

The Latest News in Japan's Life Insurance Market 2020: How life insurance companies survived the COVID-19 stricken first half of 2020---A sharp decline in business performance and a new experiment in sales model

Decline in the number of new business by 35% but back on track after July

For the life insurance industry, the first half of 2020 (from April to September) was full of uncertainty of how far the business performance would fall due to the self-restraint request on sales activities under the COVID-19 outbreak.

The data released by the Life Insurance Association of Japan on December 2, 2020 shows that the impact COVID-19 brought to the industry was unprecedented. The new business results for individual insurance are as follows.

Number of Policies: 6.74 million (-35.6%, year-on-year)。

Insurance Amounts: JPY19, 732 billion (-22.0%, year-on-year)

Annualized Premiums: JPY564 billion (-30.7%, year-on-year)。

The number of new business and the amount of annualized premium significantly declined by the 30% range, and their uncertainty became reality.

Let's further look at the number of new business by month.

April: 990, 000 (-34.4%, year-on-year)

May: 510,000 (-68.5%, year-on-year)

June: 1,000,000 (-55.4%, year-on-year)

July: 990,000 (-44.6%, year-on-year)

August: 1,290,000 (-14.3%, year-on-year)

September: 1,960,000 (+9.5%, year-on-year)

The number of new business in the first quarter of 2020 (from April to June) was affected greatly by the temporary suspension of sales activities for new business due to the state of emergency declared nationwide and it resulted in the sharp drop in May, 68.5% decline year-on-year, and the trend continued into June.

Life insurance companies positioned July as a phase to revert their sales activities back to the level before the emergency declaration and resumed their face-to-face sales activities with

the customers who agreed to meet with them face-to-face.

With the face-to-face sales activities returning to normal, the number of new business hitting the bottom in May recovered in September, the sales exceeded that of the same month last year.

How do life insurance companies perceive the business results in the first half of 2020?

“When it comes to the annualized premium, number of policies, and face amount for new business, they declined because of the drop of sales between April and June when we voluntarily refrained from sales activities. Although it has been recovering since July, it gravely affected the business and resulted in the negative during the first half year.”

During the financial result briefing for the first half year on November 24 last year, Nippon Life Insurance Company summarized the new business performance as above. Breaking down its total annualized premiums for the first half of the year, which is JPY114.8 billion, by quarterly, the amount increased from JPY 39.3 billion for the first quarter, 63% decline year-on-year, to JPY 75.5 billion for the second quarter, 24% decline year-on-year.

Other life insurance companies also have confidence on the gradual recovery trend and commented as follows.

“We voluntarily refrained from sales activities companywide in April and May last year, and got back to business in the areas except 19 prefectures in June. We have been gradually resumed face-to-face sales since July and the level has returned to the one before the coronavirus spread,” said Meiji Yasuda Life Insurance Company.

Sumitomo Life Insurance Company said, “The annualized premiums for the new business in the first quarter decreased by 26.0% on year-on-year basis due to the drop in sales led by the voluntary restraint on sales calls and the decrease in the number of customers visiting our insurance agencies.”

While the performance result for the new business significantly declined, each life insurance company’s annualized premiums and face amount in force, on the contrary, only slightly decreased. This is because that the in-force amounts are mostly composed of existing policies so the loss of new business had little effect on them.

“Stress test was undertaken to assess the level of solvency margin ratio under the worst-case scenario, and we concluded that the profit structure would be maintained without taking any special measures. Sales measures are determined accordingly.”

Fukoku Mutual Life Insurance Company shows confidence in its business operation carried out soundly.

Full utilization of LINE WORKS for non-face-to-face activities

How to increase the number of customer touchpoints---in the midst of COVID-19 pandemic,

even after life insurance companies resumed their normal operation, this is on the top of their agenda and each company has worked on it, repeating trial and error.

① How to construct non-face-to-face activities without meeting customers directly.

② How to combine newly adopted non-face-to-face activities with conventional face-to-face activities to bring out the most productive result.

These are the some of the points and utilization of digital tools is the key to non-face-to-face activities. Let's look at Nippon Life's example.

Last April: Providing sales agents with N-Phone come with the function to look at policyholder information, LINE WORKS to manage a schedule, and so on. Through LINE WORKS, sales agents can exchange text messages with policyholders.

June: Installing educational application on N-Phone. Sales agents then on can browse a wide range of educational materials. A sales roleplay exercise function by which AI automatically judges the effectiveness of agent's proposal was added to N-Phone.

July: LINE ID collection campaign.

September: Installing LINE WORKS on sales agents' TASKALL tablets and also adding a function to send insurance proposals.

November: Enabling to send digital product brochures to policyholders and potential customers through LINE.

Nippon Life put a lot of effort into functionality of a smartphone. Behind this is the increase in the number of smartphone application users in April and May by 47.5% compared to the same period last year because of COVID-19.

Last August, Nippon Life provided exclusive services for policyholders and added a push notification function and redesigned its website to a mobile friendly one in December. Another help line will be added by March.

A one-stop service which enables customers to do any paperwork and contact a sales agent in charge, Nissay Life Plaza, and a call center will be available in the future.

As such, Nippon Life is proceeding with the projects to diversify digital contact points and trying its best to strengthen the relationship with its customers.

Fukoku Life added WebX, a web conferencing application, to its sales agents' tablets called PlanDo in late May. The application was used for employee gatherings such as morning assemblies, meetings and trainings by September but it has started to be used for meetings with customers as well since September.

Fukoku Life has been focusing on digital marketing on educational endowment insurance since 2019. Favorable results have appeared to be brought by online meetings with customers little by little.

Digital marketing for educational endowment insurance is completed with agents visiting

the customers who requested product information materials through website after making an appointment with them.

“However, if there isn’t enough relationship built between a person who requested materials and a sales agent, it is most likely that this potential customer refuses to meet the agent in person under the COVID-19 pandemic. To avoid this kind of opportunity loss, online meeting has been brought in. Through the online session, an agent thoroughly explains insurance products and concludes a contract without meeting in person,” said Fukoku Life.

A monthly number of new business for educational endowment insurance products is between 2,000 and 3,000. 200 to 300 contracts, 10% of the total monthly contracts, are through digital marketing and furthermore, 20 ~30 contracts, another 10% of contracts through digital marketing are concluded through online meetings, which are expected to increase in the future.

Digital brochures help customers better understand products, hence a better sales efficiency

Contacting policyholders or potential customers, making appointments with them, and then visiting them---these were the sales procedures taken by Meiji Yasuda Life. However, the company has been producing better results taking following sales activities, by adding non-face-to-face sales activities to the conventional sales procedure.

- ① Contact policyholders or potential customers, who have already been acquainted, through LINE or email.
- ② Provide digital brochures to policyholders or potential customers who ask for information first.
- ③ Policyholders or potential customers check products by going through brochures in advance.

Meiji Yasuda emphasizes its success as “Because the customers have preliminary knowledge of the products, the meeting time gets shorter, so that sales efficiency goes up.”

Life insurance companies have started to experiment in a sales meeting with customers by bringing in specialists in tax, finance and underwriting section of a headquarter to a meeting with digital tools.

The assist offered by the head office in providing non-face-to-face support to the sales section will produce a higher level of consulting to customers, which in turn will result in better customer satisfaction---is what Meiji Yasuda is expecting.

Moreover, remotely supporting sales agents through online has another benefit in a support cost compared to conventional supports such as accompanying a sales agent. It will further be enhanced from the perspective of efficiency in support cost.

While more weights tend to be put on non-face-to-face sales activities, Sumitomo Life emphasizes on the value rooted in people once again.

“It is not just about adopting digital tools or being able to use them. The important thing is that even without meeting in person, we will deliver the customers the same value of being close to customers and supportive, just as always,” said Sumitomo Life.

Since life insurance has different roles and values expected by customers depending on their life stages, there are still customers' strong needs of meeting in person with sales agents who listen to them and propose the most ideal plans accordingly. After the face-to-face activities were resumed in July, the number of customers requesting for in-person meetings have been increasing.

Even in the post corona environment, the importance of face-to-face meetings will remain the same. That being said, however, online meetings will never be removed completely.

Non-face-to-face activities by using digital tools exhibit the advantages in preventing corona virus infection and increasing in sales efficiency.

In the context of it, “To find the exquisite combination of non-face-to-face activities with face-to-face activities according to need of each customer is the key,” said Nippon Life.

And so, sales agents are expected to improve IT skills and literacies as well as consulting skills backed by advanced knowledge.

Producing 80 video clips of training materials to increase learning opportunities

Along with the changes in lifestyle due to the spread of coronavirus, the way of training sales agents saw changes as well.

Sumitomo Life adopted CloudCampus, an e-learning platform, in September and video viewing is available to sales agents by smartphone.

It aims to create learning opportunities regardless of time and place by streaming video contents made at a head office to sales agents. Sumitomo Life says “While we try to realize efficient working style and to bring up employee’s skills and knowledge, at the same time we work further to improve our productivity.”

Moreover, training format has changed from the group training led by branch offices at their educational base to the training led by a head office using digital tools.

Fukoku Life prepared training videos for sales agent’s PlanDo tablets. 80 five-minute-video clips called Fukoku Microlearning were prepared just in half year.

Last April and May, the time sales agents spent working from home became the time of leaning not only insurance knowledge but also taxes and finances by watching training video clips.

On the other hand, while most of group trainings were restricted, online training sessions through Zoom are held. The new fact has come to light.

Online training is very effective for imparting knowledge; however, face-to-face group training is more effective for deep discussion among participants.

Fukoku Life will provide trainings through online and gatherings by making the most advantages of both training formats.

Now, since last December the third wave of coronavirus infection has been uncontrollable. Japan reported 7,800 new cases of COVID-19 nationwide on January 8 and it was record high.

Following the rapid outbreak of COVID-19, on January 7, the state of emergency was declared to Tokyo, Kanagawa, Saitama and Chiba prefectures from January 8 to February 7.

Even if face-to-face activities is restricted just like when the state of emergency issued in April and May last year, the business won't be crumbled like it did during the first quarter of 2020 since the life insurance industry learned lesson and accumulated know-hows on non-face-to-face activities using digital tools.

Sumitomo Life made predictions that on the assumptions that the business restrictions and stagnation of economic activities remain the same level for the second half of the fiscal year, the amount of new business annualized premiums for the entire Sumitomo Life group companies will drop by just around 10%.

For the life insurance industry, uncertainty still remains for FY2020 (April 2020~March 2021).

About the writer:

Kenichi Suzuki is an insurance journalist working for a major insurance trade paper for 34 years. From 2000 onward, he covers a wide range of insurance news including on-line life insurers, insurance shops, overseas expansion of Japanese major life insurers, business strategies, Insurance Council, InsurTech, to name a few. He hosts a private study group, Insurance Marketing Study Group. He occasionally takes a role of a speaker for OLIS seminars and has previously lectured at OLIS overseas seminars in Taipei, Seoul, Beijing, Bangkok and Jakarta.