



Securities Code: 7157
TSE Growth



LIFENET
LIFENET INSURANCE COMPANY

**Presentation
Material for
Investors**

**First Quarter
for Fiscal 2022**

LIFENET INSURANCE COMPANY
August 10, 2022

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

- **Remembering the original purpose** of life insurance – mutual support
- **Helping our customers embrace life more fully**

1Q of FY2022 Key Highlights



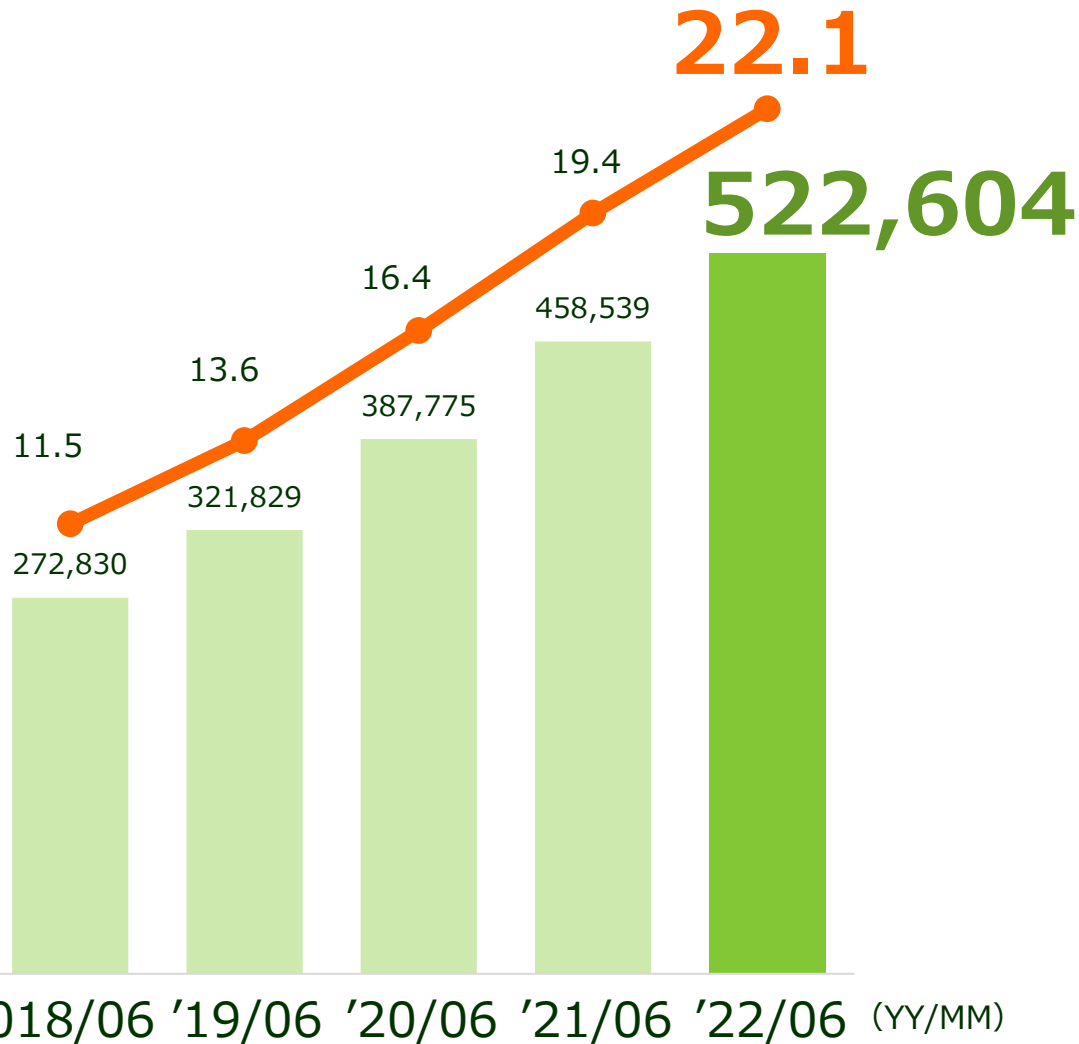
- Annualized premium¹ of policies-in-force up 14% YoY to JPY 22.1 billion
- JPY 278 million in COVID-19 claims
- EEV up 22% YoY to JPY 118.1 billion
- Business alliance with au Jibun Bank to launch group credit life insurance business
- Capital and business alliance with Eisai to create new customer experiences

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

Annualized Premium / Number of Policies-in-Force



■ : Annualized premium of policies-in-force¹ (JPY billions)
■ : Number of policies-in-force



- Continued steady growth
- Year-on-year annualized premium **113.7%**, number of policies-in-force **114.0%**

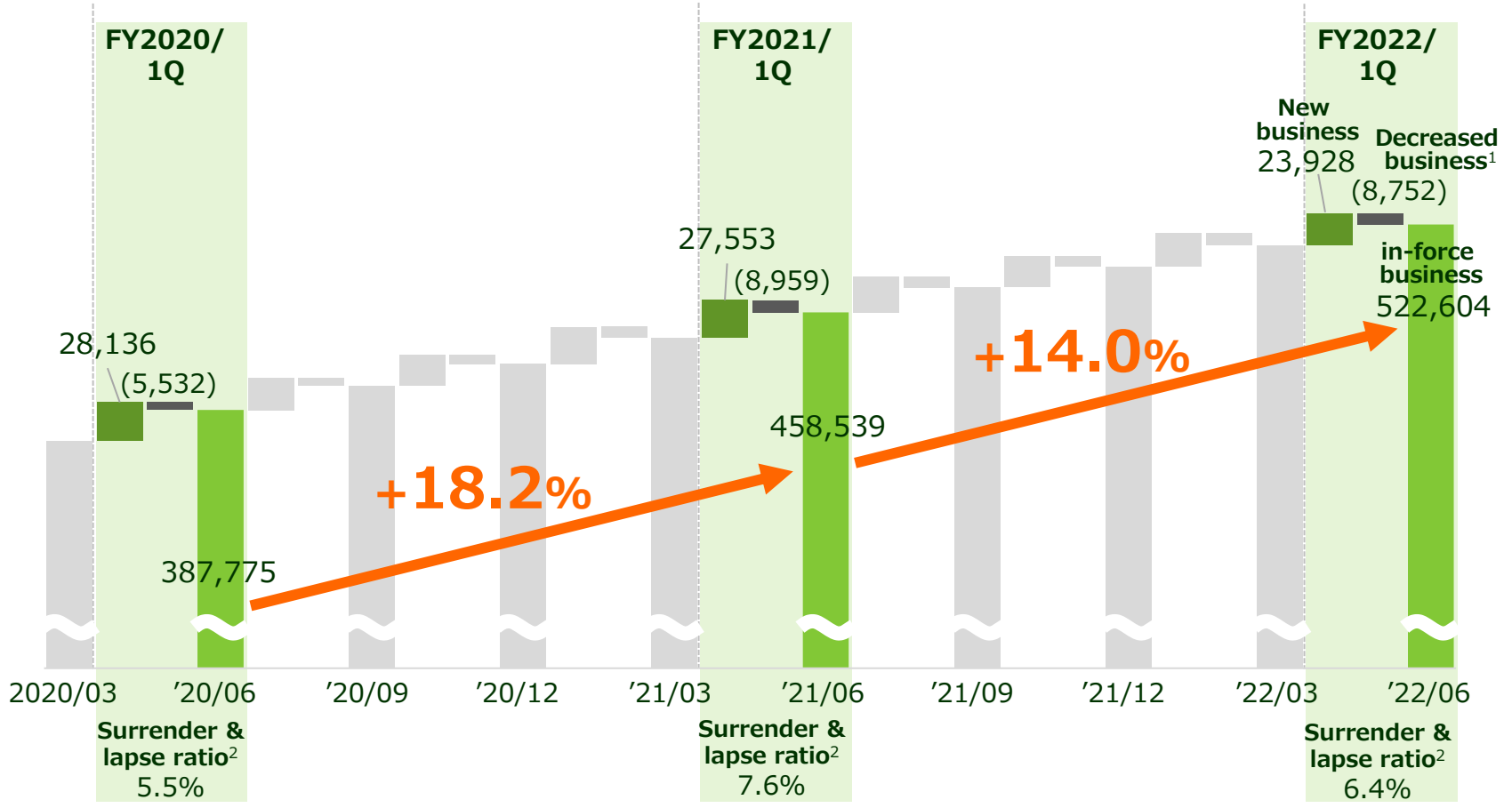
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

Policies-in-Force Movement



■ **Continues to grow in the medium-term while further acceleration is needed**

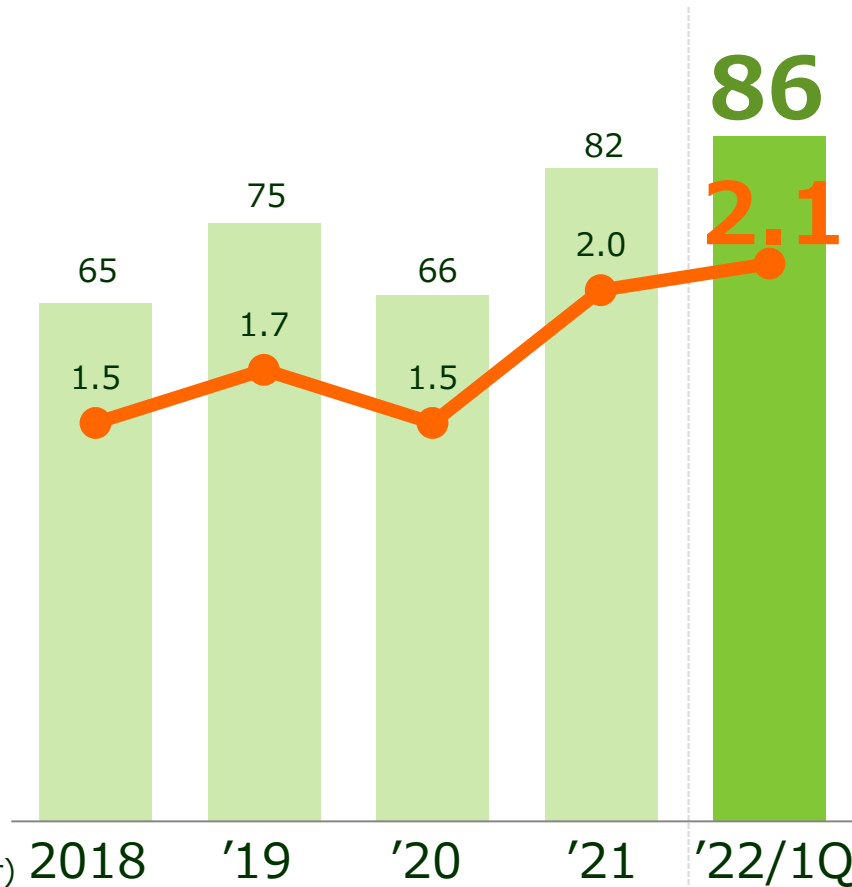
Number of policies



1. Decreased number of policies include death, expiration and others in addition to surrender and lapse.
 2. Surrender and lapse ratio is annualized. The surrender & lapse ratio in the first quarter of fiscal 2021 includes 0.5% of impact from lump-sum lapse regarding expiration of special grace period for COVID-19.

Marketing Efficiency

■ : Marketing expenses per new business (JPY thousands)
 ■ : Marketing expenses / Annualized premium of new business¹



■ Continued a certain scale of marketing investment while carefully monitoring marketing efficiency

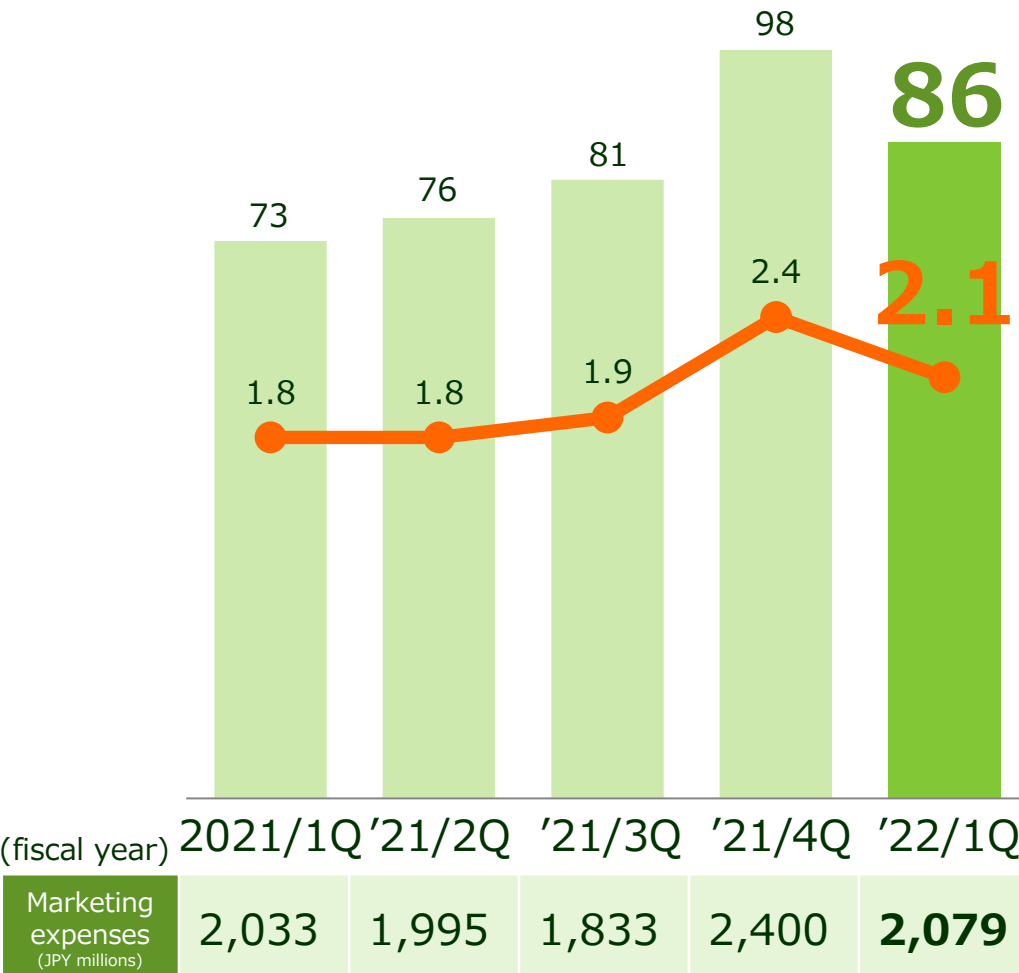
(fiscal year)	2018	'19	'20	'21	'22/1Q
Marketing expenses (JPY millions)	4,216	6,146	6,712	8,262	2,079

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.

【Ref.】 Marketing Efficiency (Quarterly)



■ : Marketing expenses per new business (JPY thousands)
 ■ : Marketing expenses / Annualized premium of new business¹



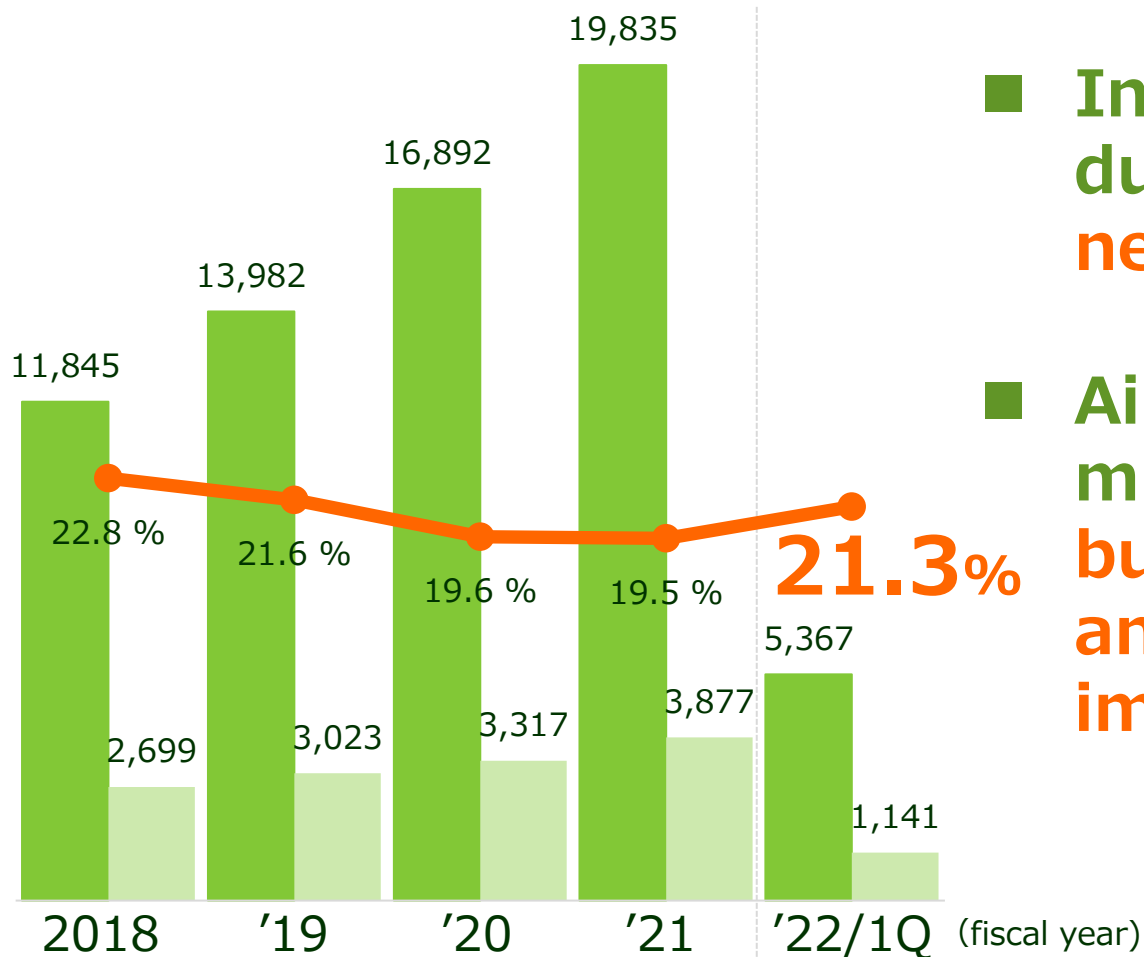
- **Controlled marketing expenses for 1Q compared with 4Q of FY2021**
- **Explore the right timing to re-boost marketing investment**

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.

Operating Expenses Ratio



- : Operating expenses ratio¹ (%)
- : Insurance premiums (JPY millions)
- : Operating expenses excl. marketing expenses (JPY millions)



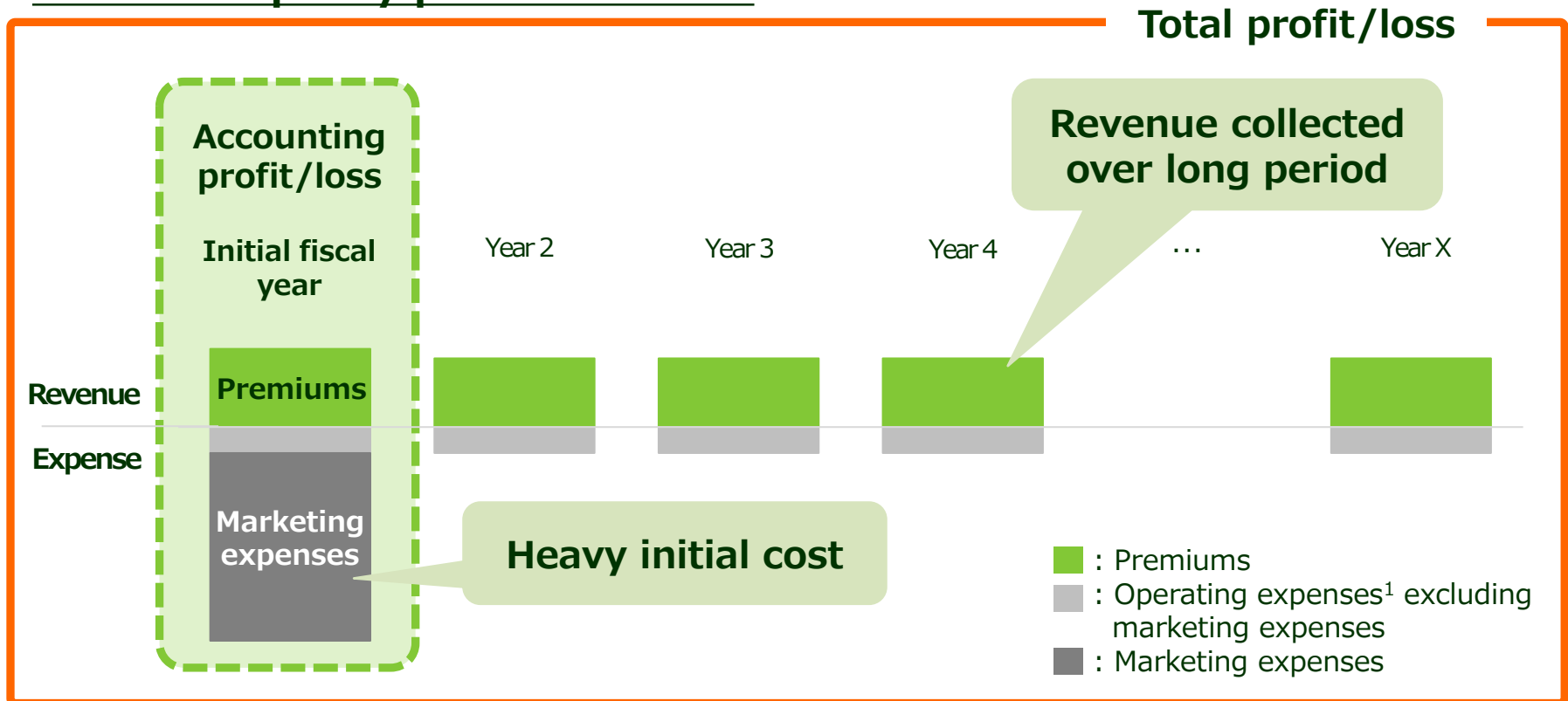
- Increased mainly due to **investments in new initiatives**
- Aim to improve in the mid-term by further **business expansion and productivity improvement**

1. Operating expenses ratio is calculated by dividing operating expenses excluding marketing expenses by insurance premiums.

Profit Structure under Current Statutory Accounting

- **Time lag is caused between the recognition of costs and revenue** as marketing expenses is recognized at the time of acquisition, and revenue is collected gradually over a long period

Insurance policy profit structure



1. Costs for policy management, payment of insurance claims and benefit claims, etc.

Adjusted Profit

- Steadily recorded adjusted profit generated from in-force business while **affected by COVID-19 claims**

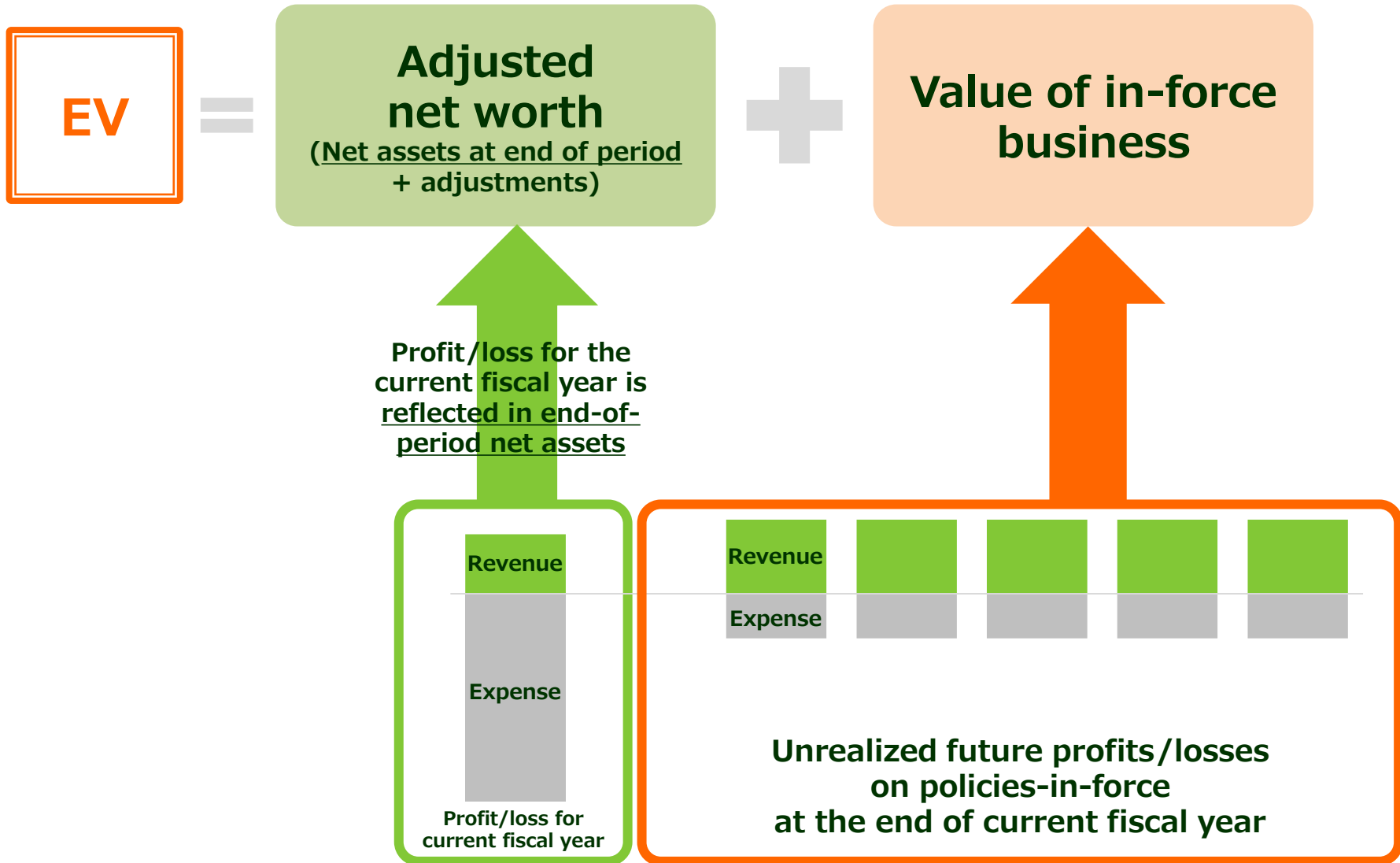
The method for calculating adjusted profit

Adjusted profit = i) Ordinary profit (loss) + ii) Marketing expenses
 – iii) Impact of modified co-insurance
 ± iv) Adjustment based on standard policy reserves¹

JPY millions / fiscal year	2018	2019	2020	2021	2022/1Q
i) Ordinary profit (loss)	(1,719)	(2,382)	(3,089)	(3,245)	(1,062)
ii) Marketing expenses	4,216	6,146	6,712	8,262	2,079
iii) Modified co-insurance	–	(1,526)	(804)	(1,283)	(199)
iv) Adjustment	347	546	739	721	47
Adjusted profit	2,844	2,784	3,558	4,455	865

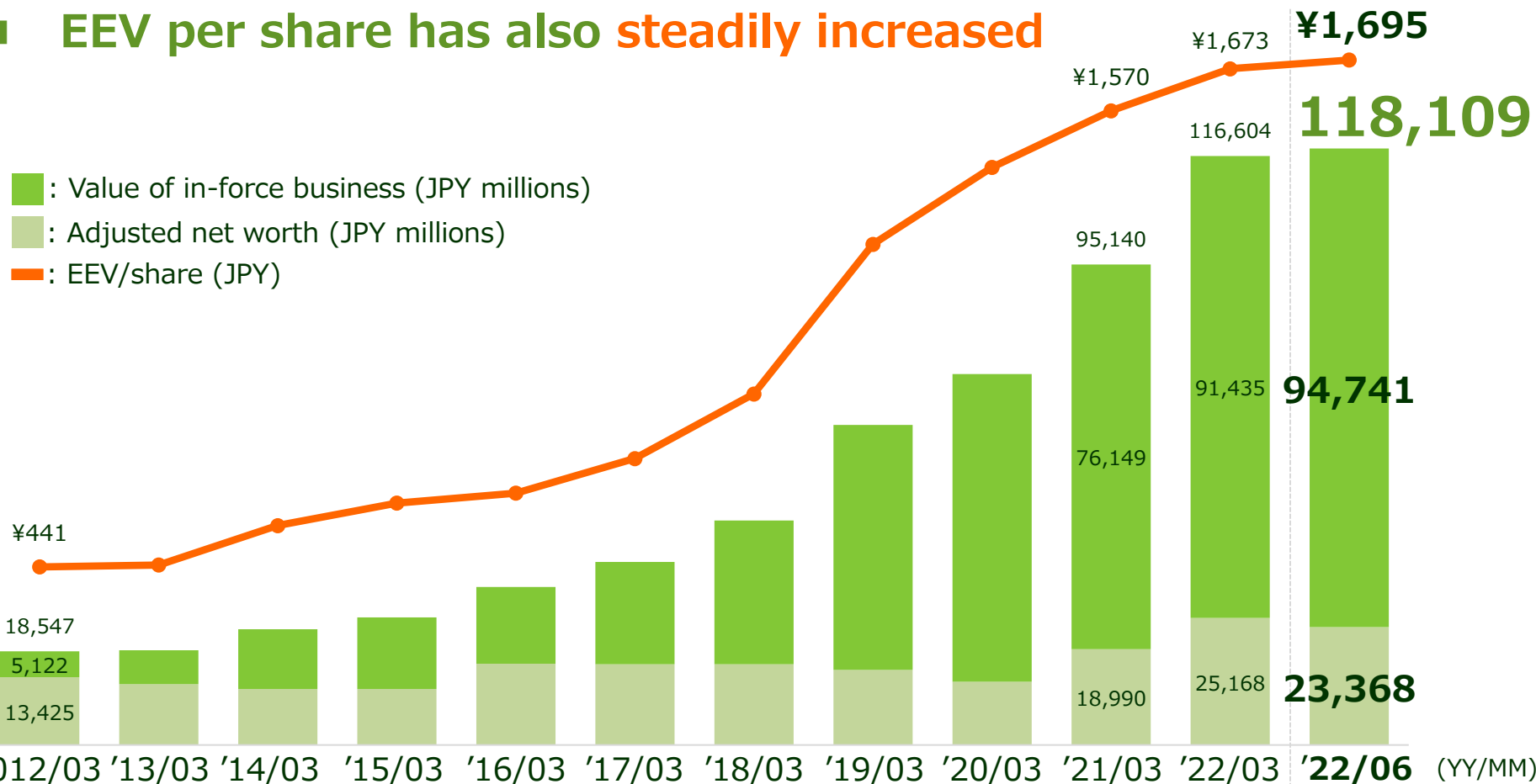
1. The amount of the adjustment to the policy reserve provision is the adjustment calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves.

Structure of Embedded Value



Strong EEV¹ Growth

- EEV and value of in-force business have been growing at a CAGR of **20%**² and **33%**, respectively since IPO
- EEV per share has also **steadily increased**



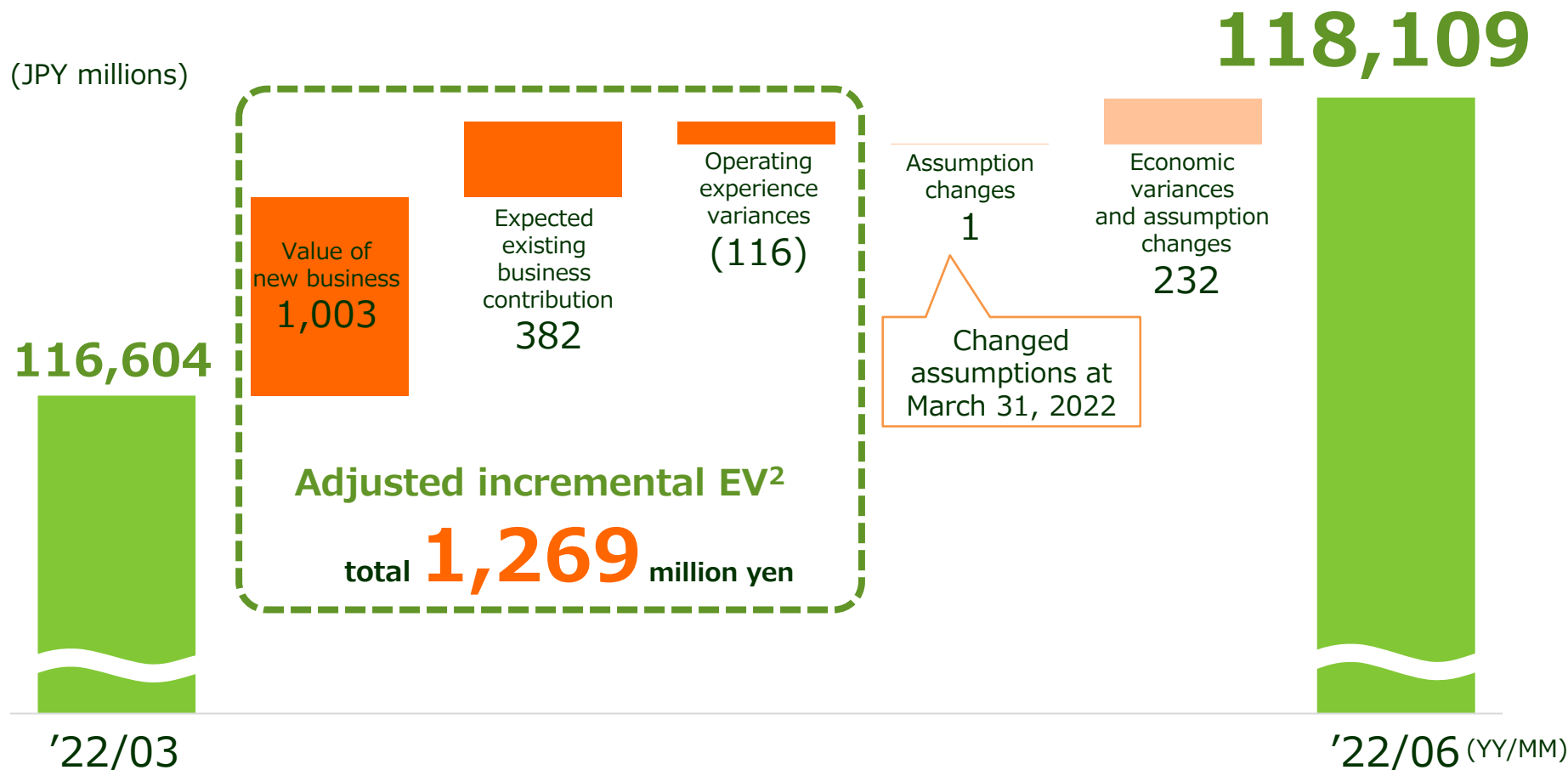
1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate the level of ultra-long-term interest rates past the last liquid data point. This method of extrapolation has also been used to restate EEV as of March 31, 2016. EEV as of June 30, 2022 is calculated applying the same operating assumptions as those used for March 31, 2022, and is not reviewed by third party specialists.

2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015 and 9,005 million yen from overseas public offering in July 2020 and 9,771 million yen from overseas public offering in September 2021.

1Q of FY2022 EEV Movement¹



- EEV growth driven by **adjusted incremental EV** including value of new business



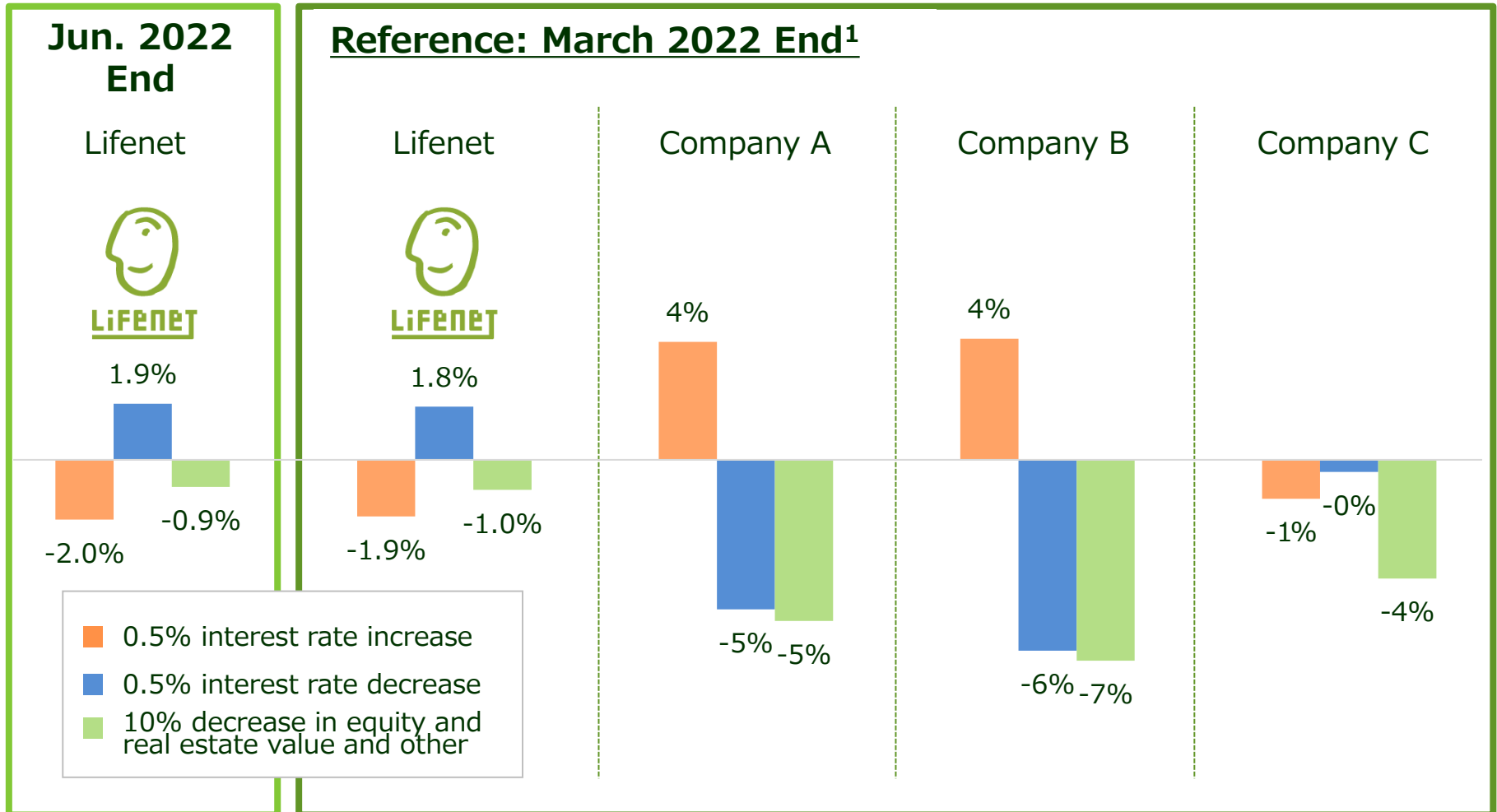
1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. EEV as of June 30, 2022 is calculated applying the same operating assumptions as those used for March 31, 2022, and is not reviewed by third-party specialists.

2. Adjusted Incremental EV accurately indicates our business growth during a certain period within increase in EEV.

EV Resilience to Financial Changes



■ Limited sensitivity to interest rates and stock prices



1. Prepared by Lifenet based on disclosed information of domestic public life insurance companies.

Financial Condition

(JPY millions)	(YY/MM)	'22/03	'22/06
Total assets		67,820	67,935
Cash and deposits		3,761	4,271
Monetary claims bought		3,999	3,999
Money held in trust		5,460	5,449
Securities		47,425	46,667
Government bonds		8,946	8,897
Municipal bonds		1,469	1,457
Corporate bonds		24,042	24,783
Stocks		492	489
Other securities ¹		12,375	10,641
Total liabilities		45,749	47,386
Policy reserves and other		43,542	45,279
Total net assets		22,071	20,549
Valuation difference on available-for-sale securities		697	247
Solvency margin ratio²		3,182%	3,297%
Modified duration (year)³		9.9	9.4

■ Limited financial impact caused by changes in investment environment

■ Maintained sufficient financial stability as indicated by solvency margin ratio²

1. Investment trust including foreign bonds and others.
2. The solvency margin ratio is a key benchmark for industry regulators. It measures a life insurance company's ability to pay out claims when unforeseen events occur.
3. Duration of yen-denominated bonds

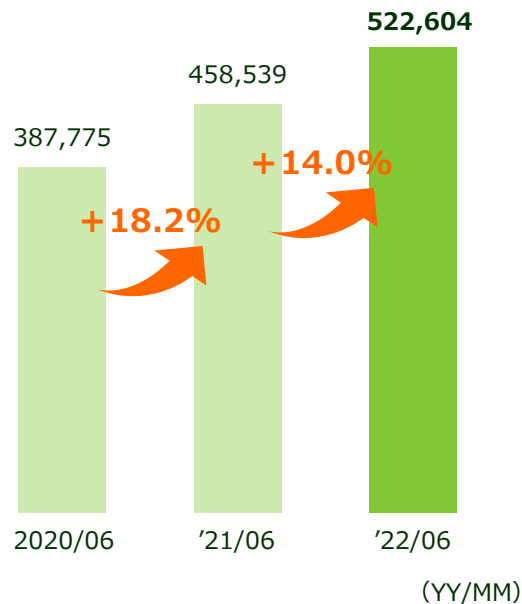
Growing Value of In-Force Business

- Value of in-force business **up 20% YoY**, along with growth of value of in-force business per policy

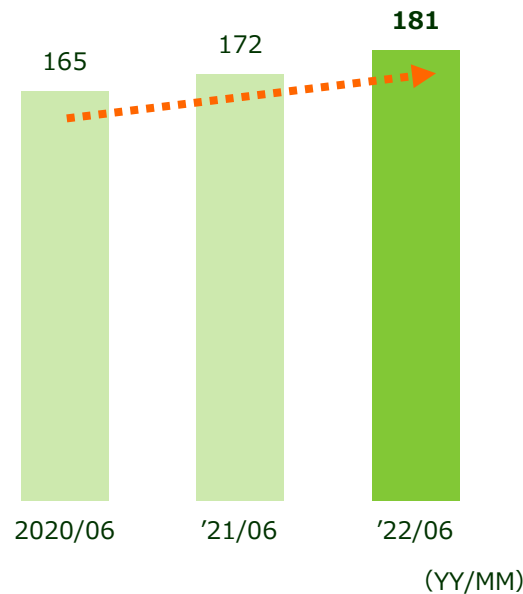
Number of policies-in-force

Value of in-force business per policy
(JPY thousands)

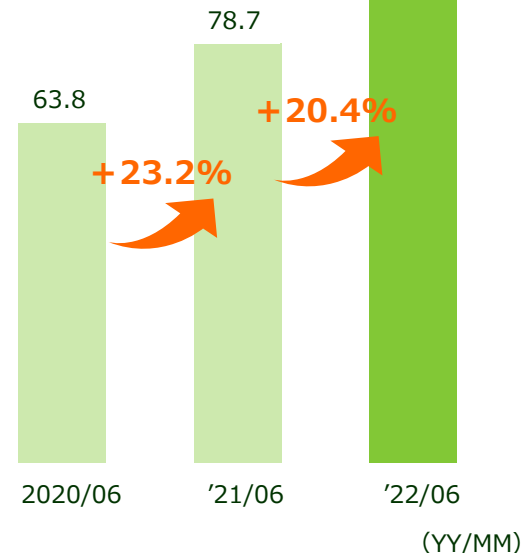
Value of in-force business
(Unrealized future value on policies-in-force)
(JPY billions)



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Major Initiatives for 1Q

■ Launched **exclusive limited plan**

**Whole-life Medical
Jibun 3 for Kakaku.com**



価格.com保険 限定プラン

■ **Ranked #1** in major PCWs

**Term Life Ranked 1st
for 6th Consecutive Year
in Kakaku.com Insurance Award 2022¹**



**Two Products Ranked 1st
in the Most Chosen Insurance
Ranking 2022 of HOKEN ICHIBA²**

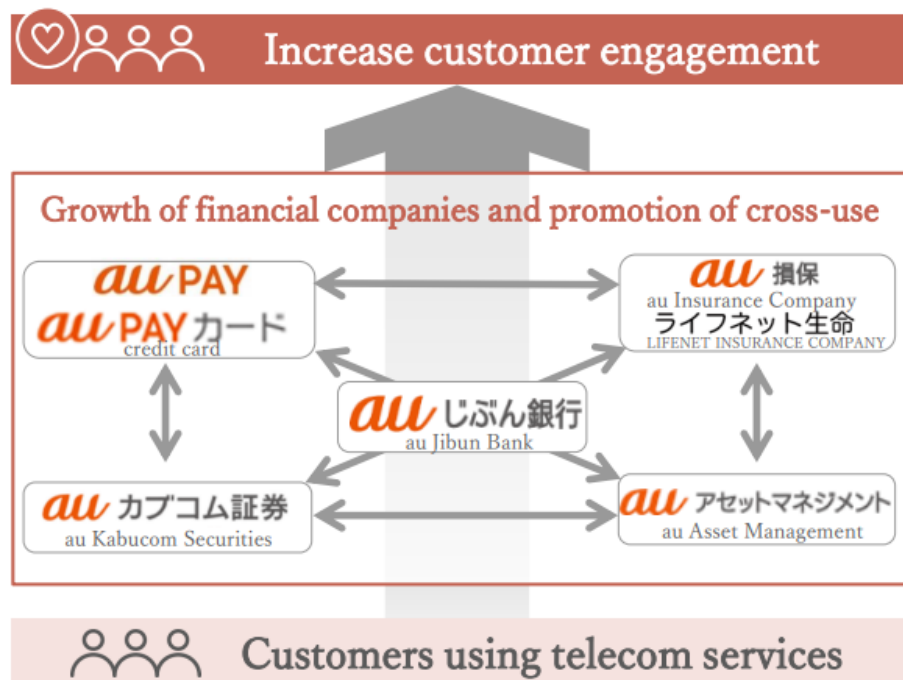


1. The annual ranking of insurance products with the highest number of applications on Kakaku.com from January to December 2021.
2. The Most Chosen Insurance Ranking 2022 of HOKEN ICHIBA is based on compiled date from the number of application from January through December 2021.

Business Alliance with au Jibun Bank



- Aim to expand business area to group credit life insurance and strengthen partnership with KDDI Group's financial service businesses



Overview of the alliance

- ✓ Start business around 2Q of FY2023¹
- ✓ au Jibun Bank to change its underwriting insurer of existing group credit life insurance contracts to Lifenet¹
- ✓ Explore further synergies within KDDI's ecosystem

From KDDI CORPORATION "New Mid-Term Management Strategy (FY23.3-FY25.3)"

1. Subject to approval of Financial Services Agency

Capital and Business Alliance with Eisai



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- Collaborate in the medical and healthcare fields **with Pharmaceutical**



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Overview of the alliance

- ✓ Eisai to obtain Lifenet common stock through market transaction
- ✓ Through Eisai's ecosystem, both parties will consider products and services to reduce the burden of medical care and other services on consumers

Adoption of International Financial Reporting Standards



- Aim for the voluntary adoption of IFRS 17 from **FY2023**

Main points

- Expect to record an accounting profit¹ from FY2023
- Capital adequacy² and dividends will be regulated by statutory accounting standards (J-GAAP) even after the adoption of IFRS

1. IFRS adoption is still in the preliminary stage, and the estimate is based on the current approximation. It is unaudited information and may differ from the actual financial information under IFRS to be disclosed in the future.

2. Regarding capital adequacy, economic value-based solvency regulation is being considered for implementation toward 2025.

Schedule for IFRS Adoption

Financial results for Fiscal 2021 in May
✓ Announced
voluntary adoption plan in FY2023

Financial results for Fiscal 2022 in May
✓ Disclose business forecast under IFRS (planned)

Financial results for Fiscal 2023 in May
✓ Announcement of financial results under IFRS (planned)

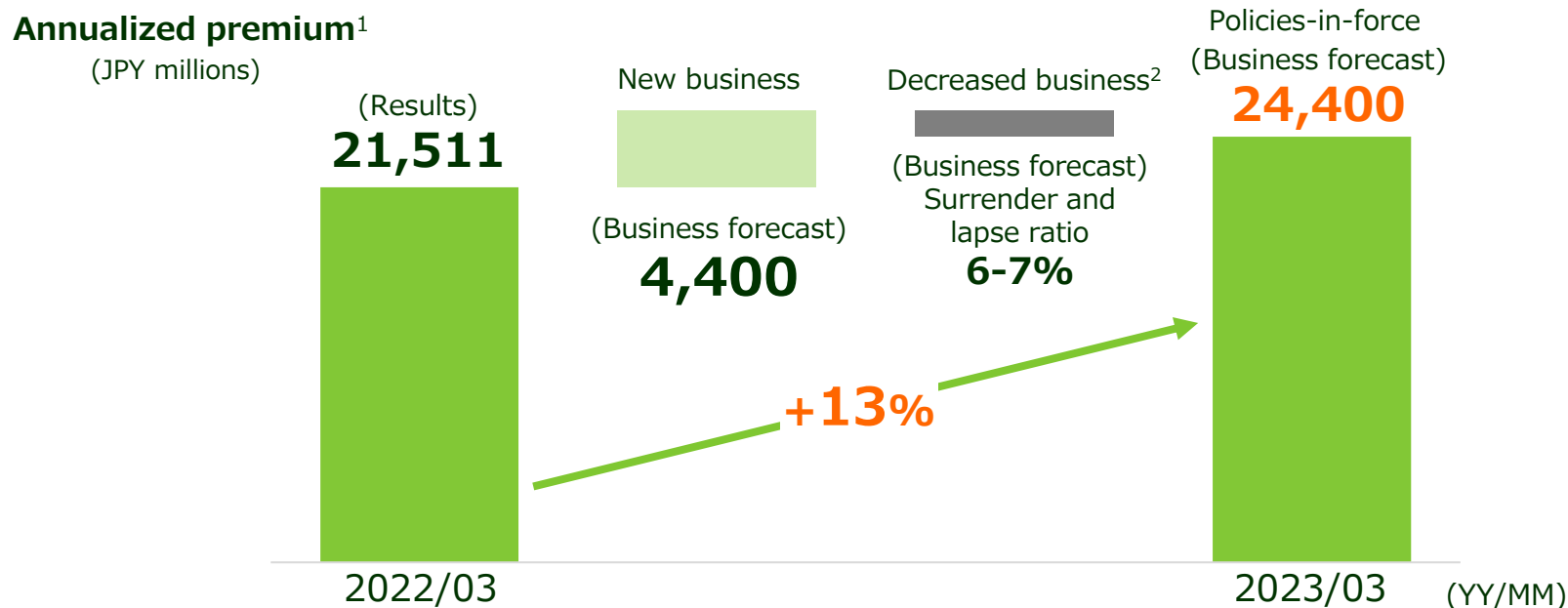


*The second IFRS study session will be held in October 2022 (Japanese Only)

Business Forecasts FY2022



Aim for double-digit growth in in-force business



(JPY millions)	FY2022 Forecast	of which impact of modified co-insurance	FY2021 Results	of which impact of modified co-insurance
Ordinary income	30,300	6,300	26,167	4,852
Ordinary profit (loss)	(3,400)	1,000	(3,245)	1,283
Net income (loss)	(3,400)	1,000	(3,319)	1,283

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.
2. Including death, expiration and others in addition to surrender and lapse.

Management Policy



Mission

Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services

Vision

Be the leading company driving the growth of the online life insurance market

Priority areas

- **Innovation of customer experience**
Enhancing and evolving the quality of all services with digital technology
- **Enhancement of promotion capabilities**
Generating massive customer traffic by active promotion and expansion of agent sales and white label business

Management goal

Aim to achieve EEV (European Embedded Value) of 200 billion yen by business growth in a mid-term

LIFENET Manifesto



Comprehensible, Cost-Competitive, Convenient

I. Our Guiding Principles

- (1) Creating the life insurance of the future without losing sight of its original premise: “an ounce of prevention is worth more than a pound of cure.”
- (2) Listening to what our customers are saying. Recognizing their needs and acting accordingly. Allowing our actions to be borne out of their voices and needs.
- (3) Delivering the caliber of products and services that we would feel confident recommending to our own friends and families.
- (4) Being a “straight-shooter”. Committing to transparency. Communicating openly about our management team, our products, and our employees.
- (5) Embracing diversity and dialogue to keep us abreast of changing needs and preferences. Delivering peace of mind that we’ll be around in 100 years.
- (6) Acting in good faith means always taking the high road when it comes to compliance and ethics.

III. Making Life Insurance Accessible Again - Affordable

- (1) Giving the customer what he/she needs. No more, no less at a fair price.
- (2) Staying vigilant as to how we can provide our products more cost-efficiently.
- (3) Always putting ourselves in our customers’ shoes in thinking about how to minimize their premiums.

II. Making Life Insurance Accessible Again - Headache-free

- (1) Helping the customers help themselves. By making our materials easy to understand, customers can determine which coverage is truly the best fit.
- (2) Turning “clauses” in the insurance contract into succinct points that your grandmother could grasp.
- (3) Making all touch points headache-free. Beyond the application process, ensuring the claims and billing processes are also easy to understand.

IV. Making Life Insurance Accessible Again - Convenient

- (1) Thinking about our customers’ convenience from every angle and every touch point along the way.
- (2) Forming alliances with like-minded partners who can add value above and beyond our products and services to our customers.
- (3) Providing health and wellness tips beyond the framework of life insurance to create value in our policyholders’ lives.
- (4) Creating a precedent for future generations as to what life insurance is (and should be) all about.

**We wish to be a company that helps our customers embrace life more fully.
In order to live out that vision, we continue to challenge ourselves.**



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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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Appendix



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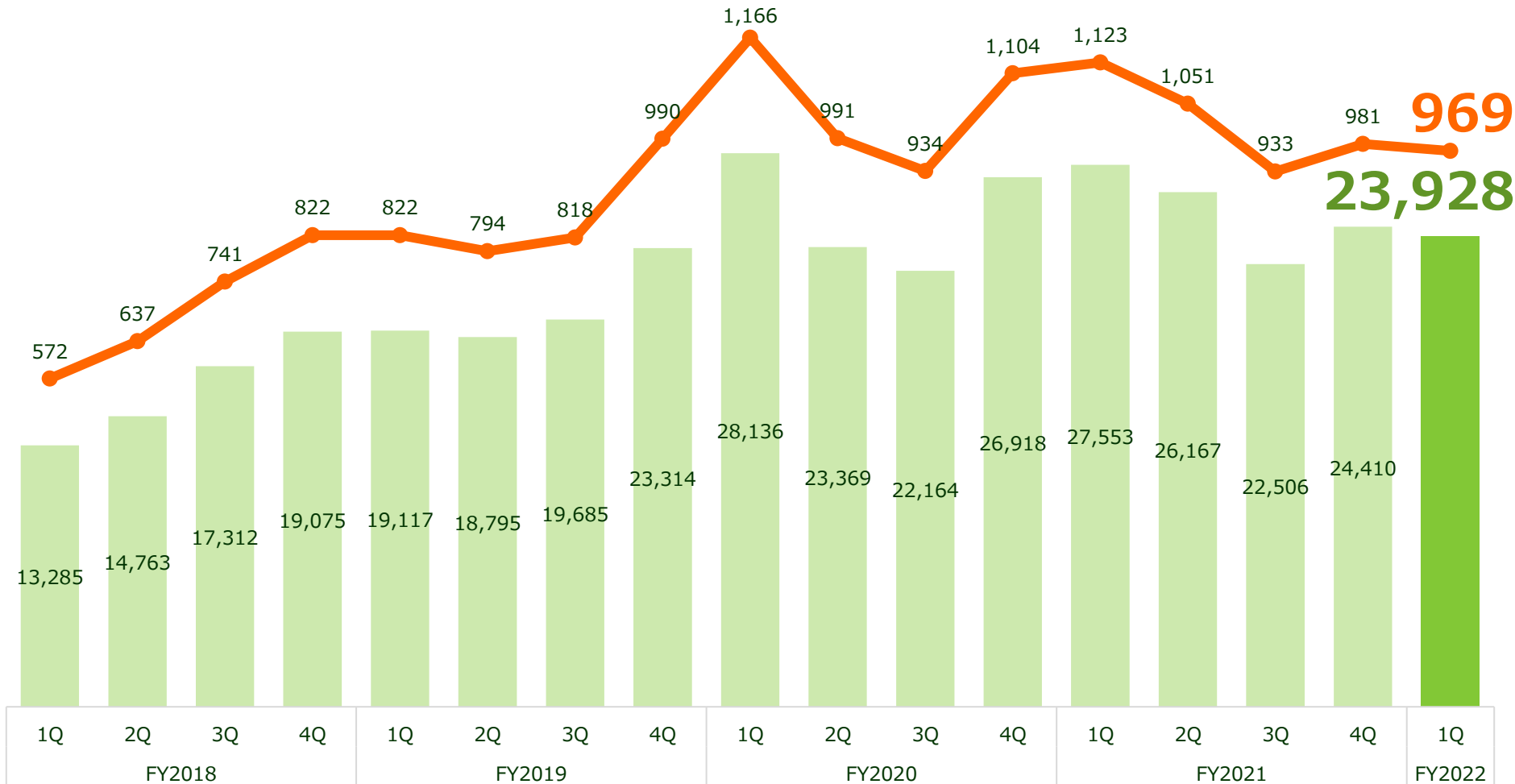
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Annualized Premium / Number of New Business (Quarter)



— : Annualize premium¹ of new business (JPY millions)

■ : Number of new business



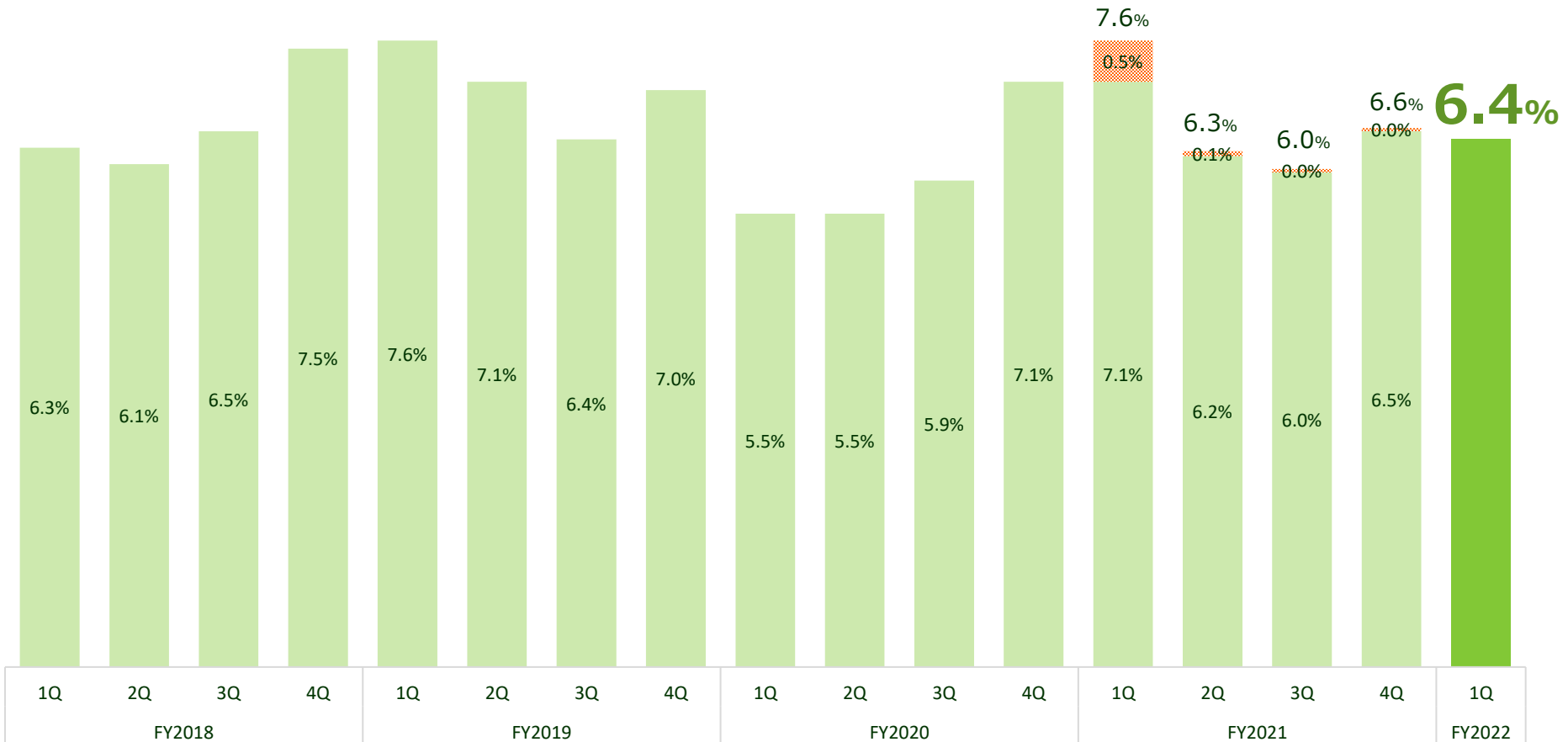
1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months.

Surrender and Lapse Ratio (Quarter)



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- :Impact of lump-sum recording of policies lapsed¹ (%)
- :Surrender and lapse ratio² without the above (%)



1. Lifenet has extended grace period for insurance premium payment as one of the special measures in the COVID-19 pandemic. Surrender and lapse ratio includes the impact of extended policies that were recorded as lapsed policies in a lump sum.
2. The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

Breakdown of Policies-in-Force

	'21/06	'22/06	Component ratio
Number of policies-in-force	458,539	522,604	100%
- Term Life	222,984	255,049	49%
- Whole-life Medical	125,342	143,126	27%
- Term Medical Care	8,740	8,389	2%
- Long-term Disability	60,602	64,946	12%
- Cancer	40,871	51,094	10%
Sum insured of policies-in-force¹ (JPY millions)	3,093,646	3,422,571	
Number of policyholders	291,262	331,841	

1. Sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.



【Ref.】 Life Time Value and Customer Acquisition Cost

Key Metrics for a SaaS Company and Lifenet

	FY2020	FY2021	FY2022/1Q
ARR per Contract (Annual Recurring Revenue)	Annualized Premiums per Policy-in-force JPY 42,536 ×	Annualized Premiums per Policy-in-force JPY 42,394 ×	Annualized Premiums per Policy-in-force JPY 42,369 ×
Life Time¹ (Term of Contract)	Average Policy Term 16.7 years ×	Average Policy Term 15.2 years ×	Average Policy Term 15.6 years ×
Gross Profit Margin²	43% 	44% 	41%
Life Time Value (Annualized Premiums per Policy * Life Time * Gross Profit Margin)	JPY 305,451	JPY 283,531	JPY 270,992
Customer Acquisition Cost³ (Marketing Expenses per New Policy)	JPY 66,737	JPY 82,113	JPY 86,922

1. 1 / Churn rate. Churn rate represents the percentage of users who cancelled out their insurance policies.
 2. (Insurance premiums - Insurance claims and benefits - Provision for policy reserves and others) / Insurance premiums.
 3. Marketing expenses / Number of new business.

Condensed Statements of Operation / Fundamental Profit

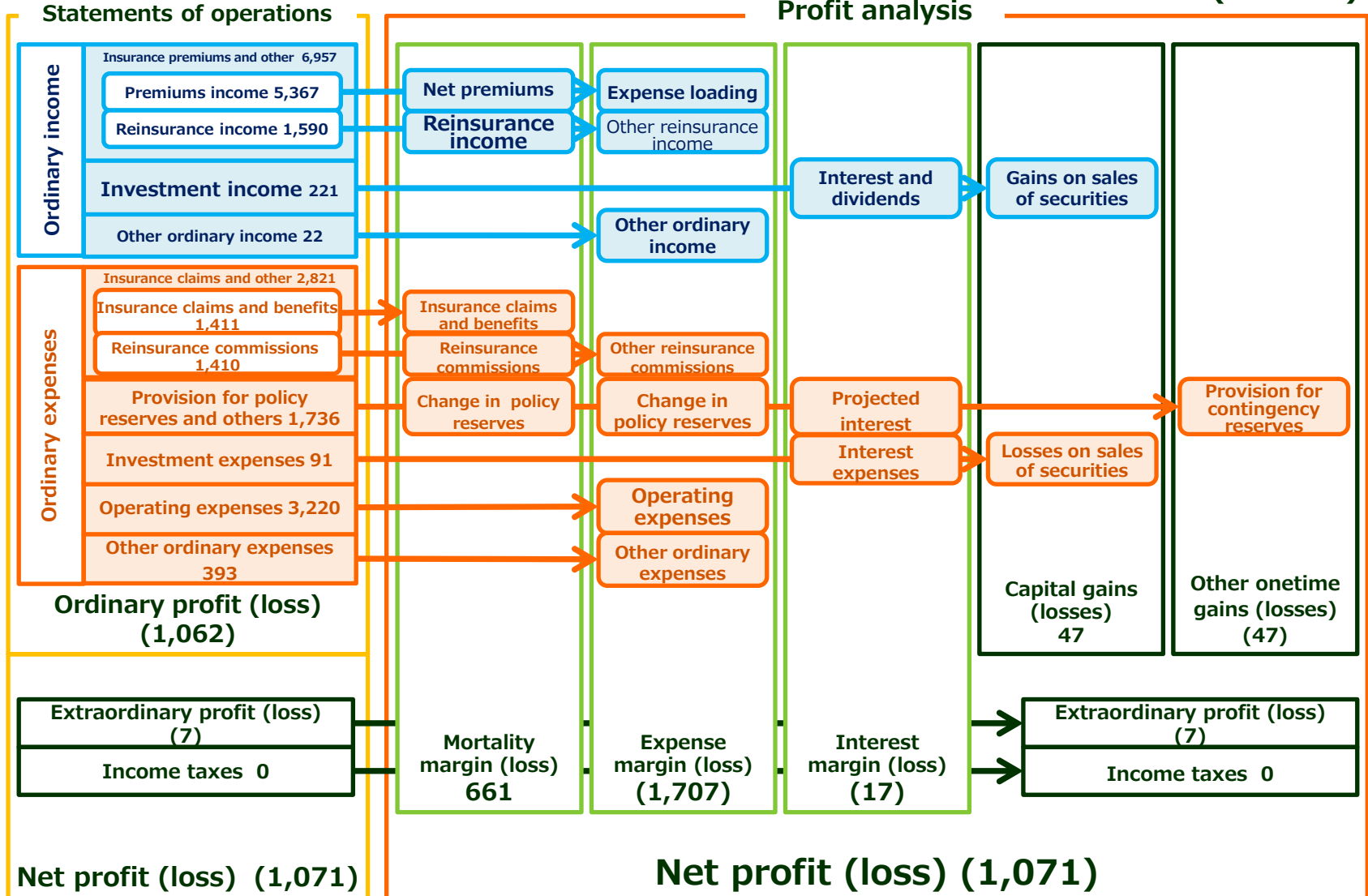


	(JPY millions)	FY2021/1Q	FY2022/1Q	Change	Note
Condensed statements of operation	Insurance premiums and other	5,848	6,957	1,109	Increased due to growth in in-force business and reinsurance income from modified co-insurance.
	Other	93	243	149	
	Ordinary income	5,942	7,201	1,259	Includes utilization of modified co-insurance of 1,324 million yen.
	Insurance claims and other	1,907	2,821	914	Increased due to an increase in payment of insurance claims and benefits related to COVID-19(278 million yen) and reinsurance commissions from modified co-insurance. Percentage of insurance claims and benefit claims to insurance premiums is 26.3%.
	Insurance claims	605	748	143	Increased from 56 cases in 1Q of FY21 to 59 cases in 1Q of FY22.
	Benefit claims	328	662	334	Increased from 3,033 cases in 1Q of FY21 to 8,124 cases in 1Q of FY22.
	Provision for policy reserves and other	1,592	1,736	144	Percentage of provision for policy reserves (1,686 million yen) to insurance premiums is 31.4%.
	Operating expenses	2,963	3,220	257	
	Marketing expenses	2,033	2,079	46	Includes 1,677 million yen for advertising expenses.
	Customer service	306	347	40	
	System and other	622	793	171	
	Other	400	484	84	
	Ordinary expenses	6,862	8,264	1,401	
	Ordinary profit (loss)	(920)	(1,062)	(141)	Includes profit of 199M for utilization of modified co-insurance.
	Extraordinary losses and income taxes	6	8	2	
Net income (loss)	(926)	(1,071)	(144)	Includes profit of 199M for utilization of modified co-insurance.	
Fundamental profit	Mortality margin	901	661	(239)	Includes 155M loss due to utilization of modified co-insurance.
	Expense margin (loss)	(1,744)	(1,707)	36	Includes 354M expense margin for utilization of modified co-insurance.
	Interest margin (loss)	(14)	(17)	(3)	
	Fundamental profit	(856)	(1,063)	(206)	Includes profit of 199M for utilization of modified co-insurance.

Three Surplus Factors of Fundamental Profit

1Q of FY2022

(JPY mn)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



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As of June 30, 2022

$(\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4) / 2$ (JPY mn)

Solvency margin ratio 3,297.1% = **Total amount of solvency margin <numerator> 36,805** ÷ **Total amount of risk/2 < the denominator> 2,232/2**

Cash and deposits 4,271	Other liabilities 1,901
Monetary claims bought 3,999	Reserves for outstanding claims 1,034
Money held in trust 5,449	Policy reserves 44,244
Securities 46,667	Contingency reserves 2,273
	Excess over the full-Zillmerized reserve 13,812
	Price fluctuation reserves 108
	Deferred tax liabilities on available-for-sale securities 86 ¹
	Valuation difference on securities available-for-sale 222 ¹
Tangible fixed assets 91	Capital stock and other assets 20,302
Intangible fixed assets 1,230	Net assets 20,549
Other assets 6,224	

Add liabilities with strong capital characteristics such as price fluctuation reserves and contingency reserves

- Insurance risk R₁ 1,067**
Risk of change in mortality rate (calculated based on value of policies in force)
- Medical insurance risk R₈ 384**
Risk of change in medical incidence rate (hospital admission rate, etc.)
- Assumed interest rate risk R₂ 4**
Risk that the actual investment return will fall below the expected return used as a basis for calculating policy reserves
- [Minimum guarantee risk] R₇ -**
Risk related to products, such as variable annuities with minimum guarantees
- Asset management risk R₃ 1,570**
[Credit risk] Risk that asset values decline due to deterioration in financial condition of creditors
[Price fluctuation risk] Risk of incurring losses due to decline in market value of stocks and bonds, etc.
- Business management risk R₄ 90**
3% of the total of the amounts of the other 5 risks (in the Company's case)

1. 90% of the valuation difference on available-for-sale securities and deferred gains or losses on hedges (pre-tax) (if negative, 100%)
2. Items that do not apply to the Company or for which the amount is minimal have been omitted, except for certain bracketed items.

EV Sensitivity Analysis¹



Impacts of changes in assumptions (sensitivities)

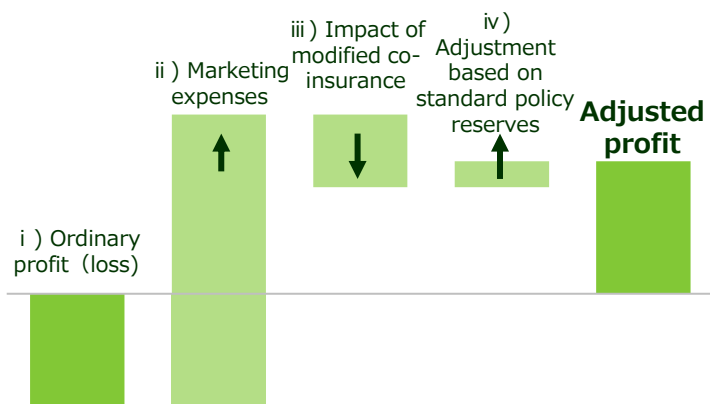
(JPY millions)	Change in EEV as of Jun. 30, 2022	Change in VoNB
EEV and new business value as of June 30, 2022	118,109	1,003
Sensitivity 1a: 1.0% increase in risk-free rate	(4,682)	(117)
Sensitivity 1b: 1.0% decrease in risk-free rate	4,429	94
Sensitivity 1c: 0.5% increase in risk-free rate	(2,331)	(57)
Sensitivity 1d: 0.5% decrease in risk-free rate	2,270	51
Sensitivity 2: 10% decrease in equity and real estate value and other	(1,011)	—
Sensitivity 3: 10% decrease in operating expenses	4,262	189
Sensitivity 4: 10% decrease in lapse rate	1,063	73
Sensitivity 5: 5% decrease in claim incidence rates for life business	5,947	192
Sensitivity 6: Change the required capital to the statutory minimum	193	6

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.

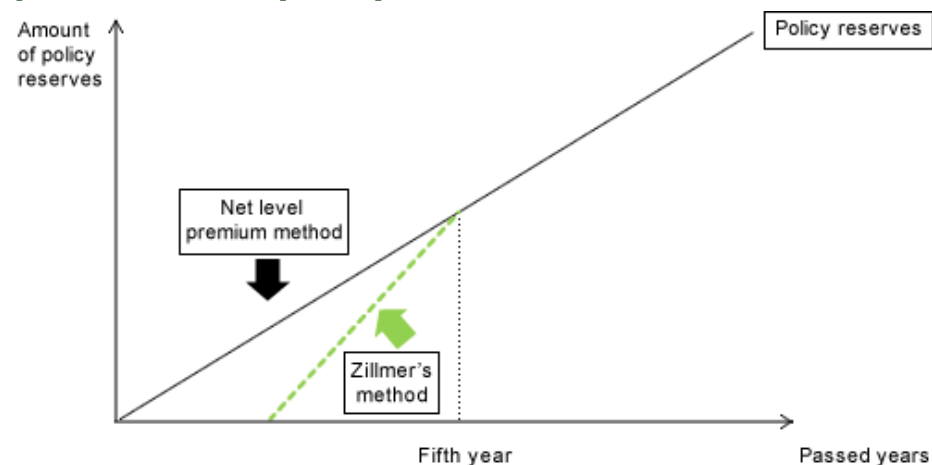
Explanation of Adjusted Profit

Adjustments to provision for policy reserves based on standard policy reserves

Calculation of adjusted profit



Difference between methods of calculating provision for policy reserves



Method of calculating the "iv) Adjustment based on standard policy reserves"

e.g. Fiscal 2021 (JPY millions)

Adjustment to provision for policy reserves¹ 721	=	+	Provision for policy reserves 6,756	-	Increase in standard policy reserves² 6,035
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1. The amount of the adjustment to switch to provisioning based on standard policy reserves is calculated by excluding the provision for contingency reserves and adjusting for the switch in method for calculating the provision from the Zillmer method to provision based on the standard policy reserves. Please note that the provision for contingency reserves is included in the provision for policy reserves, but is not included in the increase in standard policy reserves. As the transition to the standard policy reserve was completed in FY2021, there will be no adjustment to the standard policy reserve in FY2022 regarding the premium reserve accumulation method except for the exclusion of the provision for contingency reserves.
2. The increase in standard policy reserves is the amount of the increase (decrease) in the standard policy reserve balance for the current fiscal year from the balance in the previous fiscal year. The standard policy reserves is the amount calculated by excluding the provision for contingency reserves from actually provisioned policy reserves and adding the difference from the provision based on the standard policy reserves. There is no difference at the end of FY2022 because the transition to the standard policy reserve was completed.

Modified Co-Insurance

- **Ease pressure** of new business costs on P&L
- **Alleviate decrease in capital** during growth

Illustration image of change in profit/loss structure by reinsurance

■ : Revenue ■ : Costs ■ : Effects of reinsurance

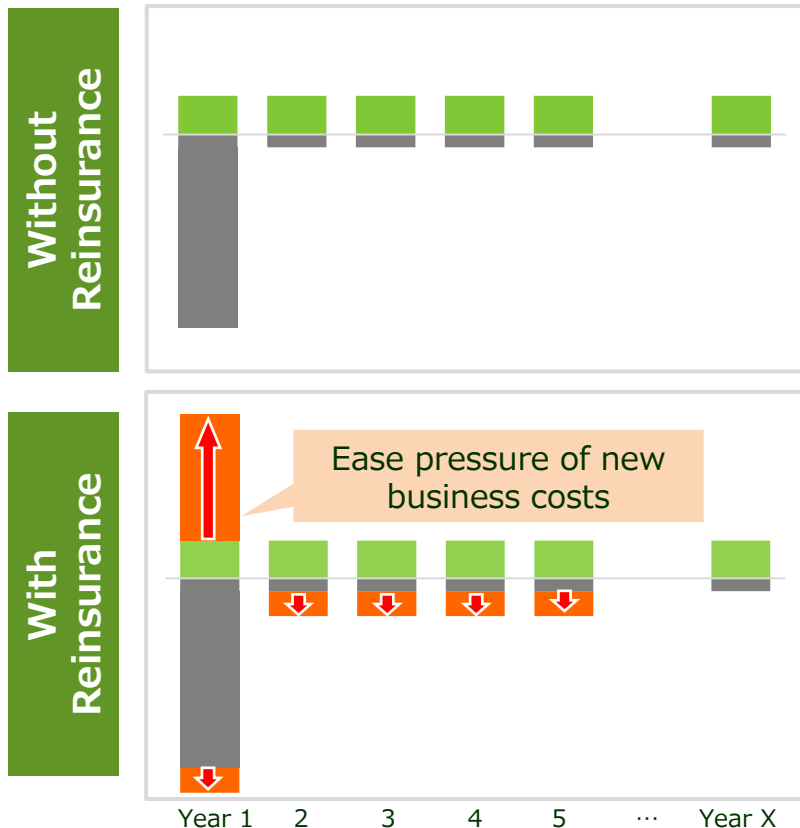
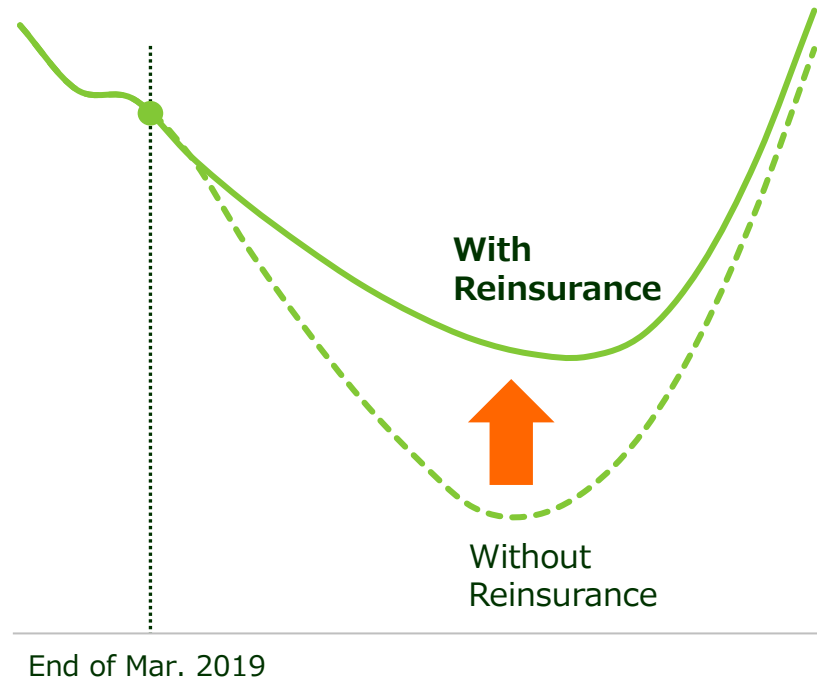


Illustration image of impact of reinsurance on net assets



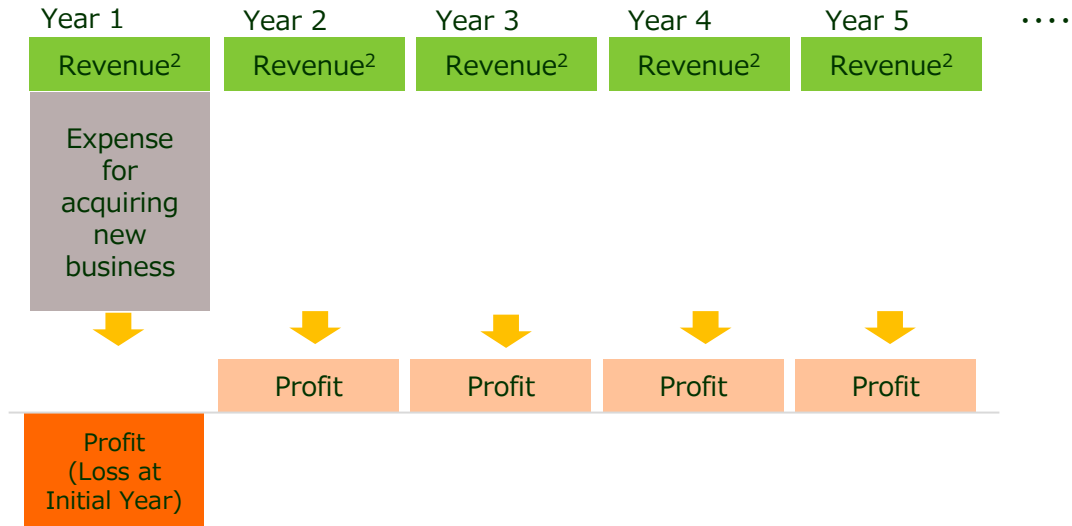
Note: Illustration of P&L structure of reinsuring new business of single fiscal year, where illustration of impact on net assets of reinsuring new business for multiple years. Lifenet has utilized reinsurance transactions by modified co-insurance method on part of new business since fiscal 2019.

J-GAAP vs IFRS

Illustration image of accounting structure¹

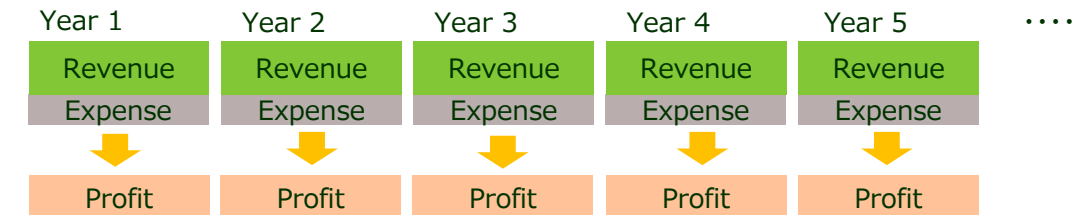
■ Current Statutory Accounting (J-GAAP)

Heavy initial cost for acquiring new business³ is recognized at initial fiscal year.



■ IFRS

Initial cost for acquiring new business³ is deferred under IFRS 17.



* Please refer to [Material for IFRS 17 Study Meeting](#) for details about IFRS 17.

1. This is illustrative purpose only, and it does not necessarily guarantee that Lifenet will make profits as indicated.
 2. Revenue is insurance premiums – costs for policy management, payment of insurance claims and benefit claims, etc. Expense for acquiring new business is not included.
 3. The definition of “expense for acquiring new business” may differ in each accounting rule.