

**Securities Code:7157**  
**TSE Mothers**



# **Investor Meeting Presentation for Fiscal 2014**

**LIFENET**

LIFENET INSURANCE COMPANY

**LIFENET INSURANCE COMPANY**

**May 15, 2015**

# FY2014 Key Highlight



- ✓ Ordinary income **up 15%** year on year
- ✓ Ordinary loss<sup>1</sup> **improved 61%** year on year
- ✓ Primary challenge is **return to growth in new business performance**
- ✓ Challenges for **final fiscal year** in mid-term business plan
- ✓ Capital and business alliance with **KDDI CORPORATION**

# Summary of FY2014 Results



LIFENET

(JPY mn)

	2013	2014	Year on year
Ordinary income	7,603	8,729	114.8%
Operating expenses	4,131	3,815	92.4%
Ordinary profit (loss) <sup>1</sup>	(1,198)	(472)	-
Cash flows from operating activities	1,976	3,247	164.3%
Mortality margin	1,141	1,777	155.7%
Annualized premium of policies-in-force	8,077	8,793	108.9%
Number of policies-in-force	202,963	215,403	106.1%
Annualized premium of new business	1,707	1,327	77.7%
Number of new business	46,237	27,982	60.5%

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

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**1. Progress of Mid-term Business Plan**

**2. Results for Fiscal 2014**

**3. Challenges for Fiscal 2015**

# Mid-term Business Plan



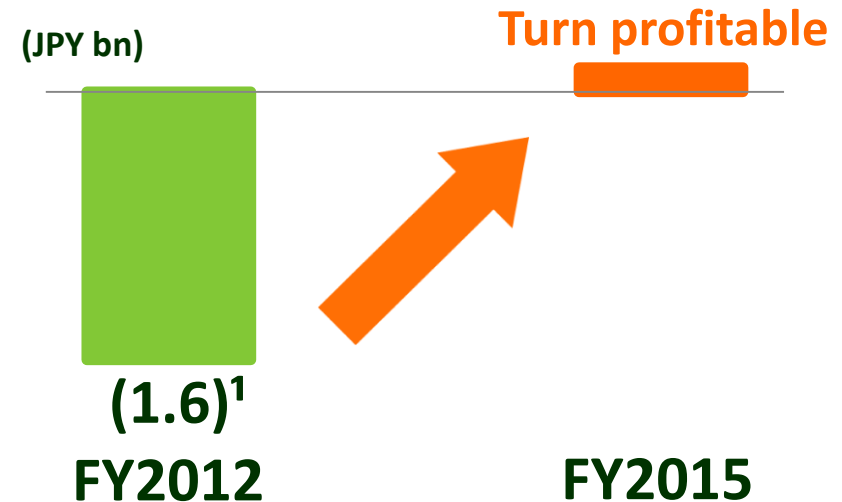
## LIFENET 2015

Offer new products and services as an innovator to create a future of life insurance that resonates with stakeholders, and achieve the highest sustainable growth among online life insurance businesses.

## Management Goal

- ✓ Achieve **9.5 billion** in ordinary income (FY 2015)
- ✓ Push the company **toward profitability** (FY 2015)

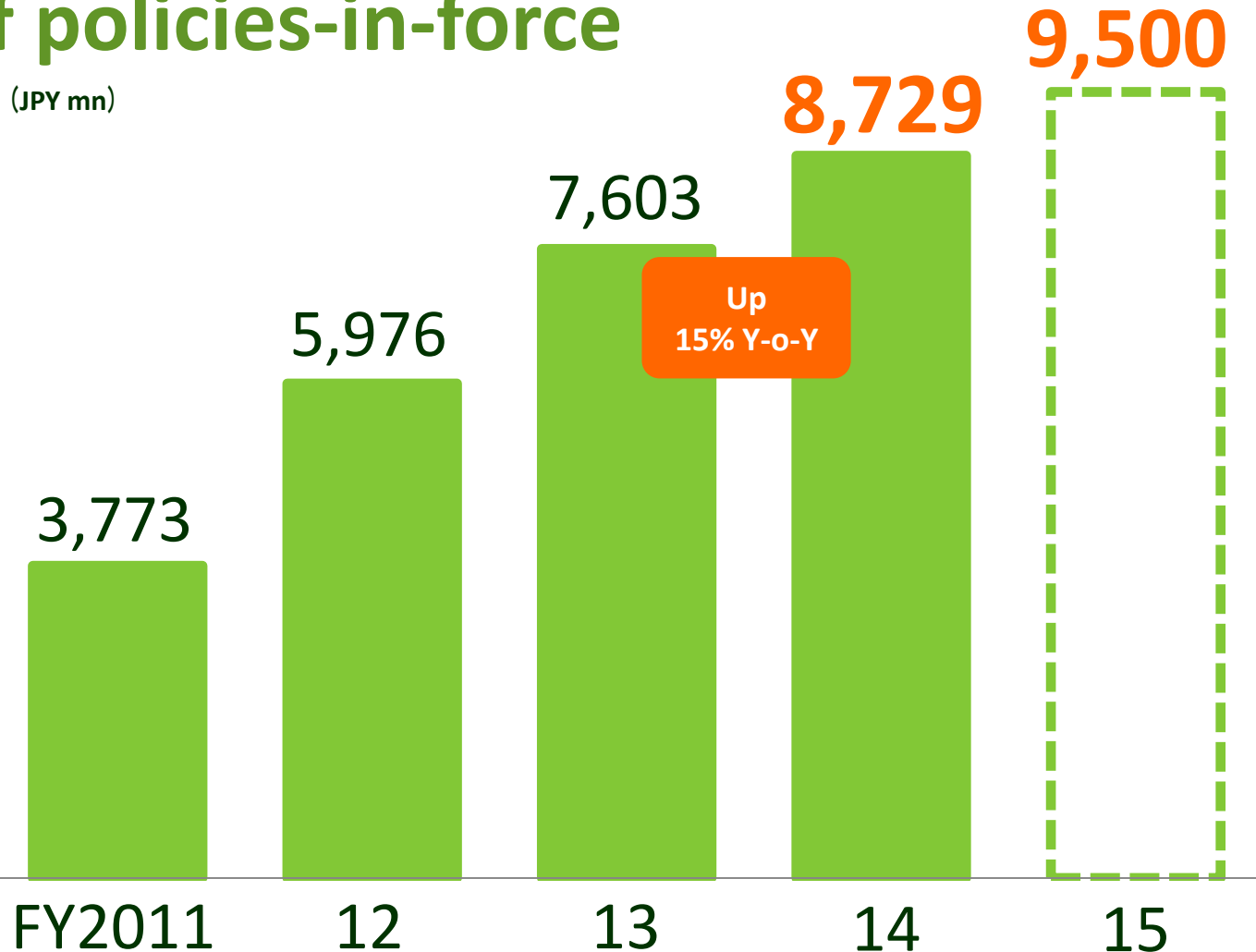
(Based on ordinary profit before amortization of deferred assets under Article 113 of the IBA<sup>1</sup>)



1. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act for the fiscal 2012 ended March 31, 2013 included the effect of changing calculation formula of policy reserves on provision, 0.5 billion yen. When excluding the effect, it was 2.1 billion yen.

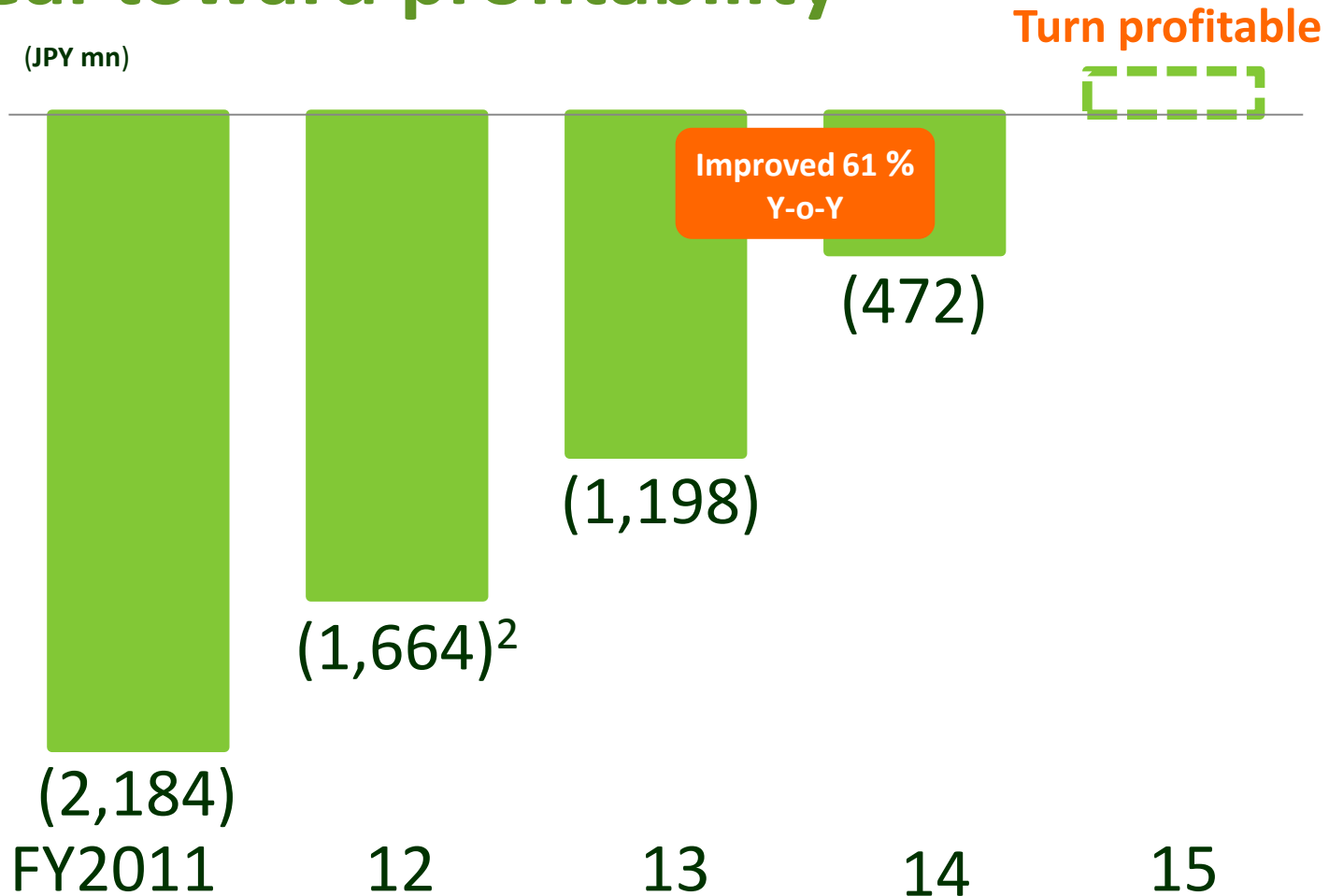
# Progress of Mid-term Business Plan (Ordinary Income)

■ **Up 15%** year on year due to increase of policies-in-force



# Progress of Mid-term Business Plan (Ordinary Profit<sup>1</sup> / Loss)

■ Ordinary loss **improved 61%** year on year toward profitability



1. Ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

2. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act for the fiscal 2012 ended March 31, 2013 included the effect of changing calculation formula of policy reserves on provision, 501 million yen. When excluding the effect, it was 2,165 million yen.

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**1. Progress of Mid-term Business Plan**

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# Overview of FY2014




- First revision of core products since business commencement
  - **Revision** of Term life
  - **Launched** new Whole-life Medical
- Challenges for the “Second Stage” as an online life insurer
  - Enhance **follow-up continuously**
  - Enhance **business partnerships**
  - Enrich **customer services**

# First Revision of Core Products since Business Commencement

## ■ Reduced premium while realized rich coverage

Term Life  
"Kazoku"



Revised premium to be **the lowest premium level in the industry<sup>(\*)</sup>** while extensive coverage remains unchanged

- Wide range of claim amounts is available, from 5 million yen to 100 million yen
- Same coverage regardless of illness, accident or natural disaster
- Extending insurance term to a maximum age of 80

Whole-life Medical  
New "Jibun"



Extensive lifetime coverage at the reasonable premiums **Economy plan**

More extensive coverage **Recommended Plan**

- Covers one-day hospitalizations
- Unlimited payment days for hospitalizations due to the 3 major lifestyle-related diseases (cancer, heart disease and stroke) **Recommended Plan**
- Lump-sum payment upon cancer diagnosis and advanced medical care also covered **Recommended Plan**
- Fixed premium

Whole-life Medical  
New "Jibun" for Women



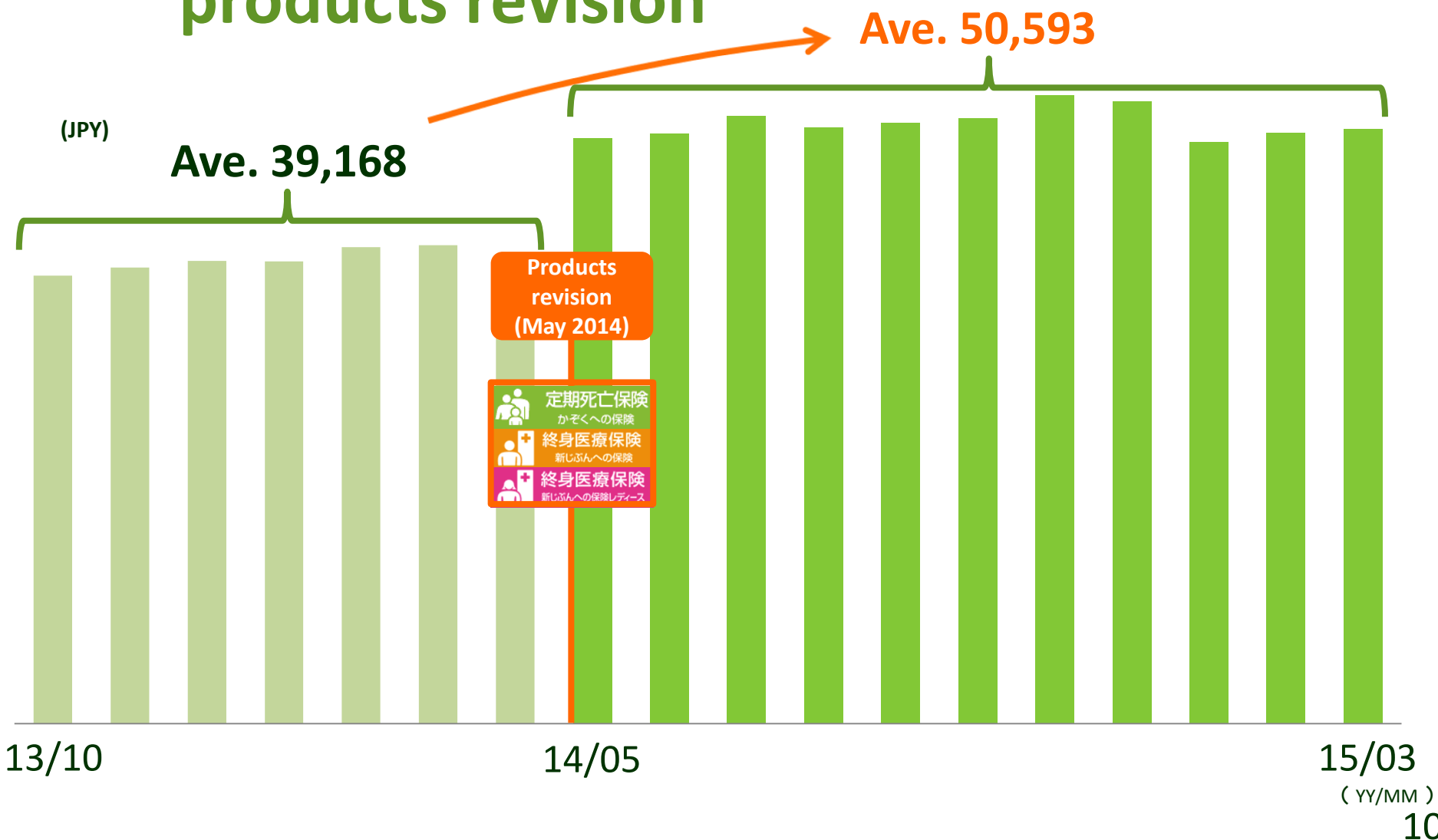
Extensive lifetime coverage at the reasonable premiums **Economy plan**

More extensive coverage for women **Recommended Plan**

- Extensive coverage for illnesses specific to women
- Covers one-day hospitalizations
- Unlimited payment days for hospitalizations due to the 3 major lifestyle-related diseases (cancer, heart disease and stroke) **Recommended Plan**
- Lump-sum payment upon cancer diagnosis and advanced medical care also covered **Recommended Plan**
- Fixed premium

# Annualized Premium per Policy of Application

■ Increased premium per policy due to products revision



# Enhance Follow-up Continuously

## ■ Enhancing free consultation services

Reduction of monthly premium of Lifenet's customers

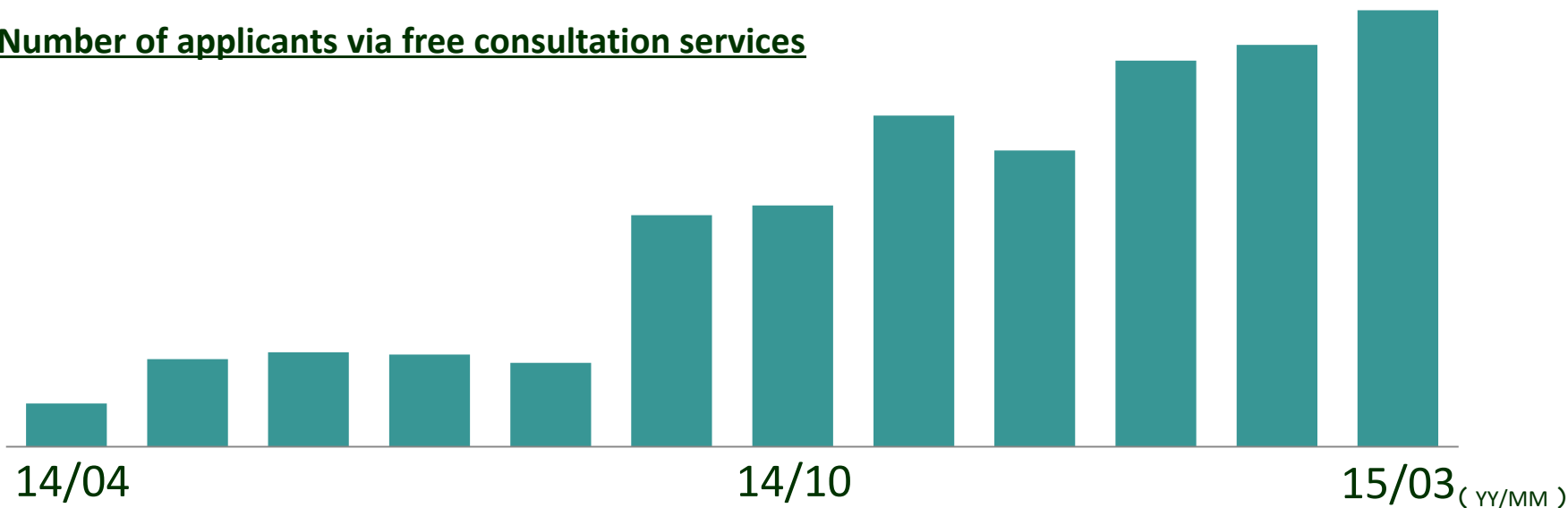


あなたにピッタリの保険選びに

**保険相談サービス**

ご利用ください！

Number of applicants via free consultation services



1. Of the 3,401 surveys, 1,278 replied that they were able to decrease insurance premiums as a result of switching to Lifenet. 51% answered they have lessened their insurance coverage, 23% added coverage, and 26% did not change the content of coverage when switching.

# Enhance Business Partnership

- **Develop new channels** to deliver insurance to wider range of customers



Oct 2014



**スルガ銀行**

SURUGA Bank

Nov 2014



**豊通保険パートナーズ株式会社**

TOYOTA TSUSHO INSURANCE PARTNERS

Dec 2014



**ほけんの窓口**

Hoken No Madoguchi

# Enhance Customer Services

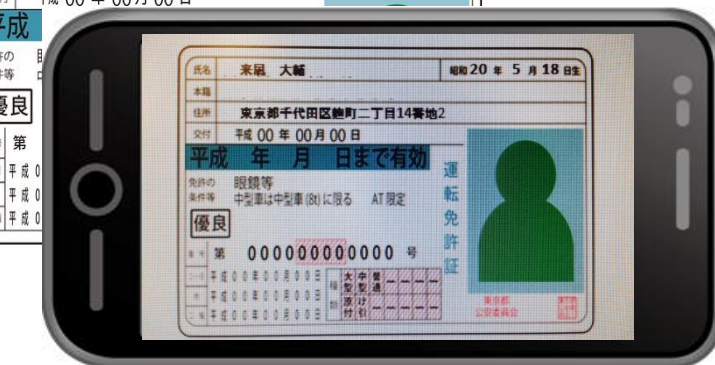
## ■ Offering extensive convenience as an online insurer

Free online health consultation service “Doctors Me” for policyholders



Informing status of claims processions via email or “My Page”

マイページ



Accept application documents via website captured by Smartphone

# Highly Evaluated Products and Services



LIFENET

- Received award in the customer satisfaction investigation by third parties' evaluation



Number 1 in Oricon Client Satisfaction Rankings 2015 in Overall Life Insurance Category



Highest rating three stars in the 2014 HDI Contact Center rankings for 3 consecutive years (Contact Center and Website)



Number 1 in the J.D. Power Asia Pacific 2015 Japan Life Insurance Contract Customer Satisfaction Pre-Purchase Study



# FY2014 Financial Results

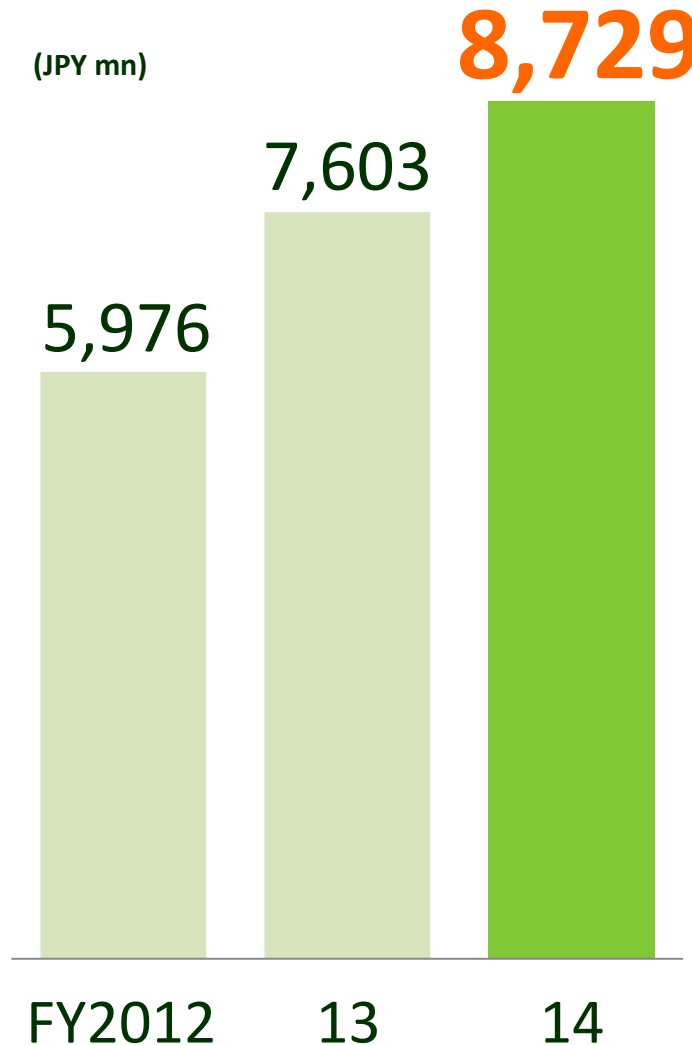


- Ordinary income **up 15%** year on year
- Ordinary loss<sup>1</sup> **improved 61%** year on year
- Primary challenge is **return to growth in new business performance**
- Operating cash flow **up 64%**
- Mortality margin **recorded steadily**
- Despite value of new business decline year on year, **improved in 2H**

1. The ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act.

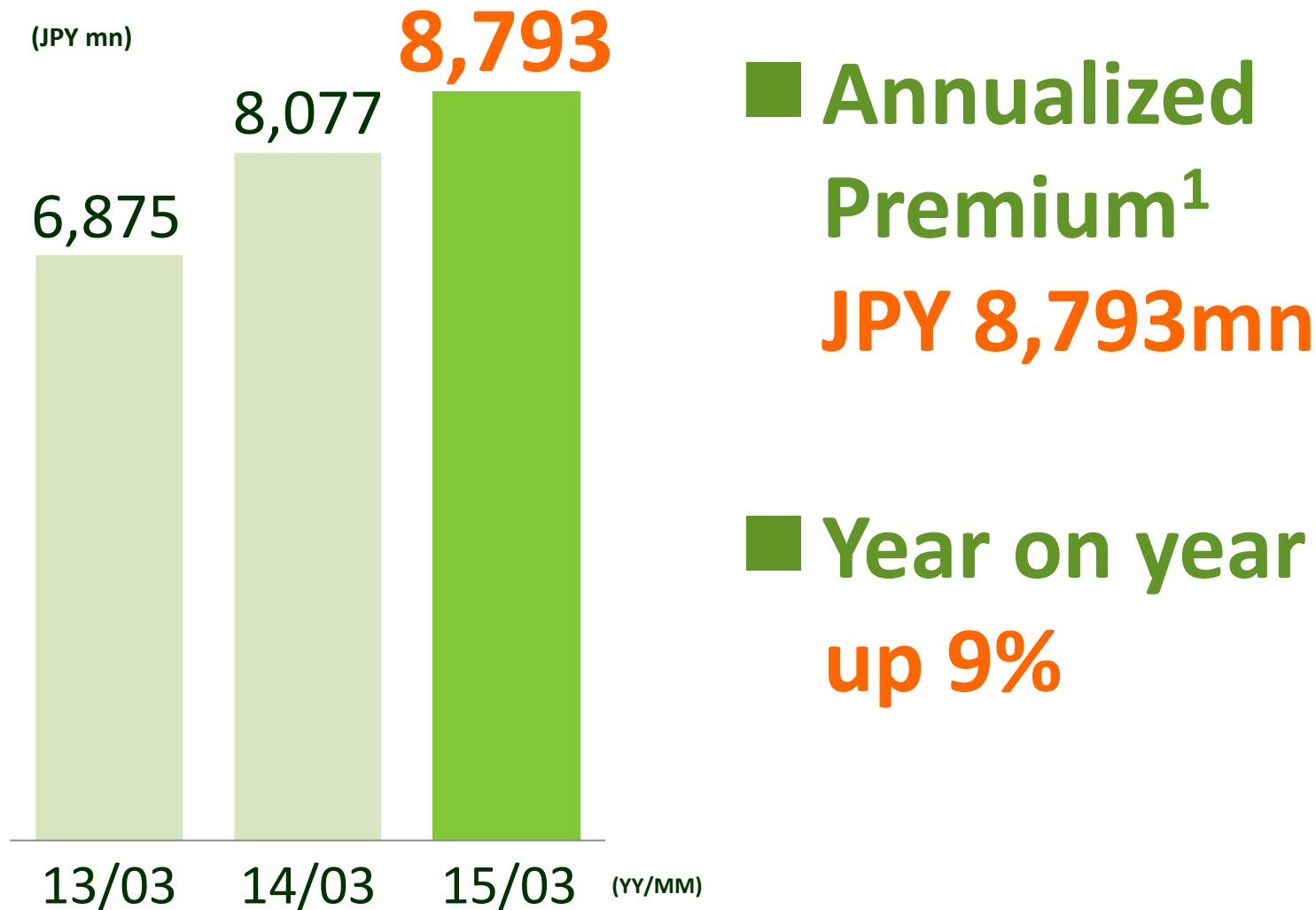


# Ordinary Income



- Number of policies-in-force **steadily increased**
- Exceeded business forecast due to returning reserves for outstanding claims

# Annualized Premium of Policies-in-Force



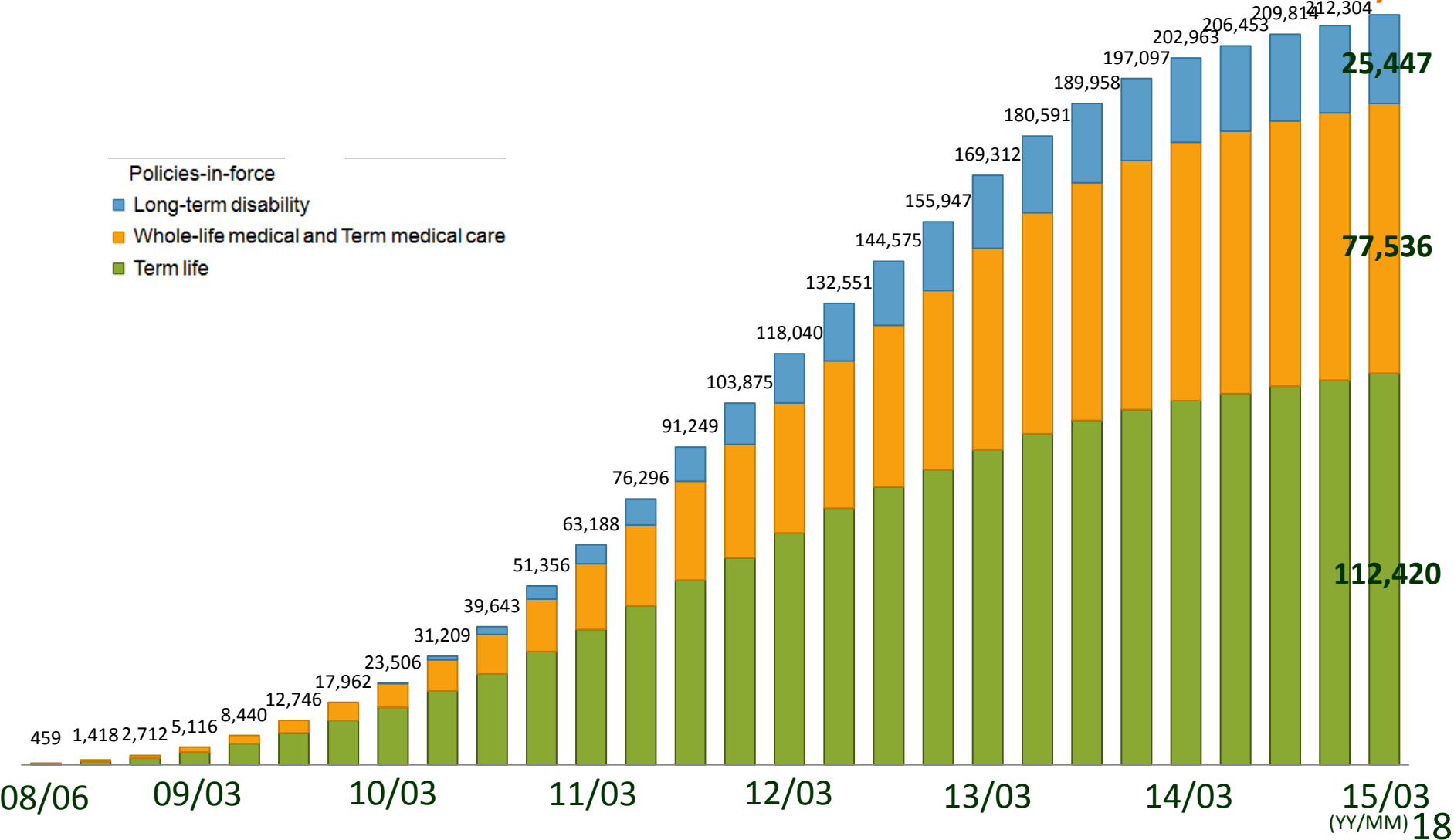
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

# Number of Policies-in-force

■ **215,403** policies-in-force (as of Mar. 31)

**215,403**

- Policies-in-force
- Long-term disability
- Whole-life medical and Term medical care
- Term life



# Number of In-force Policyholders

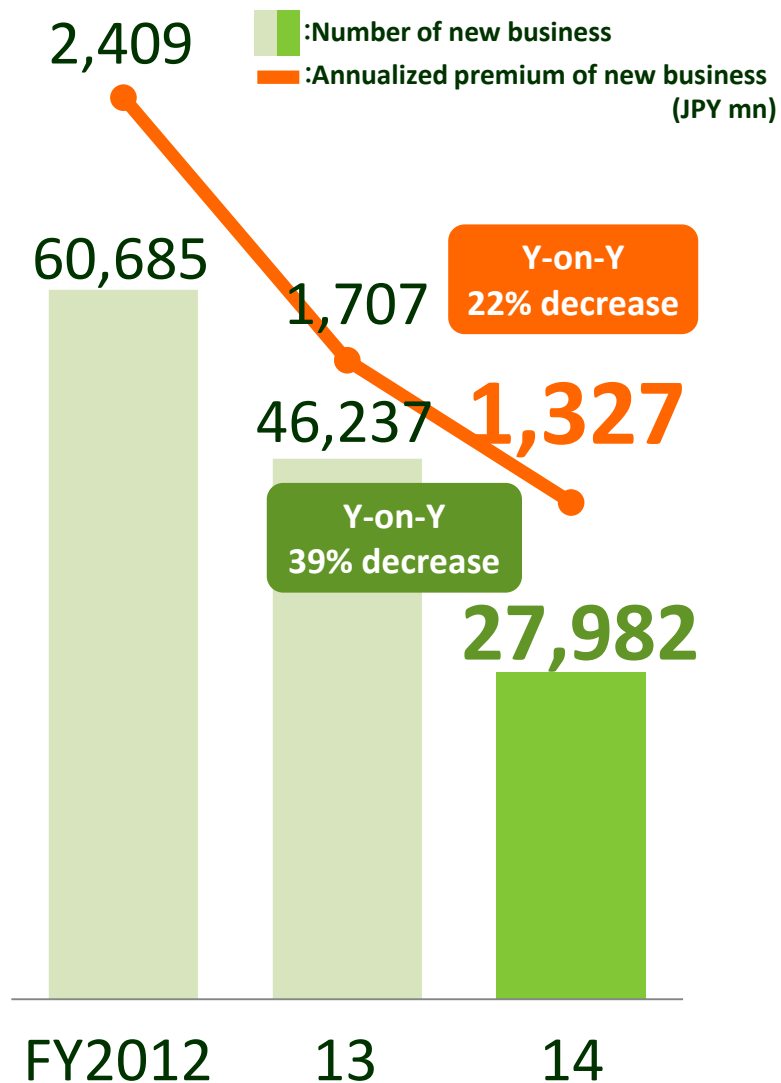


■ **131,319** in-force policyholders (as of Mar. 31) **131,319**

Number of policyholders



# Number of New Business/Annualized Premium



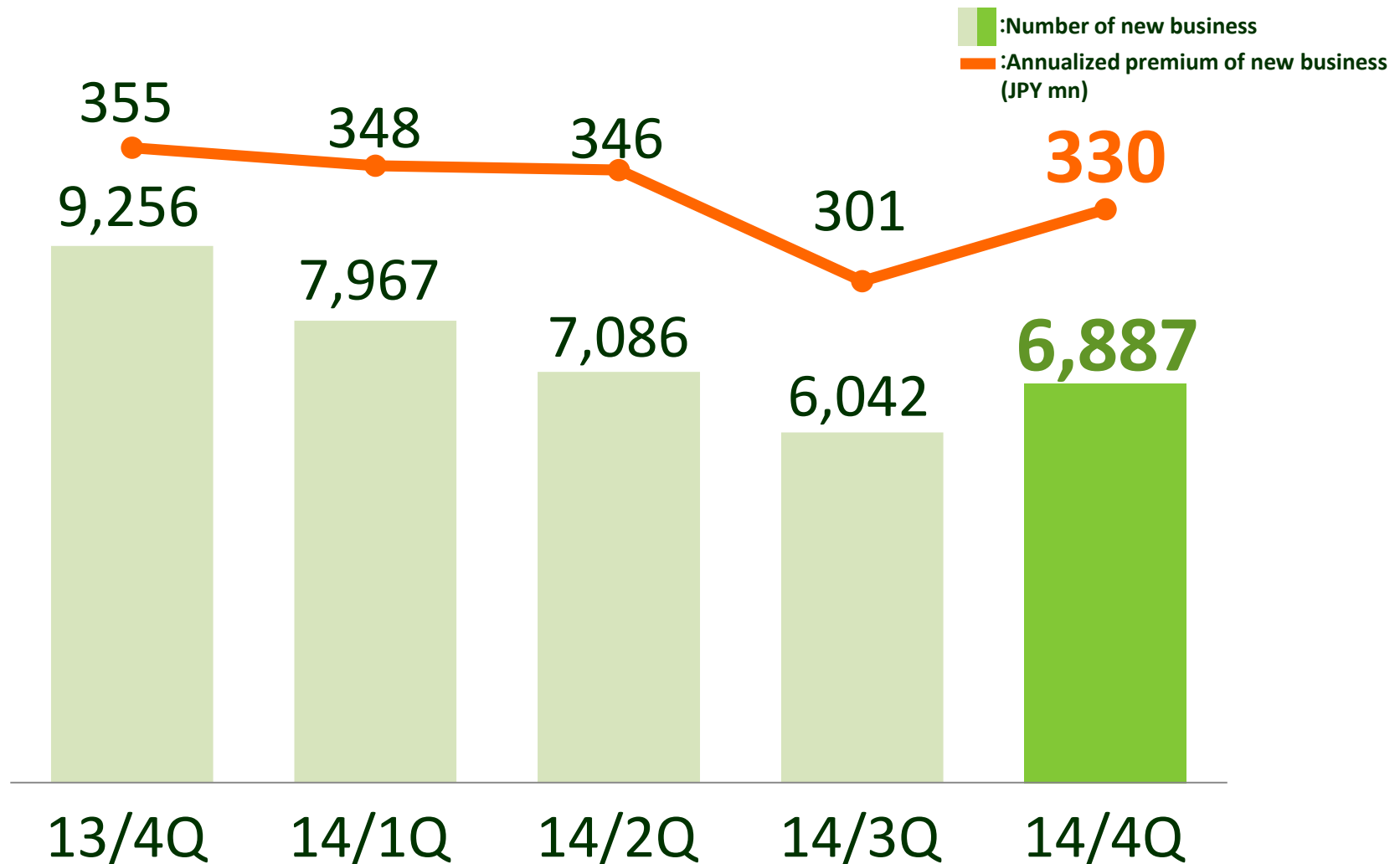
■ Annualized premium of new business<sup>1</sup>  
**JPY 1,327mn**

■ Continuous challenge is return to growth in new business performance

1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

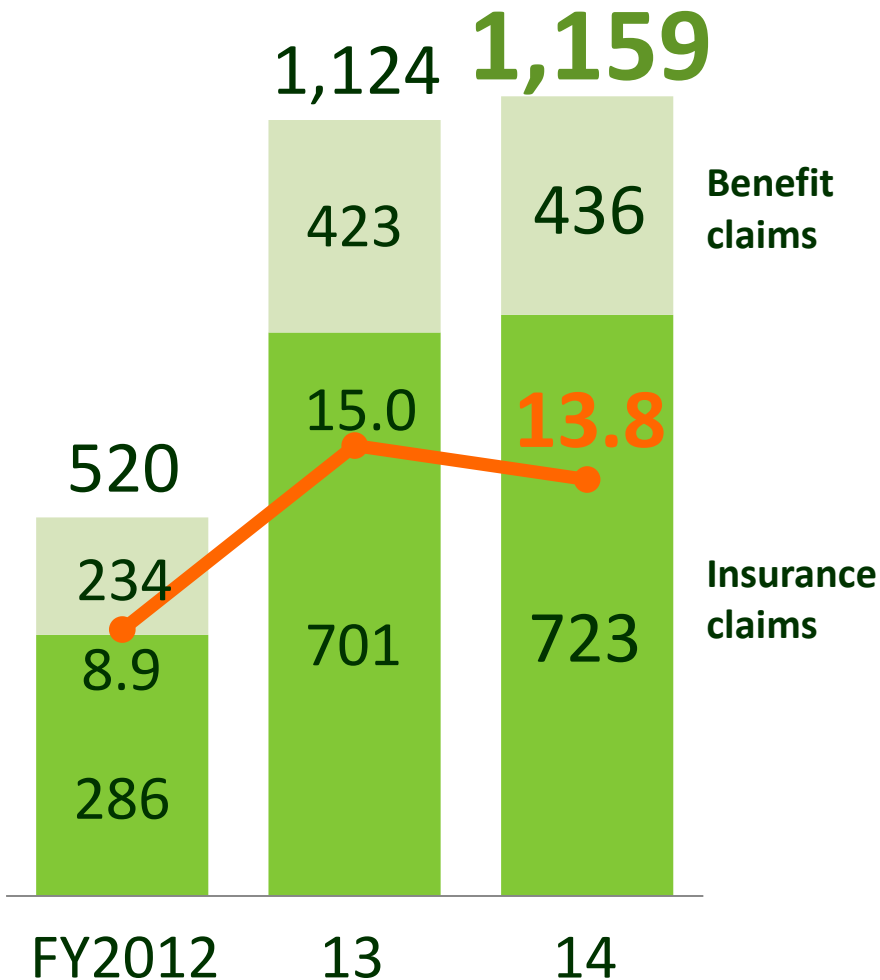
# Number of New Business/ Annualized Premium (Quarterly)

## ■ Increased compared to 3Q



# Insurance Claims and Other

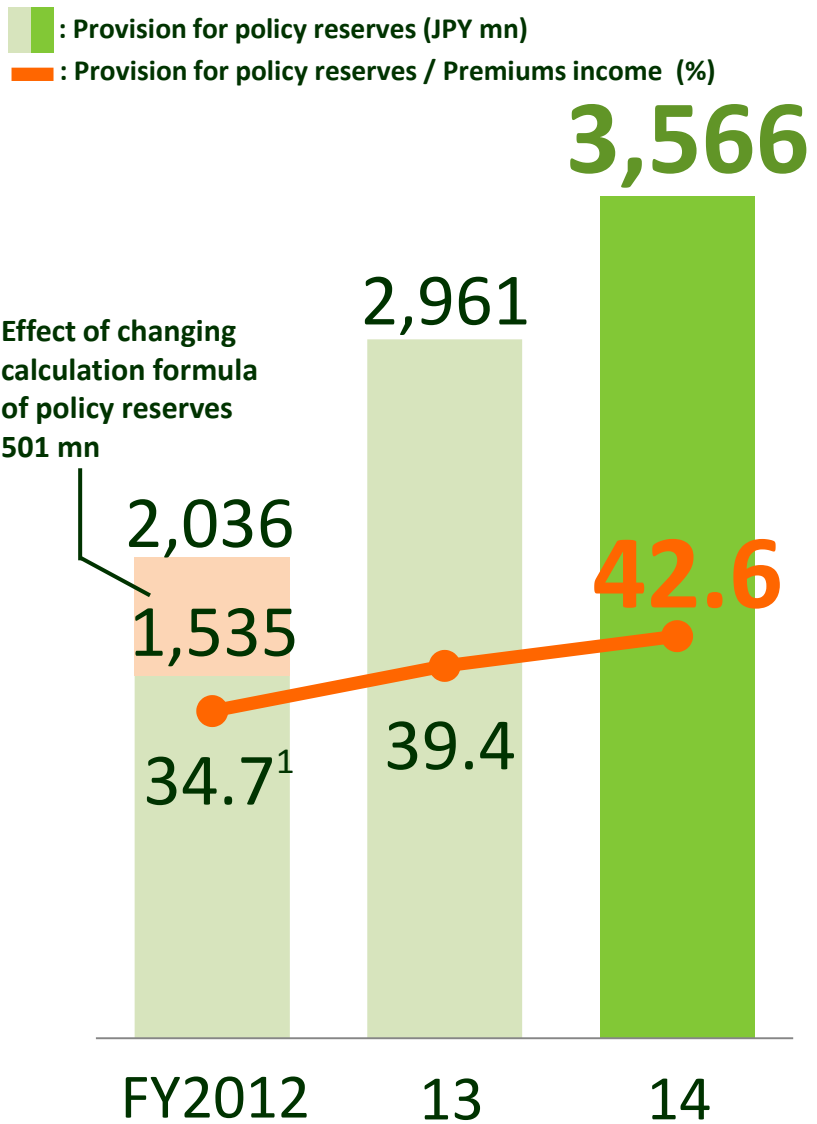
■ : Amount of insurance payments (JPY mn)  
 ■ : Amount of insurance payments / Premiums income (%)



■ Same level as previous year despite increased policies-in-force

■ 54 insurance claims and 4,779 benefit claims

# Provision for Policy Reserves and Other



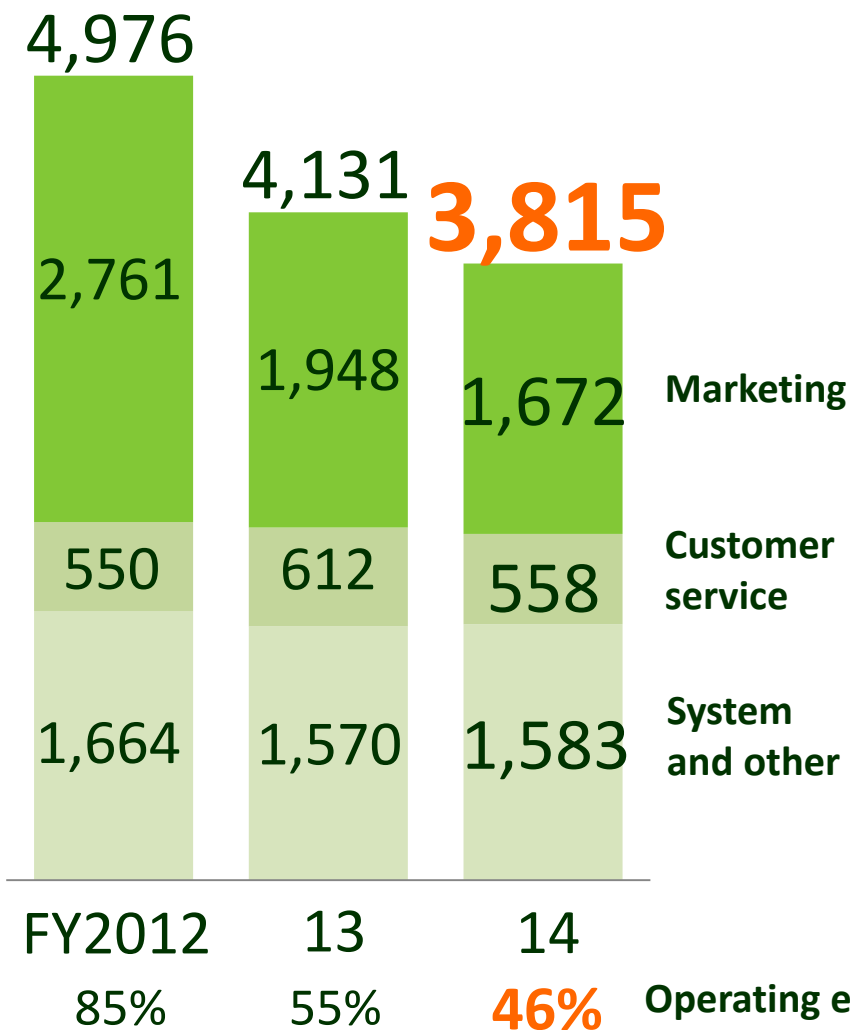
- Increased due to **increase policies-in-force**
- Calculations based on the **five-year Zillmer method** since business commencement

1. Provision for policy reserves / Premiums income for FY2012 is calculated as sum of provision for policy reserves and effect of changing calculation formula of policy reserves (JPY 2,036 mn = JPY 1,535 mn + JPY 501 mn) divided by premiums income (JPY 5,876 mn)



# Operating Expenses

(JPY mn)

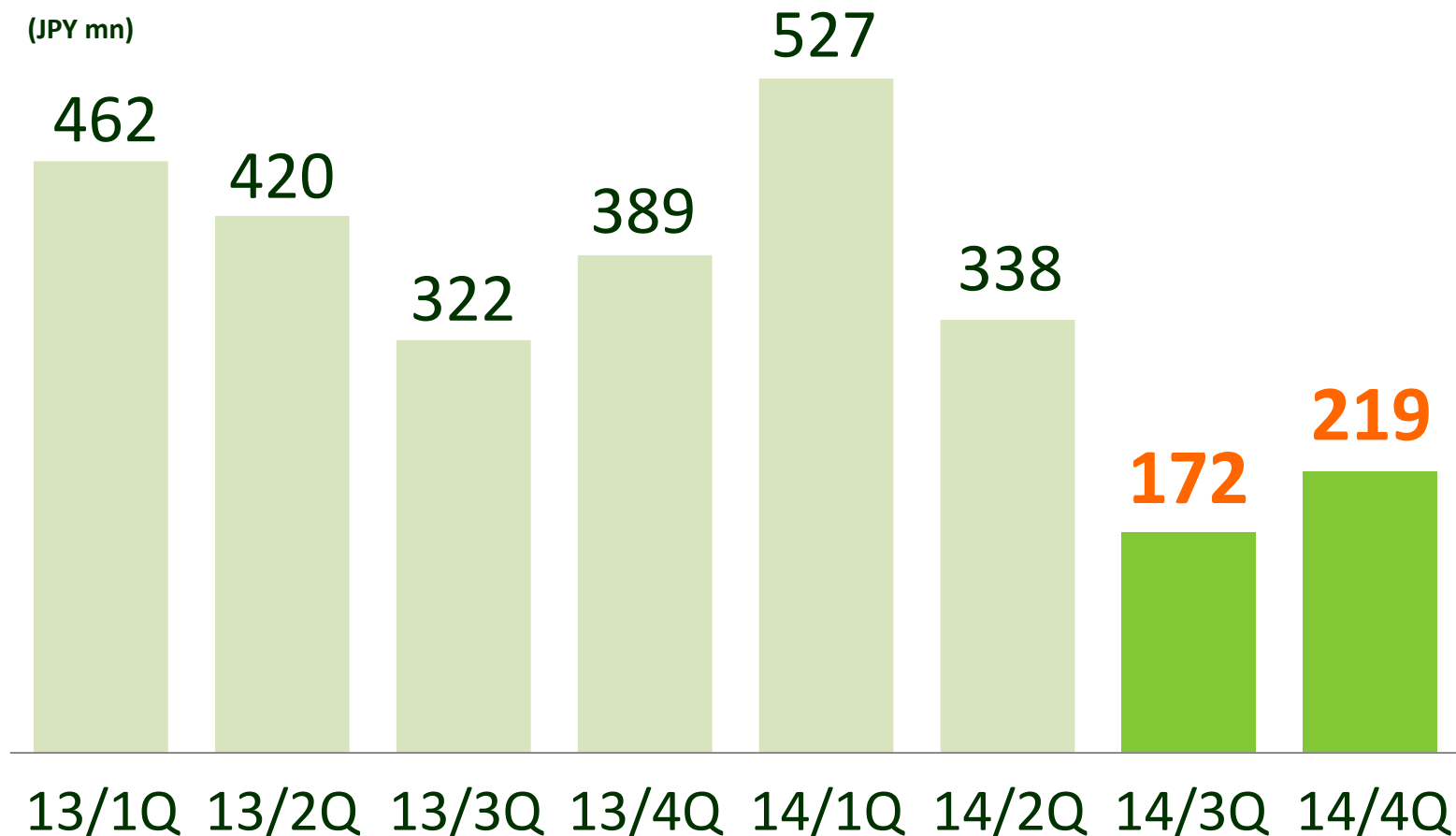


- **Decreased 8%**  
due to control  
operating expenses  
mainly marketing
- **Operating expenses  
ratio<sup>1</sup> 46%**

1. The ratio of operating expenses to premiums income

# Advertising Expenses (Quarterly)

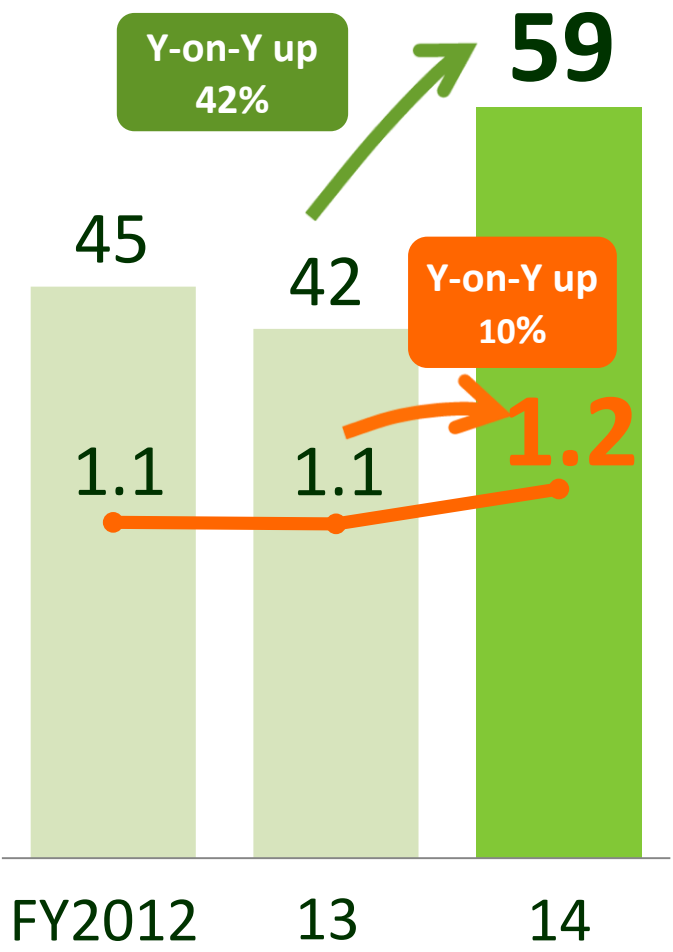
- Increased in 1Q for products revision while controlled in 2H



# Marketing Expenses per New Business



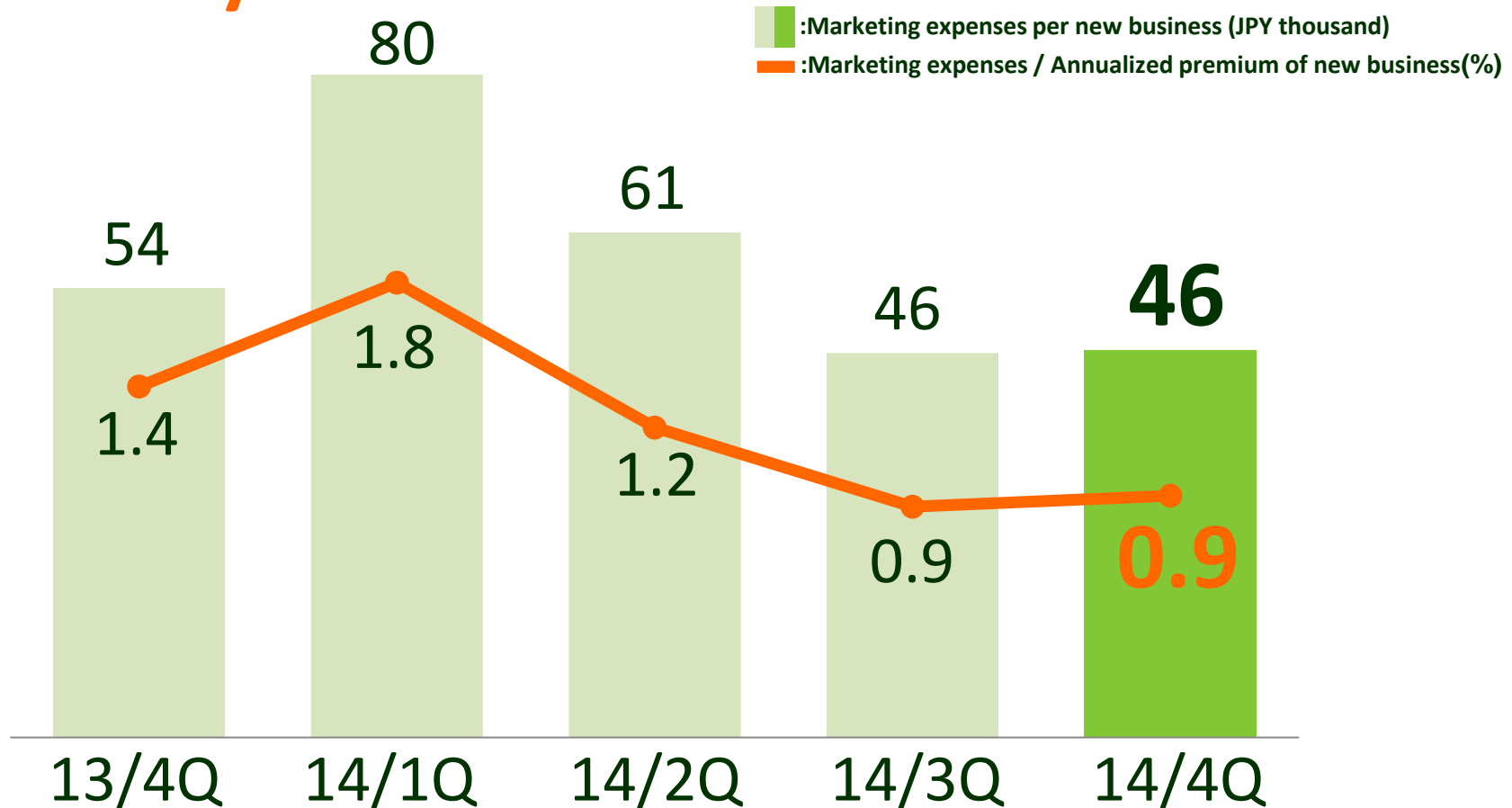
■:Marketing expenses per new business (JPY thousand)  
■:Marketing expenses/Annualized premium of new business (%)



- **Increased 10%** due to increased premium per policy
- Marketing expenses **approx. JPY 60K level** per new business due to slower new business

# New Business Efficiency (Quarterly)

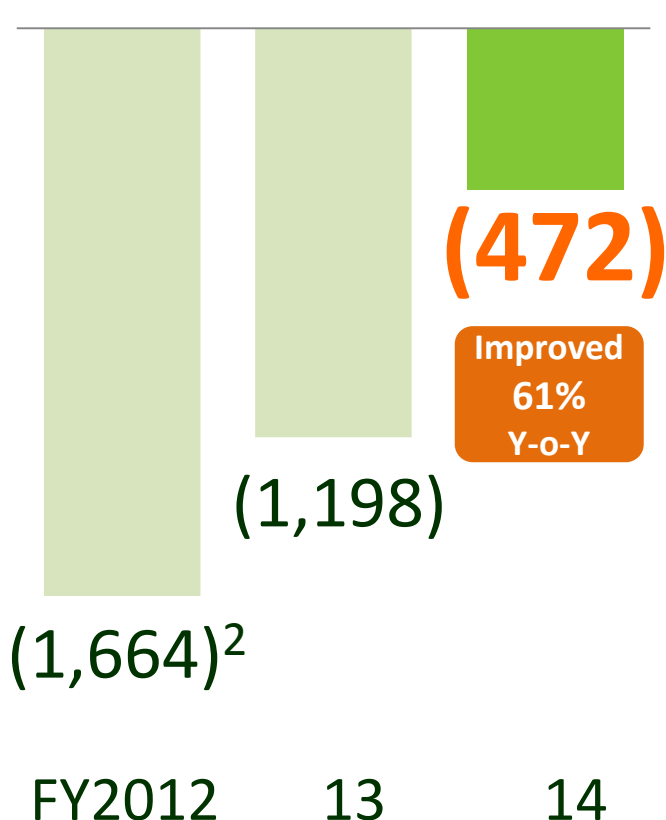
- Due to controlled marketing expenses, recent marketing efficiency back on recovery track



# Ordinary Profit/Loss

## ■ Improved steadily towards profitability<sup>1</sup>

(JPY mn)



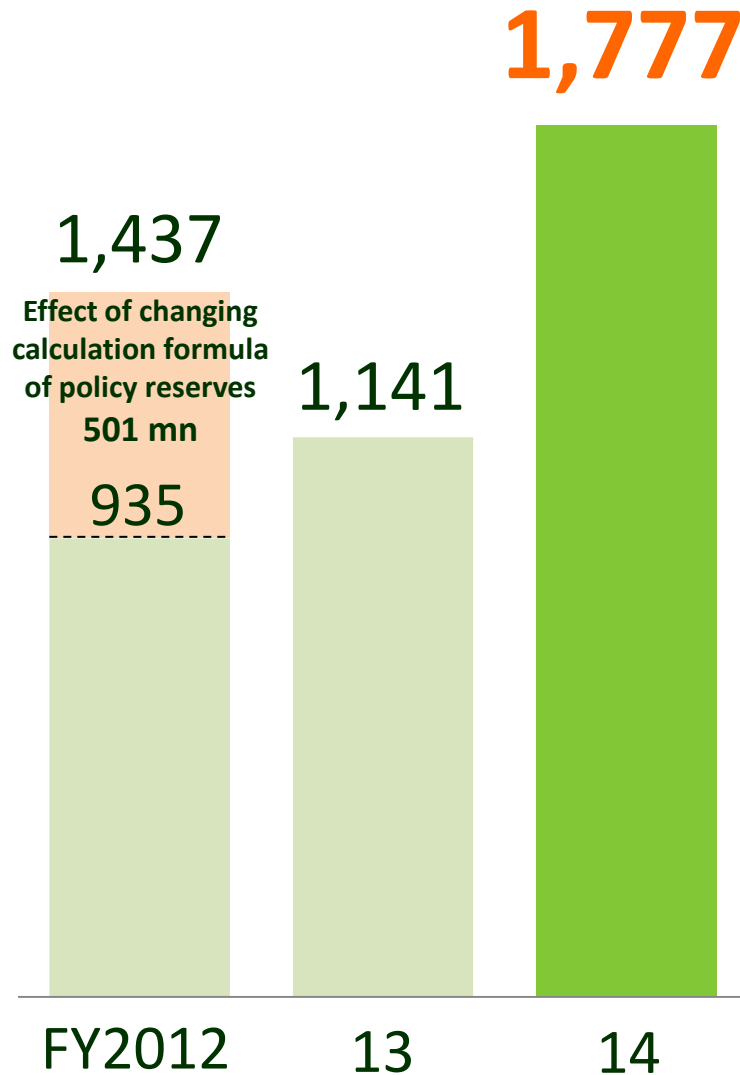
	FY2012	FY2013	FY2014
Ordinary loss before deferred expenses and amortization	(1,664) <sup>2</sup>	(1,198)	(472)
Deferred expenses	2,701	-	-
Amortization cost	(1,060)	(1,060)	(1,060)
Ordinary profit (loss)	(23) <sup>2</sup>	(2,258)	(1,532)

1. The ordinary loss before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act.

2. Including the effect of changing calculation formula of policy reserves on provision, 501 million yen. When excluding the effect, the ordinary loss in fiscal 2012 before and after deferred expenses and amortization were 2,165 million yen and 524 million yen, respectively.

# Mortality Margin

(JPY mn)



- **Steadily improved mortality margin**
- **Increased 56% due to insurance premium up**

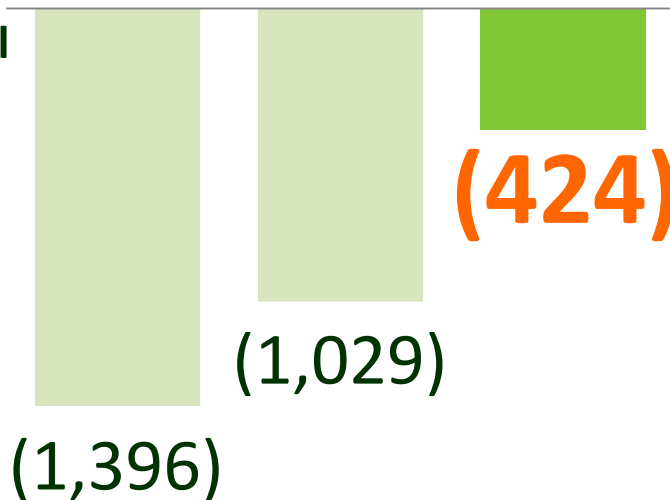
# Fundamental Profit

(JPY mn)

	FY2012	FY2013	FY2014
Mortality margin	1,437 <sup>1</sup>	1,141	1,777
Expense margin (loss)	(1,219)	(3,234)	(3,282)
Interest margin	27	3	19
Fundamental profit	244	(2,089)	(1,484)
(ref.) Insurance premiums and other	5,915	7,537	8,493

■ **Steadily improved fundamental profit**

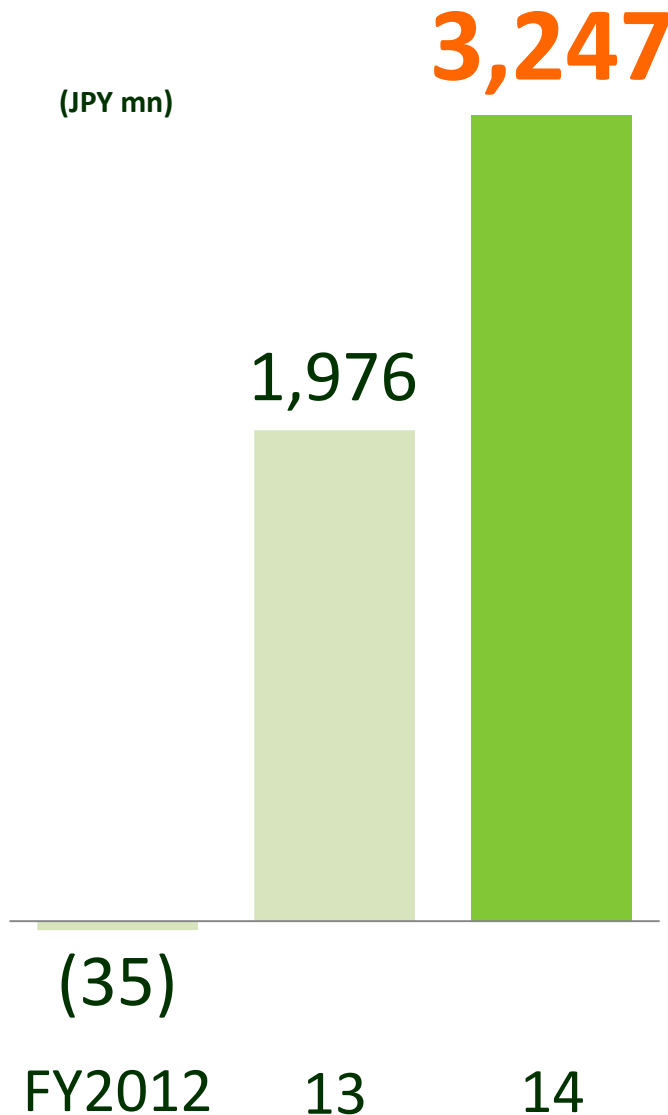
Adjusted fundamental profit<sup>2</sup>  
(JPY mn)



■ **Adjusted fundamental profit<sup>2</sup> of JPY 424mn in loss**

1. Including the effect of changing calculation formula of policy reserves on provision, 501 million yen. When excluding the effect, mortality margin for the fiscal 2012 ended March 31, 2013 was 935 million yen.  
2. Fundamental profit before deferred expenses and amortization of deferred assets under Article 113 of the Insurance Business Act.

# Cash Flows from Operating Activities



- **Continuously recording positive operating cash flows on annual basis**
- **Increased 64 % year on year**



# Financial Condition

(JPY mn)	(YY/MM)	13/03	14/03	15/03
<b>Total assets</b>		<b>20,450</b>	<b>21,188</b>	<b>23,387</b>
Cash and deposits		353	418	731
Money held in trust		-	1,000	1,033
<b>Securities</b>		<b>13,488</b>	<b>14,154</b>	<b>17,082</b>
Government bonds		7,331	6,636	8,227
Municipal bonds		-	-	851
Corporate bonds		5,982	6,547	6,894
Stocks <sup>1</sup>		174	206	222
Foreign securities <sup>2</sup>		-	764	886
<b>Total liabilities</b>		<b>4,379</b>	<b>7,252</b>	<b>10,899</b>
Policy reserves and other		3,544	6,616	10,084
<b>Total net assets</b>		<b>16,071</b>	<b>13,935</b>	<b>12,487</b>

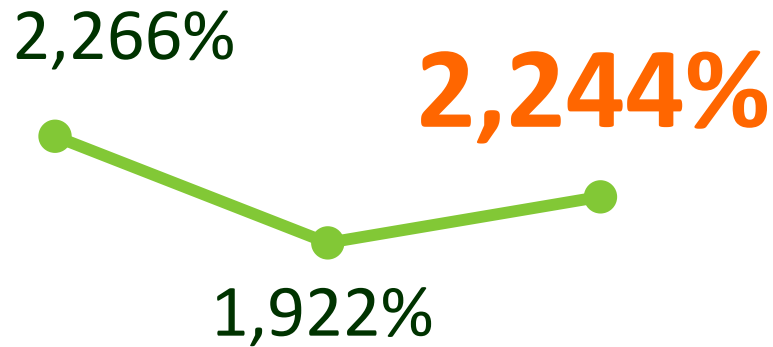
■ Promote  
diversification  
in investment  
assets

■ Modified  
duration  
10.2 years

1. Lifenet is holding shares of Advance Create Co., Ltd., its insurance sales agent, for the purpose of maintaining equity and business partnership.

2. Investment in Kyobo Lifeplanet Life Insurance Company in Korea

# Solvency Margin Ratio<sup>1</sup>



■ **Maintained at healthy level**

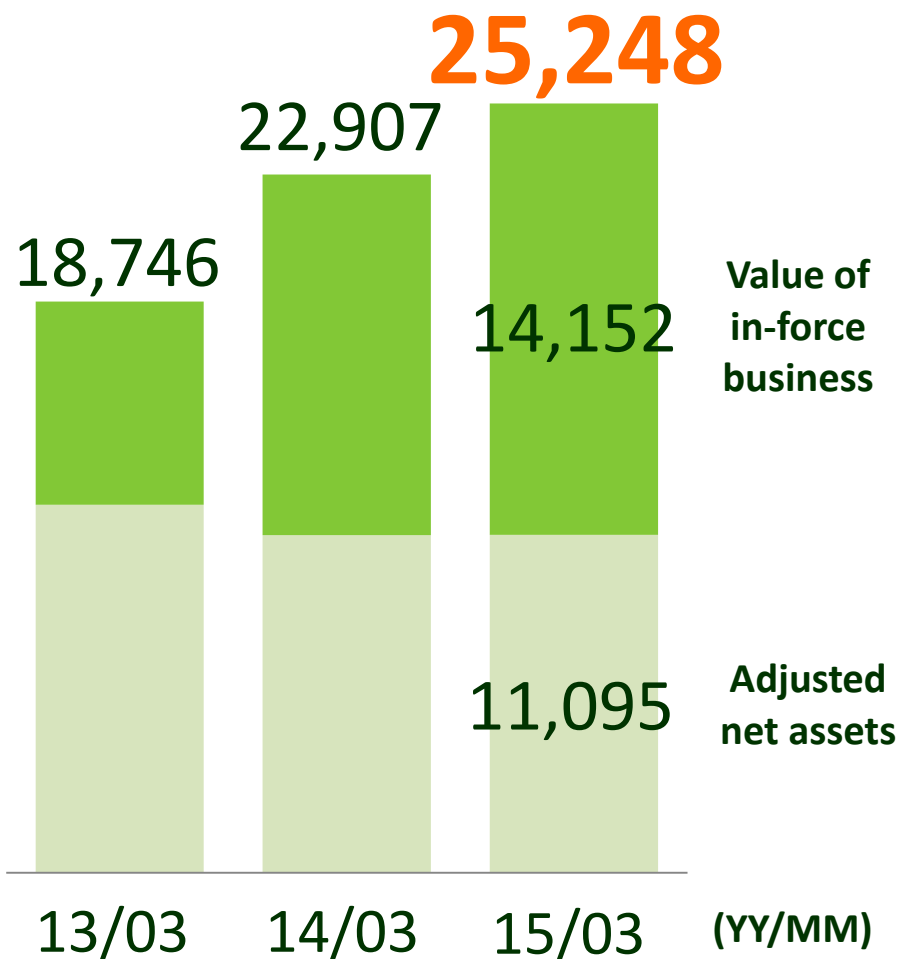
Average of 4 major insurance companies as of September 30, 2014<sup>2</sup> ● **903%**

13/03      14/03      15/03 (YY/MM)

1. The solvency margin ratio measures a life insurance company's ability to pay out claims when unforeseen events occurs, such as natural disaster or a stock market collapse.  
2. Simple arithmetic average

# European Embedded Value<sup>1</sup>

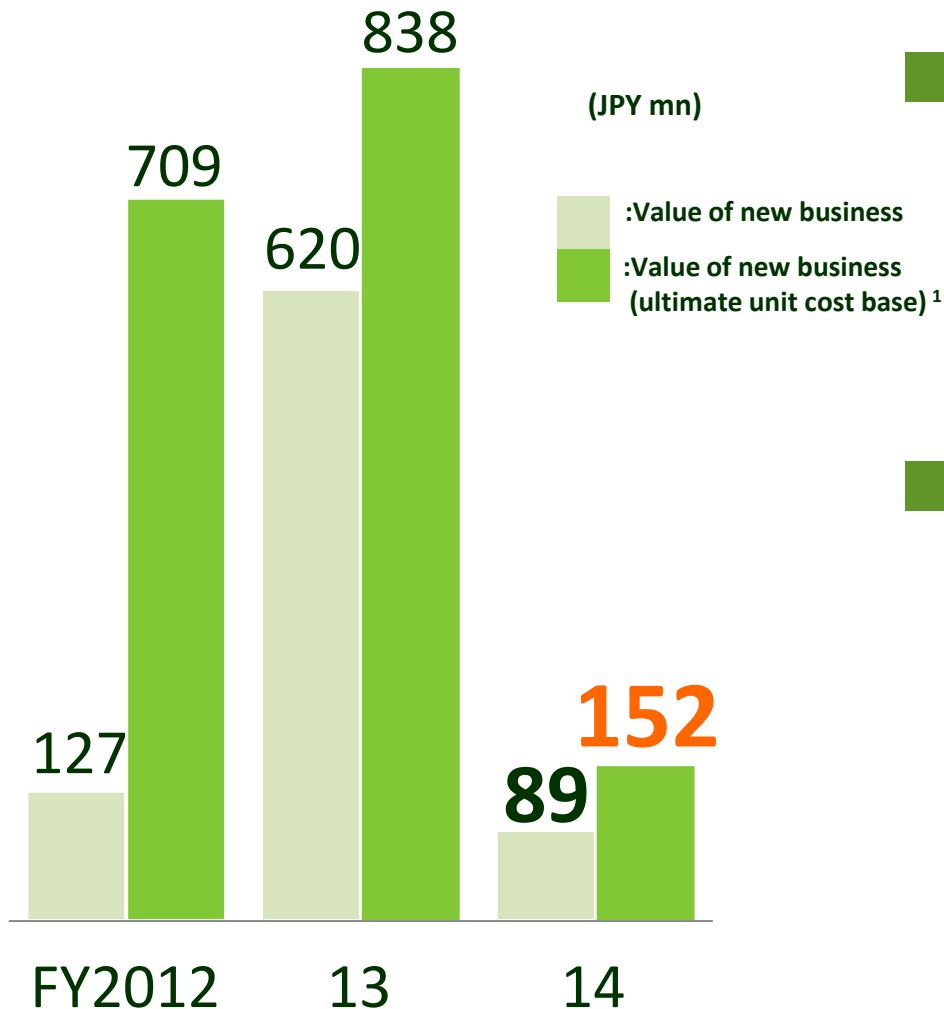
(JPY mn)



- **JPY 14,152mn** value of in-force business
- **Due to updates made to operating assumptions reflecting actual benefit payment**

1. Lifenet has fully adopted the EEV Principles, while also taking into account a market-consistent approach for reflecting such as risks, in calculating its EV.

# Value of New Business (VoNB)



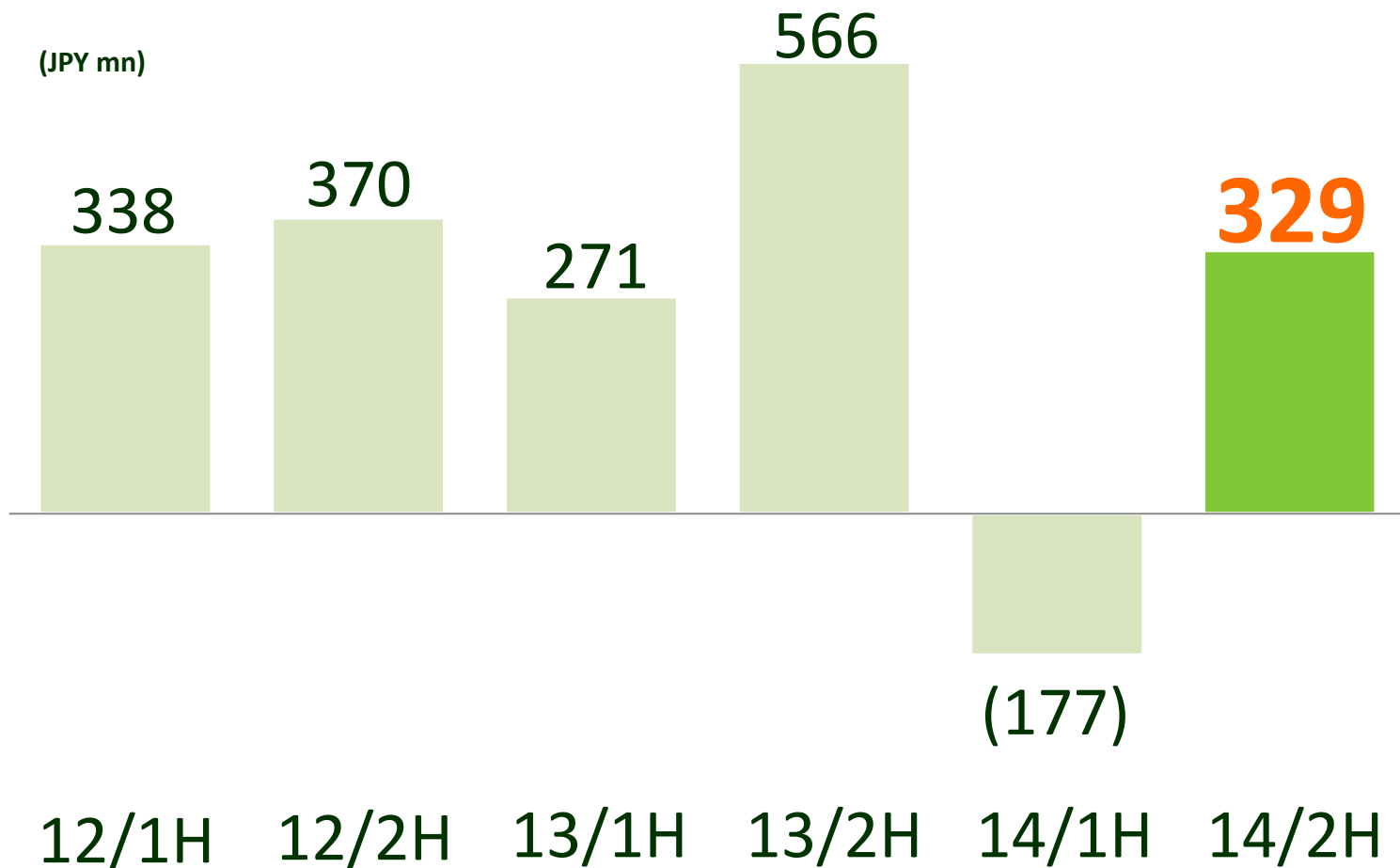
■ Decreased year on year due to **increased initial expenses**

■ **Improved in 2H** by controlling marketing expenses and efficiency

1. The expense assumptions used to calculate the EEV and the value of new business are set based on the premise that unit costs decrease as the number of policies in force increases, and reach their ultimate equilibrium levels, at which income and expenses are equal, in the tenth year after the company's start-up (fiscal 2017). For reference, "Value of new business (Ultimate Unit Cost base)" shows the value of new business calculated applying the ultimate unit costs to all years.

# VoNB (Quarterly)

- Improved in 2H, while negative VoNB in 1H



# VoNB (Ultimate Unit Cost Base)<sup>1</sup>

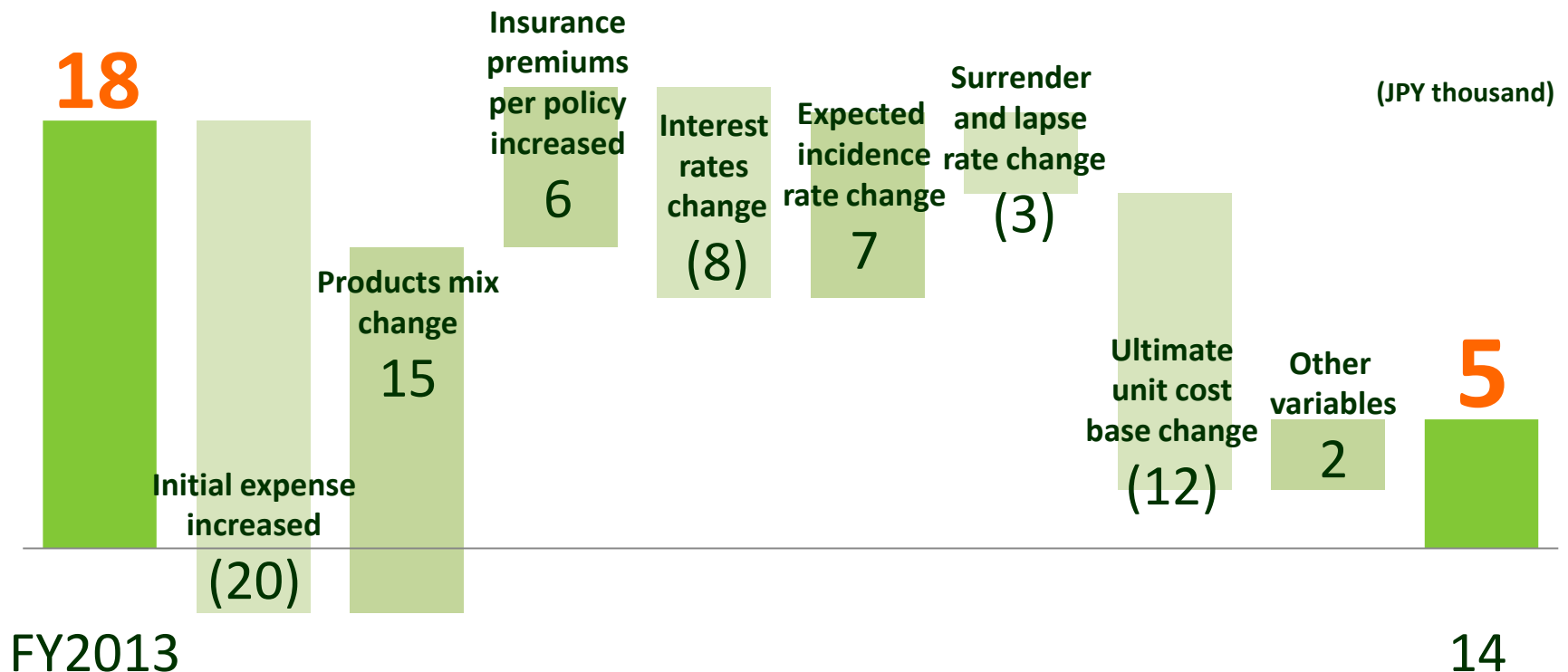
(JPY mn)		FY2013	FY2014	Per new business for FY2014 (JPY thousand)
Certainty equivalent present value of future profit		4,442	3,720	132
—)	Time value of financial options and guarantees	—	—	—
—)	Frictional cost of capital	(28)	(19)	(0)
—)	Allowance for non market risk	(1,720)	(2,010)	(71)
Value of in-force business		2,694	1,689	60
—)	Adjusted net worth	(1,856)	(1,537)	(54)
Value of new business (Ultimate unit cost base)		838	152	5
(Ref.) Value of new business		620	89	3
(Ref.) Present value of in-force business premiums		23,980	20,367	
New business (policy)		46,237	27,982	

# Structure Breakdown of VoNB per Policy



- **Increased initial expense per policy** due to number of new business decline

VoNB per policy (ultimate unit cost base)



# EV Sensitivity Analysis

## ■ Impacts of changes in assumptions (sensitivities) on the EEV results

(JPY mn)	Change in EEV as of March 31, 2015	Change in value of new business
EEV and new business value as of March 31, 2015	25,248	89
Sensitivity 1a: 1.0% increase in risk-free rate	1,115	376
Sensitivity 1b: 1.0% decrease in risk-free rate	(2,903)	(731)
Sensitivity 1c: 0.5% increase in risk-free rate	671	213
Sensitivity 1d: 0.5% decrease in risk-free rate	(1,110)	(296)
Sensitivity 2: 10% decrease in equity and real estate value	(78)	—
Sensitivity 3: 10% decrease in operating expenses	1,788	222
Sensitivity 4: 10% decrease in lapse rate	(1,355)	(233)
Sensitivity 5: 5% decrease in claim incidence rates for life business	3,329	412
Sensitivity 6: 5% decrease in mortality for annuity business	—	—
Sensitivity 7: Change the required capital to 200% of solvency margin ratio	93	14

1. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of sensitivities carried out separately. As Japanese policy reserves are calculated in accordance with the IBR, the sensitivities carried out do not affect the reserves at the valuation date. The sensitivity on the value of new business excludes the impact on the adjusted net worth.



# Contents

**1. Progress of Mid-term Business Plan**

**2. Results for Fiscal 2014**

**3. Challenges for Fiscal 2015**

# Mid-term Business Plan



- Aim to **achieve Management Goal** in the last fiscal year of current mid-term business plan

<b>LIFENET2015</b>	Offer new products and services as an “innovator” to create the future of life insurance that resonate with stakeholders, and achieve the highest sustainable growth among online life insurance businesses.
<b>Management Goal<sup>1</sup></b>	Achieve 9.5 billion yen in ordinary income, pushing the company toward profitability <sup>2</sup> in fiscal 2015
<b>Priority Areas</b>	<ol style="list-style-type: none"><li>1. Sustainable growth in insurance premium income (top-line)</li><li>2. Improvement in productivity</li><li>3. Being an “innovator” (front-runner) in life insurance</li></ol>
<b>Risk Management Area</b>	Sophisticate risk management and establish risk-based business management

1. Not incorporating the effect of capital and business alliance with KDDI CORPORATION.

2. Based on ordinary profit (loss) before amortization of deferred assets under Article 113 of the Insurance Business Act

- For sustainable growth of insurance premiums
  - Further development of online insurer business model
  - Rigorous improvement of follow-up
  - Continuous enhancement of partnership

# Further Development of Online Insurer Business Model

## ■ Move into the “**Second Stage**” as an online life insurer, compensating conventional weakness

I've heard of the company name, but not sure Lifenet is reliable enough because it's new...



I just requested brochures, but I am not sure if I really need life insurance products in my situation...



I don't know much about life insurance to decide by myself, so I want to consult somebody...



- Focus on building a secure feeling
- Shift TVCM from brand awareness to reliability improvement
- Approach customers depending on their attribution and situation
- Develop appealing products
- Strengthen follow-up including free consultation service

- Provide **enriched support structure** for customers

## Major measures for follow-up

- Improve policyholders' **satisfaction**
- Develop **customer relationship management platform**
- **Improve proposal tool** to meet customer needs
- **Continuous training** for insurance planners and communicators

- Generate **synergy** with online direct channel with agents

## Major measures for partnership

- Enhance **agents channel** by reallocation of resources
- **Create new services** with KDDI
- Consider **alliance with partners** with large customer base

# Create New Services with KDDI



## ■ Capital and business alliance agreement with KDDI

### Capital and business alliance overview

- Explore possibilities for **planning customer-oriented new services** taking advantage of our combined strength
- Subject to obtaining regulatory approval, KDDI will become our **largest shareholder and a major shareholder<sup>1</sup>** of an insurance company with holdings of 15.95% of voting rights
- KDDI respects Lifenet **continued management independence**

1. Regulatory approval is required as a major shareholder of an insurance company to hold voting rights above a certain level of an insurance company under the Insurance Business Act

# Capital Alliance with KDDI



- Becoming “insurance companies major shareholder”<sup>1</sup> **by third-party allotment etc.**

## Capital alliance overview

Payment date	May 22, 2015
Number of newly issued shares	8,000,000
Funds raised	3,040 million yen
Other	Subject to KDDI obtaining regulatory approval to become a major shareholder of an insurance company  Subject to election at Annual General Meeting of Shareholders KDDI will send LIFENET one outside director

1. Subject to KDDI CORPORATION obtaining regulatory approval



# Major Shareholders (after Third-party Allotment)

## Major shareholders (after third-party allotment)<sup>1</sup>

Shareholders	Voting rights
<b>KDDI CORPORATION</b>	<b>15.95%</b>
<b>Swiss Reinsurance Company Ltd</b>	<b>11.33%</b>
<b>Asuka DBJ Investment Limited Partnership</b>	<b>11.33%</b>
<b>MITSUI &amp; CO., LTD.</b>	<b>9.57%</b>
<b>Seven Financial Service Co., Ltd.</b>	<b>6.48%</b>
<b>Shinsei Bank, Limited</b>	<b>3.24%</b>
<b>Recruit Holdings Co., Ltd.</b>	<b>2.49%</b>
<b>ASAHI Net, Inc.</b>	<b>2.32%</b>
<b>SBI SECURITIES Co., Ltd.</b>	<b>1.77%</b>
<b>CBNY-GOVERNMENT OF NORWAY</b>	<b>1.69%</b>

1. Practical shareholders Lifenet is aware of based on shareholders list as of March 31, 2015. Subject to KDDI CORPORATION obtaining regulatory approval

# Business Alliance with KDDI



## Provide customer-oriented financial services



“au” Value-Added Economic Zone

- **Continuous discussion** about specific measures in the business alliance

To be discussed in business alliance Committee

- **Measures** of customer-oriented financial services
  - Products and services combination of two companies
  - Effective approaching methods to customers
  - Marketing/promotion methods
  - Service launch timing
- **Create completely new services**
- **Effect on business performance** by business alliance

# Other Challenges

- Improvement in productivity
  - Continue severe control of operating expense
- Being an “innovator” in life insurance
  - Keep on “Edgy” challenges with “Social Cause”
  - Aim to expand online insurance market

# Business Forecast

- Business forecast for FY2015 remains as business goals of Mid-term business plan
- Effect of business alliance with KDDI is under careful examination

(JPY mn)

	Ordinary income	Ordinary profit (loss) <sup>1</sup>
Business forecast FY2015	9,500	Turn Profitable
Results FY2014	8,729	(472)

# LIFENET Manifesto



## I. Our Guiding Principles

- (1) We believe that our responsibility to society is to return life insurance to its original state. Life insurance is for the customers, not for the company. In order to achieve this goal, we will only offer products we can recommend with confidence.
- (2) We will be transparent. We will disclose information on our management, products and company as a whole on our website to actively communicate with customers and society.
- (3) We will be fair. We believe that our services will be more benevolent if the employees are free of any and all limitations they may feel in the work environment, and as such, we will not discriminate against education, gender, age, nationality, or familial situations.
- (4) We will adhere to laws protecting personal information and comply with laws, regulations, and other social standards. We pledge to be respectable global citizens, acting fairly and ethically.

## III. Life Insurance will be Cost-Competitive

- (1) We believe that no one should pay premiums that are more expensive than necessary, and will be innovative and creative in order to develop and maintain the most cost-competitive products possible.
- (2) We will handle every step of the process in providing good products to our customers; from the development of the products to the sales. This allows for us to maintain our cost-competitive prices.
- (3) Our products will be cost-competitive, but the content of the products and our services will not be sacrificed. All communication with customers will be conducted accurately and quickly, including claim processes.
- (4) Life insurance is a very expensive purchase, and life is also very expensive. We want for our customers to spend less on life insurance, and more on enjoying life.

## II. Life Insurance will be Comprehensive

- (1) Our products will be simple and comprehensible. There will not be complex policies with special provisions.
- (2) Life insurance is a financial product designed to mitigate risk, and we believe the customer should decide what products are necessary for them. As we feel it is critical for customers to be well informed of products and policies, we will make accessible any and all relevant information on our website for customers to make logical and rational decisions. The Customer Contact Center is also available for further clarifications and questions.
- (3) Our website will promote the understanding of not only our company's products, but of life insurance in general.
- (4) We will make life insurance products tangible via clearly written policies and comprehensible terms and conditions.

## IV. Life Insurance will be Convenient

- (1) We know our customers have very busy lives. That is why our customers can apply for our life insurance policies via the internet, 24 hours a day, 7 days a week.
- (2) Our documents require only a signature. There are no other typical official items required to verify personal identification.
- (3) Our definition of "surgery" is aligned with the national healthcare insurance point table, making the claim process much more convenient and comprehensible.
- (4) We have a proxy claim system, allowing for the third party designated by the claim holder to file a claim. The appointed proxy need simply to make a phone call to our contact center for necessary documents.

**This manifesto is not simply as a declaration. This is how we do things.  
Join us on our journey.**



All information on this document that is not historical fact constitutes forward-looking information and is based on assumptions and forecasts available to the company at the time of preparation. The company cannot guarantee the accuracy of these assumptions and forecasts. Earnings projections and other information on this may differ materially from actual performance due to various risks and uncertainties. This is a translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.

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 E-mail Notices

# Appendix



**LIFENET**

LIFENET INSURANCE COMPANY



# Embedded Value and Value of New Business



(Illustrative purpose only: Based on present value)

