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# Interview: Tomoatsu Noguchi, president and chief executive, The Toa Reinsurance Company, Limited

By Ronald Poon-Affat



**RP: Thank you, Mr. Noguchi, for giving us this opportunity to interview you. Could you tell us a bit about yourself?**

TN: My pleasure. I first joined Toa Re in 1995, and throughout my career here I have worked mainly in the Investment and Information Technology departments. Then, in 2012, I was named president and chief executive, and since then have been responsible for steering the Toa Re Group.

**RP: Toa Re has a long history in Japan, and some recent changes both in Japan and worldwide.**

TN: Yes. Toa Re was established in 1940. This year we are celebrating the company's 78th anniversary. Since our founding, Toa Re has focused mainly on reinsuring direct non-life insurers in Japan. From our subsidiaries in the U.S. and Switzerland and branches in Singapore, Hong Kong, and Kuala Lumpur, we reinsure non-life insurers around the world.

In 1997, we obtained a license to reinsure life insurers. Since then, we have actively expanded this segment of our business. We initially focused on reinsuring Japanese life insurers, and over the years, gradually expanded our geographic reach. Currently, Toa Re reinsures life insurers in Japan, North America, Europe and Asia.

**RP: Can you explain Toa Re's value proposition?**

TN: Toa Re's corporate philosophy is based on these commitments: providing clients with peace of mind, growing together with them by maintaining prudent financial stability, and providing them with high-quality services in a continuous and stable manner. In today's increasingly severe and challenging business environment, maintaining this philosophy is more important than ever.

For example, we sometimes receive questions from clients regarding solvency margins, wondering if Toa Re's solvency margin level is too high in terms of capital efficiency. We certainly aim to maintain a certain capital efficiency level, but under the philosophy of providing peace of mind to our clients, we place a greater focus on financial stability to support our business activities.

We also provide many services to meet a range of client needs, and have a reputation for extremely high-quality administrative work. We are proud that we have earned our clients' strong trust.

**RP: I have heard that 2018 is the first year of Toa Re's "Mission 2020" three-year business plan. What was behind the decision to choose that name?**

TN: Although Toa Re was originally established to handle non-life reinsurance in Japan, over the past two decades we have actively diversified our business portfolio to build a more solid business base. To this end, we have worked to expand our domestic and overseas life reinsurance business and our overseas non-life reinsurance business.

Against this backdrop, we formulated a new growth strategy, "Mission 2020," which launched earlier this year. Through this strategy, we aim to achieve sustainable growth. More specifically, we aim to further diversify our business portfolio and focus on enhancing the foundation of Toa Re's business. For example, we plan to focus on developing our human resources and IT functions in ways that will both underpin and strengthen Toa Re's future.

The Mission 2020 motto, "Embracing the new era with an ingenious spirit" expresses our wish that all Toa Re Group directors

and employees work ingeniously more than ever. This is especially important now, as changes in business environments and increasingly complex issues are expected to emerge.

**RP: Can you discuss Toa Re's life reinsurance business?**

TN: Toa Re Group's entire net written premium in fiscal 2017 (ending March 31, 2018) was approximately ¥238 billion (US\$2.239 billion). This figure includes the approximately ¥78 billion (US\$738 million) generated from life reinsurance, which accounted for about one-third of our total net written premium. (Rate: ¥106.24 = US\$1)

Our life reinsurance portfolio consists mostly of yearly renewable term (YRT). Net written premium in Japan accounts for approximately 40 percent of our total life reinsurance portfolio, and our Japan market share for YRT is nearly 30 percent. The remaining 60 percent is mainly written in North America, East Asia, ASEAN countries and Europe.

We started to reinsure life insurance treaties in North America in 1998. Our volume of underwriting mortality and other life risks has expanded every year, and today, North America is one of Toa Re's most important markets. Facultative reinsurance in Japan and reinsurance treaties on morbidity risks in Japan and East Asia have been successful.

Looking to medical insurance in Japan, Japanese products pay a cash benefit, in contrast to the reimbursement products in the U.S. Medical reinsurance in Japan and East Asia is generally whole life protection. Such protection is required because direct insurance policies sold by life insurers provide whole life protection coverage. This seems very surprising to people in countries outside of Japan and East Asia. We have solved this challenging issue by carefully conducting medical examinations during the application process and also by taking effective risk avoidance measures during product development.

If a reinsurance company wishes to increase life reinsurance transactions, it is important to provide incidental services on reinsurance treaties to cedants. We currently provide such services mainly in Japan, and also in East Asia and ASEAN countries. The services include facultative reinsurance, support for development of automated medical underwriting systems, provision of assessment manuals, cooperation on product development, and access to various seminars we offer. For our North American clients, we currently offer facultative reinsurance and are planning to increase our list of available services to meet client requests.

**RP: Please tell us more about Toa Re's facultative business.**

TN: Facultative reinsurance in Japan is characterized by individual treaties on facultative reinsurance only, without provision for automatic reinsurance.

Amid market saturation in Japan due to our country's aging population and falling birthrate, there is active movement toward selling life insurance even to applicants with health problems. These individuals have rarely been able to purchase life insurance before. To meet these needs, we have established a unit specializing in underwriting facultative (or facultative obligatory) reinsurance.

Our life underwriting experience and knowledge are highly rated by clients. We currently receive about 70,000 requests for facultative reinsurance every year.

**RP: What do you think is the future of the life reinsurance industry? How is Toa Re dealing with future changes?**

TN: From a global standpoint, life reinsurance transactions providing financial solutions will continue to gather attention and be conducted in the future.

In addition, the complex new risks emerging due to InsurTech's development may require reinsurance. For example, insurance products with wellness benefits are becoming popular in Japan and other East Asian countries. These products enable a discount to be applied to premiums depending on the applicant's "health age" rather than actual age. Reinsurance could be used to assess the risk of such insurance.

We also pay attention to accelerated underwriting, which is currently a hot topic in North America, and wonder if it could lead to increased need for reinsurance.

In addition, we are keeping an eye on possible changes in reinsurance needs after last year's adoption of Principle-Based Reserves (PBR) in the U.S. Since the implementation of Solvency II in Europe, life reinsurance has been used more widely to improve capital efficiency. We are currently holding internal discussions about whether capital relief needs may increase in the U.S. due to the adoption of PBR and the types of solutions that could be provided in case such needs arise.

Whatever changes emerge, we will provide client-oriented services in more creative ways than ever under our corporate philosophy. ■



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