



Marketing and Customer Protection at Insurance Shops and the Online Life Insurance Companies

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Profile

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* 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 online life insurance companies
- ☆ The moves of the insurance shops which have been rapidly expanding as a new channel
- ☆ Major life insurance companies' new management strategies (asset management, overseas business expansion, the utilization of AI・big data, etc.)

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 Cultural Development Center (OLIS). He also participated in seminars in Taipei, Beijing, Seoul, and Bangkok.

Overview of Life Insurance Channel

<Changes by period>

- 1960s ~ Sales representatives (Nippon Life, Dai-ichi Life, Meiji Yasuda Life, Sumitomo Life, etc.)
- 1970s ~ Life planner (Sony Life, Prudential Life, etc.)
- 1997 ~ Cross-selling of life insurance products by non-life insurance agencies
- 2000 ~ Insurance shops (Hoken no Madoguchi, Hoken Clinic, Hoken Minaoshi Honpo, etc.)
- 2002 ~ Bancassurance
- 2008 ~ Online life insurance companies (Lifenet Insurance, AXA Direct, etc.)

Traditional exclusive sales channel

- Sales representatives channel: focus on personal relationship, push sales
- Life planner: consulting-based selling
- Non-life insurance agencies: cross-selling of life insurance products to policyholders of auto insurance, etc.

Independent agency channel whose presence is increasing

- Bancassurance: needs of the wealthy group (60 years old or older) to build up their financial assets
 - * 10 years since the complete removal of the ban on over-the-counter sale of insurance products by banks
- Insurance shops: needs of the child-rearing households in their 30s or 40s to review their insurance

Online channel

- Main target segment for the online life insurance companies is those in their 20s or 30s.
- Major life insurance companies such as Nippon Life, where the sales representative channel is the main force, have started to utilize the Internet as a communication channel.

Latest trends of the sales representative channel

< Keywords >

- Sophistication
- Multi-layer

What's "sophistication"?

• • • in the case of Dai-ichi Life

< Strengthening consulting services >

- Obtain up-to-date information relating to the social security system, tax, and medical area as related knowledge.
- In addition, respond to customers with a sense of hospitality

What's "multi-layer"?

• • • in the case of Dai-ichi Life

Capture the market with the three-layer structure centering around sales representatives.

<Sales representative>

Conduct sales activities mainly targeting a market of existing policyholders of certain regions/occupation.

<Customer consultant>

Belong to insurance shops and pursue the conclusion of new contracts while providing follow-up services concerning orphan policies.

<Career-track sales personnel>

Consist of college graduates; they're in charge of major companies, and government or other public offices in metropolitan areas.

Latest trends in the bancassurance channel (1)

- People of more than 40% recognize it, but only 3 ~ 6% use it.
- Reasons of the purchase include: “Trustworthy” and “The staff of the bank gave appropriate suggestion.”

(Consumer Questionnaire concerning the Sales of Insurance Products by Bank conducted by Japanese Bankers Association in January 2017)

Latest trends in the bancassurance channel (2)

- From October 2016, banks started to disclose fees concerning single premium.

Behind this background is “Fiduciary Duty” (customer-oriented business operation) required by FSA.

- Premium income of FY 2016 (April 2016 ~ March 2017) decreased significantly.

Due to the reasons such as the suspension of the sales of the single payment whole life insurance, it dropped sharply from 6 trillion yen in FY2015 to around 4 trillion yen.

Insurance shops in a office building in a city and in a suburbs



Office bldg.
in a city

Suburbs



Insurance shops in a shopping mall and in a shopping street



Shopping mall



Shopping street



Marketing strategies of insurance shops (1)

<Equation of the sales>

- Fee per one case x The number of customers who visited the shop x The contract rate

<Profitability per shop after the opening>

- 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.

Marketing strategies of insurance shops (2)

Out of “Seven Ps” of the general marketing, “Three Ps” are key points.

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

Marketing strategies of insurance shops (3)

< Out of three Ps, “People” are the most important.>

- The biggest differentiation is the ability of shop planners.
- Managerial resources (manpower, goods, and money) are injected into guidance, education, and training.
- Required skills include abilities to listen, suggest, and close a deal.
- Standardized know-how is shared among all the shops.

Major life insurance companies where the sales representative channel is the main force 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 (15 shops)

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

<Positioning of the antenna shops>

- Probe the needs of customer segment with whom their sales representatives cannot contact.

<Change the image of life insurance >

- Change the insurance that seems to be somewhat difficult and hard to access into the one which has easy and friendly images.

<Consumer segment>

- Respond to the consumers who would like to choose insurance products with reasonable insurance premiums by themselves.

NISSAY Life Plaza (Nippon Life)



Case of Nippon Life Insurance Company (1)

< Nissay Life Plaza >

- Set up in the branch buildings.
- 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.

Case of Nippon Life Insurance Company (2)

<Operation of insurance shops as subsidiaries>

- Purchased Hoken-no 110 Ban (89 shops).
- Invested one billion yen in Life Salon (50shops).



- Aim at improving the presence in areas with a small share (markets).

Marketing strategies of the online life insurance companies · · · in the case of Lifenet Insurance (1)

<The three key drivers>

- Attract customers to the website
⇒ Increasing the recognition rate is necessary.
- Improve the purchase rate
⇒ Friendly purchase process is necessary.
- Cross-selling (purchase of many products)
⇒ A wide lineup of products is necessary.

Change in business performance of the online life insurance companies . . . in the case of Lifenet Insurance (2)

- Started its operation as the first online life insurance company in May 2008.
- Its business goal was “to create a new market and reach 150,000 policies-in-force within five years of commencing business operations.”
- Aimed at providing products/services that are simple, easy-to-understand, inexpensive, and convenient.
- Its main targets are the child-rearing generation in their 20s or 30s.

Sluggish growth after reaching 200,000 policies • • • in the case of Lifenet Insurance (3)

- The initial goal of 150,000 policies-in-force was achieved in November 2012.
- This goal was met in just four years and six months.
- 200,000 policies-in-force were reached in February 2014.
- However, the growth has been slow with the number of policies staying at 239,800 as of March 2017.

Sale of life insurance products from via the Internet to smartphone

▪ ▪ ▪ in the case of Lifenet Insurance (4)

< Widespread use of smartphones >

- Established the purchase flow that is most suitable for smartphones.
- Started services to check the status of insurance/provide the estimate of insurance premium utilizing chatbot.
- “We want to be engaged in activities that make consumers think that ‘Lifenet is good!’ by promoting the advantages of services that use smartphones.”

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.

Consumers want to buy from insurance shops because...

- 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.

Insurance shops have spread throughout the country.

< There are about 1,200 shops in Japan. >

- Customers in their 30s account for the largest percentage, and those in their 20s, 40s, and 50s are 20% each.
- Although online appointment is necessary, the number of customers who visit without appointment 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.

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

- They say that they choose products from a fair and neutral perspective, 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 commission-oriented practice 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 revision of the Insurance Business Act

- April 2012: 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 came into force.

Establishment of basic rules on insurance solicitation

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

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.”

Obligation to provide customers with information

The provision of the information on products and others, which becomes a base for customers' judgment 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

Responses of insurance shops

▪▪▪ in the case of IRRC Corporation (1)

< IQsystem >

(1) Function of life planning

- When customer attributes are entered, the necessary amount of coverage will be displayed graphically.
- The excess/shortage of coverage is clarified.

(2) Function of understanding customers' intention

- Customers' intention is recorded through the comment input function.

Responses of insurance shops

▪▪▪ in the case of IRRC Corporation (2)

< IQsystem >

(3) Function of product recommendation

- By narrowing down products by characteristics, suggestions that make customers feel satisfied can be made.

(4) Function of suggestion history

- Confirmation can be made as to whether products that meet customers' intention are suggested.

Responses of insurance shops

▪▪▪ in the case of IRRC Corporation (3)

<Written confirmation of intention>

- Prepare for death protection.
- Prepare for diseases or injuries.
- Prepare for care or disability.
- Prepare for savings and longevity.



Check whether the initial intention and the final one are the same.

Responses of insurance shops

• • • in the case of IRRC Corporation (4)

- Based on the customer's intention, narrow down the type of insurance products to be suggested.
- In the case of death protection, compare term insurance products of each insurance company and narrow down recommended products.
- By entering conditions such as policy amount and policy term, narrow down recommended products.
- Compare products with the same insurance content in terms of insurance premium.

Responses of insurance shops

• • • in the case of IRRC Corporation (5)

The three years starting from 2013 were the preparation period towards the revision of the Insurance Business Act.



The two years starting from 2016 are spent to establish the process of new solicitation rules.

<Sales policy in the future>

- Check assumed risks from the viewpoint of household risk management and suggest insurance products that include all the necessary but not redundant coverage.

Review of FSA's inspection/supervision

(1) From formal to substantial ones

- Focus on providing substantial and quality financial services (best practice).

(2) From the past to the future

- Focus on the sustainability of business models for the future, etc.

(3) From part to whole

- Focus on whether really important issues are being handled.

FSA conducted a hearing survey.

<Conducted a hearing about the status of agencies' responses after the enforcement of the Revised Insurance Business Act.>

- 100 insurance agencies were interviewed during the period between October and December, 2016.
- The purpose was not to point out cases of the inappropriate handling but to collect good cases (best practice).

Results of FSA's hearing survey (1)

<Case relating to the understanding of customers' intention>

- Established the rules where not only required matters but also matters related to the emotions of customers, such as what led to the request for consultation or how concerns of the customer and his/her family can be removed, are handled and recorded.

<Effects>

- Not only has this led to the high persistency rate, but also the agency has been receiving appreciation from customers for providing advice in their shoes.

Results of FSA's hearing survey (2)

<Case relating to suggestions/explanation>

- In order to respond to various intentions comprehensively, insurance solicitors from different areas of expertise handle customers in pairs.

<Effects>

- This makes it possible to handle a wide range of insurance-related concerns; there was a case where potential needs not related to the initial purpose for consultation were discovered.

Confirmation of customers' intention at the online life insurance companies

• • • in the case of AXA Direct (1)

<Purchase process>

- Premise that users have a certain “intention”



- How do we establish the process of confirming consumers' intention while using our creativity and ingenuity and without losing the convenience of the Internet?

Confirmation of customers' intention at the online life insurance companies

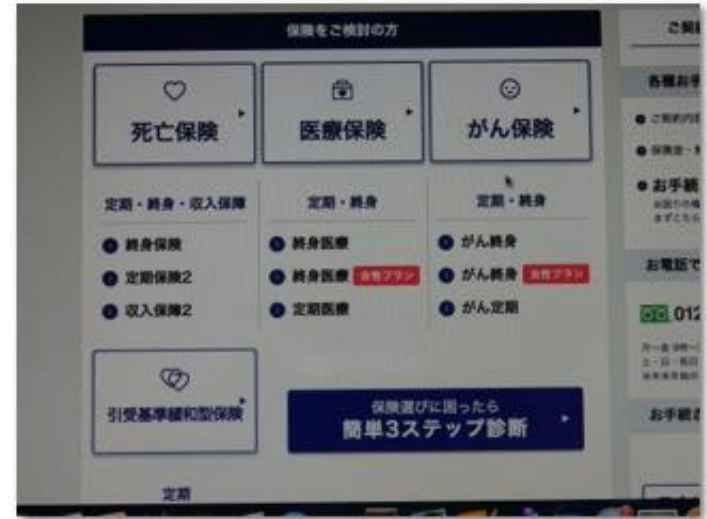
• • • in the case of AXA Direct (2)

<There are three patterns in confirming customers' intention.>

- (1) "Understanding" type: The face-to-face channel conducts surveys.
- (2) "Estimating" type: Make suggestions based on estimation.
- (3) "Non-life insurance" type: Common knowledge that the purchase of a car involves the purchase of auto insurance.



Confirmation of customers' intention at the online life insurance companies falls under the "Estimating" type.



Confirmation of customers' intention at the online life insurance companies

• • • in the case of AXA Direct (3)

<Example of choosing products on the website>

“Those who are considering buying insurance products”

- Death benefit insurance : term, whole life, income guarantee
- Medical insurance : term, whole life
- Cancer insurance : term, whole life

“Having difficulty choosing insurance?” • • • Easy three-step process

Confirmation of customers' intention at the online life insurance companies

• • • in the case of AXA Direct (4)

<When you click on “Term insurance”...>

“To those who want to fully protect your family during the period that requires the greatest responsibilities”

- (1) Characteristics
- (2) Content of insurance
- (3) An example of purchase
- (4) Before purchasing

Confirmation of customers' intention at the online life insurance companies

▪ ▪ ▪ in the case of AXA Direct (5)

- After confirming the content of insurance, enter the personal information.
- Written confirmation of intention is prepared.
- Confirm the estimated intention and the final intention.
- The written confirmation of intention is kept through My Page; policyholder can re-confirm his/her "Intention" after the purchase.

AI expected to significantly affect the operation of life insurance companies in the near future

< Points of the utilization >

- (1) Development of new insurance sales models that utilize digital data analysis
- (2) Use of AI in the areas of new business/payment assessment
- (3) Sophistication of decision-making on investments and loans utilizing big data analysis

An example of insurance sales models ▪▪▪ in the case of Nippon Life

< System for preparation for visits >

Loaded in the wireless terminal "REVO"; the information below is displayed collectively on a single screen.

- (1) Address and place of employment of the customer
- (2) Date and time of appointments, the customer's "Thanks Miles"
- (3) The customer's intention obtained through hearing
- (4) Details of family members, "Zutto Motto Service" information
- (5) Details of in-force policies (Nippon Life and other insurers)
- (6) Recommendation messages that are appropriate for the customer
- (7) History of visits or procedures, etc.



Thank you for your attention.