

# New purchase style Over-the-Counter Insurance Shop

~**Revolution of insurance distribution  
in the past 16 years**~

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# Contents

- Why did over-the-counter insurance shops (independent agencies for multiple insurers) appear?
- How were they developed?
- What headwinds did they face as a result of the development?
- What are new solicitation rules?
- What are priority matters during a few years from 2016?
- Why did Nippon Life, whose sales representatives were selling the Company's products only, decide to operate insurance shops?

# Profile

## Kenichi Suzuki

**Managing Editor of the Editorial and Sales Department of Hoken Joho, a specialized insurance marketing newspaper.**

**Hoken Joho features a wide variety of information, such as management strategies, marketing strategies, education systems, sales skills/motivational enhancement/guidance on activities for sales representatives, and the latest trends in foreign countries.**

**Interview themes after the 1990s are as follows:**

- ☆ **A series of bankruptcies of life insurance companies that had happened since 1997 (such as 7 medium-sized life insurance companies)**
- ☆ **Easing of regulations/liberalization (such as reciprocal extension of life and non-life insurance businesses)**
- ☆ **The non-payment of insurance claims after 2003 and the management innovation afterwards**
- ☆ **The moves of the internet life insurance companies (such as Lifenet Insurance Company, which was established in 2008)**
- ☆ **The moves of the insurance shops which have been rapidly expanding as a new channel**
- ☆ **Major life insurance companies' new management strategies (such as Nippon Life Insurance Company's Mirai Project)**

**He has a broad network in the insurance industry and presides over Society for Research on Insurance Marketing, etc.**

**He has given lectures at seminars in Japan and abroad held by Oriental Life Insurance Seminar (OLIS). He also participated in seminars in Taipei, Beijing, Seoul, and Bangkok.**

# Hoken no Madoguchi in a office building in a city



# Hoken no Madoguchi in the suburbs



# Hoken no Madoguchi in a shopping mall



# Hoken Hotline in a shopping street



# NISSAY Life Plaza (Nippon Life)





## ◆ Why did a former life planner at Sony Life Insurance Co., Ltd. open an over-the-counter insurance shop called “Hoken no Madoguchi”?

- The reason why Life planners quit the job is the stress caused by the situation where the acquisition of new customers and the sales performance are focused.
- They spend 80 percent of their time developing new customers, and the time to be used for insurance suggestion is only 20 percent.
- This type of insurance shop was developed as a business model where they can focus on insurance suggestion only.
- Its first shop was opened in Yokohama, Kanagawa in March, 2000.

◆ **However, at the early stage, consumers didn't understand what Hoken no Madoguchi is for.**

Although it handled products of 25 life insurance companies and 18 non-life insurance companies, the number of people who visited the shops was just 5 to 10 per month for the first few years. Therefore,

- it emphasized that it chooses products that meet customers' needs from a neutral standpoint as an independent agency for multiple life insurers.
- it announced through town magazines or free-of-charge advertising papers that it provides insurance consultation service.

## ◆ What size and where did Hoken no Madoguchi open their shops?

- The average shop size is 50 to 100 m<sup>2</sup>. The number of staff is 3 to 4.
- Site locations were tenants in buildings (shops opened on the second or higher floors), and street-level shops around the periphery of train stations.
- As the brand recognition increased, they opened shops in large shopping centers having a high customer gathering power.
- The number of shops reached 50 in February 2006 and 100 in February 2008.

## ◆ About people who visited Hoken no Madoguchi for consultation

The initial main target was housewife group in their 30s (children in early elementary school years).

- The most common reason for consultation was to save insurance premiums, and the second one was that they had worry about the content of the insurance.
  - As a result of review of household budgets, insurance premiums were listed as an item that could be saved more.
  - Strong tendency that they would like to hear professional advices.
- \* Housewives have the power to make a decision in purchasing life insurance.

## ◆ Why did Hoken no Madoguchi grow rapidly after its 10<sup>th</sup> anniversary?

- Customers came to understand what service they can get.
- They utilized TV commercial to enhance the recognition of Hoken no Madoguchi.
- The advertising cost was 1 billion yen per year. They spent a large amount of money that top-level independent agencies for multiple life insurers would use.
- They increased visibility widely through TV commercial, web advertisement, newspaper advertisement, and outdoor sign.

## ◆ Hoken no Madoguchi accelerated the opening of the shops and expanded nationwide.

- The number of the shops reached 200 in April 2011.
- It reached 300 in September 2012.
- It reached 400 in June 2013.
- They have its shops in all of the prefectures in Japan, which was accomplished in April 2014 for the first time as an insurance shop.
- Currently, they have 486 shops.

## ◆ Hoken no Madoguchi gained momentum and opened flagship shops.

Flagship shop: in the building with three floors and one underground floor in Shinjuku, Tokyo

- Having 30 consultation booths, they expect 300 customers to visit the shop per month.
- Catchphrase: “Department store for insurance products opened in the shopping district in Shinjuku.”
- They further increased the brand recognition utilizing the news on the flagship shop.
- They also opened the shops in the metropolitan areas such as Osaka, Sapporo, Hiroshima, and Sendai.

## ◆ What advantages do the multiple-store development have?

- It creates “familiarity” because shops are located in places close to people such as their commutable area and living area.
- It increases “convenience” because people can consult with professionals at a time convenient to them.



## ◆ Equation to increase the sales of Hoken no Madoguchi

The equation of the sales = The fee per one case x The number of customers who visited the shop x The contract rate

- ✓ The number of consultations per shop is 20-25 per month.
- ✓ The contract rate is 50% to 60%.
- ✓ The average monthly insurance premium is about 30,000 yen.
- ✓ The number of customers who visited the shops for consultations per year was 278,000 (for 2014).
- ✓ By continuously improving three factors of the equation, the sales continue to increase.

## ◆ Earnings forecast per shop after the opening (Overall Insurance shops)

- It takes 13 to 18 months to be profitable on a monthly basis.
- It takes 36 months for accumulated losses to be wiped out.
- Initial cost is about 15 million yen.

# ◆ If a general marketing theory is applied to insurance shops...

Out of “Seven Ps,” “Three Ps” are applied.

- Promotion (advertising and promotion)
- People (human resources with high productivity)
- Process (consultation process)

## ◆ Out of three Ps, “People” are the most important. (in the case of Hoken no Madoguchi)

- The biggest differentiation is the ability of shop planners.
- Managerial resources (manpower, goods, and money) are injected into guidance, education, and training.
- Five training centers are set up in the places such as Toyonaka (Osaka prefecture) and Atami (Kanagawa prefecture).
- There are more than 30 dedicated training staff in the Education Department.
- Required skills include hearing, ability to suggest and close a deal.
- Standardized know-how is shared among all the shops.

## ◆ Another driver for growth for Hoken no Madoguchi is alliance with regional banks.

- Co-create a new business model of retail financial services.
- Set up Hoken Plaza in the housing loan center of banks (open a total of 42 shops at 14 banks).
- Support of sales system
  - Conduct the training of skills to sell protection-type products for employees of regional banks.
  - Conduct the support for customer attraction.
- Aim at forming a business alliance with 30 banks, under the rule of “one bank per one prefecture.”

## ◆ On the other hand, what regional banks want through the sale of life insurance products is...

- Lock-in of young married couples and the younger generation group in the process of building up financial assets

\*Group in the process of building up financial assets: those in their 30s or 40s who already have a certain amount of savings and are expected to further increase assets.

- Secure stable profits with fees obtained through the sale of insurance products.
- Improve consulting skills on life planning.
- Enhance customer loyalty.

## ◆ Consumers' attitudes and behaviors in purchasing life insurance products have changed significantly.

- They don't want to purchase insurance just as salespeople suggested.
- They collect information using the Internet in advance.
- By comparing such information obtained, they want to choose the most appropriate products.
- They strongly think that they don't want to regret after the purchase of inappropriate products.

## ◆ Consumers have these worries and requests.

- Fall into information fatigue because of the excessive information and unable to make a decision.
- As the insurances are the ones that are infrequently purchased, consumers cannot accumulate their experience.
- The individualized customization is needed but it is difficult to make a choice.



They seek advice from specialists.



## ◆ Why do consumers prefer buying from insurance shops rather than from salespeople?

- Consumers are able to consult with the staff when they feel the need for insurance products.
- The staff listens attentively to people even if their needs are vague.
- The staff offers appropriate options and people can choose from them.
- Consumers are able to achieve gratification that they fully understood and bought insurance products.



Persistency rate increases, and it is likely that they'll introduce new customers.

## ◆ Shops received these criticisms as a result of the rapid growth.

They say that they choose products from a fair and neutral perspective as an independent agency for multiple insurers, but...

- ❑ Don't they choose products by prioritizing fees over consumer needs?
- ❑ Product choosing process is not transparent.
- ❑ Is the neutrality really secured?



Distrust in the insurance purchasing process increased inside and outside the life insurance industry.

## ◆ In response to this, the government started to take measures.

### A series of actions taken for the reform of the Insurance Business Act

- April 2012: Discussions were made at the Financial System Council.
- “Working group on the Provision of Insurance Products/Services” was set up.
- June 2013: After 16 meetings, a report was published.
- May 2014- The Revised Insurance Business Act was promulgated.
- February 2015: Public comments were released.
- May 2015: Responses to public comments were published.
- May 2016: The Revised Insurance Business Act will come into force.

# ◆ What topics were discussed at the working group?

## <Rules on insurance solicitation/sales>

1. Restrictions on acts for insurance solicitation
2. Regulations on agencies for multiple life insurers/insurance brokers
3. Scope of the application of solicitation regulations

## ◆ What are the problems on insurance shops, in comparison with traditional exclusive agencies?

- Control by affiliated insurance companies is limited.
- Customers mistakenly think that insurance shops are their own agencies.

## ◆ Establishment of basic rules on insurance solicitation

The following two points were focused in the Revised Insurance Business Act.

1. Obligation to understand customers' intention
2. Obligation to provide customers with information

# ◆ 1. Obligation to understand customers' intention

- Confirming customers' intention only at the final stage is not sufficient.
- Confirmation of the customer's intention → Suggestion (reason for the recommendation) → Re-confirmation → Checking of gaps → Closing
  - The Revised Insurance Business Act made it mandatory to establish a series of process from “the understanding of customer needs” to “the suggestion of insurance plans which meet the needs.”

## ◆ 2. Obligation to provide customers with information

The provision of the information on products and others, which becomes a base for customers' judgement on the purchase of insurance products, became mandatory.

- Information necessary for customers to understand the content of insurance products
  - ⇒ Payment conditions for insurance claims, policy term, and policy amount, etc.
- Information that needs customers' attention
  - ⇒ Details of duty of disclosure, date of commencement of coverage, lapse of policy, and safety net
- Other reference information for policyholders, etc.
  - ⇒ Main services attached to insurance policies



## ◆ Obligation to establish the appropriate management of insurance solicitors

In addition to being subject to the management/guidance through affiliated insurance companies, Insurance Shops are required to establish the management of insurance solicitors based on its size and characteristics of operations.

- Establishment of internal rules
  - ⇒ Solicitation policy, response to complaints, etc.
- Establishment of system with oversight function

## ◆ Additional requirements for large agencies (specified insurance solicitors)

- To be large agencies,
  - ▶ the number of affiliated insurance companies has to be 15 or more (counting life and non-life separately), and the total of fees and compensations has to be 1 billion yen or more.
- In order to understand the solicitation method and sales performance of large agencies, FSA requires insurance shops to do the following:
  - ▶ Submit business reports every year.
  - ▶ Prepare/keep account documents.
  - ▶ Report monthly on fees from each insurance company.

## ◆ What are insurance shops required to do specifically under the revised Insurance Business Act?

- Clearly indicate that they are agencies of insurance companies.
- Clearly indicate all of the products which can be compared.
- When presenting and recommending a product, explain the reason in a manner that customers can easily understand.
- Properly streamline the process to appropriately conduct comparison and recommendation, and preserve the records.

## ◆ How does FSA check the commission-oriented practice?

<Case from FSA monitoring survey>

- Regarding the number of new business of all the shops, the share of A Life Insurance at a shop is 17% while there is a shop whose share of A Life is 25%, or another at 10%, meaning there are gaps in sales of A Life's products among stores.

In a case like this, FSA asks the following question:

“Why are there such differences? Could you explain it?”

## ◆ An example of answer from an insurance shop

<As a result of in-house research...>

- For the shop with 25% share, since it handled old products, they thought that switching to new products is good for customers.
- For the shop with 10% share, since the number of existing contracts was small, they didn't actively recommended new products.



In response, FSA asked: "Don't you conduct in-house verification?"



This shows that FSA is not focused only on the difference in the number per shop.

◆ For a case where the share of specific insurance company is increasing due to its campaign...

Does the head office of insurance shops manage the information of campaigns? How does it notify branches?



FSA instructs the shop to manage the details of campaigns on a company-wide basis.



Whether fees are high or low is not the only matter to be concerned with.

## ◆ New solicitation system from 2016

- Three years starting from 2013 as the preparation period towards the revision of the Insurance Business Act.
- Two years starting from 2016 are spent to establish the process of new solicitation rules.
- Top priority is to confirm that such rules are followed.

## ◆ Insurance shops can choose a sales method.

### (1) Recommend based on comparison

Choose products from all the affiliated insurance companies.

### (2) Present and recommend specific products

Choose from products of the insurance companies designated by the shop.

⇒ Choose multiple insurance companies by each product category such as cancer insurance or whole-life medical insurance, and sell products of those companies.

### (3) Recommend specific products

Sell products of specific insurance companies only

⇒ From a business perspective of Insurance shops, sell products of specific companies only based on the past sales performance.



## ◆ If Insurance Shops specify the sales method, it may confuse consumers.

- It is not required to clearly indicate on their websites which sales method the shops chose.



- Customers visit the shops, thinking any shop makes suggestions similarly.



- At the shops, they might be confused about the difference in how they suggest products.

## ◆ Business performance of Hoken no Madoguchi in the 1<sup>st</sup> half of 2015

- Number of consultations: 150,900
- Number of new business: 249,000
  - ▶ Life insurance: 194,000  
(approx. 900 billion yen in sum assured)
  - ▶ Non-life insurance: 51,000  
(premium income of approx. 7.5 billion yen)
  - ▶ Others: 4000

## ◆ Recent trend of customers who visit Hoken no Madoguchi

- Customers in their 30s account for the largest percentage, and those in their 20s, 40s, and 50s are 20% each.
- Although online reservation is necessary, the number of customers who visit without reservation is increasing at the shops located within the shopping mall.
- The number of customers who visit on Saturday, Sunday or holiday accounts for approx. 40% of the total number of the customers.
- Catalysts of consultation are: 1. concerns about the content of the insurance 2. renewal of insurance or request for the review of the current insurance 3. saving of insurance premium 4. anxiety about diseases or injuries.
- Type of insurance product for which they need consultation: 1. medical insurance 2. life insurance 3. cancer insurance

## ◆ Persistence rate is a barometer of sales quality (in the case of Hoken no Madoguchi).

- 13<sup>th</sup> month: 97.7%
  - 25<sup>th</sup> month: 94.6%
  - 37<sup>th</sup> month: 93.4%
- ▶ The 25<sup>th</sup> month rate of other life insurance companies is between 86% and 89%. So, the level of Hoken no Madoguchi is higher.
  - ▶ These results show that the quality of consultation at the time of customers' purchase of insurance is good.

## ◆ Internal Audit System

- Annually conduct an audit of all the shops as to 30 items.
- There are four assessment levels: A, B, C and D; Shops which receive an evaluation lower than a certain level will be audited again.
- Assessment level of B or higher is required. Shops which received assessment level of D will be subjected to a penalty.
- The goal is for all the shops to get the assessment level of A or B.

## ◆ Evolvement of Insurance Shops' business model

- Create further peace of mind by providing one-stop solutions for life and non-life insurance.
- Fire insurance and auto insurance have potential for growth.
  - Matter to consider is maintenance. Renewal procedures for one-year contract (fire insurance/auto insurance) impose a heavy burden.
  - Setting up a division specialized in non-life insurance will result in cost increase

## ◆ How do they encourage customers to come to the shops?

- Utilization of non-life insurance contract  
Promote regular visits by concluding one-year non-life insurance contract such as auto insurance.
- Tie-ups with booking websites  
For Insurance Shops located within shopping malls, set up mobile devices inside the shop so that customers can use it to book a restaurant, etc. in the malls.

## ◆ Flow of the establishment of relationship with existing policyholders

By providing customer service and consultation that represent reputation as insurance professionals,

customer satisfaction will increase.



New prospective customers will be introduced.



Furthermore, existing policyholders make additional purchase.



Households' partner of choice, improvement of profitability

\* Households' partner of choice: to be chosen as the main insurance agency by households



## ◆ Ensuring “Three Plus One Activity”

Conduct “Three Plus One Activity” in a thorough manner as the ultimate version of Recommend-based-on-Comparison type sale.

- “Three” refers to the number of meetings to be conducted before contract conclusion (each meeting taking about 2 hours).
- “Plus One” means having a policyholder come to the shop again after he/she receives the insurance policy and confirming the content of the insurance.

As of the moment, the implementation rate is low with 36.8%. Aim to reach 50%.

◆ **The key to becoming the most reputable company is education and continuous training (in the case of Hoken no Madoguchi).**

- Introductory training (two months), follow-up training to be conducted within 1<sup>st</sup> year, and training in 2<sup>nd</sup> or subsequent years
- Focus is placed on hearing skills and the ability to design system/products based on customers' needs, rather than on sales skills.
- If the applicant doesn't pass the internal examination, he/she is not assigned to the shop.
- 90% of those hired are from outside the insurance industry.

## ◆ Major life insurance companies with exclusive sales representatives are also operating Insurance Shops.

- Nippon Life Insurance Company:  
Nissay Life Plaza (98 shops)
- The Dai-Ichi Life Insurance Company, Limited:  
Dai-Ichi Hoken Shop (74 shops)
- Sumitomo Life Insurance Company:  
Hoken Hyakka (71 shops)
- Meiji Yasuda Life Insurance Company:  
Hoken Ga Wakaru Desk (12 shops)

## ◆ Major insurance companies adopt door-step selling, but why do they focus on shops as well?

- Positioning of the antenna shops -- Probe the needs of customer segment with whom their sales representatives cannot contact
- Change the image -- Change the insurance that seems to be somewhat difficult and hard to access into the one which has gentle and friendly images
- Consumer segment -- Respond to the consumers who would like to choose by themselves and who think the cheaper the insurance premium, the better.

## ◆ Nippon Life Insurance Company

### <Nissay Life Plaza>

Set up in the branch buildings, etc.



- Position it as the contact point for customers in the region.
- Assign not only the person in charge at the shop but also the person in charge of visits.
- Visit the person who requested information materials and explain them and encourage the additional purchase.

## ◆ New channel is making up a large share.

There is a change in the channel share of new business insurance premiums.

- Sales representatives: 44%
- Financial institutions sales channel: 30%
- Agencies such as insurance shops: 25%

Insurance shops are actively used by younger generation and the core group who need coverage.

(core group who need coverage: group of those in their 30s or 40s who have dependents and need coverage most)



It's a market for which the scale is expected to expand to a certain degree.



It is necessary to respond to this new trend with agility and flexibility.

# ◆ New three-year business plan of Nippon Life Insurance Company (from FY2015 to FY2017)

## <Strengthening of domestic insurance business>

- Segments with a small share represent customers with whom it is difficult for sales representatives to contact.
- There is a strong tendency that those customers compare products/companies.
- It is an urgent task to provide caring service also to those customers with whom difficult to contact.
- That's why the company makes a full-scale entry into the insurance shop market.

## ◆ Nippon Life Insurance Company's purchase of Life Salon, an Insurance shop

- Nippon Life bought Life Salon for one billion yen in June 2015.
  - Sales:  
237 million yen
  - Number of shops:  
50 (9 shops in Aichi prefecture and 7 shops in Tokyo)
- Dispatched 10 employees of Nippon Life to Life Salon.
- It was one of the purposes of the purchase to accumulate the marketing know-how of insurance shops.



## ◆ Life Salon's shop opening plan

It is planned to expand to 300 shops over the next 10 years.



However, opening of shops depends on the development of shop staff.



Thus, while nurturing human resources,



it proceeds with the opening of shops considering new solicitation rules.

## ◆ Nippon Life Insurance Company embarked on an alliance with Nitori Holdings Co., Ltd.

- Joint-operation of a store-type independent agency with Nitori Holdings, a major furniture retailer
- Utilize the shop network of Nitori brand (392 shops).
- Opened its 1st shop, Nitori no Hoken + Life Salon, in September 2015.
- Opened 4 shops in total by March 2016.

## ◆ Nippon Life Insurance Company also started to adopt a new sales method.

<Launched a campaign of Nippon Life's educational endowment insurance>

- Placed the leaflets in the brochure racks at about 280 shops of Nitori.



- Dedicated toll free number that will connect to the call center of Nippon Life



- The nearest sales office responds to people who request consultation.

## ◆ Business tie-up with NTT Docomo

- NTT Docomo holds about 67 million contracts as a major mobile phone carrier.
- There are about 2400 Docomo shops across the country.
- Develop agency for multiple life insurers business at Docomo shops.

However, these shops are not exclusive agencies of Nippon Life Insurance, and they handle products of multiple insurance companies.

## ◆ What will Nippon Life Insurance do under the partnership with NTT Docomo?

- Provide insurance products/Support the start-up of agency business
- Development of staff/Establishment of business operation system
- Started with a few dozen Docomo shops in the 2<sup>nd</sup> quarter of FY2016.
- Will consider the joint development of new insurance products or insurance-related services.

## ◆ Impacts of the sale of life insurance products at Docomo shop

If all the 1,000 Docomo shops start to sell insurance, the number of insurance shops will increase from the current about 1200 to 2200 (only for the top 6 companies).

- ▶ Disadvantage: In metropolitan areas, there will be too many shops, and the shakeout of the shops will be accelerated.
- ▶ Advantage: Effects to further boost the share of insurance shops (7~8 %) can be expected.

## ◆ Shop strategy of Sumitomo Group

- Position it as one of the business models for “multiple source of profits.”
- Operates Hoken Hyakka (71 shops), the insurance shops operated by its subsidiary, mainly in the three largest metropolitan areas.
- Hoken Hyakka handles products (medical insurance) of Medicare Life Insurance, Sumitomo Life’s subsidiary.
- The Group thinks that the key factors for success of insurance shops are location and human resources.



Thank you for your attention.