

# Basics-3 Sales channels and products

## ~The latest trend of Sales Channel~

Sales agent, Life Planner, Retail Store, Bankassurance,

Internet sales, mail-order sales, agency

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HOKEN - SHA ( INSURANCE SCOOP CO.)

Managing Editor Editorial & Sales Dept.

Kenichi Suzuki

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# I . Self Introduction

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# I . Self Introduction

- **In 1985, joined ‘Hoken Jouhou’, a publisher of weekly insurance news paper. Maintain broad network in industry.**
- **Currently, interview and report various subjects such as management strategy, channel trend (sales agents, life planner, retail store, expert agency, bankassurance, mail-order sales), marketing strategy, risk management and regulation related issues.**
- **Lead and organize regularly ‘Insurance Marketing Study Group’ and ‘Insurance Management Study Group’**
- **Give lecture under theme such as ‘The latest trend of Insurance Industry’ domestically and internationally.**



## **II . Changes in Life insurance Market Structure**

## II . Changes in Life insurance market structure

### *1. Downsizing market for death insurance*

- 1) Aging society – less population of working age group (15yr-60yr)
- 2) Main target of death insurance is shifting to Baby Boomer Jr. (early 30's) from their parent generation, Baby Boomer (early 60's)

## II . Changes in Life insurance market structure

### ***2. Expanding Pure endowment market***

- ① As Baby-boomer (in their early 60's) has shifted into senior age group, the needs of individual annuity, medical insurance and nursing care insurance has increased.
- ② Expanding woman market – women's life style has been diversified because of factors such as more opportunities in social advancement, and number of female employers are increasing.

## II . Changes in Life insurance market structure

### 3. *Activating existing market of policy in force*

- ① 30% - 40% needs in reviewing policy contents
- ② By communicating with policyholders from various “points of contact” sales agents offer benefits corresponding to the value for the rest of their life.

## II . Changes in Life insurance market structure

### *4. Decreasing interview chances*

- ① Lower rate of staying at home on weekdays
- ② Security system at entrance has become more tighter among major corporations

## III. Trend of Channel

## Ⅲ. Trend of Channel

### 1. *Diversification of channel (1/2)*

- ① **Sales Agent** . . . From 1950's, the number of sales agent had increased up to the highest of 440,000 until 1990 and currently, it is down to 220,000 – 230,000.
- ② **Life Planner** . . . Sony . Prudential life insurance started their operation in 1979. ( -Sony Life Insurance Co., Ltd started in 1981 and Prudential Life Insurance Co., Ltd started in 1987.) Approx. 20,000 agents in the whole industry
- ③ **Insurance Shop** . . . In March 2000, Life Plaza Holdings ., Ltd opened their 1<sup>st</sup> branch. Business expanding to 3000 branches in Japan.

## III. Trend of Channel

### 1. *Diversification of channel (2/2)*

- ④ **Bancassurance** . . . Opening in October, 2002. The mega-bank, the trust bank, the regional bank, and the credit union, etc. handle it.
- ⑤ **Internet Sales** . . . *Sony Assurance Inc.* started to sell risk segmented automobile insurance in 1999. In 2008, *Lifenet Insurance Company* has started to sell term insurance and medical insurance.
- ⑥ **Non-Life agencies** has started to cross-selling life insurance products to non-life insurance policy holders since 1997.

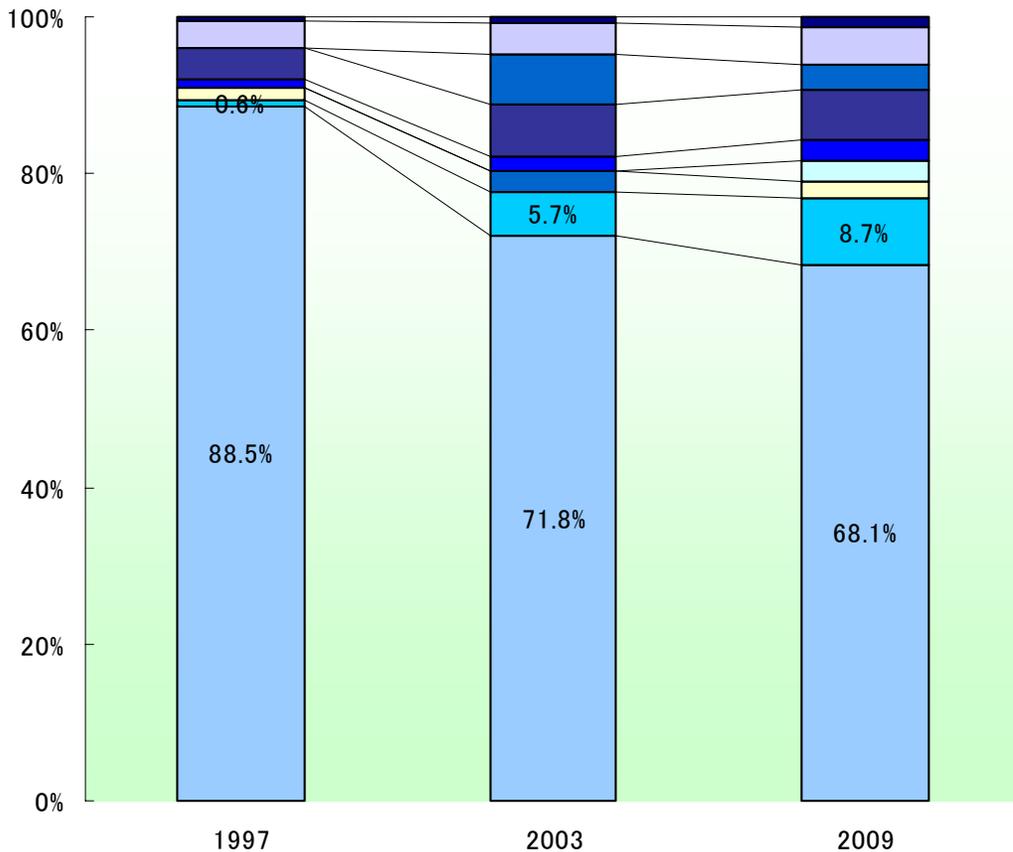
### Ⅲ. Trend of Channel

#### 2. *Transition of Channel Share* 1/2

- ① In a long term, sales agent channel tends to become lower among distribution channels (in terms of the number of policies).
- ② Mail order sales (internet channel included) 8.7%. Since 2000, it has been slightly growing.

# III. Trend of Channel

## 2. Transition of Channel Share 2/2



- Unidentified
- Others
- Through work office or labor union
- The counter of agency or sales agent
- Through bank or stock firm
- Post office counter or sales agent from post office
- The counter of life insurance company
- Mail-order Sales
- Sales Agent from Life Insurance Company

## III. Trend of Channel

### *3. Changes in Customer Awareness*

- ① Highly aware of credit risk of insurance company. Customer's selection standard has become higher
- ② Changes in entry process.
- ③ Women now has authority to make final decision.

### Ⅲ. Trend of Channel

#### 4. *Transition of liberalization and deregulation*

- ① `Rider` development competition becomes intense along with the full market opening of the third sector insurance.
- ② Frequent occurrences of claim payment omission caused by process error and oversight had become social issue.
- ③ Development of products which are easy to understand the contents of benefits.

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## **IV. Sales Agent Channel**

## IV. Sales Agent Channel

### 1. *About Sales Agents* .....

- ① Exclusive contract with one company
- ② Recruit sources are from house wife layer
- ③ First month salary is around 150,000 JPY.  
Employed. Social security system is available.
- ④ Put efforts on initial training (2 years) to measure activity schedule by points in order to make standard activities into routine habit.
- ⑤ Number of existing policies (customer) is also a criterion.
- ⑥ Managing both activity schedule and motivation

# IV. Sales Agent Channel

## *2. Sales Agent (Case of Nippon Life Insurance Co.)*

(1) Confirming activity of contract contents (since '07)

- ① Visitation to the policy holder at least once a year
- ② First year ··· Explanation of contract coverage to the existing policy holder

- ③ After 2<sup>nd</sup> year ··· Explanation of contract contents and payment cases of insurance money/claim.

Confirming the history of hospitalization, going to hospital and operations within a recent year.

Introducing various free services.

Achievements—Reduce surrender and lapse.

Adding new business.

To be introduced to newly potential customers.

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## IV. Sales Agent Channel

### 3. Measures to Sales Agent

- ① Revising Sales Agent System  
In April, 2007, evaluation system has been changed. It is clearly stated after-service and maintenance activity as “Main Duty”, will be more valued.

## IV. Sales Agent Channel

### *4. Development of Product, easy to understand*

- ① *“Mirai Support”* (Support in the future) is selling well.
- ② Total sales is 2,310,000 policies. (as of December '09)

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# **V. Life Planner**

## **(The Prudential Life Insurance Co., Ltd)**

## V. Life Planner

### *1. Mainly active in market of protection-oriented products*

- ① While other companies are shifting to the 3<sup>rd</sup> sector insurance, they continue to sell protection-oriented products.
- ② Needs-based selling by face to face
- ③ Covers only 3% of household
- ④ 692 are members of MDRT

# V. Life Planner

## *2. Educating Life Planner*

- ① Strengthen first three month training.
- ② Meister system for middle-level life planner.

## V. Life Planner

### 3. *Developing new services*

- ① Tie up with *The Chuo Mitsui trust and banking co., ltd* (Since November '08)
- ② Relaying of trust services
- ③ Last will trust and inheritance arrangement

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# VI. Insurance Shop

## VI. Insurance Shop

### 1. *Life Plaza Holdings Co., Ltd*

- ① Developed 3 trading brands.
  - 1) Hoken-no Magoduchi
  - 2) Minnano-Hoken Plaza
  - 3) Hoken-no Senmonten
- ② 151 branches total, 40,000 customers for consultation in a year.
- ③ Definition of sales
  - = Unit price × number of customers × rate of contract
- ④ Conducted “10 year anniversary” sales promotion campaign, costing one billion yen.
- ⑤ March 23<sup>rd</sup> is “Insurance Shop Day”

# VI. Insurance Shop

## 2. *IRC Corporation*

- ① Expanding “Hoken Clinic” shop under franchise system. 122 stores total.
- ② Uniquely developed IQ system  
(Analyzing contents of insurance policy)
- ③ Non-life insurance brokers in top sales level in each region opens “Hoken Clinic”

# VI. Insurance Shop

## 2. IRC Corporation

## Image-1



# VI. Insurance Shop

## 2. IRC Corporation

## Image-2



## VI. Insurance Shop

### 3. *Confronting common issues*

- ① Decreasing the ability to attract customers
- ② Collaborating with internet
- ③ Area marketing
- ④ Strengthen customer relations
- ⑤ Establishment of shop branding

## VI. Insurance Shop

### 4. *Insurance company starts to open their own Insurance shops*

- ① Meiji Yasuda Life Insurance Co. . . .  
The first nonexclusive shop “**Hoken Port**” in life insurance market.
- ② AFLAC (American Family Life Assurance company of Columbus)  
. . . Operates **AFLAC SERVICE SHOP** (552 stores)
- ③ Nippon Life Insurance Co. . . . **Life Plaza**  
(88 stores、 planning to locate it to all branch offices)
- ④ The Dai-ichi Life Insurance Co., Ltd. . . . **Total Life Plan Park**  
(4 stores)
- ⑤ Sony Life Insurance Co., Ltd. . . . **LIPLA** –Life Planning Atelier  
(1 store)

## VI. Insurance Shop

### *5. Medicare Life Insurance Co., Ltd*

- ① Sumitomo Life Insurance Co. and Mitsui Life Insurance Co., Ltd have co-established new life insurance company.
- ② Generating new approach to the customers (younger generation, information-research-type and etc.) who avoid interacting with sales agents
- ③ Developing products exclusively subjecting to insurance shops and Internet channel
- ④ Operates insurance shop “Hoken Hyakka” and “Hoken-no Mori”

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# **VI. Bankassurance**

## **VII. Bankassurance**

### ***1. Movements after deregulation since October 2002 (Characteristics in 3 different stages)***

#### **① 1<sup>st</sup> Stage**

Drastic expansion of individual annuity market during October 2002 to 2005.

#### **② 2<sup>nd</sup> Stage**

During December 2005 to 2007, protection-oriented products were deregulated.

#### **③ 3<sup>rd</sup> Stage**

Since 2008, sales of valuable annuity products have been suspended and shifted to fixed annuity products.

## VII. Bankassurance

### 2. *The issues of Bankassurance*

- ① Roller-coaster business
- ② Rapid changes in products trend
- ③ Ending up with forcing to sell the products regardless of customer's needs.
- ④ Customers decline protection- oriented products.

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# **VIII. Internet Sales**

## **(LIFENET INSURANCE COMPANY)**

## VIII. Internet Channel (LIFENET INSURANCE COMPANY)

### 1. *LIFENET INSURANCE COMPANY*

- ① Started their operation in May 2008
- ② Main channel is Internet
- ③ Term insurance and whole life medical insurance
- ④ Discrimination point is pricing

## VIII. Internet Channel (LIFENET INSURANCE COMPANY)

### 2. *Profile of Policy Holders*

- ① Male, in their 30's, reside in urban area, high IT literacy
- ② Took out term insurance of 20 million yen when his wife gave birth to a child.
- ③ Annual premium is 40,000 to 50,000 yen.

## VIII. Internet Channel (LIFENET INSURANCE COMPANY)

*3. Definition of improving sales results=  
Recognition Rates X Number of Items X Number of  
Application Forms*

- ① The recognition rate is 6%
- ② Product line-up started from two items. In February 2010, long-term-disability insurance added.
- ③ The average number of application forms they receive per day exceeded 100 in February 2010.

## VIII. Internet Channel (LIFENET INSURANCE COMPANY)

### 4. *Sales Results in 2 years*

- ① Number of business in force has achieved 20,000 cases in February.
- ② Business in force was 270 billion yen. Annualized premium was 945 million yen.
- ③ In February, the number of new businesses was 1,920, 2.8 times of the previous year.

## VIII. Internet Channel (LIFENET INSURANCE COMPANY)

### *5. Merging Internet and “Human Elements”*

- ① Virtual brunch offices . . .  
‘Face-to-face’ Company
- ② Individual consultation of life insurance

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# **IX. Mail Order Sales**

## IX. Mail Order Sales ■ ■ ■ 'Case of Sony Assurance Inc.'

### 1. Sales Trend

- ① Popular products:
  - ◎Life Insurance : Term Insurance,  
Medical Insurance
  - ◎Non-life Insurance : Automobile  
Insurance
- ② The cycle of annual sales
- ③ Moral Risk

## IX. Mail Order Sales

### 2. *Automobile Insurance DM Sales Trend*

- ① The total sum of insurance premium for 7 companies of DM automobile insurance was approx. 170 billion yen.
- ② Its share in the entire automobile insurance market is 7 – 8%

## IX. Mail Order Sales

### 3. *Sponsored Business*

- ① Tie-up with credit card company/mail order sales company
- ② High rate of response:  
“Credit card’s bill of statement”
- ③ The response rate of direct mail service using information-request-style is about 0.03%

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# X. Agency

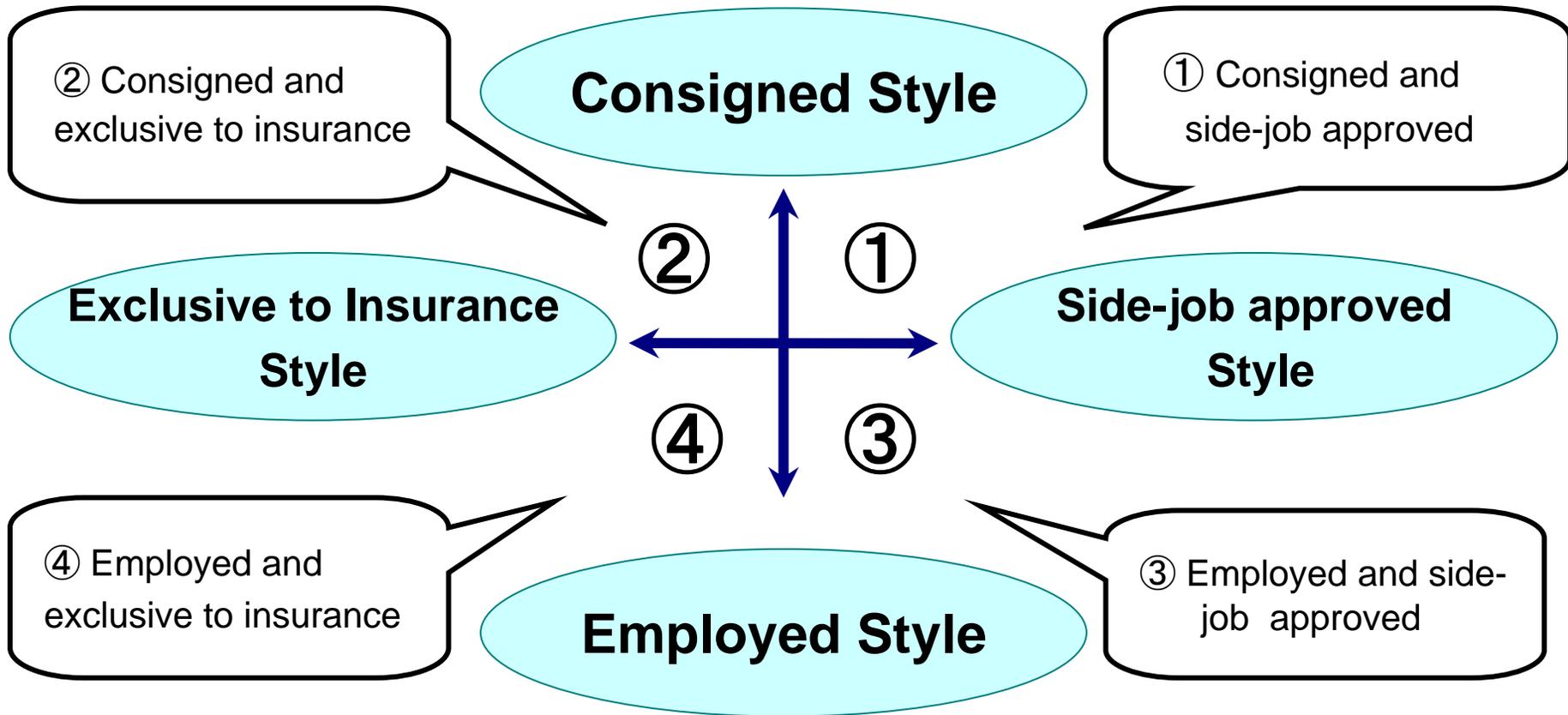
## X. Agency . . . [Mega Agency]

### *1. Some of Major nonexclusive agencies*

- Holos Planning (about 245 life planners)
- Sonic Japan (about 150 life planners)
- FIS Solutions Inc. (about 110 life planners)

# X. Agency

## 2. Assigned style of commission planner



## X. Agency

### *3. Countermeasures to prevent Commission Planners from leaving jobs*

- ① Backup system
- ② Provide service other than Insurance

## X. Agency . . . [Non-life agency]

### 1. *Some of major nonexclusive agencies*

- ① In 1997, non-life insurance company has established life insurance company subsidiary.
- ② Sales of products of non-life company's life insurance subsidiary.
- ③ Cross selling for non-life insurance company is not doing well.
- ④ Bipolarization of good sales agency and not-good sales agency

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# **X I . Main factors that will impact on sales channel trend in the future**

## X I . Main factors that will impact on sales channel trend in the future

- ① Trend of IT technology . . . An increase from 100 to 100,000
- ② Ability to afford insurance premium payment . . . 120,000 yen reduces annually
- ③ Customers consciousness . . . choose logically and independently
- ④ Progress in medical technology . . . Competition in additional value in products and services
- ⑤ Trend of customer protection . . . Customer claims are 'Treasures'
- ⑥ Deregulation
- ⑦ Lower pricing
- ⑧ Improvement in quality of sales . . . Consolidation of winning pattern