

The Latest News in Japan’s Life Insurance Market 2021: Key to the recovery of domestic insurance business found in new mid-term management plans

FY2020 was the worst year for the life insurance industry because of the huge impact caused by the spread of COVID-19.

FY 2021, a new business year, started from April and each company announced a new mid-term management plan while recovering from the sharp decline in the number of new business. So, under what kind of management visions, what kind of strategies and tactics will life insurance companies take to get them back to a growth track once again? Let’s take a look at the basic stance and the new movements toward the domestic insurance business.



Nippon Life --- Aiming for a sophisticated sales agent channel befitting the digital era

Continue to support the future of customers and society through “People, Services and Digital Technology”

This is the corporate group vision that Nippon Life tries to realize in its new mid-term management plan, *Going Beyond (2021-2023)*.

The company will engage in 5 key tasks to further cultivate the domestic insurance market. One of them is to build a highly developed sales agent channel in the digital age and there are three points as listed below.

- ① Increasing sales activities by enhancing digital equipment.
- ② Increasing contact points with customers.
- ③ Training personnel who can build a long, stable career with Nippon Life.

To enhance digital equipment, Nippon Life has been preparing its corporate IT infrastructure required for its sales agents to move forward with digital activities by providing them with *N-Phone*, a smartphone.

“From here on out, we will enter the phase to leverage our development of IT infrastructure to increase sales activities. Through the tablets and smartphones provided to the sales agents, we will further enhance both of the quantity and quality of information and consultations for customers in timely manner,” says Nippon Life.

In addition, by proactively utilizing a screen sharing system set up at about 1,870 locations nationwide, the company is able to close life insurance contracts non-face-to-face with

customers. Building a new type of sales activities for the next three years by flexibly combining conventional sales visits and non-face-to-face activities, Nippon Life aims to increase sales activities of its agents.

To increase contact points with customers, opportunities for information provision through online will be enhanced. A wider range of seminars such as custom-made seminars on corporate benefits for its corporate clients or large-scale seminars will be prepared to attract more customers. The seminars held in January 2021 recorded a total of 50,000 viewers.

Nippon Life is also preparing to launch a Small-amount and Short-term Insurance Company to tap into a new distribution channel. A preparatory company with a capital of JPY 600 million was established in April 2021.

It targets young people such as Generation Z which Nippon Life group companies haven't covered enough yet.

Sharing customer data throughout the Nippon Life Group with an optimal timing to bring out customers potential needs, the group tries to expand its customer base.

“We would like to increase the number of new customers by establishing a system to propose unique insurance products, both life and general, within the group in a timely manner,” said Nippon Life. As a side note, it will take more than a year for the new company to start actual operation.

Dai-ichi Life --- Providing 4 experiential values through customer experience design strategy

Dai-ichi Life Holdings announced its mid-term management plan, *Re-connect 2023* (FY2021-2023) in March.

This three-year-period is positioned as the period to challenge transformation with resolute determination to secure a base for sustainable growth.

Concerning the domestic business, customer contact points will be reviewed radically. In particular, Dai-ichi Life will provide four experiential values through its customer experience (CX) design strategy by returning to the basics of customer-oriented marketing from the one with the perspective of product and/or channel supplier.

Each of the four experiential values is shown below:

①Protection: Enhancing products, underwriting and related services to satisfy today's diversified lifestyle and protection needs of customers and providing them to customers in timely manner.

②Asset formation/Succession: Developing products, consulting and other related services for asset formation and succession by taking advantages of the group.

③Health/Medical field: Challenging to the field of disease prevention and pre-symptomatic state based on the affinity to life insurance business.

④ Connection/Ties: Creating new contact points with policyholders and insurance enrollment opportunities through business tie-ups with external business partners.

By offering these four experiential values at a perfect timing and through an optimal channel, Dai-ichi Life aims to reach 10 million policyholders (9 million policyholders as of March 2020) and a top-level NPS in the industry.

NPS or Net Promoter Score measures the likelihood of recommendation of something to acquaintances or friends, and is a step further than customer satisfaction score. Dai-ichi Life adopted NPS as an important indicator in its new mid-term management plan.

As for a new movement of experiential value in a protection field, Dai-ichi Life and Dai-ichi Smart Small-amount and Short-term Insurance Company together have launched a new product brand, *Digiho*. Its brand concept is “insurance to take a step forward” and main targets are Millennials and Generation Z. An insurance product for specific infectious diseases was released on April 9 as the brand’s first product.

Dai-ichi Smart Small-amount and Short-term Insurance Company underwrites the product. The term of insurance is 3 months and a premium is a flat rate of JPY980. It adopts a dynamic pricing strategy and a premium is set at the first day of every month based on the state of novel coronavirus infection. JPY980 would be charged to policyholders enrolled in this April. The benefit amount is JPY100,000.

Through the collaboration with a wide range of business partners such as freelance communities and staffing services, Dai-ichi Life plans to actively promote *Digiho*, saying “New CX will be created by having our business partners utilize insurance as part of their subscription services.”

Regarding the sales agent system, agent recruitment and evaluation system will be drastically reformed so that it can evolve into a high efficiency sales channel that can deliver a high CX based on extensive knowledge.

As for the agent evaluation system, the system for qualification and salary will be reviewed and more weight will be placed on the indicators related to customer satisfaction. Selection criteria and process for recruitment will be stricter and the number of new hires for FY2021 will be reduced to 70% of the previous year’s level.

For the consulting, customer contact points will be expanded through CX design system, the use of digital tools will be also expanded, and cash-flows and non-daily risks will be visualized by updating life plan design [tools to customers].

Through these efforts, an individual efficiency of sales agents [revenue per sales agent] will be expected to catch up the pre-COVID-19 level by FY 2023, the final year of its mid-term

management plan, and the goal for FY2026 is set as more than 20% increase of the pre-COVID-19 level.

Dai-ichi Life affirms that the company emphasizes quality over quantity, allowing a temporary decline in premium income, since the next three years will be a transition period toward a sustainable growth.

Meiji Yasuda Life --- Promoting 4 major transformation and shifting to a next generation sales channel

The most accessible, industry-leading life insurer capable of “Wellness for People, Vitality for Communities” --- Meiji Yasuda Life announced its 10-year plan, *MY Mutual Way 2030*, in May 2020. The above statement is presented in the plan as its corporate vision in ten years.

The three years from FY2020 to 2022 were originally positioned as the period to secure the growth path for the realization of the company’s ideal image in 10 years and positioned as *MY Mutual Way Phase I*. However, Meiji Yasuda Life pushed its FY2020 forward with the single year management plan, *Special After-Sales Service Program “Always by Your Side!”* because of the significant change in the business environment caused by the spread of novel coronavirus infection

In response to this change, *MY Mutual Way Phase I* was postponed by a year and would be implemented for the three years from FY2021 to 2023.

A centerpiece of *MY Mutual Way Phase I* lies in the promotion of the four major reforms. Under these four major reforms, systems and corporate infrastructure will be developed for the phase shift to the realization of its ideal in 10 years. The reform targets to ① Sales/Services, ② Core functions/Administrative Services, ③ Asset management, and ④ Mutual management.

Transition to the next-generation sales channel is emphasized for the reform of Sales/Services.

According to Meiji Yasuda Life, it would like to *support QOL improvements by fulfilling new duties, such as contributions to local communities and high standards of support for customer health promotion, and position advisors continually chosen by customers as role models*. The establishment of new sales activity model and sales infrastructure through the combination of face-to-face and non-face-to-face is also included in the reform plan.

As for the reform of Core functions/Administrative services, a revision of digitalization and operational rules will be carried forward. Further sophistication/optimization of administrative operation at the head office will be promoted by drastically streamlining operations and reducing human jobs. By so doing, 40% each of administrative workloads for individual

insurance and for group insurance will be reduced.

In April, Meiji Yasuda established a new visiting service channel with 2,000 personnel.

The result that the company has successfully reduced the workload of routine administrative operations at branch and sales offices by promoting cashless and paperless led to the establishment of a new channel. Through this channel Meiji Yasuda will offer personalized after-sales follow-up services for each customer by providing a precise and polite support with technical knowledge on administrative work and high-value-added services face to face.

Sumitomo Life --- Accelerating sales performance of *Vitality* after a 3-to-4-year period to increase product awareness

To be an “indispensable” insurance company for society --- Sumitomo Life announced its new three-year management plan, *Sumitomo Life Medium-Term Business Plan 2022* in March 2020; however, due to the impact of COVID-19, a part of the plan was revised and the new mid-term management plan was announced on September 30.

As a few reasons for revising the plan, Sumitomo Life pointed out the persisting situation where the strength of face-to-face sales can't reach its full potential while providing customers with insurance, and the increasing needs for non-face-to-face communication, and the rise in health consciousness considering the new normal era.

Sumitomo Life's direction of the action toward the new normal era is as follows.

① Through integrating traditional unique human value with digital technology, providing services accommodating each customer's situation, condition, and preferences.

② Improving *Vitality* in order to further support customers' health promoting activities.

③ In addition to ensuring the safety of sales agents, improving working environment to facilitate a highly productive work style regardless of time and place.

④ Shifting resources by reducing a significant amount of existing operations in preparation for a transformation of the business model.

Vitality was introduced to the market in July 2018. A health promotion multiplier rider is applied to existing insurance policies. Although its sales target is 5 million policies in 10 years, there are still only a little over 500,000 policies sold.

“Japan is the 19th country to launch *Vitality*, and when we look at some of the advanced examples, sales picked up the pace considerably with 3 to 4 years of building recognition period. Generally speaking, life insurance products are said to have a product life of 2 years or so before sales going into a stall. However, as opposed to the trend so far, the sales of *Vitality* further accelerated in the third year,” said Sumitomo Life.

Vitality have been sold so far as an insurance program with a concept of health promotion;

however, as a new attempt, it has started to be promoted “Insurance” and “Program” separately. According to the new sales scheme, let potential customers try a health promotion program first, and then lead them to enroll insurance. While it is implemented in the Tokyo metropolitan area, the result turned out to be unexpectedly effective.

PoC of *Insurance Mobility* has begun as a cultivation of new customer contact points. *Insurance Mobility* is a customized truck with an insurance consulting counter. The concept of PoC is *Insurance hits the street* and it is scheduled to be opened at four locations in Tokyo starting from March and ending in May.

Izumi Life Designers, a subsidiary of Sumitomo Life provides a variety of programs that increase health awareness, and gives a brief introduction of life insurance products to visitors who appear to become interested in insurance.

In addition, for those who want more detailed explanations, Hoken Hyakka, an insurance shop chain Izumi Life designer operates at 85 locations nationwide, or online consulting will be introduced.

Sumitomo Life says “To safely provide with a new insurance experience in the new normal era and post corona era, we’d like to make the most of *Insurance Mobility*.”



So far, we have looked at overviews of mid-term management plans for domestic business. How about new business? How do these insurance companies view their new business performance in future?

It is expected that although there are certain activity constraints in face-to-face sales, efficiency of sales activities will further advance as non-face-to-face activities utilizing digital tools take root.

“Taking pros and cons into consideration, it may be unfeasible to get new business performance back to the level of pre COVID-19 era in FY2021. However, we try our best to recover and then exceed the level of 2019 in FY2022,” ---this is the common view among insurance companies.

Looking over the next three years, in addition to the COVID-19 pandemic, it is expected that changes affect life insurance business, such as a prolonged ultra-low interest rate, a more intensified focus on customers, an advancement of super aged society, depopulation, an advancement of digital technology, an advancement of preventive healthcare technology, and an international capital regulation will progress further.

It is no longer a time for anyone to manage a company just by following prearranged, exiting plan against the background of a stable business environment. Under the enthusiasm that they

make every endeavor to ensure a path to a sustainable growth to be built in these three years without being afraid of changes, but rather proactively adopting changes to solve problems, how they demonstrate their management skills attracts attention.

About the writer:

Kenichi Suzuki is an insurance journalist working for a major insurance trade paper for 35 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.