attendance of family members to ensure a full understanding of the product features, given the possible decline in mental capacity due to ageing. At the time of contract renewal, explanations about insurance coverages have been provided including through regular notifications and visits, in order to remind policyholders that they are covered by a life insurance policy and the scope of the coverage. We believe it is important to ensure that life insurers keep pursuing this objective.

As mentioned in the section on life insurers' services for people with dementia (pages 21-22), recent years have seen the emergence of new services leveraging digital technology. Further expansion of those services will improve convenience for elderly consumers in future.

Provision of meticulous customer services from the perspective of financial inclusion entails improving knowledge about dementia and enhancing industry-wide training on how to respond to customers with dementia. It should be noted that the Guidance for Realising a Barrier-free Society for People with Dementia (Finance Industry), published in April 2021 by the Working Group on a Barrier-free Environment for People with Dementia, Japan Public-Private Council on Dementia, highlights knowledge about dementia, cases of behavior of people with dementia, and considerations for their treatment. The LIAJ will seek to disseminate such knowledge and considerations across the life insurance industry and boost relevant training provided by life insurers.

##### **Conclusion**

This proposal examined the challenges stemming from dementia in the life insurance industry and sought to find solutions to related issues. Although we mentioned preparations to be made by the customers and their family members and actions to be taken by the government, the life insurance industry must assume primary responsibility for most of the solutions.

As the super-ageing society is expected to progress in the years ahead, more issues surrounding dementia will emerge throughout society. The life insurance industry is committed to helping find solutions to those social issues by encouraging member companies to respond to the super-ageing society including through initiatives to meet the challenges stemming from dementia.

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## **Reference 7: Utilisation of the Social Security and Tax Number System in the private sector**

The Social Security and Tax Number System was launched in January 2016. Believing that this system can be used to upgrade services for the elderly, the life insurance industry presented the following recommendations in April 2017 to consider possible utilisation of the Social Security and Tax Number System in the private sector.

As the super-ageing society is likely to keep progressing, we recommend that the private sector be allowed to utilise the Social Security and Tax Number System to improve convenience for the elderly and build a society where every citizen can live in greater security.

By utilising the Social Security and Tax Number System, the life insurance industry could improve services for the elderly in terms of prompt and reliable claim procedures and simplified paperwork, as illustrated in cases (1) to (3) below, subject to the consent of the person concerned.

To facilitate the spread and consolidation of the Social Security and Tax Number System, the government should continue developing an enabling environment for the system, including by promoting public understanding of the system's merits and building a user-friendly mechanism.

### Possible cases of utilisation by life insurers

- (1) If life insurers can access the survival/death data of the elderly held by the government, they can pay claims more quickly and reliably and reduce the burden of claims procedures for customers.
- (2) If life insurers can access the address data of the elderly held by the government, customers can expect to receive services from life insurers timely and reliably.
- (3) If life insurers can provide information for the elderly through the Mynportal, customers can expect to receive material notifications from life insurers timely and reliably.

Our recommendations specifically refer to using Social Security and Tax Numbers, public personal authentication service and Mynportal.<sup>17</sup> Of these, the public personal authentication service system is now being revised, raising expectations for improved customer convenience.

The public personal authentication service, used for preventing impersonation and data falsification by third parties in making an application or declaration online, provides effective tools for personal identification.

- Personal identification is performed with an electronic ID card called an "e-certificate."
- The e-certificate is recorded and stored in an IC card (Individual Number Card) protected against skimming.
- When making an application or declaration online, users can give an electronic signature or perform user authentication by reading out the e-certificate from the Individual Number Card.

<sup>17</sup> The Mynportal is a highly scalable web-based service that allows users, mostly citizens, to monitor the use of their personal information by administrative institutions such as the national and local governments and health insurers, to verify the content of their personal information and to check various notifications including from administrative institutions, while seamlessly linking public and private online services including through systematic coordination of delivery services provided by private entities with social insurance premium, tax and other public payment services.

This public personal authentication service could be used to track the life/death and address information of customers.

Life insurers could learn about a customer's survival/death and change of name/address by using this service for personal identification at the time of contract signing, and subsequently for checking information about the expiry of the e-certificate (two types of certificate: e-certificate for signature ("Signature Certificate") and e-certificate for user identification ("User ID Certificate")) with the consent of the customer.

The survival of the customer will be confirmed if the User ID Certificate is valid.

Even if the Signature and User ID Certificates have both expired, however, the customer could have left the country and not be dead. Life/death information would have to be obtained from an alternative source in this case<sup>18</sup>.

If the Signature Certificate has expired and the User ID Certificate has not, it can be confirmed that either the address or the name was changed, but there is no way to identify which of the two was changed, or to obtain information on the new address or name. Address or other information would also need to be obtained from another source in this case (see Chart 22).

Looking ahead, such problems are expected to be solved with the amendment to the Public Personal Authentication Act in 2019<sup>19</sup> to allow citizens to use the public personal authentication service even after moving overseas, and with the adoption of a bill to amend the Public Personal Authentication Act<sup>20</sup>, presented to the ordinary Diet session in 2021, which will allow the provision of four basic categories of information with the consent of the person concerned.

Thus, following the entry into effect of the Public Personal Authentication Act as amended in 2019<sup>21</sup>, the e-certificate will not expire even if the person leaves Japan. This means that the death of the customer can be confirmed by looking at the reason for expiry where the Signature and User ID Certificates have both expired<sup>22</sup>.

When the bill to amend the Public Personal Authentication Act is adopted, promulgated and comes into effect, the insurer will be able to check with the Japan Agency for Local Authority Information Systems on new address information, etc. with the consent of the customer, if the Signature Certificate is found to have expired (see Chart 22).

Those upcoming amendments are expected to improve customer convenience including through more prompt and reliable claims payment, reduced burden for claims procedures and timely and reliable provision of services by life insurers.<sup>23</sup>

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<sup>18</sup> It is possible to confirm that the Signature and User ID Certificates have both expired because of death or moving overseas, but it is not possible to identify the exact reason for the expiry (either death or moving), thus requiring another way to obtain life/death information.

<sup>19</sup> Act for Partial Amendment of the Act on Use of Information and Communications Technology in Administrative Procedures, etc. to Improve Convenience of Stakeholders in Administrative Procedures and Simplify and Streamline Administrative Operation by Leveraging Information and Communications Technology (Digital Procedure Act) (promulgated on 31 May 2019)

<sup>20</sup> Bill on Development of Relevant Acts to Build a Digital Society (presented to the Diet on 9 February 2021)

<sup>21</sup> The Act will come into effect on a date specified by a Cabinet Order within five years from the date of promulgation (31 May 2019).

<sup>22</sup> Where the Signature and User ID Certificates have both expired following a report of the loss of the card by the person concerned, for example, life/death information will have to be obtained in an alternative way because the person might still be living.

<sup>23</sup> It is up to the management of life insurers to decide on the necessity and method of utilizing the public personal authentication service.



Chart 22: Utilisation of the public personal authentication service

		Current	Future
Availability of customer information	Survival	<p style="text-align: center;">△</p> <p>Whereas a valid e-certificate proves the survival of the customer, an expired certificate does not necessarily mean that the customer is dead. Another source of information is required.</p>	<p style="text-align: center;">○</p> <p>The survival of the customer can be confirmed in general if the e-certificate is valid, as it does not expire for a citizen moving overseas.</p>
	Death	<p style="text-align: center;">×</p> <p>Although it is possible to know that the customer might be dead, another source of information is required to confirm the death.</p>	<p style="text-align: center;">○</p> <p>The death of the customer can be confirmed by looking at the reason for the expiry of the e-certificate, as it does not expire for a citizen moving overseas.</p>
	Address	<p style="text-align: center;">×</p> <p>Although it is possible to know that either the address or name has been changed, another source of information is required to confirm which of the two has been changed, as well as the new address or name.</p>	<p style="text-align: center;">○</p> <p>If the e-certificate is found to have expired, it is possible to check with the Japan Agency for Local Authority Information Systems on the new address or name with the consent of the customer.</p>