



Securities Code: 7157

TSE Mothers



LIFENET

LIFENET INSURANCE COMPANY

Presentation Material for Investors Fiscal 2019

LIFENET INSURANCE COMPANY

May 14, 2020

LIFENET is...



**Comprehensible
Cost-Competitive
Convenient**

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

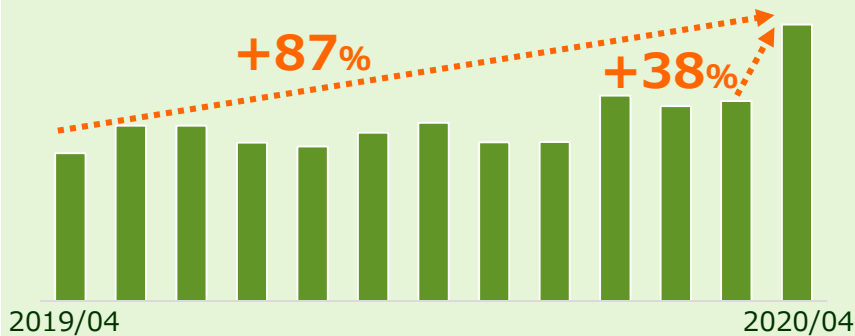
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Impact of COVID-19

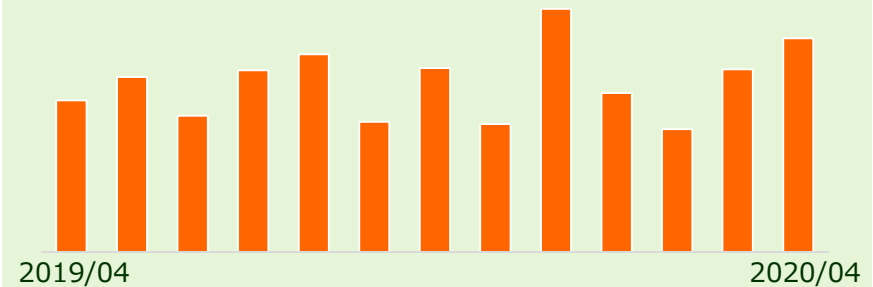
New business performance Increased at this moment

■ Monthly trend¹ in annualized premium of new business²



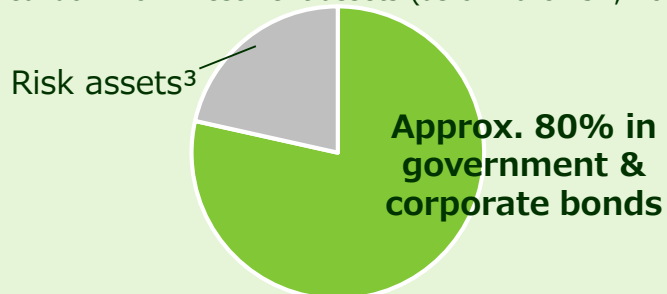
Payment of insurance claim No significant change

■ Monthly trend¹ in insurance claim and benefit payments



Financial impact Limited due to main investment in government and corporate bonds

■ Breakdown of investment assets (as of March 31, 2020)



For stakeholders Many special measures

Policyholders	<ul style="list-style-type: none"> ● Extended grace period of premium payment ● Simplified processing procedures for insurance claims and other claims ● Special treatment for hospitalization claims
Employees	<ul style="list-style-type: none"> ● Work-from-home style in principle ● Special wage allowance paid

1. Based on Monthly Disclosure.

2. 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.

3. Calculated as the total sum of stocks, foreign stocks, money held in trust, and other securities.

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Overview of Fiscal 2019

Annualized premium¹ of policies-in-force

15,514 million yen
(118.6% vs end of FY2018)

Annualized premium¹ of new business

3,425 million yen
(Y-on-Y 123.5%)

Adjusted profit²

2,784 million yen
(3,763 million yen before change in calculation method³)

EEV (European Embedded Value)

73,431 million yen
(Adjusted incremental EV⁴ 3,995 million yen)

Notable Achievements

Launched new whole-medical first time in five years



Expanded white label business



Launched online distribution initiatives



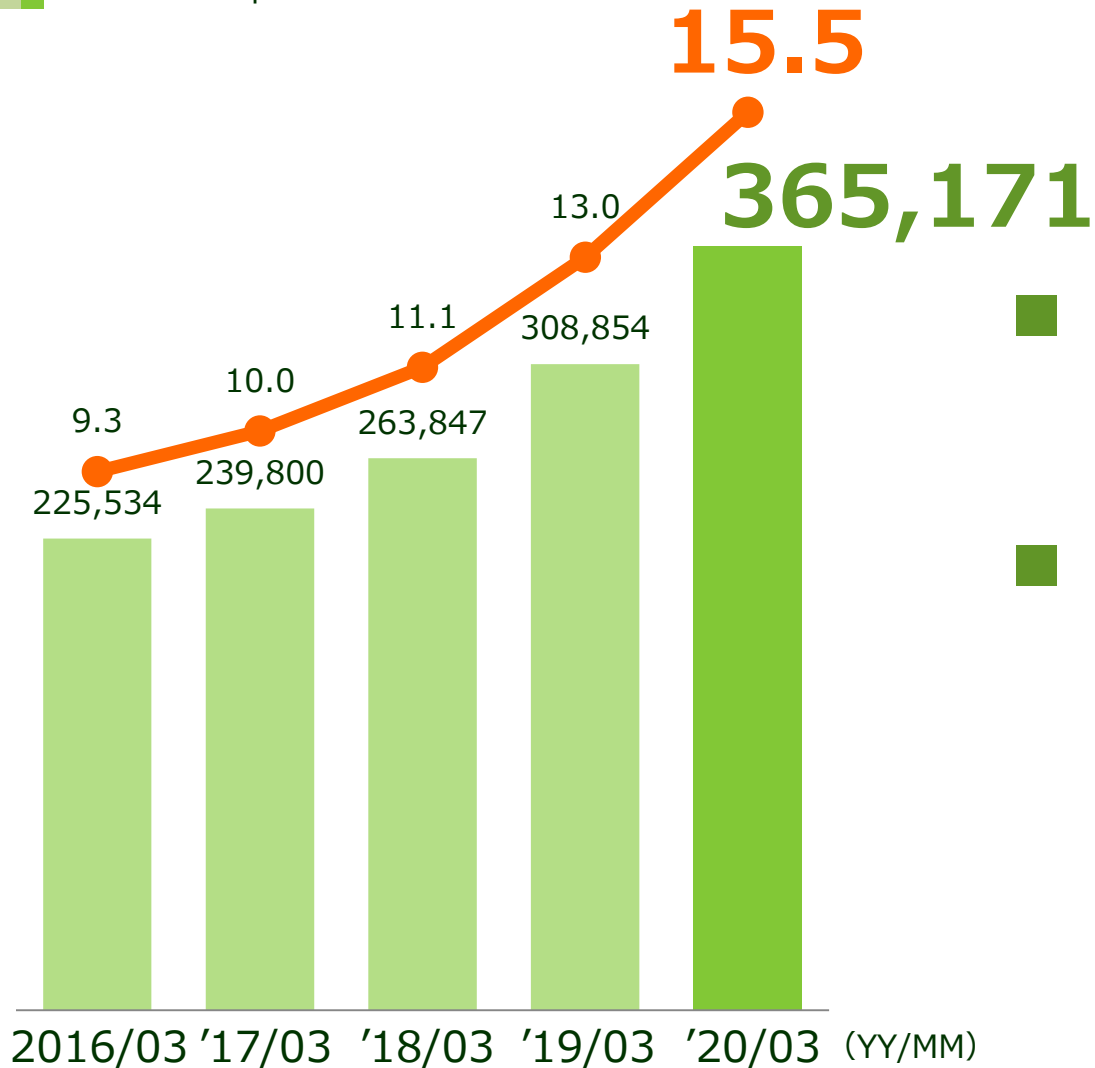
Received high external evaluation



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. See page 14, 40 and 41 for details.
3. Result of calculation by the same method used up to the 3Q of Fiscal 2019 (ordinary profit (loss) excluding marketing expenses), including 1,526 million yen of impact from the modified co-insurance method.
4. Adjusted incremental EV consisted of components accurately reflecting our business growth for fiscal 2019, see page 42 for details.

Annualized Premium / Number of Policies-in-Force

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



■ Accelerated
growth trend

■ Year-on-year
Annualized
premium **118.6%**,
number of policies-
in-force **118.2%**

Breakdown of Policies-in-Force

■ Sum insured of policies-in-force exceeded 2.5 trillion yen

	'19/03	'20/03	Component ratio
Number of policies-in-force	308,854	365,171	100%
- Term Life	150,808	175,713	48%
- Whole-life Medical	85,968	100,280	27%
- Term Medical Care	9,493	9,105	2%
- Long-term Disability	49,214	54,665	15%
- Cancer	13,371	25,408	7%
Sum insured of policies-in-force ¹ (JPY millions)	2,289,567	2,565,269	
Number of policyholders	197,669	232,537	
	FY2018	FY2019	
(Reference) Surrender and lapse ratio ²	6.6%	7.0%	

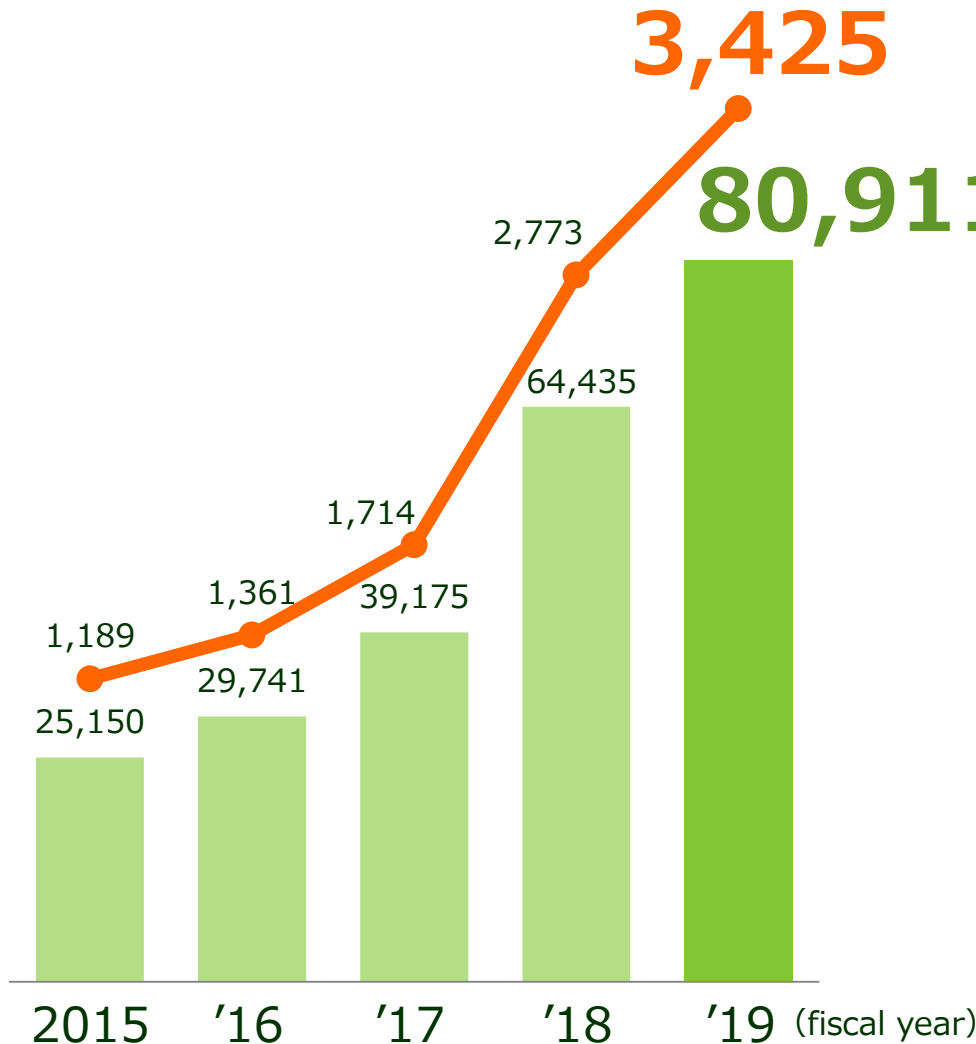
1. Sum insured of policies-in-force are the sum of death coverage, and do not include third-sector insurance.

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.

Annualized Premium / Number of New Business



- : Annualized premium of new business (JPY millions)
- : Number of new business

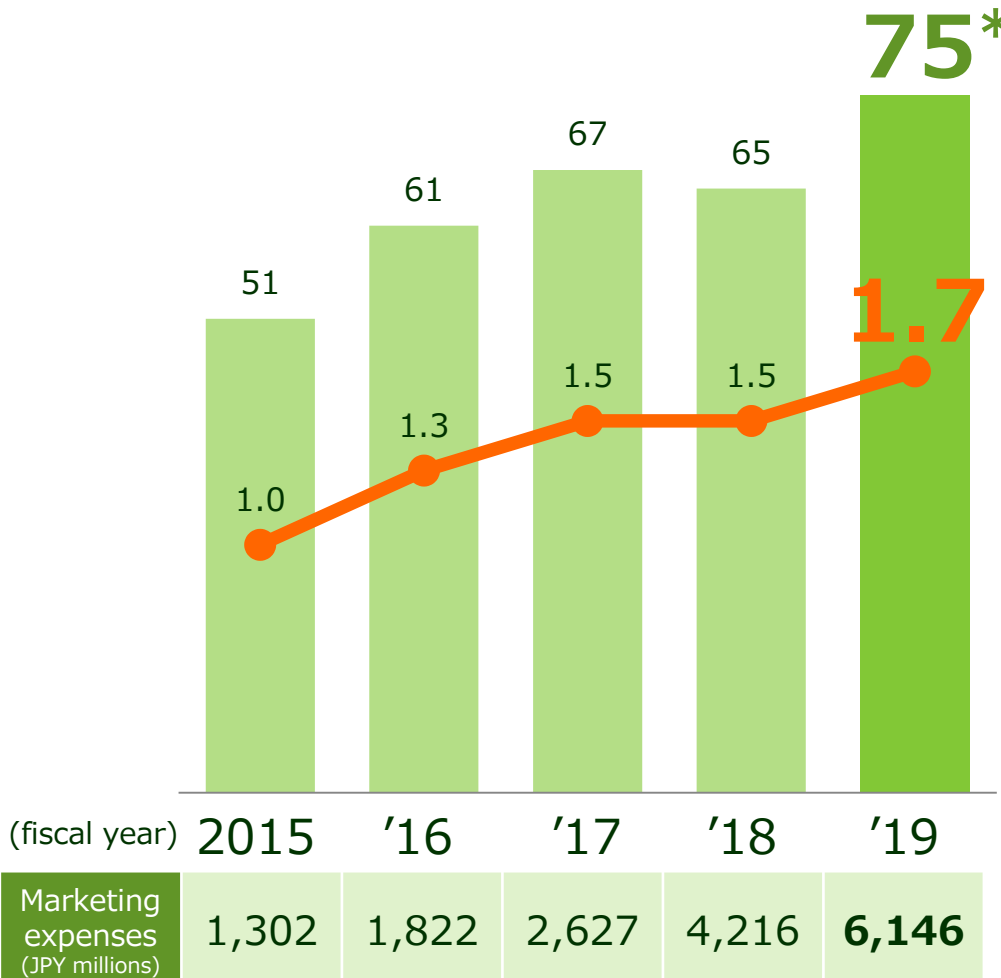


■ Recorded
historical high

■ Year-on-Year
annualized
premium **123.5%**,
number of new
business **125.6%**

Marketing Efficiency

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



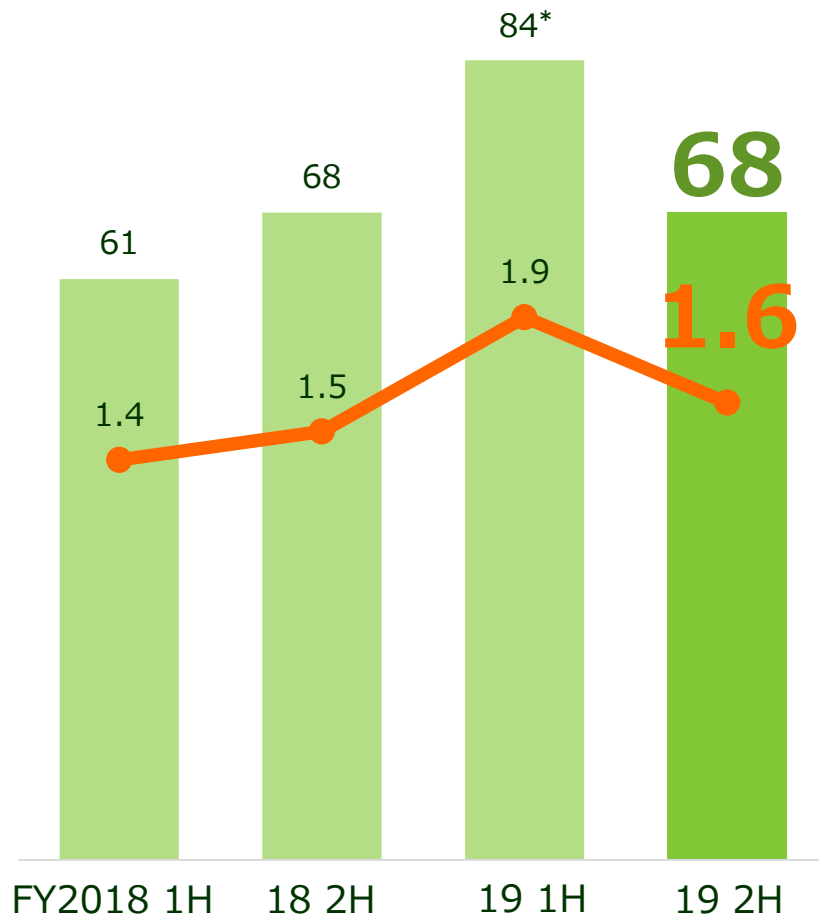
- Aggressively invested in marketing for growth
- Recorded at the 70 thousand yen level as expected

* Includes one-time expense from change in payment structure for agency commissions in fiscal 2019. The amount would be 74 thousand yen with this expense excluded.

Marketing Efficiency (Half Year)



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

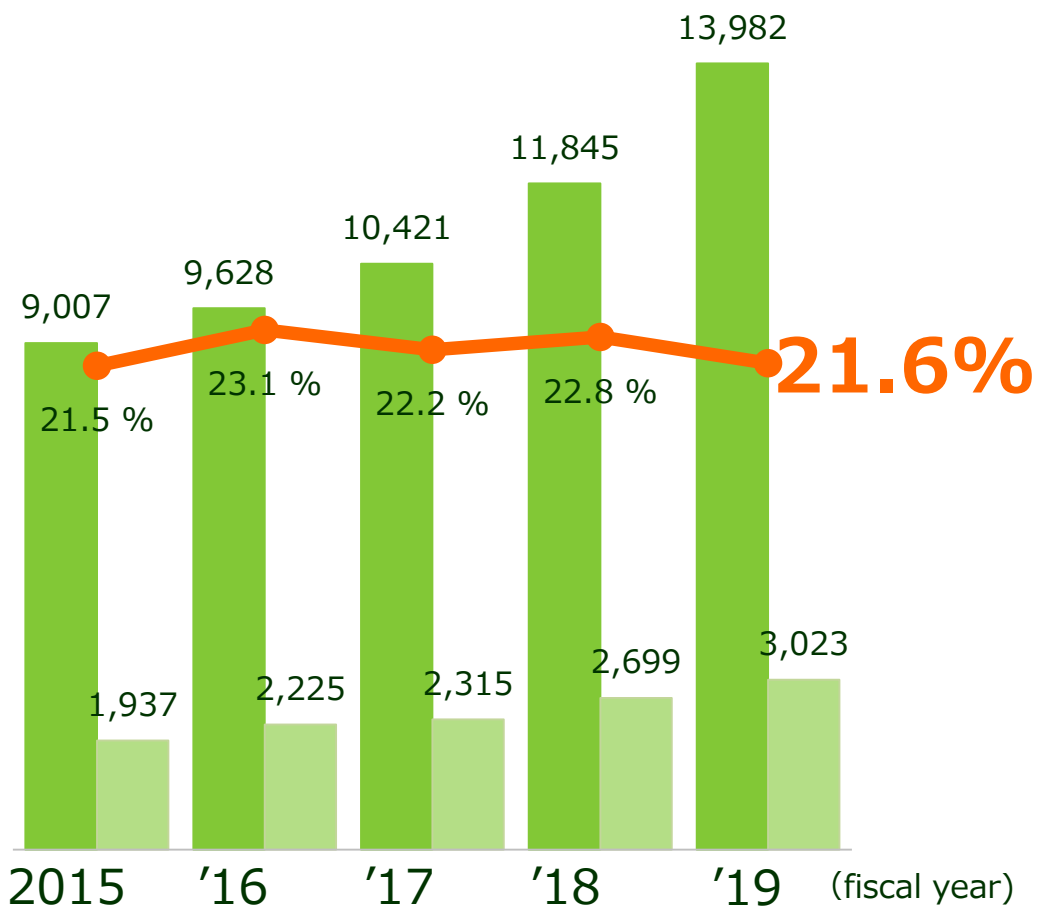


■ **Improvement in marketing efficiency led to better acquisition efficiency in FY2019 2H**

* Includes one-time expense from change in payment structure for agency commissions in the 1H of 2019. The amount would be 79 thousand yen with this expense excluded.

Operating Expenses Ratio

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



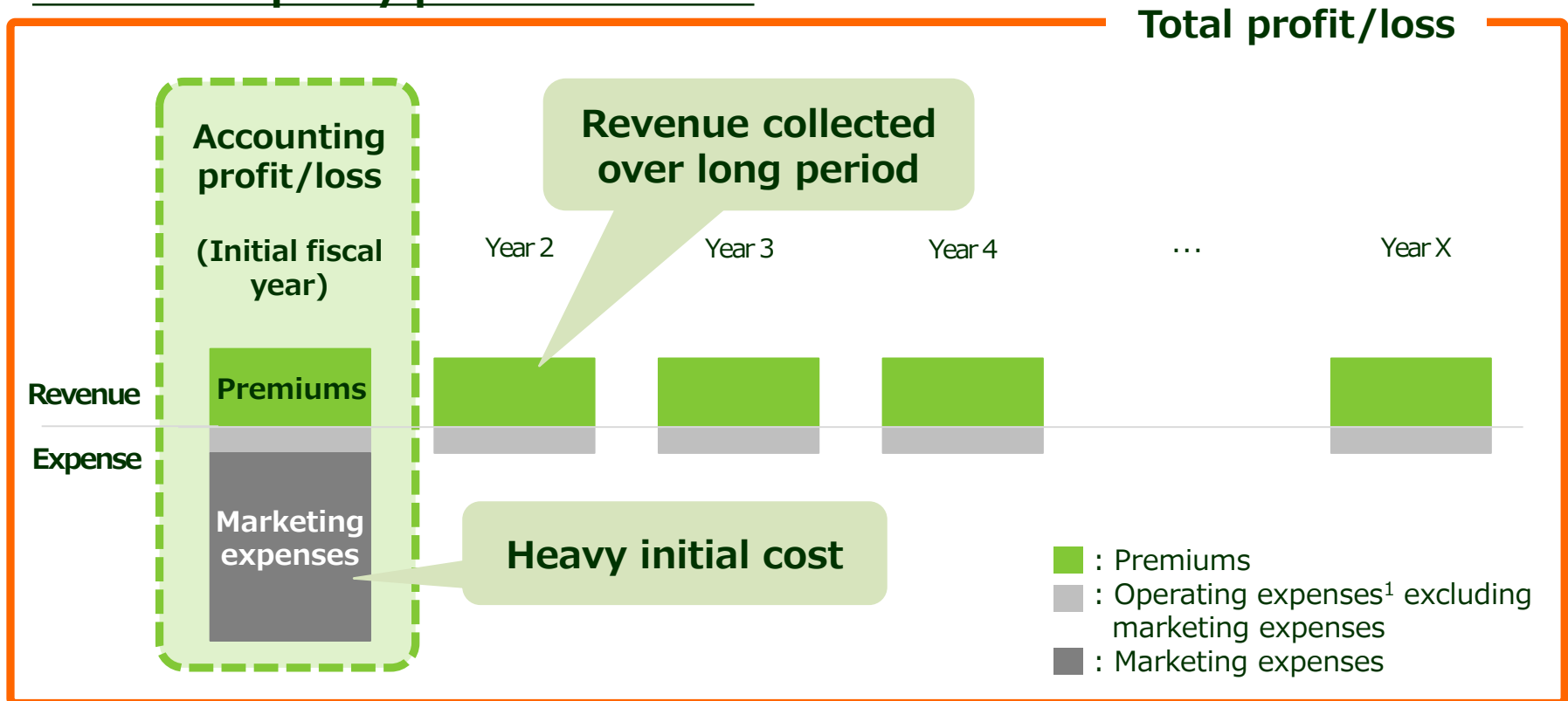
■ **Improved** due to expansion of business scale

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

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.

Key Business Indicators of Corporate Value



- Disclosure of two key management indicators **during current period of growth**

Adjusted profit

Indicator of profit during the period from policies-in-force

EEV (European Embedded Value¹)

Indicator of long-term profitability of insurance companies

1. EEV is one calculation methodologies of EV. The EEV Principles and related guidance were published by the CFO Forum, an organization comprising the chief financial officers of Europe's leading life insurers, in order to improve consistency and transparency in EV reporting.

Adjusted Profit

Steadily recorded profit generated from policies-in-force

The method for calculating adjusted profit was changed

Before change

Adjusted profit = i) Ordinary profit (loss)¹ + ii) Marketing expenses

After change

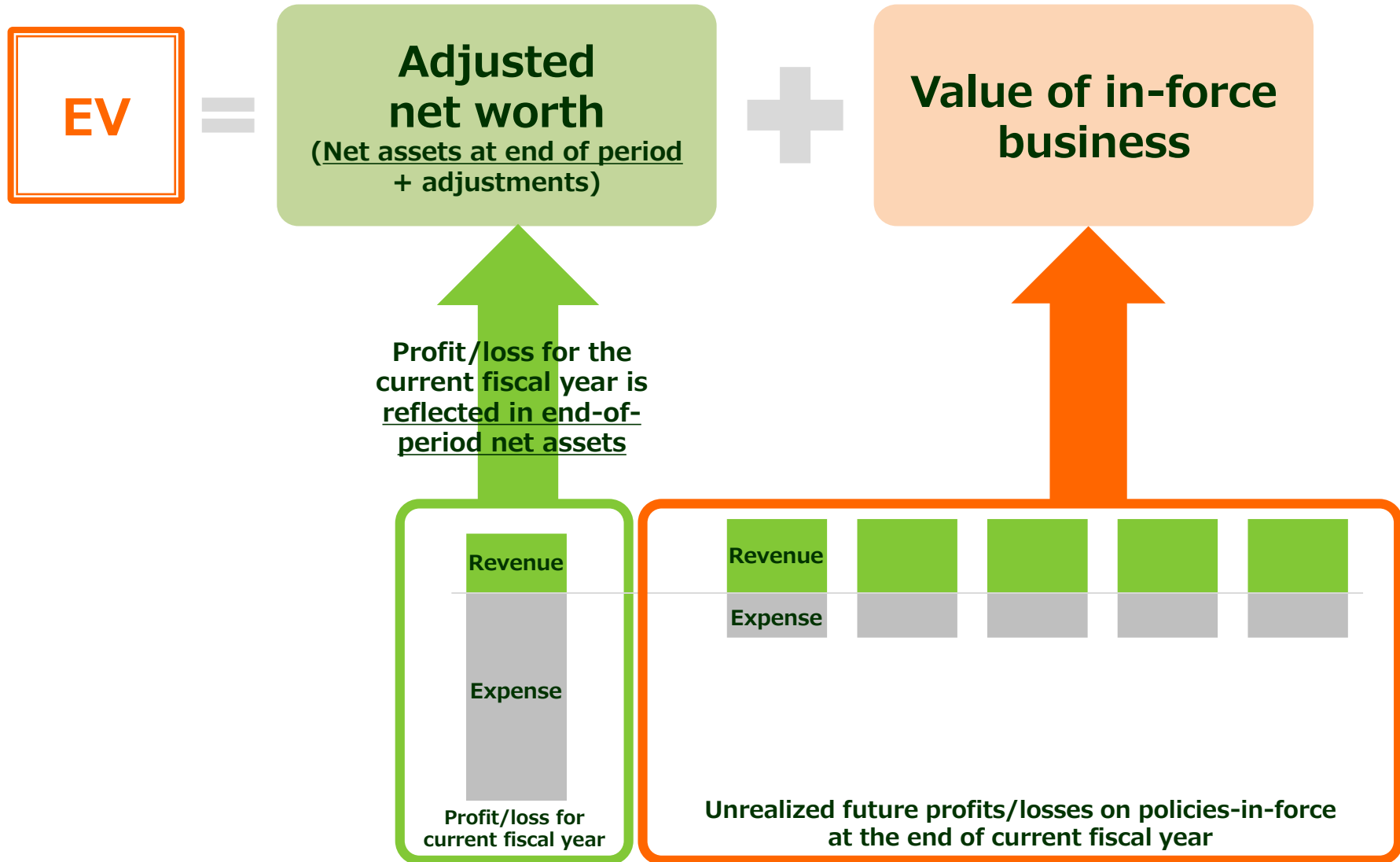
Adjusted profit = i) Ordinary profit (loss)¹ + ii) Marketing expenses
 – iii) Impact of modified co-insurance
 ± iv) Adjustment based on standard policy reserves²

JPY millions / fiscal year	2015	2016	2017	2018	2019
i) Ordinary profit (loss)	584	88	(197)	(1,719)	(2,382)
ii) Marketing expenses	1,302	1,822	2,627	4,216	6,146
iii) Modified co-insurance	-	-	-	-	(1,526)
iv) Adjustment	676	543	319	347	546
Adjusted profit	2,563	2,454	2,748	2,844	2,784

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

2. 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



- Characteristics of Lifenet's EEV are as follows:

Strong growth

- **Maintaining increase** in EEV since company became public in March 2012
- **Steadily growing** even in a low interest rate environment

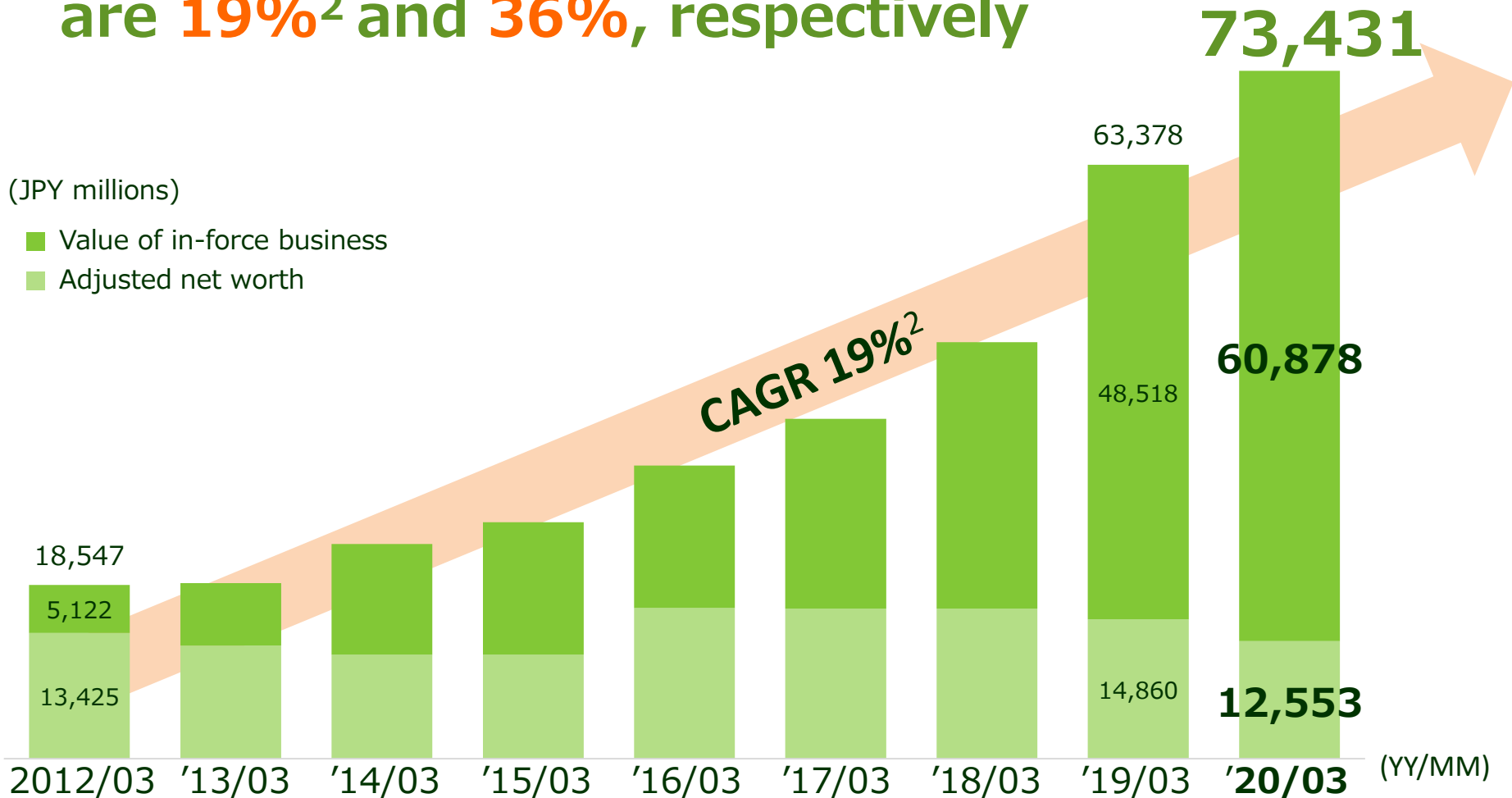
Resilience to interest rate changes

- **Limited sensitivity** to interest rate and stock fluctuations

Strong EEV¹ Growth



- CAGR of EEV and value of in-force business are **19%**² and **36%**, respectively

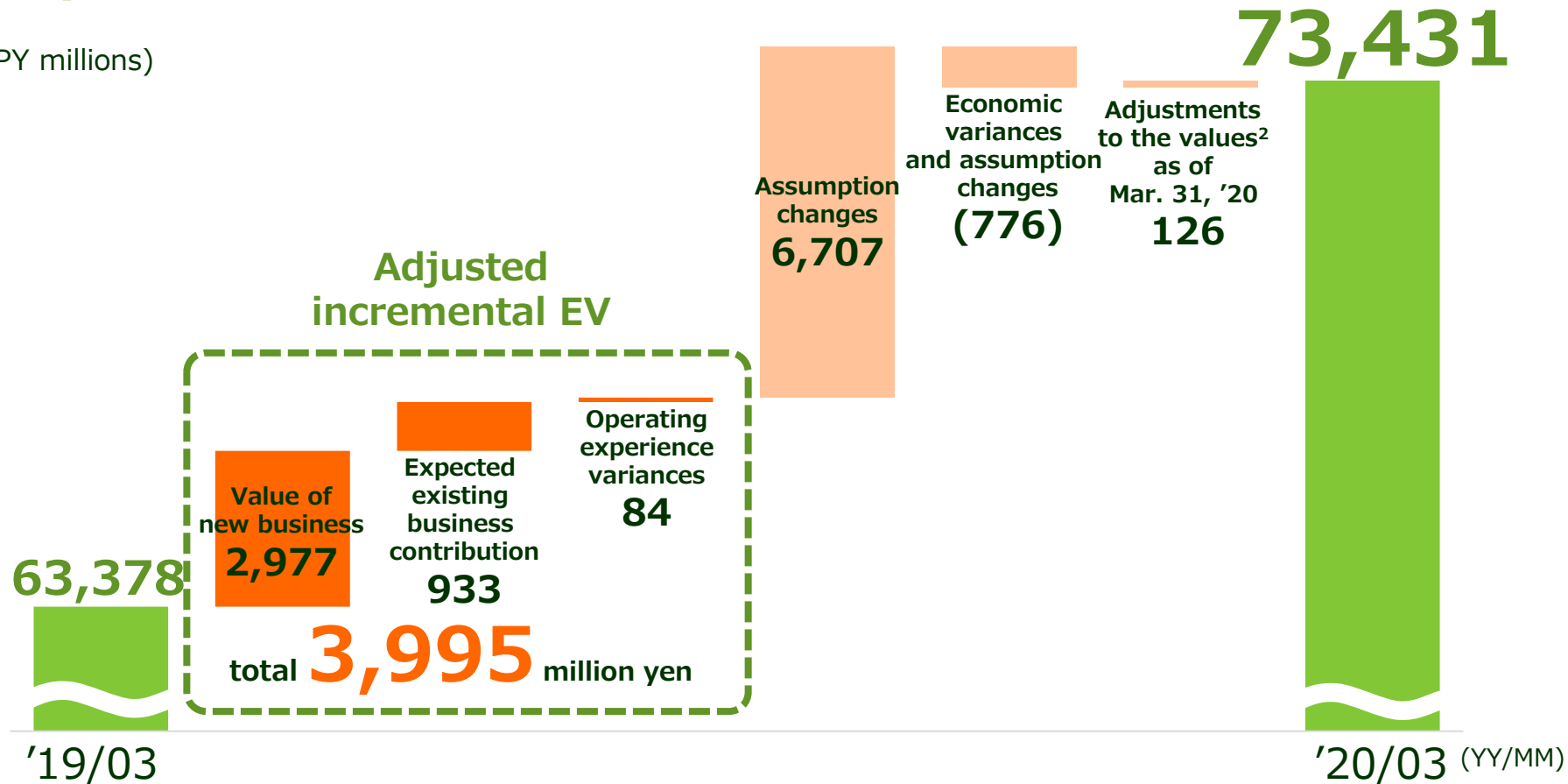


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate 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.
2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015.

Structure Breakdown of EEV¹

- Increased due to **new business growth**, mortality assumption changes and improvement in operating expense ratio

(JPY millions)

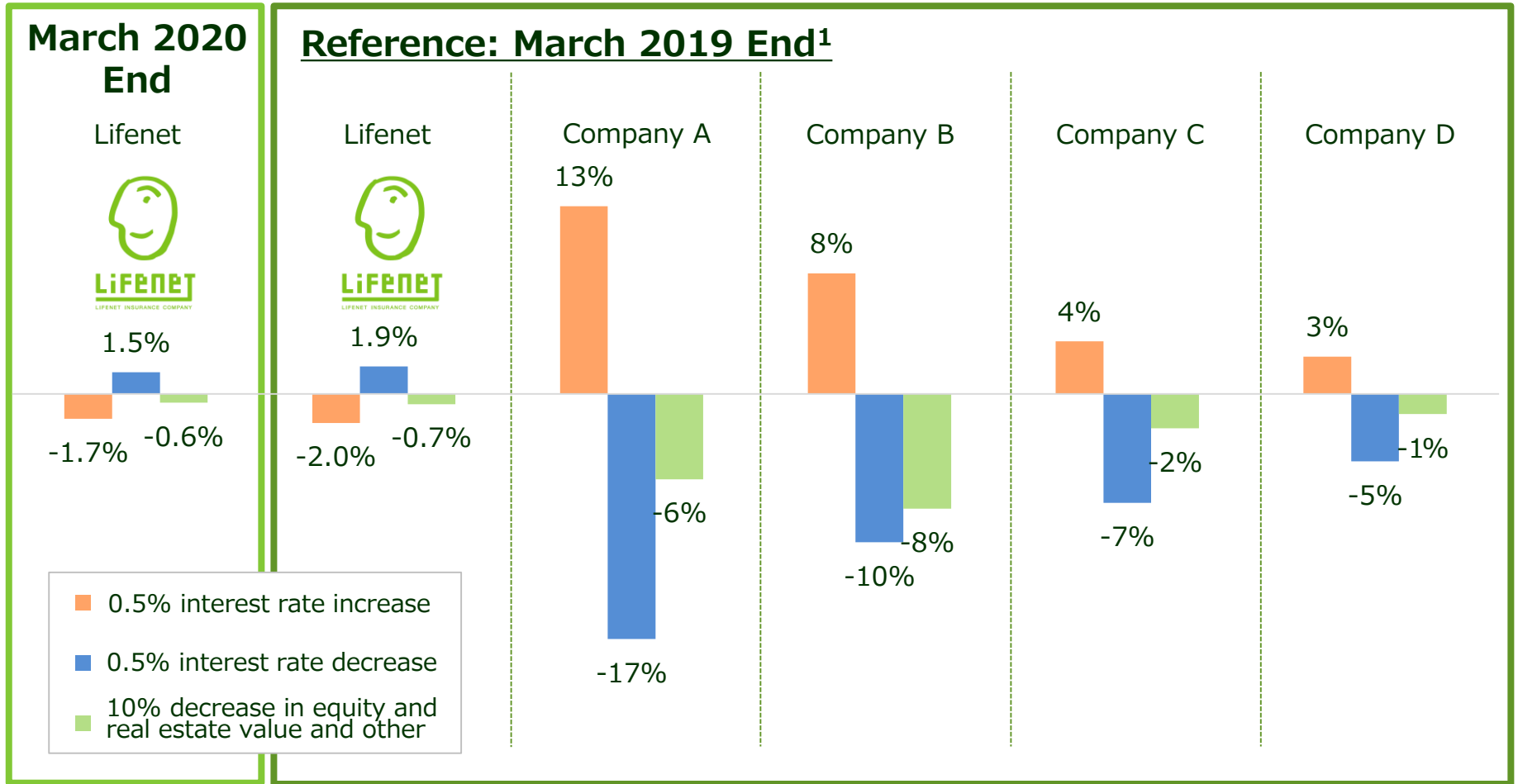


1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles©) is referred.
 2. Item for change in capital

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)	'19/03	'20/03
Total assets		38,247	41,144
Cash and deposits		1,192	1,377
Monetary claims bought		999	299
Money held in trust		3,114	3,539
Securities		30,989	32,058
Government bonds		8,071	8,065
Municipal bonds		1,394	1,391
Corporate bonds		16,763	18,119
Stocks		363	313
Foreign securities		45	0
Other securities ²		4,352	4,167
Total liabilities		26,474	31,744
Policy reserves and other		25,256	30,328
Total net assets		11,773	9,400
Solvency margin ratio		2,085%	2,117%
Modified duration (year)		12.0	11.3

- Maintained sufficient financial stability as indicated by solvency margin ratio¹

1. 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.

2. Investment trust including foreign bonds and others.

New Whole-life Medical Products

- **Expanded coverage** first time in 5 years

New

An orange icon showing a white silhouette of a person's head and shoulders next to a white cross on a square background.

**Whole-life Medical
*Jibun 3***

New

A pink icon showing a white silhouette of a person's head and shoulders next to a white cross on a square background.

**Whole-life Medical
*Jibun 3 for Women***

- Expanded hospitalization benefit for women that pays for five days for hospitalizations of up to five days
- Established surgery benefit paid for out-patient surgeries and a lump-sum support benefit for advanced medical care

New White Label Business

- Launched product with **brand of Seven Financial Service** for their customers

Feb. 2020

Announced Business Alliance with Seven Financial Service



Apr. 2020

Launched new business



The screenshot shows the Japanese version of the Seven Financial Service website. The main heading is "セブン・フィナンシャルサービスの生命ほけん" (Seven Financial Service Life Insurance). Below the heading, there is a navigation menu with options like "特長・メリット" (Features/Benefits), "保険商品のご案内" (Insurance Products), "ご契約の流れと必要書類" (Policy Process and Documents), "よくあるご質問" (FAQ), "お問い合わせ" (Contact Us), and "ご契約者さまサービスのご案内" (Service for Policyholders). The main content area features a "まずは見積りトライ!" (First, try a quote!) section with a form to input age, sex, and birth date. A large image of a woman using a smartphone is also visible, with text describing the convenience of the service.

<https://7fi.lifenet-seimei.co.jp/> (Japanese version only)

Launched online distribution initiative

- Started distribution of other insurer's product leveraging Lifenet website traffic

Customers
(Person considering insurance policy)



Company website



Products offered
(Insurance providers)

Lifenet brand products



Warikan insurance¹
justincase

Other insurers' products

1. The Warikan P2P cancer insurance is a product provided by justInCase, a provider of small-sum, short-term insurance.

High Evaluations of Products and Services

■ Each products ranked No.1 at PCWs¹

Chosen the most popular insurance products^{2,3}

Term Life



定期保険
総合

Whole-life Medical



Long-term Disability



総合

Cancer



総合

■ Contact Center and Website awarded top ratings

HDI Benchmarking for 7th time, the highest number of times for a company to receive three-star ratings in the life insurance industry⁴



Phone Support
(Contact Center)



Web Support
(Website)

1. price comparison websites
2. The most popular insurance products in each category from January through December 2019, receiving the highest number of applications of Kakaku.com Insurance, the sales agent company of insurance products
3. The Most Chosen Insurance Ranking 2020 of HOKEN ICHIBA is based on compiled date from the number of application from January through December 2019.
4. Awarded in the 2019 HDI Benchmarking (Life Insurance Industry) hosted by HDI-Japan

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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 100 billion yen by business growth in a mid-term

Future Direction

FY2018

Established a new management policy and aim to achieve EEV of 100 billion yen by business growth in a mid-term as a management goal

FY2019

Focused on accelerating the growth momentum and achieved historical high of new business performance

FY2020

- **Aim for double-digit growth in policies-in-force**
- **Consider the balance between growth and marketing efficiency**
- **Invest in system platform**

Aim to achieve 100 billion yen in EEV early and turn into the black in operating profit in the mid-2020s

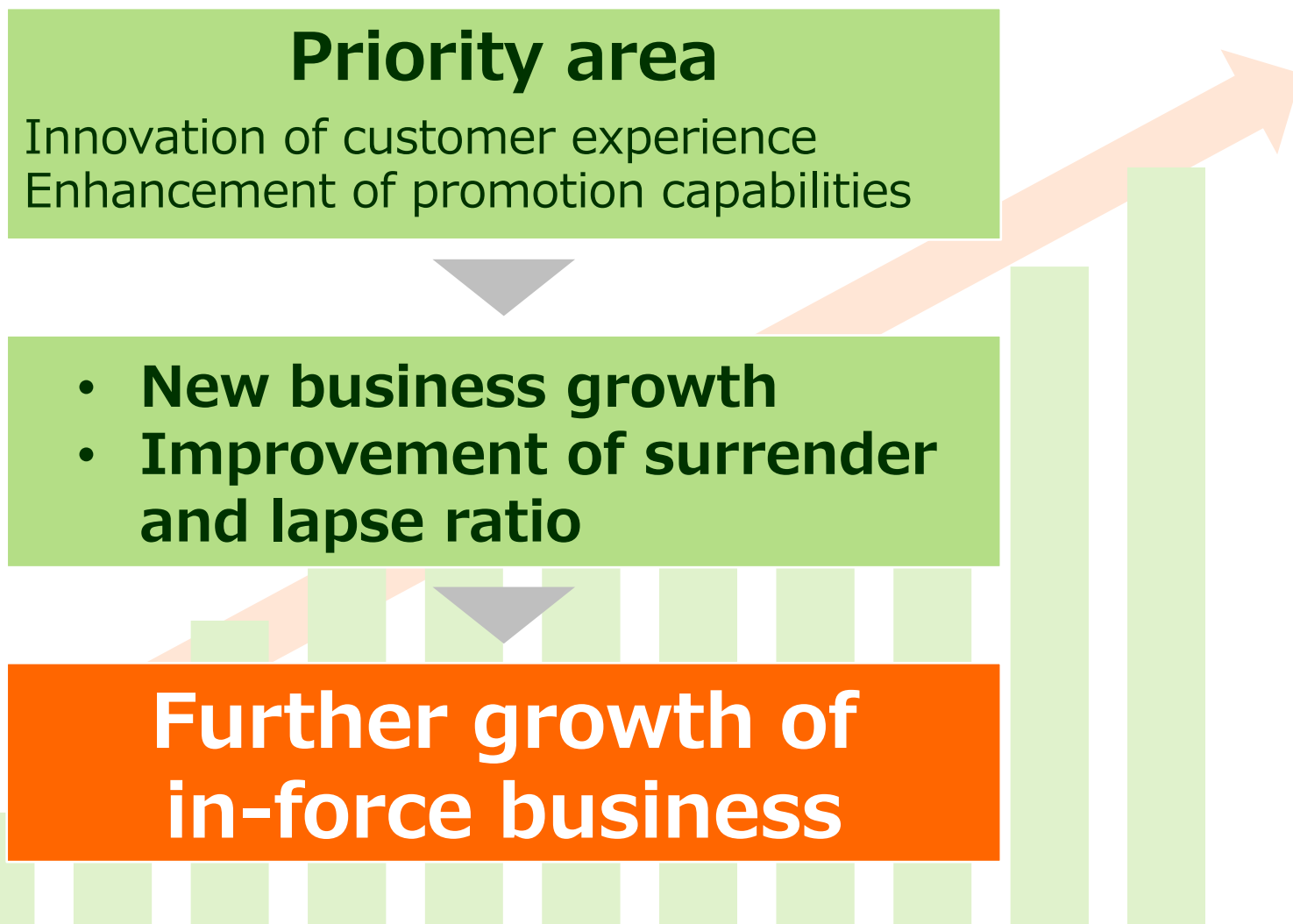
Initiatives for EEV Growth



- Further growth of in-force business
- Improvement of operating expenses efficiency

Further Growth of In-force Business

- Focus on priority areas and aim for vigorous growth



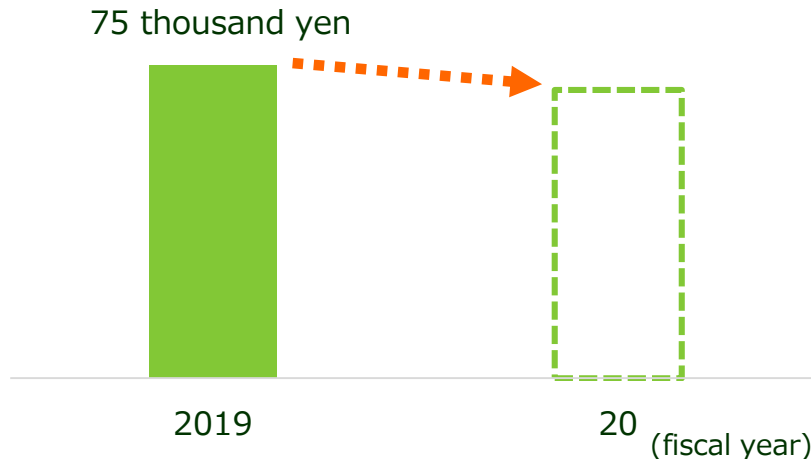
Improvement of Operating Expenses Efficiency

- Aim to **increase productivity** company-wide, and **expand business scale**

Marketing efficiency

Consider the balance between growth in new policy performance and marketing expenses efficiency in fiscal 2020

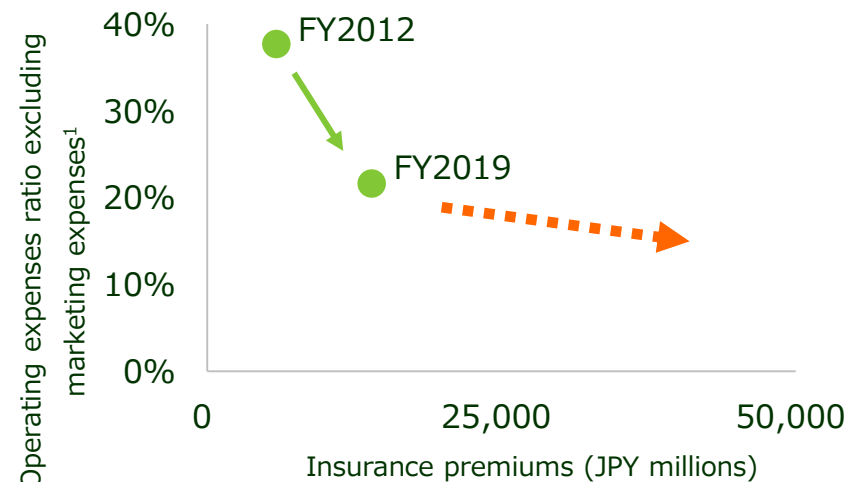
Marketing expenses per new business



Operating expenses ratio¹

Strive for further business expansion and operational efficiency in mid-term

Relation between premiums and operating expenses ratio¹



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

Fiscal 2020 Business Forecasts



- **Business forecasts remains undetermined due to the impact of COVID-19**

Present outlook for fiscal 2020:

- **Continued double-digit growth in in-force business performance**
- **Improvement in marketing efficiency from the level in fiscal 2019**
- **Ordinary profit continues to be in the red caused by profit structure under statutory accounting**

Fiscal year business forecasts will be disclosed after determining the impact of COVID-19

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.**



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.

<https://ir.lifenet-seimei.co.jp/en/>

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Appendix



LIFENET

LIFENET INSURANCE COMPANY

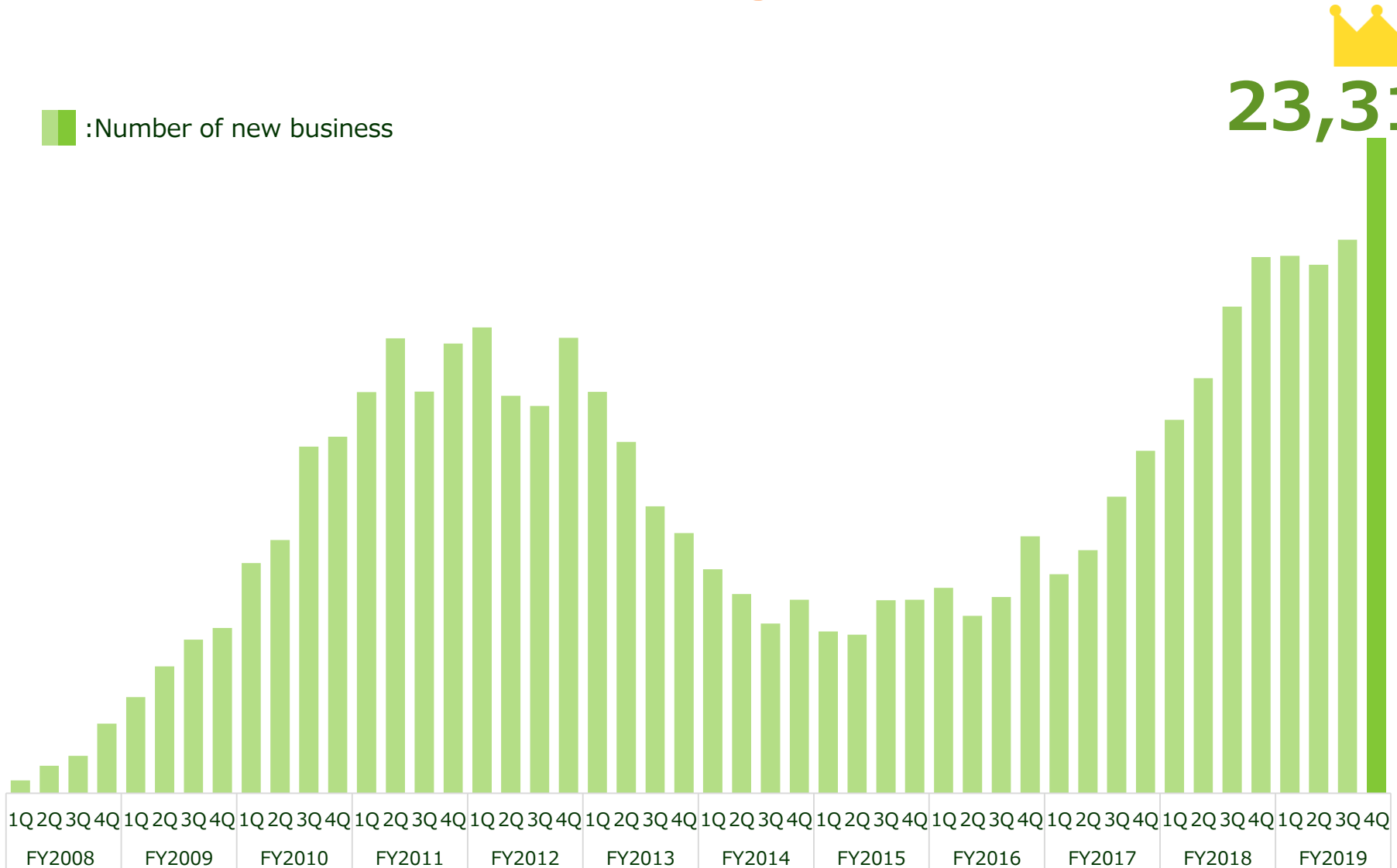
Number of New Business (Quarter)



Recorded historical high

■ :Number of new business


23,314



Condensed Statements of Operation / Fundamental Profit



(JPY millions)		FY2018	FY2019	Change	Note
Condensed statements of operation	Insurance premiums and other	12,159	16,455	4,296	Increased due to growth in in-force policies business and utilization of modified co-insurance
	Other	401	395	(6)	
	Ordinary income	12,560	16,850	4,289	Includes 2,034M increase for utilization of modified co-insurance
	Insurance claims and other	2,535	3,759	1,223	Increased due to growth in in-force policies. Percentage of insurance claims and benefit claims to insurance premiums is 18.9%.
	Insurance claims	1,353	1,694	341	Increased from 89 cases in FY18 to 132 in FY19.
	Benefit claims	701	941	240	Increased from 6,987 cases in FY18 to 8,473 in FY19.
	Provision for policy reserves and other	4,070	5,072	1,001	Increased by transferring to standard policy reserves. Percentage of provision for policy reserves (4,903 million yen) to insurance premiums is 35.1%.
	Operating expenses	6,916	9,169	2,253	Increase in marketing expenses, mainly advertising expenses
	Marketing expenses	4,216	6,146	1,929	
	Customer service	786	892	105	
	System and other	1,913	2,130	217	
	Other	758	1,232	474	
	Ordinary expenses	14,280	19,233	4,953	
	Ordinary profit (loss)	(1,719)	(2,382)	(663)	Includes profit of 1,526M for utilization of modified co-insurance.
	Extraordinary losses and income taxes	16	17	1	
Net income (loss)	(1,735)	(2,400)	(664)	Includes profit of 1,526M for utilization of modified co-insurance.	
Fundamental profit	Mortality margin	2,753	2,851	97	
	Expense margin (loss)	(4,395)	(5,064)	(668)	Increase in marketing expenses, mainly advertising expenses. Includes 1,619M expense margin for utilization of modified co-insurance.
	Interest margin (loss)	(14)	17	32	
	Fundamental profit	(1,656)	(2,195)	(538)	

EV Sensitivity Analysis¹

Impacts of changes in assumptions (sensitivities)

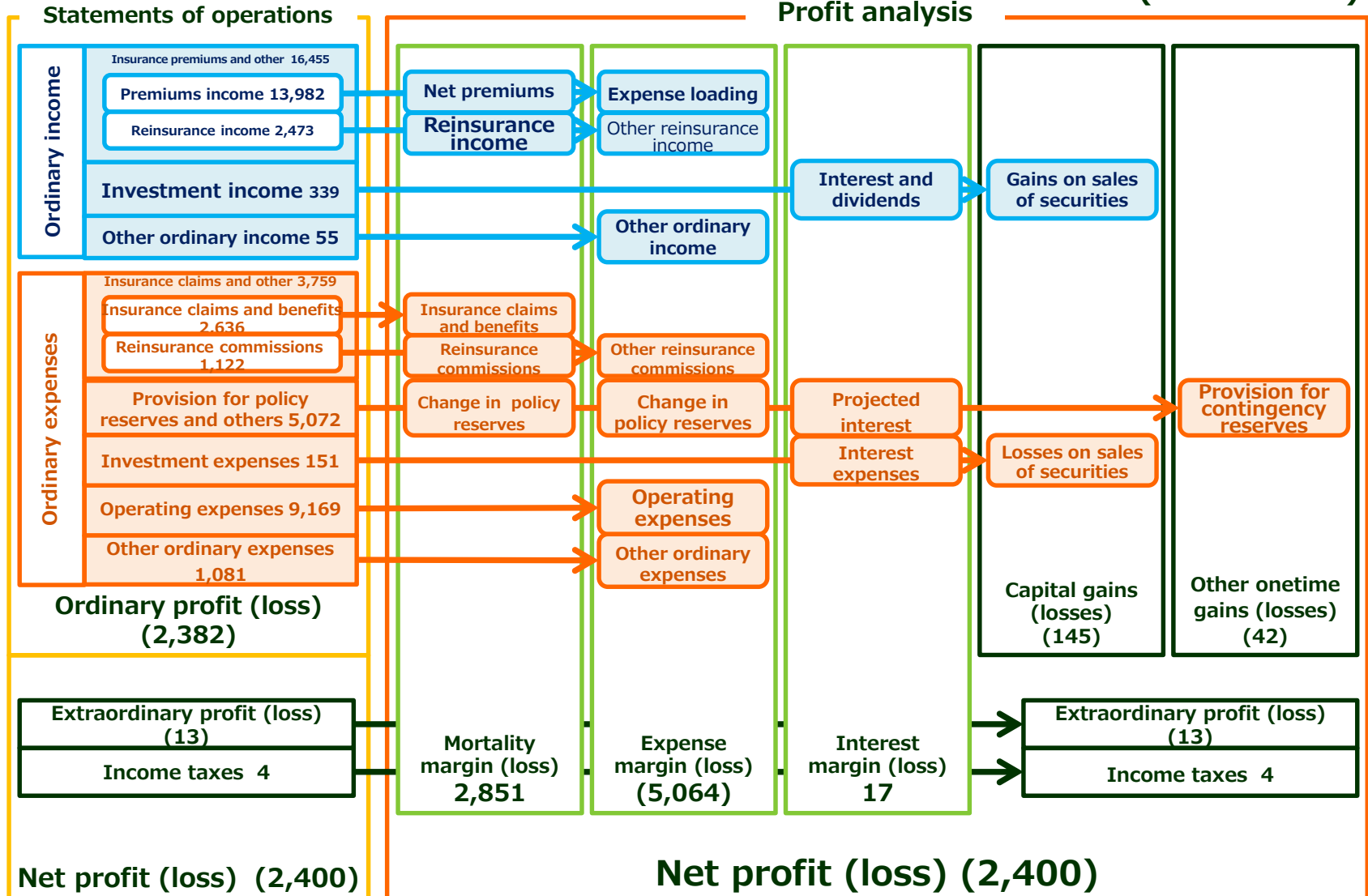
(JPY millions)	Change in EEV as of Mar. 31, 2020	Change in VoNB
EEV and new business value as of March 31, 2020	73,431	2,977
Sensitivity 1a: 1.0% increase in risk-free rate	(2,585)	161
Sensitivity 1b: 1.0% decrease in risk-free rate	1,983	(451)
Sensitivity 1c: 0.5% increase in risk-free rate	(1,243)	109
Sensitivity 1d: 0.5% decrease in risk-free rate	1,096	(180)
Sensitivity 1e: Interest rates based on JGB yields	683	186
Sensitivity 2: 10% decrease in equity and real estate value and other	(411)	—
Sensitivity 3: 10% decrease in operating expenses	3,140	658
Sensitivity 4: 10% decrease in lapse rate	112	(40)
Sensitivity 5: 5% decrease in claim incidence rates for life business	3,847	485
Sensitivity 6: Change the required capital to the statutory minimum	44	8

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.

Three Surplus Factors of Fundamental Profit

FY2019

(JPY millions)



1. Some items with minimal amounts have been omitted.

Solvency Margin Ratio Calculation



LIFENET

(JPY millions)

As of Mar 31, 2020

Solvency margin ratio
2,117.1%

=

Total amount of solvency margin
<numerator>
19,213

÷

Total amount of risk/2
< the denominator >
1,815/2

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

Cash and deposits 1,377	Other liabilities 1,163
Monetary claims bought 299	Reserves for outstanding claims 638
Money held in trust 3,539	Policy reserves 29,690
Securities 32,058	Contingency reserves 1,722
	Excess over the full-Zillmerized reserve 7,908
	Price fluctuation reserves 56
	Deferred tax liabilities on available-for-sale securities 175 ¹
	Valuation difference on securities available-for-sale 451 ¹
Tangible fixed assets 96	Capital stock and other assets 8,898
Intangible fixed assets 742	Net assets 9,400
Other assets 3,029	

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

Insurance risk R₁ 1,142

Risk of change in mortality rate (calculated based on value of policies in force)

Medical insurance risk R₈ 328

Risk of change in medical incidence rate (hospital admission rate, etc.)

Assumed interest rate risk R₂ 3

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 930

[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 72

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.

Adjusted Profit

Significance of *Adjusted profit* disclosure

- As accrual timing of cost and revenue do not match, statutory accounting does not necessarily provide an accurate picture of business profit for a given fiscal year.
- We disclose adjusted profit as an indicator of profit generated by policies-in-force. It is calculated by excluding marketing expenses for periods other than the period in which income was generated from ordinary profit (loss) and adjusting for the benefit from modified co-insurance and the level of policy reserves.

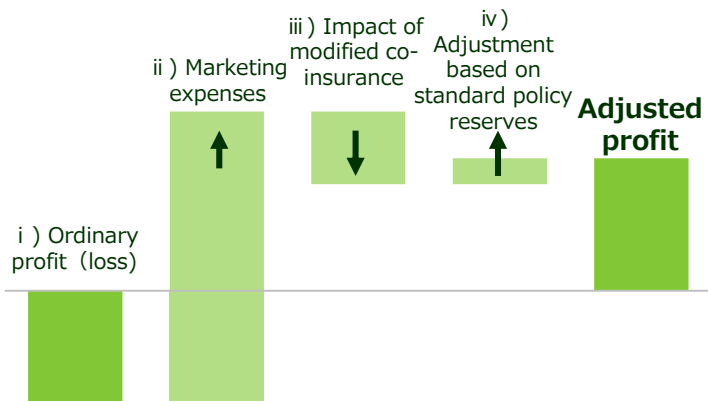


Adjusted profit

Explanation of Adjusted profit

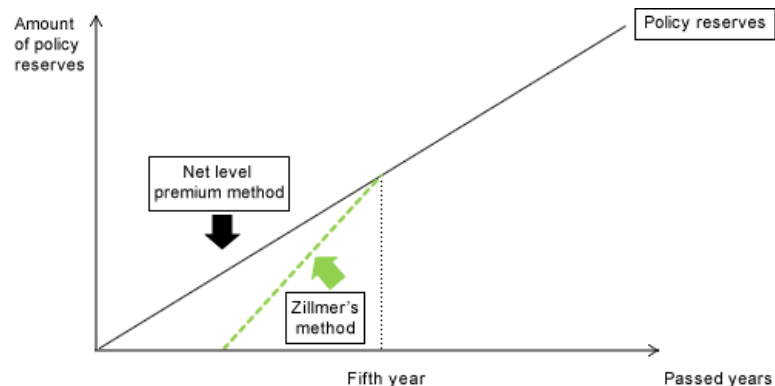
Adjustments to provision for policy reserves based on standard policy reserves

Calculation of adjusted profit



Difference between methods of calculating provision for policy reserves

We are currently in the transitional period and will transition all business to standard policy reserves by the end of Fiscal 2022.



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

e.g. fiscal 2019 (JPY millions)

Adjustment to provision for policy reserves¹ 546	=	+	Provision for policy reserves 4,903	-	Increase in standard policy reserves² 4,356
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- 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.
- 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. The difference was 957 million yen as of March 31, 2020.

Adjusted Incremental EV

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

Adjusted incremental EV

Defined as constitution of components below:

- New business value in the fiscal year
- Expected existing business contribution
- Operating experience variances

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

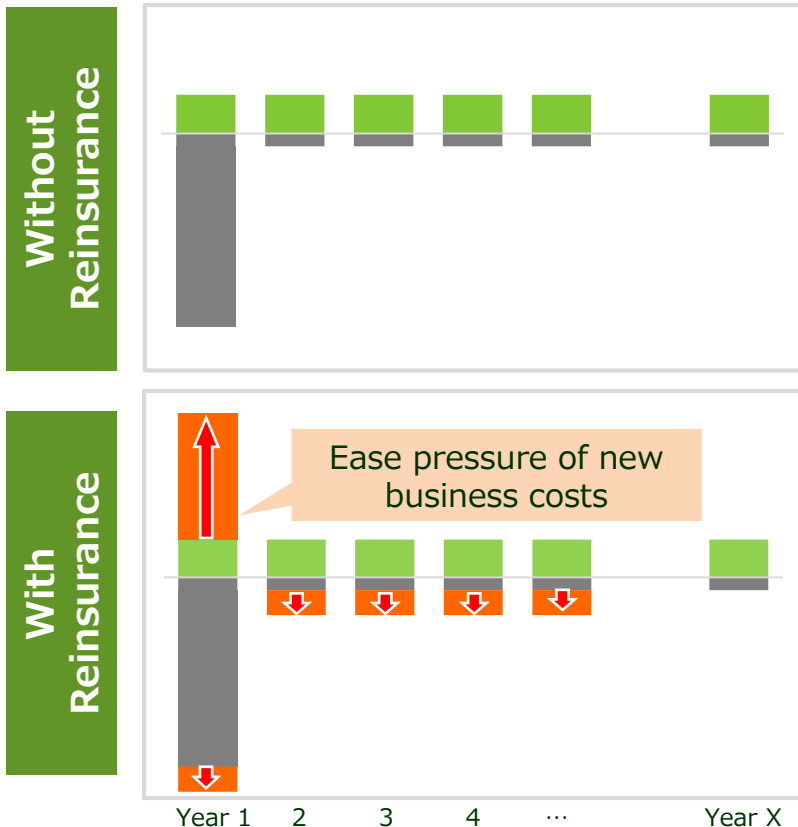
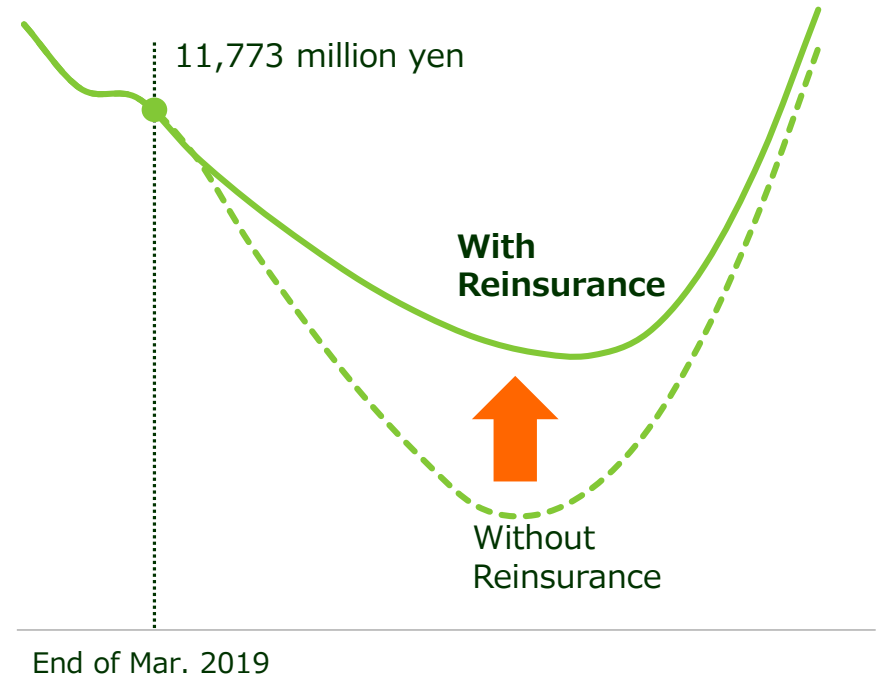


Illustration image of impact of reinsurance on net assets



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.