

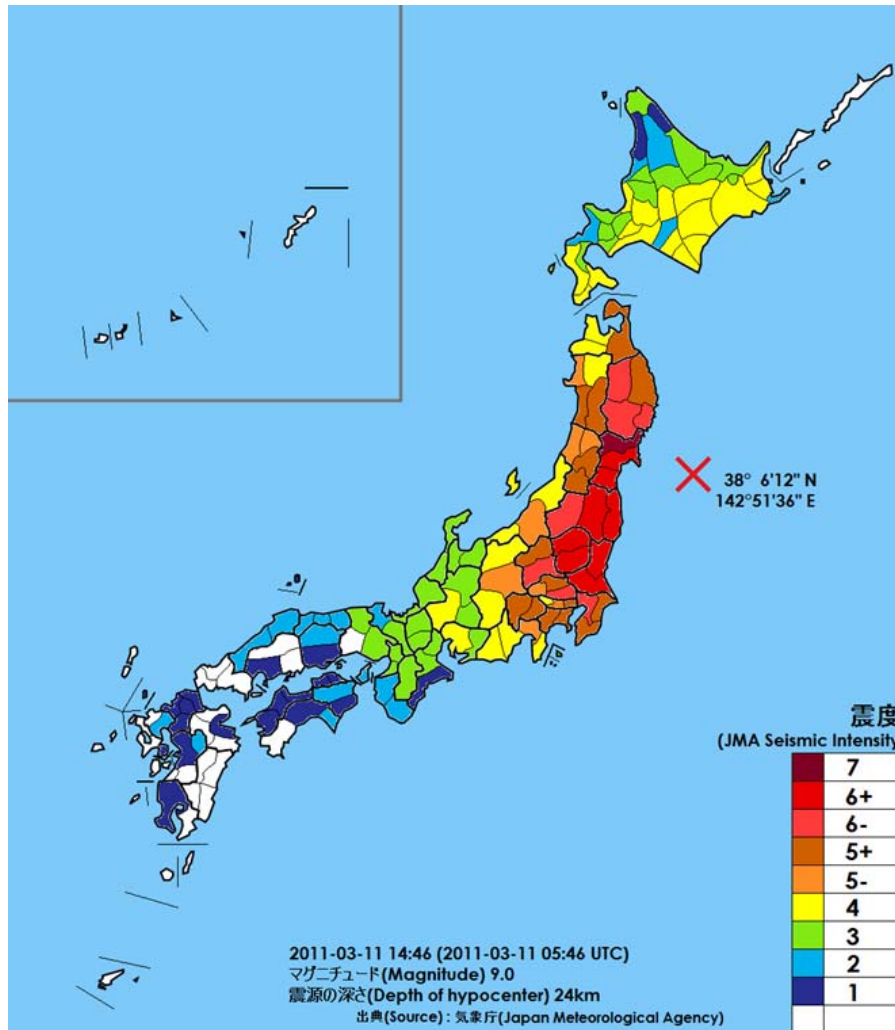


# Life Insurance Industry's Response to the Great East Japan Earthquake

November 17, 2011

KOTOH, Takashi  
Deputy Secretary General  
Oriental Life Insurance Cultural Development Center

# The Great East Japan Earthquake



Time: 14:46 March 11, 2011  
Epicenter: Off the Coast of Sendai  
Depth: 24km  
Seismic Degree: M9.0

Loss: (As of Oct. 17, 2011)  
Dead: 15,824  
Missing: 3,846

# Significant Past Natural Catastrophes

(\$ billion)

Disaster (year)	Area	Losses	Fatalities
Great East Japan Earthquake (2011)	Japan	210	15,821 (Missing) 3,962
Haiti Earthquake (2010)	Haiti	8	222,570
Sichuan Earthquake (2008)	China	85	84,000
Hurricane Katrina (2005)	US	125	1,322
Indian Ocean Earthquake (2004)	Indonesia, Thai, Malaysia etc	1	220,000
Chuetsu Earthquake (2004)	Japan	28	46
Izmit Earthquake (1999)	Turkey	12	17,127
921 Earthquake (1999)	Taiwan	14	2,400
Great Hanshin Earthquake (1995)	Japan	100	6,430

Source: Cabinet Office, Munich Re

# Today' s Contents

---

- I Measures on Life Insurance Contracts
- II Responses to Inquiries & Claim Procedures
- III Safety Confirmation of Customers
- IV System to Ensure Insurance Payouts
- V Responses to Missing People
- VI Responses to Disaster Orphans
- ◆ Some topics
- ◆ Non-Payment Problems
- ◆ Q&A

# I Measures on Life Insurance Contracts

---

## 1. Non-application of Exemption Clause

Full payment of accident-related insurance money and benefits

## 2. Extension of the Grace Period for Paying Premiums

## 3. Reduction or Exemption of Loan Interest

## 4. Simple and Quick Payment of Insurance Money and Benefits

Special Treatments on Insurance Payouts

# I Measures on Life Insurance Contracts -1

## 1. Non-application of Exemption Clause

### Full payment of accident-related insurance money and benefits

Policy conditions of life insurance generally states that **accident-related insurance money and benefits will be reduced or not be paid in case of earthquakes**. However, all life insurers in Japan announced through LIAJ that **they do not apply this clause and make full payment** of accident-related insurance money and benefits at this time.

# I Measures on Life Insurance Contracts - 2

## 2. Extension of the Grace Period for Paying Premiums

- ◆ Life Insurers extend the grace period for paying premiums up to **nine months** (until the end of December 2011) upon the request of the customer.
- ◆ Given the policyholder continuously pays the premiums from January 2012, the paying period of premiums for the **grace period can be extended until the end of October 2012** in case paying the full amount of premiums is difficult at once.
- ◆ The number of contracts in the grace period is 130,818 as of October 20.

# I Measures on Life Insurance Contracts - 3

## 3. Reduction or Exemption of Interest

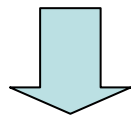
- ◆ Establishment of Special Interest Rate for Policy Loans.  
e.g. 2.75% => 1.5%
- ◆ Modification of grace period or conditions of repayment for entities in the affected area.



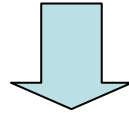
# I Measures on Life Insurance Contracts - 4

## 4. Simple and quick payment of insurance money and benefits Special Treatments on Insurance Payouts

- ◆ Policyholders do not have documents necessary for insurance claims and procedures (Insurance certificate and personal seal)
- ◆ Local government offices are affected
- ◆ Hospitals are affected



# I Measures on Life Insurance Contracts - 4



Simple and quick payment of insurance money and benefits **without requiring some usual necessary documents.**

Special treatment of hospitalization (**deemed hospitalization**)



## II Responses to Inquiries & Claims Procedures

---

1. Center for Searching for Life Insurance Contracts in Disaster Area
2. Response for consultation from customers

## II Responses to Inquiries & Claims Procedures-1

Housing was either washed away or burned

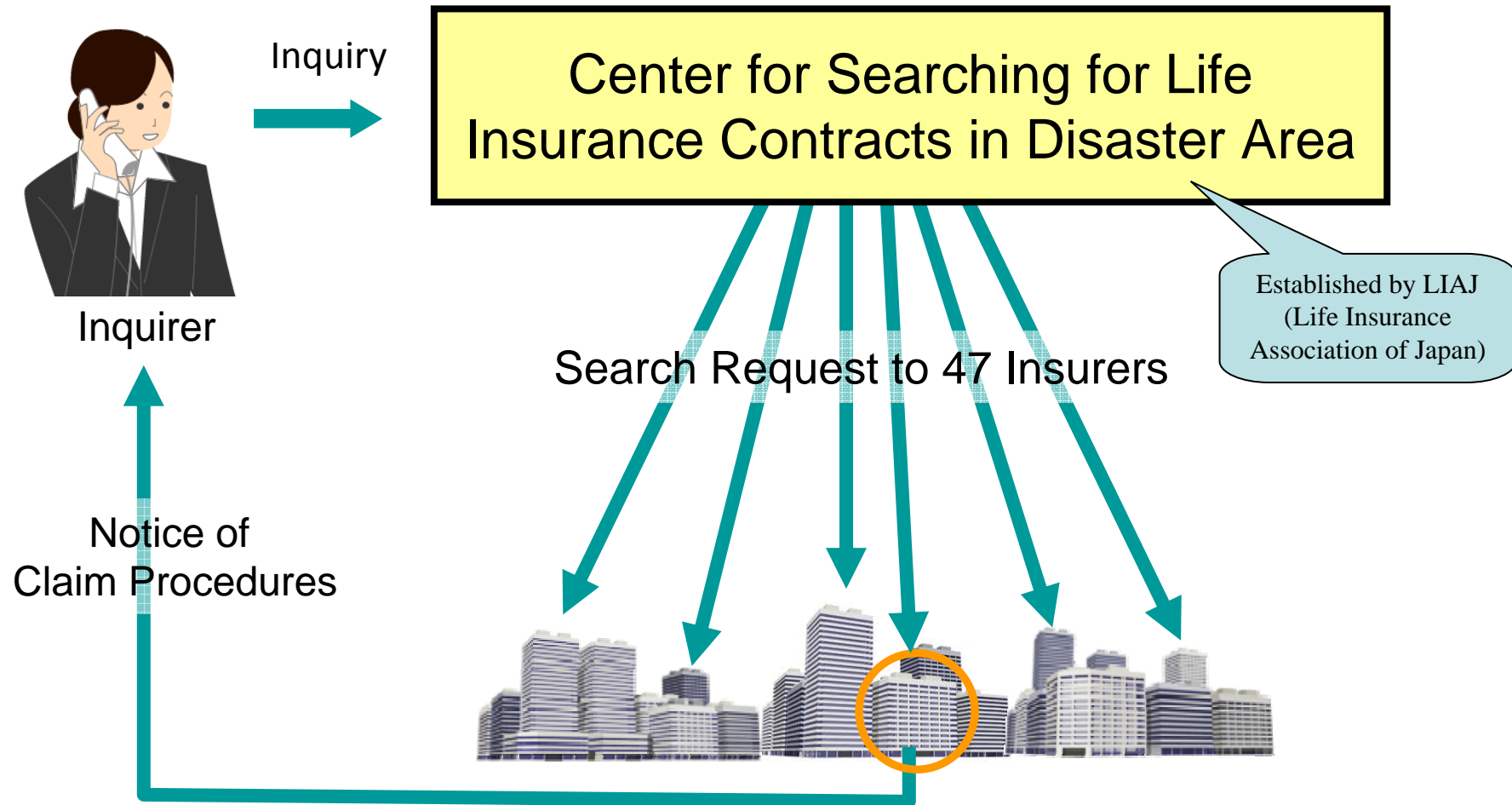
Escape with only the barest necessities

Policyholder, Insured and beneficiaries went missing or died at the same time



Most evacuees don't even know they had policies or their insurance companies.

## II Responses to Inquiries & Claims Procedures-1



## II Responses to Inquiries & Claims Procedures-2

### < Response for consultation from customers >

Receiving consultation at call center  
(each insurer)

Receiving consultation at “Life Insurance  
Consultation Center” and its corresponding  
local offices (LIAJ)

Establishing temporary consultation office at  
evacuation centers (some insurers)

# Gibraltar Life Case

Gibraltar Life took following actions regarding :

I Measures on life insurance contracts

II Responses to Inquiries & Claims Procedures

Start	Contents	Detail
Mar.11	Earthquake occurred	At 2.46 PM on Friday, March 11, 2011
Mar.12	Announcement of non-application of earthquake-related exemption clause	Made announcement that they will not apply earthquake-related exemption clause on their website (full payment of accident-related death benefits and accident-related hospitalization benefits)
	Toll-Free Call for evacuees	Established toll-free call for evacuees (Open on Sundays and national holidays)
Mar.14	Research on policyholders by Head Office	Head office made research throughout policyholders database based on information on casualties provided by newspapers and internet. In case the home office detected potential policyholders, they contacted the branch offices in charge and notify the related parties as soon as possible.

# Gibraltar Life Case

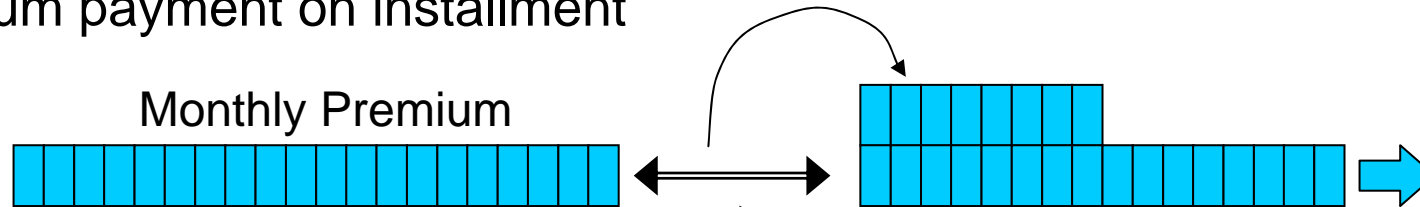
Mar.14	Implementation of special measures	<ul style="list-style-type: none"> <li>• Lessening or waiver of benefit claim documents</li> <li>• Death benefit payment without removal of family register, if official institution acknowledges the death</li> <li>• On-site cash payment of loan proceeds or hospitalization benefits</li> <li>• Extension of premium payment grace period (Initially set by June 30, eventually extended to December 31, 2011)</li> <li>• Deemed hospitalization even in the case of hospitalization at emergency facilities in relation to the payment of benefits</li> <li>• “March 11” deemed to be the hospitalization date</li> </ul>
3/18	Policy loan with special interest rate	Policy loans for the affected with special interest rate of 1.5%



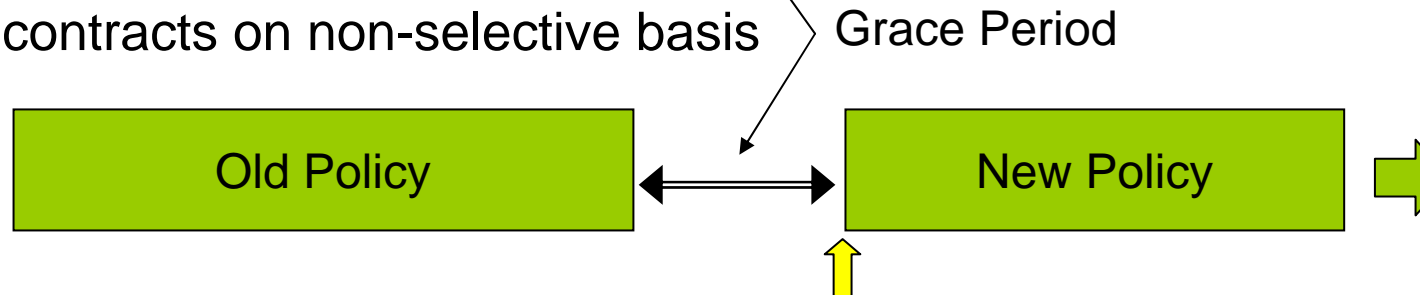
# Gibraltar Life Case

Though customers to whom we had allowed a grace period are supposed to pay all the unpaid premiums in a lump sum, we offered the services indicated below in case they had difficulty paying in a lump sum.

## 1. Premium payment on installment



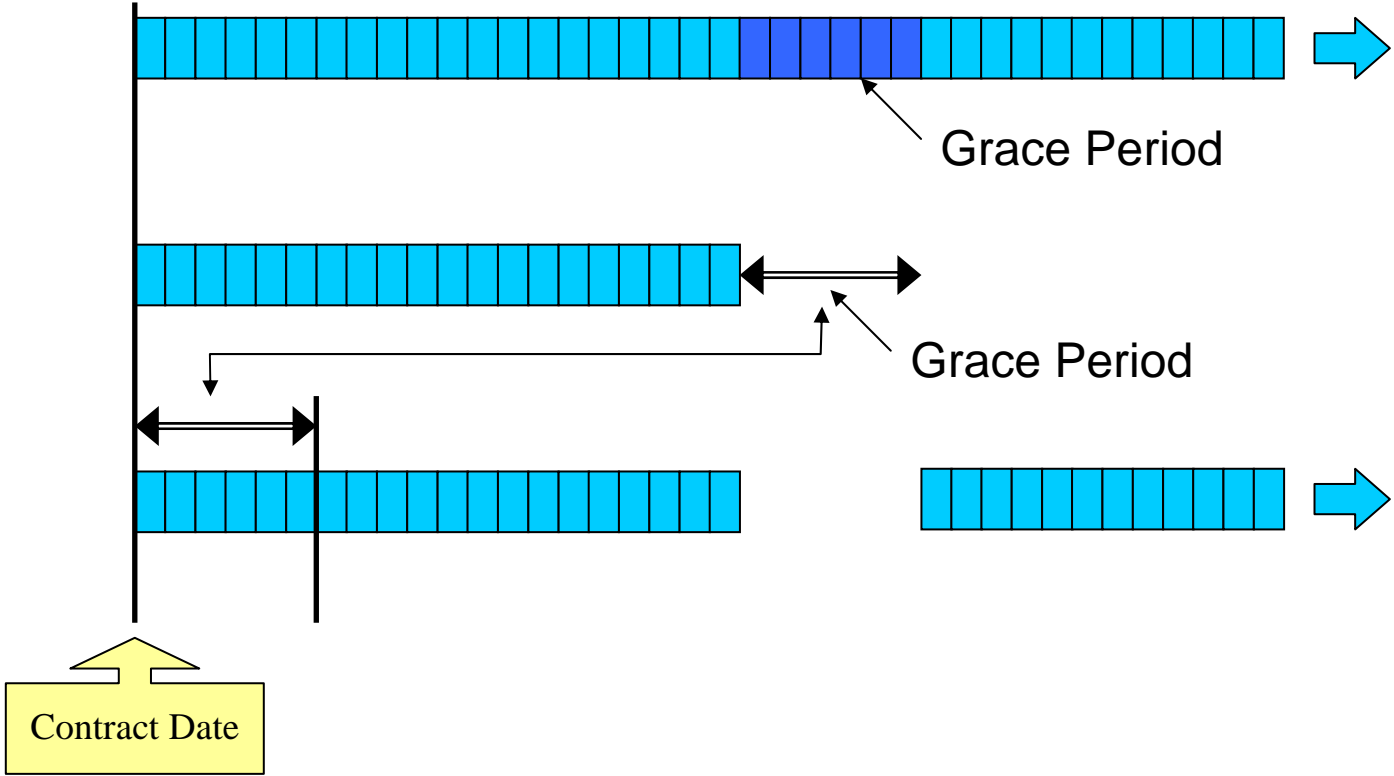
## 2. New contracts on non-selective basis



New contracts are allowed without checking physical condition. Old policies are cancelled when new policies take effect.

# Gibraltar Life Case

## 3. Correction of contract date



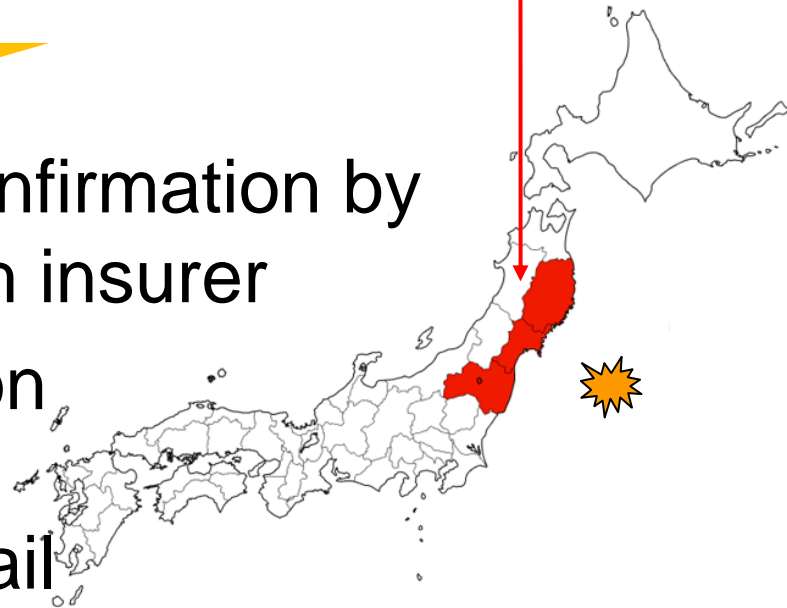
### III Safety Confirmation of Customers

The number of customers subject to safety confirmation  
= 2.93 million (as of October, 2011)



Implementing safety confirmation by  
using resources of each insurer

- ✓ Individual visitation
- ✓ Outbound call
- ✓ Sending direct mail



# Gibraltar Life Case

Gibraltar Life took following actions for safety confirmation of more than 200,000 policies' customers.

Start	Contents	Detail
Mar.11	Earthquake occurred	At 2.46 PM on Friday, March 11, 2011
Mar.14	Safety confirmation Started	On policies with assigned agents, agents either visited or called customers to confirm safety.
Mar.29	Started to make confirmation on orphan policy	On policies without assigned agents (Orphan policies), head office staff called customers from their Call Center to confirm safety.
Apr.22	Letters of sympathy	Gibraltar sent out letters of sympathy to those with whom they could not establish contact.
July.11	Repetition of safety confirmation calls	Gibraltar made calls to those whose safety they could not confirm either by visiting or phone calls.

# Gibraltar Life Case

Start	Contents	Detail
Aug.3	Confirmation with local government	Gibraltar made inquiries to the local governments on the safety of their policyholders with whom they could not establish contact.
Aug.22	On-site visit by third-party confirmation agent	For customers who were hit by the tsunami, Gibraltar asked third-party confirmation agents to visit each customer to confirm their safety.



410 people are unconfirmed out of 201,519 people to be confirmed  
as of October 20, 2011.

# IV System to Ensure Insurance Payouts-1

## < Establishment of Industry-Shared Database >

Established by LIAJ

Collecting information on persons died in the disaster

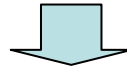
- (1) The list of fatalities disclosed by police
- (2) Information acquired by Insurers
- (3) Information acquired by the Center for Searching for Life Insurance Contracts in Disaster Areas



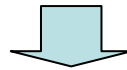
Each insurer conducted research on whether they had contracts with them ⇒ Notice of claim procedures

## IV System to Ensure Insurance Payouts-2

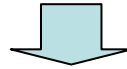
Beneficiaries = Persons who are registered in the life insurance company.



Life insurers need to identify the person who has a right to receive insurance benefits (generally legal successor).



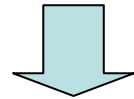
Request to the local government for the disclosure of family registration and residence certificates is limited to the person in question.



It takes more time to determine the successors.

## IV System to Ensure Insurance Payouts-2

After life insurers ties up with the LIAJ to work on the Government, insurers became able to directly request to the local government for the disclosure.

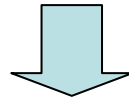


Aim to pay claims quickly

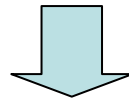


# V Responses to Missing People

There are 4,000 missing people still remain unconfirmed.



In law, presumption of death involving a catastrophic event or disaster shall be for not less than 1 year.



Since Japanese government started to simplify the procedure for registering death, life insurance companies decided to pay insurance money in accordance with this new procedure, without removal of family register.

# VI Responses to Disaster Orphans

Some disaster orphans may not know that their parents or other family members were covered by insurance contracts. Insurers should inform them of their claimable contracts properly.

A guardian of the orphans should be selected to claim benefits; however, an appointing procedure may be difficult due to the sequence of the disaster

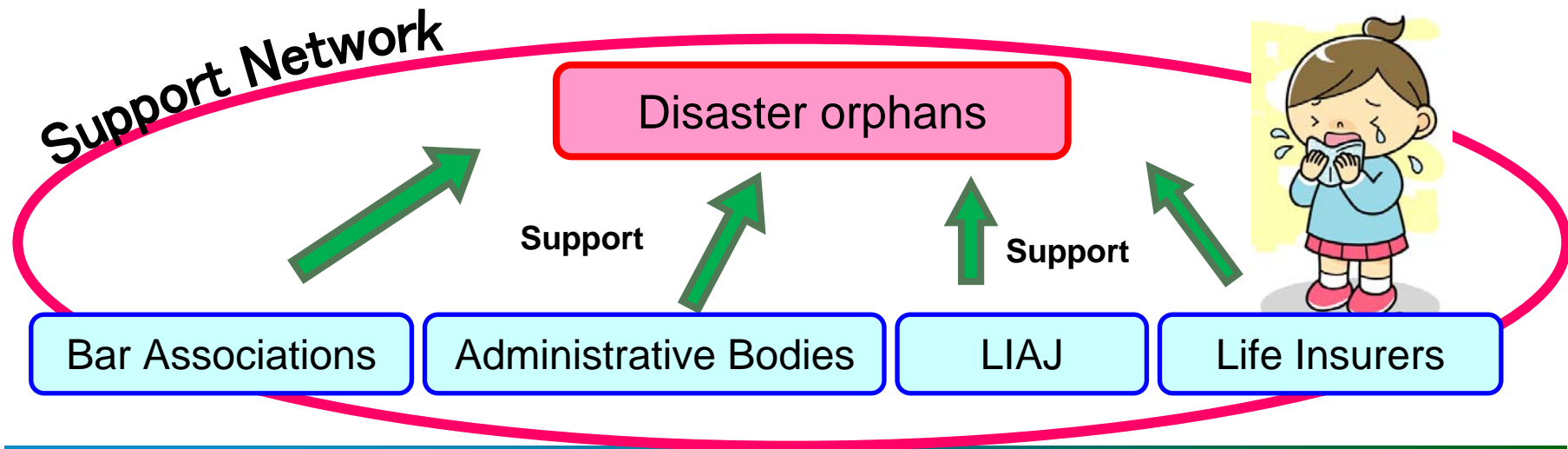
Sensitive cares are required for disaster orphans who cannot easily accept their parents' death.

Insurance money should be used for the benefit of disaster orphans.

# VI Responses to Disaster Orphans

## <Establishment of the Life Insurance Support Network for the Orphaned Children>

- Life Insurers will make appropriate insurance payouts for children who lost all of their parents by the disaster.
- Parties concerned such as local bar associations, administrative bodies, LIAJ and Life Insurers establish the **information exchange network** to support the disaster orphans.



---

# ***BREAK***



On the March 11, millions of people became “Stranded Commuters” in Tokyo metropolitan area.



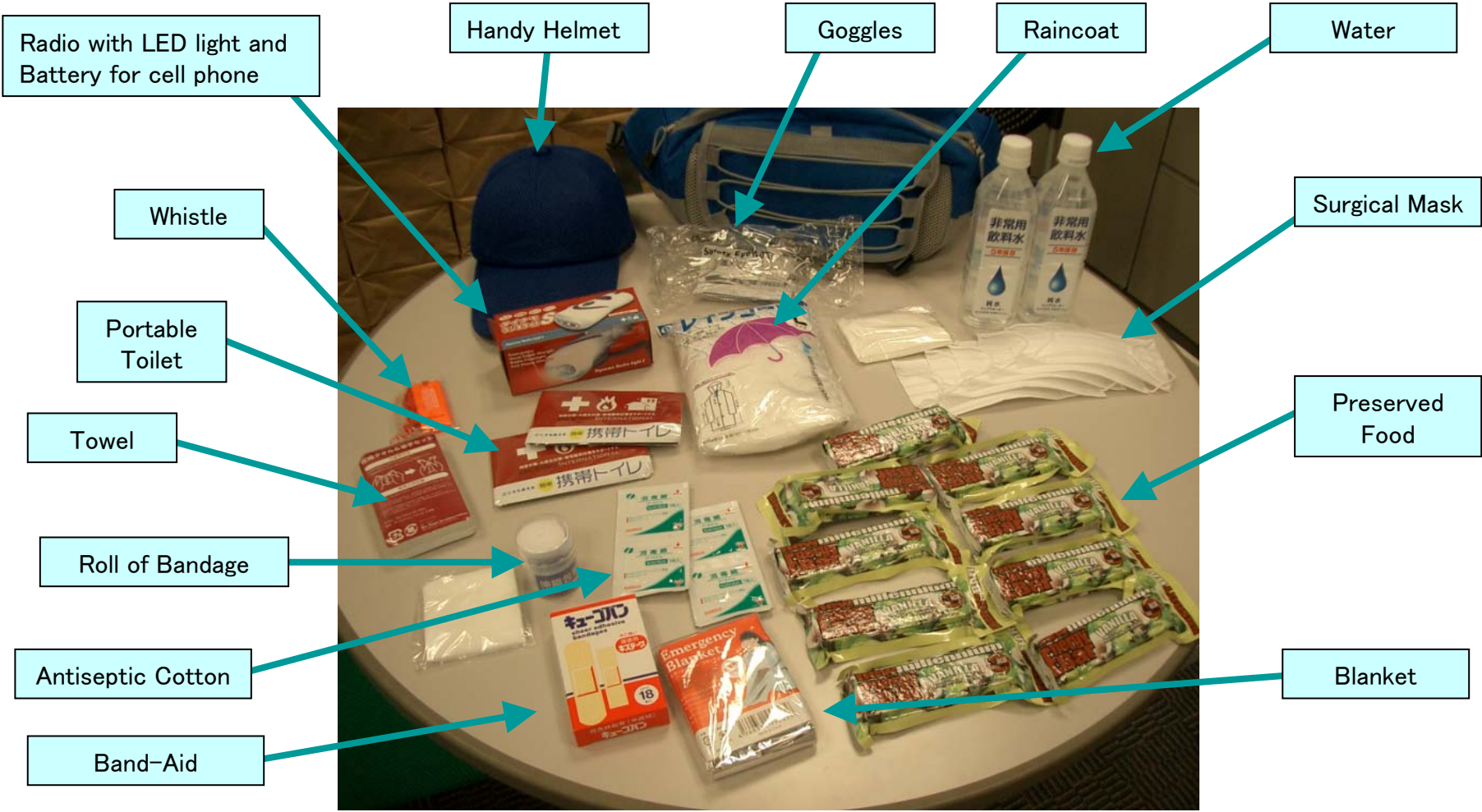
# Emergency Survival Kit

Prudential Group distributed the emergency survival kits to all the employees.





# Emergency Survival Kit Contents



# Emergency Stock (Gibraltar Life Home Office)

Rice : 1,200 meals

Biscuit : 620 cans

Water : 1.5L × 1,200 bottles


Blanket : 380

Portable Toilet : 300

Helmet, Self Powered Radio,  
Waterproof Flashlight







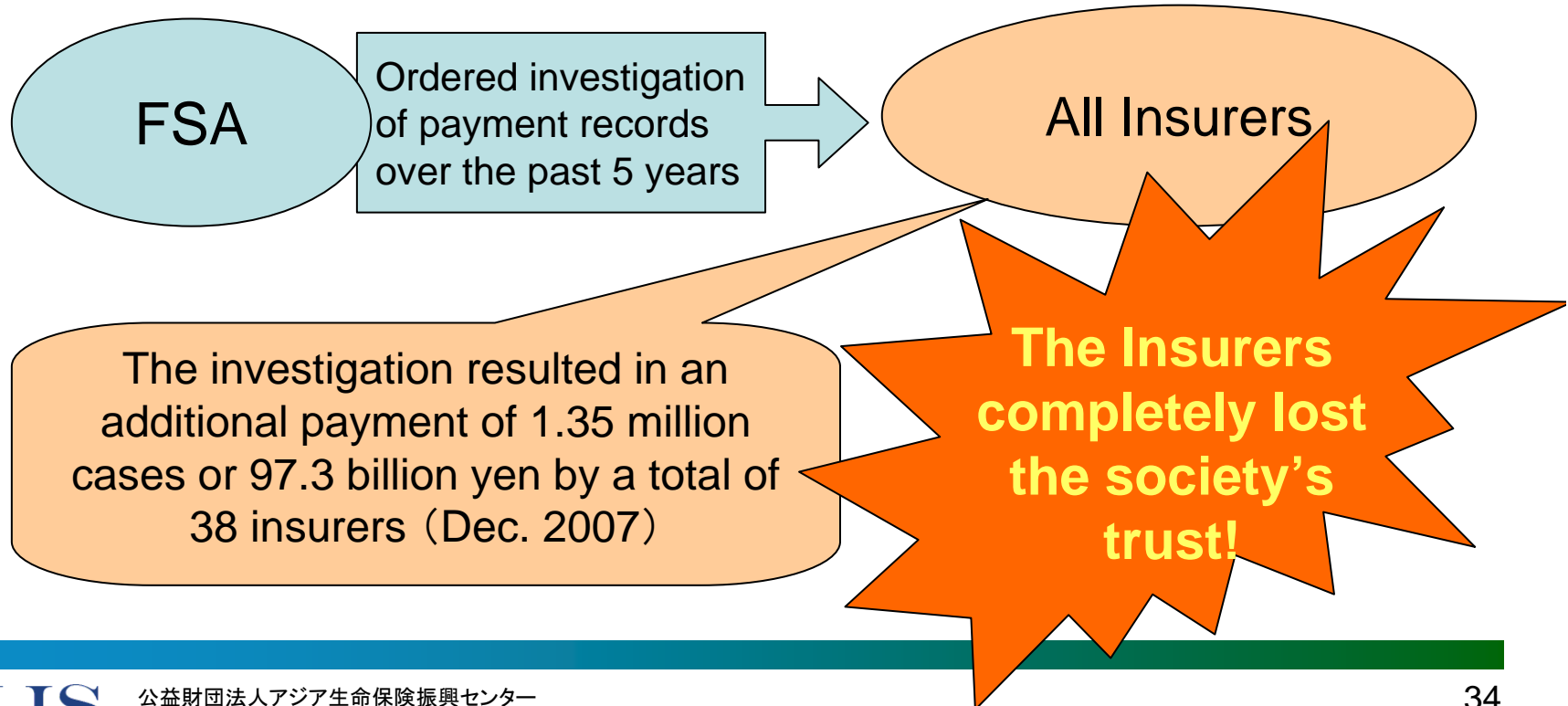
Why did Japanese insurers became so determined to pay for the claims?

It stems from the notorious "non payment problem", to be discussed in a moment, happened in 2005.

The trouble led to the Japanese life insurance industry to reaffirm that “the mission of an insurance company is to pay claims.”

# Non-Payment Problems

Huge social issue triggered by M Life's "unfair insurance payments" revealed in Feb. 2005



# Non-Payment Problems

What we mean by “Non-Payment” here is:

## 1. Intentional and malicious non-payments

Identified only in the **M Life** where the problem was revealed for the first time

- ◆ Refusal to pay claims on the ground of fraud or invalidity even after the period when the insurers are allowed to rescind policies due to violation of declaration had passed.
- ◆ Refusal to pay claims on the ground of violation of declaration duty while advising customers not to declare at time of solicitation.

**M Life** tried to boost profits by withholding payments !

## Non-Payment Problems

What we mean by “Non-Payment” here is:

### 2. Non-Payments due to the Insurer’s Mistake or Negligence

All other insurers  
fell under this  
category of non-  
payments

- ◆ Insurers failed to provide enough guidance regarding claim request.
- ◆ Insurers failed to check medical certificates sufficiently.

## Non-Payment Problems

# Reflection on Non-Payment Problem #1

What is the most fundamental and essential responsibility of an insurance company?

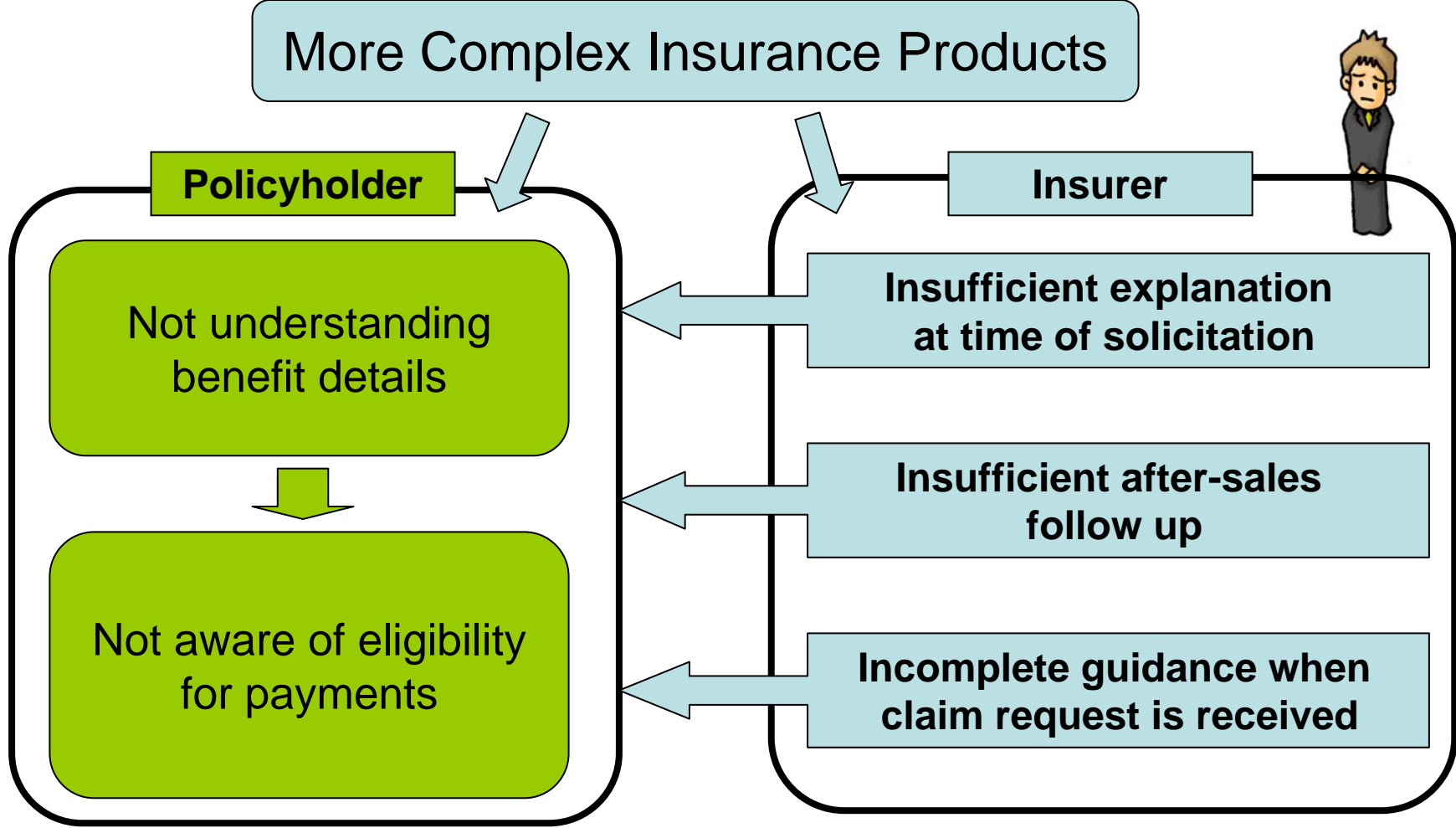
Payment of Claims

The Insurers lacked this recognition



# Non-Payment Problems

## Reflection on Non-Payment Problem #2

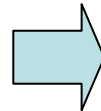


# Non-Payment Problems

## Reflection on Non-Payment Problem #3

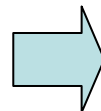
Need to move away from the habit of placing the policy provisions above anything else

~~Description in the policy provisions is not enough~~



Make sure the customer fully understands contract details

~~Claims are paid out when it is requested~~



If there is even the slightest possibility of insured event, ask the customer about the fact for making payment request



# Non-Payment Problems

## Preventive Measures #1

### Develop Easy-to-understand Products

- Simple and straightforward products for prevention of missed claim requests or overlooked payments

### Call on Existing Policyholder

- Provide an explanation of product details again including benefits
- Confirm if there have been any event eligible for payments such as hospitalization

### Enhance Services and Simplify Procedures for Claim Payment

- Expand contents of brochures regarding claim payment
- Create an environment for an easier claim request, such as insurers shouldering the costs of obtaining medical certificates



# Non-Payment Problems

## Preventive Measures #2

### Employee Training

- Training of personnel responsible for claim examination for prevention of a misreading or an oversight of medical certificates
- Training of sales agents so as to provide sufficient explanation to customers

### Computerization of Medical Certificates

Computerization of medical certificates created by doctors is underway being led by Life Insurance Association

# Non-Payment Problems

## Preventive Measures #3

### Establishment of Payment Examination Committee

When a customer complaint is filed, the Payment Examination Committee, an objective entity, verifies the result of claim examination performed by the Company

Consisting of external experts such as doctors and lawyers

## Non-Payment Problems

### Positive & Negative Effects of the Non-Payment Problem

#### Negative Effects

- Insurers lost all at once the society's trust that had been fostered over a long period of time
- Failure to pay out claims caused many customers inconveniences

#### Positive Effects

- The problem took out in the open all related issues that had been hidden
- **The problem allowed the insurers to go back to the principle that it is their mission to pay out claims and benefits to the customers.**
- A series of reforms for better customer usability and policyholder protection have been carried out

**The Great East Japan Earthquake was one of the worst disasters in our nation's history.**

**Insurers worked hard to provide those that suffered with every possible service and to pay their insurance claims and benefits.**

**They also did everything they could to confirm the safety of their customers and ensure that insurance payouts were not short by even one yen.**

**This is because all insurers turned the non-payment problems of 2005 into an opportunity to reaffirm the basic principle that the mission of an insurance company is to pay claims.**

**For the Japanese life insurance industry, this scandal left a stain in its history and resulted in the loss of public trust.**

**The lessons learned back then was utilized unexpectedly in the best way possible at the worst occasion six years later.**

**I will now end my presentation by asking each one of you to reflect once more on the mission of insurers.**

**Thank you for listening**



**Terima Kasih**

**ARIGATOH**

# Disclaimer

The information contained in this presentation is for general information purposes only. The information is provided by Oriental Life Insurance Cultural Development Center (hereinafter “OLIS”) and while OLIS endeavor to keep the information up to date and correct, OLIS makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to the presentation or the information, products, services, or related graphics contained in this presentation for any purpose. Any reliance you place on such information is therefore strictly at your own risk.

In no event will OLIS be liable for any loss or damage including without limitation, indirect or consequential loss or damage, or any loss or damage whatsoever arising from loss of profits arising out of, or in connection with, the use of this presentation.