

U.S. and Canadian life insurers oppose Japan's postal product

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WASHINGTON, D.C. — Two major national insurance associations are urging the government of Japan to deny a request for approval of a new product to be issued by Japan's postal insurance giant, Kampo.

The associations are the American Council of Life Insurers (ACLI) and the Canadian Life and Health Insurance Association (CLHIA).

Kampo, Japan Post's insurance company and the largest insurance provider in Japan, has requested ministry-level approval of a new product which will compete directly, for the first time in some market segments, with the offerings of private sector companies. The proposed new product would initially contain fixed term, whole life and medical coverage. It would evolve over the life of the insured into medical coverage with a modest amount of whole life insurance.

"As the policy matures, it morphs into a typical medical/health policy of the kind Kampo has never been authorized to provide. The Japanese government must understand the seriousness of further product expansions by Kampo. It erodes private competition which must be sustained if we are to have a healthy marketplace," said Brad Smith, ACLI managing director for international relations.

The two associations have long urged that Kampo play by the same rules of competition that their member insurance companies are required to observe. They assert that the new product initiative is unacceptable as long as Kampo retains its exemption from paying any tax and isn't required to contribute to a policyholder protection fund. They point to government-backed policy guarantees and Kampo's separate regulatory regime as additional unfair advantages.

"Normally, competition is welcome. But competition must be fair. In this case, the new entrant is a government-backed entity with commercial privileges that no one else shares, coming into market segments in which Kampo has not previously been active. The whole industry is concerned about this," said Keith Walter, chairman of the CLHIA's Japan Task Force. □