

## The Latest News in Japan's Life Insurance Market 2019: Japan's first P2P insurance, *Warikan Hoken*, has been introduced but...

**justInCase, Inc., a startup company, drawing attention.**

P2P insurance, which breaks down the conventional ideas of life insurance, has entered to the insurance market in Japan. The most distinctive feature is its way of setting premiums: after the payment of all the insurance money, the total amount is divided by members, or policyholders, then the quotient, or premium, will be collected.

*Warikan Hoken*<sup>1</sup>, which has been introduced by a startup company, justInCase, Inc., is one of such kind and when a member's claim for a lump-sum payment for cancer diagnosis for the first time is approved, JPY800,000 will be paid to her/him. A protection plan is very simple. Kazuya Hata, CEO of justInCase, talks about its prospect of sales as "It is hard to set a solid sales goal since it is totally a new type of product. If only a small number of people joins and no insurance claim is made, it will be 'Is really *Warikan* working here?' And with only several thousand members, I think few of them will become cancer. We need at least 10,000 members urgently to have members feel the experience of paying off insurance claims. 3,000 members signed up a year can't be said that it has served right to its product characteristics sought after."

Cancer insurance is one of the most competitive products in the insurance market. With Aflac Life Insurance Japan Ltd. taking a lead in cancer insurance market, quite a few companies develop products to optimize coverages aligned with the latest medical technologies, and compete against each other in the area of additional services as well. On the other hand, there are some cancer insurance products which offer simple coverages with low premiums as a selling point.

In addition, while comparing multiple products before the purchase has become a common behavior among consumers, to what extent would the *Warikan Hoken*'s deferred payment and originality of the concept that allows people to enjoy mutual support through insurance be accepted? What kind of people might join this kind of insurance product and what are their attributes?

Some people expect that *Warikan Hoken* will cultivate a new insurance market; however, there is also a cynical view that it'd be nothing but just a hot topic at the time.

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<sup>1</sup> *Warikan* usually refers to the act of splitting the bill or sharing the cost; however, *Warikan* in *Warikan Hoken* means "sharing insurance risks and payments equally among peers" according to justInCase during its press conference. *Hoken* means insurance in Japanese.

Truth be told, “Confusion” might be the word to describe the attitude of the life insurance industry toward this product, being unable to imagine how this new innovation can fit within the market.

Let me talk more details about justInCase, Inc.

With a vision, making insurance interactive, the company operates InsurTech business to aim to transform the insurance business with technology.

The company was established in December 2016. In 2018, it started business as a Small Amount and Short Term Insurance Provider. In July of the same year, the company released its first product, *Sumaho No Hoken*, smartphone insurance, followed by *Ichinichi Kega Hoken*, on demand accidental insurance, in August 2019.

*Warikan Hoken*, Japan’s first P2P insurance, was introduced on January 28, 2020. During the press conference on the release date, CEO Kazuya Hata showed his confidence as “I take pride on this product which makes insurance interactive so that it allows people to feel the joy of mutual support through the insurance.”

CEO Hata has worked for an actuarial consulting firm Milliman Inc.; his duties included a calculation of policy reserves. He also has worked for some investment and reinsurance companies, where he was responsible to provide insurance companies with services such as product development, risk management and ALM.

### **Deferred payment and splitting cost, but a cap on premiums.**

CEO Hata pointed out three distinctive features that differentiate *Warikan Hoken* from other conventional insurance products during the press conference on January 28.

- ① Pay premiums later
- ② Monthly premiums fluctuate in accordance with the amount of insurance claims.  
If there is no claim filed, no premiums will be collected following month.
- ③ Disclose the management fee.

The protection is only against cancer, including intraepithelial carcinoma, and when a diagnosis is confirmed for the first time, a lump-sum payment will be made for JPY800,000. However, there is a waiting period of two months.

The premium payment, which can be said to be the most distinctive feature, is calculated by splitting the cost and collected later.

To be more specific, justInCase pays for insurance money first to a member who becomes cancer and files a claim, then the total amount of the payment and management fee will be divided by the rest of the members to calculate the premium.

For example, let’s say there are 10,000 members in April, of which 2 members who

have been diagnosed as cancer file a claim in the same month. If a claim is legit and approved, a lump-sum payment of JPY800,000 will be paid to a claimant. If both claims are approved, JPY1,600,000 will be paid.

Premiums for May will be JPY229 as the total amount of insurance payment, which is JPY1,600,000 in April, and the management fee are divided by 9,998 members.

This kind of calculation is repeated every month and with the simple calculation, if there are 4 members received insurance money, the premium will be twice as much as JPY229. Premiums fluctuate every month. Concerns arise as such increase in premiums associated with the increase in the insurance payouts could be a reason for some people to cancel the policy.

CEO Hata explains that justInCase would take a risk and place a cap on premiums by age group; for example, JPY500 is a maximum premium for the age group between 20 and 39.

As for the maximum premiums set for those aged 40 and above are: JPY990 for those aged between 40 and 54 and JPY3,190 for those aged between 55 and 74. These maximum premiums are equivalent to the level of gross premiums of similar products.

Management fee is set as 30% of premiums in the above example; however, the more people joins, the less it becomes. Starting at 35%, it decreases 1% for every 2,000 members joining and if the number of members reaches 20,000, it will be 25%.

Of course, the number of members is disclosed. "With how many people do we split the cost? Members have the right to know about it. This is also important, and it leads to visualization of mutual support," said CEO Hata.

On the other hand, as for the information about the member who receive the benefit, only age, sex, and the type of cancer will be disclosed. For example, members can see the information through their smartphones such as JPY800,000 was paid to a 29-year-old female who has been diagnosed as intraepithelial carcinoma.

### **Almost fraudulent free cancer insurance.**

While developing *Warikan Hoken*, justInCase sought after China's *Xian Hu Bao* as a reference work.

*Xian Hu Bao* is operated by Ant Financial, a subsidiary of Alibaba Group Holdings. It covers specified diseases such as cancer, acute myocardial infarction and stroke. Conditions to participate in the program include the score of at least 600 of Zhima Credit or Sesame Credit, a private credit scoring system developed by Alibaba.

Alipay is accepting applications and one year from October 2018, more than 10 million

people joined the program. Its sales target is set at 30 million people in 2 years. Members comprise a risk pool by age and when a cause of payment has arisen, members in the pool make assessment and the payment is equally shared among all the members by agreement. RMB188 a year is set as the upper contribution limit.

Unlike *Xian Hu Bao*, *Warikan Hoken* covers only cancer.

“We wanted to keep it simple. Breaking something or committing suicide can be done at one’s own will, but becoming a cancer is something beyond one’s control. We chose cancer insurance because it is one of the hardest to make fraudulent claims,” explained CEO Hata.

As for the reason not to have adopted the system where members access claims, CEO Hata said “At this moment, we can’t find any reason to introduce the system. Once again, we want keep it simple and we think the risk of fraudulent claims is extremely low.”

## **8 partner companies supporting sales.**

While its sales is hard to forecast, CEO Hata came out with the strategy to work with partner companies.

“We do not have capital strength so that to reach consumers, we need support from partners. We want as many consumers as possible to know about this product through the partner companies that share the philosophy of *Warikan Hoken*,” said CEO Hata.

Eight companies listed as the partner companies are Advance Create Co., Ltd., SBI Nihon SSI Co., Ltd., CrowdWorks Inc., Shinsei Bank, Limited, Zurich Small Amount and Short Term Insurance Ltd., DeNA Co., Ltd., Nippon Life Insurance Company and LINE Financial Corporation.

Among those eight partner companies, Nippon Life Insurance Company, Japan’s leading life insurance company, stands out.

During the press conference on January 28, an attendant from Innovation Development Office of Nippon Life states “This is a new insurance scheme which started to show its existence remarkably overseas. I am very curious how it is accepted in Japan’s insurance market.”

Nippon Life assigned its subsidiary agency to handle *Warikan Hoken*. A sales rep at the agency provides the information to a client and refers him/her to justInCase’s app.

“It is very new to all of us. While we deepened discussions beforehand, CEO Hata requested our cooperation because the sound development of the market and the stable business operation, which is Nippon Life’s strength, are required. We make sure to provide solid support accordingly,” stated Nippon Life about their basic stance.

Other partner companies also left comments as follows to support justInCase.

“Mutual support is a starting point of insurance. We’d like many customers to experience the excellence of insurance. SBI Group is also an investor, thereby we as a whole group would like to support *Warikan Hoken*.” (SBI Nihon SSI Co., Ltd.)

“*Warikan Hoken* is not just new only for the use of technology but also its initiative that participants support healthcare by helping each other. We expect its success.” (DeNA Co., Ltd.)

“We operate an online platform, which provides matching services for individuals who seek work and employers who seek individuals to work for their projects. Currently we have 3.16 million registered individuals. While the workstyle becomes more flexible and diversified, we would like to expand this new type of insurance and something new together with justInCase.” (CrowdWorks Inc.)

With such strong support from the partner companies, “Conceptually speaking, *Warikan Hoken* is the mutual support among all the insured and the insurance company. By sharing risks with the insured, we are able to develop products that have never been developed before. I would like to expand this new product by cooperating with life and non-life insurance companies,” said CEO Hata of his ambition.

### **First P2P pet insurance trial.**

Finally, let me introduce a pet insurance version of P2P insurance. rakanu inc. and Frich Inc. are developing P2P insurance-type breed-specific pet insurance which optimize protection coverages according to a breed of dogs.

Owners form groups by breed and chose insurance designed for a specific breed. The companies aim to launch the product in the market within 2020.

Both companies talk about the backdrop of developing the service as “When owners opt to purchase insurance for their dogs, it sometimes is very hard for them to purchase generic products because each breed has genetically different characteristics. For example, some breeds are susceptible to eye related disease and another breed might have sensitive skin or back leg weakness.”

rakanu operates the Internet media specialized in specific breed such as French bulldogs, providing the right knowledge to prevent or prepare for the illness and injury susceptible by a given breed, as well as the know-hows to raise and discipline this breed of dogs.

Frich provides platform services which allows social network friends to easily form groups on the web or smartphone for mutual support.

Whether or not P2P insurance can find a new market also in the field of pet insurance attracts attention.