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Product Development Strategy of Life Insurance

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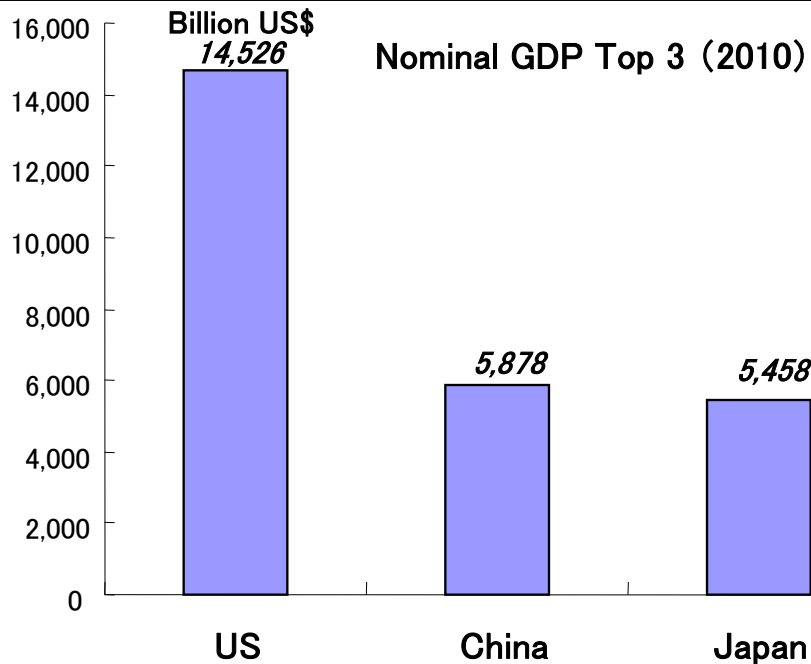
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1 . Introduction

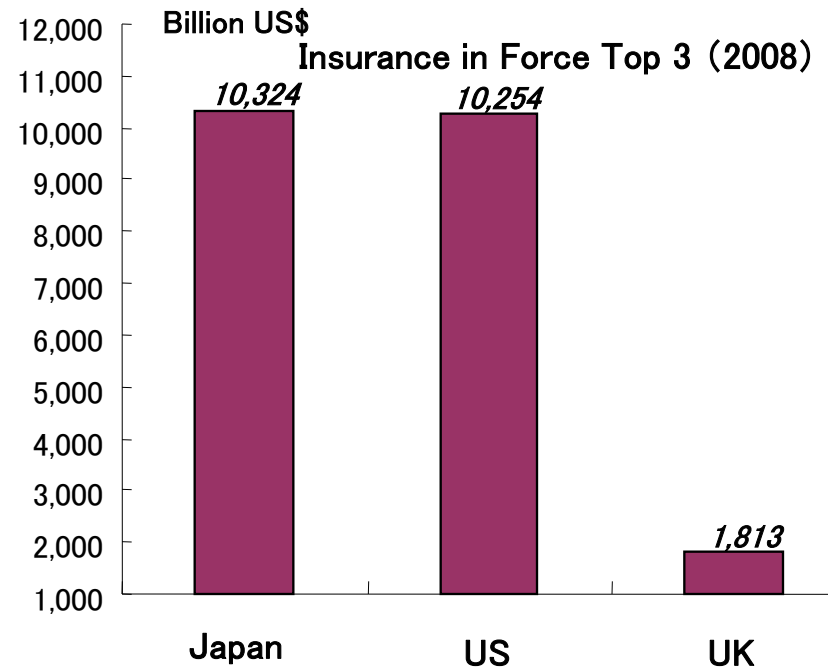
Japan, the World Largest Life Insurance Country

Features of Japan in the world

- No. 3 nominal GDP following US and China
- 10th Population, 16th nominal GDP per capita
- Nevertheless, No.1 Amount of Insurance in Force followed by US !



(Source) IMF - World Economic Outlook



(Source) Annual Data Book of Life Insurance Business

Why Did Japan Become No.1 Life Insurance Country? (1)

1. Previously existing environment to easily accept life insurance

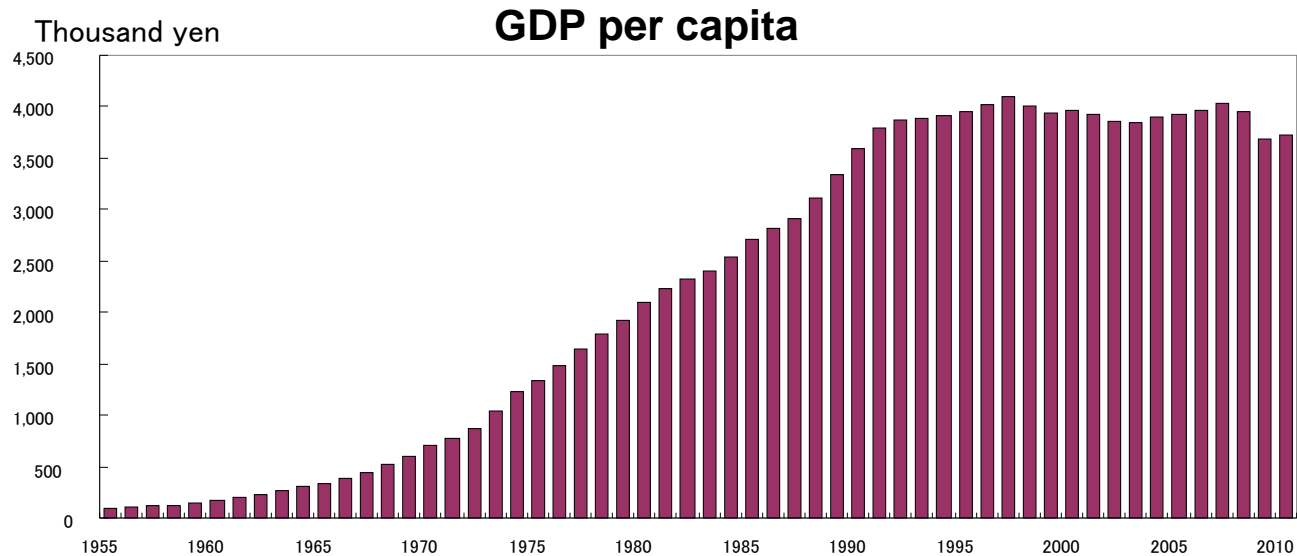
Since around 12th century, there were mutual supporting system called “Tanomoshi” or “Mujin” where people contribute for pooling to be redistributed for emergency in restricted community societies in Japan.

In latter half of 19th century, the first modern life insurance company was established in Japan.

Life Insurance grew popular based on the environment mentioned above.

2. Increase of Income along with Economic Expansion

Income level expanded significantly during the high economic growth period from 1960s to 1980s.



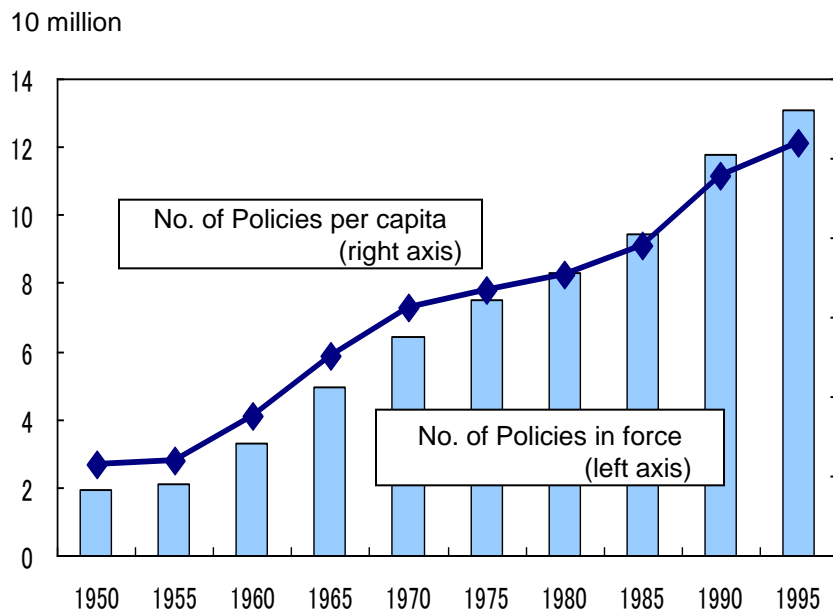
(Source) Statistics Bureau of MIC “National Economy Accounting”, “Static Population”,
Cabinet Office “National Economy Accounting, Final Report”

Why Did Japan Become No.1 Life Insurance Country? (2)

3. To the No.1 country of life insurance in force

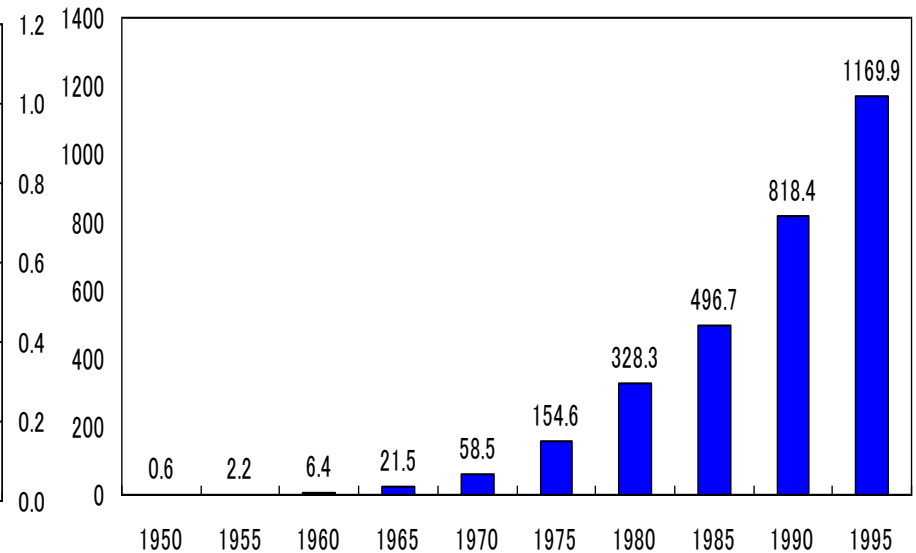
Highly increasing income in addition to the traditional environment enabling to accept life insurance easily, expanded the life insurance market accompanied with increase of amount insured per policy.

Number of Life Insurance Policies in force & Number of Policies per capita



Amount insured per capita

10 thousand yen



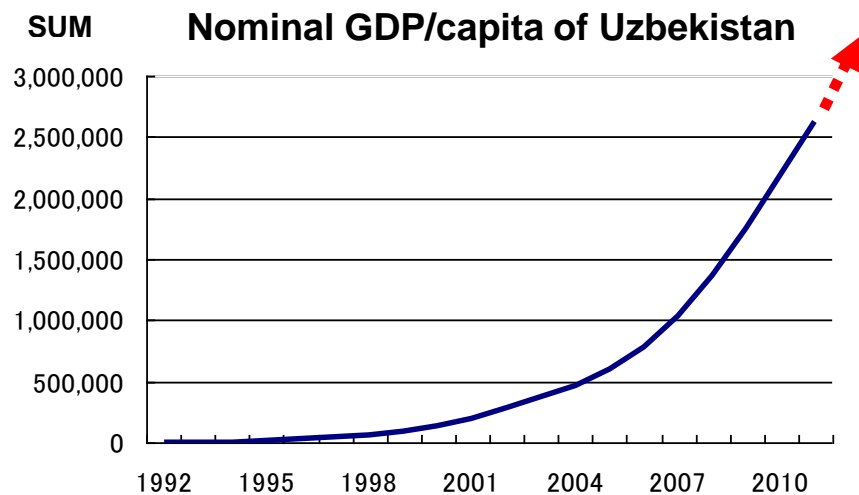
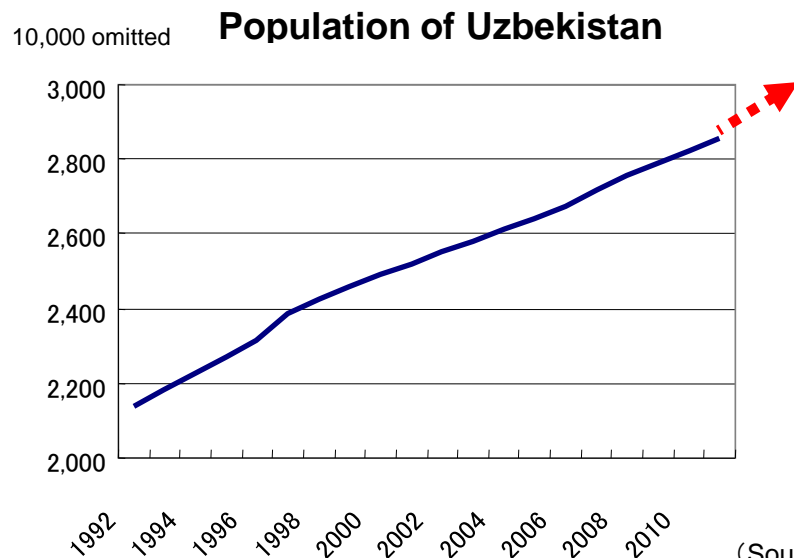
(Source) Life Insurance Association of Japan "Life Insurance Business Fact Book"
Statistics Bureau of MIC "Estimated Population of Japan"

Current Position of Uzbekistan ?

			Japan				Uzbekistan
			1950	1970	1990	2010	2010FY
Population	Population (Million)		83.20	103.72	123.61	127.47	28.25
	By Age group						(Note)
	0-14		35.4%	23.9%	18.2%	13.4%	32.9%
	15-64		59.7%	69.0%	69.7%	64.1%	62.3%
	65 and over		4.9%	7.1%	12.1%	22.5%	4.8%
Economy	Nominal GDP (Bil.US\$)		23.8	205	3,058	5,069	38.99
	Nominal GDP/capita (US \$)		204	1,974	24,754	39,738	1,380

(Source) Japan: Statistics Bureau of MIC Uzbekistan: MOFA of Japan "Situation of countries and districts", IMF - World Economic Outlook, etc.

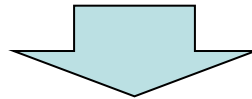
(Note) Population by age group in Uzbekistan is estimation in 2006.



(Source) IMF - World Economic Outlook

Prospect of Growth of Life Insurance in Uzbekistan

1. High GDP growth over 8% for consecutive 4 years !
2. Expectation by US and Europe for the future of Central Asia around Uzbekistan calling them “New Western”
3. GDP growth rate 8.5% and population growth rate 1.3% of Uzbekistan in FY2010 corresponds to 1970s in Japan where growth of income highly expanded life insurance in force.
4. Country with many young people of 32% population share for 0 to 14 years old has a long term prospects for life insurance.

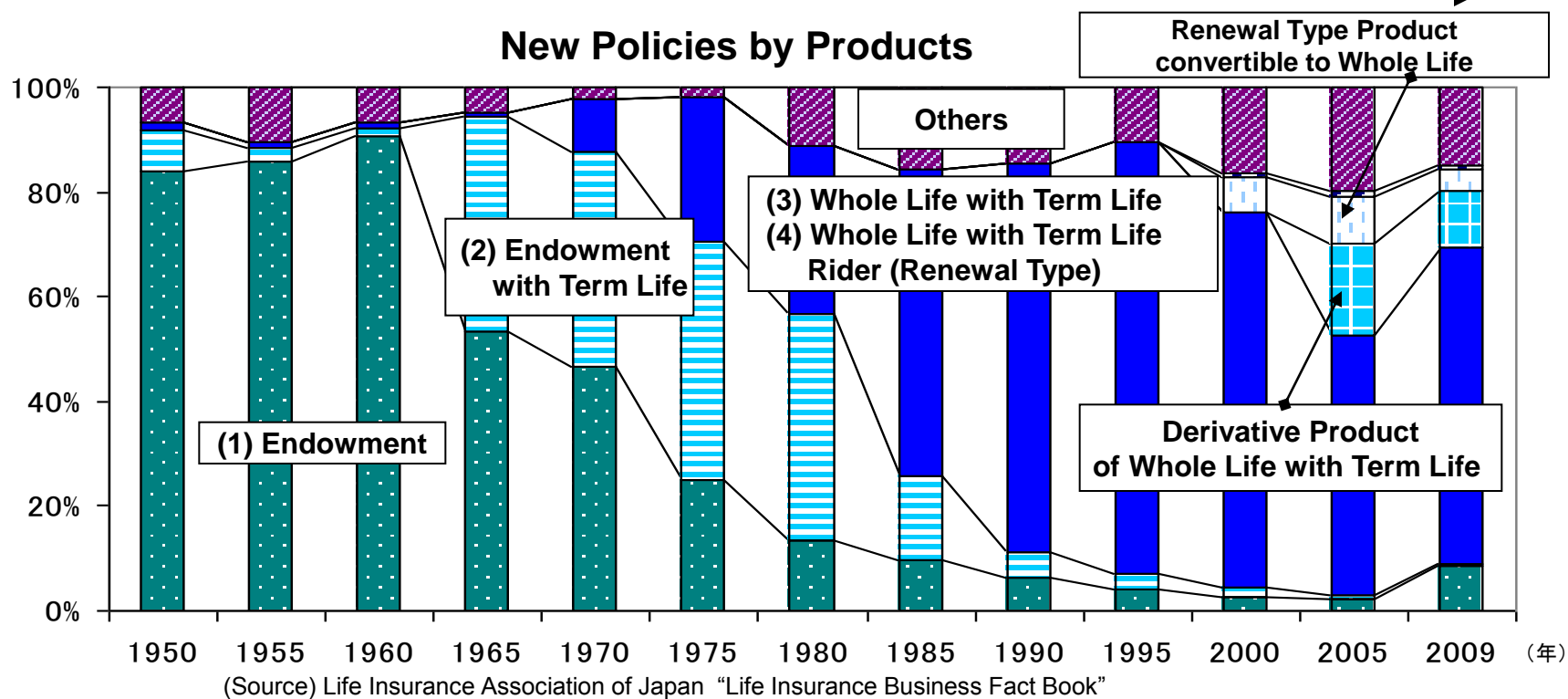
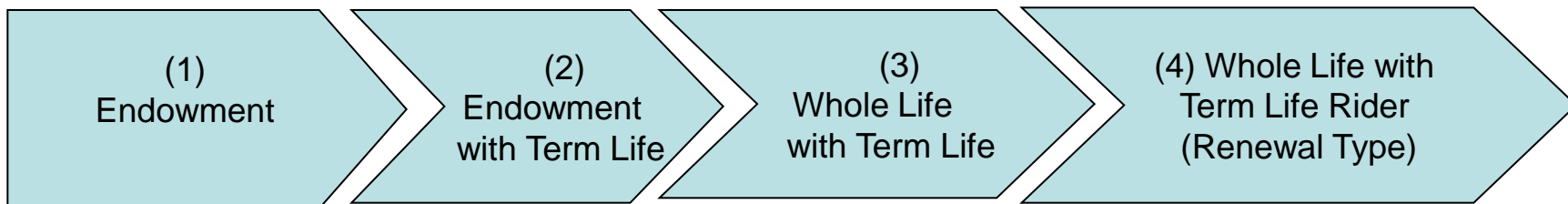


Uzbekistan has a possibility to become a big life insurance country like Japan in the future.

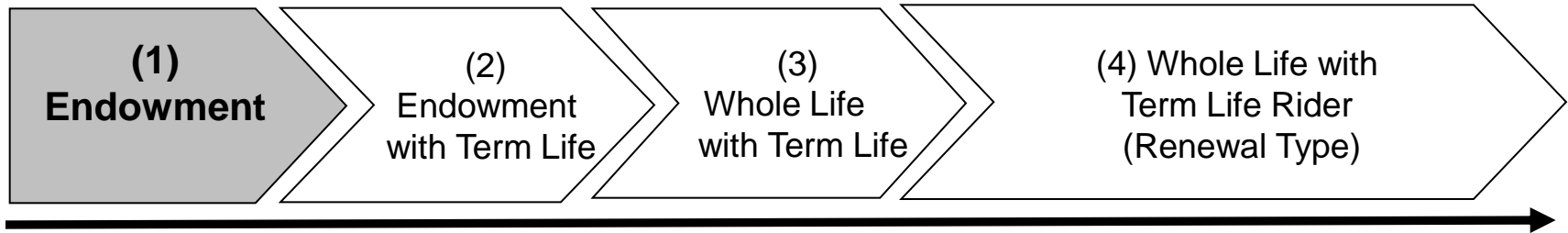
2. Transition of main products based on the change of environment

Transition of Main Products based on the Change of Environment

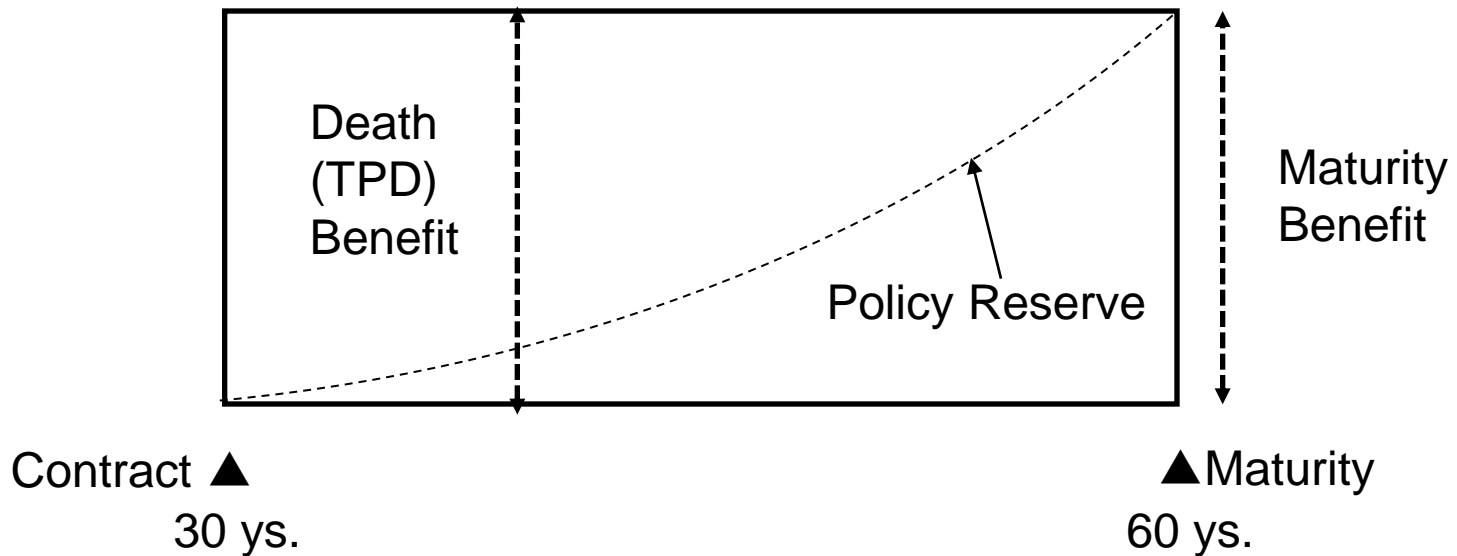
Main products have changed along with the transition of environment



(1) 1950s Endowment (1)



1. Insurance to cover both death and saving (Life & Death Composite Insurance)
2. Amount for Death Benefit, Total & Permanent Disability Benefit and Maturity Benefit are same and only one of them is paid.



(1) 1950s Endowment (2)

(Historical Background)

Population

		1955
Total population		89.2 mill.
Average Life-Span	Male	63.6
	Female	67.7
Number of Persons per Household (1950)		5.0

(Source) Statistics Bureau of MIC "Demographic Transition of Japan"
MHLW "Abridged Life Table in 2010, etc."

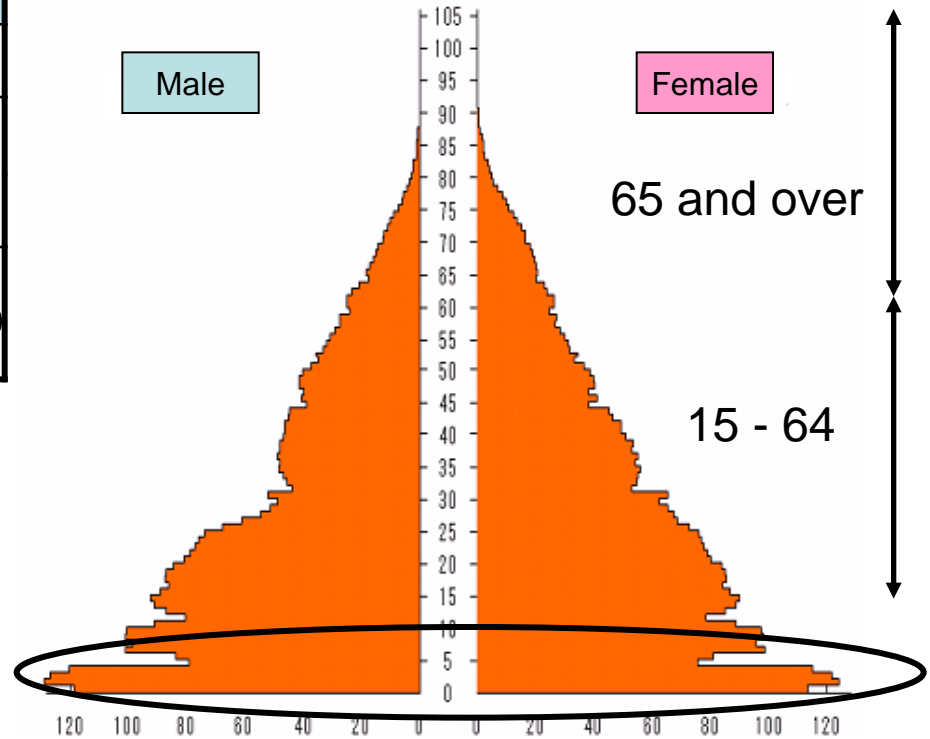
Economy, Sales Channel

		1955
Economy	Nominal GDP (Trillion yen)	8
	Nominal GDP/capita (Thousand Y)	93
	GDP Growth Rate (Annual Av.)	13%
	Saving per Household (Thousand Y)	275
Sales Channel (No. of agents)		64 thousand

(GDP Growth Rate: average of 1950 to 60) (Saving per Household : as of 1959)

(Source) Insurance Research Institute "Insurance",
Cabinet Office "National Economic Accounting"

Demographic Pyramid (1950)



(Source) National Institute of Population & Social Security Research

The First Baby Boom has come. (1947 to 1949)

Aged people on its top were few and young people on its bottom are many. Therefore, the pyramid in 1950s is real pyramid-shape.

(1) 1950s Endowment (3)

Reasons for Endowment to be main product in 1950s

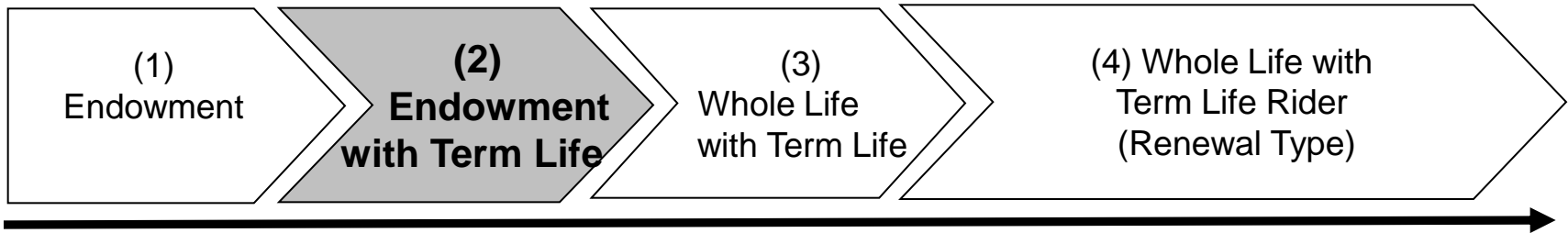
- 1. There still existed ill-omened convention on death in Japan, which made people refrain from considering straightly about pure death protection.**
- 2. Products for protection accompanied with saving feature such as endowment were more acceptable because Japanese, agricultural people as its origin, have strong saving mind.**
- 3. People with average annual salary of 412 thousand yen and average saving per household of 275 thousand yen required both protection and saving.**
- 4. Average household consisted of 5 people with 3 generations together can support family in case of death of breadwinner father. Therefore, the needs for death protection was low.**

Reasons for Life Insurance including Endowment to prevail in 1950s

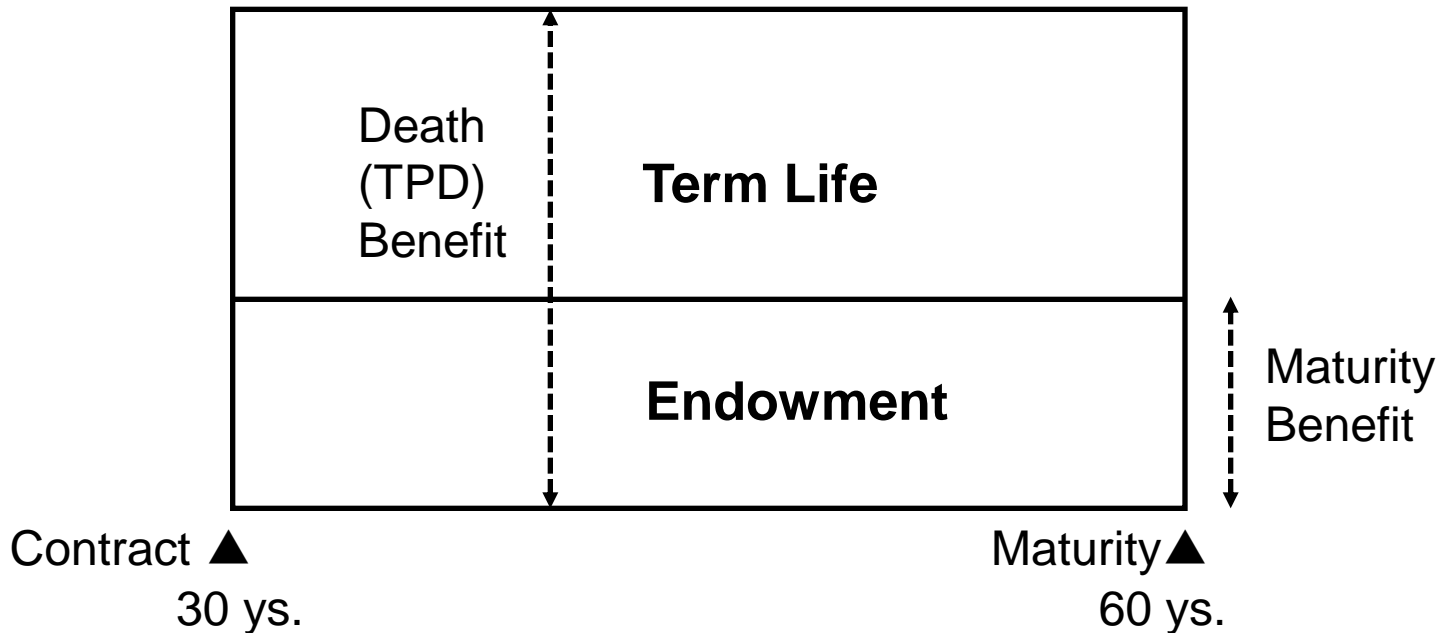
Recruitment of female sales-forces as employment measures for the war widows gained momentum after the 2nd World War and home visit sales based on “Debit System” promoted spread of life insurance.

“Debit System” is an insurance distribution system where sales-forces are given their territories and responsibility for sales and collecting of premiums.

(2) 1960s Endowment with Term Life (1)



1. Endowment with Term Life for death protection added on
2. Balance between saving feature and protection feature can be adjusted according to these needs.



(2) 1960s Endowment with Term Life (2)

(Historic Background)

Population

		1955	1965
Total Population		89.2mill.	98.2Mill. ↗
Av. Life-Span	Male	63.6	67.7 ↗
	Female	67.7	72.9 ↗
No. of Person per HH		5.0	4.5 ↘

No. of Persons per Household are as of 1950 and 1960, respectively.
 (Source) Statistics Bureau of MIC "Demographic Transition of Japan"
 MHLW "Abridged Life Table in 2010, etc.

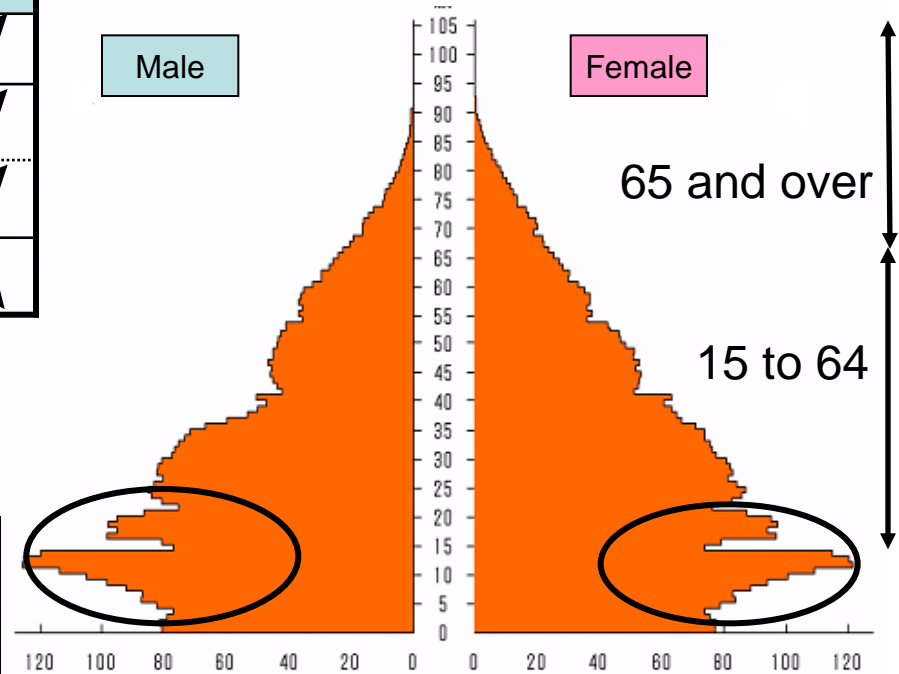
Economy, Sales Channel

		1955	1965
Economy	Nominal GDP (Trillion Y)	8	32 ↗
	Nominal GDP/c (Thousand Y)	93	332 ↗
	GDP Growth Rate (Annual Av.)	13%	17% ↗
	Saving per Household (Thousand Y)	275	658 ↗
Sales Channel (No. of agents)		64 ths.	211 ths. ↗

GDP Growth Rate for 1955 & 1965 are average of 1950 to 1960 & 1960 to 1970, respectively.

(Source) Insurance Research Institute "Insurance", Cabinet Office "National Economic Accounting", World Bank "World Development Index"

Demographic Pyramid (1960)



(Source) National Institute of Population & Social Security Research

Number of births declined after the 1st Baby Boom and the pyramid of 1960s became "Pot shape".

(2) 1960s Endowment with Term Life (3)

Reasons for Endowment with Term Life to be main products in 1960s

1. Wage Increase

There were increase of real wages as well as nominal wages in 1960s, which accumulated stock (saving) and required protection feature in life insurance.

2. No. of persons per household decreased to 4.5 in 1960s.

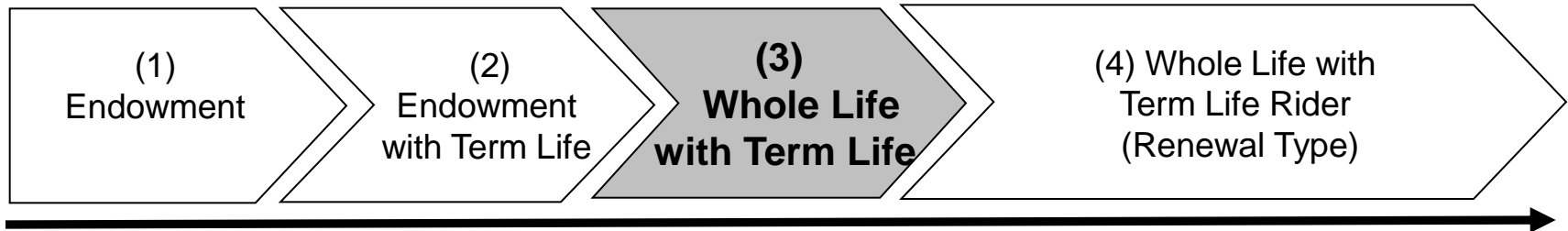
Behind the decrease, living apart from grandparents became popular mainly in urban areas, which decreased protection feature within family and made it necessary to cover lost earnings due to death of breadwinner of family through life insurance.

Insurers developed and provided Endowment with Term Life, traditional endowment added with non-refundable term life to meet protection needs.

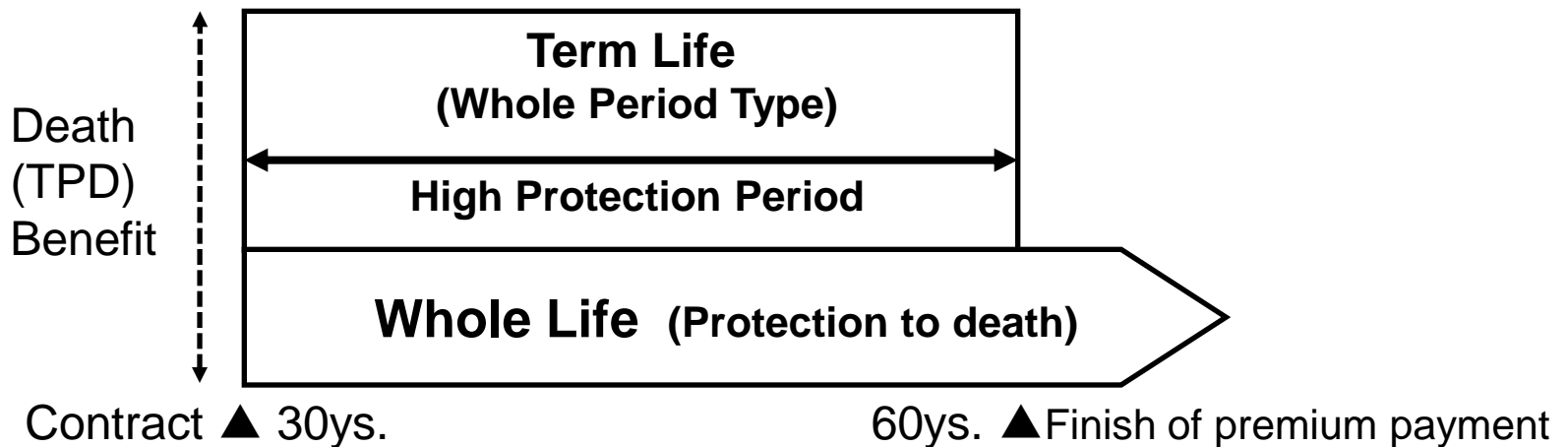
3. Increase of agents

Increased agents promoted to expose potential needs for death protection through face-to-face selling (consulting sales).

(3) 1970s Whole Life with Term Life (1)



1. Whole Life as main part secures whole life death protection.
2. Term Life (whole period type) is added, which provide high amount of death protection during premium payment period with fixed premium.
3. Flexible designing between Whole Life & Term Life is available.
4. It is reasonably designed to finish premium payment at the retirement, which synchronizes the period of income and period requiring high protection.



(3) 1970s Whole Life with Term Life (2)

Population

		1965	1975
Total Population		98.2 mill.	111.9 mill. ↗
Av. Life	Male	67.7	71.7 ↗
	Female	72.9	76.8 ↗
No. of Person per HH		4.5	3.7 ↘

No. of Persons per Household are as of 1960 and 1970, respectively.
 (Source) Statistics Bureau of MIC "Demographic Transition of Japan"
 MHLW "Abridged Life Table in 2010, etc."

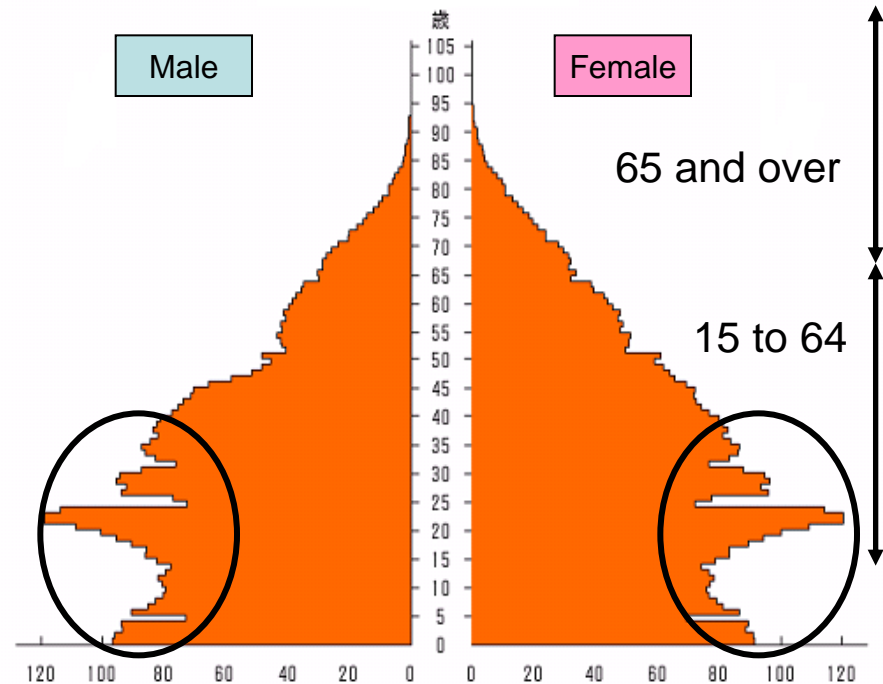
Economy, Sales Channel

		1965	1975
Economy	Nominal GDP (Trillion Y)	32	148 ↗
	Nominal GDP/c (Thousand Y)	332	1,330 ↗
	GDP Growth Rate (Annual Av.)	17%	5.5% ↘
	Saving per Household (Thousand Y)	658	2,636 ↗
Sales Channel (No. of agents)		211 ths.	395 ths. ↗

GDP Growth Rate for 1965 & 1975 are average of 1960 to 1970 & 1970 to 1980, respectively.

(Source) Insurance Research Institute "Insurance",
 Cabinet Office "National Economic Accounting",
 World Bank "World Development Index"

Demographic Pyramid (1970)



(Source) National Institute of Population & Social Security Research

The 2nd Baby Boom (1971~1974) pushed up number of births slightly. The pyramid became "Star shape" with a base spreading again.

(3) 1970s Whole Life with Term Life (3)

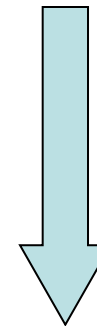
Reasons for Whole Life with Term Life to be main products in 1970s

Expanded longevity

Average life-span extended further to 71.7 for male and 76.8 for female. Consequently, Whole Life with Term Life with no maturity succeeded the center position in the market from Endowment with Term Life which terminates the protection at maturity around 60 years old.

Transition of Average Life-Span

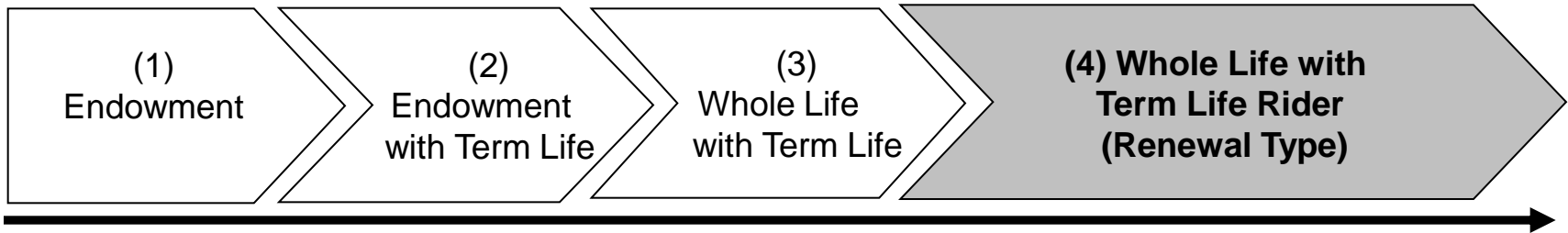
	Male	Female
1955	63.6	67.7
1965	67.7	72.9
1975	71.7	76.8



(Source) MHLW "Abridged Life Table in 2010"

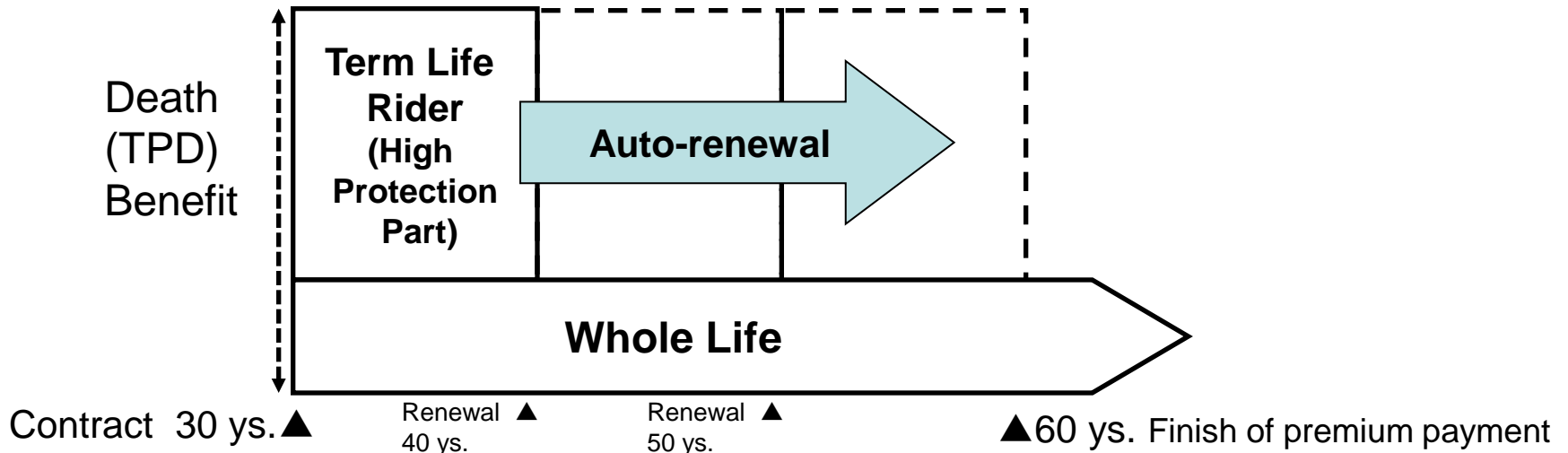
Average life-span extended by about 10 years for both male and female for only 20 years from 1955 to 1975.

(4) Since 1980s Whole Life with Term Life Rider (Renewal Type) (1)



1. Whole Life as main part secures whole life death protection.
2. Term Life is not set in but put as a rider to be renewed in 10 or 15 years, which enabled to provide large protection with cheaper premium.

Term Life Rider (Renewal Type) is renewed at each maturity with same period and amount of insurance, which can offer cheaper premium for first periods. Renewed premium should be recalculated with ages and insurance rate at each maturity.



(4) Since 1980s Whole Life with Term Life Rider (Renewal Type) (2)

Population

		1975	1985
Total Population		111.9 mill.	121.0 mill. ↗
Av. Life	Male	71.7	74.7 ↗
	Female	76.8	80.4 ↗
No. of Person per HH		3.7	3.2 ↘

No. of Persons per Household are as of 1970 and 1980, respectively.
 (Source) Statistics Bureau of MIC "Demographic Transition of Japan"
 MHLW "Abridged Life Table in 2010, etc."

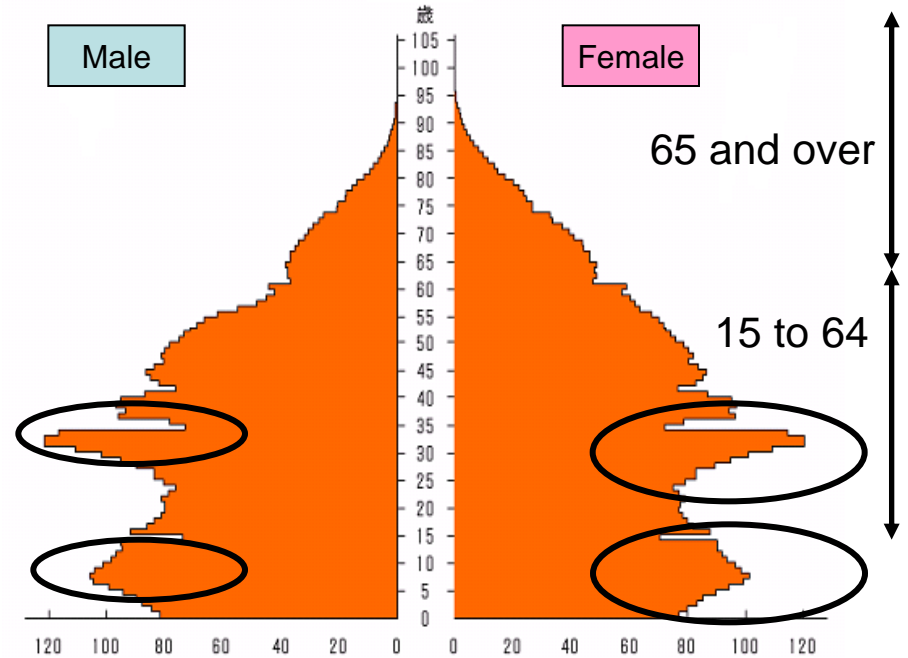
Economy, Sales Channel

		1975	1985
Economy	Nominal GDP (Trillion Y)	148	326 ↗
	Nominal GDP/c (Thousand Y)	1,330	2,690 ↗
	GDP Growth Rate (Annual Av.)	5.5%	4.9% ↘
	Saving per Household (Thousand Y)	2,636	4,734 ↗
Sales Channel (No. of agents)		395 ths.	367 ths. ↘

GDP Growth Rate for 1975 & 1985 are average of 1970 to 1980 & 1980 to 1990, respectively.

(Source) Insurance Research Institute "Insurance",
 Cabinet Office "National Economic Accounting",
 World Bank "World Development Index"

Demographic Pyramid (1980)



(Source) National Institute of Population & Social Security Research

The number of births showed decline again.
 The pyramid is becoming "calabash-shape" with two peaks of 1st and 2nd Baby Booms.

(4) Since 1980s Whole Life with Term Life Rider (Renewal Type) (3)

Reasons for Whole Life with Term Life (Renewal Type) to be main products in 1980s

1. Cash flow (income) and Stock (saving) increased in 1980s.

Then, preparing large protection with cheaper premium became main purpose to have insurance policies. Therefore, Whole Life with Term Life Rider (Renewal Type) obtained the main position in the market.

2. No. of persons per household decreased further to 3.2 in 1980s.

It is not common to live with grandparents and it became quite necessary for breadwinners to prepare death protection by their own.

(Thousand yen)	1955	1965	1975	1985
National Income per capita	78	273	1,108	2,153
Savings per household	275	658	2,636	4,734

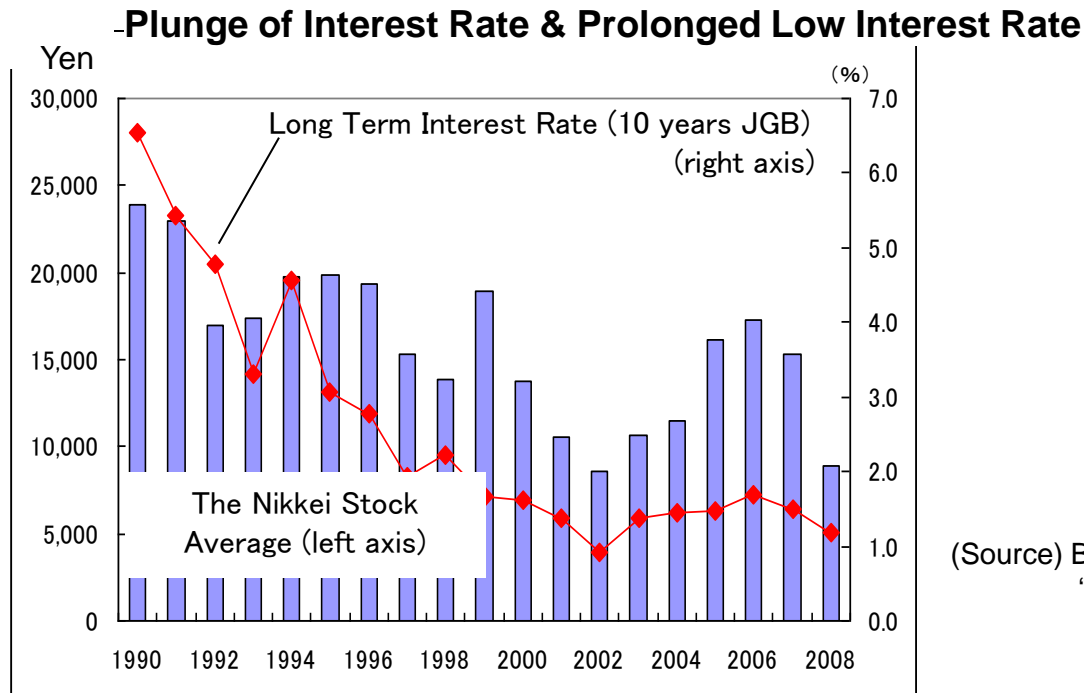
(Source) Cabinet Office "National Economic Accounting", MIC "Saving Trend Survey"

(4) Since 1980s Whole Life with Term Life Rider (Renewal Type) (4)

Development of Derivative Products of Whole Life with Term Life

Long term economic slump brought low interest era while insurers developed new products showed below in order to mitigate burden of high assumed interest rate.

Account Type Insurance, Renewal Type convertible to Whole Life



(Source) Bank of Japan
"Statistics Data"

(Current situation) Stable interest rate in low growth

Whole Life with Term Life Rider (Renewal Type) has become main again because it can decide and fix an amount insured of whole life at its contract.

Transition of Medical Riders

Reason to review the contents of benefits of medical riders

1. Advancement of medical techniques
2. Shortening of hospitalization stay
3. Review of out of pocket expenses proportion in public medical insurance

	1974	1981	1986	2002	2007
Revised points	Selling Hospitalization/ Operation Rider	Mainly for Operation Rider	Shortening of eligible Hospitalization stay	Shortening of eligible Hospitalization stay	Left point & Operation benefits linked to medical advancement
Hospitalization Benefit	Stay more than 20 days	Stay more than 20 days	Stay more than 5 days (Not eligible for first 4 days)	Stay more than 2 days (covering full days)	Stay more than 1 day (including day case)
Operation Benefit (No. of eligible operations)	10 kinds	145 kinds	Reorganizing to 88 kinds and including recent technique operations such as endoscopic or laser surgery	88 kinds	Linking to eligible operation in the public medical insurance Linking system to advancement of medical techniques
Radiation Treatment Benefit	N/A	Applicable	Applicable	Applicable	Applicable
Background of products revision such as current status of medical treatment	No out of pocket expenses in public insurance (to be borne by employer)	10% for out of pocket expenses (1984)	Advancement of medical techniques	20% for out of pocket expenses (1997) Trend of short hospitalization	30% for out of pocket expenses (2003) Trend of further short stay Accelerated advancement of medical techniques

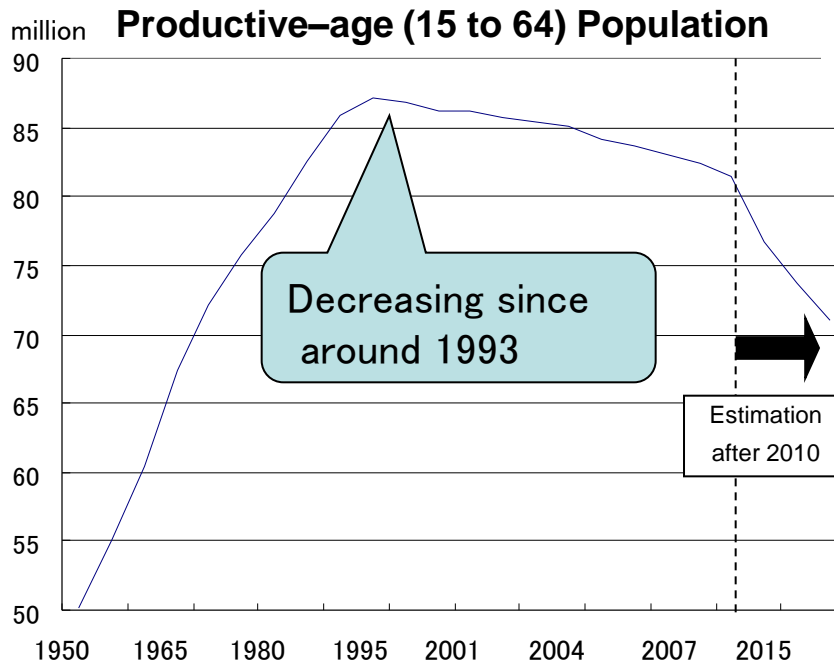
3. Dai-ichi's Products' Line-up to support Total Life Planning

Entire Picture of Line-up to Support Total Life Planning

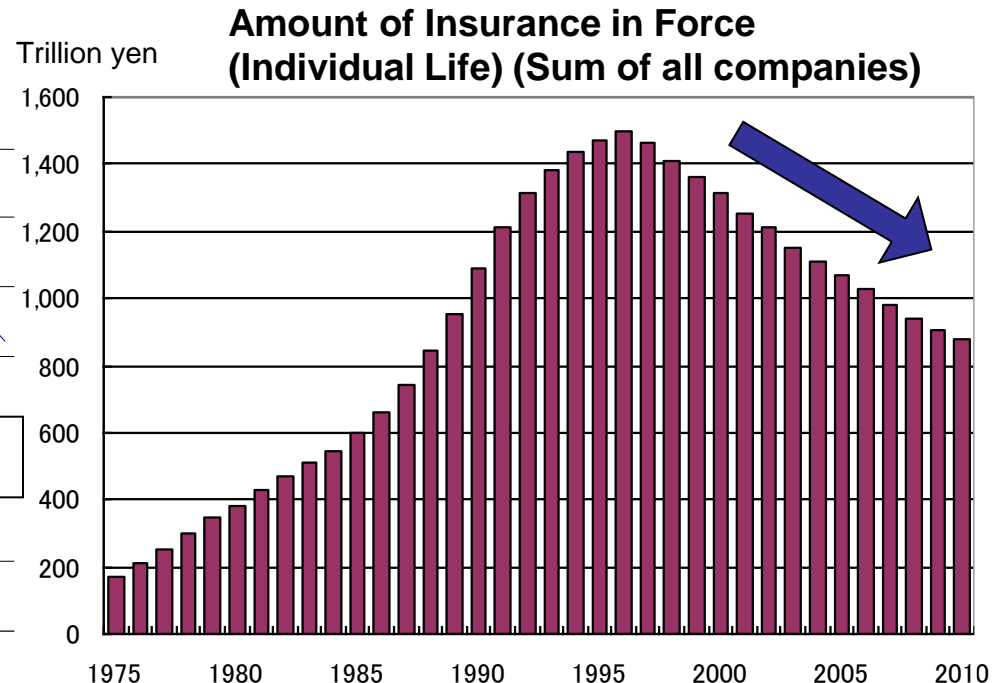
Age Market	0 to 14	15 To 49	50 & over
Bereaved Family Support		(1) Whole Life with Term Life	
Medical	(2) Term Medical		(2) Whole-Life Medical
Nursing Care			(2) Nursing Care
Pension	(3) Single Premium Whole Life		
Saving	(4) Education	(3) Pension	
Female		(5) Female-Specific Disease Hospitalization Rider Female Specific Disease Cure Rider	

(1) Current Market for Bereaved Family Support (1)

1. The market is shrinking with its peak in 1996 due to decreasing population of main productive and target ages based on low birth rate.
2. On the other hand, insurance in force of the market still keeps biggest volume of 900 trillion yen in 2010. Bereaved Family Market sustains most important position.



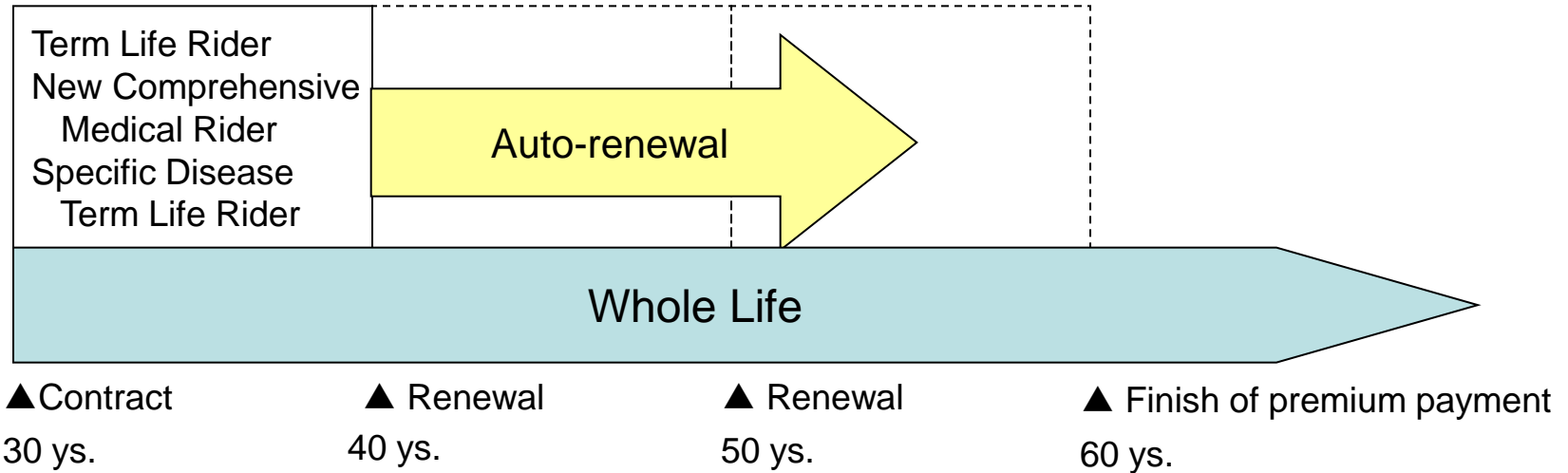
(Source) Statistics Bureau of MIC "Estimated Population of Japan"



(Source) Life Insurance Association of Japan
"Life Insurance Business Fact Book"

(1) Dai-ichi's products for the Bereaved Family Support (2)

(Whole Life with Term Life Rider)

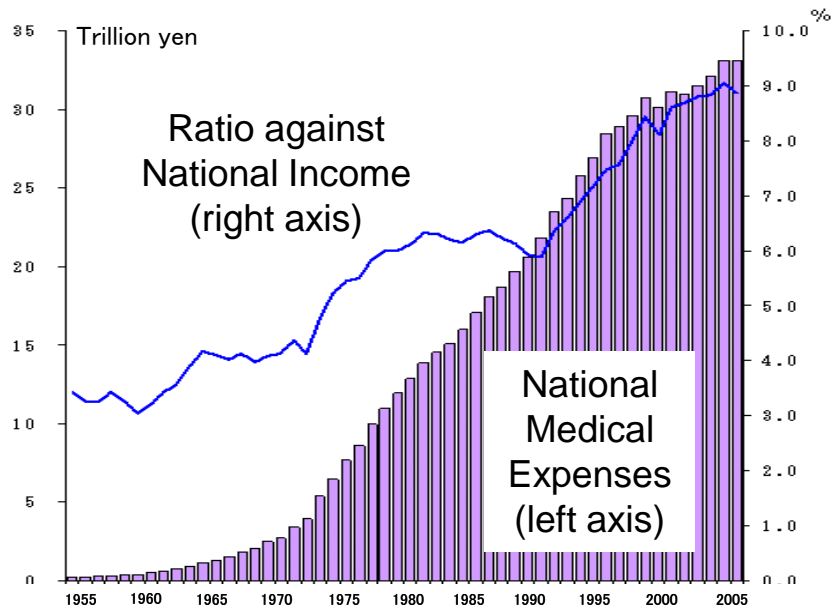


Basic part is whole life.

Designing is available to enhance feature for “Protection to live on” through adding riders for medical care and 3 major diseases.

(2) Current Medical Insurance Market (1)

Increasing of National Medical Expenses



(Source) MHLW "National Medical Expenses Fact Sheet"

Increase of national medical expenses due to aging necessitates revision of public medical insurance system, which expands portion of out-of-pocket.

No. of Patients by Major Diseases

Cancer	1,518 ths.
Cardiac Diseases	1,542 ths.
Cerebral Vessel Disease	1,339 ths.

(Source) MHLW "Patients Survey (FY2008)"

No. of Death by Major Causes

Total	1,194 ths.
Cancer	352 ths.
Cardiac Disease	189 ths.
Cerebral Vessel Disease	123 ths.

3 Major Diseases occupy 55% !

(Source) MHLW "Demographic Survey FY2010"

Japanese have strong anxiety for 3 major diseases, i.e., cancer, cardiac disease and cerebral vessel disease, which brings strong needs for medical insurance for them.

(2) Dai-ichi's products for Medical Insurance Market (2)

(Term Medical Ins.)



▲ Contract

30 ys.

Maturity ▲

40 ys.

(Whole Life Medical Ins.)



▲ Contract

50 ys.

Whole life

premium payment

Main part is medical insurance without death protection.

Cheap premium can be offered through non-surrender value.

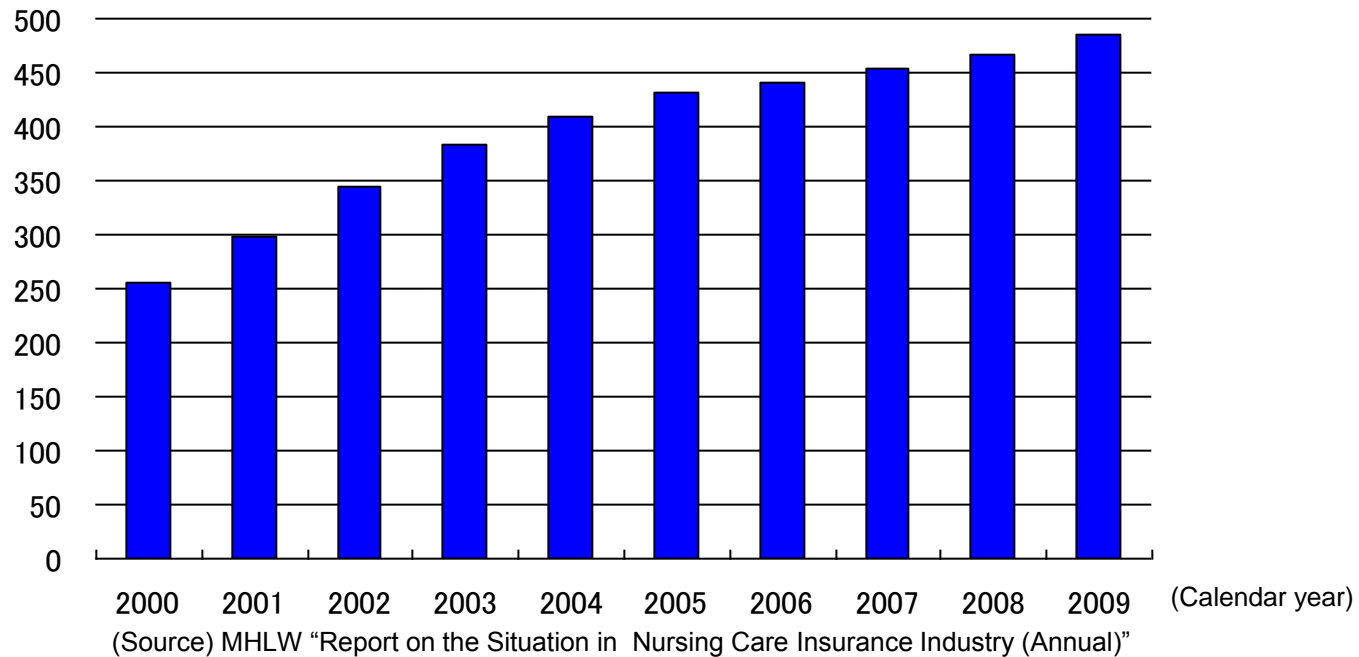
(Specific Disease Term (Whole Life) Insurance)

Benefit is paid in case of fall in with cancer, acute cardiac infarction and cerebral stroke as well as for death or total & permanent disability.

(2) Current Nursing Care Market (1)

Eligible people requiring public nursing care

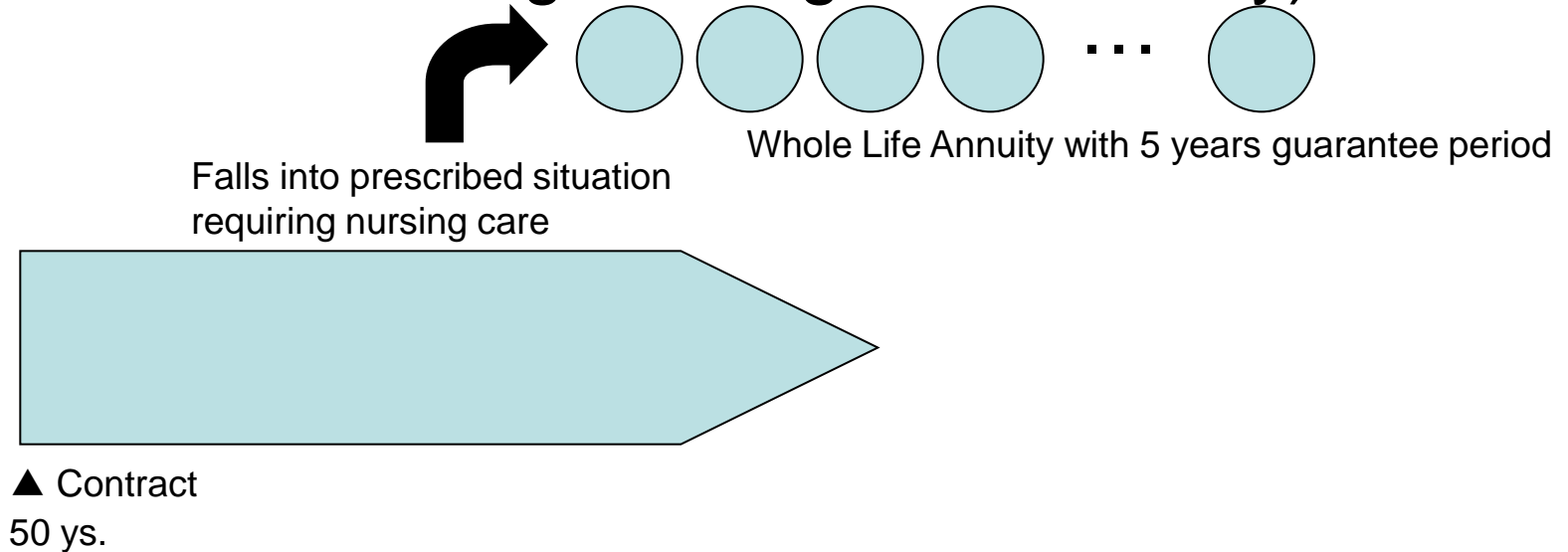
10 thousand



- # The eligible people is increasing and supposed to increase further from now on due to extending life-span.
- # Nursing Care Insurance is a big potential market.

(2) Dai-ichi's Product for Nursing Care Market (2)

(Whole Life Securing Nursing Care Annuity)



Nursing Care Annuities are paid whole life when an insured falls into the situation prescribed by an insurer to be eligible for nursing care annuity.

(Example for prescribed situation)

Those who apply to every conditions below:

- # It is required to have a stick when walking more than 5 meters.
- # It is required to be supported totally while having a bath.
- # It is required to be supported partially while taking on or off clothes.

(3) Current Pension Market (1)

Future Trend of Public Pension System in Japan

Rise in pension payout eligibility age due to low birth rate and aging society, such as from 60 to 65

Expectation for cut down of amount level of pension payment and further rise in pension payout eligibility age

It will be more necessary to prepare individually for living cost after 60 years old.

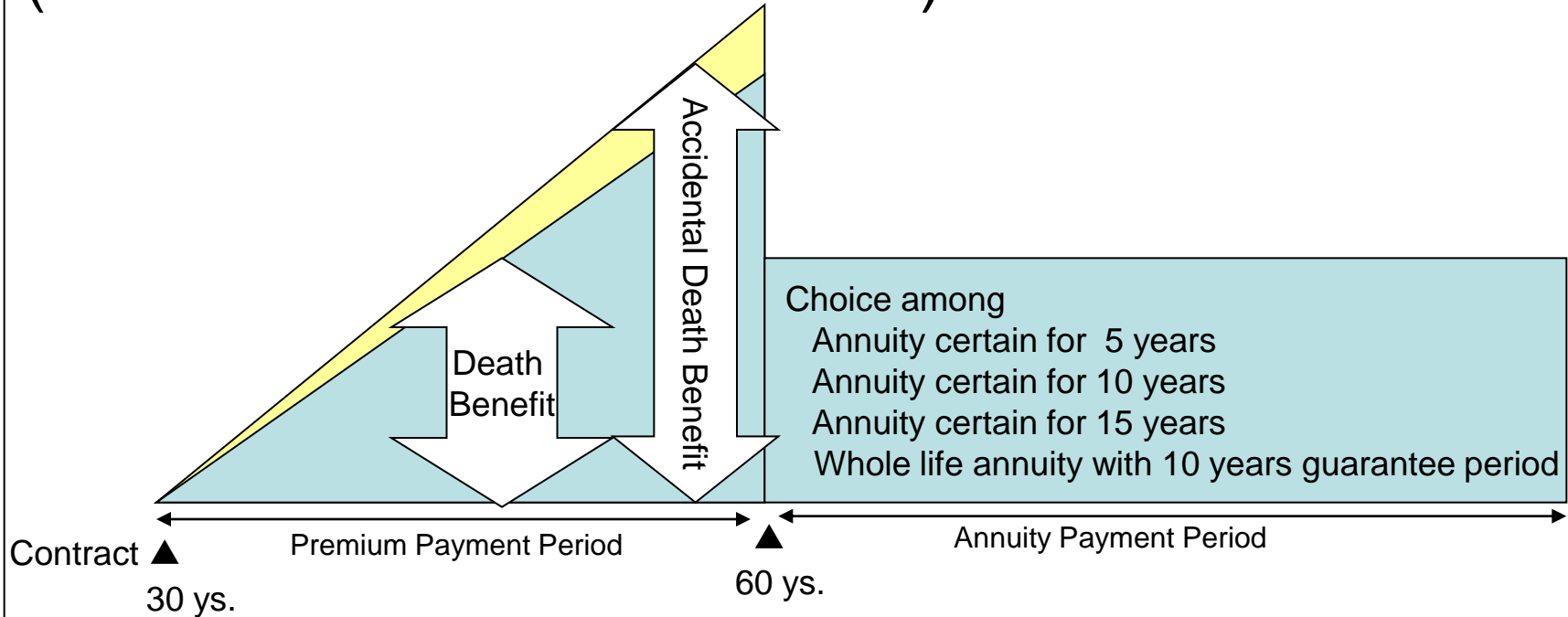
Retirement age is generally 60 in Japan.

High average life-expectancy at 60 years old, 22.8 years for male (to 82.8) and 28.3 years for female (to 88.3), requires strongly self preparation for cost to live until 90 years old in addition to public pension.

(Source) MHLW "Abridged Life Table 2010"

(3) Dai-ichi's Products for Pension Market (2)

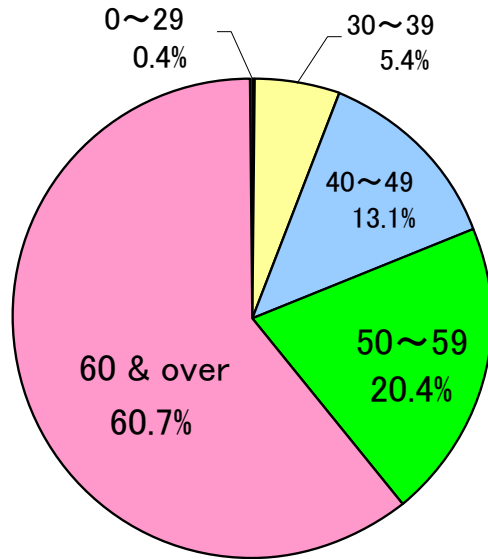
(Individual Pension Insurance)



- # Policy reserve is paid as a death benefit in case of death.
- # 1.1 times of death benefit is paid in case of death caused by accident.
- # Premium is paid until normal retirement age such as 60 or 65, then annuity payment starts.
- # Annuity continues to be paid until death of insured during annuity payment period. (In case of death of insured, annuities for remaining period (certain or guaranteed) are paid to the pensioner.)
- # Larger premium amount brings higher refund rate.

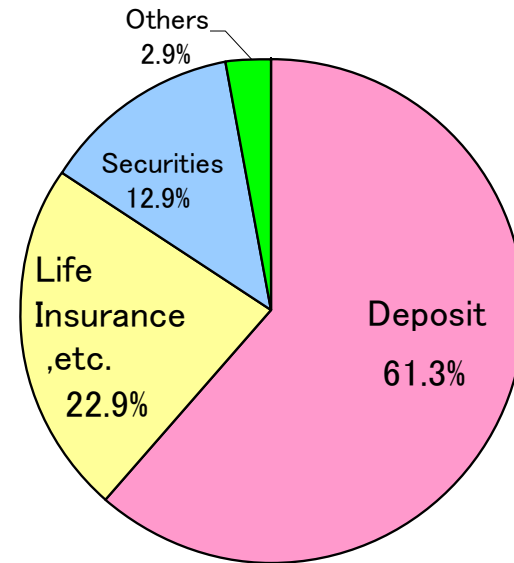
(3) Current Single Premium Whole Life (Stock Fund) Market (1)

Composition of Individual Financial Assets
by Age Group of Head of Household



(Source) MIC "Family Budget Survey in 2010"

Composition of Individual Financial Assets
by Category



(Source) MIC "Family Budget Survey in 2010"

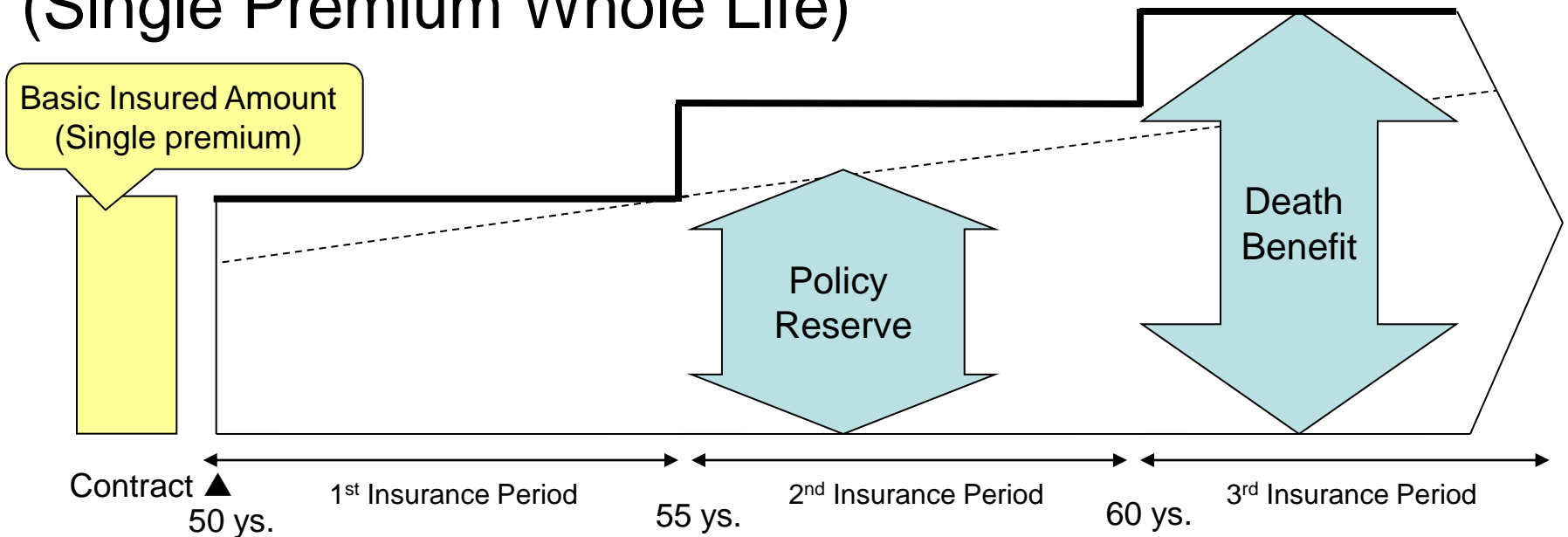
Financial assets of head of household at 50 years and over occupies 80% of the total.

Majority of individual financial assets is in deposits as safer asset.

Individual financial assets in Japan exists heavily in aged people and they are highly safety-oriented.

(3) Dai-ichi's Products for Single Premium Whole Life (Stock Fund) Market (2)

(Single Premium Whole Life)



Premium is paid in one lump sum at the contract.

It has high cash value.

It requires no medical check.

Main target is people of 50 years old or over who own 80% of individual financial assets.

No medical check system can be implemented through same amount insured at the contract as single premium in order to cover many people with health problem among these ages.

(4) Current Child & Junior Market (1)

Education Cost per Child

(10 thousand yen)

	Kindergarten (2 years)	Primary (6 years)	Middle (3 years)	High (3 years)	University (4 years)	Total
Public School	46	184	144	154	279	808
Private School	107	836	370	292	589	2,196

6 ys. old	12 ys.	15 ys.	18 ys.	22 ys.
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(Source) MEXT/ Child Education Cost Survey FY2008, Survey Report of Student Payment of FY 2009 Recruit to Private Universities, etc., Survey Report of Tuition, Entry Fee, Examination Fee of Public Universities in FY2010, Japan Student Services Organization/ Survey Report of Student Life in FY2008

- # Trend of fewer children per household promotes parents to increase education cost per child.
- # It is necessary to prepare education funds according to the plan designed for timely events especially at 15 years old for entry to high school and 18 years old for entry to university.

(4) Dai-ichi's Products for Child & Junior Market (2)

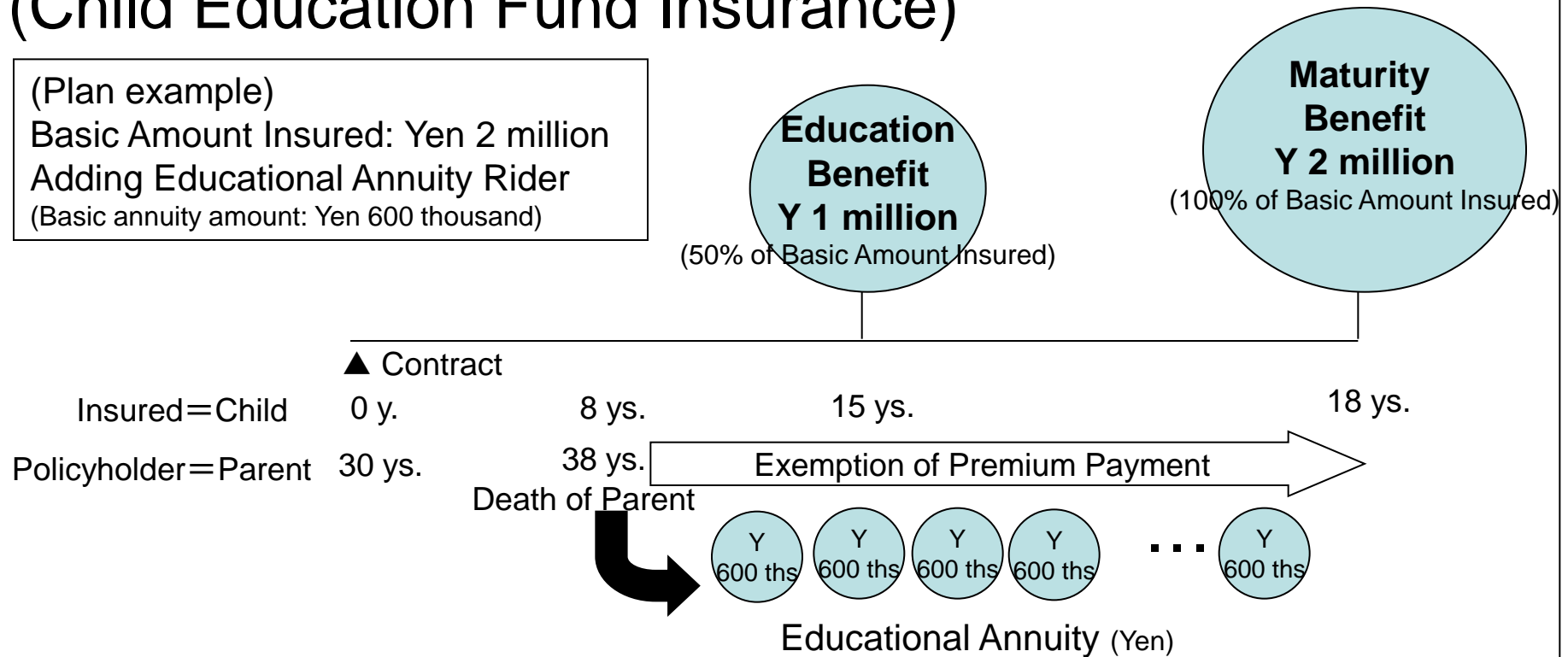
(Child Education Fund Insurance)

(Plan example)

Basic Amount Insured: Yen 2 million

Adding Educational Annuity Rider

(Basic annuity amount: Yen 600 thousand)



"Joint Life Insurance" with a parent as policyholder and a child as insured

Education Benefit of Yen 1 million (50% of Basic Amount Insured) is paid when the insured reaches 15 years old (at entry to high school) and Maturity Benefit of Yen 2 million (100% of Basic Amount Insured) is paid when the insured reaches 18 years old (at entry to university).

In case of death of the policyholder (Parent), Educational Annuity is paid until the maturity without any payment of premium.

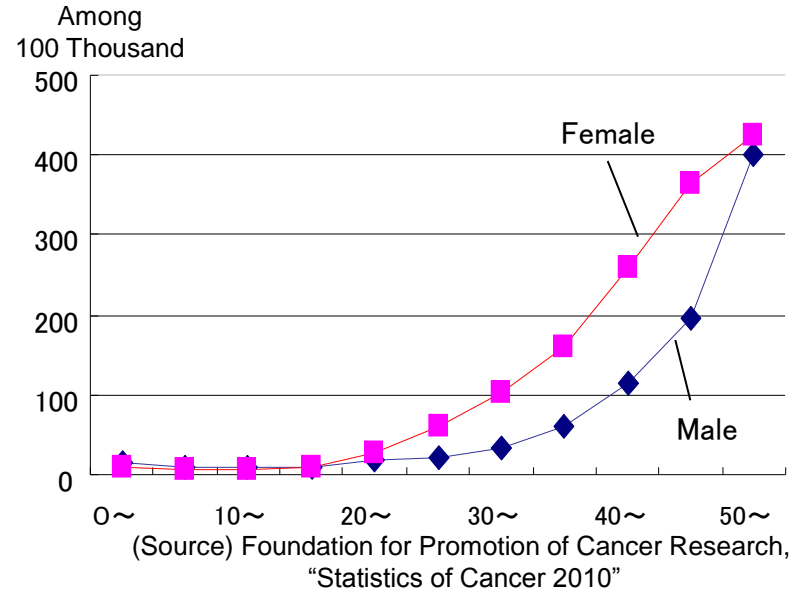
There are 2 types available to choose between Maturity at 18 years old and 22 years old.

(5) Current Female Market (1)

Dai-ichi's Products by gender (New Policies sold in FY2010)

Product Type	Insured	
	Male	Female
Whole Life with Term Life	55.0%	45.0%
Medical Insurance	48.9%	51.1%
Pension/ Single Premium Whole Life	39.0%	61.0%

Disease Rate of Cancer by gender



Average Life-Span

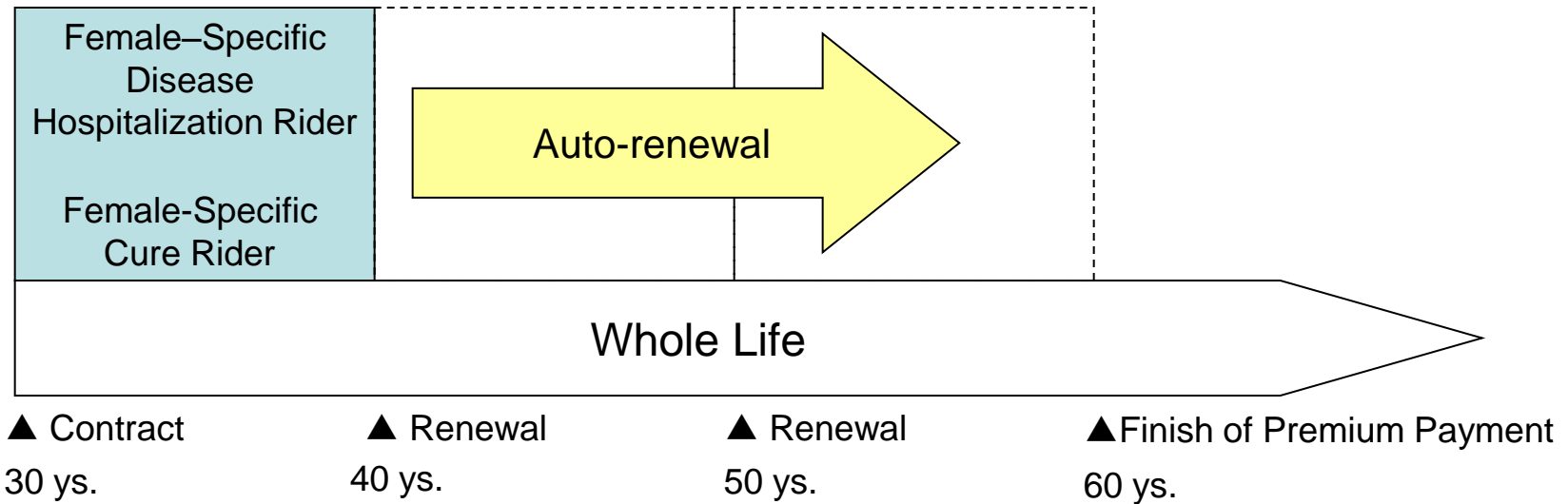
Male 79.64 years

Female 86.39 years

(Source) MHLW "Abridged Life Table in 2010, etc"

Women have strong needs for saving and medical treatment for aged period due to longer life-span rather than men.

(5) Dai-ichi's Products for Female Market (2)



Female-Specific Disease Hospitalization Rider

It provides hospitalization benefits for female-specific disease such as breast cancer, fibroid of uterus and rheumatoid arthritis.

Female-Specific Cure Rider

It provides benefits for operations of breast, uterus and ovaria.
It also provides benefits for breast reconstruction operation after removal due to cancer.

4. Conclusion

4. Conclusion

1 Market

(1) Importance of death protection

After March 11th 2011 devastating disaster, people have realized again importance of death protection as the most essential feature in life insurance.

(2) Responses to extending life-span

Extending life-span brings necessity of self-reliant efforts for medical risk, nursing care risk and aged life risk.

(3) Supplemental role for social security system

Supplemental role of private life insurance companies for social security system becomes important based on the anticipation of decrease of benefits in public pension and public medical insurance due to increase of government expenses caused by extending life-span.

(4) Initiatives for enclosure of stock funds

It is a challenge to enclose safety oriented financial funds with low interest rate owned by people of 50 years old and over which occupy majority of huge individual financial assets of Yen 1,400 trillion.

(5) Responses to low birth rate

Early enclosure of child & junior group as future prospects for death protection market

2. Channel

It is important to segment markets by their needs and to provide products according to features of each segmented market.

It is also important to establish certain scheme where channels can approach segmented prospects appropriately.