

Life Insurance Marketing: Consumer Behavior Approach

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Preface

In Japan, where the society faces serious depopulation with ongoing aging and a declining birthrate, life insurance companies are confronted with the structural changes of a shrinking market and shifting needs for security. The sales agent channel that had for the longest time claimed a dominant presence as the sales channel for life insurance is losing contact with consumers, since fewer people are at home during the daytime in light of the rise in double-income families and due to more restrictions on solicitation activities in the workplace against the backdrop of an increased awareness of the dangers of information leakage. On the other hand, new channels have come onto the scene, including direct sales channels, mainly online life insurance companies, and independent insurance shops handling products from different insurance companies leading to the rapid diversification of sales channels in the life insurance industry over the past decade or so. Meanwhile, the asymmetric nature between the seller and the buyer in terms of the predominance of information is rapidly disappearing with the advances in information technology and the spread of the Internet among general consumers. The days when it was said "life insurance is a product that is necessary but faces weak demand; therefore, consumers cannot recognize the necessity of life insurance unless the needs are aroused through push-strategy channels" are long gone, and there seems to be more and more consumers who are aware of their need for security, examine proactively, and make the decision to purchase insurance.

In order for the life insurance industry to accommodate such changes on the consumers' part, it is necessary to first deepen our understanding of the actual actions of consumers, namely the actions they take when examining the possibility of taking out life insurance and their thinking behind these actions. This book is based on an article published in a 33-article series in the insurance industry newspaper, *Insurance Scoop*, between March 2009 and October 2013.

In Part 1, the details of consumers' actions and thoughts are shown in line with the framework explaining the purchase process of general goods and services with a focus on the decision-making process and series of actions consumers take when getting a life insurance product. In the chapters of Part 1, the specific actions and thoughts of consumers in the various stages of the purchase process are explained. However, there is no chapter to outline the overview of the purchase process as a whole. This is out of the concern that providing an outline might rather end up distorting the recognition that consumers are diverse. I hope the reader will grasp the big picture of the purchase process from reading through Part 1.

In Part 2, the characteristics of consumer segments classified into subdivisions according to various axes are explained with a focus on consumer

heterogeneity. As mentioned above, consumers are diverse. Moreover, we talk about life insurance as such; however, products to provide compensation for bereaved families and those for medical security or old-age security have different elements to be considered when making the decision to purchase, including marketability or other methods of preparation that may serve as alternatives. The hope is that revealing the differences and similarities among consumers or product types will serve to deepen the understanding towards the consumer life insurance purchase process as set forth in Part 1.

As the environment surrounding consumers and the consumers themselves have changed since this text first started to be serialized in *Insurance Scoop*, I have updated the various statistics and figures to the most recent reports available and significantly revised some of the expressions. Furthermore, statistics that had been omitted due to space constraints in the original publication have all been added. Individual data from the quantitative survey¹ conducted in January 2013 by the NLI Research Institute, to which the author belongs, is used for the analyses in this book unless specifically stated otherwise.

I would not have had the opportunity to systematically rearrange this literature had my series of articles that was merely collected into three brochures gone unnoticed. The English edition based on this rearranged paper could not have been published without the tremendous support of the Oriental Life Insurance Cultural Development Center. I note here my deep gratitude.

It will be my great joy if this book would serve to deepen the readers' understanding of the Japanese life insurance market and consumers, and furthermore be useful to understand the consumers of your own country by reflecting on the differences between our market and yours.

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Tomoki Inoue

¹ The outline of the survey is as follows.

Survey subjects: men and women between the ages of 20 and 69 (panel registered with survey company) Survey method: online survey. Number of valid data samples collected: 5,309 respondents (of which 4,021 were policyholders and 1,288 were non-policyholders)

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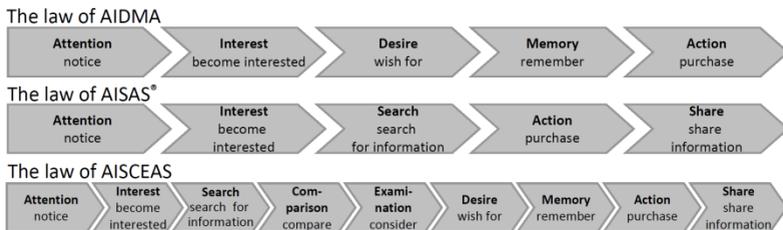
Part 1 The Process of considering taking out a Life Insurance

Chapter 1: Introduction

1. Changes in consumers' purchasing process

In recent years, consumer behavior has changed significantly as a result of changes in the social economic environment and information environment as typified mainly by the prevalence of the Internet. Indeed, studies conducted in Japan on purchasing behavior of general goods and services show that the role of information in the process of making purchases are changing, and frameworks,² such as AISAS[®] and AISCEAS, which incorporate the concept that consumers proactively search for information and share information after making purchases, are being proposed,³ leading to the accumulation of experimental studies along these lines. Among such consumer purchasing processes, there are the traditional frameworks typified by AIDMA, and then there is AISAS[®] which explains that consumers do not come to have the desire (Desire) to purchase products and services they become interested in (Interest) from paying attention (Attention) to information on products and services, but rather they conduct a search (Search) when they become interested in something and make the purchase on the spot [Figure 1-1] Furthermore, there is the AISCEAS that explains that there is the process of comparing information on the product or service (Comparison) obtained by conducting a search (Search) in order to consider whether it is worth purchasing (Examination) prior to making the purchase (Action). The latter concept attempts to understand the purchasing process in more detail than AISAS[®].

Figure 1-1 The laws of AIDMA, AISAS[®], and AISCEAS



Source: prepared from "Kaitai Kuhki no Tsukurikata (How to make the mood of wanting to buy)" edited by Dentsu S.P.A.T. Team (2007), "Amvy Communications Inc. website"

² In addition, there are other frameworks, namely AIDEES and SIPS. However, these frameworks do not clearly define the process of information searching (Search), and therefore, they are omitted in this text.

³ AISAS was proposed by Dentsu, while AISCEAS was proposed by Amvy Communications.

These are frameworks designed to understand consumers and have been proposed mainly for the purpose of contributing to advertisement strategies, namely identifying the necessary medium and messages for companies to convey information at an appropriate timing to consumers. Indeed, there are some that maintain the process should be divided into three stages,⁴ categorizing attention (Attention) as the (1) *recognition stage*; interest (Interest), search for information (Search), comparison (Comparison) and examination (Examination) as the (2) *emotion stage*; and purchase (Action) and information sharing (Share) as the (3) *action stage*; and the medium for reaching out to the consumers, the contents of the message, and KPI should be changed depending on the respective stages.

2. Changes in Consumer Behavior pertaining to Life Insurance

As seen above in the purchase behavior of general goods and services, consumers are now going through the process of searching, comparing, and examining different information to make purchases, and then they share information on the purchased goods or services or its providers with people close to them or over the Internet.

In the social economic and information environment of the recent years, what kind of process are consumers going through to purchase life insurance?

When taking out life insurance, the preferable amount of coverage differs depending on the family structure and the income and asset status, and in some cases, the requirements for benefit payment differ between companies; therefore, it is highly difficult for a general consumer to fully understand the products, to make comparisons, and to select which product they should purchase on their own. Furthermore, upon actually making the purchase, not all policyholders will receive insurance money or benefits, and even if they do receive insurance money or benefits, it may take a long time, perhaps decades, before the money is actually received, or the beneficiary may be different from the policyholder, such as in the case of insurance against death; therefore, it seems difficult to share the assessment on whether or not the life insurance purchased was good or bad.

However, in a focused group interview on life insurance we conducted in the past, people exhibited behaviors of trying to search and make decisions on their own or to acquire knowledge as can be seen in comments, such as “I won free consulting by a financial planner when renewing my policy and was recommended an assurance offered by a foreign capital insurance company, so I compared several companies on an insurance comparison website” or “I searched for life insurance on Yahoo!, added the websites of the companies

⁴ Some point out that Interest should be included in the (1) recognition stage.

from the search result to my favorites, and reviewed them over a couple of days. I thought I'd check what kind of insurance others were getting to obtain advance knowledge first on what product of which company was good." So it seems that consumers also go through the process of searching for information and making assessments by comparing companies using comparison sites or comparing the websites of the individual companies to determine which policy to buy or which company to go with in the process of a taking out insurance. It can be considered that the changes in the purchasing behavior for general goods and services described above are also taking place in the field of life insurance. According to the laws of AISCEAS; the process of taking out a life insurance can be outlined as the need is aroused (A, I) by the approach from the seller, such as sales agents or life events; then information is collected (S) from the Internet, brochures, or specific proposals, compared and examined (C, E); and then the contract is concluded (A); and at the same time, the assessment on the insurance company, its personnel, and the product details is disseminated (S) by word of mouth to family members, friends, and acquaintances.

In Part 1, among the various frameworks pertaining to the consumer purchasing process suggested, we will look at the specific behaviors and thoughts of consumers in the different stages of taking out an insurance policy according to the laws of AISCEAS that captures the purchasing process in the most segmented way.

Chapter 2: The Process of the Recognition Stage

1. The established theory of the life insurance industry

"People don't want to think about death, which is a bad omen," "Insurance (especially life insurance) is a product that is necessary but faces weak demand, therefore, will not sell if demand is not aroused." It is probably safe to say these are established industry theories that everyone in the life insurance industry would know very well. It has been said so for years and I have heard it myself a number of times. However, recently, we are starting to see people think of and prepare in advance for their death or after death by arranging for their graves or writing their wills or having their funeral performed while they are still alive, for example. Furthermore, as mentioned in the previous chapter, *word of mouth* (WOM) has become one of the triggers for consumers to consider taking out an insurance policy. Thus, the tendency to consider it a taboo to talk about illness or death, which is deeply related to life insurance products, seems to be waning greatly. Rather, products and services answering to the needs of those who want to prepare for their after death seem to have become less uncommon with Will Kits that assist people to prepare their own handwritten will and Ending Notes for writing down what people want for their terminal care or nursing care, their wishes regarding their funeral and grave, as well as information on their insurance and properties, being sold.

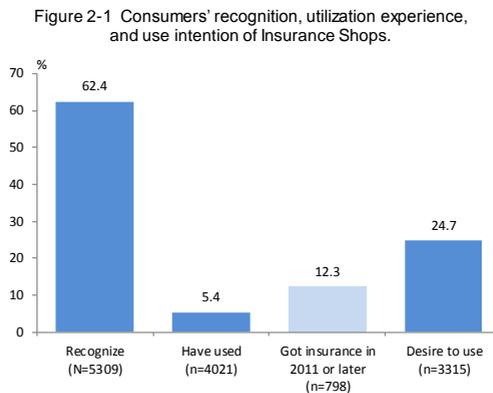
So, is the industry's established theory, "insurance is a product that is necessary but faces weak demand, therefore, will not sell if demand is not aroused," still valid today?

2. Consumers that come to buy insurance

In recent years, the sales channel for life insurance has diversified to include retail stores, bancassurance, and the Internet (direct sales). As for bancassurance, there are cases where insurance products are sold not only by tellers but also by liaison officers making rounds, however, retail stores and the Internet (direct sales) channels both require consumers to go to the store in person or visit the website themselves, and this is decisively different from the traditional push-based personal channel such as sales agents and agencies that life insurance companies had developed. A sense of crisis on the part of life insurance companies, that the ratio of contact through the traditional channel is falling due to fewer people being home and enhanced security measures in the workplace, seems to exist behind the diversification of sales channels. Then again, if the reality were as the above mentioned theory, would it not be that the consumers would stay away from these retail stores or the websites of life insurance companies on the Internet, apart from having to have to visit for

necessary procedures after taking out the insurance?

More and more stores for people to visit are being opened in recent years including those offering products of multiple insurance companies by agents shared by multiple insurance companies, as well as those set up by insurance companies solely for their own products. Consumer awareness of these retail stores accounted for 62%, or above 60% overall in a survey conducted by our company in January 2013. However, policyholders who had gone through such stores when taking out their most recent insurance policy remained at 5% of all life insurance policyholders. The ratio was a mere 12% even for those who took out a policy in or after 2011. [Figure 2-1] Meanwhile, of those who are aware of such retail stores, 25%, or a quarter, wished to use these outlets, making it entirely possible that these stores would grow to become one of the major channels for consumers to take out a life insurance.



As for the websites of life insurance companies on the Internet, in particular, the two pure Internet play life insurers founded in 2008 which had issued more than 10,000 insurance contracts respectively by the second quarter of 2009, had shown a clear contrast in terms of growth over five years, with 203,000 contracts and 5,300 contracts respectively as of the account settlement date for the year ended March 2014. Nevertheless, it is conceivable that the number of consumers who considered purchasing an insurance policy over the Internet by themselves amounted to several times more than these figures, if those who dropped out in the course of considering, before concluding a contract are included. The speed of growth seems to be slowing somewhat in recent years. Still, some of the existing life insurance companies are starting to sell their products online and the Internet is deemed to gradually become established as a sales channel in light of its convenience and moderate insurance premium.

As seen above, the conventional theory is losing its validity in the present time, as insurance is not necessarily a product that is necessary but faces weak

demand anymore, and as there are definitely quite a few consumers who go to buy insurance without having to have the needs for insurance being aroused.

3. Consumer decision process in the consumer behavior theory

As described above, a certain class of consumers is already heading to stores and online sites seeking life insurance products on their own without waiting for sales agents or agencies to visit and solicit them and this tendency is expected to become even stronger. Are consumers going to be taking out insurance policies directly from life insurers' online sites or retail stores and not through sales agents or agency channels?

The general studies of marketing theories since the 1980s have developed regarding consumer behavior as a procedure of information processing (consumer information processing model). The accumulation of such studies have brought much knowledge leading to a better understanding of consumers, however, looking at the actual behaviors of consumers, the same consumer would follow different procedures when making purchases depending on the person's interest or level of knowledge of the product concerned or the situation, e.g., the person might actively collect information by comparing catalogs and pamphlets or by visiting stores to actually hold the product when considering to buy, while with another product, the consumer may impulsively purchase a new product that the person happened to see in a shop. If they become interested in the product or service, consumers will behave proactively towards making a purchase, collecting information and examining on their own, for example.

As we saw in the previous chapter, consumers tend to collect information on "insurance" on their own when considering a policy or to review the policy they have if their interest is aroused by the WOM of a friend or an acquaintance, or because of a particular event in life or that of a family member. And the online sites of life insurance companies are being used by many consumers when they consider taking out a policy because it is highly convenient. In a focused group interview we have conducted in the past, it has been confirmed that consumers do search the Internet but end up relying on sales agents because they felt that "you can't understand with the Internet unless you think for yourself," or "the Internet isn't for me." Because the enormous amount of information on the Internet requires the consumers to have basic knowledge and information processing abilities, it is probably true that only people of specific classes such as those with a certain level of knowledge or with high information processing ability can actually decide on taking out a policy with information taken solely from the Internet. Meanwhile, the retail stores, which people can drop in during their daily shopping routines, are highly likely to catch on as an easy way to collect information due to its

convenience, and may well win over consumers who cannot make their decision based solely on information on the Internet, to the extent these stores have the presence of humans that can mediate. In determining which channel the respective consumers would actually use, whether or not they can obtain information that is easy to understand based on their own level of knowledge, and whether or not the channel helps remove their concerns, seems to be a big factor. What is common for all channels, no matter which, is that they help lead the consumers to a specific product according to their own needs or their concerns behind the needs.

4. What's needed is not to arouse needs but to listen attentively

As mentioned in the beginning, the sense of feeling that people don't want to think about death, which is a bad omen, seems to be waning greatly in recent years. Consumers take up insurance as a topic of their WOM and do recognize the necessity of life insurance in everyday life, making comments, such as "I sort of did feel the necessity" or "I did think it was something to get when you started working."

Which channel a consumer who starts considering taking out an insurance policy would go through depends on the amount of knowledge and the ability to process information of the respective consumers as well as whether he or she would want someone to mediate, or in other words, whether he or she would prefer to go through a personal channel or prefer a channel that does not require meeting a person. In any case, perhaps what is required of the vendors is not to arouse the needs of the consumers but to listen to the concerns behind the needs to take out a life insurance policy and to provide measures (solutions) that would be appropriate to alleviate these concerns.

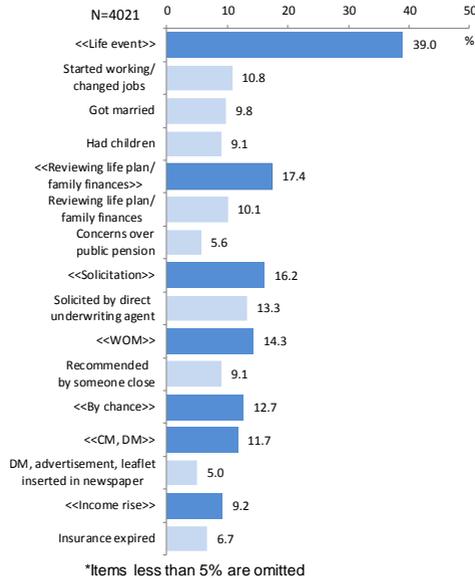
In the next chapter, we will review consumer behavior with a focus on the recognition stages of *attention* and *interest* in the purchase process described in the laws of AISCEAS explained in the introduction, and clarify the factors that affect the process of searching for information (search) and those that follow.

5. What makes people think of getting insurance?

Looking at the results of the quantitative survey conducted by our company in January 2013 on what aroused the needs of getting life insurance coverage and why people started thinking of taking out a policy, the most common responses were "solicited by sales agent" and "by chance," accounting for 13% respectively, followed by "started working/changed jobs" (11%), and then "reviewing family finances/life plan" and "got married" (10% respectively). [Figure 2-2] Categorizing the reasons by types, "life events" scored the highest accounting for 39%, and then "reviewing family finances/life plan" (17%),

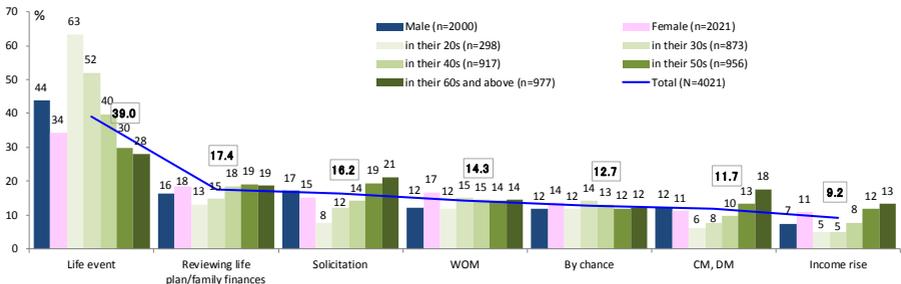
“solicited” (16%), “WOM” (14%) and “commercials, direct mail, etc.” (12%) securing over 10% each, showing that the individual’s life event or life planning was more likely to be the motivation than approaches made by life insurance companies or sales agents.

Figure 2-2 Reason for getting insurance



By gender, male respondents were more motivated by “life events,” while female respondents were more motivated by “WOM” and “rise in income” than the opposite sex. [Figure 2-3] Furthermore, by age groups, “life events” scored high among people in their 20s and 30s with more than half of the respondents falling in this category, while the higher the age group, “solicited,” “commercials, direct mail, etc.,” and “rise in income” became more common.

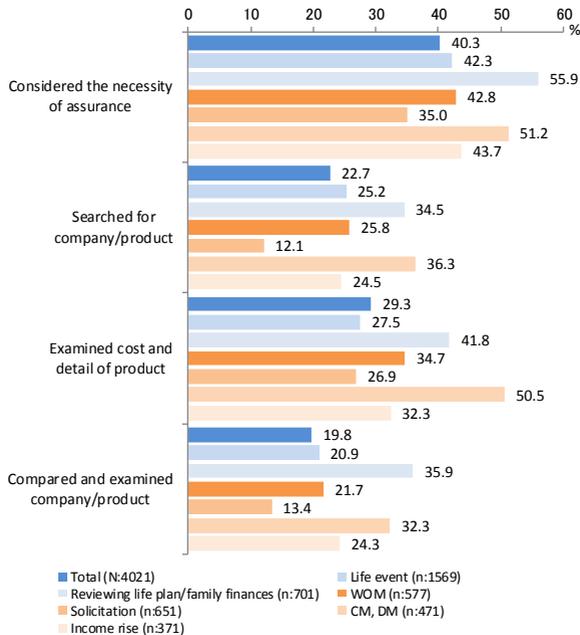
Figure 2-3 Reason for getting insurance (by gender)



6. Effects on the process of “Search” and those that follow

The results of the quantitative survey, which explained the four processes of “considering the needs of having assurance,” “searching for companies/products,” “considering the types and costs of the assurance,” and “comparing the companies/products” and asked people of their actions according to the reasons why they began considering getting coverage, show that those motivated by life events scored higher in the three processes of “considering the needs of having assurance,” “searching for companies/products,” and “comparing the companies/products.” [Figure 2-4] Meanwhile, those motivated because they were solicited scored similarly with the overall result for “considering the details and costs of the products,” however, fell below the overall figures when it came to the other three processes, and this shows that these people rarely took such actions. Those motivated through “reviewing life finances/life plan” and “commercial, direct mail, etc.” scored higher in all of the processes, and were apparently proactive in all stages of consideration.

Figure 2-4 Examination process when getting insurance most recently



As can be seen also from the focused group interview, although those motivated because they were solicited or by WOM do consider the details of

the product as well as the cost of insurance premium to a certain degree, they do not actively consider the necessity of getting assurance nor search for or make comparisons with other companies and alternative products.

- “A sales agent happened to come to my workplace so I listened to what the person had to say. A colleague had been encouraging me to get coverage so I asked for a savings-type product with which I can get more money back as a bonus, and I took out the insurance” (male, age 25)
- “The person brought me a life design plan proposing the kind of coverage I should have even though I hadn’t asked for it but I remembered my friends also got insurance when they started working and thought maybe that’s what one is supposed to do, so I took out the policy without looking carefully at the plan” (male, age 29)

Moreover, for those motivated by life events, life planning or commercials, direct mail, etc., they are actively selecting their insurance company and product by requesting materials or consulting financial planners, as seen as follows.

- “I read in a women’s magazine that more female are falling ill due to diseases peculiar to women. No one came to solicit at the workplace where I work as a temporarily dispatch so I requested materials mainly over the Internet from about four companies, compared them and decided on which insurance to get” (female, age 28)
- “When I had a child, I consulted a FP for 10,000 yen and got an insurance after making some comparisons and giving it consideration” (male, age 38)

Meanwhile, in cases where solicitation or WOM was the motive, there are individuals that want to collect information themselves and make the decision, as seen below.

- “A friend had told me ‘you’ll get insurance money if you have to pay for hospitalization and you’re going to be suffering mentally quite severely from the pain of the surgery, so it’s better to get a private room’ so I searched some websites of different companies and requested for materials” (female, age 33)
- “A sales agent brought a proposal right before the maturity of my contract by I thought I’d change to a less expensive plan so I searched on the Internet, requested some materials and got an insurance” (female, age 33)

Looking at the information sources used to consider taking out a policy according to the results of the quantitative survey, “sales agent” scored the highest for all respondents excluding those motivated by commercials and direct mails, etc., followed by “FP” for those motivated from reviewing their life plans or family finances, “talking to family, relatives, friends or

acquaintances” for those motivate by WOM, and “materials requested to insurance companies by oneself” for others. “Materials requested to insurance companies” was the third highest for those motivated by reviewing their life plans and family finances as well as those motivated by WOM so apparently, the source of information does not differ all that much between the different motives of consideration. [Figure 2-5]

Figure 2-5 Information sources when considering the most recent insurance purchase

	N	Direct writing agent	Materials requested to life insurers	Life insurance comparison site	Families and friends	Flyers and/or Ad inserted in newspapers	Life insurers' website	TVCM	DM	FP	(%) Materials distributed or circulated at office
Total	2537	27.4	17.4	15.0	12.5	10.2	10.0	9.6	9.1	8.6	7.6
Life event	999	30.5	16.1	15.0	14.7	7.7	9.9	11.4	7.5	8.5	9.2
WOM	380	31.3	24.2	14.2	25.3	11.1	11.8	11.1	10.8	8.2	5.0
Solicitation	343	64.1	14.3	7.3	12.2	5.2	6.1	8.2	11.1	4.4	6.4
CM, DM	389	14.7	24.2	17.7	9.3	28.8	14.4	18.0	22.4	4.4	17.2
Income rise	263	30.4	24.0	16.0	8.7	7.2	12.5	7.6	10.3	6.8	5.7
Reviewing life plan/family finances	579	25.0	22.1	19.3	9.7	10.4	12.1	8.8	9.8	22.3	6.6

On the other hand, it can be assumed from the comments in the abovementioned quantitative survey, that depending on how actively one is involved in the process of considering taking out a policy, their level of satisfaction later on and intention to continue holding the policy seems to differ. It is perhaps necessary to look back once again whether or not the customer could feel that he or she has actively made considerations in the process starting from the approach to the signing of the contract.

Chapter 3: Emotion Stage of the Search Process

In this chapter, we will focus on the stage of search as the next step for consumers in the process of taking out life insurance. In consumer behavior theory, information search is divided into *internal search*, which seeks the consumer's own past experience and knowledge, and *external search*, which utilizes different information sources to seek information that is lacking with internal search, and the search stage in the AISCEAS model is regarded as external search. At (1) which time and (2) where are consumers who are considering taking out life insurance searching for information?

1. Timing of External Search

First of all, in order to see when consumers perform external searches, let us go back to see once again the behavior of policyholders when they considered taking out insurance most recently.

Looking at the results of the quantitative survey by our company showing the four processes of (a) considering the need for insurance, (b) searching for companies and products, (c) reviewing the contents and costs of products, and (d) comparing companies and products relative to the actions of life insurance policyholders when they purchased their most recent policy, overall, "considering the need" scored the highest with 40% followed by "reviewing the contents and costs of the products" (29%), "searching for companies and products" (23%), and "comparing companies and products" at approximately 20%. [Figure 3-1] When looking at these results when they took out their most recent policy, the ratio tended to rise in general for all actions, and comparing the execution rate of policyholders who took out their insurance in or after 2011 with those that did so in or before 1997, it can be seen that "searching for companies and products" and "comparing the companies and products" in particular increased by 2.5 to 3 times. Looking at the combination of the four actions, overall, "only considered the necessity" scored the highest with 22% followed by "reviewed the contents and costs of the products" (10%) and "all four" (9%) in that order. [Figure 3-2] The ratio of those who went through all four actions was limited to about 10% of the total respondents, however, looking at the results by the timing they took out their most recent policy, the ratio was 11%, for those who made their most recent purchase between 2008 and 2010 while it was 15% for those that did so in or after 2011 indicating that the tendency has been on the rise in recent years. The situation is not so different between the types of products, and while the execution rate of "searching for companies and product" and "comparing companies and products" were slightly higher for medical/nursing insurance policyholders among all policyholders, the difference by types of products disappears when

the figures are confined to those who took out their most recent insurance in or after 2011. We can assume that “searching for companies and products” and “comparing companies and products” are becoming typical actions among consumers considering getting life insurance.

Figure 3-1 Actions taken when considering taking out insurance most recently

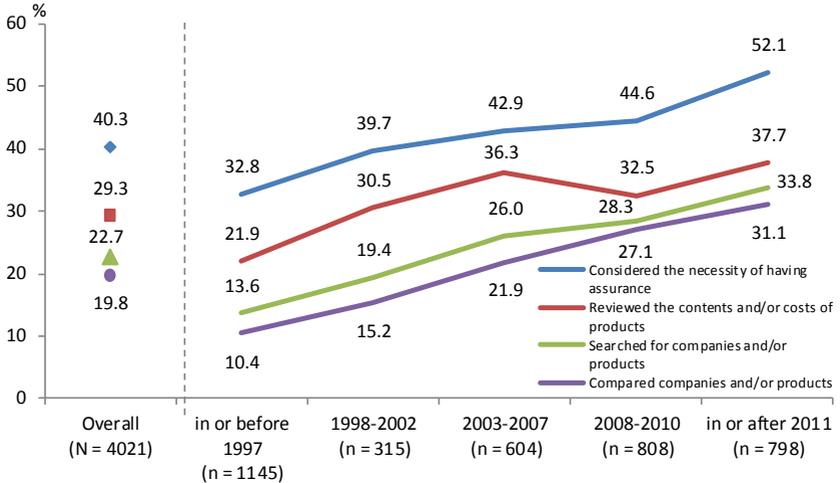
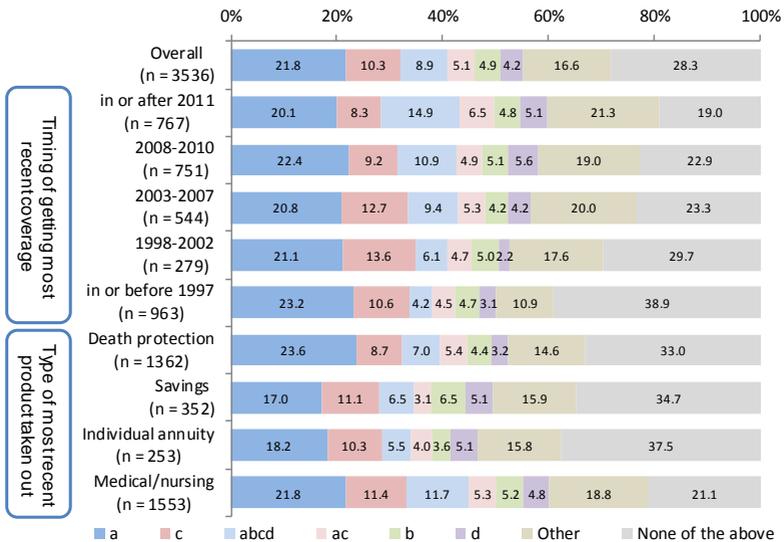
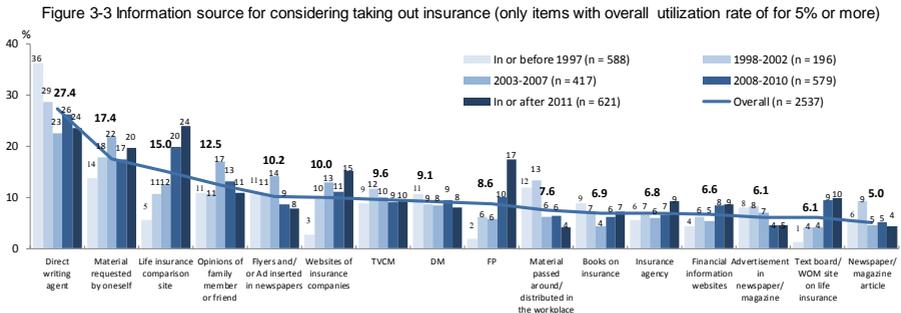


Figure 3-2 Actions taken when considering taking out insurance most recently (combination)



2. Use of Information Source

During such actions of considering taking out life insurance, from what kind of sources are consumers getting information? Looking at the information sources used for external search by life insurance policyholders when they were most recently considering taking out their policies, overall, “direct writing agent” scored the highest, followed by “information requested by oneself” and “life insurance comparison site.” [Figure 3-3] Looking at the figures by the timing the policy was taken out, “comparison site” and “insurance companies’ website” were used by around 10% of the overall respondents and the utilization rate is on the rise. According to the comments heard at the focused group interview, consumers are using comparison sites and official sites of the life insurance companies to search for information from the early stages of consideration in order to obtain advance knowledge or upon coming up with the idea of getting coverage.

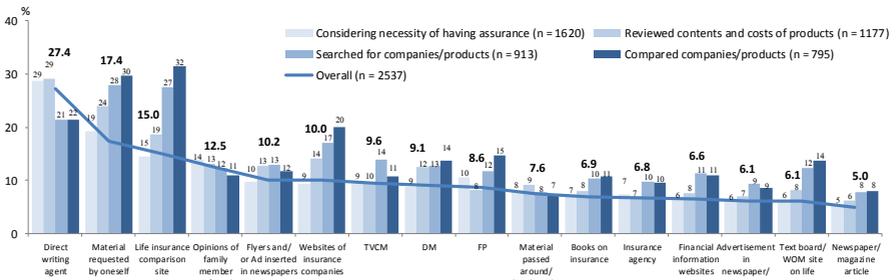


- “I thought I’d check what kind of insurance others were getting and obtain advance knowledge first on what product of which company is good so I searched for “life insurance” on Yahoo! and reviewed the websites of companies that showed up.” (Male, age 37)
- “I had no knowledge at all and knew no agent so I looked up the websites on the Internet as a first step to get a vague sense of how it is to get insurance.” (Male, age 36)
- “I first went to the insurance comparison site on the Internet. I also looked at some of the companies’ websites but they didn’t really provide details.” (Male, age 51)

Looking at the information source used for the respective actions taken when considering taking out an insurance, while “direct writing agent,” “information requested by oneself,” and “life insurance comparison site” accounted for the top three when considering the need for having insurance as well as reviewing the contents and costs of the products, when searching for companies and

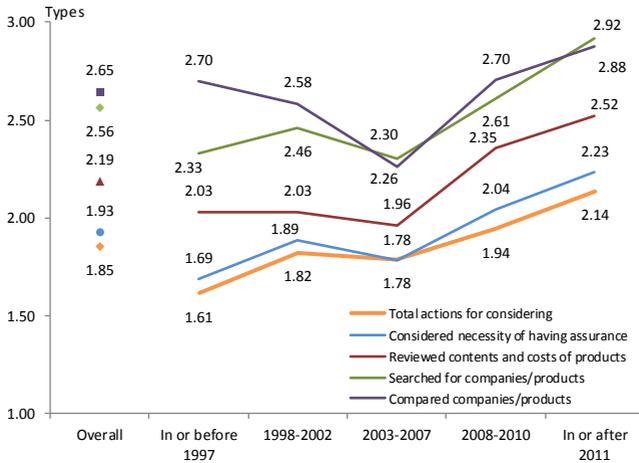
products or comparing the companies and products, the order changed to “information requested by oneself,” “life insurance comparison site,” and then “direct writing agent.” [Figure 3-4] Comparing the utilization rate, when considering the need for having insurance or reviewing the contents and costs of the products, “direct writing agent” scored higher than when consumers were searching for companies and products or comparing the companies and products, while “information requested by oneself,” “life insurance comparison site,” “insurance companies’ website,” “financial information websites,” and “WOM sites or text boards on life insurance” scored higher than when consumers were considering the need for insurance or reviewing the contents and costs of products. Furthermore, when comparing the companies and products, “FP” was used more, indicating that the source of information used differed depending on the stage of the action of consideration.

Figure 3-4 Information source for considering taking out insurance (only items with overall utilization rate of for 5% or more)



Looking at the number of types of information sources that policyholders used, it increased from an average of 1.61 types for those who took out their insurance in or before 1997 to 2.14 types for those who took out their insurance in or after 2011. [Figure 3-5] If we look at the figures by the actions taken when considering getting insurance coverage, people used 1.93 types of information sources at the stage of considering the need for having insurance, 2.19 types at the stage of reviewing the contents and costs of the products, 2.56 types at the stage of searching for companies and products, and 2.65 types at the stage of comparing companies and products, respectively. By the timing they took out their insurance, except for comparing companies and products, the number of types of information sources used tended to rise from 1998. In particular, when reviewing the contents and costs of products, while the average types of information sources used was 2.03 between 1998 and 2002, this increased by approximately 1.2 times to 2.52 types for those who got coverage in or after 2011.

Figure 3-5 Number of types of information source



3. Understanding the Actual Conditions and Background of External Search Behavior is Required

As we have seen above, consumers not only consider the need for insurance or review the contents and costs of products when they look into getting insurance but they are starting to also research and compare the companies and products themselves. Moreover, as for the information sources they use in such cases, in addition to information disseminated by the seller such as by direct writing agents or their materials, various sources of information including comparison sites where consumers can compare many life insurance companies and products at once, as well as the insurance companies' websites and opinions of close family members and friends, are being taken into account when considering taking out insurance. Furthermore, it has been confirmed that in recent years, online text boards and websites introducing WOM are being used as well in the consideration process.

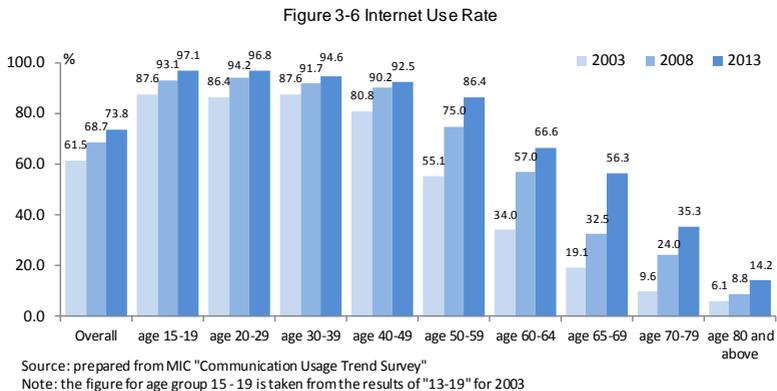
Thus, consumers have come to use various sources of information according to the different objectives for external search in recent years. These sources of information are considered for use in various ways depending on the consumer as well as the objective. It can be said that in order to deliver appropriate information to consumers seeking information and to ensure it leads to the sale of your products, a deeper understanding of consumers' external search behaviors, including when the respective sources of information are used, the purpose of use, and the psychology behind the behavior of information search, is required

In the next section, we will focus on information sources on the Internet that are gradually becoming more common as the source of information for life

insurance and look into the characteristics and background of those who use the Internet for external searches.

4. Internet as a Source of Information

According to the 2013 Communication Usage Trend Survey issued by the Ministry of Internal Affairs and Communication, the use of the Internet in Japan has been increasing annually for all generations and reached 74% overall in 2013. [Figure 3-6] By age group, more than 80% of those below 60 were using the Internet, while the ratio was approximately 60% for those in their 60s, indicating that the Internet is becoming established as a daily source of information for Japanese people in their 60s and younger. In such an environment, using the Internet when purchasing general goods or services to search for information or to make comparisons in order to make a decision has become nothing unusual. Meanwhile, as mentioned in the preceding section, when considering taking out life insurance, the utilization rate of even the “life insurance comparison site” which scored the highest, was approximately 15% overall, and even if we focus on those who took out their insurance in or after 2011, the figure was 24%, implying that the Internet has yet to become the source of information that everyone uses [as previously shown in Figure 3-3.] However, considering that the use of the Internet has become an everyday part of life for society as a whole and that its utilization rate is gradually rising according to the figures sorted by the timing of the most recent purchase, it is expected that more consumers will be using the Internet at the stage of considering taking out an insurance policy.



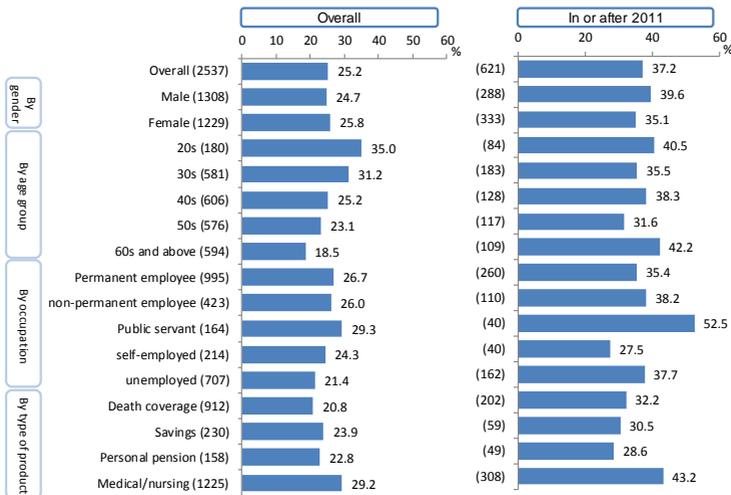
So what are the characteristics of consumers who use the Internet as a source of information when they are considering taking out life insurance? In this section, we will look into the results of a quantitative survey conducted by our

company to focus on those who took out some kind of life insurance in or after 2011 and confirm the characteristics of those who used the Internet when considering taking out insurance.

4-1. Characteristics by attribution

First, the ratio of those who used the Internet as a source of information when they most recently considered taking out an insurance was 25% overall. [Figure 3-7] Looking at the figures sorted by the timing of the most recent purchase, the ratio for those who took out their insurance in or after 2011 was 37%, more than 10 points higher than the overall figure, implying that the use of the Internet as a source of information for life insurance is definitely expanding. By attribution, there is no difference between genders, while by age group, as was the case with the use of the Internet, the younger the age group, the higher the ratio was. Furthermore, by occupation, there is little difference, although, it was slightly higher for public servants for 2011 or later, and by product type, slightly higher for medical/nursing insurance.

Figure 3-7 Utilization rate of information sourced from the internet when considering taking out insurance



4-2. Characteristics by awareness

By the level⁵ of their knowledge of life insurance, 46% of those who used

⁵ A simple sum of the result of asking the level of knowledge on 18 items pertaining to life insurance in a scale of five, categorized into three classifications as people's self-assessment of knowledge on life insurance. The results were categorized and prepared so that the ratios would generally be the same for all life insurance policyholders, with "low level of knowledge" accounting for 31% , "medium level of knowledge" for 36% and "high level of knowledge" for 33%.

the Internet as a source of information were classified as “high level of knowledge”, which was relatively higher than those who did not use the Internet (41%) and by the timing of when the people took out their insurance, the ratio of “high level of knowledge” is always higher for Internet users, although non-users also showed a rising trend for having “high level of knowledge.” [Figure 3-8] It can be said that those who use information sourced from the Internet when considering taking out a policy have relatively higher level of knowledge than non-users. There are also major differences to their thinking towards taking out life insurance, with more than a 10-point difference between those who use information sourced from the Internet for items such as “I would take out the policy after comparing the features” (users: 84%, non-users: 65%), “If the contents are similar, I would search thoroughly for the least expensive insurance” (users: 59%, non-users: 41%), “I would choose different companies to take out policies with depending on the purpose” (users: 63%, non-users: 52%). [Figure 3-9] Meanwhile, the ratio was basically the same with non-users for items such as “I have a knowledgeable acquaintance that I can refer to if it’s absolutely necessary,” “I would take out my insurance with a well-known company,” “I would take out insurance that is selling well or is popular” while non-users had higher ratios, despite slightly, for items including “I would ask someone who knows insurance companies and products well before taking out a policy,” and “It’s a hassle to deal with more than one company.” Users of information sourced from the Internet seem to be more conscious about selecting products upon comparing the features and reviews of products with emphasis on cost performance, without being influenced by popularity or sales ranking or relying on others.

Figure 3-8 Level of knowledge on life insurance and use of information sourced from the internet

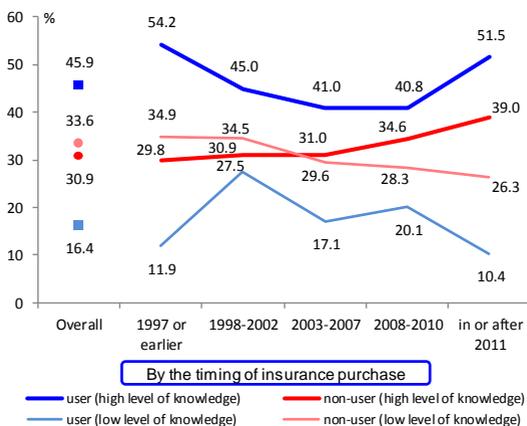
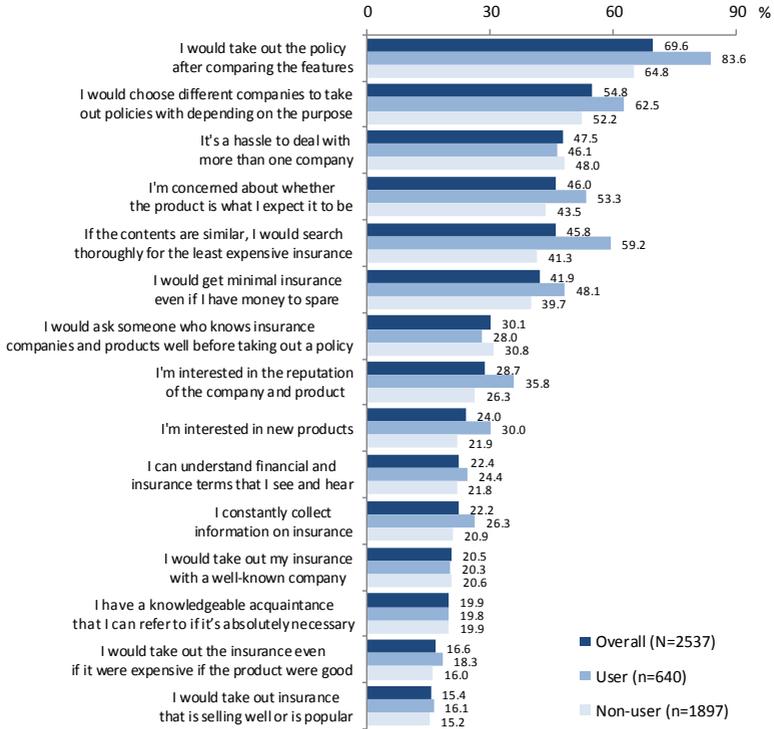


Figure 3-9 Thinking towards taking out life insurance



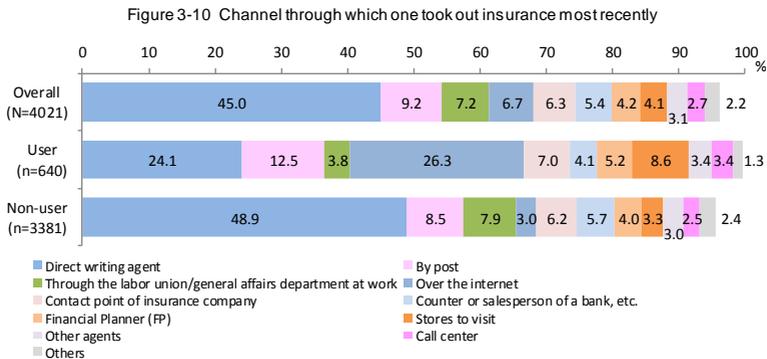
Indeed, comments heard at a previously conducted focused group interview show there are some who use the Internet from the early stage of consideration to make comparisons or to gain (advance) knowledge.

- I had no knowledge at all so I searched on the Internet for companies I knew from commercials as a start and went through their homepage. (Male, 36)
- I thought I'd obtain advance knowledge first on what product of which company was good so I searched "life insurance" and reviewed the results thoroughly over a couple of days. (Male, 37)
- I decided to take out an insurance so that I could leave something behind for my children if something should happen to me and searched "insurance" on the Internet and looked up a few that I picked out from the search results. (Female, 47)
- I first compared three or four companies on an insurance comparison site on the Internet and obtained some general knowledge. (Male, 51)

It can be said that the users of the Internet are carefully proceeding with their

consideration utilizing various sources of information including the Internet when taking out a policy.

However, even if the person uses the Internet as a source of information at the stage of considering taking out a policy, they do not necessarily conclude the procedure online, as only 26% of those using information sourced from the Internet took out their policies over the Internet, although it did account for the largest channel, with “direct writing agent” following at 24%. [Figure 3-10] The fact that the total of channels that do not require face-to-face interaction, including through “postal mail” and “call center,” only accounted for 40% or so, implies that those who use the Internet when considering getting insurance uses the Internet as one of the sources of information and carefully proceeds with their consideration, but when it comes to going through the actual procedures to take out the policy, many rely on face-to-face channels typified by “direct writing agents.”

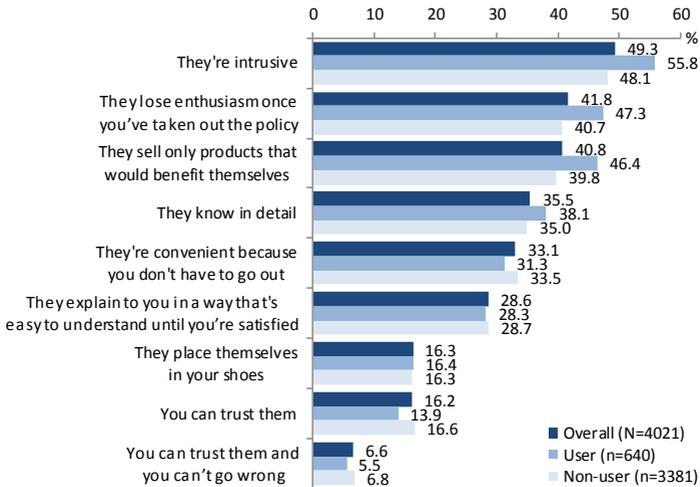


4-3. The reason behind people collecting information on the Internet

The focused group interview mentioned above also revealed that many of the people who used the Internet to consider taking out a policy said that although they did compare a variety of factors based on their search results, they could not gain a full understanding by doing so and called the call center or asked direct writing agents for explanations. Then why do they not rely on direct writing agents from the beginning? Asked of the image of direct writing agents, those who used information sourced from the Internet tended to score higher on items giving negative impressions, such as “They’re intrusive,” “They sell only products that would benefit themselves,” “They lose enthusiasm once you’ve taken out the policy,” compared to non-users. [Figure 3-11] Meanwhile, there were no differences between those who used the Internet and those who did not on items, such as “They explain until you’re satisfied,” “They think in your shoes,” “You can trust them and you can’t go wrong.” One of the reasons why consumers use the Internet when they

consider taking out life insurance, is these strong negative images of direct writing agents and perhaps they are trying to arm themselves with logic as a countermeasure against such false image of direct writing agents.

Figure 3-11 Image of Direct Writing Agents



Although many of such images are presumed to be partially based on misunderstandings, it can be said that steady, step-by-step efforts to build up a relationship of trust is necessary in daily marketing activities, such as being sincere with consumers who try to arm themselves with logic and filling in the holes in their understanding.

5. The required action against consumers trying to arm themselves with knowledge

As we have seen, consumers are trying to arm themselves with knowledge using various sources of information. There may be cases where fragments of information or information the authenticity of which are uncertain, are being circulated mainly by information sources that for the seller are difficult to control the contents and timing of the information, in particular, WOM sites and bulletin boards. This means that, as a result, it is possible that such situation is creating consumers who are considering taking out insurance based on incorrect knowledge. In order to have consumers make their considerations based on correct knowledge, perhaps it is necessary to check from time to time what kind of information is being transmitted through external sources of information such as what is being exchanged by WOM or on comparison sites.

Furthermore, it can also be said that such changes in consumer behavior mainly in light of the changes in the information and communication environment show that promotion and consumer communication are becoming more crucial a challenge in terms of management strategy than ever before.

6. The Contents of Information Consumers Search for When Considering Taking Out Insurance

As has been set forth in the previous sections, many consumers use various sources of information to collect information when considering taking out insurance. So what kind of information are consumers collecting from these respective sources to use as reference? In the following paragraphs, we will focus on the contents of the information consumers searched for to confirm the source of information consumers are using, the contents of information they searched for, and to examine the relationship between the contents of the information and the level of satisfaction with the purchased product.

6-1. The contents of information that consumers search for

We asked consumers of the contents of information they searched for when they were most recently considering taking out insurance, giving them the six options of (1) general information such as the scheme of the insurance or its necessity (general information), (2) information on the contents and price of products (product information), (3) information on products selling well or those that are recommended (best seller information), (4) information on the status and health of the companies' management (management information), (5) information on the companies' reputation (company reputation) and (6) reputation of the sales agents' attitude (channel information). As a result, "product information" scored the highest overall accounting for 75%, followed by "general information" (59%), "best seller information" (17%), and "management information" (16%). [Figure 3-12] By gender, 78% of females searched for "product information" scoring higher than males (72%), and by age group, the younger the age group, the higher the score tended to be for "general information" and "best seller information." Furthermore, by product type, "product information" scored high for annuity insurance and "product information" scored high for medical and nursing insurance, implying that there are differences in the information consumers search for depending on their attribution or the assurance they took out. Meanwhile, by the timing of when consumers took out their most recent insurance, the more recently the purchase was made, the more people tended to search for "best seller information," and those who took out their insurance within two years (in or after 2010) scored higher on "product information" than the overall figures, while those who made their purchase within three to five years scored higher

on “management information,” indicating that the contents of information consumers search for differ also by the timing of when they took out their policies (that said, there seem to be information such as “company reputation” and “channel information” that are not searched for regardless of the timing of when the policy was taken out). Separately, by the channel through which people took out their policies, those who used the Internet, which requires consumers to actively proceed with their examination scored higher for all four types of information except for “general information” and “channel information” than the overall figure. [Figure 3-13] As for other channels, “general information” scored high for those who used insurance agencies, while “product information” scored high for those who went through financial planners or direct sales channels such as by Direct Mail or over the Internet, and “best seller information” was popular among those who went through Insurance Shops, financial planners or the Internet.

Meanwhile, looking at the contents of information searched by the consumers’ level of knowledge on life insurance, for the five types of information excluding “channel information,” the score tended to rise as the consumers’ level of knowledge became higher and in particular, for “general information,” “product information” and “management information,” the ratio was more than 10 points higher than the group with low level of knowledge. [Figure 3-14] Although consumers probably would not go so far as to worry about management information if they did not already have a certain level of knowledge at the time they were considering taking out insurance, the fact that they are searching for a broad range of information including general information and product information when they consider getting coverage is most likely functioning effectively for consumers to deepen their understanding of the information they searched for and to deepen their knowledge on insurance.

Figure 3-12 Contents of information searched

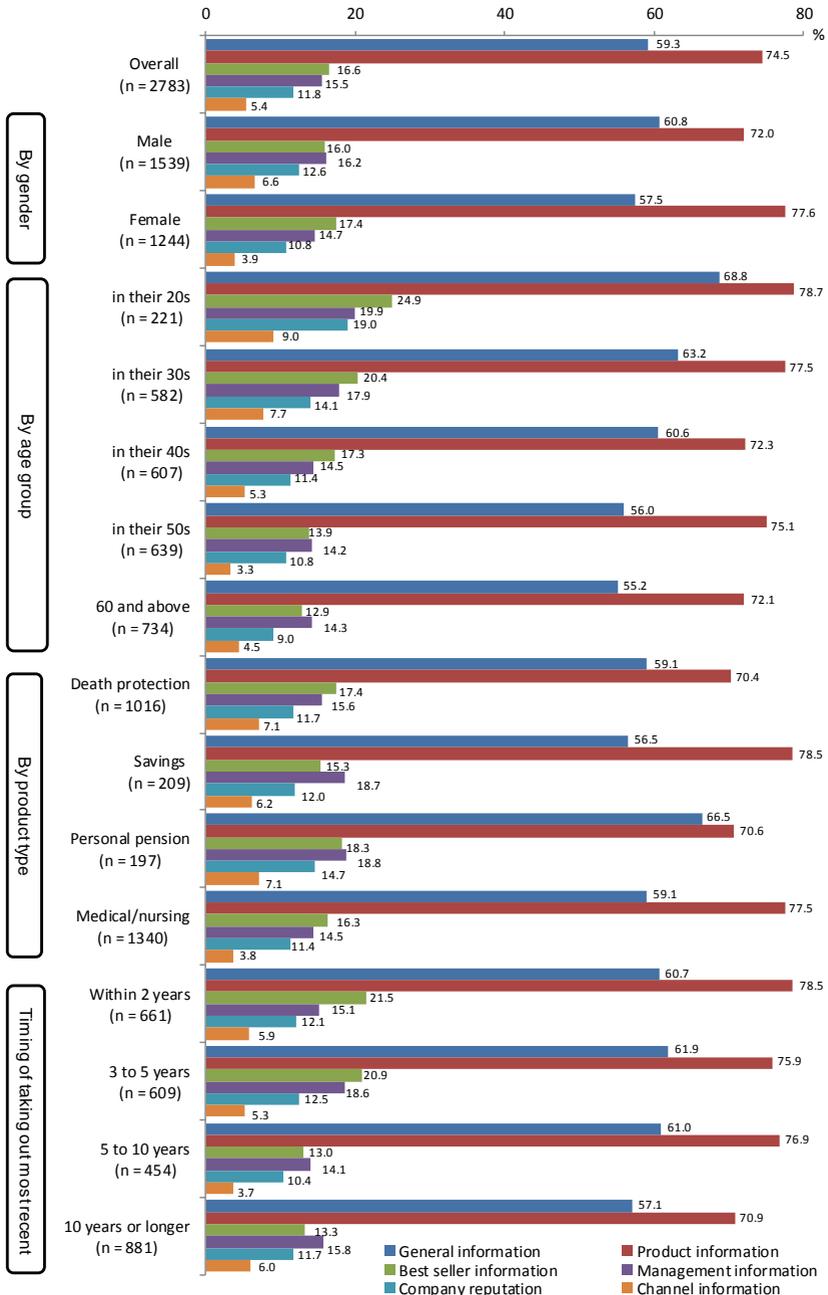


Figure 3-13 Contents of information searched (bychannel used)

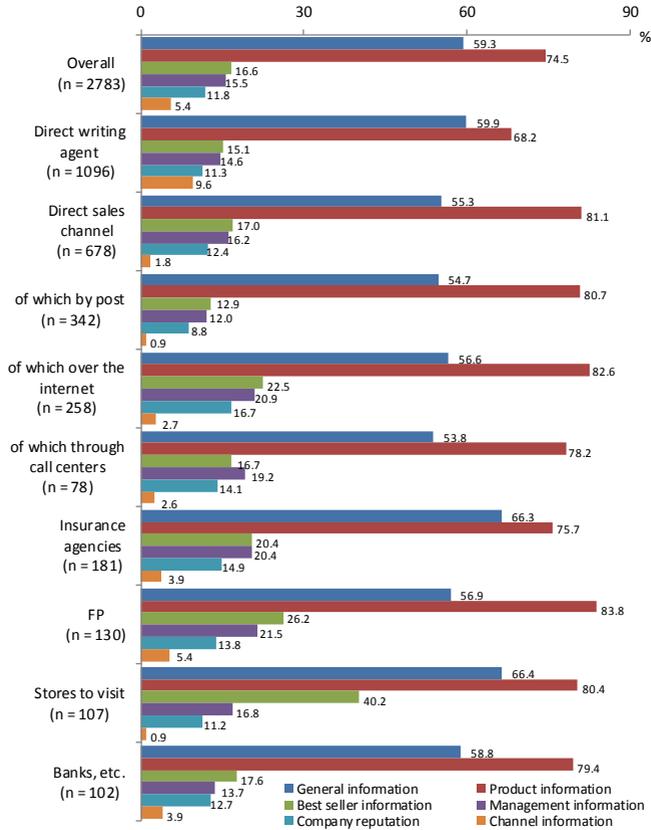
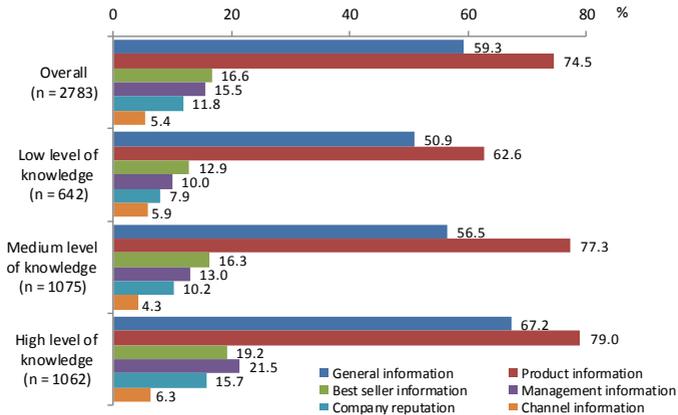
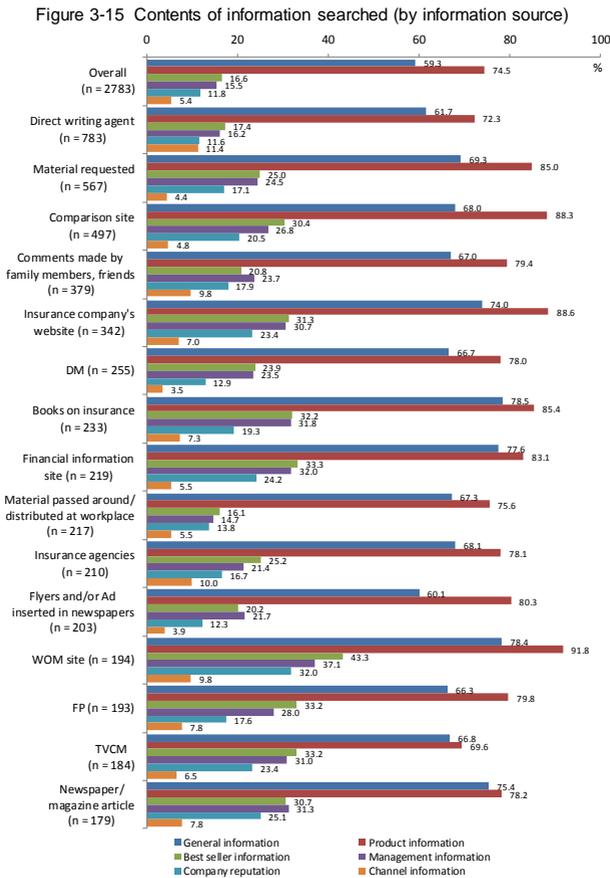


Figure 3-14 Contents of information searched (bylevel of knowledge)



6-2. Information source and contents of information

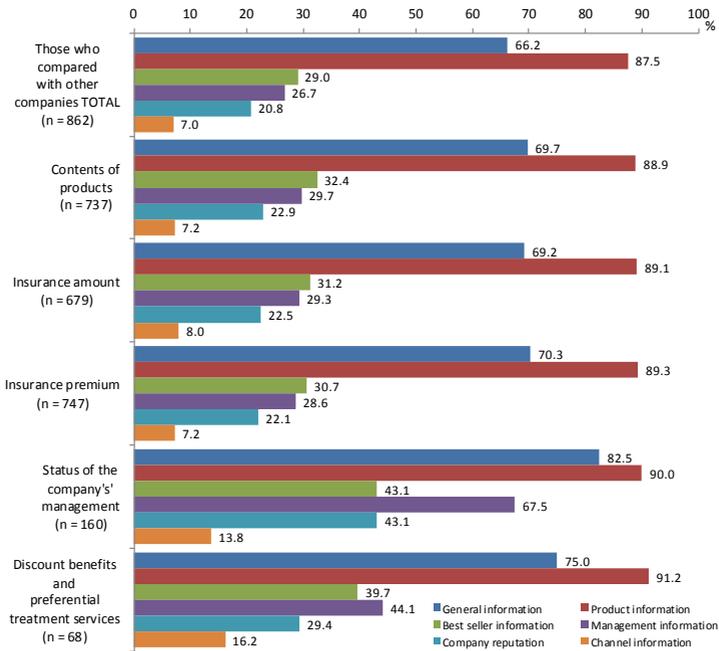
So, what kind of information sources are consumers using to search for information? By the types of information sources consumers used when considering taking out insurance, “general information,” “product information,” and “management information” scored high among those who used insurance companies’ owned media such as their websites or brochures, while “general information” as well as “best seller information” and “company reputation” also scored high for those who used information sources other than insurance companies such as financial information websites, books on insurance, newspaper and/or magazine articles, WOM sites. [Figure 3-15]



Moreover, looking at the contents of information by the standpoint of comparison and examination focusing strictly on those who compared their insurance with other companies’ products, the standpoint of insurance amount

scored higher than the overall figure for all types of information, and the standpoints of product details as well as insurance premium were higher for five of the types of information excluding “channel information.” [Figure 3-16] Furthermore, the standpoint of companies’ management situation scored high for five of the types of information excluding “product information,” with “management information” scoring 68% and standing out in particular among different standpoints, indicating that the contents of information that people search for differs depending on the standpoint of comparison and examination.

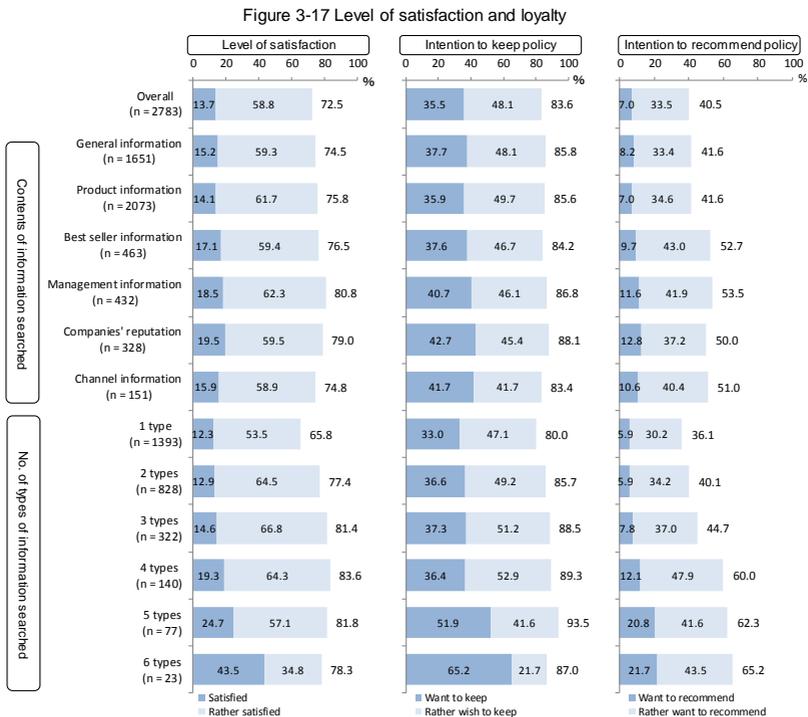
Figure 3-16 Contents of information searched (by the standpoint of making comparisons and examining)



6-3. The Level of satisfaction and loyalty, and the contents of information searched

As we have seen, the information that consumers search for differs depending on the attribution of the consumer, the type of product that they take out, the timing of purchase, as well as the standpoint of comparison and examination, but what kind of effect does the content of information that consumers search for have on their level of satisfaction with the product they purchased and their loyalty? Looking at the level of satisfaction by the content of information searched, “satisfied” scored high among those who searched for company reputation, management information, best seller information or general information. By the number of types of information searched, “total

satisfaction” was the highest for those who searched 4 types of information at 84%, followed by three types and five types with more than 80% respectively. [Figure 3-17] However, focusing on “satisfaction,” the more types of information people searched for, the higher the satisfaction level was, and this may imply that receiving various information has the effect to raise the level of satisfaction. As for loyalty, from the two perspectives of the intention to keep their policy and the intention to recommend their policy, the intention to keep was high for those who searched general information, product information or company reputation, while the intention to recommend was high for those who searched for best seller information, management information or company reputation. Moreover, by the number of information searched, the more types of information people searched for, the higher the intention was of both keeping and recommending.



From the above, it can be said that in order to improve the level of satisfaction and gain the loyalty of consumers, it is necessary to encourage people to search for a broad range of information including the reputation of the company or the channel, and to provide support so that they can correctly understand and digest the information they collected.

Chapter 4: The Process of Comparison and Examination at the Emotion Stage

In this chapter, we will focus on the stages of Comparison and Examination as the next step for consumers in the process of taking out life insurance.

1. The actualities of consumers' actions of comparison

As we have seen in the previous chapter, consumers are performing External Searches using various information sources. So how much do consumers who gained information that would contribute to making comparisons and examinations through this string of information search activities, actually compare when they consider which product or from which company they will get assurance?

Looking at the behaviors taken when considering taking out their insurance according to the results of a previously conducted focused group interview, consumers seem to request materials from multiple companies and use comparison sites to compare prospective life insurance companies from which they might get insurance as can be seen below.

- I requested brochures from those I found on the Internet and thought might be good, and compared them (male, 37)
- I received free consultation from a FP and learned many things, and then looked up the company with which I already have a contract on a comparison site, along with other companies I found on the Internet or that I learned from WOM (male, 40)

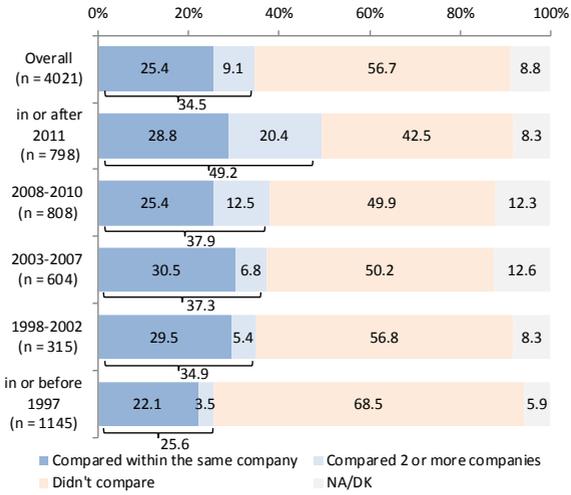
Meanwhile, as can be seen from the following comments, there are consumers who do not compare multiple companies but take out insurance upon comparing multiple plans proposed by the same agent (company).

- I found different plans in my mail box a couple of times so I called the sales agent and took out a policy upon consulting the agent (female, 56)

This indicates that there are two patterns when it comes to making comparisons prior to taking out life insurance policies; one in which different products of the same company are compared and the other in which products of multiple companies are compared and examined. Looking at the consumers' experiences of making comparisons at the time of taking out their most recent policy according to the quantitative survey conducted by our company, overall, "did compare" accounted for 35% and "did not compare" accounted for 57%. [Figure 4-1] Furthermore, among those who did make the effort to compare when considering taking out insurance, there were more of those who "compared within the same company," with those who "compared within the same company" accounting for 25% and those who "compared two or more companies" accounting for 9%. Looking at the figures according to the timing

they took out their most recent policy, those who replied that they “Did compare” accounted for 26% of those who got insurance in or before 1997, while the ratio was 49% of those who got insurance in or after 2011, showing that the more recent the timing of taking out their insurance was, the more people there were who made the effort to compare when they were considering taking out insurance. Looking at the contents of the comparisons people made, while the ratio of those who “compared within the same company” has not changed much over the years, always accounting for 20% to 30%, the figures show that the act of comparing between multiple companies is gradually increasing with the ratio of those who “compared two or more companies” rising from less than 5% of those who took out insurance in or before 1997, to 20% of those who got insurance in or after 2011.

Figure 4-1 Status of making comparisons when considering taking out a policy most recently



As for the number of companies that those who made the effort to compare actually compared, looking at the number of companies that those who “compared two or more companies” actually compared, overall, “three companies” accounted for 45% while “two companies” did 25%, and the average was 3.43 companies, meaning approximately 70% of respondents had compared between two to three companies. [Figure 4-2] Looking at the figures by the timing they took out their most recent policy, the ratio of those who compared “four or more companies” grew from 12% for those who took out their policies between 1998 and 2002, to 34% for those who took out their policies in or after 2011, showing the trend that the more recent the timing of when people took out their policies, the more companies they compared. Also,

looking at the average number of companies compared by the timing of when people took out their policies, counting “compared within the same company” as one company, those who took out their policies in or before 1997 compared 1.28 companies, while those who got insurance between 2003 and 2007 compared 1.44 companies and those who got insurance in or after 2011 compared 2.09 companies, meaning that those who became policyholders in or after 2011 compared two or more companies on average before taking out their insurance. It seems that for consumers who are inclined to compare, comparing life insurance products has come to mean comparing between companies. [Figure 4-3] That said, as shown in Figure 4-1, those who “did not compare” when considering getting insurance still accounted for approximately 40% even for those who took out insurance in or after 2011, while those who “compared two or more companies” accounted for merely 20%. This implies that it is necessary to note that the act of comparing companies cannot yet be deemed as a common consumer behavior at the stage of considering taking out life insurance.

Figure 4-2 Number of companies compared by those who compared 2 or more companies

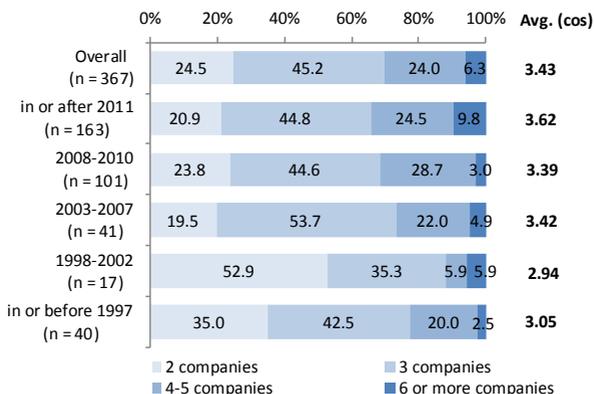
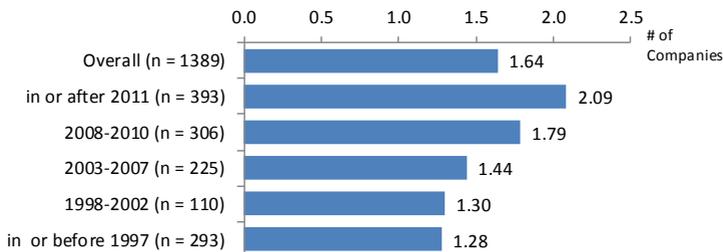


Figure 4-3 No. of companies compared



2. Where the factors that support the act of comparing lay

As has been seen above, so far, the act of comparing multiple companies at the time of considering taking out a life insurance and then purchasing one cannot be regarded as a mainstream action taken by consumers. Mr. Mochino of Amvity Communications who proposed the AISCEAS model has remarked on the limits of the theory that “AISCEAS is (merely) a model analyzing only a small part of purchasing behaviors” and that “the only time the purchasing behavior of AISCEAS is taken is simply for products or services with high functional value.” Insurance products differ from fashion items or beverages which people would purchase if they feel the product might suit them, and it can be said that it is a product with high functional value that fits the AISCEAS theory in the respect that gaining the understanding that the product suits oneself from brochures or explanations of sales agents leads to taking out a policy. So what is the reason behind the fact that the number of consumers comparing companies during the process of taking out a life insurance has not increased dramatically even though the environment for consumers to compare life insurance products is now more advanced than ever with the spread of the Internet and the progresses made in the respective companies’ information disclosure?

In order to narrow down the candidate products to be purchased by comparing their functions, it can be imagined that knowledge to judge the superiority or inferiority of products also becomes necessary. Looking at the policyholders who have made the effort to compare classified by the timing of when they took out their most recent policy as shown in Figure 4-1 by the level of their knowledge on life insurance, the higher the level of their knowledge, the higher the ratio of those who did compare were for all of those who had compared as well as for those who had compared two or more companies, regardless of the timing of when they took out their policies. [Figure 4-4] Furthermore, focusing on the differences by the timing of when they took out their policies, “did compare” tended to rise in general as the timing of when they got their insurance became more recent, regardless of the knowledge level. [Figure 4-5] This trend is even more notable for those who “compared two or more companies,” as can be seen from the fact that among those who took out their policies in or after 2011 with high knowledge and who made the effort to compare, more than half compared between multiple companies when considering taking out insurance. From the above, it is conceivable that the reason why not many consumers are comparing life insurance products although they are “products with high functional value,” is that many people do not have the knowledge necessary to make the comparisons.

Figure 4-4 Status of making comparisons when considering taking out an insurance most recently (by level of knowledge)

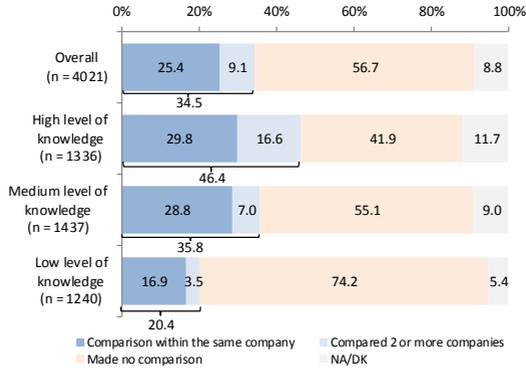
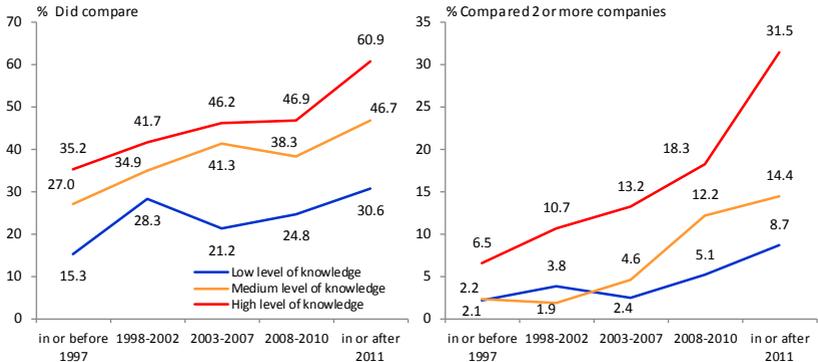


Figure 4-5 Changes in the status of comparisons made by the level of knowledge



As has been seen, the number of consumers making the effort to compare when considering taking out insurance is gradually increasing. Perhaps the fact that people are gradually becoming aware of the environment such as the existence of comparison sites that allow people to obtain knowledge to make comparisons or to easily, albeit insufficiently, make comparisons even if they did not have knowledge, is the reason why the number of people who have made comparisons is rising in recent years. As far as the situation goes, for consumers, insurance will be, in the not too far future, regarded in general as something that they would “take out upon comparing multiple companies” just like other products.

3. Consumers’ sense of conviction

As we saw in the preceding section, the number of consumers making the

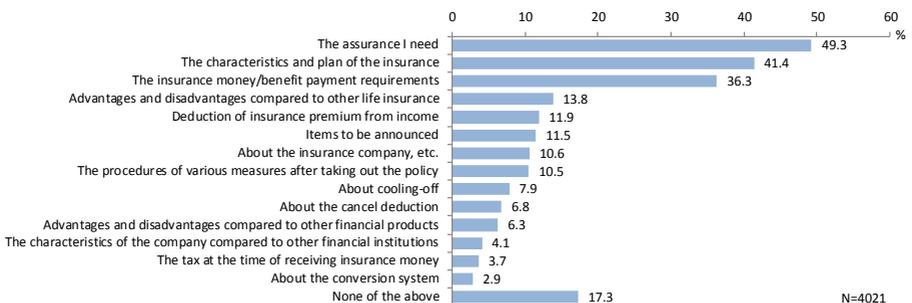
effort to compare insurance policies when considering purchasing one is gradually rising. Furthermore, as we saw in detail in the preceding chapter, these actions of comparison seem to be taken based on information searched from various information sources as well as the consumer’s own knowledge.

Then, to what extent do consumers who search for information and make comparisons to examine the policies understand the insurance product and policy plan when they take out a policy, or on what kind of contents do we need to have them deepen their knowledge so that they can be convinced about their choice of product? In this section, we will go over consumers’ level of knowledge of insurance at the time they took out their most recent policy mainly based on the results of a survey conducted by our company.

3-1. Knowledge level at the time of considering taking out a policy

In the survey, we placed 14 items as shown in Figure 4-6 and asked consumers which items they thought they had understanding through sales agents or information materials at the time of their purchases. The results show that, overall, “the kind of assurance I need” scored the highest with 56%, followed by “the characteristics and plan of the insurance” (52%) and “the insurance money/benefit payment requirements” (43%) in this order. The ratio of those who answered “none of the above” was only about 10% which is a small number, and almost all consumers took out their policies upon understanding the contents of one or more of the 14 items, however, the fact that the highest rate of people who replied they had knowledge of a particular item at the time they took out their policy was merely about a half of the respondents, implies that consumers do not necessarily have a full understanding of the insurance they are purchasing when they are getting it.

Figure 4-6 Items understood at the time of taking out policy



Looking at these results by attribution, women in their 30s or 60s and above relatively had more items they understood. [Figure 4-7] By product type, while approximately half of those who took out medical/nursing insurance or a death

protections understood “the kind of assurance I need,” the ratio was limited to less than 40% for those who took out savings or annuity products, revealing that there is a difference in the level and contents of understanding depending on the product as well. By the channel through which consumers took out their insurance, the level of understanding of those who went through independent Insurance Shops or financial planners was higher in general than the overall figures, with approximately 70% saying they understood “the kind of assurance I need” and around 50% understanding “the characteristics and plan of the insurance.” Furthermore, with those replying they understood “the insurance money/benefit payment requirements” and the “Advantages and disadvantages compared to other life insurances” at approximately 30 to 50%, the results show that the advantage of offering products of multiple companies seems to be understood by the consumers.

Figure 4-7 Items understood at the time of taking out policy (by gender, by age group, by product type)

N	The assurance I need	The characteristics and plan of the insurance	The insurance money/benefit payment requirements	Advantages and disadvantages compared to other life insurance	Items to be announced	Deduction of insurance premium from income	About the insurance company, etc.	The procedure of various measures after taking out the policy	About cooling-off	About the cancel deduction	Advantages and disadvantages compared to other financial products	The characteristics of the company compared to other financial institutions	The tax at the time of receiving insurance money	About the conversion system	None of the above	
Total	4021	49.3	41.4	36.3	13.8	11.9	11.5	10.6	10.5	7.9	6.8	6.3	4.1	3.7	2.9	17.3
Male	2006	48.2	40.1	33.1	14.6	13.3	9.5	10.6	9.5	6.1	5.7	7.2	4.5	3.9	3.0	18.5
Female	2021	50.4	42.6	39.4	13.1	10.5	13.5	10.7	11.6	9.6	7.9	5.5	3.8	3.4	2.8	16.2
in their 20s	298	49.0	42.3	32.9	17.1	11.7	11.1	10.1	12.4	9.7	6.4	3.0	2.0	2.0	2.0	22.5
in their 30s	873	52.6	42.8	36.4	15.6	15.5	10.9	10.2	10.2	8.9	7.9	8.0	5.3	4.6	2.7	16.2
in their 40s	917	49.6	40.9	36.2	14.3	11.6	9.7	8.9	10.8	7.7	5.7	6.0	4.6	4.1	2.5	19.4
in their 50s	956	48.7	40.4	34.1	11.6	9.0	10.0	10.4	8.9	6.3	6.7	4.9	3.8	2.0	2.5	16.3
in their 60s or above	977	46.6	41.1	39.4	13.0	12.0	15.3	13.0	11.7	8.0	7.1	6.4	3.3	4.5	4.0	15.8
Medical/nursing care	1765	54.6	41.2	37.7	15.3	9.5	12.9	10.4	10.9	7.1	4.3	4.6	3.7	2.4	2.1	15.5
Death benefit	1544	48.7	41.8	34.7	12.9	11.9	11.3	10.5	10.4	7.8	8.0	7.0	4.3	4.3	4.0	18.1
Savings	404	36.1	40.1	35.1	12.4	15.8	7.9	12.4	8.9	10.1	9.4	7.2	3.0	5.4	1.7	21.5
Personal pension	287	39.0	41.1	37.6	12.2	21.6	8.7	10.5	10.5	9.8	12.2	11.8	6.6	5.2	3.1	17.4
Direct writing agent	1808	47.8	41.4	35.2	10.6	11.7	11.2	8.8	8.9	7.4	7.2	5.1	3.2	2.8	4.8	18.2
Point of contact	255	45.1	44.7	37.6	11.4	10.2	9.4	14.5	9.4	5.5	6.3	4.3	6.7	7.5	1.6	13.3
Direct sales channel	747	53.5	41.8	39.4	17.4	10.8	11.2	11.0	13.7	6.2	2.5	6.2	5.0	3.9	0.9	12.2
of which through postal mail	369	53.7	43.9	43.6	19.2	11.4	10.8	11.9	13.6	6.0	1.9	4.1	5.1	2.4	0.8	12.5
of which through internet	270	55.2	39.6	35.2	17.0	11.9	11.9	9.3	12.2	7.0	3.7	8.1	4.4	5.2	0.7	12.2
of which through call centers	108	49.1	39.8	35.2	12.0	6.5	11.1	12.0	17.6	4.6	1.9	8.3	5.6	5.6	1.9	11.1
Banks etc.	219	41.6	42.0	40.6	15.1	20.1	9.1	15.5	11.9	13.2	17.4	13.2	5.0	6.4	1.4	12.8
Insurance stores shared by multiple companies	134	69.4	61.2	47.0	29.1	13.4	17.9	14.2	14.2	21.6	17.2	10.4	6.0	4.5	1.5	2.2
Insurance agents	124	52.4	46.8	43.5	23.4	12.1	19.4	12.1	11.3	12.9	9.7	10.5	4.8	3.2	0.8	13.7
FP	168	69.6	53.6	44.6	36.3	11.3	19.0	12.5	10.7	13.1	13.1	15.5	7.1	5.4	4.2	6.0

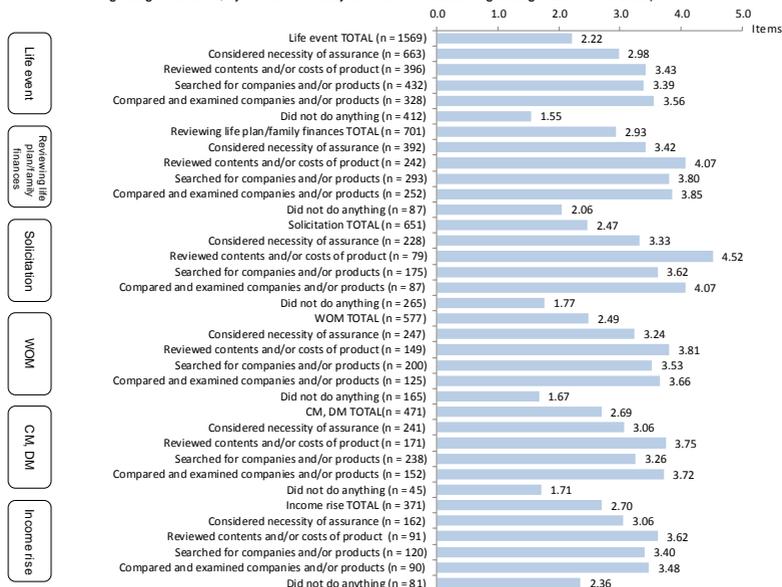
Meanwhile, looking at the figures by the reason motivated consumers to reconsider getting insurance, while the group led by reviewing their life plans or family finances, or by commercial or direct mail showed a high rate of understanding with 40% to 50% saying they understood “the insurance money/benefit payment requirement” and over 20% replying they understood the ‘Advantages and disadvantages compared to other life insurance,’ the group led by solicitation showed a lower rate of understanding with less than 20% saying they understood the contents of all but the top 3 items, and only about 40% replying they understood “the kind of assurance I need” and “the insurance money/benefit payment requirements” respectively, although more than half did say they understood “the characteristics and plan of the insurance.” [Figure 4-8] Does this not imply that in order to have potential clients gain full understanding, it is not enough if to simply repeat explanations, but it is

necessary to get the consumers to have the will to understand from their side. Indeed, among the group that was prompted because they were solicited, looking at the level of knowledge by the actions consumers took when considering taking out an insurance, it could be seen that the level of knowledge of those who thought about the necessity of assurance or who reviewed the types and/or cost of assurance was as high as that of those who were prompted by life plans or advertisement. [Figure 4-9]

Figure 4-8 Items understood at the time of taking out policy (by reason of considering getting insurance)

	N	The assurance needed	The characteristics and plan of the insurance	The insurance payment requirements	Advantages and disadvantages compared to other life insurance	Deduction of insurance premium from income	Items to be announced	About the insurance company, etc.	The procedure of various measures after taking out the policy	About cooling-off	About the cancel deduction	Advantages and disadvantages compared to other financial products	The characteristics of the company compared to other financial institutions	The tax at the time of receiving insurance money	About the conversion system	None of the above	(%)
Total	4021	49.3	41.4	36.3	13.8	11.9	11.5	10.6	10.5	7.9	6.8	6.3	4.1	3.7	2.9	17.3	
Life event	1569	51.8	40.6	35.1	14.9	12.7	10.5	11.2	11.2	7.8	7.1	6.8	4.8	4.1	2.9	16.8	
Reviewing life plan/family finances	701	59.1	52.9	44.4	23.7	17.3	17.4	12.3	14.0	13.1	11.0	11.3	6.8	6.1	3.9	7.4	
Solicitation	651	43.3	50.7	41.2	13.4	13.8	14.0	10.6	12.9	11.8	12.7	7.8	4.6	3.5	6.6	12.7	
WOM	577	51.5	47.5	43.5	18.2	13.7	13.3	11.1	13.2	8.0	6.9	6.9	6.6	5.4	2.9	13.3	
CM, DM	471	56.5	51.6	48.2	20.8	13.2	15.9	15.7	16.1	6.6	5.5	8.3	6.4	3.0	1.7	9.8	
Income rise	371	59.4	52.0	51.2	17.8	12.4	16.7	12.4	10.0	11.3	11.3	10.0	6.7	5.1	3.5	10.0	

Figure 4-9 Number of items understood at time of taking out policy (by the reason why they considered getting insurance, by the actions they took when considering taking out the insurance)

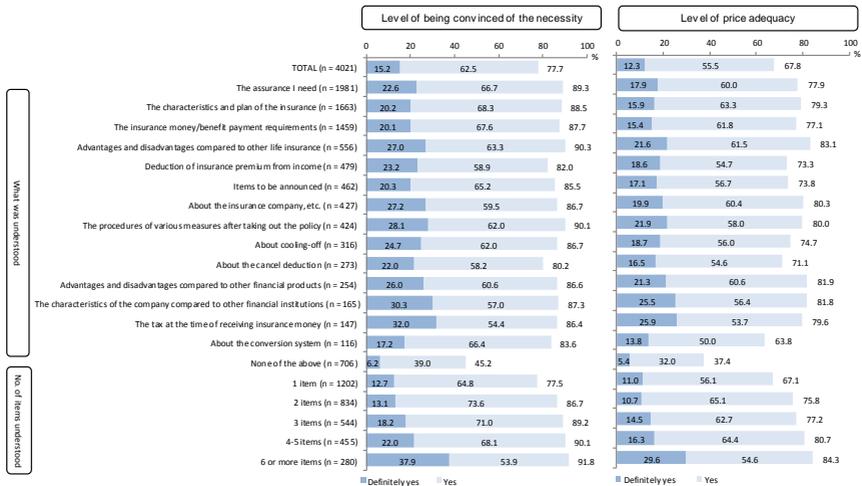


3-2. The importance of having consumers deepen their knowledge through comparison and examination

So, what do consumers need to understand for them to become convinced about the policy they take out? Looking at the level of satisfaction from the perspectives of necessity and price adequacy by the items consumers had

understood at the time of taking out their policies, the level of satisfaction in terms of necessity was 13 points higher than the overall average for those who understood the “Advantages and disadvantages compared to other life insurances,” and 12 points higher respectively for those who understood “the procedures of various measures after taking out the policy” and “the kind of assurance I need.” Meanwhile, in terms of price adequacy, the level of satisfaction was 15 points higher than the overall average for those who understood the “Advantages and disadvantages compared to other life insurances” was and 14 points higher, respectively, for those who understood the “Advantages and disadvantages compared to other financial products” as well as “the characteristics of the company as opposed to other financial institutions.” [Figure 4-9] Moreover, looking at the results by the number of items consumers understood, for all levels of satisfaction, the more items they understood, the more satisfied they were, and especially for the group that understood four or more items, the level of satisfaction was high with 90% convinced of the necessity and more than 80% satisfied in terms of price adequacy. [Figure 4-10]

Figure 4-10 Level of being convinced of necessity and price adequacy



As we have seen, having consumers deepen their knowledge on various aspects in advance when they take out insurance by having them compare and examine the products can be effective in raising the consumers’ level of satisfaction with the contents and price adequacy of the product they take out. Because there are various regulations on soliciting insurance, we tend to prioritize leaving evidence in order to avoid unnecessary troubles, however, perhaps grasping the consumer’s interests and deepening their knowledge by

providing them with explanations has a positive meaning for both the buyer and the seller.

4. Target and Scope of Comparison and Examination

4-1. The number of competing companies—changes in the consideration set

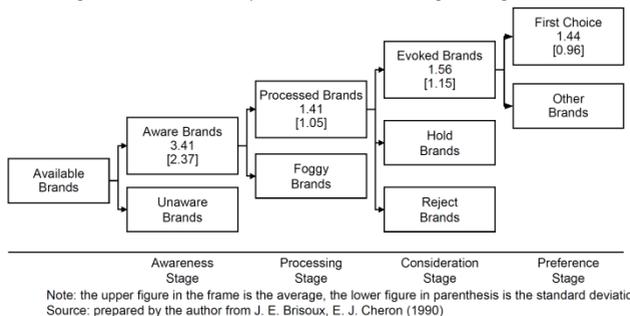
As has been shown in section 2 of this chapter, the number of consumers taking out insurance upon making comparisons is growing as people gradually start to recognize environments such as comparison sites that allow people to gain knowledge to make comparisons or to easily, although perhaps not sufficiently, “compare” even without knowledge.

Among these consumers, there seem to be even those who compare 3 or more insurance companies, as seen below.

- “My husband is the type that collects materials and really studies them so I printed out the websites of all five domestic life insurance companies and five foreign capital firms and had him read them” (female, 39)
- “I added the results from searching ‘life insurance’ on Yahoo! to my favorites and went through the websites of these companies that came up” (male, 37)

In academic research pertaining to consumer behavior, brands (products) that consumers consider purchasing are outlined as a set with a hierarchical structure categorizing (1) all brands (products) existing in this world into (2) whether or not consumers are aware of its existence (Aware Brands), (3) if they are aware, whether or not consumers understand also the brand’s (product’s) characteristics (Processed Brands) and (4) whether or not they would consider it as something they might actually purchase (Evoked Brands). [Figure 4-11]

Figure 4-11 Changes in the number of companies considered in the stage of recognition and examination process



According to the results of a survey I conducted with the cooperation of

Nomura Research Institute in 2008 that compared such hierarchical structure to the process of considering taking out life insurance, the respective number of companies consumers reviewed, including (5) companies examined in detail in the stage immediately before making the purchase, among the available sets, was 3.41 companies on average for Aware Brands⁶ of which consumers recognized the company names, among which there were 1.41 companies that became Processed Brands or candidates to consider taking out insurance from, while there were 1.56 companies that became Evoked Brands or the subject of examination when consumers actually took out their most recent policies. Because in the survey, consumers were asked to give the company names that they recognized by unaided recall with no particular information, unlike aided recall in which a list of companies is provided, it is likely that consumers came up with only certain companies that they feel close to psychologically. This result shows that even taking into consideration the variability of the respective individuals, most consumers recognize only one to seven life insurance companies to begin with, and when it comes to the number of prospective companies from which they would consider taking out insurance, it is limited to merely one to three. We can assume that whether or not consumers would consider taking out insurance from the particular company depends on whether or not the company is included in the first seven at the very least, and furthermore if it can remain among the three prospective companies. In order to become a company that is chosen by consumers, perhaps it is necessary to not only improve awareness from simply increasing exposure but to also make efforts to become recognized as a name they feel familiar with.

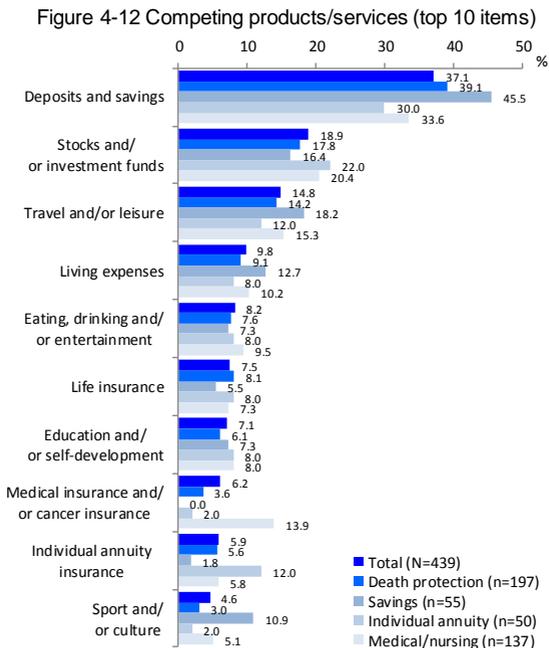
However, although this cannot be established from a one-time survey, there seem to be cases, despite few, in which companies that were unknown to consumers prior to their considering taking out insurance are picked up during searches over the Internet, for example, and result in constituting Processed Brands or Evoked Brands. Considering that there are consumers who narrow down the prospective companies from those found through the Internet search when they are thinking of getting insurance, as seen in one of the previous examples, it should be also considered as important to know how high the company's website appears in Internet search results as well as how the company is seen by consumer and to make an effort to improve the situation as necessary.

4-2. Scope of competing products and services

The subject of comparisons made by consumers considering taking out life insurance, is not necessarily limited to companies in the same business.

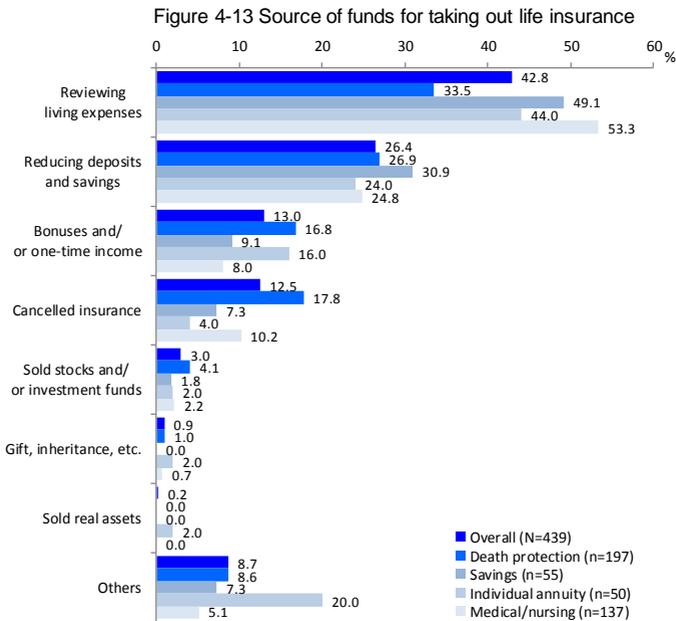
⁶ When adding up the numbers, company names that were miswritten were only counted if it were obvious that it was meant to indicate a specific company.

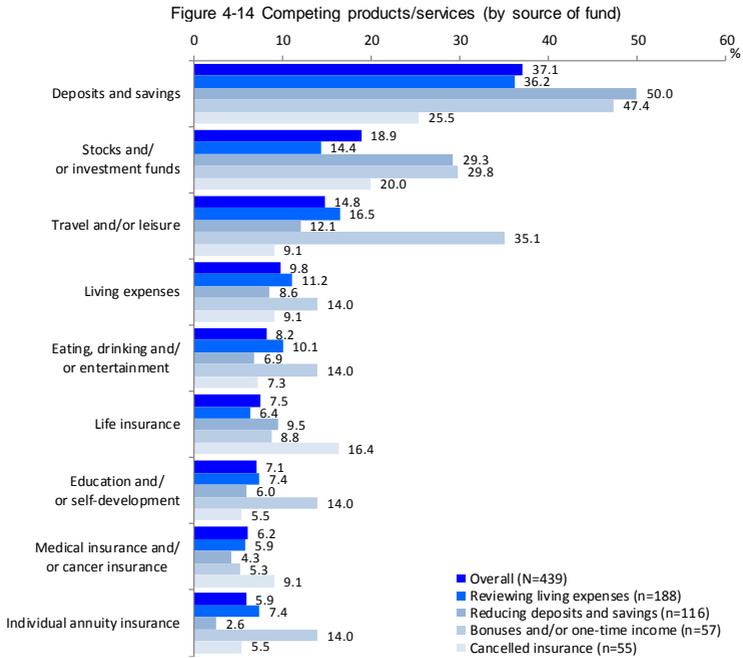
Looking at the products and services that people considered as other ways to use the fund which they secured to pay the life insurance premium for the assurance they took out most recently, according to the abovementioned survey, “deposits and savings” scored the highest accounting for 37%, followed by “stocks and/or investment funds” (19%), “travel and/or leisure” (15%), “living expenses” (10%) and “eating, drinking and/or entertainment” (8%) in this order. [Figure 4-12] Looking at the results by the types of product they took out most recently, ”sports and/or culture” scored relatively high for savings-based insurances such as old-age insurance or juvenile insurance, while “personal pension insurance” scored relatively high for personal pension insurance and “medical insurance and/or cancer insurance” for medical and/or nursing insurance, indicating that consumers decide on taking out life insurance as a result of comparing and reviewing it with other financial products, consumer goods and services, although the competing product or service differs depending on the type of product they take out.



Meanwhile, looking at how consumers secured the funds to take out insurance, “reviewing living expenses” scored the highest with 43%, and one in four respondents answered “reducing deposits and savings,” showing that consumers who were squeezing out money by reducing their spending or digging into their assets accounted for almost 70% of the total. [Figure 4-13]

Looking at the relation between how consumers secured the fund to take out insurance and the different ways to use the funds they considered if they would not get life insurance, for those who reduced deposits and/or savings, “deposits and savings” and “stocks and/or investment funds” scored relatively high compared to the overall figures at 36% and 14% respectively, while for those who secured funds from bonuses and/or one-time income, in addition to “deposits and savings” (47%) and “stocks and/or investment funds” (30%), “travel and/or leisure” (35%), ”personal pension insurance,” “eating, drinking and/or entertainment” and “education and/or self-development” scored relatively high (14% respectively), and for those who cancelled insurance, “life insurance” scored relatively high at 16%, implying that the types and scope of products and services subject to comparison differ also depending on how the funds were secured. [Figure 4-14]





As has been seen, in the backdrop of consumers taking out insurance, there are economic sacrifices made both in terms of income and expenses, such as lessening the amount to be spent on other products and/or services, refraining from making purchases, reducing living expenses and digging into assets. It can probably be said that in order to get clients to choose your company's products as the way to spend their precious funds, it is necessary to appeal that it would be worth the sacrifices to be made and that it would be a more effective way to use their fund compared to getting the products of not only competitors in the insurance industry and the financial industry including banks and securities firms, but also of those in the travel industry and leisure business.

Chapter 5: Purchase Process in the Action Stage

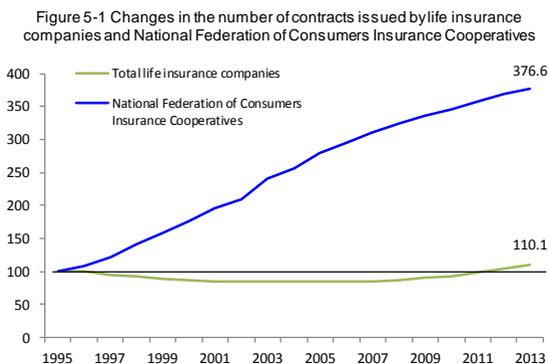
After the Comparison and Examination comes the Action stage. The consumer who has gone through the process of comparison and examination of candidates among the Evoked Brands in the Comparison and Examination stage, is considered to make the three final decisions of (1) from which company to take out insurance, (2) through which channel to take out insurance and (3) what kind of product to take out, before proceeding to the procedure of signing a contract for a particular insurance. In this chapter, we will focus on these three decision-making steps in the Action Stage and to go through the actual situation of decision-making.

First, in the next section, we will focus on (3), the product choice, among the decision-making steps in the Action Stage. The aim is to reveal the significance of price (insurance premium) which is an important factor for consumers making their final product choice.

1. The Importance of Price (Insurance Premium) in Selecting Insurance Products

1-1. The Significance of “Price (Insurance Premium)” for the Consumer

Under the prolonged deflationary environment, online life insurers and mutual aid associations have attracted attention because of their low insurance premium and simple structure and have grown their business. [Figure 5-1] Meanwhile, the following comments have been made by men and women in their 20s to 30s in the focus group interview we conducted previously, indicating that the insurance premium itself is apparently one of the important factors when it comes to determining from which company to take out insurance.



Note: Indexed with 1995 as 100
Source: Prepared by the author from the Life Insurance Association's "Monthly Statistics" and Insurance "Life Insurance Earnings Statistics Issue"

- I can understand that direct sales is less expensive because there is no sales agent, so I want to take out insurance from a foreign capital firm that is clearly cheaper (male, 29)
- My insurance premium will rise at the age of 40, so I plan to cancel my policy at that timing. If I were to switch now, I'd go for a life insurance company with lower insurance premium (male, 33)
- I've taken out a policy without understanding anything in the past and had to cancel because the insurance premium was so high (female, 31)

In the textbook of insurance, it is considered that the insurance premium that is the “price” of life insurance products, can be divided into pure premium which is for paying the insurance money and benefit in case of insured events, and loading premium. Furthermore, is deemed typical to set the price of a product by estimating the cost for production and distribution of the product and then adding on the profit, in this order. Although for the seller, it would seem natural to determine the price based on such calculation procedure, looking at the “price” from the perspective of the consumer who is going to purchase (take out) the product (including life insurance), one notices there is a different aspect than the simple “cost” + “profit.” A luxury brand is a typical example. Even though there is no physical difference in the material or sewing technique, consumers at times happily pay higher prices for a certain product or service. Moreover, when considering where to go on vacation, consumers seem to worry if they would be able to receive decent service from accommodation facilities that set their prices much lower than other nearby facilities. As these examples show, “price” is said to function as a barometer for consumers to estimate the value of the contents and quality of the product or service when they do not have sufficient knowledge or information to make assessments.

Although the abovementioned comment by a consumer, “If I were to switch now, I'd go for a life insurance company with lower insurance premium,” does not say he would cancel his existing contract and switch to a new one “immediately” but would do so only “before the insurance premium rises (at the timing of renewal),” and while he does show understanding to the fact that the product becomes “cheaper” because the channel cost is held down as is the case with mail-order or online type outlets, perhaps there is a sense of concern behind such comments for the quality (that he fears it may be inferior in quality) of the “insurance” to pay benefits, for example.

As seen above, looking at the meaning of “price” from the consumer's standpoint, it may be that in the case of life insurance products, the participation rate for households of which is almost as high as 90% and of which many consumers should have a certain level of knowledge on the price range, offering products that are extremely more expensive (or cheaper) than the products of rival companies may not be accepted by consumers unless there

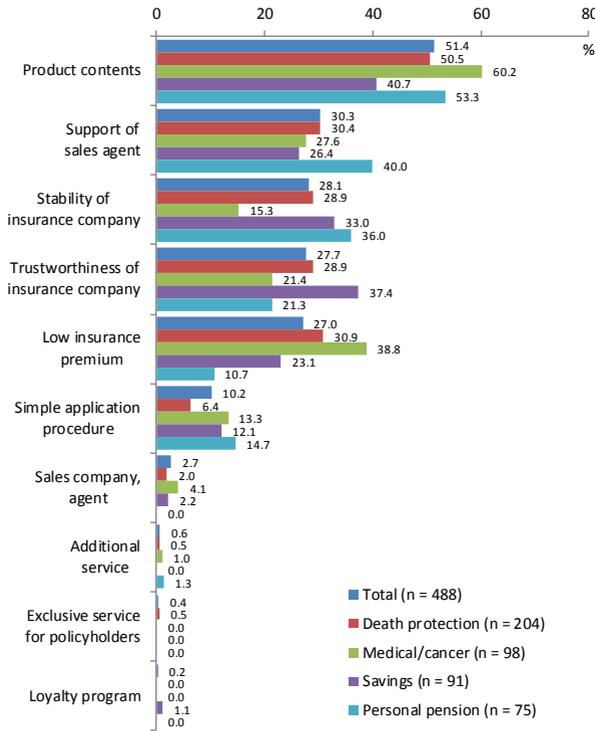
is a logical explanation for the insurance premium level that they can understand, e.g. it comes with “an overwhelmingly sophisticated consulting service compared to other companies” or that it is “a sophisticated product that cannot be easily copied by rival companies” or “a standalone product with lower insurance premium because the channel cost has been held down.” Considering the popularity of mail-order or online type insurance companies and mutual aids in recent years, as well as the comments quoted at the beginning of this section, it seems the insurance premium amount is a strong appeal point towards people’s decision to take out insurance. So how much weight are consumers actually placing on insurance premium?

1-2. The Significance of the Insurance Premium as the Final Determining Factor

According to the Nikkei NEEDS-RADAR Financial Behavior Survey⁷ conducted by Nikkei Research Inc. in 2013, which asked about the life insurance or individual annuity people took out in the past three years (or the most recent purchase for those who took out more than one insurance) what the determining factor was when they got the insurance, “contents of the product was good” (hereinafter referred to as “product content”) scored the highest accounting for 51%, or about half of the respondents, followed by “support of the sales agent” (30%), “stability of the insurance company,” “trustworthiness of the insurance company” (28% respectively) and “low insurance premium” (hereinafter referred to as “insurance premium”) (27%). [Figure 5-2] Looking at these results by the types of insurance people purchased, the most cited reason was “product content” regardless of the type of product. However, more than a few chose “insurance premium” as the final determining factor. In particular, for those who took out death protection or medical/nursing insurance, “insurance premium” was one of the two main factors along with “product content.” Furthermore, comparing among the types of product, “insurance premium” scored higher at 39% for those who took out medical/nursing insurance than the 31% for those who got death protections. As can be seen, although there are differences between the types of insurance, “insurance premium” definitely seems to be an important element for consumers when they are considering taking out life insurance.

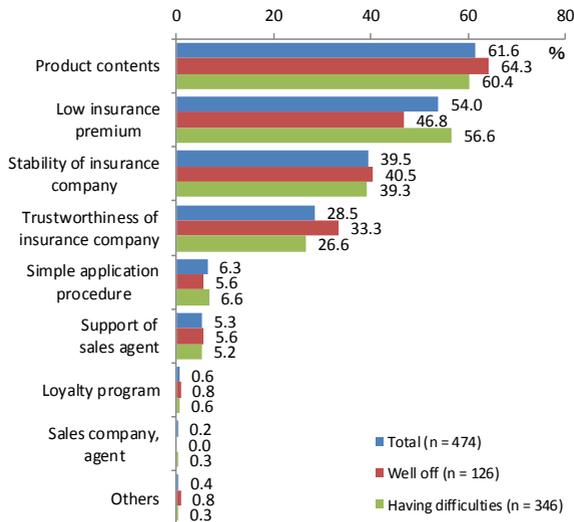
⁷ The survey targeted individuals, male and female, aged 20 to 74 living within 40 km of the Tokyo metropolitan area. The valid number of responses collected was 2,680.

Figure 5-2 Final determining factor when getting insurance most recently



Then, will the situation not change in the future? When asked of the factors that the respondents would focus on when they most recently got coverage, “insurance premium” scored the highest for medical insurance and cancer insurance. However, when asked of the factors to focus on if the respondents would get a new insurance or increase coverage in the future, “product content” scored the highest with 62%, followed by “insurance premium” at 54%. [Figure 5-3] “Stability of the insurance company” (40%) came in third followed by “trustworthiness of the insurance company” (29%) but the gaps with the top two items are wide. Looking at the results by the level of living circumstances, although “product content” scored higher than “insurance premium” regardless of how financially fit consumers were, the difference between the two factors was 18 points for those that are well off, while it shrank to 4 points for those with financial difficulties,

Figure 5-3 Factors people placed weight on when taking out or increasing medical/cancer insurance going forward



These results seem to indicate that although those having financial difficulties tend to focus more on the level of insurance premium, they are price conscious only within the scope of not having to have to compromise in terms of the contents and quality of the product. Considering the economic resources of those with financial difficulty, “insurance premium” would seem to be even more important as an appeal point, however, “insurance premium” is not necessarily the key factor, and the most important factor may be whether or not we can offer a product that meets the consumer’s needs without excess or deficiency.

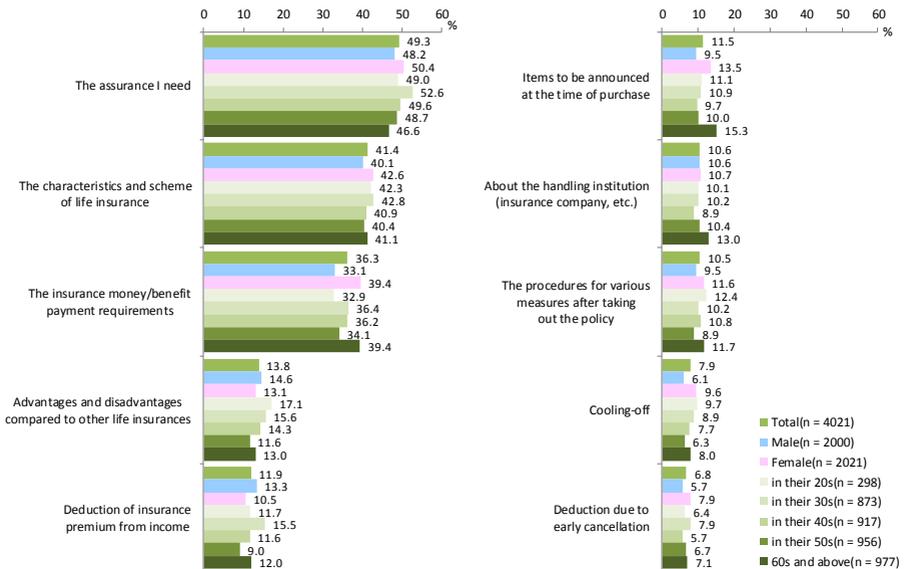
2. Consumers’ Level of Understanding of the Products and the Satisfaction with Price Adequacy and Necessity of Assurance

In the previous section, we focused on the price (insurance premium) among the factors of product selection and reviewed the meaning of price (insurance premium) as a significant element for consumers in making their final product selection. In this section, we will look into the consumers’ level of understanding of the products, including whether or not the consumers were able to fully understand the products in the process leading up to making the decision of taking out insurance and as to how much they had understood before they went ahead and got their insurance.

2-1. Consumers' level of understanding of products at the time of taking out insurance

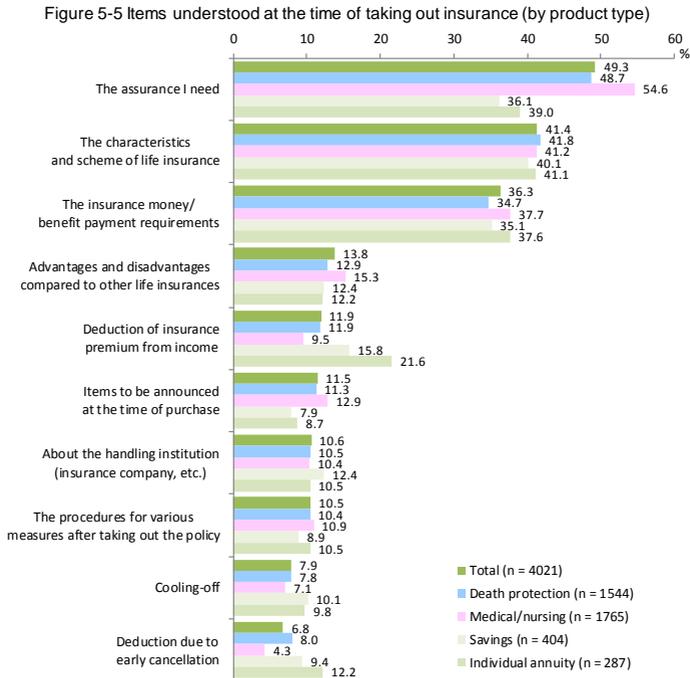
First of all, according to the results of a survey conducted by our company on how much consumers understood their insurance when they got it, looking at the top 10 items among the 14 items asking people what they knew when they got insurance, “The assurance I need” scored the highest with 49%. [Figure 5-4] This is followed by “The characteristics and scheme of life insurance” (41%) and “The insurance money/benefit payment requirements” (36%) in this order, however, excluding these top three items, all other items scored less than 20% respectively, and the number of items that people replied they understood was merely 2.2 items on average. By gender, females scored six points higher than males for “The insurance money/benefit payment requirements,” and four points higher respectively for “Items to be disclosed at the time of purchase” and “Cooling-off rule,” while males scored three points higher than females for “Deduction of insurance premium from income.” Furthermore, by age group, those in their 30s scored higher than the overall figures for “The characteristics and scheme of life insurance” and “Deduction of insurance premium from income.” In addition, those aged 60 and above scored higher than the overall figures for “The insurance money/benefit payment requirements,” “Items to be disclosed at the time of purchase” and “About the handling institution (insurance company, etc.)”

Figure 5-4 Items understood at the time of taking out insurance



Meanwhile, looking at the results by the types of product people took out, those who got medical/nursing insurance scored higher for “The assurance I need,” whereas those who received an individual annuity scored higher for “Deduction of insurance premium from income” and “Surrender charges.” [Figure 5-5] As for the average number of items people understood, those who got death benefits or medical/cancer understood 2.2 items on average, while the number was 2.3 items for those who took out annuities and 2.1 items for savings, indicating that although the number was slightly higher for personal pension, the number of items people understood was generally low, perhaps implying that some policyholders may be taking out insurance without fully understanding the product.

In the previously conducted focus group interview as well, people commented on their experiences of taking out insurance without closely examining its contents, as can be seen below.

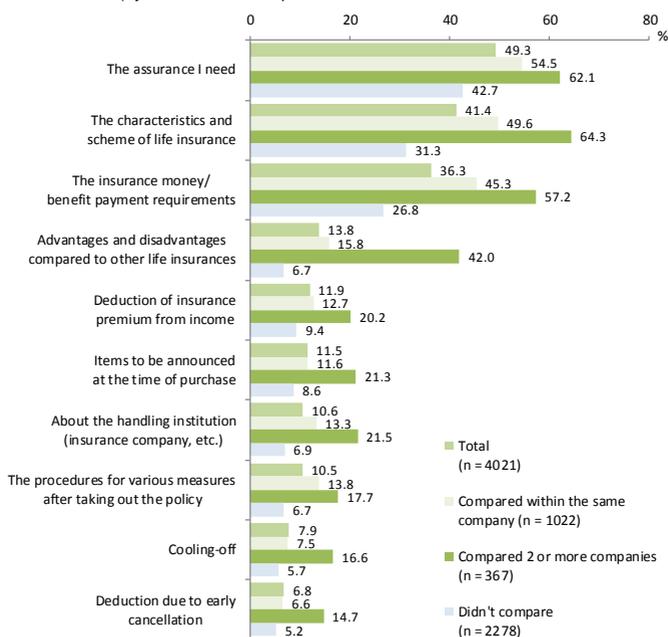


- A sales agent came to my workplace and went ahead and made a life plan for me even though I didn’t ask for it. I thought “maybe that’s what you do when you start working” and took out the policy without looking at the plan in detail” (male, 29)
- I listened to the salesperson and took out the insurance without giving it

much thought. I still believe “all that matters is that I have coverage and it doesn’t matter where I get it from” (male, 25)

Looking at the actions people took when they got insurance most recently, namely how people made comparisons and examination, those who compared two or more companies scored higher for “Deduction of insurance premium from income,” “Items to be disclosed at the time of purchase” and “Cooling-off rule” than those who compared within the same company or those who did not compare, and those who did not compare scored lower than the overall figure for all items. [Figure 5-6]

Figure 5-6 Items understood at the time of taking out insurance (by the status of comparison and examination)

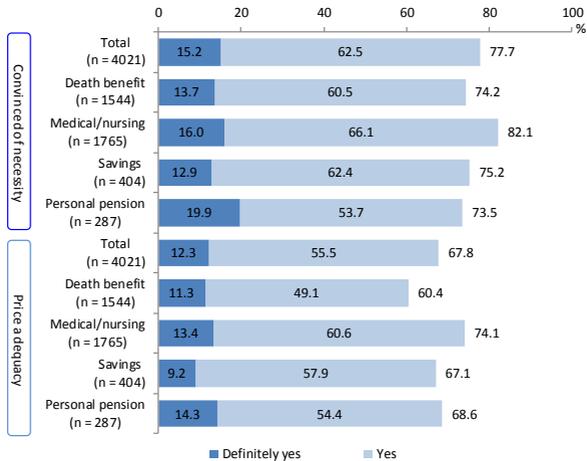


2-2. Level of satisfaction with price adequacy and understanding of necessity at the time of taking out insurance

Under such circumstances, looking at whether or not people were finally fully convinced of the necessity of the assurance and the balance of contents and price (insurance premium), or price adequacy, it can be seen that 78% were convinced of the necessity of the assurance they took out and 68% were of the price adequacy. [Figure 5-7] Looking at this by the types of product they took out, of those who got medical/nursing assurance, 82% said they were convinced with the necessity of the assurance and 74% were satisfied with the price adequacy, scoring higher than those who got death benefits (necessity of

assurance: 74%, price adequacy: 60%). As for the items people understood when they took out their policies, taking also into consideration that the number of items people understood was small in general, it is likely that people who got medical/nursing products took out their policy with only superficial understanding compared to other types of products, and there is a risk that this would leave seeds of discontent in the future.

Figure 5-7 Level of understanding necessity and satisfaction with price adequacy



Looking at the number of items understood at the time of getting insurance by the level of understanding categorized into three levels, as for the necessity of the assurance, those with low level of understanding scored 66%, while those with medium level of understanding scored 88% and high level of understanding 91%, showing the tendency that the higher the level of understanding, the higher the level of satisfaction with the necessity of the assurance. [Figure 5-8] Similarly, for price adequacy as well, the higher the level of understanding, the ratio of those who believe the contents matches the price rises, from 56% to 76% and 82%. Furthermore, looking at the results by the specific items people understood, as for the necessity of the assurance, those who understood “Advantages and disadvantages compared to other life insurances” and “The procedures of various measures after taking out the policy” showed a high level of satisfaction of more than 90%, and as for price adequacy, those who understood “Advantages and disadvantages compared to other life insurances,” “About the handling institution (insurance company, etc.)” and “The procedures of various measures after taking out the policy” scored high exceeding 80% respectively. [Figure 5-9] As has been shown in Figure 5-4, these were the items that only a small percentage of policyholders said they understood at the time of taking out their insurance. Perhaps we can

expect to further improve the level of satisfaction at the time of taking out insurance by giving consumers thorough explanation and support so that they have a deeper understanding of their policy, including the details mentioned above.

Figure 5-8 Level of understanding and satisfaction (by the level of understanding of product)

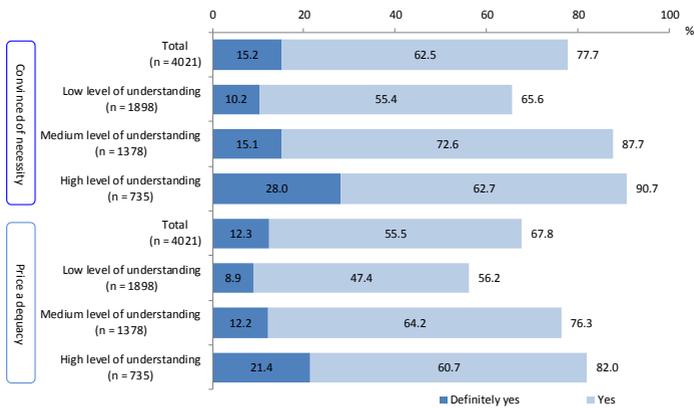
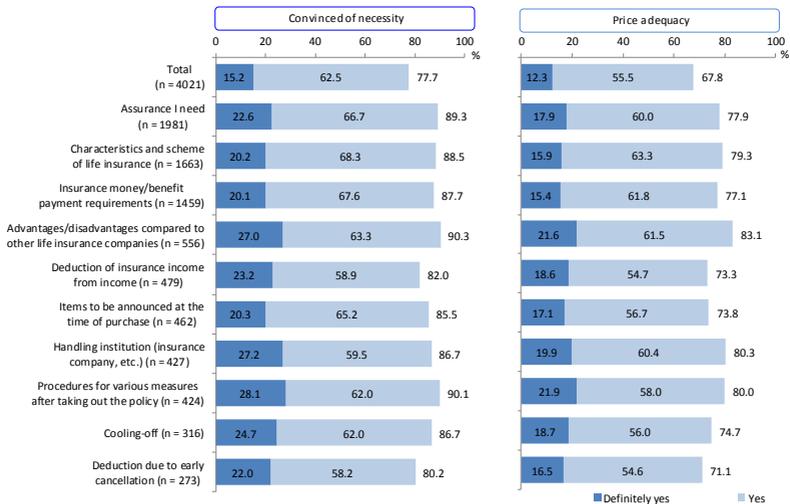


Figure 5-9 Level of understanding and satisfaction (by the items understood at the time of taking out insurance)



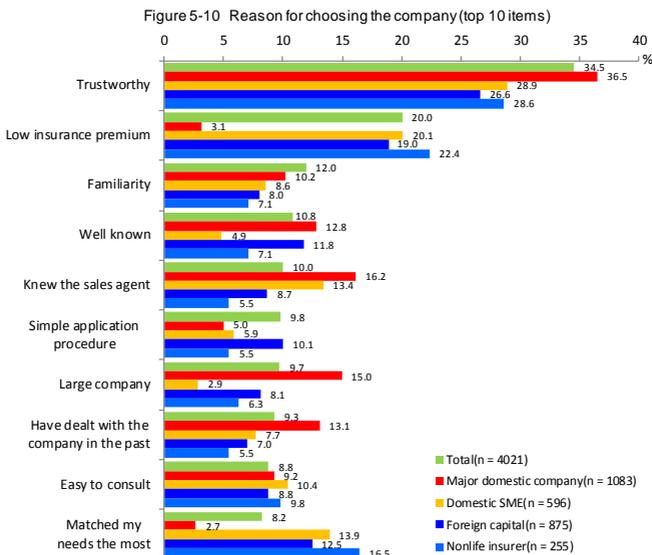
Because of the restrictions of the industry laws, making comparisons with other companies' products requires great difficulty, however, for the other items, we may be able to improve the level of satisfaction of our customers and have more of them take out insurance by giving them an even more thorough explanation.

3. Decision Making in the Action Stage

Up to the preceding section, we have looked into the meaning of price (insurance premium) for consumers and the level of their understanding of the products with a focus on product selection in the Action stage. In this section, we will attempt to reveal the qualifications of the company or channel that is chosen by the consumer by focusing, among the decision making process in the Action stage, on the selection of companies and channels, namely (1) from which company and (2) through which channel the consumers take out insurance.

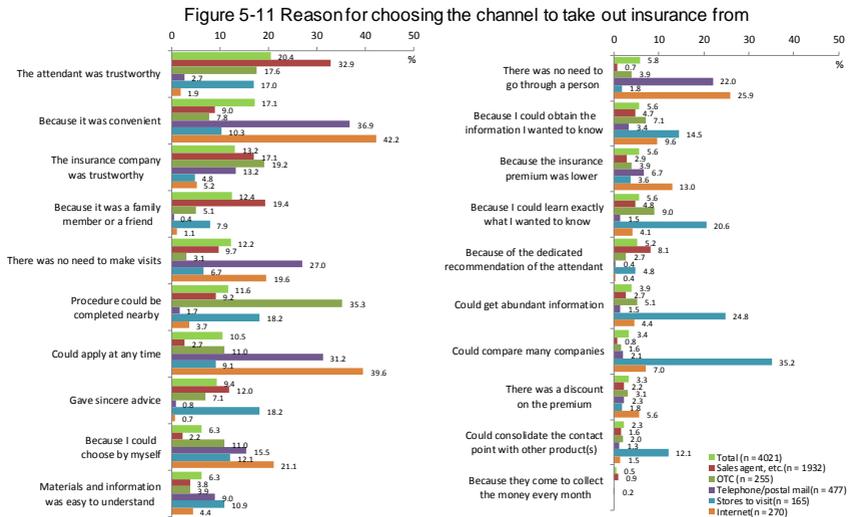
3-1. Reason for choosing the company from which to take out insurance

First, looking at the reasons why people chose the company from which they took out their most recent policy according to the results of the quantitative survey conducted by our company, overall, “Trustworthy” scored the highest at 35%, followed by “Low insurance premium” (20%) and “Familiarity” (12%) in this order. [Figure 5-10] By the type of company people got their insurance from, for major domestic companies, “Knew the sales agent” (16%) and “Large company” (15%) scored high compared to the overall figures, while for nonlife insurers, “Matched my needs the most” (17%) scored high, indicating that while there are differences between the types of companies, “Trustworthy” scored the highest for all types of company and it seems that in selecting which company to deal with, “whether or not the company is trustworthy” seems to be a major criterion for selection.



3-2. Reason for choosing the channel from which people took out their insurance

Second, looking at the reasons why people chose the channel they used to take out insurance, overall, “The attendant was trustworthy” (20%) scored the highest, followed by “Because it was convenient” (17%) and “The insurance company was trustworthy” (13%) in this order. [Figure 5-11] Looking at the results by the channel that people took out their insurance, “The attendant was trustworthy” scored the highest for those who went through sales agents at 33%, followed by “Because it was a family member or a friend” (19%) and “The insurance company was trustworthy” (17%), while “Because it was convenient” scored the highest for those who got insurance over the telephone or postal mail at 37%, followed by “Could apply anytime” (31%), and “There was no need to make visits” (27%) at around 30%. Furthermore, for those who got their policy over the counter, “Procedure could be completed nearby” scored the highest and for those who took out insurance at insurance shops, “Could compare many companies” scored the highest, both at 35%. As can be seen, the reason that matches the characteristics of the respective channels ranks the highest. However, while “The attendant was trustworthy” and “The insurance company was trustworthy” ranked high for direct writing agents, the aspect of efficiency, such as being able to compare between companies, the abundance of information as well as the certainty of being able to obtain information ranked higher than the trustworthiness of the attendant or insurance companies for independent insurance shops, and it should be noted that the reason for choice is different even among channels categorized as the same face-to-face channels.



In fact, in the previously conducted focus group interview, some of the consumers who got insurance through sales agents commented that they took out the policy from their trust in the attendant as opposed to examining the contents of the proposed product as can be seen below.

- My mother's acquaintance was selling insurance so I trusted this person and took out the policy that was recommended (female, 35)
- The brother-in-law of my superior at work was with an insurance company and I thought that he could be trusted because he was related to the boss (male, 32)

Apparently, whether or not they could trust the salesperson they were in direct contact with, or the insurance company from which they would take out their policy is a major factor in the criteria for selecting a company or channel for those who got insurance through personal channels, such as direct writing agents or sales agencies.

Meanwhile, also among those who currently do not have insurance, there are people who, although they do wish to fully understand the contents of the policy and be convinced before taking out insurance, seem to be more inclined to get to know a seller that they can trust, rather than request materials themselves and study them carefully, as can be seen below.

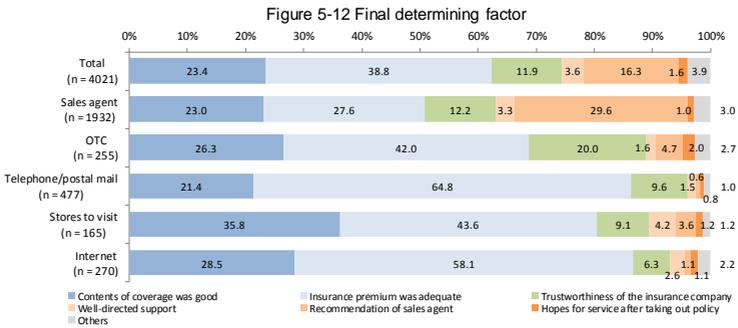
- Rather than reading each policy conditions, I'd like to trust someone and get insurance from them (male, 35)
- I don't want to request materials. I think things are hidden behind slick sales copies. I'd like to be properly told in words by a person. (male, 28)

As has been described in detail in chapter 4, in the early stages of considering taking out insurance, consumers proceed with their examination based on information obtained from WOM, the Internet, and materials they requested, meanwhile in the Action stage, in which people make the decision to get insurance and apply for the insurance, many consumers seem to be seeking human channels they can "trust," for example, someone who could "give explanations to their specific concerns in a way that is easy to understand," because of reasons, such as (1) they want to have someone answer to their questions directly or (2) they could feel safe if there's a "person" as insurance is not tangible. With consumers who want to have the intervention of a face-to-face channel, how to earn their trust is perhaps the important challenge for all such channels.

3-3. The final determining factor in making the decision

Then, how much importance do consumers place on trustworthiness of the company or channel in making the decision to take out life insurance? Looking at the final determining factor for deciding to take out insurance, "insurance premium was adequate" scored the highest with 32%, and together with "contents of coverage was good" (25%), those saying that the product factor

was the final determining factor accounted for more than half of the respondents. [Figure 5-12] By the channel through which people took out insurance, although the product factor accounted for more than half also for those who got insurance through sales agents or agencies, the channel factor (“the support up to taking out the insurance was well directed,” “was recommended by a sales agent”) also accounted for more than 30% which was higher compared to those who took out insurance through other channels. It goes without saying that the quality of the product itself that the consumers are taking out is important for their making their decisions when they take out life insurance, however, for human channels, such as sales agents or agencies to be selected as the contact point where people would apply to get insurance, perhaps how to win over the trust of consumers is also a significant factor.



4. The Image of the Desired Human Channel

In the preceding section, we focused on the companies and channels and analyzed the qualifications for becoming the consumers’ company or channel of choice. The result revealed the most important element for both companies and channels was trustworthiness. Additionally, while more than half of those who took out their insurance through a human channel replied the quality of the product was the final determining factor for getting insurance, the channel factor also scored high, accounting for over 30%, indicating that winning the customer’s trust is a key point for human channels. As has been shown in various surveys, including the Japan Institute of Life Insurance’s FY 2013 Survey on Life Protection, many consumers are still taking out insurance through human channels, mostly through sales agents, and the sales agent is the most popular channel for those who would consider getting insurance in the future. [Figure 5-13] How do consumers view human channels? And how is the recognition affected by the situation when they actually come in contact with human channels? In this section, we will close in on the desired human channel by looking into how consumers view sales agents and the impressions

they have of the sales agents they are actually in contact with.

Figure 5-13 Where the most recent insurance was taken out and where people would get their next insurance



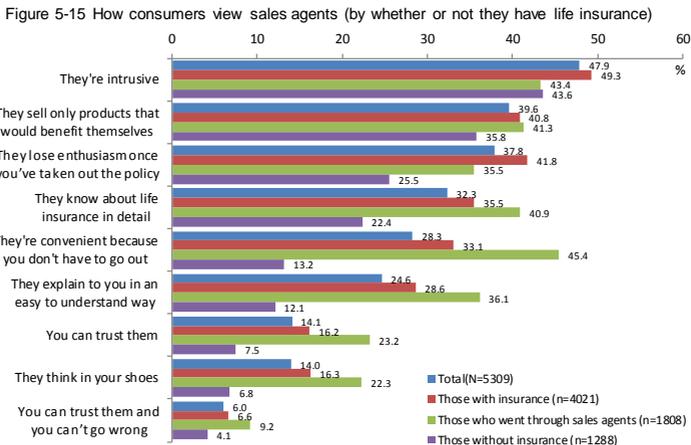
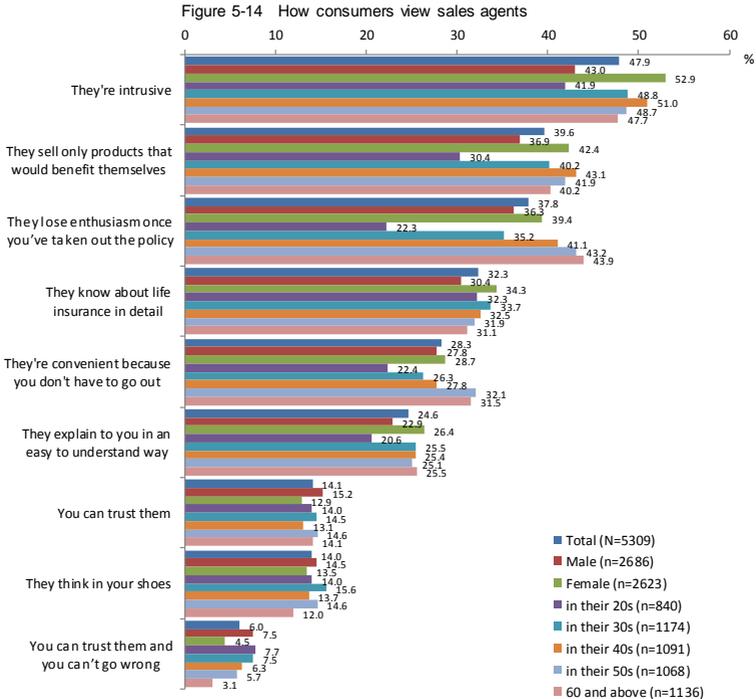
Source: Prepared from Japan Institute of Life Insurance's "FY 2013 Survey on Life Protection"

4-1. Image of human channels

First, looking at how consumers view sales agents according to the results of the quantitative survey conducted by our company, negative images made up the top three replies with “They’re intrusive” scoring the highest at 49% and “They lose enthusiasm once you’ve taken out the policy” at 41% and “They sell only products that would benefit themselves” at 41%, although all three scored less than 50%. [Figure 5-12] Looking at the results by attribution, by gender, females scored higher for “They’re intrusive,” “They sell only products that would benefit themselves,” “They know about life insurance in detail” and “They explain to you in an easy to understand way” than males, while by age group, the higher the age group, the more they tended to reply “They lose enthusiasm once you’ve taken out the policy.” [Figure 5-14] Furthermore, by whether or not the consumer has life insurance, those who have coverage scored higher in all items. Looking at the results for those who do have life insurance by the channel through which they got their most recent policy, those who went through sales agents scored lower than the overall figures for items giving a negative image, such as “They’re intrusive” or “They sell only products that would benefit themselves” and higher for items giving a positive image, such as “They’re convenient because you don’t have to go out,” “They know about life insurance in detail” and “They explain to you in an easy to understand way.” [Figure 5-15] From the fact that those who used sales agents as an information source when considering taking out insurance also showed a similar tendency, people who do not have insurance actually do not have a clear image of sales agents, and it may be that coming into some kind of contact with sales agents could overturn their negative image and they might come to hold a positive image.

However, even among those who got insurance through sales agents, the only item that scored higher than the negative items was “They’re convenient because you don’t have to go out.” Furthermore, for items “They think in your shoes,” “You can trust them” or “They explain to you in an easy to understand way,” their scores were merely 5 to 7 points higher compared to that of people with insurance. We can probably say this shows that not

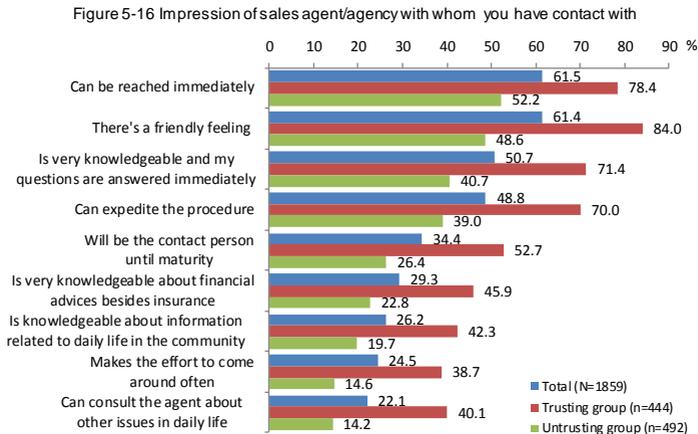
necessarily all sales agents have earned the trust of consumers through sales activities based on the customer’s perspective, and there are more than a few agents who are seen as “intrusive” or “prioritizing one’s own profit” by their customers.



4-2. The desired human channel

Then what is the image of a human channel favored by consumers and how can the current situation be improved? How are sales agents who could earn the trust of clients viewed by consumers in comparison with those who are not trusted?

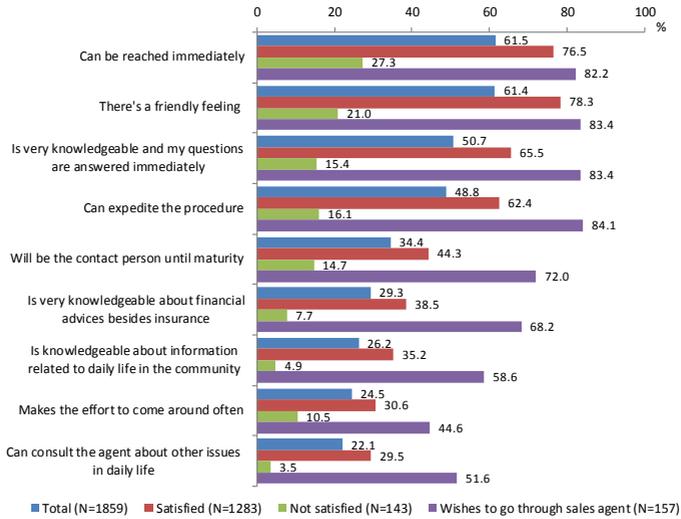
In the survey, the customers are given nine items of possible impressions of sales agents or agencies with which they are in contact since they took out their insurance and asked how much they agree to these impressions. Comparing the replies of the group who trust their sales agents to the group who don't trust their sales agents to this question, obviously, the trusting group scored higher on all nine items, and the difference between the two groups was particularly wider for "There's a friendly feeling" (+35 pt). "Can expedite the procedure," "Is very knowledgeable and my questions are answered immediately" (+31 pt). [Figure 5-16]



Moreover, looking at the results of asking the qualities people who wish to go through the sales agent channel to get a life insurance in the future would hope for among the same options, overall, "Can expedite the procedure" scored the highest at 84% while "Is very knowledgeable and my questions are answered immediately" (83%), "There's a friendly feeling" (83%), and "Can be reached immediately" (82%) have also scored high, exceeding 80%. [Figure 5-17] Looking at the results by the level of satisfaction with sales agents or agencies, those who are not satisfied with their current sales agent or agencies scored much higher than those who are satisfied for "Will remain the contact person until maturity," "Can be reached immediately," "There's a friendly feeling" and "Can expedite the procedure." This may imply that acquiring the qualities indicated by these items could be the ideal image of the human

channel desired by the consumer that would lead directly to winning the trust of customers and improving their satisfaction level.

Figure 5-17 Quality expected of sales agents/agencies



Chapter 6: The Sharing Process in the Action Stage

Following the action (Action) stage is the sharing stage (Share). In the Action stage, how do consumers who have gone through the purchase procedures (closed a contract) evaluate the results of the consideration process in the preceding stage, and share these results with others? In this chapter, we will review the situation of such evaluation and whether or not these evaluations are shared with others in the sharing stage.

First, in the following section and Section 2, we will verify the meaning of customer satisfaction based on a set of data, then in Section 3, we will review the actual situation of sharing. Additionally, in Section 4, we will give further consideration to the meaning of following up after insurance policies are taken out, in view of the long term nature of life insurance.

1. Customer Satisfaction and Loyalty

1-1. Loyalty differs depending on the level of satisfaction

Although customers are given options of four to five levels from “satisfied” to “dissatisfied” in customer satisfaction surveys conducted by various companies, perhaps more often than not, attention is given only to the changes in the value of the Top-2 Box, or the “total of satisfied” which is the sum of “satisfied” and “rather satisfied,” when looking at these survey results.

Incidentally, although it is known that a customer’s level of satisfaction is generally closely linked with actions such as loyalty to the company or recommendation to others, it is said that the two factors do not necessarily move in parallel. Rather, they exhibit an upward convex curve for markets and products with a high cost of switching, such as public services that face strict regulations and little competition, and a downward convex curve for highly competitive markets or commodities with low switching cost. [Figure 6-1] As for life insurance, although competition is fierce, the cost of switching is high due to the product characteristics. As is shown in Figure 6-2, the intention to renew for those who were “satisfied” was approximately double of those who were “rather satisfied,” and the difference was three to eight times for the intention to reuse and intention to recommend, exhibiting a downward convex curve for all indices, and it can be seen that there is a wide gap between “rather satisfied” and “satisfied.” If the goal is to increase the persistency rate by preventing surrenders, a certain level of success may be expected by focusing only on the Top-2 Box; however, in order to arouse needs and search for potential customers, perhaps it is also necessary to pay attention to the disparities between “satisfied” and “rather satisfied,” which show significantly different readings in terms of expectation levels for purchasing additional insurance and for WOM or recommendation to others.

Figure 6-1. How the Competitive Environment Affects the Satisfaction – Loyalty Relationship

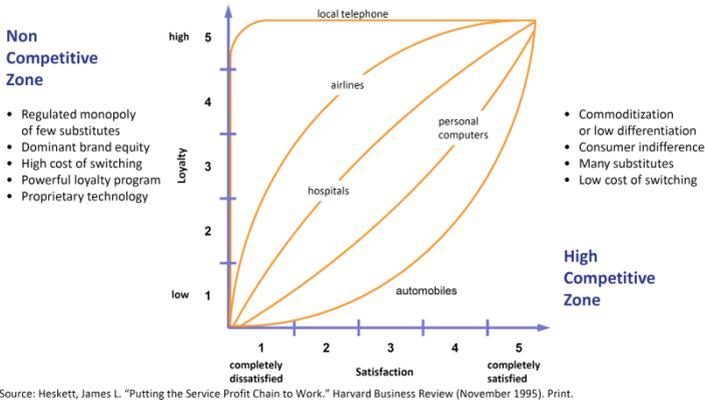
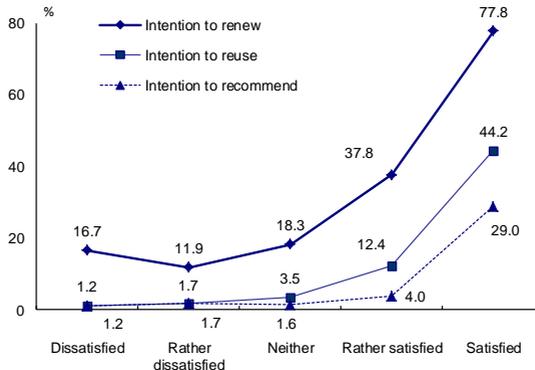


Figure 6-2 Level of satisfaction and loyalty



1-2. Factors leading to differences in satisfaction levels

As for the factors leading to differences in satisfaction levels, looking at the reason people began considering taking out insurance, although “life event” scored the highest, almost reaching 40%, for both the satisfied group and the rather satisfied group, those who were satisfied scored slightly higher for “commercials, direct mails” while they scored lower for “solicitation,” compared to the rather satisfied group. [Figure 6-3] As for actions taken when considering taking out insurance, in general, the higher the level of satisfaction, the higher the score was, with the satisfied group scoring 11 points higher for “considered the necessity of assurance,” 7 points higher for “compared companies/products” as well as “searched companies/products,” and 5 points higher for “considered details/cost of products” respectively, and it can be seen that the satisfied group is more proactive in making considerations than the rather satisfied group. [Figure 6-4]

Figure 6-3 Reason for considering taking out insurance (by level of satisfaction)

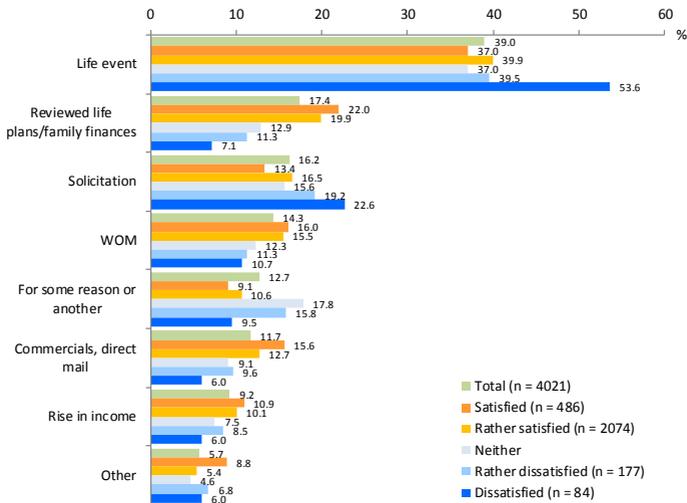
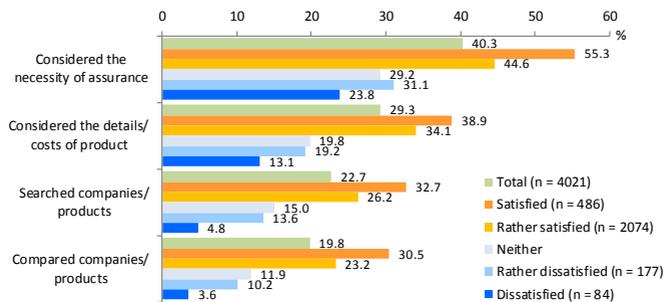


Figure 6-4 Consideration process at the time of taking out most recent insurance (by level of satisfaction)



Looking at the items understood at the time of taking out insurance, although both groups scored higher in more items than those who answered “neither” or were “dissatisfied,” it could be seen that the satisfied group understood more items scoring 13 points higher for “the kind of assurance I need,” 8 points higher for “advantages/disadvantages compared to other life insurance,” 7 points higher for the “insurance money/benefit payment requirements,” “procedures of various measures after taking out the policy” as well as “handling institution (insurance company, etc.),” and 6 points higher for the “characteristics and plan of the life insurance” compared to the rather satisfied group. [Figure 6-5] As a result, both in terms of the level of satisfaction with necessity and price adequacy, the satisfied group scored significantly higher with 59% and 54% replying “definitely yes,” respectively, compared to the rather satisfied group (12% and 9%). [Figure 6-6]

Figure 6-5 Items understood at the time of taking out policy (by level of satisfaction)

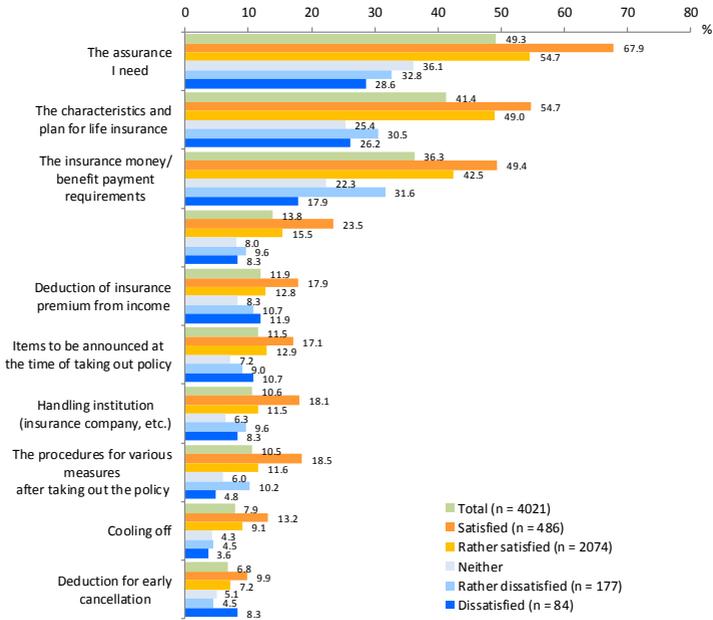
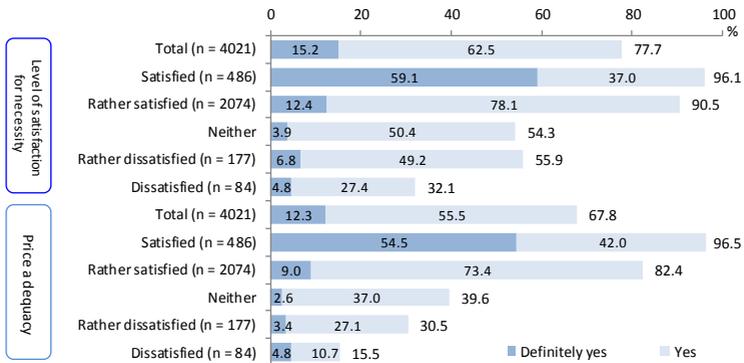


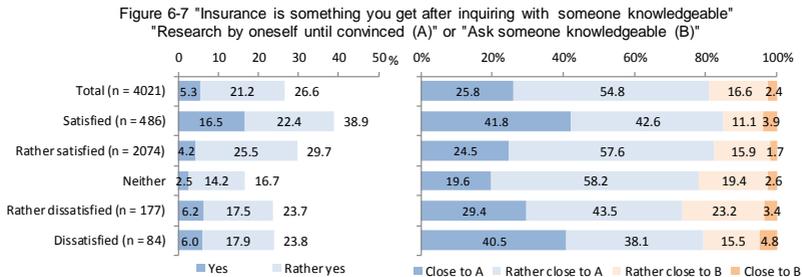
Figure 6-6 Level of understanding of necessity and satisfaction with price adequacy (by level of satisfaction)



As mentioned above, there is a tendency to focus only on the value of the Top-2 Box for use as material to prepare business plans or an indicator for evaluation measurement. However, there are differences between the satisfied group and the rather satisfied group starting with the actions taken when getting insurance, and it seems there is a big discrepancy in the level of understanding of the product they took out as well as the insurance premium. Then, how are people selecting products all by themselves without relying on the seller? Asked how adequate it was to say insurance is something that one

“gets after inquiring with someone knowledgeable,” the ratio of those who answered “yes” among the satisfied group was 17% or 12 points higher than the rather satisfied group (4%). [Figure 6-7] Meanwhile, asked if they were closer to someone who “researches by oneself until they are convinced or asks someone knowledgeable,” 42% of the satisfied group replied “closer to A (research by oneself)” scoring approximately 20 points higher than the rather satisfied group (25%). It can probably be said that they regard “someone” such as sales agents as a supplementary source of information to deepen their own understanding.

In order to improve the level of satisfaction of the rather satisfied group and to earn their loyalty, perhaps it is necessary to be customer-oriented by promoting proactive consideration by the customers themselves regarding the various products and companies starting with the particular consideration on the necessity of assurance according to the respective situations of each customer, and sticking with providing information to support their understanding as necessary, and to hold the stance of offering support so that they can make a choice that is more satisfactory.

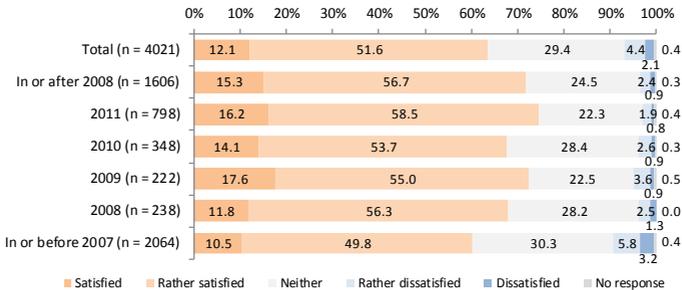


2. What Causes Dissatisfaction?

Over the last five years or so, various efforts have been made to support (deepen) consumers’ understanding of life insurance, including major companies having their agents visit existing policyholders after the so-called non-payment problem or the simplification of medical related special add-on options. Through such efforts, companies are generally seeing positive effects on their businesses, such as lower surrender or lapse rates, and it can be imagined that it is contributing significantly to improving the satisfaction of policyholders. In fact, in the quantitative survey conducted by our company, the level of satisfaction of policyholders who took out their most recent insurance in or after 2008 was 72% overall, which is higher than the 60% for policyholders who got their insurance in or before 2007. [Figure 6-8] However, the fact that 3% of policyholders who took out their insurance in or after 2008

expressed dissatisfaction in this survey as well may be implying that it is necessary to continue such efforts to resolve their dissatisfaction. Therefore, in this section, we will focus on those who were dissatisfied among policyholders who took out the most recent insurance in or after 2008 and attempt to reveal what caused their dissatisfaction by making the comparison with those who were satisfied.

Figure 6-8 Level of satisfaction (by timing of taking out most recent insurance)



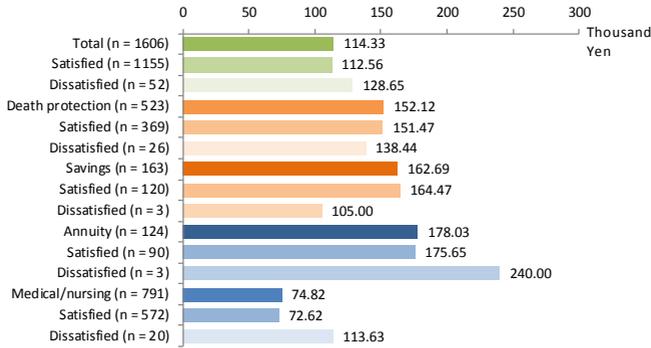
2-1. Insurance premium and type of product taken out by the dissatisfied group

First, looking at the type of product taken out and the insurance premium paid, overall, the type of insurance that was taken out the most by policyholders who got their most recent insurance in the past five years was “medical/nursing,” accounting for 50%, which was followed by “death protection,” accounting for over 30%. [Figure 6-9] Looking at this result by the level of satisfaction, the dissatisfied group scored 18 points higher than the satisfied group for “death protection” and 11 points lower for “medical/nursing.” Furthermore, the annual insurance premium paid in total was 112.6 thousand yen for the satisfied group, while it was 128.7 thousand yen, or 16 thousand yen higher, for the dissatisfied group. [Figure 6-10] By product type, for medical/nursing insurance, the dissatisfied group was paying 113.6 thousand yen or 41 thousand yen more than the satisfied group (72.6 thousand yen), while on the contrary, for death protection, the satisfied group (151.5 thousand yen) was paying 13 thousand yen more than the dissatisfied group (138.4 thousand yen).

Figure 6-9 Level of satisfaction (by timing of taking out most recent insurance)



Figure 6-10 Annual insurance premium paid for most recent product taken out

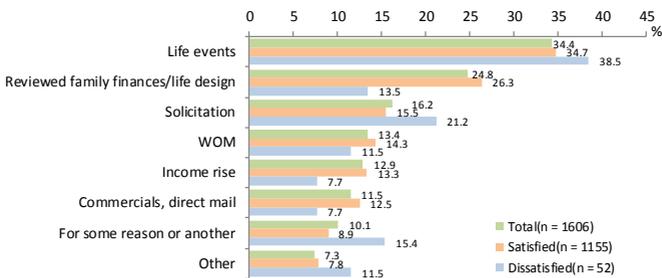


The fact that the ratio of those who took out death protection was high among those who were dissatisfied seems to imply that the characteristics of the product, which it is more difficult to understand than medical/nursing insurance, may be a part of the cause for dissatisfaction. It can be said that we need to be more creative when explaining products offering death protection.

2-2. The dissatisfied group’s process of considering taking out insurance

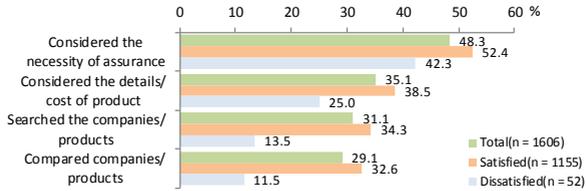
Second, according to the reasons for taking out insurance which we went through in the preceding section, while “life event” was followed by “review of family finances/life design” for the satisfied group, “life event” was followed by “solicitation” and “for some reason or another” in that order for the dissatisfied group, and we can see that their proactivity and purpose is somewhat vague compared to the satisfied group. [Figure 6-11]

Figure 6-11 Reason for considering taking out insurance



Furthermore, in terms of the actions taken at the time of getting insurance, the satisfied group scored more than 10 points higher for all items, and the gap is particularly wide at 21 points for “compared companies/products” and “searching companies/products”. [Figure 6-12] Such differences in the actions taken can also be considered to have an effect on the level of satisfaction.

Figure 6-12 Action taken when considering taking out insurance



Looking at the items understood at the time of getting insurance as a result of such differences in the actions taken, although basically the same items scored high for both the satisfied and dissatisfied groups, it seems that most policyholders that were dissatisfied decided on taking out insurance without understanding most of the items even with their highest scoring item, which was “the kind of assurance I need,” at only slightly over 40% and the rest of the items scoring less than 30%. [Figure 6-13] Looking at the final determinant as well, while more than 70% of the satisfied group replied that the characteristics of the product was the determining factor, with 41% choosing “the insurance premium was adequate” and 32% choosing “the contents of the insurance was good,” “I was solicited by a sales agent” scored the highest for the dissatisfied group at 33% followed by “the insurance premium was adequate” (23%) and “the contents of the insurance was good” (15%) in that order. [Figure 6-14] From these results, the dissatisfied group, unlike the satisfied group, can be considered as lacking proactivity in their reasons and in the consideration process for taking out insurance and seem to be judging the price adequacy according to the affordability of the insurance premium and not whether or not it is reasonable for the coverage to be provided by the product.

Figure 6-13 Items understood at the time of taking out insurance

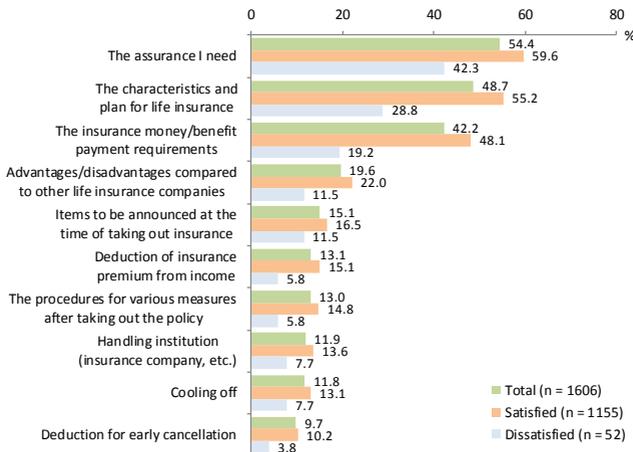
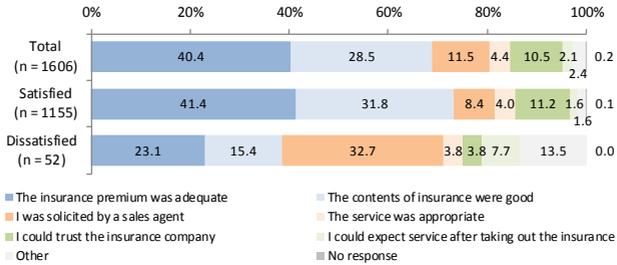


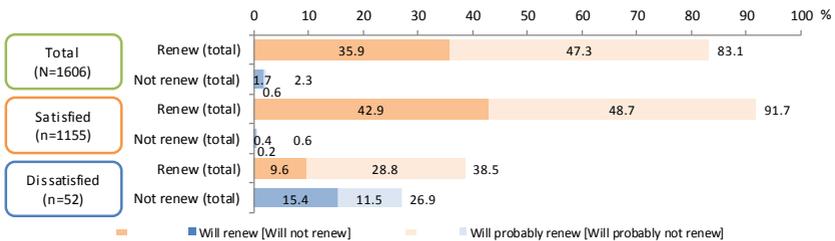
Figure 6-14 Final determining factor



2-3. The loyalty of the dissatisfied group

As a result, looking at the intention to renew going forward, while 92% of the satisfied group had the “intention to renew (total)”, the ratio was 39% for the dissatisfied group, showing a large difference. [Figure 6-15] Similarly, while only less than 1% of the satisfied group had the “intention not to renew (total)” the ratio was 27% for the dissatisfied group and you can see from these figures the high possibility of dissatisfaction towards the current contract leading to the action of surrendering the policy despite the many switching barriers such as surrender charges or the possibility of not being able to replace their insurance due to changes in the health condition.

Figure 6-15 Intention to renew going forward



It can be imagined that the reason why consumers who took out insurance over the past five years came to be dissatisfied is because they purchased their policy as a result of a solicitation by a sales agent without taking any action on their part to make specific considerations about getting the insurance and barely understanding its contents. Currently, only a few percent or a very minor percentage of consumers are clearly expressing their dissatisfaction and most of the policyholders are content. However, although the number is trivial, once there is a complaint from those that are dissatisfied, it requires more than a small amount of effort in terms of time and emotional burden to respond, and even if there isn’t any complaint, the possibility is higher for the dissatisfied group that they might secede, such as by surrendering their policies. It can

probably said that we should give consumers sufficient explanation because we must have them think thoroughly about the necessity of getting insurance and not rush to closing deals in order to avoid evoking negative actions including complaints and surrenders. Moreover, we can probably say that efforts to resolve such dissatisfaction of customers are also required to further improve their satisfaction level going forward.

3. Situation of Sharing (Share) Pertaining to Life Insurance

Traditionally, it was deemed a taboo to speak about death or money in front of others or considered bad luck to speak of preparing for death, and perhaps many believe consumers do not talk with each other about life insurance, which reminds us of death or after-death, let alone that sellers would be so blunt as to mention such things as part of a sales pitch. Meanwhile, in light of the aging of the population and diversifying of values, it can be said that the tendency to consider talking of death itself as a taboo seems to be waning as more people are seeking something unique to themselves for their own after-death such as holding a funeral while they are still alive or requesting a natural burial.

The same goes for life insurance, as medical insurance or annuities that do not involve death would not be associated with the abovementioned taboo. Furthermore, it seems there are more than a few topics that people would not feel reluctant to talk about including the characters, music, or contents of commercials. From the perspective of the company, actively becoming the topic of conversation might be something that they rather welcome, should it lead to improved brand recognition or awareness of the company or its product. In consumers' daily lives, does life insurance ever become a topic of conversation with someone close? If it does, what are they saying in their conversation?

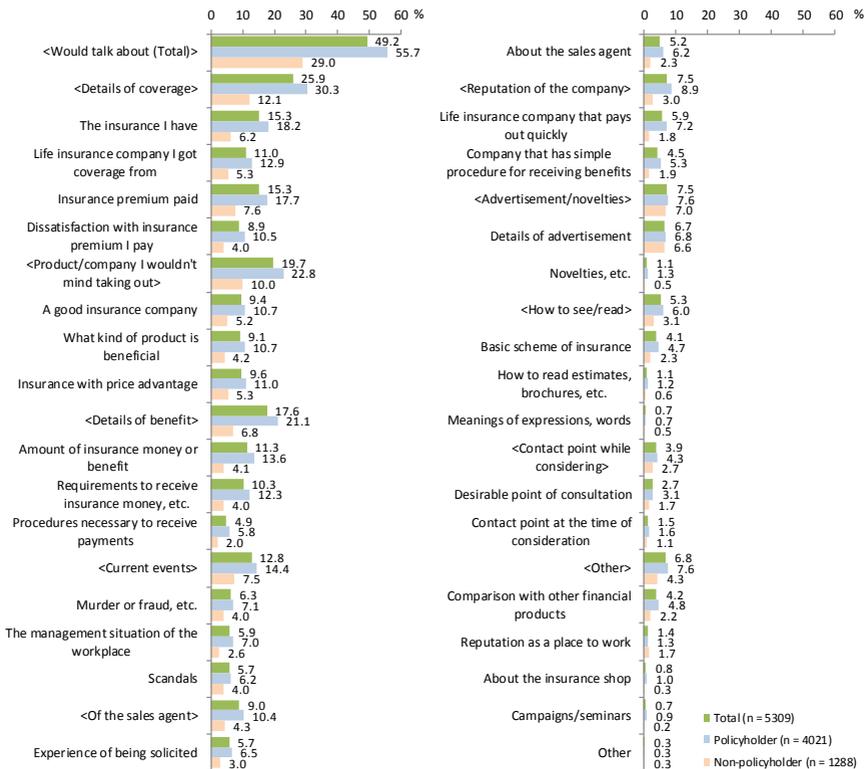
In this section, we will review what makes up the core of the stage of sharing (Share) which is the situation of information sharing between consumers, in particular, how consumers are generating and using WOM and how they are spreading the information.

3-1. How WOM related to life insurance is generated

According to the quantitative survey conducted by our company, the ratio of those who have talked about life insurance with someone close was 49% overall, meaning approximately half of them said it had come up in a conversation in the past and we can see that talking about life insurance can no longer be called a taboo. [Figure 6-16] Looking at the contents of the conversations, the "details of coverage" scored the highest at 26% followed by "company/product I wouldn't mind taking out" (20%) and "details of the

benefit” (18%) in that order. Looking at the specifics of the contents, the “insurance I have” and “insurance premium paid” topped the list both scoring 15% followed by “the amount of insurance money and benefit” (11%). By whether or not the people have life insurance, naturally, policyholders were more likely to talk about insurance and there was a more than 10-point difference for the “details of coverage,” “details of benefit” and “company/product I wouldn’t mind taking out.” We can see that in addition to the product they currently have or the company they are with, the product or company worth considering also comes up as a topic in daily conversation.

Figure 6-16 Topic of conversation regarding life insurance with someone close



By gender, females in general tended to be discussing various topics, and by age, the scores were relatively high for “company/product I wouldn’t mind taking out,” “how to see/read” and “contact point while considering” for those in their 30s, “details of benefit” and “current events” for those in their 50s and “contents of insurance” for those aged 60 and above. [Figure 6-17] As seen above, despite the differences in gender and age, consumers seem to be having

various conversations about life insurance. Looking at the contents of WOM actually exchanged between consumers according to a previous focused group interview, we can see that various topics are being discussed, including the types of life insurance, conditions of benefit payments, details of the insurance coverage the participants held, and the channel they got the insurance through as can be seen below.

Figure 6-17 Topic of conversation regarding life insurance with someone close (by gender, by age)

	N	Would talk about (total)	Details of coverage	Product/company I wouldn't mind taking out	Details of benefit	Current events	About the sales agent	Reputation of the company	Advertisement/novelities	How to see/read	Contact point while considering	Other (%)
Total	5309	49.2	25.9	19.7	17.6	12.8	9.0	7.5	7.5	5.3	3.9	6.8
Male	2686	44.4	21.4	15.4	14.7	12.5	8.5	6.3	6.7	5.2	3.6	5.8
Female	2623	54.2	30.5	24.1	20.7	13.0	9.5	8.7	8.3	5.4	4.1	7.8
in their 20s	840	39.3	15.8	14.3	11.2	8.0	6.2	4.5	9.5	4.4	3.5	7.6
in their 30s	1174	52.5	27.7	22.0	17.1	11.8	8.9	7.4	9.5	6.6	5.6	6.6
in their 40s	1091	50.1	26.2	19.3	15.9	13.1	10.8	6.4	8.5	5.7	3.9	6.2
in their 50s	1068	52.7	28.1	21.1	21.0	14.8	10.0	8.6	6.2	5.1	3.9	7.4
60 and above	1136	49.0	29.0	20.3	21.5	15.1	8.3	9.8	4.1	4.7	2.3	6.3

- When my son’s friend got injured, I heard there were many insurances such as those that are “paid from the first day” or “paid from the twelfth day of outpatient visits” (female, 39)
- I heard that “insurance that are paid only after the fifth day of hospitalization is useless because you can’t get anything if you’re released on the third day” (female, 49)
- I asked a colleague at work “what kind of life insurance do you have” and “how did you get it” (male, 35)
- We always end up saying “it’s difficult to continue paying the same insurance premium after you retire, so maybe it’s better to change the coverage” (male, 59)
- A friend of mine and her acquaintances actually became hospitalized and I heard that it cost more (female, 43)

3-2. Characteristics of consumers who rely on WOM

In the comments obtained through the abovementioned focused group interview, such as “I invited a co-worker from where I work part time to have coffee and asked the co-worker who is slightly older than I am to tell me the basics” or “I consulted a colleague from work who is eight years my senior and whom I could trust,” it could be seen that people were not only having general conversations but were seeking specific advice from people among their community who are slightly elder but are in a similar life stage, for example who have children of the same age or with similar living standards such as

colleagues from work. It can be said that consumers are using WOM to make sure the contents of assurance and insurance premium of the life insurance they have are appropriate (not disadvantageous) compared to those who are close to them (to resolve cognitive dissonance), or as an information source so that they do not overlook advantageous products when considering getting coverage. However, for such purposes, there are channels where people could obtain more accurate and specialized information such as the sales agent or call center of the company from which they took out insurance. It would seem that more accurate information could be obtained by going to experts or official websites as the source of information to learn about candidate companies or products when considering taking out insurance. So why do consumers use WOM?

Studies on the effect of consumers' WOM on purchasing activities have been accumulated in various disciplines including social psychology and consumer behavior research and the following points have been made in the course of such efforts.

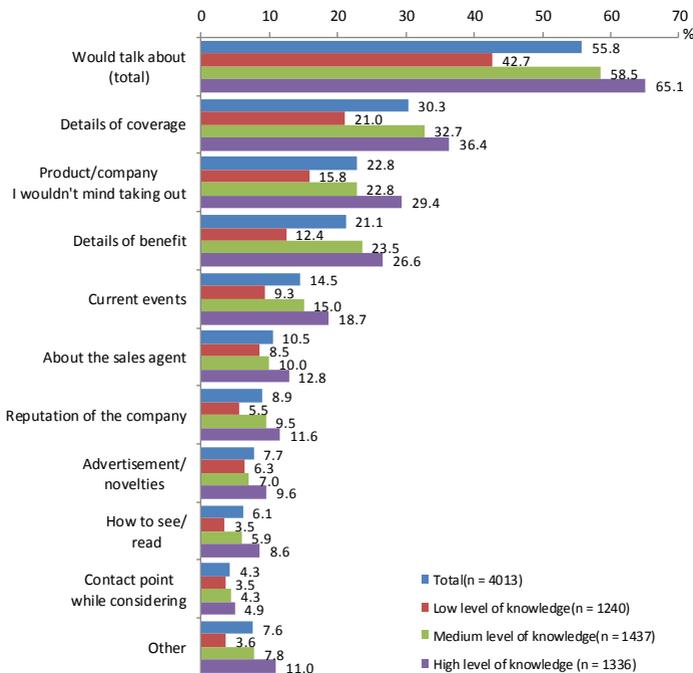
- Consumers trust information obtained from WOM than that from advertisements
- Customers who are dissatisfied will generate WOM towards more people than satisfied customers

From the examples of the previously mentioned focused group interview, we can see that consumers use WOM because they have a close relationship with the person disseminating the information and they can easily receive information without consciously seeking for it and furthermore, because they seem to have a sense of security and trust for the following reasons.

- Because the person doesn't belong to a particular company, the information I'm given is not for the company, but for myself
- Because we're close, I don't have to worry about being lied to
- It's fine to talk about personal information such as my family structure, history of illness, or family history of cancer (or we already know about these things about each other)

Then, what are the characteristics of the consumer who uses such WOM? Looking at the abovementioned topics of conversation that were held with someone close, focusing on only those of policyholders, by the level of their knowledge on life insurance, we can see that in general, the less knowledge people have, the more diverse their topics of conversation are. [Figure 6-18] The difference by the level of knowledge was particularly significant for "details of coverage," "details of benefits," and the "company/product I wouldn't mind taking out" and it seems that relatively speaking, the less knowledge consumers have, the more they tend to seek information on life insurance from people close to them.

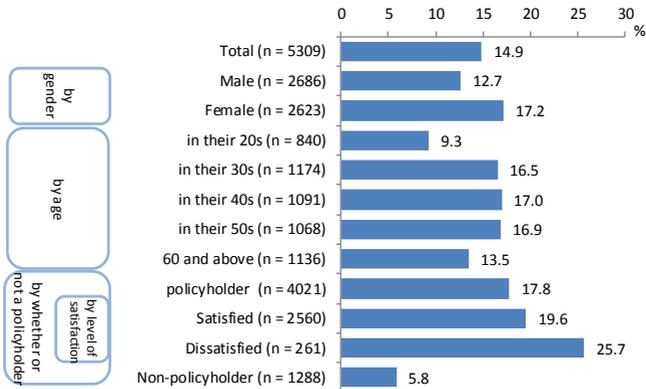
Figure 6-18 Topic of conversation regarding life insurance with someone close (by level of knowledge)



3-3. The status of WOM dissemination and the characteristics of those who spread the word

So what kind of consumers are spreading WOM and how much? Asked if people had experience of spreading WOM, namely the experience of telling others rumors or someone else’s experience they heard from a close person, 15% replied positively overall indicating that the number of people who spread WOM accounts for less than 20%. [Figure 6-19] By gender, females scored higher at 17% than males (13%), and by age group, those in their 30s to 50s scored high at 17%. Furthermore, by whether or not the person has life insurance, policyholders scored higher at 18% than non-policy holders (6%), and among policyholders, by the level of satisfaction with the life insurance they took out most recently, those who were satisfied scored 20% while those who were dissatisfied scored 26%, both higher than the score for all policyholders but it can be seen that the dissatisfied group is disseminating more information.

Figure 6-19 Experience of spreading WOM regarding insurance



Meanwhile, according to the results of a quantitative survey conducted in February 2009 that asked people about their actions, namely recommending or conversely speaking badly about a specific life insurance company or a particular product they took out, the number of those who told others about the advantages of the company or product, or made positive recommendations (number of recommenders) was 1.45 on average. [Figure 6-20] By gender, the average number for males was 1.52, higher than females (1.39) and by age group, few in their 20s had experience spreading information, with the average number of those who did at 0.93, or less than 1, whereas the number was high at 1.75 for those in their 40s. Conversely, the number of those who spoke of disadvantages, bad impressions, or recommended to change or terminate, (number of non-recommenders) was 0.92 on average, which is lower than the number of recommenders, yet the trend by gender and age group was the same. Looking at this by the level of satisfaction, the number of recommenders of those who were “satisfied” was 2.38 on average, while it was 1.35 for those who were “rather satisfied” and we could see that the number was exceptionally high for the “satisfied” group. [Figure 6-21] On the other hand, although the number of samples was limited and it should be considered as a reference value, the number of non-recommenders was 3.50 on average for those that were “dissatisfied” while it was 1.39 for those that were “rather dissatisfied” showing that the number was higher for the dissatisfied group. Such wide differences between those who were “satisfied (dissatisfied)” and “rather satisfied (rather dissatisfied)” in terms of the number of both recommenders and non-recommenders matches the relation between the level of satisfaction and the intention to recommend that we saw in Section 1. It can be said that gaining full satisfaction has a significant meaning for the action of loyalty as well. Moreover, in order to prevent bad reputation and recommendations to terminate, perhaps we can say that it is important to make

efforts to stop people from lapsing into the state of being “dissatisfied” at least immediately before it happens.

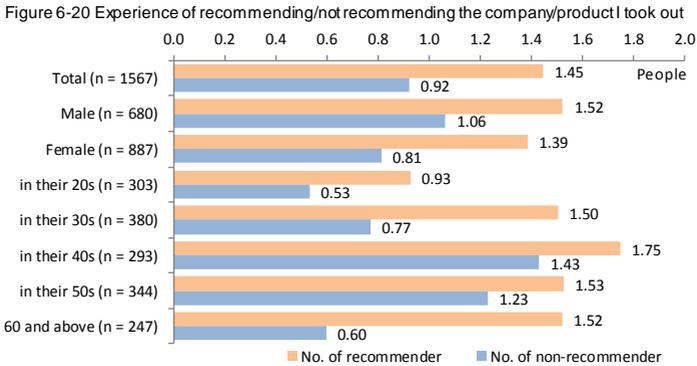
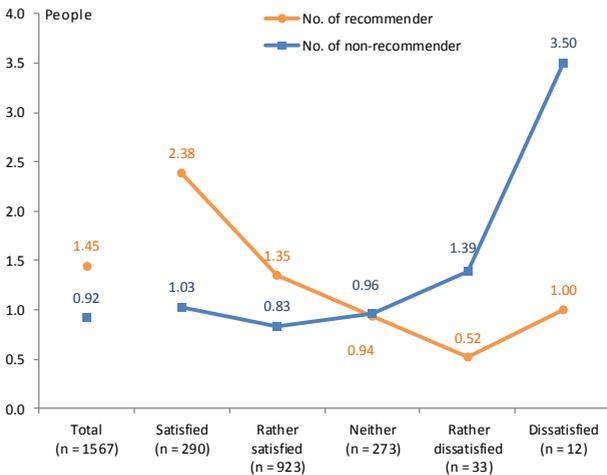


Figure 6-21 Experience of recommending/not recommending the company/product I took out (by level of satisfaction)



4. How important is following up?

Unlike general products and services, life insurance is something that needs to be held for a long time, as in years or decades, from the time it is taken out until the benefits are paid or until the policy expires, and in order to get existing policyholders to maintain their contracts, it has been said that an appropriate follow-up service is important. There seems to be no room for argument to this claim, and in fact, some companies seem to be shifting their compensation structure to evaluate their sales agents not only based on the

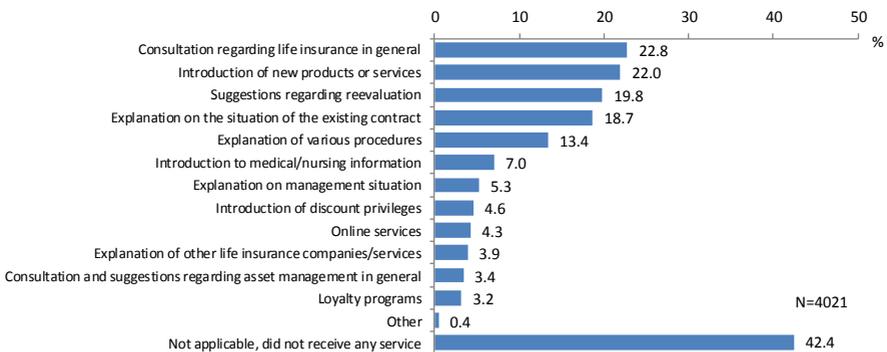
number of new contracts obtained but on the follow-up activities they provide to existing policyholders.

That said, how do the policyholders of life insurance actually recognize these follow-up activities and what kind of activities would be effective to get them want to maintain or renew their existing policy? In this section, we will focus on the contents and effectiveness of follow-up activities towards policyholders and attempt to reveal the significance of follow-up services and what kind of services would be effective.

4-1. Situation with follow-up activities

First, asking the situation of services and information provided by the life insurance company, its sales agents, or agency from which policyholders had taken out their most recent life insurance, “consultation regarding life insurance in general” scored the highest with 23% followed by “introduction of new products and services” (22%) and “suggestions regarding reevaluation” (20%) in that order. [Figure 6-22] Meanwhile, “not applicable, did not receive any service” scored 42%, indicating that as many as 40% of policyholders are not being followed up.

Figure 6-22 Experience of services/information provided after taking out policy



Looking at the situation by the major channels through which people took out their policies, sales agents and agencies that are push strategy channels scored higher for most items than other channels. Meanwhile, direct sales channels scored low in general, as those who got insurance through postal mail or the Internet scored high on “not applicable, did not receive any service” with 50% to 60% or more than half choosing this reply. As for insurance shops and counters that are pull strategy channels, as are postal mail and the Internet, it can be seen that there is a difference in the follow-up activities depending on the channel from which people took out their insurance, with independent

insurance shops scoring higher in “consultation on life insurance in general” or “explanation on other life insurance companies and services,” for example. [Figure 6-23] Meanwhile, by the timing of when people took out their policy, “not applicable, did not receive any service” accounts for approximately 40% regardless of when the policy was taken out. Although no specific trend can be seen from the contents of services or information provided, “consultation on life insurance in general” scored high for those who took out their policies in or after 2008 as did “suggestions regarding reevaluation” for people who took out their policies in or before 2002. By the type of products people took out, “consultation on life insurance in general” scored the highest with 29% for death protection, followed by “introduction of new products/services” and “suggestions regarding reevaluation” with about a quarter of respondents choosing this reply. Whereas for individual annuity, “explanation on the situation of existing policy” scored the highest at 24% and for medical/nursing, “introduction of new products and services” accounted for the highest but scored a mere 20%, implying that the follow-up service or information provided differs between the type of product people took out.

Figure 6-23 Experience of services/information provided after taking out policy (by major channels/timing of taking out policy)

	N	Consultation on life insurance in general	Introduction of new products/services	Suggestions regarding reevaluation	Explanation on the situation of the existing contract	Explanation on various procedures	Introduction of medical/nursing information	Explanation on management situation	Introduction of discount privileges	Online services	Explanation of other-life insurance companies/services	Consultation and suggestions regarding asset management (in general)	Loyalty programs	Other	Not applicable, did not receive any service
Total	4021	22.8	22.0	19.8	18.7	13.4	7.0	5.3	4.6	4.3	3.9	3.4	3.2	0.4	42.4
Sales agents/agencies	1932	33.8	28.6	27.0	22.5	15.6	9.0	6.1	6.7	4.7	4.4	3.8	5.0	0.5	30.7
Insurance stores/counters	420	21.7	18.1	16.9	16.0	12.9	6.7	5.7	2.6	3.6	7.1	2.9	1.7	0.0	43.6
dedicated stores/counters	286	19.9	19.6	16.1	14.3	11.9	5.2	5.2	2.8	2.8	2.4	3.5	1.4	0.0	45.5
shared stores	134	25.4	14.9	18.7	19.4	14.9	9.7	6.7	2.2	5.2	17.2	1.5	2.2	0.0	39.6
Direct sales channels	747	8.2	16.7	10.8	13.4	11.6	4.6	4.6	2.8	5.2	2.7	1.9	1.5	0.5	54.9
Postal	369	4.9	13.8	8.4	12.7	11.1	4.3	3.5	1.9	3.3	1.9	0.0	0.8	0.5	60.7
Internet	270	8.9	15.6	11.1	14.4	14.4	4.3	4.1	2.2	8.9	3.9	3.7	1.9	0.4	55.6
Call center	108	17.6	29.6	18.5	13.0	11.1	6.5	9.3	7.4	2.8	4.6	3.7	2.8	0.9	33.3
In or after 2011	798	28.2	21.6	19.9	22.7	16.7	9.6	5.8	5.1	3.6	7.9	6.0	3.0	0.3	39.6
2008-2010	808	25.4	24.4	19.9	17.9	13.2	7.8	6.6	4.5	4.6	4.5	4.2	3.2	0.6	40.5
2003-2007	604	17.2	20.5	15.6	18.4	13.4	4.8	5.8	2.5	5.5	2.2	2.0	1.7	0.2	45.5
1998-2002	315	17.8	21.3	21.0	21.0	15.9	7.6	5.7	6.7	4.4	2.9	1.6	4.8	0.3	44.4
In or before 1997	1145	23.1	23.9	23.6	18.3	12.2	6.4	5.0	5.1	4.4	2.3	2.7	3.7	0.6	38.8
Death protection	1544	28.6	25.3	24.5	19.0	12.8	7.8	5.7	6.0	3.6	4.9	4.1	3.6	0.4	37.2
Savings	404	25.2	18.3	14.1	15.1	10.9	3.0	4.0	3.2	4.7	3.2	4.7	2.7	0.5	48.5
Individual annuity	287	22.2	22.6	14.3	23.7	19.2	8.4	8.4	7.0	9.8	3.8	8.0	8.7	0.3	38.9
Medical/nursing	1765	17.5	19.8	18.1	18.6	13.7	7.1	4.7	3.2	3.7	3.2	1.7	2.0	0.5	46.2

Looking at the combination of service and information provided, among policyholders who received some kind of service or information, the combination of “introduction of new products or services” and “suggestions regarding reevaluation” as well as “explanation on the situation of existing policy” and “introduction of new products or services” scored the highest both at 16%, followed by “consultation on life insurance in general” and “introduction of new products or services” (15%), “consultation on life insurance in general” and “suggestions regarding reevaluation” (14%) and “explanation on the situation of existing policy” and “introduction of new products or services” (13%) in that order. [Figure 6-24]

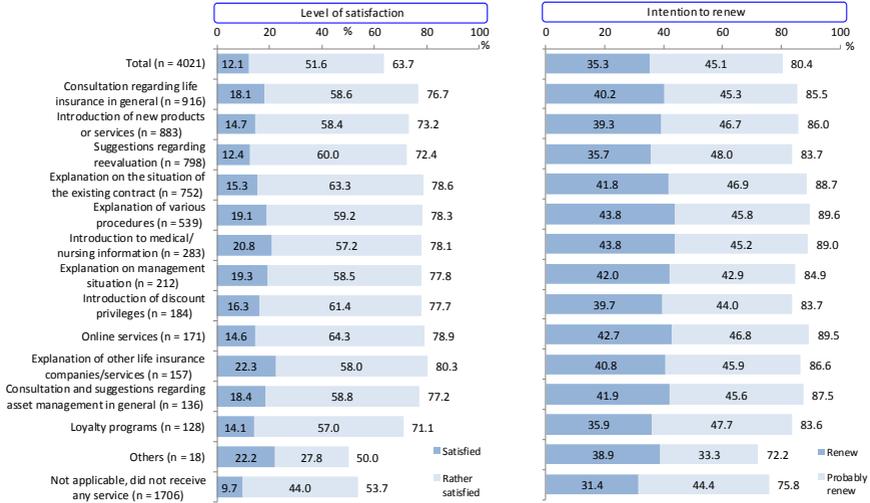
Figure 6-24 Combination of experience of services/information provided after taking out policy

n = 2315												(%)		
	Consultation regarding life insurance in general	Introduction of new products or services	Suggestions regarding reevaluation	Explanation on the situation of the existing contract	Explanation on various procedures	Introduction to medical/nursing information	Explanation on management situation	Introduction of discount privileges	Online services	Explanation of other life insurance companies/services	Consultation and suggestions regarding asset management in general	Loyalty programs		
Consultation regarding life insurance in general	39.6	14.0	14.3	11.4	7.7	6.3	4.9	3.7	1.6	4.5	3.0	2.1		
Introduction of new products or services	14.6	38.1	16.3	13.0	8.8	5.6	5.0	4.7	2.9	2.6	2.6	3.3		
Suggestions regarding reevaluation	14.3	16.3	34.5	15.5	8.4	5.5	3.5	3.8	2.6	3.2	2.6	3.2		
Explanation on the situation of the existing contract	11.4	13.0	15.5	32.5	9.1	5.1	4.0	3.5	2.8	2.9	2.7	2.8		
Explanation of various procedures	7.7	8.8	8.4	9.1	23.3	3.5	2.9	2.7	2.7	2.1	1.4	2.2		
Introduction to medical/nursing information	6.3	5.6	5.5	5.1	3.5	12.2	2.7	2.2	1.0	1.8	1.6	1.0		
Explanation on management situation	4.9	5.0	3.5	4.0	2.9	2.2	9.2	2.1	1.1	2.1	1.5	0.8		
Introduction of discount privileges	3.7	4.7	3.8	3.5	2.7	2.2	2.1	7.9	1.1	1.2	1.5	1.7		
Online services	1.6	2.9	2.6	2.8	2.7	1.0	1.1	1.1	7.4	0.3	0.4	1.9		
Explanation of other life insurance companies/services	4.5	2.6	3.2	2.9	2.1	1.8	2.1	1.2	0.3	6.8	1.0	0.5		
Consultation and suggestions regarding asset management in general	3.0	2.6	2.6	2.7	1.4	1.6	1.5	1.5	0.4	1.0	5.9	0.8		
Loyalty programs	2.1	3.3	3.2	2.8	2.2	1.0	0.9	1.7	1.9	0.5	0.8	5.5		

4-2. Fruits of following up

Looking at policyholders' satisfaction with or intention to renew their contracts as a result of receiving such follow-up services, the level of satisfaction according to the Top-2 Box was always higher compared to those who replied "not applicable, did not receive any service" (54%) regardless of the details of the follow-up people received, and the difference was particularly wide with "explanation on other life insurances and services" at 80%, "online services" and "explanation on the situation of existing policy" at 79%, "explanation of various procedures," "introduction to medical/nursing information," "explanation on management situation" and "introduction of discount privileges" at 78% and "consultation and suggestions on asset management in general" and "consultation on life insurance in general" at 77%. [Figure 6-25] Looking only at those who were "satisfied," those who received "explanation on other life insurances and services" and "introduction to medical/nursing information" scored high at over 20%. Similarly, in terms of people's intention to renew their policy, people were always more inclined to renew their policies according to the Top-2 Box than those who replied "not applicable, did not receive any service" (76%) regardless of the details of the follow-up they received, and the difference was particularly wide with "online services" and "explanation of various procedures" at 90%, "introduction to medical/nursing information" and "explanation on the situation of existing policy" at 89%, and "consultation and suggestions on asset management in general" at 88%. Looking only at those who intended to "renew," "explanation of various procedures" and "introduction to medical/nursing information" scored high at 44% respectively.

Figure 6-25 Level of satisfaction and intention to renew (by the experience of services/information provided after taking out policy)



Looking at these results by the combination of services and information provided with an execution rate of 5% or more seen in Figure 6-24, the level of satisfaction according to the Top-2Box was the highest for the combination of “consultation regarding life insurance in general” and “explanation of various procedures” at 90% followed by “consultation regarding life insurance in general” and “explanation on the situation of existing contract” (88%), “explanation on the situation of existing contract” and “introduction to medical/nursing information” (86%), “introduction of new products or services” and “introduction to medical/nursing information,” as well as “suggestions regarding reevaluation” and “introduction to medical/nursing information” (at 85% respectively). [Figure 6-26] Confining the results to only those who were “satisfied,” “consultation regarding life insurance in general” and “explanation of various procedures” scored the highest at 28%. As for the intention to renew, the combination of “explanation on the situation of existing contract” and “introduction to medical/nursing information” scored the highest at 93% followed by “consultation regarding life insurance in general” and “explanation of various procedures,” “introduction of new products or services,” and “introduction to medical/nursing information” (both at 93%), “consultation regarding life insurance in general” and “explanation on the situation of existing contract” (92%), and “explanation on the situation of existing contract” and “explanation of various procedures” (92%) in that order. [Figure 6-27] Confining the results to those who intended to “renew,” the same items scored high despite minor changes in that order. Looking at the services and information provided leading to both high satisfaction and intention to renew,

except for “introduction of new products or services,” items that scored high were all information provided, notwithstanding the fact that they vary from the contents of existing contracts and additional services to general information, and it shall be noted that they are not direct solicitation such as “suggestions regarding reevaluation.”

As has been seen, although following up is essential for improving the level of satisfaction of policyholders and enhancing their intention to renew in order to maintain policies, its effectiveness differs depending on its contents, and moreover, the effectiveness of activities with high execution rate, such as “introduction of new products or services” and “suggestions regarding reevaluation,” is limited. This implies that such activities are seen by policyholders as “merely sales pitches” and end up in making them turn away.

These results perhaps suggest that in order to maximize the effects of follow-up activities, consideration needs to be given as to how easy it is for the customers to receive the service and the establishment of a good relationship that does not turn them away is important.

Figure 6-26 Level of satisfaction (by the combination of services/information provided after taking out policy)

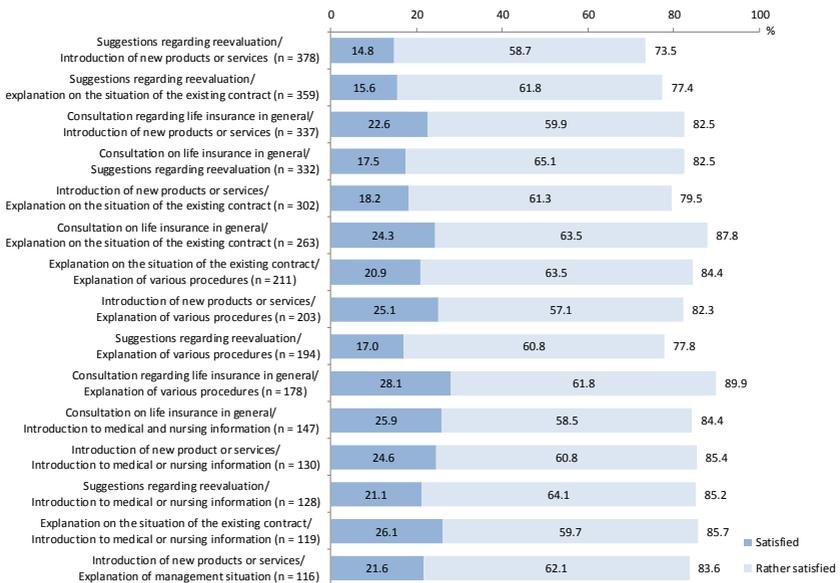
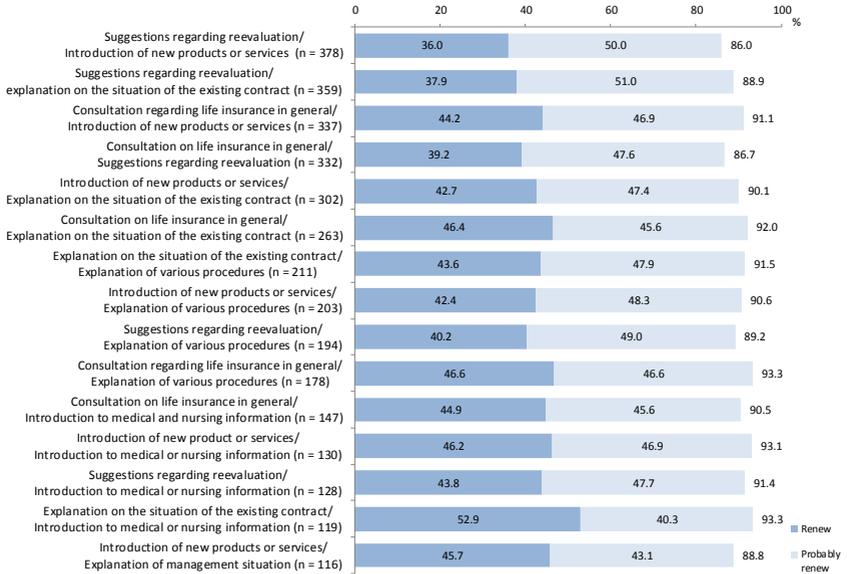


Figure 6-27 Intention to renew (by the combination of services/information provided after taking out policy)



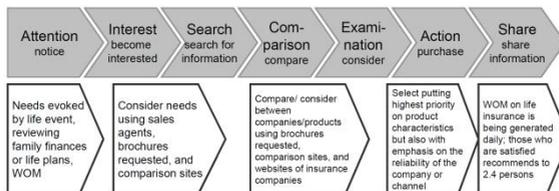
Part 2 Consumer Segment and Process of Considering Taking Out Insurance

Chapter 1: Status of Having Life Insurance and Consumer Heterogeneity

1. Changes in the consumers' process of considering taking out insurance

In Part 1, we reviewed the consumers' process of considering taking out life insurance along the laws of AISCEAS, which explains the purchasing behavior of consumers of recent years. The AISCEAS model outlines the purchasing behavior of consumers, that they would immediately perform searches on a product or service that is recognized or once it has gained their attention, to compare it with other products in the course of examining purchasing the product, and once the purchase is made, that they would share information with other consumers, and as it has been shown in previous chapters, it can be said that in recent years, consumers are taking basically the same actions in the process of taking out life insurance as well. [Figure 1-1]

Figure 1-1 The law of AISCEAS

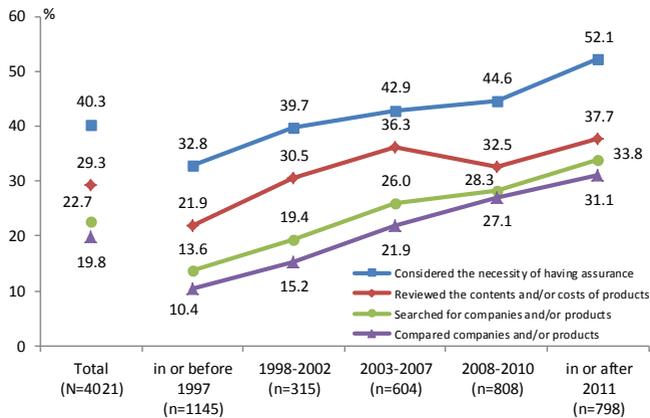


Source: Prepared by the author from the Amvly Communications Inc. website

However, as it stands, not all consumers proactively collect information, compare, and examine before taking out insurance as described in the law of AISCEAS. Furthermore, the action taken in each process differs according to the type of life insurance the consumer is taking out or the channel they are in contact with, and there is a point when even consumers who go through the consideration process on their own initiative wish to rely on others, such as sales agents or agencies, during the stage of consideration. The level of understanding of the product taken out, as well as how much consumers are convinced by the insurance premium, differs according to whether the consumer proactively went through the process of considering taking out the insurance or not and their satisfaction later on and the intention to renew are also affected by these factors; however, probably only very few consumers are capable of completing the entire process from collecting all the information and deepening their understanding of its contents to making the final decision

without the support of an expert. That said, looking at the execution rate of the four processes in the process of considering taking out insurance by the timing of when policyholders took out their most recent coverage as shown here and there in Part 1, for all processes, the more recent the timing of their getting their policy, the higher the execution rate was in general, indicating that the number of consumers acting on their own initiative in considering taking out life insurance is growing gradually. [Figure 1-2] This implies that there is a possibility that there will be more consumers taking all the action described in the law of AISCEAS going forward, and the traditional sales method in which the seller takes the initiative may sooner or later become unsustainable as a business. In order to adapt to the changes in consumers, perhaps it is necessary to gain a deep understanding of consumer action and the mindset behind the action.

Figure 1-2 Action taken when considering getting insurance (by the timing of purchase)



2. The consumer segment and action of considering taking out insurance

In order to provide the information that consumers need at the appropriate time, according to their financial and insurance literacy, to win contracts while fostering trust and to maintain and improve the relationship with clients, it seems that, in addition to the process of considering taking out insurance that we have already reviewed, it is also essential to classify consumers into segments from various perspectives and to deepen our understanding of their mindset and behavioral characteristics. In Part 2, we will classify consumers into different segments from these perspectives according to several factors and review the characteristics of the consumers' mindset and actions in the distinctive segments.

First, in the following sections, we will focus on the differences that have

developed in the market that is seemingly saturated according to the penetration rate for households considering the high penetration rate of life insurance in Japan. Traditionally, the opportunity to receive financial and economic education has been very limited for many consumers, and it is likely that their financial and insurance literacy were developed based on the accumulation of experiences gained through past transactions. This probably means that consumers considering taking out insurance in such a high household penetration rate environment have different histories of having insurance, and they are probably undergoing different consideration processes according to their history of coverage. Meanwhile, as for the consumers who do not have life insurance in this high penetration rate market, who are the minority but do exist, the reason why they do not have insurance and the characteristics of their attribution seem to vary. These analyses shall help deepen our understanding of the domestic life insurance market as a whole as the first step in subdividing life insurance policyholders into categories and revealing the differences in their consideration process.

In Chapter 2 that follows, we will review in detail the actions of the younger generation, as well as those in their 30s and 40s in the stage of forming families based on the segmentation according to the consumers' demographic attributions from the perspective that life insurance, in particular death benefits, is a household asset in essence and closely related to the stages of life. Together with the analyses made in the preceding chapter, perhaps revealing the differences between the respective segments through analyses based on the basic attributions from which it is easy to portray the image of the consumer will provide valuable information in seeking clues for formulating communication strategies or developing products.

Furthermore, in Chapter 3, we will focus on the gap among consumers in terms of life insurance literacy. In Japan, efforts to improve financial literacy have only just begun, and many consumers are making various decisions without a sufficient level of literacy on life insurance as well. On the other hand, with the expansion of the Internet environment, the cost of searching for information has fallen dramatically for consumers; therefore, even if consumers took the same action to search for information in the process of considering taking out insurance, the contents they search for and their level of understanding would most likely be different depending on their financial and insurance literacy.

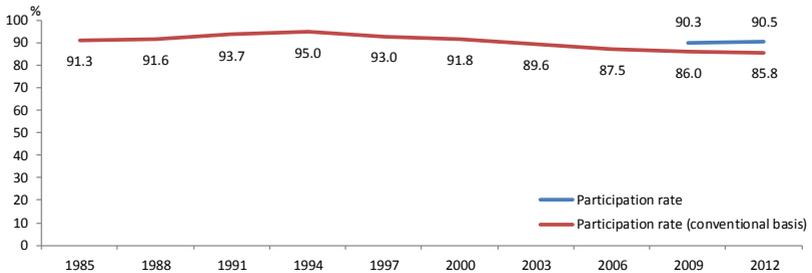
In Chapter 4, we will change the point of view and focus on the two needs of medical coverage and insurance for the aged, which are growing in light of the aging society, to reveal the differences in the process of considering taking out insurance by the types of product and also look into the reason why insurance shops, which have rapidly increased their presence as channels, have become more diverse in recent years and are popular among consumers. Reviewing the

differences between channels shall indicate where the expectations of consumers towards the seller, for example the insurance company, lie.

3. The situation of life insurance ownership

According to the National Survey on Life Insurance by the Japan Institute of Life Insurance (JILI) announced in September 2012, the household participation rate of life insurance remained at a high level of 91%. [Figure 1-3] Meanwhile, in JILI’s Survey on Life Protection (2013), the participation rate of individuals was 82% for males and 84% for females. [Figure 1-4] When the life insurance market is saturated as seen above, most prospective clients would probably already have some kind of insurance or another, and perhaps the target must be set on additional purchases or conversions/switches. In this section, we will review the situation of life insurance policyholders with existing policies considering taking out insurance and the characteristics of non-policyholders.

Figure 1-3 Changes in the household penetration rate

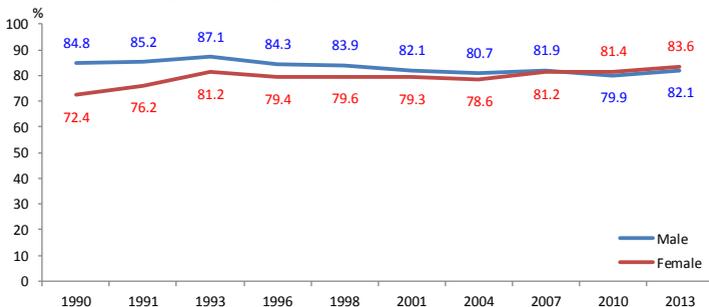


*Participation rate reflects the total of private insurance companies (including Japan Post Insurance), Postal life insurance, JA, Co-op, Zenrosai (National Federation of Workers and Consumers Insurance Co-operatives)

*Participation rate (conventional basis) reflects the total of private insurance companies (including Japan Post Insurance), Postal life insurance and JA

Source: Japan Institute of Life Insurance (Public Interest Incorporated Foundation) National Survey on Life Insurance (2012)

Figure 1-4 Changes in the life insurance participation rate

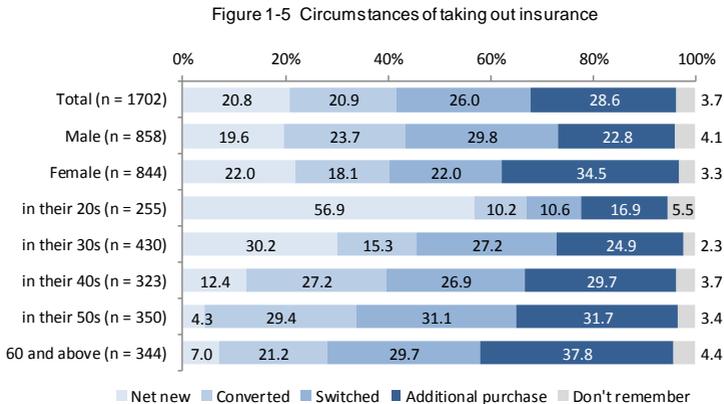


*Survey in 2010 and later includes Japan Post Insurance in private insurance companies

Source: Japan Institute of Life Insurance (Public Interest Incorporated Foundation) Survey on Life Protection (2013)

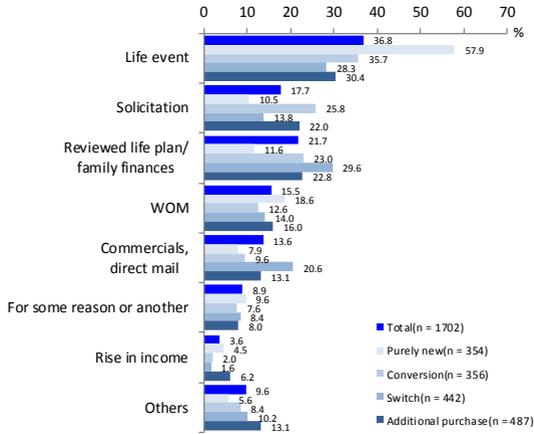
3-1. The situation of people with coverage considering taking out insurance

First, looking at the reasons why people took out the life insurance that they got most recently, limiting the respondents to those who purchased their most recent policy within five years from a quantitative survey conducted in March 2012, “net new” participant who did not have any other coverage accounted for 21% overall. [Figure 1-5] Among those who took out insurance when they had an existing contract, “additional purchase” accounted for 29%, while approximately half “converted” (21%) or “switched” (26%) indicating that they cancelled all or part of their existing contract and streamlined the contents of their coverage. By gender, males scored higher for “switched,” while women scored higher for “additional purchase” compared to the overall figures. Furthermore, by age, the younger group scored higher for “net new” with more than half in their 20s and 30% in their 30s accounting for “net new.”



Looking at the reasons for considering taking out insurance when the circumstances people have at the time of getting insurance are different as has been seen, “life event” scored the highest at 58% or accounting for approximately 60% for net new participants, while “solicitation” and “reviewed life plan/family finances” scored high following “life event” for those who “converted” or made an “additional purchase.” [Figure 1-6] Moreover, for those who “switched,” “reviewed life plans/family finances” (30%) and “life event” (28%) were comparable, indicating that the reason to consider taking out insurance differs depending on the client’s circumstances at the time of getting insurance. Furthermore, “commercials, direct mails” scored over 20% among those who switched, making it characteristic that they took action to review on their own initiative after seeing an advertisement or making life plans.

Figure 1-6 Reason to start considering taking out insurance



Meanwhile, looking into the actions taken when considering taking out insurance, those who switched scored higher in terms of going through all the actions, and we can see that they are particularly prudent in proceeding with their examinations when getting insurance compared to net new participants, as well as those who converted or made additional purchases. [Figure 1-7] Looking at the source of information people used, overall, “comparison sites” (26%), “sales agents” (25%), and “brochures requested” (20%) scored high in that order, and by the circumstances of getting insurance, “opinions of family member or friend” scored high among net new participants, while “sales agents” scored high among those who converted. [Figure 1-8] Meanwhile, “FP” scored higher for those who switched, and “the websites of insurance companies” scored higher for those who made an additional purchase, respectively. As a result, in terms of the channel through which people took out their insurance, “sales agents” scored the highest for all groups; however, “direct sales channel” also scored high with almost 30% of those who switched using this channel. [Figure 1-9]

Figure 1-7 Action taken when considering taking out insurance

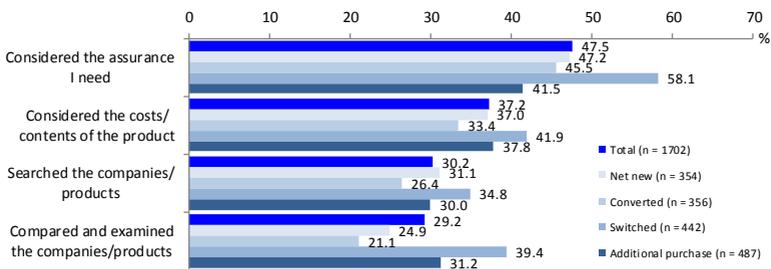


Figure 1-8 Information source used

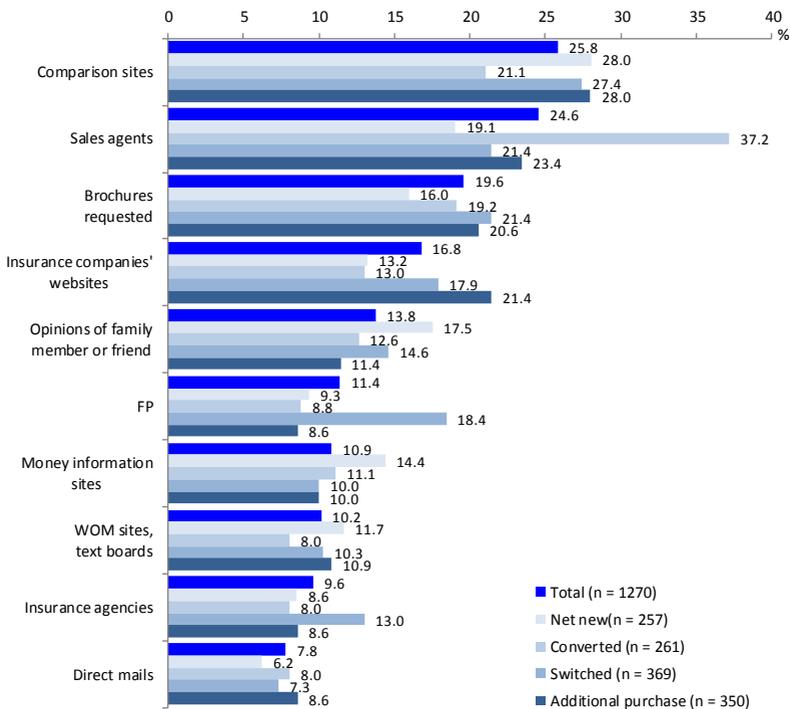
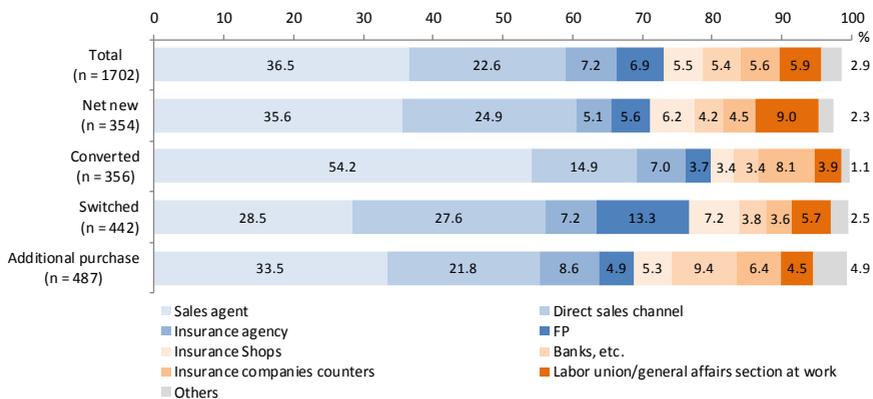
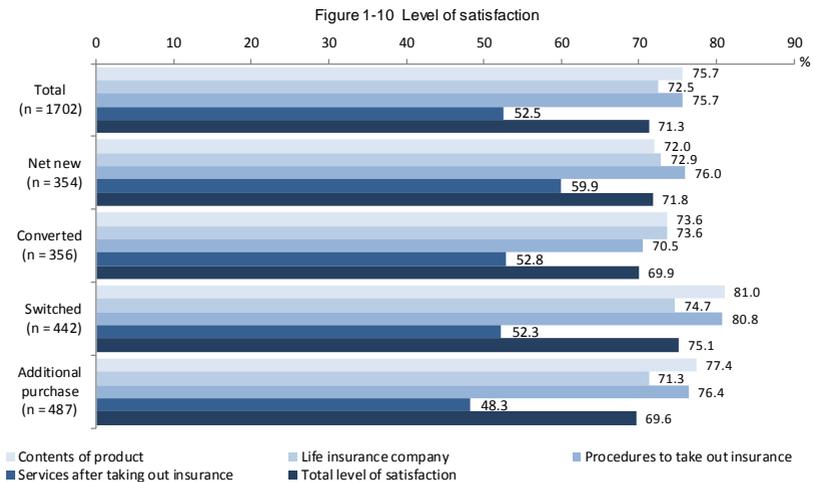


Figure 1-9 Channel through which insurance was taken out



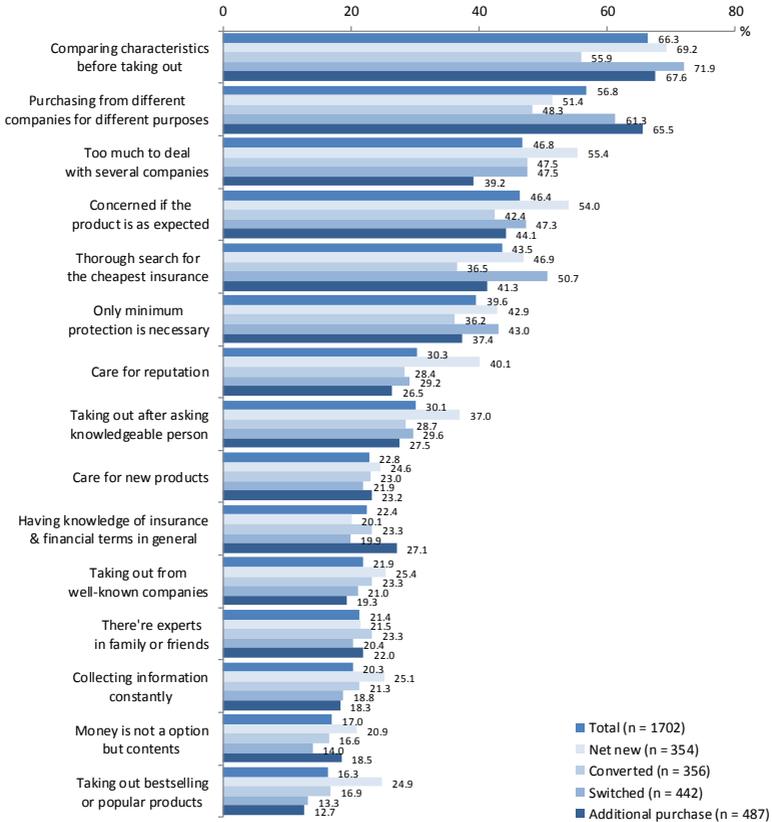
As for the level of satisfaction, net new participants scored higher for “services after taking out insurance,” however, scored around average for all other items. [Figure 1-10] On the other hand, those who switched showed a

higher level of satisfaction compared to the overall figures for “contents of the product,” “procedures for taking out insurance,” and “the life insurance company.” These apparently reflect the dissatisfaction towards the previous contracts and companies they had before making the switch and therefore perhaps must be discounted somewhat; however, considering the possibility that their high level of satisfaction towards their product and company may lead to improved persistency rates, future additional purchases and referrals to other clients, much attention should be paid to the risks of customer outflow to other companies.



That said, in terms of their way of thinking towards life insurance, those who switched scored high for “I’d like to take out insurance from different companies for different purposes,” “I’ll thoroughly search for the least expensive insurance,” and “I’ll compare the characteristics before taking out insurance,” which indicates that they are quite demanding when it comes to the acceptability of the product characteristics and insurance premium. [Figure 1-11] Meanwhile, as net new participants scored higher for “I’m concerned about whether the product is what I expect it to be,” “I would take out insurance after asking someone who is knowledgeable,” and “It’s a hassle to deal with more than one company,” if these people can be successfully contacted at times of life events that encourage people to consider taking out insurance, perhaps it would be possible to have them convert or make additional purchases in the future.

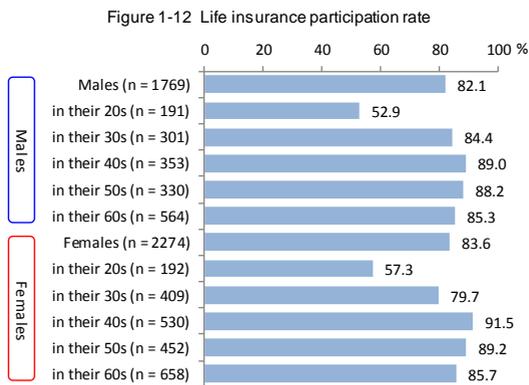
Figure 1-11 Thinking towards life insurance



As we have seen, the reasons to take out life insurance, the action taken when considering getting insurance, and the information sources used differ significantly between new clients who have no experience taking out insurance and those who become policyholders by converting or switching, and in particular, those who switched showed a higher level of satisfaction after taking out the policy in general. Furthermore, the reasons to consider taking out insurance were more proactive and their action of consideration has also proven to be prudent. From the sellers' point of view, those who switch might seem to be a difficult client at first because they take time to close their deals; however, because they themselves are aware of the necessity of protection, it can be considered that the seller does not have to evoke the needs. From this perspective, perhaps they are not difficult consumers at all. We can probably say it is essential to aggressively create opportunities to squarely and carefully discuss the necessities of life insurance in order to build a relationship that lasts long into the future.

3-2. The situation with non-policyholders

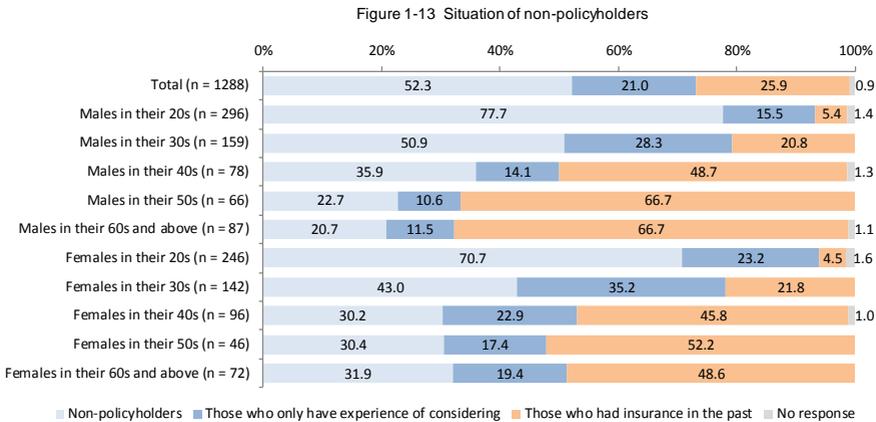
As stated above, the participation rate in life insurance is extremely high, and the life insurance market is basically saturated. However, approximately 20% of both males and females, or 10% in terms of households, do not have life insurance, meaning they do exist, and this implies that for insurance companies, winning these people over is a crucial challenge. When we look at individuals without insurance, although both males and females in their 20s have outstandingly low participation rates, the participation rate is 80% to 90% for those above 30. [Figure 1-12] Approximately 10% to 20% of people in their 30s and above do not have life insurance, and we can see that not everybody gets insurance because they reach a certain age.



The sales of life insurance products have traditionally been considered as the act of arousing the necessity and stimulating the needs for assurance so that it leads to participation. However, as we have gone through in Section 1, there are a certain number of policyholders who realized the necessity themselves and took out insurance, and in recent years, the number of those who proactively considered and took out insurance is growing. Then, could it be that those without insurance never noticed the necessity of life insurance themselves or their needs were never aroused?

The past experience of non-policyholders can be outlined into the three categories of (1) those who do not have insurance yet (non-policyholders who have never had insurance or never considered insurance at all), (2) those who only have experience in considering (people who have experience of considering taking out insurance but have never taken out one), and (3) those who had insurance in the past (people who did have insurance but have become non-policyholders due to maturity or termination). [Figure 1-13] When we look at the ratio among the total of non-policyholders, (1) those who do not have insurance yet accounts for 52%, (2) those who only have experience of

considering accounts for 21%, and (3) those who had insurance in the past accounts for 26%, implying that one out of four non-policyholders had insurance in the past but are in the situation that they currently happen to not have insurance. Furthermore, approximately 20% of non-policyholders have considered but never pulled through to make the final decision to get insurance, and it seems efforts to attract these dropouts, to not miss them, are also important.



Looking at these past experiences by gender and age group, the higher the age group, the ratio of those who had insurance in the past was higher for both males and females, and for those over 40, the ratio is higher than those who don't have insurance yet for both genders. Moreover, the ratio of those who only have experience of considering was high for those in their 30s accounting for 30% to 40% for both males and females.

In a previously conducted focused group interview, some people mentioned the reason why they became non-policyholders after having insurance in the past.

Elderlies said the following:

- The maturity value was only several months' worth of my salary and I felt it was ridiculous. (Male, 65)
- I had cancer when I was 56 but the benefit was so small, I thought "insurance is a waste." (Female, 60)
- The maturity value of my husband's insurance was very small and I felt "you can't expect much from insurance." (Female, 68)

Meanwhile, the younger generation commented:

- According to the estimate, it seems I have to pay more than I can receive and I feel like I won't be able to recover the cost. (Female, 31)

- They only recommend their own company's insurance and they recommend the product that benefits the insurance company. (Female, 33)

As can be seen, some people stopped at the stage prior to getting insurance and some chose not to get insurance due to various reasons. Meanwhile, even among elderlies, there seem to be people who have never had insurance because they are confident about their health condition as seen below.

- I've never had to see a doctor and I've always thought it's more economical not to have insurance. (Male, 62)
- I've always been healthy and have never seen a doctor. (Female, 65)

On the other hand, there are young people who have surrendered their insurance because of their own experience that caused them to have feelings of distrust against sales agents.

- I surrendered (the insurance) because I had a feeling of distrust. The suggestions that were made were not for me but for improving the agent's own records and I felt I was only being told of the advantages and never the risks. (Male, 31)

As has been seen, the reasons that lead to people not having insurance seem to depend on their past experiences rather than their age or stage in life.

In fact, looking at the reasons for not having insurance, the top reason was "I cannot afford the insurance premium" for all groups, namely those who do not have insurance yet, those with only the experience of considering and those who had insurance. [Figure 1-14] Meanwhile, the reasons that follow for those who had insurance in the past were "Because the insurance premium is expensive," "I don't know if it will be useful," and "It seems to be okay without insurance," which represent doubts about the usefulness and insurance premium, while the reasons for those who do not have insurance yet were "I don't know if it will be useful," "it somehow seems like a hassle," and "the insurance premium is expensive" in that order, and the reasons for those who only have experience of considering were "the insurance premium is expensive," "I don't know if it will be useful," and "it somehow seems like a hassle" in that order, showing the notion to avoid considering, in addition to their doubts about usefulness and the insurance premium. Comparing the level of knowledge on life insurance of those who do not have insurance yet, those who only have the experience of considering, and those who had insurance in the past, all have a lower level of knowledge compared to policyholders, and in particular, 50% of those who do not have insurance yet accounted for "low level of knowledge" indicating that their doubts about the usefulness and notion to avoid considering stems from their lack of knowledge. [Figure 1-15]

Figure 1-14 Reason for not having insurance

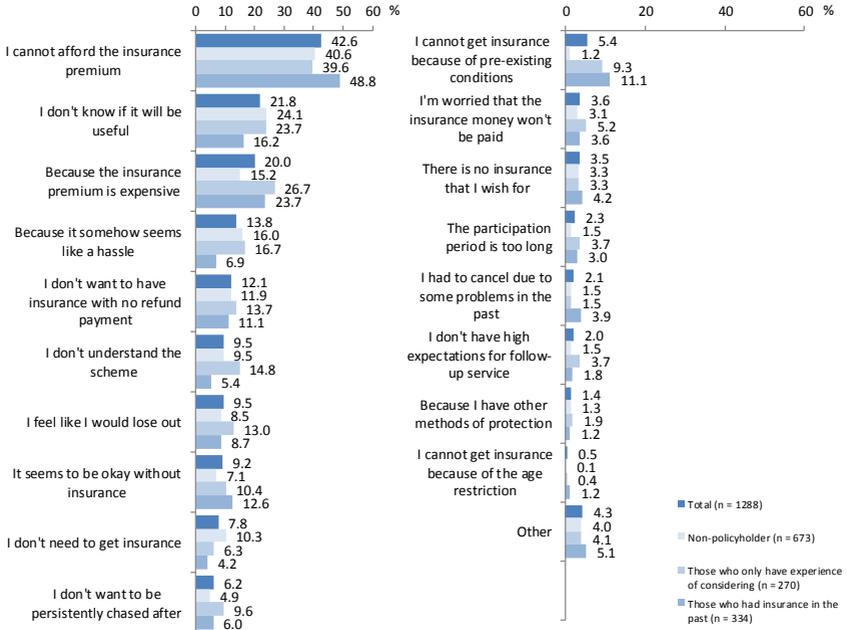
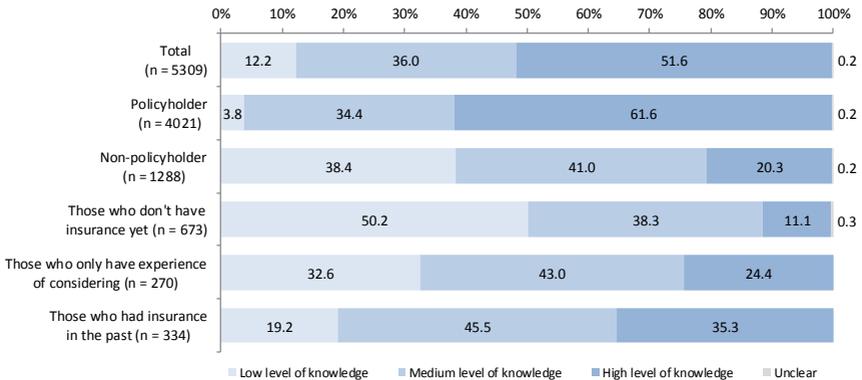


Figure 1-15 Knowledge of life insurance

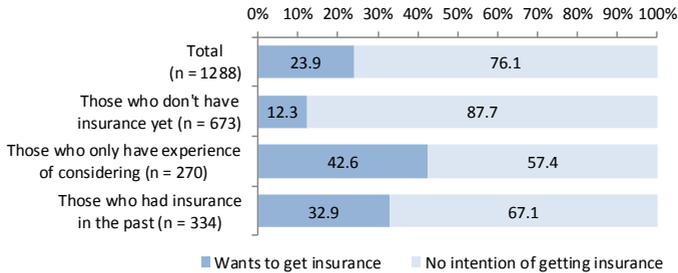


Then, will these people never take out life insurance?

Looking at the intention of non-policyholders to get insurance going forward, 12% of those who do not have insurance yet say they have the intention while the ratio was 43% for those who only have experience of considering and 33% for those who had insurance in the past. [Figure 1-16] Furthermore, in the focused group interview, some have said that they would consider getting

insurance because of concerns about their health condition.

Figure 1-16 Intention of getting insurance going forward



- When I donated blood, I was told they cannot use my blood because the test results showed some problematic figures related to my liver function and I felt I've reached that kind of age. (Male, 31)
- A friend who is a university student is in the hospital and I was told that I should better get insurance while I'm healthy because once you're in that kind of situation, you can't get medical insurance anymore. I drink quite a lot so I'm worried about my liver. (Female, 31)

Furthermore, some people start considering getting insurance when someone close becomes ill.

- Recently, a colleague of mine was hospitalized for uterine fibroid and hernia. (Female, 33)
- A friend was hospitalized. (Female, 33)

On the other hand, among those who had insurance in the past, some commented that although they want to get insurance, they cannot because of health reasons.

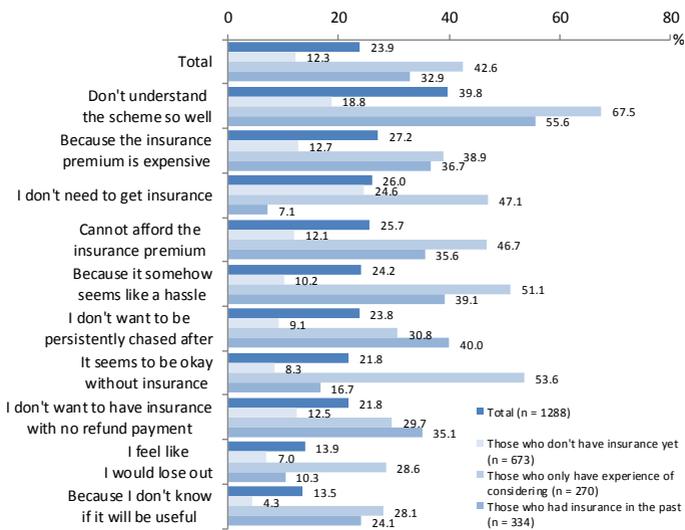
- The insurance I had matured and at my age, I basically cannot get insurance at all. (Male, 68)

As we saw in Part 1, the major reasons for policyholders to begin considering getting insurance were life events and reviewing of life plans and family finances. Similarly for non-policyholders, it seems that their life events, life plans, and experiences of people close to them seem to be factors that make them conscious of having insurance. As mentioned above, even if non-policyholders start thinking of taking out life insurance, there is a high possibility that their low level of knowledge would make them hesitant about getting coverage. In fact, looking at the reasons for not having insurance of those who do want to get coverage, "I don't understand the scheme so well" scored the highest at 40%, followed by "the insurance premium is expensive" (27%), and "I don't need to get insurance" (26%) in that order. [Figure 1-17] Looking at the results by their past experience, more than half of those who

“don’t understand the scheme so well” among those who only have experience of considering and those had insurance in the past expressed their intention to get insurance. Additionally, among those who only have experience of considering, more than half of those who replied, “it seems to be okay without insurance” and “it somehow seems like a hassle,” expressed their will to get coverage.

Although it might seem like taking the long way around, providing information on life insurance in an easy to understand way to have people gain correct knowledge may perhaps be the fastest way to lead non-policyholders to taking out life insurance.

Figure 1-17 Intention of getting insurance going forward (by the reason of not having insurance)



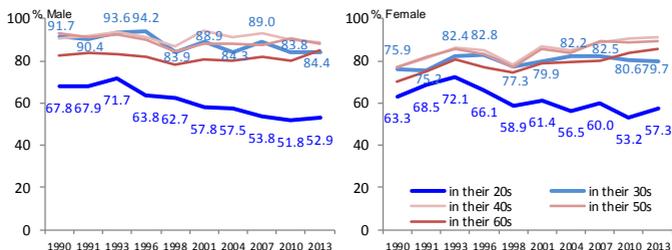
Chapter 2: Segmentation Based on Demographic Attribution

Life insurance, in particular death benefits, can be characterized mainly as household assets and have a close relation to the different stages in life. In this chapter, we will focus on the younger generation who are introductory users of life insurance, as well as people in their 30s and 40s who are in the stage of forming their family, and review in detail the coverage they have and their awareness of life insurance.

1. Life insurance coverage held by the younger generation

As mentioned in the preceding chapter, the percentage of people with life insurance among those in their 20s is 50% to 60% for both men and women, which is significantly lower compared to those in their 30s and older. [Figure 2-1] Chronologically, while the ratio among both men and women in their 40s or older remained basically flat, the ratio among men in their 20s, which was around 70% in the first half of the 1990s shows a declining trend from the late 1990s, and the most recent figures are approximately 15 points lower than the figures in the first half of the 90s. Furthermore, the ratio among men in their 30s, which was over 90% in the 90s, and the ratio among women in their 20s, which was around 70%, have also declined gradually to 80% plus and less than 60%, respectively. From these results, it can be considered that in addition to the decrease in the younger population due to the falling birthrate and the trend to marry at a later stage in life, perhaps the fact that it has become difficult for sales agents to enter workplaces and the fact that the number of non-regular employees whose income level is relatively lower than regular employees (permanent employees) has risen, may be reasons why the percentage of those with life insurance coverage among the younger generation is falling. In this section, we will review the status of life insurance coverage among the younger generation, as well as their savings and investment behaviors, which are background factors, and their awareness with the aim to gain some indications to win over the younger generation.

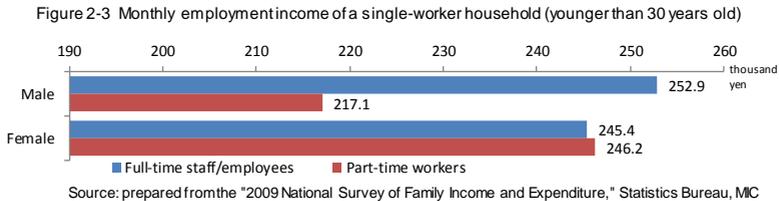
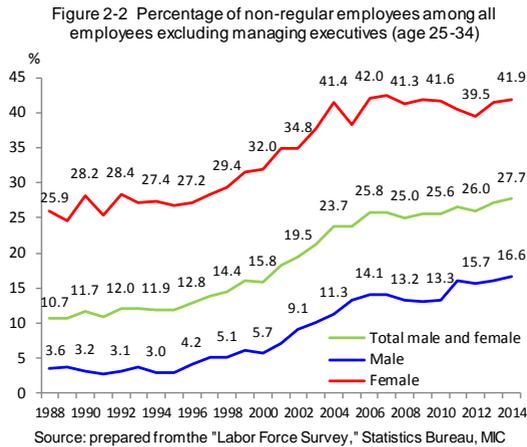
Figure 2-1 Changes in the ratio of life insurance coverage



Source: prepared from the "National Survey on Life Security" by the Japan Institute of Life Insurance

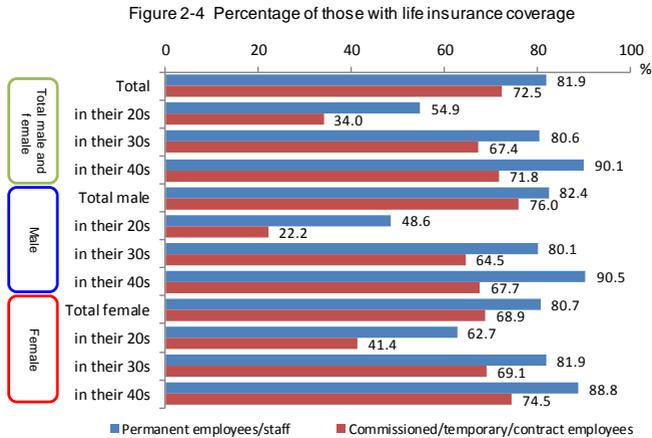
1-1. The actual status of coverage among the younger generation

To begin with, let us look at the ratio of non-regular employees among all employees between 25 and 34 years old (excluding management executives) according to the Labor Force Survey conducted by the Statistics Bureau of the Ministry of Internal Affairs and Communications. We can see that the figures have increased sharply between the late 1990s and around the year 2004 and have remained above 10% among men and approximately 40% among women in recent years. [Figure 2-2] Furthermore, also according to the National Survey of Family Income and Expenditures conducted in 2009, the wage level of male, non-regular employees younger than 30 years old is 217,000 yen for part-time workers or approximately 40,000 yen less on a monthly basis than the 253,000 yen of permanent employees. [Figure 2-3] Meanwhile, the wage level of female workers was 246,000 yen, no different than permanent employees at 245,000 yen. It can be considered that for men, whether one is hired as a permanent employee or not significantly affects their level of income.



Then what is the actual situation of coverage among non-regular employees? Looking at the ratio of those with life insurance coverage according to our

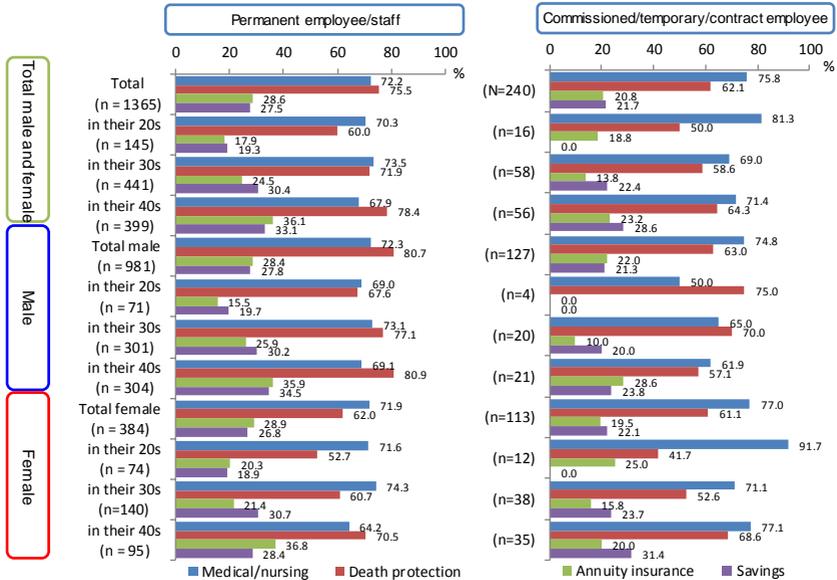
quantitative survey, overall, the percentage of non-regular employees, such as commissioned, temporary, and contract employees (non-regular) in the private sector was 73%, which is approximately 9 points lower than permanent employees in the private sector (82%). [Figure 2-4] By gender and age, for men, the ratio of those with coverage among non-regular employees is extremely low for those in their 20s at 22% compared to permanent employees (49%). And although the percentage is higher for those in their 30s and 40s, with 65% having coverage in their 30s (permanent employees: 80%) and 68% having coverage in their 40s (permanent employees: 91%), the figures are more than 10 points lower compared to permanent employees of the same age group. The situation is similar for females where the percentage of those with coverage rises with age for both permanent and non-regular employees, with the ratio of women having coverage at 41% among those in their 20s (permanent employees: 63%), at 69% among those in their 30s (permanent employees: 82%) and at 75% for those in their 40s (permanent employees: 89%), however, there is always more than a 10-point difference between permanent and non-regular employees regardless of the age. These results perhaps imply the possibility that for males in particular, the gap in wage levels as seen above might be affecting whether people have coverage.



Focusing on non-regular employees with coverage and looking at the types of products purchased (policy held), overall, the ratio of those with “death protection” was 62%, more than 10 points lower than permanent employees (76%), while that of “medical/nursing protection” was at a similar level at 76% (permanent employees: 72%). [Figure 2-5] By gender and age, it can be seen that the ratio of men with “death protection” is lower for non-regular employees at 63% than permanent employees (81%) while the ratio of women

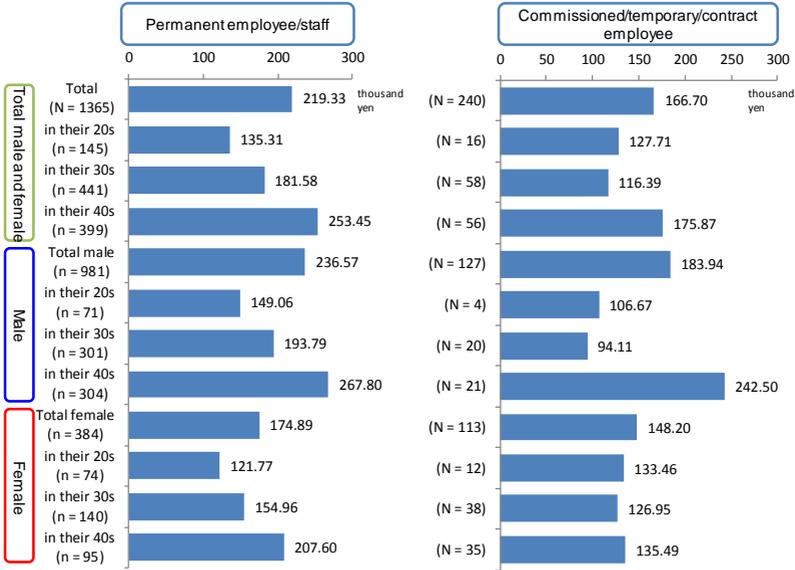
with “annuity insurance” is 9 points lower for non-regular employees at 20% compared to permanent employees (29%). Furthermore, for females in their 40s, the percentage of non-regular employees with “medical/nursing” was 77% or more than 10 points higher than that of permanent employees (64%) while the percentage of non-regular employees with “annuity insurance” was 20%, which was significantly below that of permanent employees (37%).

Figure 2-5 Coverage by type of insurance



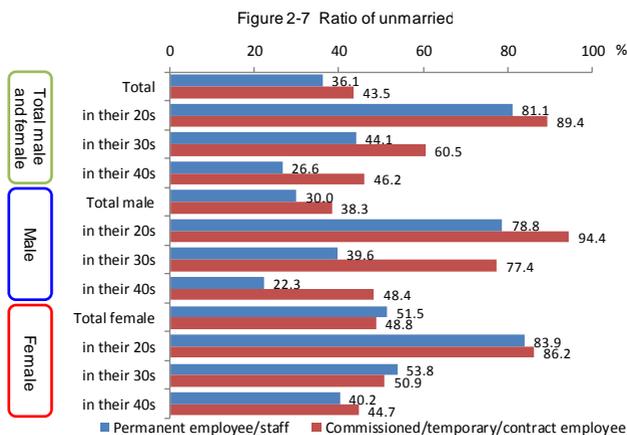
Turning our eyes to the annual insurance premium paid, overall, non-regular employees paid 167,000 yen, or approximately 50,000 yen less compared to the 219,000 yen paid by permanent employees. [Figure 2-6] By gender and age, there is not much difference other than the 100,000 yen difference for those in their 30s for males (permanent employees: 194,000 yen/non-regular employees: 94,000 yen) and the 72,000 yen difference for those in their 40s for females (permanent employees 208,000 yen/non-regular employees 135,000 yen).

Figure 2-6 Annual insurance premium paid



The reason for such differences in the amount of insurance premiums paid between permanent employees and non-regular employees is perhaps the difference in the coverage of men in their 30s and women in their 40s, namely, the percentage of those who have death protection for males and annuity insurance or medical/nursing insurance for females.

One possible factor behind such differences between male permanent employees and non-regular employees is the high percentage of those that are unmarried among non-regular employees, especially among men. According to the abovementioned survey as well, the percentage of those that were unmarried was higher for non-regular employees compared to permanent employees for men; the percentage of unmarried men in their 20s was 79% among permanent employees compared to 94% among non-regular workers, while the ratios were 40% of permanent employees and 77% of non-regular workers for those in their 30s and 33% of permanent employees and 48% of non-regular workers for those in their 40s, respectively, showing that even in their 40s, among non-regular employees, approximately half were unmarried. [Figure 2-7]



Also in a focused group interview with unmarried young men, many said they would wait to have insurance or to examine the possibility of getting coverage until they married.

- I'm not interested at the moment. Life insurance is something to have in case something happens to me, so I think it can wait until I'm married (permanent employee, 27)
- I would get coverage once I have a family. When I have someone to provide protection for, in case something happens to me....is how I see it (temporary worker, 30)

Moreover, we can see that “marriage” is a major factor in taking out insurance from the comments made by young men who are married, as follows.

- I got insurance shortly before my marriage upon my parents' recommendation. I think I wouldn't have gotten coverage if my parents hadn't recommended it. (permanent employee, 31)
- I got insurance upon the recommendation of a sales agent when I started working at my company. Now that I think about it, I could have gotten it only after I married. (permanent employee, 27)

For the younger generation, especially for men, the perception that life insurance (death protection) is “something you get once you are married” is deeply rooted and perhaps we can say that this conversely is leading to the image that it is something you do not need to get or to examine the possibility until you are married.

1-2. The savings/investment behaviors and awareness of the younger generation

As has been seen, the status of life insurance coverage, as well as whether

people are married, which is a background factor, differs among the younger generation depending on their income and employment situation. Then what kind of lifestyle do they have? How much are they inclined to save? What are their savings/investment behaviors? What is the level of concern about their lives?

According to a focused group interview with the younger generation, there were those who were making an effort to save money with the expectation that they would get married and have a family, or so that they can support themselves without getting married as seen below.

- “I’m worried about the future. I think, ‘What if I end up living alone? What would I do?’ So I’m working hard to save money for the down payment to buy an apartment.” (Female, 31)
- “I’m not so worried. All I can do is to be prepared financially so I’m having money deducted from my salary to save at least 1 million yen per year.” (Male, 27)

On the other hand, there were those who were making it a priority to enrich their current situation of living, as follows.

- “I think saving for the future is important but I don’t have a family or children to provide protection for yet. Now is the only time I can use my time and money for myself.” (Female, 25)
- “I’m worried about myself as I don’t think I can get married. I think I don’t have to get married.” (Male, 29)

From the above, we can see that the younger generation cannot be considered in just one big bundle. Going through these comments, it seems there is a group that expects to get married and have a family in the future which is the group with traditional family values so to say, and a group that believes they won’t (or can’t) get married in the first place. Furthermore, even within the respective groups, the people may be divided into those who are making efforts to save for the future, and those who are prioritizing enriching their current situation of their lives.

In order to seek the size and other characteristics of the respective groups, we divided the younger generation, namely those aged 20 to 34 who took part in a survey conducted by our company in 2007 into four segments depending on whether they were inclined to save or if they wanted to prioritize the present, and whether or not they had traditional family values. The results showed that those inclined to save with non-traditional values (savings – non-traditional) accounted for 57% or more than half. [Figure 2-8] Meanwhile, the combination of those inclined to save who had traditional values (savings – traditional) accounted for 10%, while the combination of those prioritizing the present with traditional values (present – traditional) accounted for 8% and the combination of those prioritizing the present with non-traditional values (present – non-traditional) accounted for 24%. Looking at these results by gender and age,

the ratio of the savings – non-traditional group was slightly higher than the total among males between 30 and 34, as was the ratio of the present – traditional group among females between 20 and 24, respectively.

Figure 2-8 Segments among Younger Generation

		Saving		Present	
	Segment 2 (10%)	Segment 1 (57%)			
	20~24 : 11.5%	20~24 : 51.8%			
	[8.7%]	[54.8%]			
	25~29 : 10.5%	25~29 : 54.7%			
	[8.9%]	[60.6%]			
	30~34 : 8.3%	30~34 : 60.6%			
	[8.3%]	[59.8%]			
Traditional	Segment 3 (8%)	Segment 4 (24%)	Non-traditional		
	20~24 : 10.2%	20~24 : 25.7%			
	[10.3%]	[25.3%]			
	25~29 : 9.1%	25~29 : 24.1%			
	[6.5%]	[22.7%]			
	30~34 : 7.8%	30~34 : 22.3%			
	[6.4%]	[23.4%]			

※% by Age Group : Male
[Female]

Even though the younger generation is likely to have less experience dealing with financial institutions and less knowledge about financial matters compared to those in the middle- and old-aged groups, those falling under the savings – non-traditional and present – traditional groups tended to utilize more financial products than other segments, although not as much as the middle- and old-aged groups. In particular, the male present – traditional group also had a high level of financial knowledge. [Figure 2-9, Figure 2-10] Meanwhile, looking at the savings/investment amounts as a percentage of monthly income, among males, the savings – traditional group scored more than 10% as did the savings – non-traditional group among females, implying that groups proactive in asset building differs between genders. [Figure 2-11] The reasons for working hard to build assets are also expected to be different, such as “in preparation of starting a family in the future” or “in order to live on one’s own.”

Figure 2-9 No. of types of financial products held

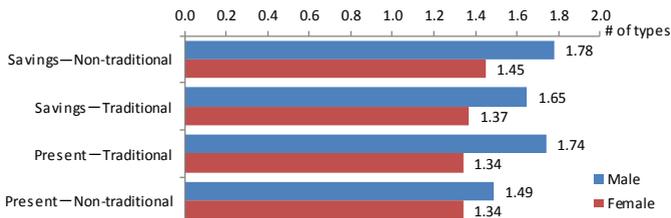


Figure 2-10 Have sufficient knowledge of the details of the financial product (interest/returns)

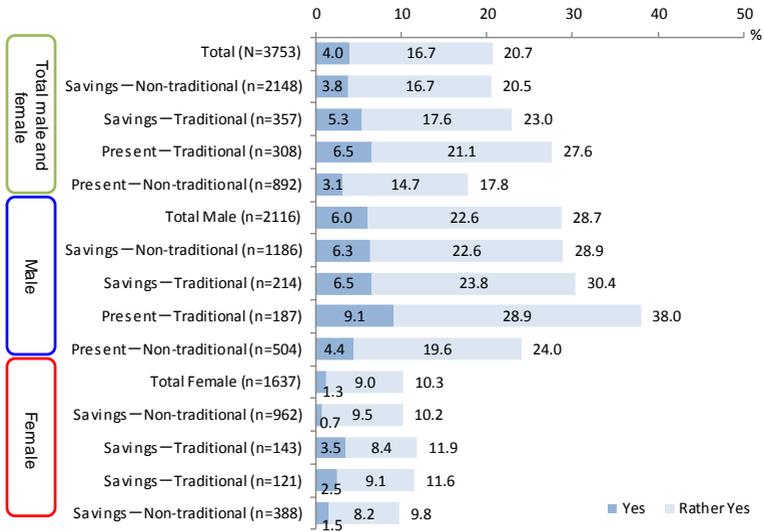
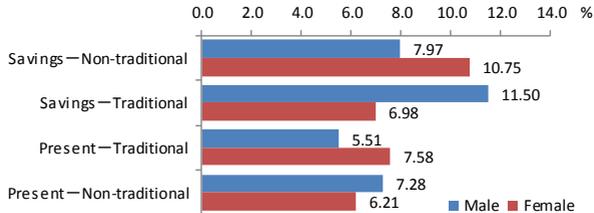


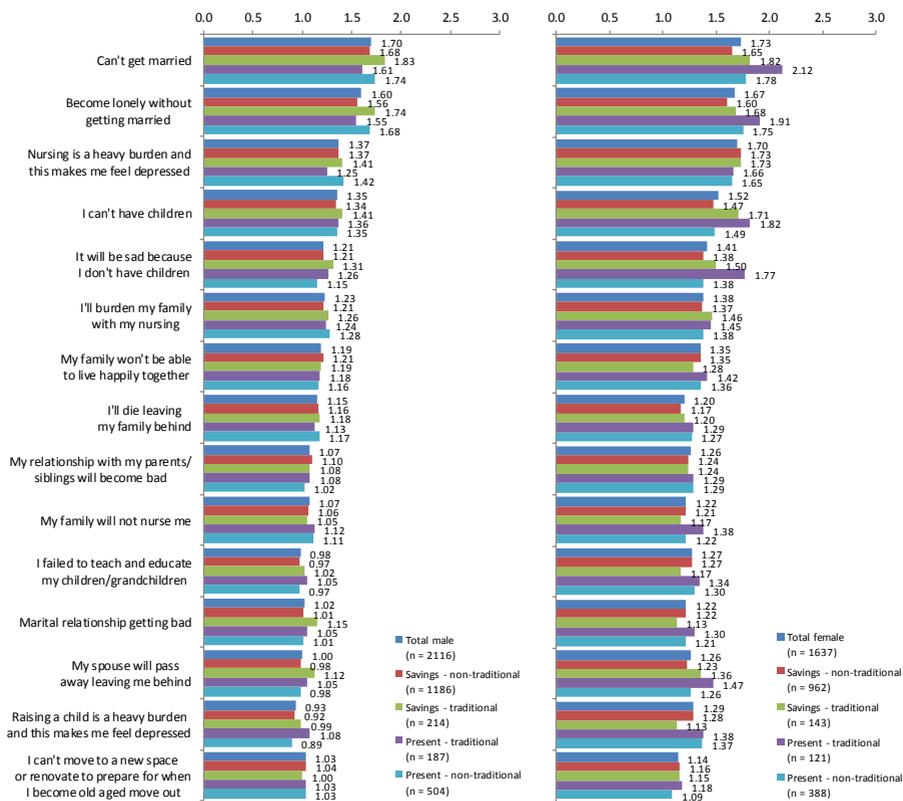
Figure 2-11 Ratio of annual savings/investment amount as a percentage of one's annual income



If we look at the concerns pertaining to living as a reason for taking out life insurance, worries leading to preparing for death or old-age security, such as “I’ll die leaving my family behind,” “I’ll burden my family with my nursing,” and “My spouse will pass away leaving me behind” are strong among the present – traditional group for both men and women. [Figure 2-12] Furthermore, concerns leading to preparing for medical assurance such as “getting cancer, heart disease, cerebrovascular disease,” “illness or injuries requiring long-term hospitalization or hospital visits,” and “being left with disorders (aftereffects) from illness or injuries” were high among the male present – non-traditional group and female savings – non-traditional group [Figure 2-13] As for the present – traditional group, although they expect to get married and have a family, when recommending products to them, perhaps it is important that they do not feel the burden of the product would weigh on their daily life, because they want to prioritize their current lives. Meanwhile, for

both men and women of the present – non-traditional group, in addition to concerns over risks they may face in a few years such as “higher housing expenses,” “burden of repaying debt,” and “not being able to secure sufficient educational expenses,” their financial fears for decades ahead including “facing expensive medical/nursing care fees,” “higher burden of medical expenses” and “not being able to secure sufficient living expenses for life after retirement” were also stronger than the other groups. [Figure 2-14] That said, considering that the group “may not get married” in the first place, they are merely feeling like being crushed by the pressure of their vague sense of anxiety for the uncertain future and they may only react to financial preparations “for themselves in the present world” for the moment.

Figure 2-12 Worries concerning family relationships



*Value is the intensity of anxiety. It is the product of the subjective evaluation of the probability of occurrence (0-100%) and the event level (1-4).

Figure 2-13 Worries concerning health/medical issues

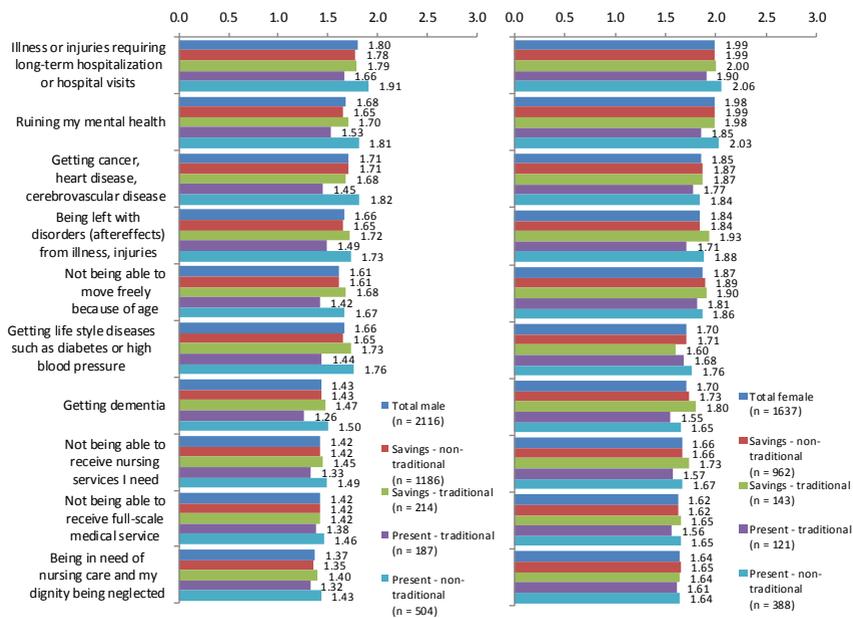
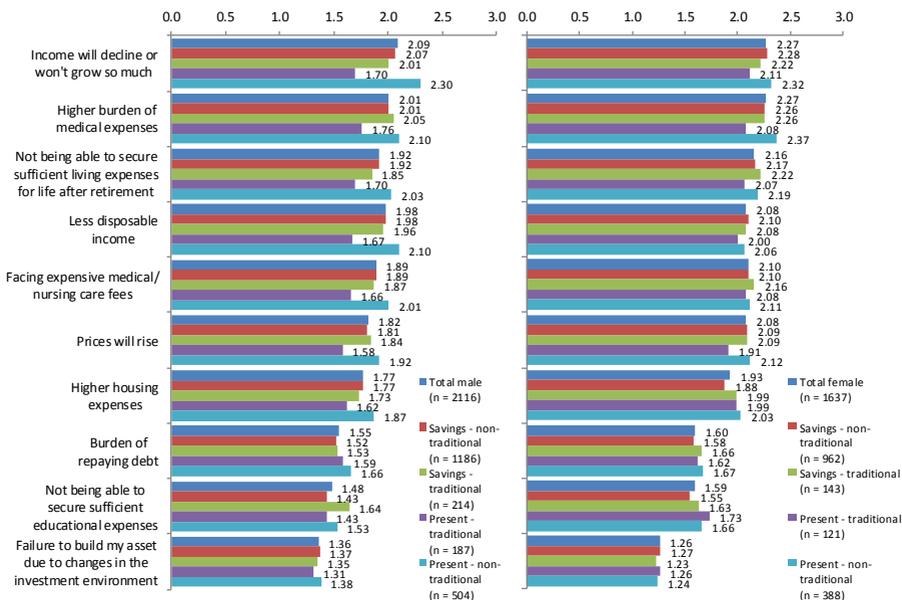


Figure 2-14 Worries concerning family finances



As we have seen, the younger generation’s awareness of savings and starting a family varies widely. Furthermore, their behaviors to build assets and the concerns they have also differ depending on the respective groups. Perhaps, with such diversity in mind, when approaching the younger generation, steady efforts to gradually relieve their concerns that differ one by one may be necessary.

2. Need for protection by the core target insurance group

In this section, we will focus on people in their 30s to 40s, or the so-called core target insurance group, and review their family structures, the actual status of their coverage, and their insurance needs going forward.

2-1. Family structure

First, as for whether the target persons are married or not, the ratio of those that are unmarried differs widely depending on age; of those between the age of 45 and 49, 25% of males and 16% of females were unmarried, while of those between the age of 30 and 34, the ratio was 58% for males and 40% for females. [Figure 2-15] Regarding the family who live together, of those aged 30 to 34 that are unmarried, 54% were living with their parents, while the percentage of single households with no family living with them was 43% for males and 40% for females. [Figure 2-16] Meanwhile, it can be seen that those who were married are mostly so-called nuclear family households consisting of a married couple and children, with the “spouse” scoring nearly 100% and “children” approximately 70%, showing no differences by gender or age group except for the percentage of “children” being slightly lower for females aged 30 to 34.

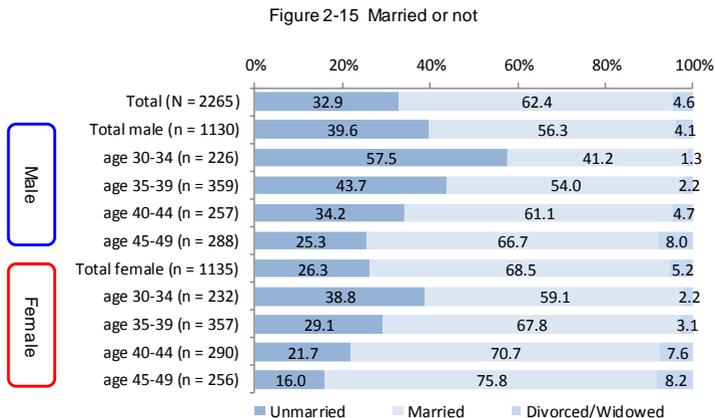
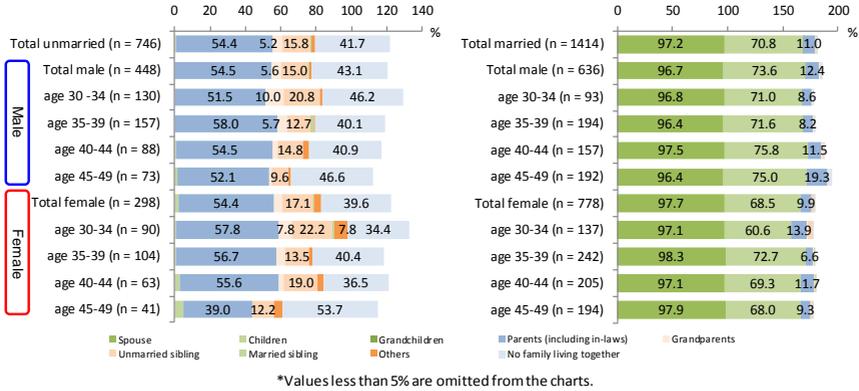


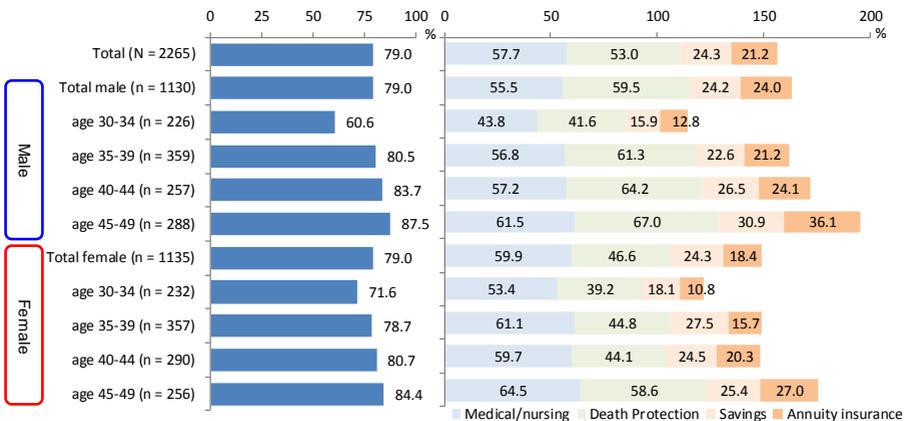
Figure 2-16 Family living together



2-2. Life insurance coverage

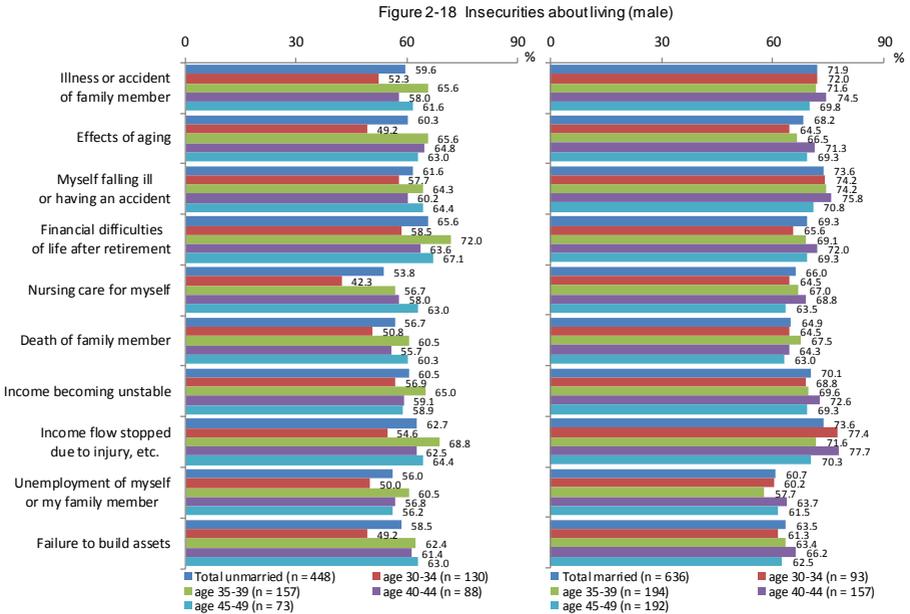
The ratio of people with life insurance coverage among those aged 30-34 was 61% for males and 72% for females, which was lower than the other age groups, and these figures rose with age. [Figure 2-17] Looking at the ratio by areas of protection, “medical/nursing” scored high accounting for more than 50% except in the case of males aged 30 to 34, while the figures for “death protection” among the same age group were low at approximately 40% for both men and women. Furthermore, the ratio of those who had annuity insurance increased with age for both men and women with males aged 45 to 49 scoring high at 36%.

Figure 2-17 Percentage of those with life insurance and types of products held



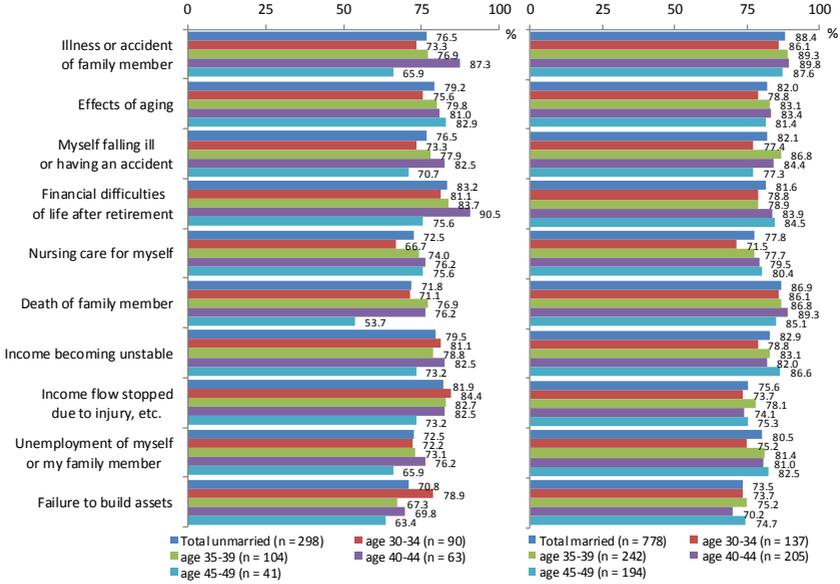
2-3. Background factors for protection needs

Considering the sense of insecurity regarding people’s daily lives⁸ that serves as a reason for protection, “financial difficulties of life after retirement” scored the highest among unmarried males, as did “personally becoming ill or having an accident” and “Income flow stopped due to injury, etc.,” among those that are married. [Figure 2-18] By age, unmarried males aged 30-34 scored lower for all items of concern, while the “financial difficulties of life after retirement” scored higher as the age became higher. Separately, among females, while the results for unmarried females were similar to that of men, married females cited “Illness or accident of family member” the most, followed by the “death of family member,” showing a different outcome from men and unmarried women. [Figure 2-19] By age, the higher the age, the score for “effects of aging” rose among those who were unmarried as did “financial difficulties of life after retirement” and “nursing care for myself” for those who were married.



⁸ The survey asked questions in a scale of 5. Figures are the results for the Top2Box.

Figure 2-19 Insecurities about living (female)



2-4. Intention to get coverage going forward

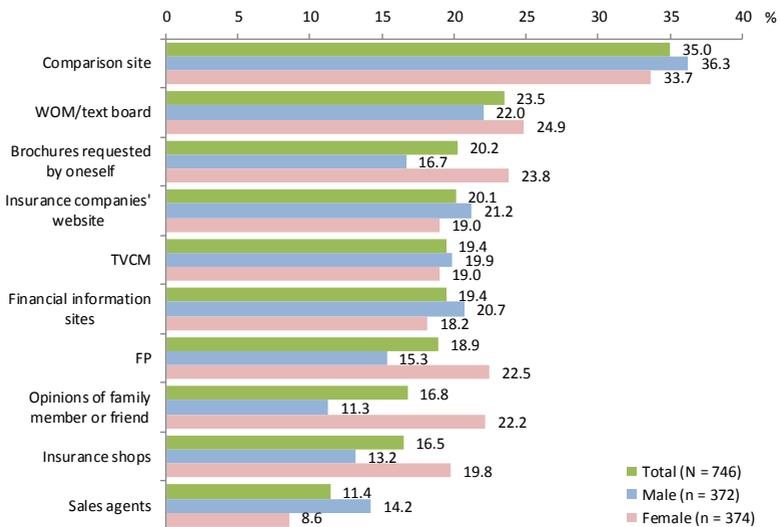
As for the intention to get coverage going forward by gender, age, and whether or not the person is married, among men, those aged 45 to 49 of the unmarried men and those aged 40-44 of the married men showed particularly high interest, respectively, as did women aged 35 to 39, regardless of their being married or not. [Figure 2-20]

Looking into the purpose of getting insurance cited by those who wish to get coverage in the future by whether or not they are married, among unmarried men, “death protection” scored the highest, particularly so for those aged 30 to 34. [Figure 2-21] Also among men, “medical protection” scored high among unmarried men aged 45 to 49 as well as married men aged 35 to 44. Meanwhile, among women, “medical protection” was the most popular regardless of the respondent being married or not, although the difference is particularly high for married women aged 40 to 44. By age, “death protection” scored higher than “medical protection” among those aged 30 to 34 for both married and unmarried respondents.

As can be seen, even among those in their 30s to 40s who are generally considered as one big core target insurance group, there are significant differences depending on their gender, age, and whether they are married, not only in terms of whether they have life insurance, but also in terms of the types of insurance they have and their insurance needs going forward. Moreover, as for the information source they would consider using when examining the possibility to get insurance in the future, “comparison sites” scored the highest among both men and women, followed by “WOM/text board.” [Figure 2-22] This is followed by “websites of insurance companies,” “financial information sites,” and “TV commercial” in that order among men. Among females, “brochures requested by oneself,” “financial planners,” and “opinion of family member or friend” followed in that order. Note that sales channels, such as “insurance shops,” “insurance agencies,” and “sales agents,” as well as “call centers” were not among the top choices. This may imply that when people examine the possibility of taking out insurance, they try to face sales agents and agencies only after they arm themselves with theoretical backing by obtaining information in advance from various information sources including comparison sites.

In order to win over the core target insurance group, perhaps it can be said that it is necessary to have a deep understanding of their individual needs and be attentive as to what kind of information they have obtained and to how much they understood the information.

Figure 2-22 Information source you would use when examining the possibility to take out insurance going forward (top 10 items)

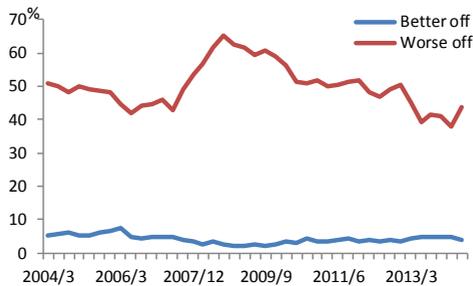


3. Household Circumstances and Intention to Get Insurance

In the Opinion Survey on the General Public's Views and Behavior conducted by the Bank of Japan, there has always been more consumers who replied that their household circumstances have become worse off than those who replied their circumstances have become better off and in approximately half of the surveys conducted over the past ten years, more than 50% replied their circumstances have become worse off. [Figure 2-23] Furthermore, according to the Basic Survey on Wage Structure by the Ministry of Health, Labour and Welfare, the wage of full-time employees have not grown for men or women over the past ten years. On the contrary, men's wages have decreased 0.3% on average. [Figure 2-24] While there is no sign of improvement in the environment surrounding our family finances as mentioned above, how is life insurance perceived by consumers?

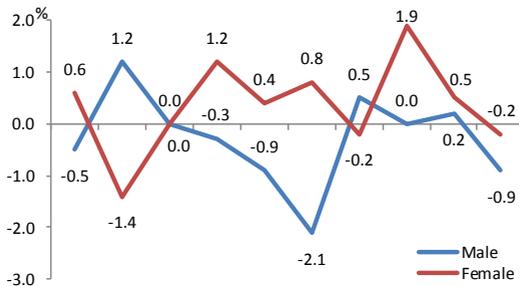
In this section, we will focus on consumers in a difficult economic environment and endeavor to reveal the situation of their life insurance coverage and needs going forward.

Figure 2-23 Circumstances of life



Source: prepared from the Opinion Survey on the General Public's Views and Behavior conducted by the BOJ

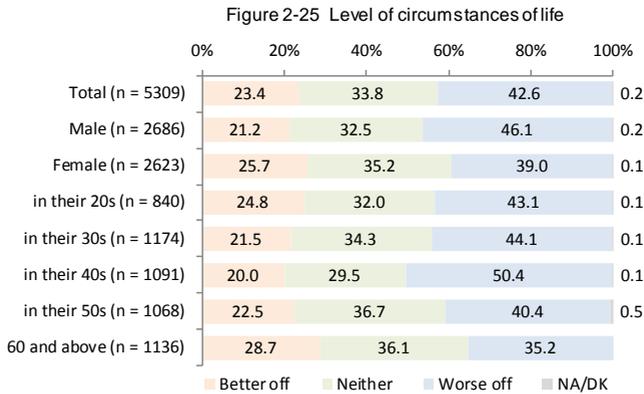
Figure 2-24 Y-O-Y changes of scheduled wages



Source: prepared from the Basic Survey on Wage Structure by MHLW

3-1. Household circumstances

Looking at the consumers' household circumstances⁹, overall, "better off" was 23% while "worse off" was 43% and more people replied that they were worse off. [Figure 2-25] By gender, those who replied "worse off" accounted for 46% of men. The figure was higher than that of females (39%). By age, "worse off" scored more than 50% among those in their 40s, while those 60 and above scored low at 35%. The fact that there are differences in the level of household circumstances depending on the gender and age group may well be because during the period when it is difficult to reduce spending, such as children's educational expenses, people seem to feel they are worse off, and when they reach their post-retirement period, they have made progress in their asset building and can feel they are better off.



Looking at the situation of life insurance coverage by the level of household circumstances, the percentage of those who have life insurance among those better off was 81%. Meanwhile, the figure was 70% for those who were worse off, showing a more than 10-point difference. [Figure 2-26] Looking at the types of products taken out among those who have coverage, "annuity insurance" scored higher among those better off that include more elderly people. Separately, as for the total annual insurance premium paid, the better off group paid an average of 225,000 yen, which was approximately 48,000 yen higher than those worse off (177,500 yen). [Figure 2-27] As can be seen, there are differences in life insurance coverage, as well as the types of product taken out and the level of insurance premium paid, depending on the household

⁹ The answer to the question in the survey is given in a scale of five: "I am very well off," "I am rather well off," "cannot say," "I am rather not well off," or "I am not well off at all." The results mentioned above as "better off" and "worse off" are the results for the Top/Bottom 2 boxes respectively.

circumstances.

Figure 2-26 Life insurance coverage

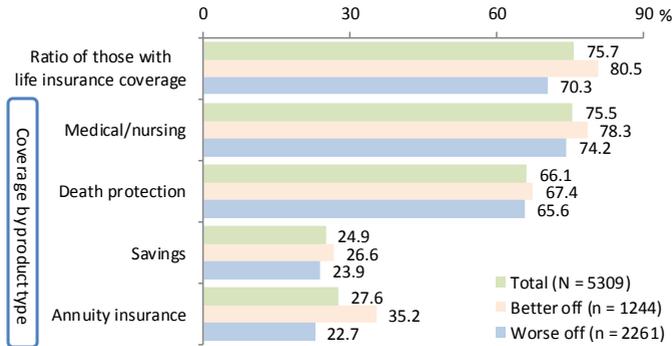
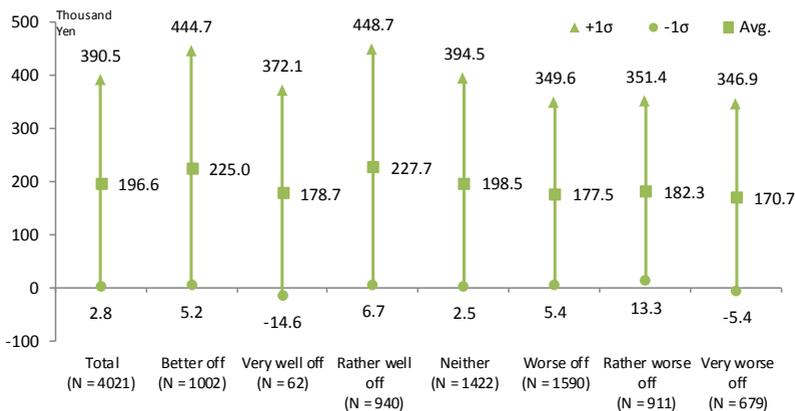


Figure 2-27 Annual insurance premium paid

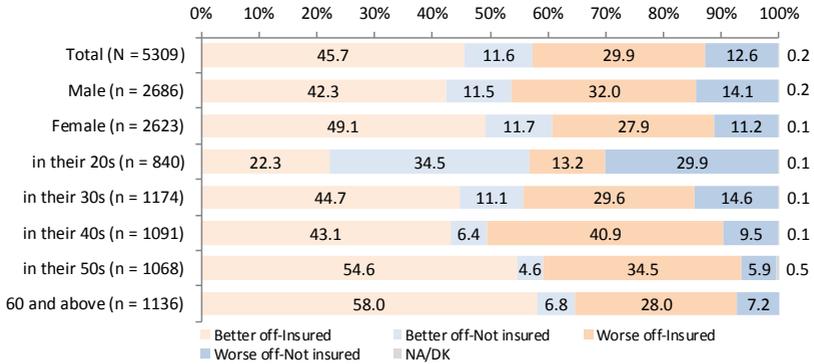


3-2. Segmentation by household circumstances and insurance coverage

Then what kind of differences are there in terms of consumer needs pertaining to life insurance according to the household circumstances and coverage they already have?

Looking at the two factors in combination, by gender, more men replied “worse off – insured” than the total, while more women replied “better off – insured” compared to the overall figures. [Figure 2-28] Separately, by age, “better off – not insured” scored the highest among those in their 20s at 35%, while “worse off – insured” accounted for 41% or over 40% among those in their 40s. Furthermore, among those in their 20s and 30s, there were relatively many who replied “worse off – not insured.” The percentage was especially high, exceeding the overall figure, at 30% among those in their 20s.

Figure 2-28 Segmentation by household circumstances and insurance coverage



When the respective segments were asked of their intention to get insurance going forward, 33% of those who were worse off – insured said they “intend to take out insurance” while 78% of those better off – not insured replied “they have no intention” to do so. [Figure 2-29] As for the purpose of getting insurance among those who intend to get coverage, “medical protection” and “death protection” scored high exceeding 70%, respectively, among those who said they were worse off – uninsured. [Figure 2-30] Meanwhile, “death protection” scored high at approximately 70% among those better off – uninsured as well. On the other hand, “retirement security” and “care protection” scored relatively high among those who were worse off – uninsured. Moreover, “funeral preparation costs” scored higher among those worse off than those better off, regardless of whether or not they have insurance, implying that even if those worse off do have life insurance, the amount of coverage is likely to be less than what they primarily believe is necessary, compared to those better off.

Figure 2-29 Intention to get coverage going forward

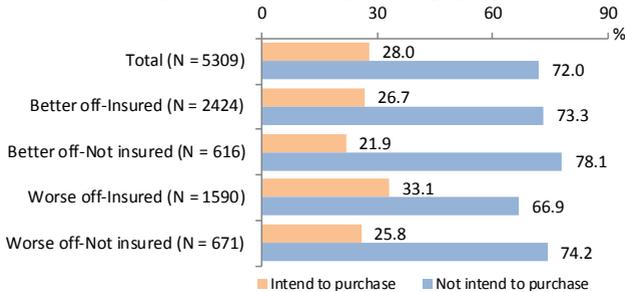
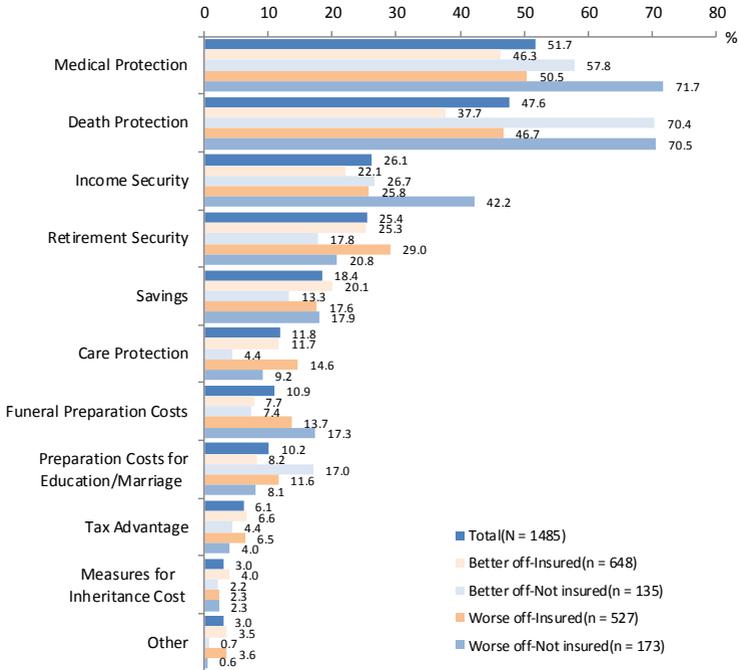
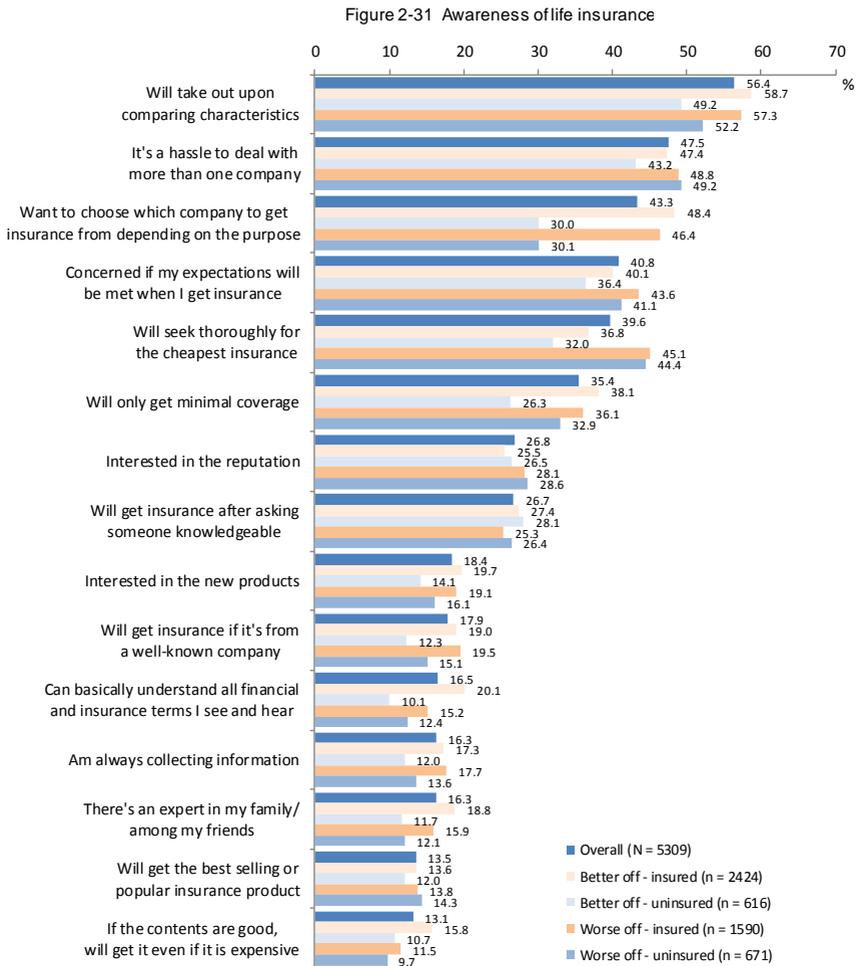


Figure 2-30 Purpose of getting coverage going forward



As for people’s awareness of life insurance, in general, those with insurance scored higher regardless of their household circumstances. In particular, a big difference could be seen between those insured and uninsured for “want to choose from which company to get insurance depending on the purpose” with a gap of 18 points among those better off and a gap of 16 points among those worse off. [Figure 2-31] Meanwhile, the worse off group scored higher for “will seek thoroughly for the cheapest insurance” and “concerned if my expectations will be met when I get insurance” regardless of whether they were insured or not. Especially for “will seek thoroughly for the cheapest insurance,” the difference between the worse off - uninsured group and the worse off – insured group was an outstandingly high 12 points. From the above, we can see that items showing a conservative attitude towards taking out insurance are supported by the uninsured group, while items prioritizing contents rather than price are supported by those with better off circumstances, respectively. We can also see that the worse off group is forced to prioritize the insurance premium when considering taking out insurance in the future due to the difficult economic environment they face. On the other hand, those better off – insured scored high for “Interested in new products,” “can basically understand all financial and insurance terms I see and hear” and “if the contents are good, will

get it even if it is expensive” indicating that the group with better off circumstances continues their search for information in pursuit of coverage with higher quality even after taking out insurance. As a result, their financial and insurance literacy seems to also have improved.



3-3. Segment of household circumstances and level of satisfaction

Separately, when we asked people who have experience of receiving insurance money or benefit in the past of how they used the insurance money or benefit they received, “medical expenses,” “living expenses” and “savings such as bank deposits” were the three major use of the fund among each group. However, the order of popularity was different, with “living expenses”

standing out in particular at 65% among the worse off – uninsured group. [Figure 2-32] Meanwhile, “savings such as bank deposits” scored high among the better off group, and “medical expenses” scored among the insured group regardless of their household circumstances. These results show that how people use their insurance money or benefits differs depending on whether or not the person has insurance or the level of their household circumstances, and it may be that facing tight economic situation is leading to people surrendering their life insurance. Indeed, looking at the level of satisfaction of life insurance people took out most recently among those insured, the level of satisfaction is low for the worse off group that suggests that the deterioration of the economic environment surrounding consumers may be leading to dissatisfaction of the life insurance they have. [Figure 2-33] However, if we look further into these results showing the level of satisfaction by the level of knowledge of life insurance, while there is no difference in the ratio of “satisfied” between those with different household circumstances regardless of the level of knowledge, among those with low level of knowledge, the worse off group voiced more “dissatisfaction” although only slightly. Meanwhile, there is no difference among the groups with a medium level of knowledge and a high level of knowledge between the worse off group and the better off group for their level of dissatisfaction. In order to ensure that policyholders do not grow dissatisfied with the product they have due to the changes in economic environment and that they do not think of surrendering their policy without careful consideration, it is probably necessary to have clients gain knowledge by providing sufficient explanations to them.

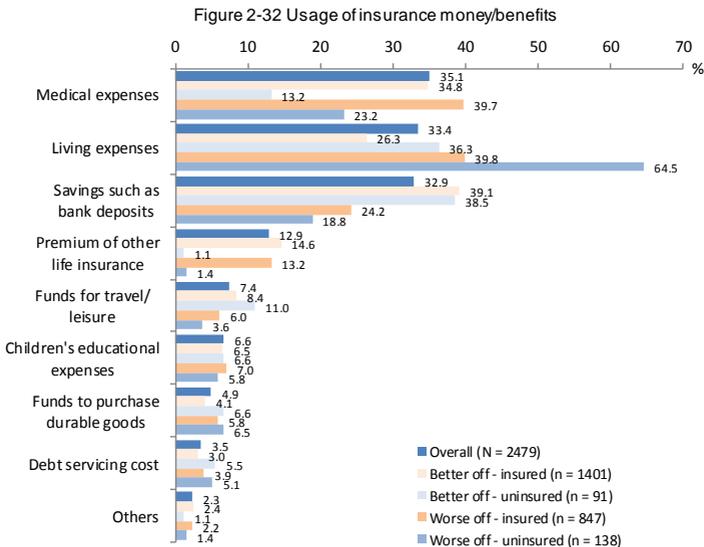
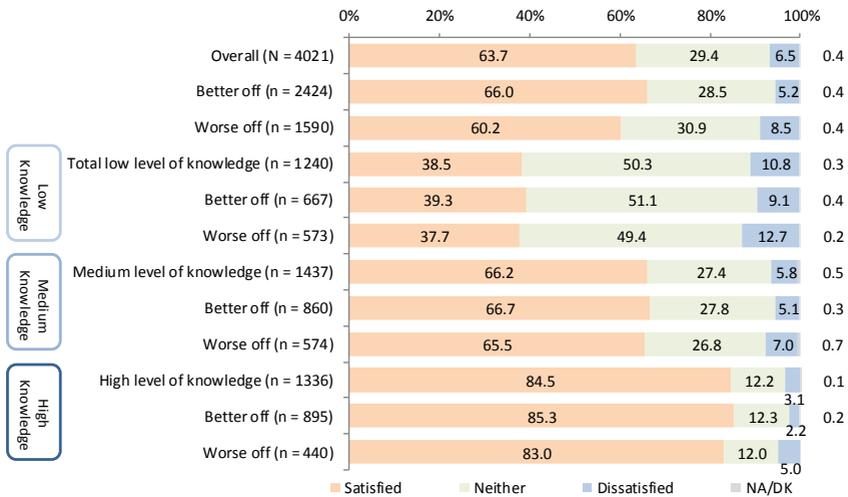


Figure 2-33 Level of satisfaction by level of knowledge/household circumstances



As we have seen above, the group with worse off household circumstances tends to prefer lower prices because of economic constraints and there seem to be more people among them who wish to examine the possibility of getting insurance carefully before taking something out. Furthermore, the group with worse off household circumstances had the tendency to use their insurance money or benefit on medical expenses and living expenses, and those with low level of knowledge also tended to grow dissatisfied with their life insurance product.

As the number of non-regular employees and those with experience of changing jobs are increasing and performance-based wage system is becoming a standard among companies' wage systems, it is difficult to foresee how the client's personal income situation would change at which timing. However, perhaps it is necessary to always be mindful also of such economic situations of the clients so that they do not grow dissatisfied unnecessarily or become skeptical of the necessity of insurance.

Chapter 3: Consumer Insurance Literacy and Actions to Examine the Possibility of Getting Insurance

As has been mentioned here and there in Part 1 and in the previous chapters, there are disparities in consumer knowledge of insurance and the examination process, and the information sources people use when examining the possibility of taking out insurance differ depending on the level of knowledge of insurance. Therefore, it has been pointed out that it is necessary to accommodate such differences. So what are the factors creating such disparities in knowledge between consumers? And what kinds of differences are these disparities in knowledge making in the overall process of examination?

In this chapter, we will focus on consumer literacy of insurance and review the factors leading to these disparities in insurance literacy, as well as the differences the disparities in literacy are making in the examination process.

1. Formative Factors of Insurance Literacy

1-1. Basic knowledge of insurance

We reviewed how correct or incorrect individuals' understanding of basic items was from a ten-item quiz¹⁰ on basic knowledge of life insurance in which people were asked to choose which items were correct. [Figure 3-1] According to the results, items with a high percentage of correct answers overall were, "you cannot take out insurance over the Internet" scoring the highest at 78%, followed by "with medical insurance and cancer insurance, there are cases in which you cannot receive insurance money/benefits depending on the type or degree of illness" (67%) and "you can receive benefits from only one company even if you took out medical insurance from multiple companies" (64%), up to which 60% of people answered correctly. [Figure 3-2] Conversely, items with a low percentage of correct answers scored even less than 30% with "term insurance provides maturity proceeds at the time of expiration of the indemnity period" at 25% and "general medical insurance does not provide coverage for illness specific to females" at 26%. This means there are items of which more than 70% of consumers either have an incorrect understanding or cannot tell right from wrong. Although those who have insurance showed a somewhat higher percentage of correct answers than the overall figures, which includes the results of non-policyholders, the situation was not so different for policyholders with the percentage of questions answered correctly falling below 30% for the bottom 2 box,

¹⁰ In this survey, people were asked to choose one of the three options of "correct," "incorrect," and "don't know" for the ten items shown in Figure 3-1.

indicating that more than a few consumers are taking out insurance without correctly understanding its contents or mechanism. Between genders, more men answered correctly for “if you take out insurance with a foreign capital insurance company and this company exits the Japanese market, all the coverage that has been paid for will be lost” while women did so to “insurance moneys or benefits can only be claimed by the beneficiary designated in the policy,” “with medical insurance and cancer insurance, there are cases in which you cannot receive insurance money/benefits depending on the type or degree of illness,” and “you can receive benefits from only one company even if you took out medical insurance from multiple companies.” [Figure 3-3] Furthermore, by age group, we could see the tendency that the percentage of correct answers would rise as the age group became higher, which was the case for the seven items excluding “with medical insurance and cancer insurance, there are cases in which you cannot receive insurance money/benefits depending on the type or degree of illness,” “term insurance provides maturity proceeds at the time of expiration of the indemnity period,” and “when you take out cancer insurance, you cannot receive insurance money/benefits for the first three months even if you are diagnosed with cancer.”

Figure 3-1 Quiz on life insurance

1. With medical insurance and cancer insurance, there are cases in which you cannot receive insurance money/benefits depending on the type or degree of illness
2. When you take out cancer insurance, you cannot receive insurance money/benefits for the first three months even if you are diagnosed with cancer
3. General medical insurance does not provide coverage for illness specific to females
4. Term insurance (insurance that stipulates the term of assurance, such as the indemnity period for X years or until the age of Y) provides maturity proceeds at the time of expiration of the indemnity period
5. If you are hospitalized and receive benefits, your insurance premium is raised
6. Insurance moneys or benefits can only be claimed by the beneficiary designated in the policy
7. You cannot take out insurance over the Internet
8. If the life insurance company goes bankrupt, all the coverage that has been paid for will be lost
9. You can receive benefits from only one company even if you took out medical insurance from multiple companies
10. If you take out insurance with a foreign capital insurance company and this company exits the Japanese market, all the coverage that has been paid for will be lost

Figure 3-2 Quiz on life insurance (percentage of correct answers)

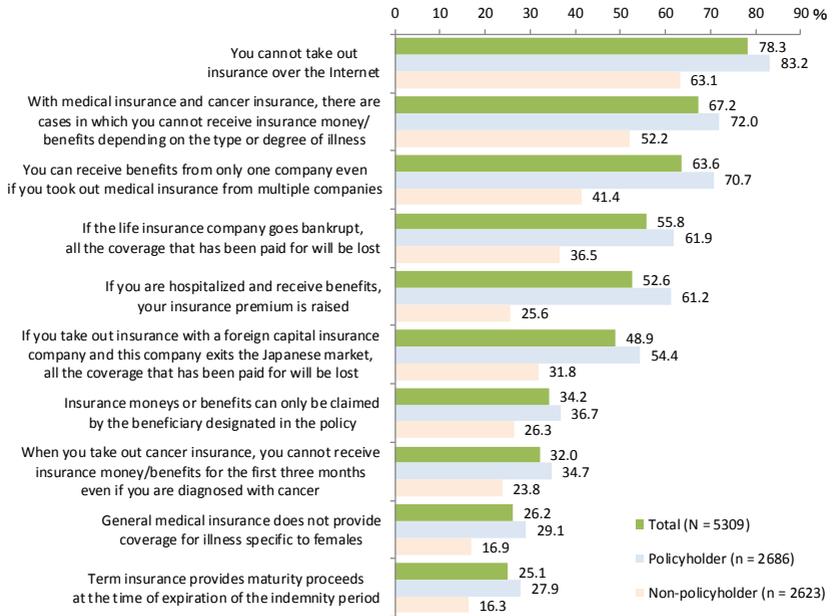
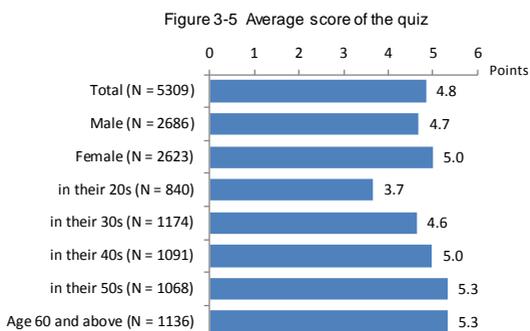
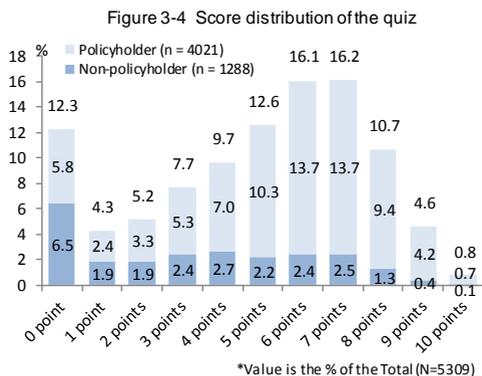


Figure 3-3 Quiz on life insurance (percentage of correct answers)

	N	You cannot take out insurance over the Internet	With medical insurance and cancer insurance, there are cases in which you cannot receive insurance money/benefits depending on the type or degree of illness	You can receive benefits from only one company even if you took out medical insurance from multiple companies	If the life insurance company goes bankrupt, all the coverage that has been paid for will be lost	If you are hospitalized and receive benefits, your insurance premium is raised	If you take out insurance with a foreign capital insurance company and this company exits the Japanese market, all the coverage that has been paid for will be lost	Insurance moneys or benefits can only be claimed by the beneficiary designated in the policy	When you take out cancer insurance, you cannot receive insurance money/benefits for the first three months even if you are diagnosed with cancer	General medical insurance does not provide coverage for illness specific to females	Term insurance provides maturity proceeds at the time of expiration of the indemnity period (%)
Total	5309	78.3	67.2	63.6	55.8	52.6	48.9	34.2	32.0	26.2	25.1
Male	840	75.4	64.4	60.7	57.3	50.1	52.2	30.0	30.8	22.7	24.9
Female	1174	81.3	70.1	66.5	54.2	55.1	45.5	38.4	33.4	29.7	25.2
in their 20s	1091	66.5	58.5	47.5	37.9	30.7	34.0	27.1	25.6	19.4	19.3
in their 30s	1068	76.6	68.7	59.5	53.4	43.6	46.3	34.6	34.0	22.6	23.6
in their 40s	1136	79.8	68.5	66.9	58.1	54.4	49.7	34.6	33.4	24.7	28.0
in their 50s	4021	84.8	69.5	69.9	61.0	63.0	54.6	37.3	33.6	30.6	27.9
Age 60 and above	1288	81.2	68.7	70.4	64.3	66.4	56.3	35.7	32.0	32.1	25.4

1-2. Formative factors of insurance literacy

Looking at the ratio by points, counting each correct answer as one point for the respective items, the overall average was merely 4.8 points out of 10 points maximum, implying that only 40% of the contents were understood correctly. [Figure 3-4] Looking at the distribution, while 61% scored 5 points or higher, which is above average, approximately 10% scored zero and about a quarter (22%) scored only less than half of the average (below 2 points) indicating that consumers' level of knowledge is variable. As for the average points, there was no significant difference between genders, while by age group, those in their 20s scored low at 3.7 points and the age group above those in their 40s and above scored high exceeding 5 points. [Figure 3-5]



Looking at the distribution of points shown in Figure 3-4 by whether or not consumers were insured, among policyholders, those scoring 6 to 7 points accounted for the most, with the average at 5.3 points. Meanwhile, those scoring zero accounted for the most among non-policyholders who scored 3.3 points on average. As can be seen, there is a difference in the level of knowledge depending on whether or not people have experience taking out life

insurance. However, even among those with life insurance, the scores were distributed widely between zero and 10 points with 10% scoring less than 2 points. Moreover, a little less than 10% of non-policyholders did score higher than the average, indicating that the formative factors for insurance literacy are not confined simply to whether the person has insurance or not.

In a focused group interview performed in the past as well, there were comments as shown below, from which it can be assumed that there are consumers who try to arm themselves with knowledge before facing the seller in order to reduce the information asymmetry as much as possible.

- It's better to request information after obtaining a certain degree of knowledge by looking into the costs at insurance companies' websites or the kind of riders available with which company, and what is the best way for what than to do so without knowing anything. (Male, 37)
- I thought I wanted to see for myself what's out there for about a month after I decided to switch. I contacted a sales agent upon checking out the kind of background knowledge such as what kind of differences there are, what kind of options there are, and if there was anything that suits my situation. (Male, 51)

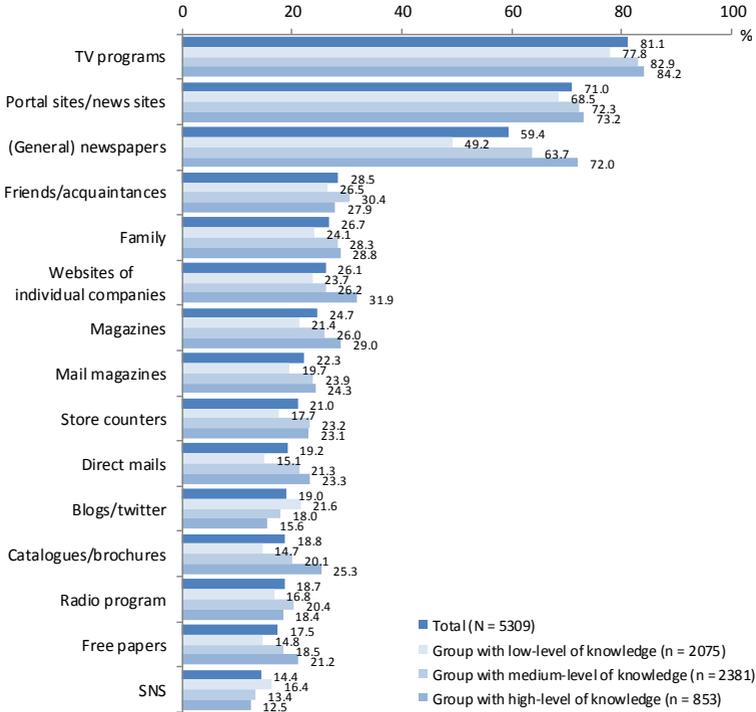
Then, what are the factors creating disparities in insurance literacy among consumers?

Looking at the source of information in daily life by the level of knowledge,¹¹ overall, "TV programs" scored the highest at 81% followed by "portal sites/news sites" (71%) and "general newspapers" (59%) up to which more than half of the respondents were watching or reading. [Figure 3-6] By level of knowledge, people with a high level of knowledge scored higher for most items compared to those with a low level of knowledge. In particular, for "general newspapers," while those with a low level of knowledge scored 49% or less than half, those with a high level of knowledge scored 72%, showing a large discrepancy. In addition, those with a high level of knowledge scored higher for "catalogues/brochures" (eleven-point difference), as well as for "websites of individual companies," "magazines" and "direct mails" (eight-point difference respectively). Meanwhile, the only item for which those with a low level of knowledge scored higher was "blogs/twitter" at 22% or a six-point difference.¹²

¹¹ Respondents classified according to the score distribution of the quiz with those scoring 4 points or less as people with a low level of knowledge, those between 5-7 points as people with a medium level of knowledge, and those scoring 8 points or higher as people with a high level of knowledge.

¹² The fact that "blogs/twitter" scored high among those with a low level of knowledge is likely because many of those who chose this item were those of the younger generation whose average score is low.

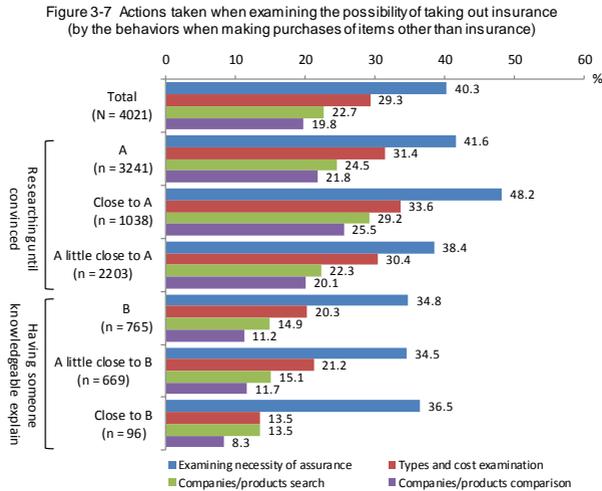
Figure 3-6 The source of information in daily life (top 15 items)



As has been seen, the source of information in daily life differs according to the level of insurance literacy and those with a high level of knowledge access different information sources on a regular basis with “general newspapers” as their main source. Furthermore, as we have seen in the preceding chapter, the percentage of those who would “constantly gather information” on a regular basis was higher for policyholders than non-policyholders. The disparity in insurance literacy seems to come from the differences in the media people regularly come into contact with and the actual experience of examining the possibility of taking out insurance.

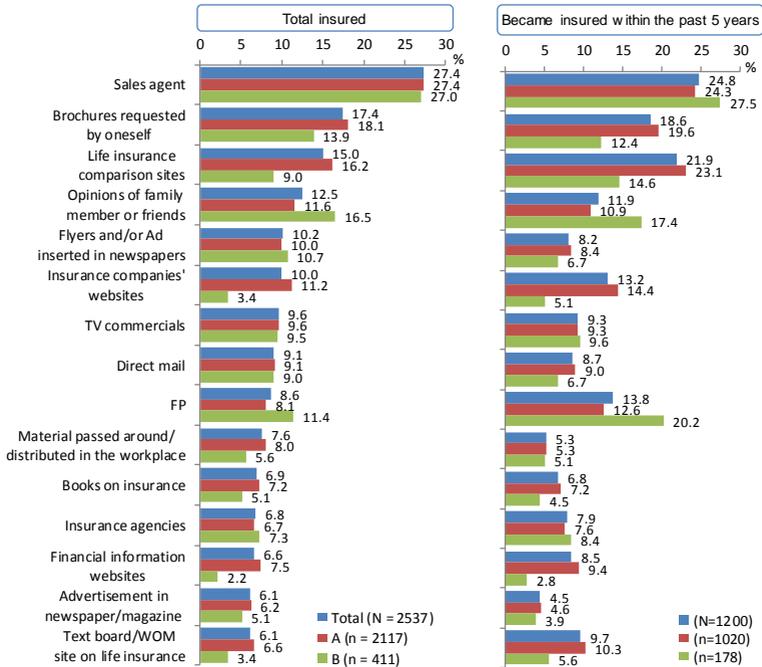
Consumers with different levels of insurance literacy also show a difference in their purchasing behaviors for items other than insurance. In fact, looking at the execution rate of actions when examining the possibilities of taking out insurance by the actions people take in making daily purchases, namely between “A: I am of the type who researches myself until convinced” and “B: I am of the type who wants to receive explanations from someone knowledgeable,” among those of the type A who research until they are convinced, 42% said they “examine the necessity of assurance” whereas the percentage was 35% for those of type B who wish to receive explanations by

someone knowledgeable, resulting in a seven-point difference. [Figure 3-7] Similarly, for “searching the companies/products,” “examination of types and cost of burden,” and “comparison of companies/products,” those of type A scored ten to eleven points higher in terms of execution rate, indicating that the tendencies seen in daily purchasing behaviors have an effect on consumers in the examination stage of getting insurance.



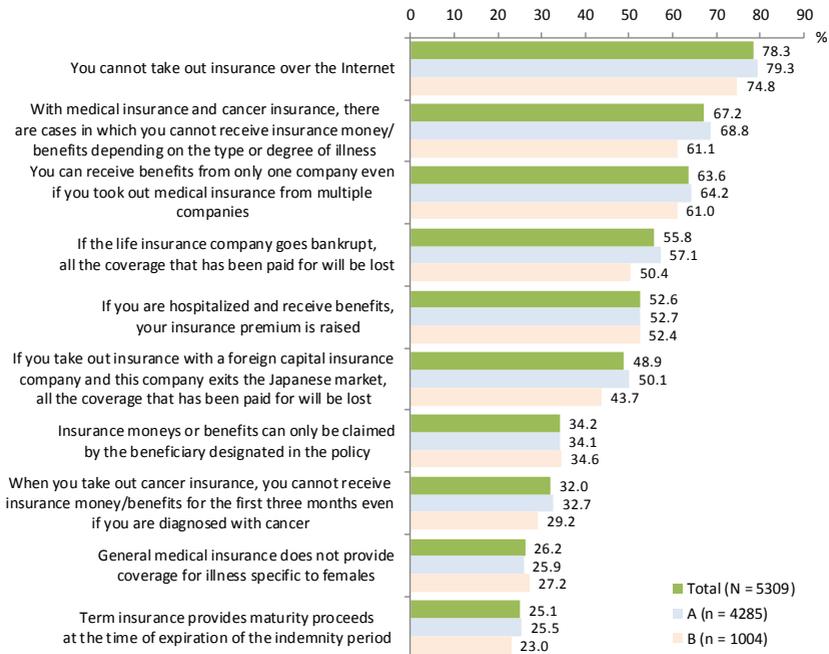
Looking at the source of information used when examining the possibility of taking out insurance by the tendencies seen in daily purchasing behaviors, “sales agents” scored high for both types A and B. Among those of type A, this was followed by “brochures requested by oneself” (18%) and “life insurance comparison sites” (16%) in that order, while the “opinions of family members or friends,” which was taken up by 17% of those of type B, scored merely 12%. [Figure 3-8] Furthermore, those of type A scored higher for “insurance companies’ websites” and “financial information sites” than those of type B. The number of information sources that consumers falling under type A use is high in general, and we can see that they often use information sources on the Internet that the seller cannot control. This tendency becomes even stronger for those who took out insurance within the past five years with consumers of type A looking up “life insurance comparison sites” and “brochures requested by oneself” after “sales agents” while consumers of type B were using “financial planners” and “opinions of family members or friends” after “sales agents.” As can be seen, consumers who research on their own until they are convinced tend to arm themselves with knowledge using mainly information sources on the Internet and are perhaps coming to sales agents with an equal or even higher level of knowledge.

Figure 3-8 Information source when examining the possibilities of getting insurance (by the type of purchasing behaviors for items other than insurance)



In fact, looking at the percentage of correct answers regarding the basic knowledge of life insurance by the tendencies in daily purchasing behaviors, consumers of type A who research until they are convinced scored higher than those of type B who wish to receive explanations from someone knowledgeable by eight points for “with medical insurance and cancer insurance, there are cases in which you cannot receive insurance money/benefits depending on the type or degree of illness,” seven points for “if the life insurance company goes bankrupt, all the coverage that has been paid for will be lost,” and six points for “if you take out insurance with a foreign capital insurance company and this company exits the Japanese market, all the coverage that has been paid for will be lost.” This indicates that consumers of type A have a high level of knowledge in general. [Figure 3-9]

Figure 3-9 Quiz on life insurance (percentage of correct answers)



2. Insurance literacy and actions taken when examining the possibility of taking out insurance

As stated above, the disparities in insurance literacy are considered to come from the actual experiences of examining the possibility of taking out insurance and the daily actions of media access. Then, in fact, how are these disparities in literacy affecting the actions consumers take when examining the possibility to get insurance?

First of all, looking at the process up to getting the insurance, the group with a low level of knowledge scored higher for “got insurance exactly as recommended” while the group with a high level of knowledge scored higher for other proactive behaviors. [Figure 3-10] Furthermore, looking at the information source used when examining the possibility to get insurance, the group with a low level of knowledge who scored low used “sales agents” the most, with 25% using this source, and this was followed by the “opinions of family members or friends” (15%). [Figure 3-11] Most of these people seem to be making the decision to get insurance based on the explanation given by sales agents and upon consulting the opinions of family members or friends. Meanwhile, among the group with a high level of knowledge, although “sales agents” scored the highest at 25%, this was followed by “brochures requested

by oneself” (21%) and “life insurance comparison sites” (18%) scoring around 20%, and consumers of this group seem to be making their decisions to take out insurance by obtaining information as to which insurance company or product to get through these information sources. Many of these knowledgeable customers are perhaps spending the time to examine in detail a variety of information in order to make a comprehensive decision on which insurance company or product to get.

Figure 3-10 Actions taken when examining the possibility of getting insurance

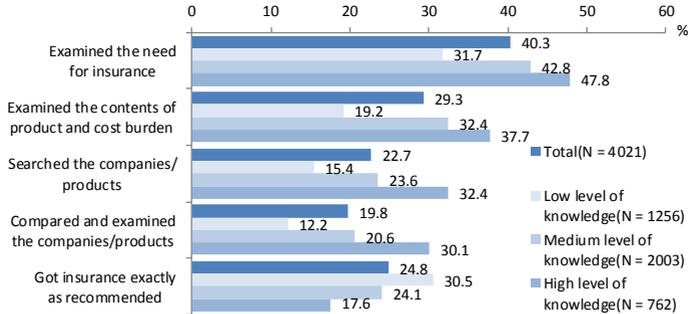
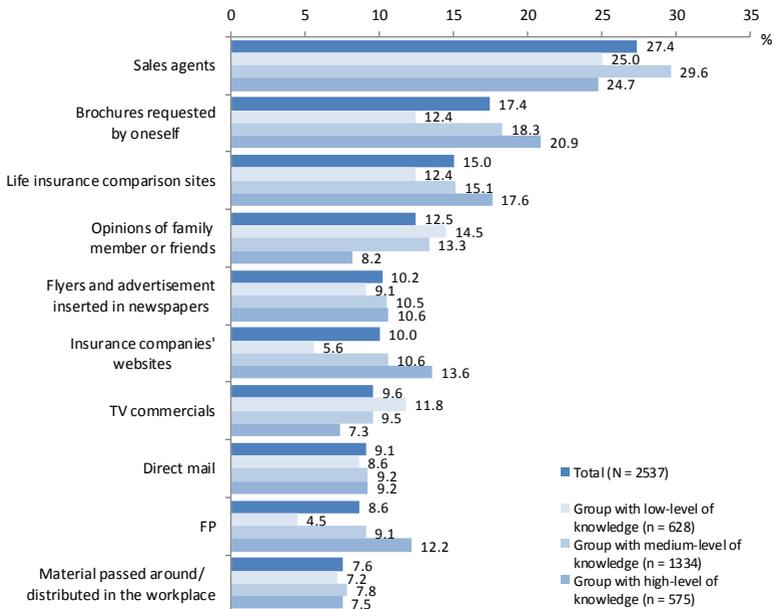
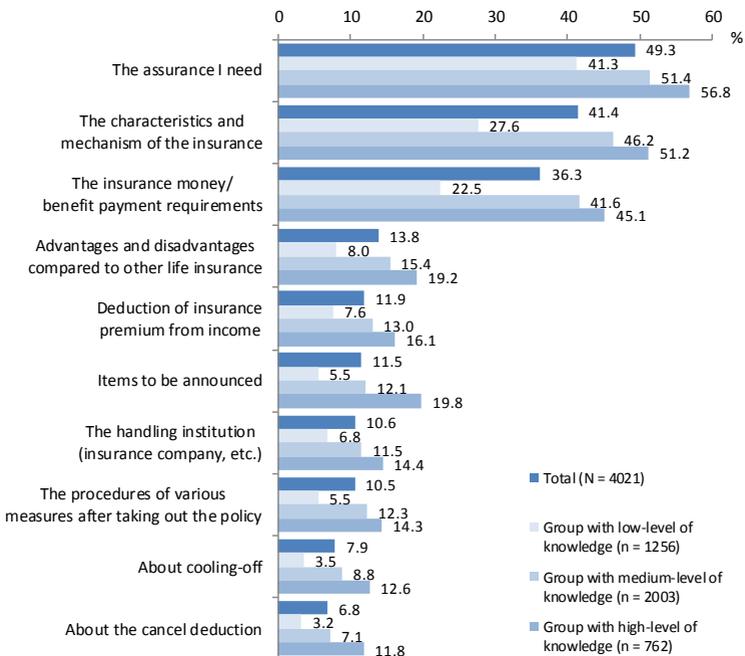


Figure 3-11 Information source used when examining the possibility of getting insurance (top 10 items)



In fact, looking at the items people understood when getting insurance, although the group with a low level of knowledge scored lower for all items compared to the groups with medium or high level of knowledge, the former also scored high for “the assurance I need” at 41% and the difference with the group with a high level of knowledge (57%) was approximately 16 points, which is smaller than the differences for “the characteristics and mechanism of the insurance” (group with a low level of knowledge: 28%, group with a high level of knowledge: 51%) and “the insurance money/benefit payment requirements” (group with a low level of knowledge: 23%, group with a high level of knowledge: 45%). [Figure 3-12] This implies that there would be differences between the group with a low level of knowledge and the group with a high level of knowledge in the sense that the main concerns of the group with a low level of knowledge are whether or not the suggested plan covers (or would cover) their needs or whether the proposed insurance premium is within the range they can (or may be able to) afford, while the group with a high level of knowledge have questions the kinds of products that match their needs and which companies are offering such products or whether the insurance money or benefits will definitely be paid when needed.

Figure 3-12 Items understood when taking out insurance (top 10 items recommended)



In short, the examination process up to making the decision to take out insurance for the group with a low level of knowledge and the group with a high level of knowledge can perhaps be outlined respectively as follows.

- Group with a low level of knowledge: What does the product offer? → Does it match my needs? → Can I afford the insurance premium?

- Group with a high level of knowledge: What are my needs? → What are the conditions that match my needs (coverage details, level of insurance premium)? → Which are the optimal products or companies?

When outlined as above, it seems that whereas the idea of the group with a low level of knowledge originates from “what the product offers” with the key point being whether or not it covers “my own needs,” the idea of the group with a high level of knowledge originates from “my needs” and the key point is whether “what the product offers” is necessary and sufficient.

3. Insurance literacy and the channel of choice/level of satisfaction

Looking at the level of insurance literacy according to the channel from which consumers took out their most recent insurance, the percentage of “high level of knowledge” was the highest among those who went through insurance shops accounting for 35% and low among those who went through sales agents or over the counter at 17%, respectively. [Figure 3-13] Meanwhile, the percentage of “low level of knowledge” was low among those who went through insurance shops at 21% and high, above 30%, among those who went through sales agents, counters, telephone, or postal mail, indicating the tendency that the preferred channel characteristics differs depending on the level of knowledge. In fact, looking at the reasons for selecting the channel from which people got their most recent insurance, for sales agents, “I could trust the attendant” ranked the highest regardless of the level of knowledge, followed by “because it was a family member or a friend” for the groups with low or medium level of knowledge and “the insurance company was trustworthy” for the group with a high level of knowledge, respectively. [Figure 3-14] For other channels, the respective top reasons listed describe the characteristics of each channel, although, for insurance shops, the No. 2 and No. 3 reasons for the groups with medium and high levels of knowledge were “could get abundant information” and “because I could learn exactly what I wanted to know,” which are related to the understanding of the contents of the insurance. This may imply the possibility that even among channels that have people go through a person in order to take out insurance, the explanations given by sales agents are not considered as sufficient to promote the correct understanding by consumers compared to that given by insurance shops.

Figure 3-13 Insurance literacy (by the channel used to take out the most recent insurance)

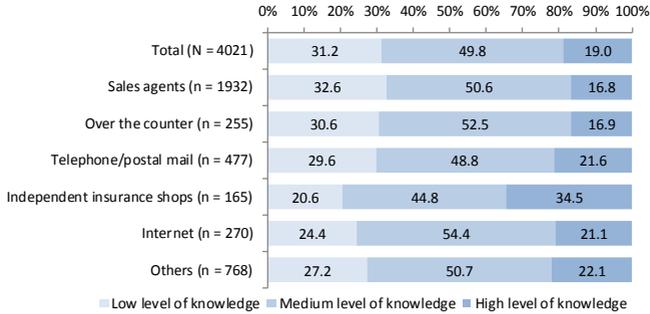


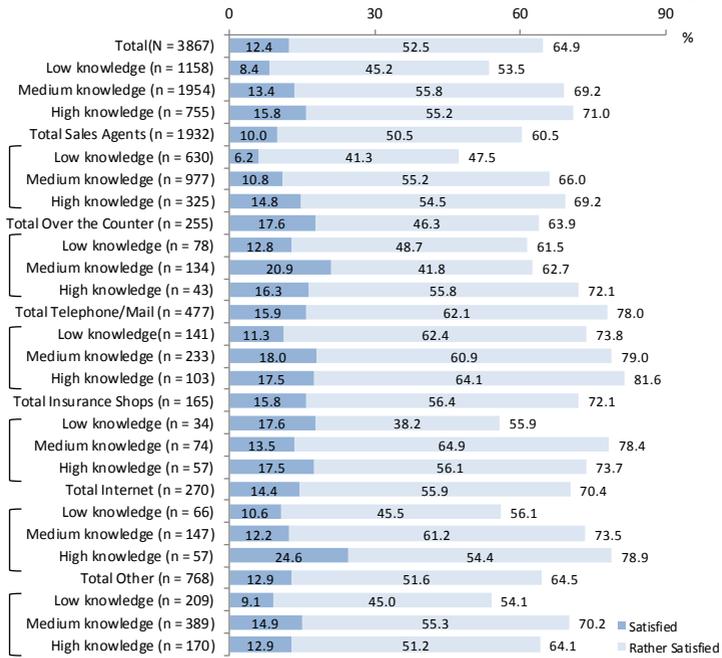
Figure 3-14 Reason for selecting the channel from which to take out insurance

	No.1	No.2	No.3
Total (N = 4021)	The attendant was trustworthy (20.4%)	Because it was convenient (17.1%)	The insurance company was trustworthy (13.2%)
Sales agents Total (n = 1932)	The attendant was trustworthy (32.9%)	Because it was a family member or a friend (19.4%)	The insurance company was trustworthy (17.1%)
Group with low level of knowledge (n = 630)	The attendant was trustworthy (30.3%)	Because it was a family member or a friend (20.3%)	The insurance company was trustworthy (14.3%)
Group with medium level of knowledge (n = 977)	The attendant was trustworthy (35.1%)	Because it was a family member or a friend (20.6%)	The insurance company was trustworthy (18.1%)
Group with high level of knowledge (n = 325)	The attendant was trustworthy (31.4%)	The insurance company was trustworthy (19.4%)	Gave sincere advice (17.5%)
Over the counter Total (n = 255)	Procedure could be done nearby (35.3%)	The insurance company was trustworthy (19.2%)	-
Group with low level of knowledge (n = 78)	Procedure could be done nearby (30.8%)	The attendant was trustworthy (23.1%)	The insurance company was trustworthy (14.1%)
Group with medium level of knowledge (n = 134)	Procedure could be done nearby (39.6%)	The insurance company was trustworthy (20.1%)	-
Group with high level of knowledge (n = 43)	Procedure could be done nearby (30.2%)	The insurance company was trustworthy (25.6%)	Could apply at any time (18.6%)
Tel/postal mail Total (n = 477)	Because it was convenient (36.9%)	Could apply at any time (31.2%)	There was no need to make visits (27.0%)
Group with low level of knowledge (n = 141)	Because it was convenient (34.8%)	Could apply at any time (29.1%)	There was no need to make visits (27.0%)
Group with medium level of knowledge (n = 233)	Because it was convenient (40.3%)	Could apply at any time (35.2%)	There was no need to make visits (28.3%)
Group with high level of knowledge (n = 103)	Because it was convenient (32.0%)	Could apply at any time (25.2%)	There was no need to make visits (24.3%)
Insurance shops Total (n = 165)	Could compare many companies (35.2%)	Could get abundant information (24.8%)	Because I could learn exactly what I wanted to know (20.6%)
Group with low level of knowledge (n = 34)	Could compare many companies (32.4%)	Procedure could be done nearby (26.5%)	Could get abundant information (17.6%)
Group with medium level of knowledge (n = 74)	Could compare many companies (31.1%)	Could get abundant information (28.4%)	Because I could learn exactly what I wanted to know (23.0%)
Group with high level of knowledge (n = 57)	Could compare many companies (42.1%)	Could get abundant information (24.6%)	Because I could learn exactly what I wanted to know (21.1%)
Internet Total (n = 270)	Because it was convenient (42.2%)	Could apply at any time (39.6%)	There was no need to go through a person (25.9%)
Group with low level of knowledge (n = 66)	Could apply at any time (33.3%)	Because it was convenient (31.8%)	Because I could choose by myself (18.2%)
Group with medium level of knowledge (n = 147)	Because it was convenient (50.3%)	Could apply at any time (38.8%)	There was no need to go through a person (26.5%)
Group with high level of knowledge (n = 57)	Could apply at any time (49.1%)	There was no need to go through a person (35.1%)	Because it was convenient (33.3%)

Looking at the Top 2 Box results in terms of level of satisfaction, in general, the group with a higher level of knowledge tends to have a higher level of satisfaction. However, as for those who got their coverage through insurance

shops, the percentage of those who were satisfied was higher for the group with a medium level of knowledge (78%) than the group with a high level of knowledge (74%) although the difference is slim. That said, if the focus is on those who were satisfied, the group with a high level of knowledge scored 18%, higher than the group with a medium level of knowledge (13%); however, this does not necessarily mean that the group with a high level of knowledge is dissatisfied with the insurance shops. Meanwhile, the level of satisfaction with sales agents and agencies were lower for all groups regardless of the level of knowledge compared to other channels. [Figure 3-15]

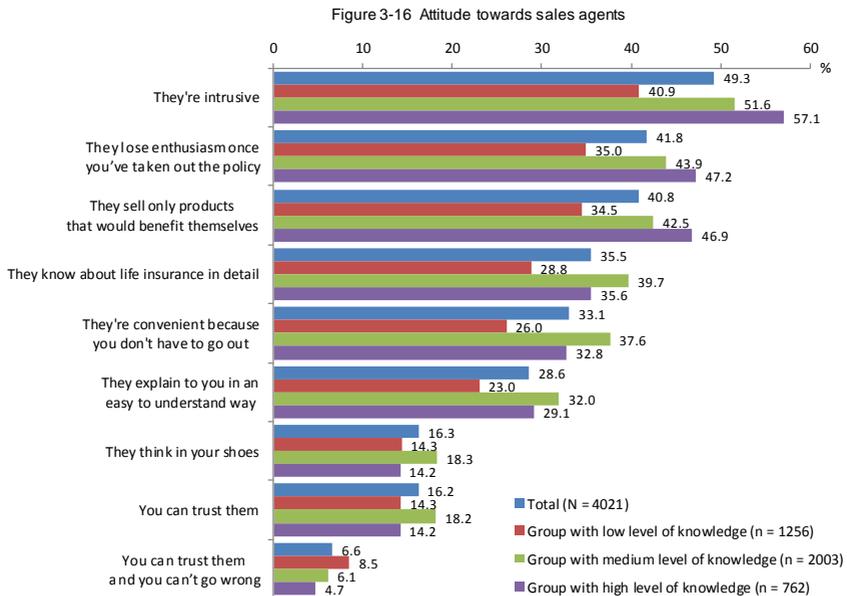
Figure 3-15 Level of satisfaction (by channel from which insurance was taken out/by insurance literacy)



Even if one has a high level of literacy, the person may lose sight of one's needs over the examination process. However, if one realizes that the coverage is insufficient after he or she has purchased the policy, it is still possible to accommodate his or her needs by examining the possibility of getting additional insurance for what is lacking. For the consumer, it is obvious which path is the more efficient way to get coverage. However, as shown in Section 1, even among the group with high literacy, only a very few chose all the correct answers in the quiz on the basics of insurance, and the asymmetry of information and knowledge between the seller and the buyer is still significant. Leaving the lack of basic knowledge as it stands means there is a considerable

possibility that it will lead to future confrontations. It is of course required to fulfill accountability in terms of compliance; however, the above analyses show that getting the customers to understand their needs and how the product matches their requirements by providing sufficient explanations will lead to a higher level of satisfaction and the intention to renew their policy, which in turn results in business achievements, such as maintaining the customer base and improving profitability. In order to gain the favor of consumers who acknowledge their own needs and wish to proactively make examinations, it is perhaps essential to provide accurate information while straightening out their misunderstandings.

That said those with a high level of knowledge who arm themselves with knowledge and have high insurance literacy tend to have negative images¹³ of sales agents, such as “they’re intrusive” or “they sell only products that would benefit themselves,” or “they lose enthusiasm once you’ve taken out the policy.” [Figure 3-16] Although they also have positive images including “they know about life insurance in detail” and “they explain to you in an easy to understand way,” it should be noted that it will not be easy to gain their trust when they have such strong negative images.



¹³ The survey asked about these items on a scale of six from “I totally agree” to “I totally disagree” and “I can’t say.” The results shown in the figure are those of the Top 2 Box.

4. The Brand of the Life Insurance Company and Actions to Take Out Insurance

As has been described in the preceding sections, consumers who have made an effort to arm themselves with knowledge through experience and acquiring knowledge seem to be selecting insurance that offers exactly the coverage they need for a relatively reasonable insurance premium by requesting product brochures from various companies and comparing estimates. Meanwhile, there are still a considerable number of consumers who take out insurance based on the brand image of the underwriter and not based on the price (insurance premium) or the contents of the product as can be seen in comments, such as “I searched around but they all seemed similar and I couldn’t tell the difference so I thought I would be safe if I went with a major company” or “I looked things up on the Internet but didn’t really understand so in the end, decided to take out the insurance because it was the brand I’ve always liked” or “I made comparisons but the contents and price weren’t all that different so I decided on the company that gave a good impression.”

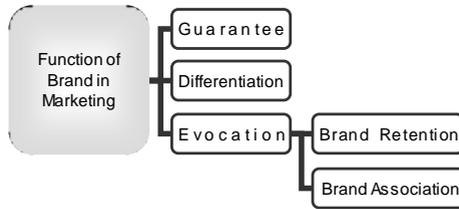
Life insurance is a product that is easy to copy due to its product characteristics, and it is extremely difficult for consumers to technically compare the differences between the respective products by themselves. Meanwhile, as has been mentioned in the beginning of this chapter, in reality, the number of consumers with literacy high enough to make a sound comparison and form a decision is limited. As a result, even if the number of consumers who try to compare by themselves increases, many of them may end up deciding on the product to take out based on the corporate brand, including the size of the company or how well its name is recognized or based on their trust in the channel.

In this section, we will review how consumers feel about the brand image of life insurance companies and how these brand images of life insurance companies are affecting consumer actions to take out insurance.

4-1. Brand in marketing

In marketing theories, “brand” is outlined in the three functions of (1) the function to guarantee, (2) the function to differentiate, and (3) the function to evoke. [Figure 3-17] Among these, (1) the function to guarantee refers to the fact that the quality of a product or service is clearly assured by the company with the specific name or logo attached to the product or service while (2) the function to differentiate means the product or service is clearly distinguished from similar products or services of other companies with the specific name or logo being attached to the product or service.

Figure 3-17 Function of brand in marketing



Source : Yukihiko Aoki, et al. "Product and Brand Strategy (Contemporary Marketing Strategy 1" Yuhikaku, Publishing Co. Ltd. 2004)

However, for these functions to be exerted to their full extent, it is considered necessary to have the high quality of the product or service provided evoked in conjunction with the name or logo of the brand when consumers see or hear a certain product category (brand retention) or conversely, when consumers see or hear the brand name or logo, that a certain product category or concept and favorable sentiment comes to mind (brand association). This brand retention and brand association as a set are called (3) the function to evoke.

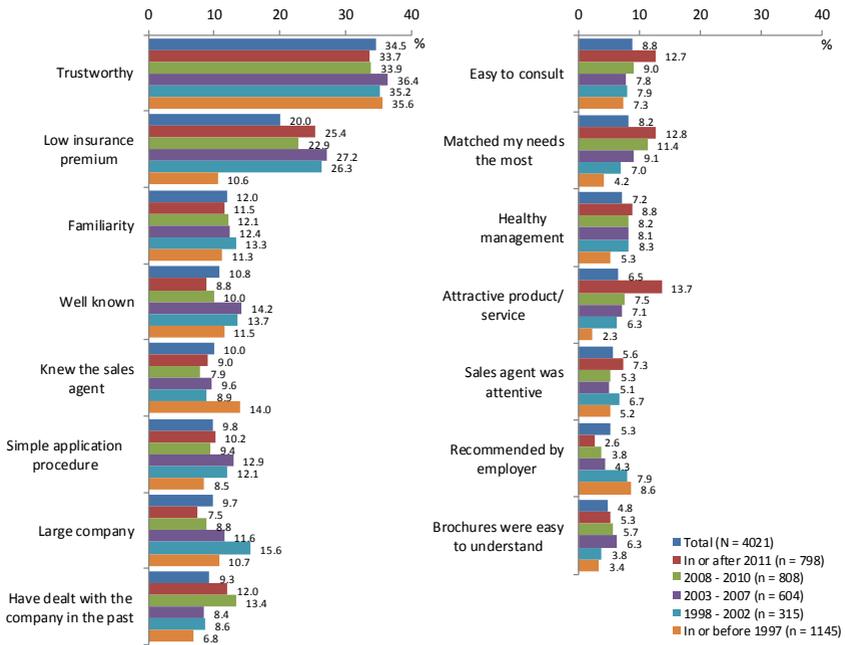
In the case of a brand that highly exerts the function to evoke, the consumer would think of the name or logo of the brand when they think about making a purchase in a certain category. Furthermore, it has been established that building a powerful brand in relation to consumers has significant meaning for business because consumers would purchase a product even if it were more expensive than other brands (price premium) or take it up for examination as a major candidate and decide on buying it without comparing it with other companies' products or services (loyalty) if they had a favorable feeling towards the brand. For life insurance companies, gaining a favorable image among consumers may perhaps have a great influence in building a relationship of trust for direct channels that face clients directly in the field.

4-2. The brand image of life insurance companies

Looking at the reasons why people chose the life insurance company from which they most recently took out insurance according to a quantitative survey, "trustworthy" scored the highest at 35% overall, followed by "low insurance premium" (20%) and "familiarity" (12%) in that order. [Figure 3-18] Among the reasons, the first and second items of choice were relatively unchanged regardless of when the policy was taken out; however, among policyholders who got insurance in or after 2011, "attractive product/service" came in third while "have dealt with the company in the past" came in sixth place and "well known" ranked eleventh, indicating that companies are no longer being selected by consumers simply because they are the current underwriter or because they are well known. Moreover, as a reason of choice, "large company"

has also been declining¹⁴ since 1998, and among those who took out their insurance in or after 2008, less than 10% have cited this factor.

Figure 3-18 Reason for choosing the company to take out insurance (top 15 items)



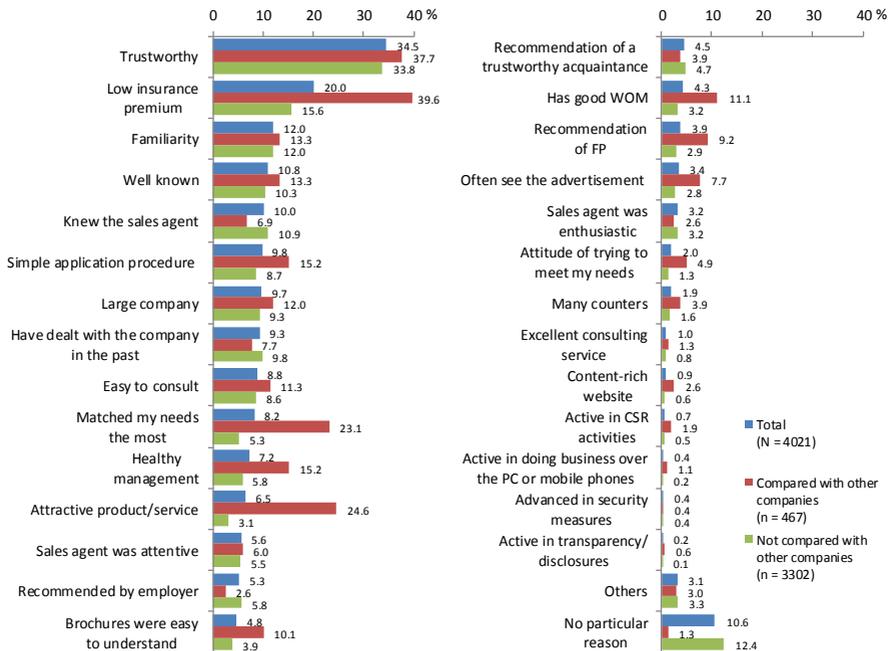
For consumers, to be able to rely on the life insurance company is absolutely a minimum requirement to maintain a policy over a long period of time and to ensure they receive benefits, and it is only natural that “trustworthy” ranked the highest. Meanwhile, the fact that “low insurance premium” came in second seems to imply that how to hold down insurance expenses seems to be a priority than whether the quality of the life insurance products offered by the companies is good or bad or how much the product matches the client’s needs. This may indicate that most life insurance companies’ brands are not strong enough as to make consumers feel a sense of loyalty and take on price premiums.

That said, comparing the reasons for choosing a life insurance company between consumers who compared multiple companies and consumers who

¹⁴ It seems that the fact that in 1997, a life insurance company that was considered to be bankruptcy-proof along with banks under the convoy system failed for the first time after the Second World War and a total of seven companies went bankrupt by the year 2000 is one of the reasons.

did not compare with other companies, the group who did compare with other companies scored high, above 20%, on items such as “low insurance premium,” “matched my needs the most,” and “attractive product/service.” [Figure 3-19] Meanwhile, “simple application procedure,” “healthy management,” “brochures were easy to understand,” and “has good WOM” also accounted for more than 10%, and the disparities with the group who did not make comparisons with other companies were large. This may be the result of consumers who compared multiple companies gaining an image that the life insurance company from which they got coverage was better than other life insurance companies on these points. In other words, for consumers who compared multiple companies, the life insurance from which they got coverage has been differentiated as a favorable and attractive brand unlike other companies (the function to differentiate) and has come to be evoked (brand retention).

Figure 3-19 Reason for choosing company to take out insurance



The direction of brand formation and establishment that insurance companies should aim for may be to create an image of “this insurance company which is unlike other companies” that consumers have a favorable feeling towards so they would choose the company. Low insurance premium, attractive products and services, and the health of management that have been

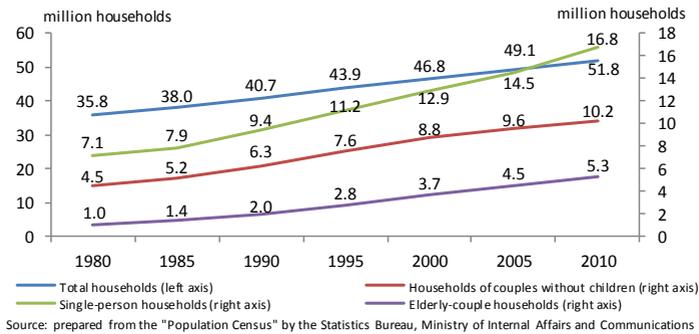
analyzed above are elements that need to be tackled as a life insurance company as a whole towards creating a brand image; however, there may be things that could be changed through simple efforts at the point of contact with customers, such as proposing products that match the consumer's needs or offering easy to understand brochures and explanations.

Insurance as a service product cannot be evaluated simply by looking at it or taking it in one's hands. Therefore, consumers are likely forming their image of the product's value and corporate policy (brand image) not only from commercials or publications but also through their communication with sales channels, such as sales agents and agencies. We often tend to consider that the role of the channel is merely to gain, maintain, and cultivate contracts, but the responsibilities to establish and sustain the brand perhaps also rests on the shoulders of the individual employees who come in contact with clients on a daily basis.

Chapter 4: Differences in the Actions of Examination by Products and Channels

As we have seen in Chapter 1 of Part 2, Japan's life insurance market is saturated. Meanwhile, as we all know, in Japan, more and more people are marrying and giving birth at later stages in life, and the population is aging. Therefore, the number of households that do not need death protection, which are traditional life insurance products, such as single-person households, couples with no children, or empty-nest households consisting only of elderlies whose children have become independent, is growing. [Figure 4-1]

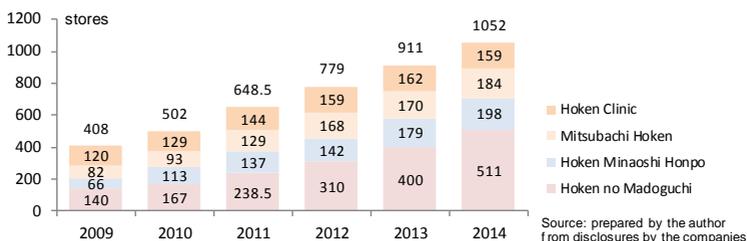
Figure 4-1 Changes in the number of households



With such changes in people's needs for assurance in light of the changes in population and family compositions, sales of policies in the domains of medical insurance and old-age insurance are growing among life insurance policies.

Meanwhile, the sales channel for insurance is also diversifying rapidly with innovation in information technologies, mainly that of the Internet, and deregulation, including the gradual lifting of bans on bancassurance since the latter half of the 1990. Among such diversifying sales channels in recent years, the one with the most rapidly growing presence is perhaps the independent insurance shops. [Figure 4-2]

Figure 4-2 Changes in the number of stores of the major 4 companies

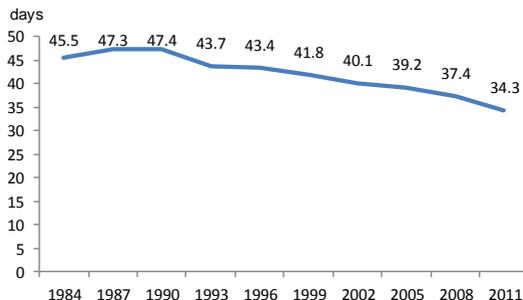


In this chapter, we will focus on the domains of medical insurance and old-age insurance, which are still growing in the saturated life insurance market, as well as the rapidly expanding independent insurance shops to confirm the characteristics of consumers using the respective channels and products.

1. Verifying the argument that medical insurance is unnecessary

In Japan, because we have health insurance under a public healthcare system, the out-of-pocket cost for medical services is extremely low in most cases. Furthermore, when we look at the medical services provided, the average days of hospitalization is growing shorter. [Figure 4-3] Considering the above, we can assume that it is quite rare that people would face situations in which they receive expensive medical bills. Meanwhile, from the perspective of medical service expenses, there seem to be more cases of short-term hospitalization for which people are required to pay medical expenses that may not be that expensive but still represents a burden on the family finances. Under the preconditions of the current social security system, the questions arise as to whether or not it is necessary to prepare for the considerably low risk of facing a situation that requires the payment of expensive medical bills with life insurance (medical insurance), which is a personal method of insurance, or whether life insurance (medical insurance) is the optimal way of preparing for a situation being required to pay medical expenses although they are not so expensive but still have a higher risk of occurrence, and whether or not it is not possible to pay with savings instead of insurances if it is within an amount that can be covered. Indeed, there are people who talk of the argument that medical insurance is unnecessary based on such logic as mentioned above, and it may be that the needs of consumers, mainly people that are sensitive to information, are shifting away from medical insurance.

Figure 4-3 Changes in the average number of days of hospitalization

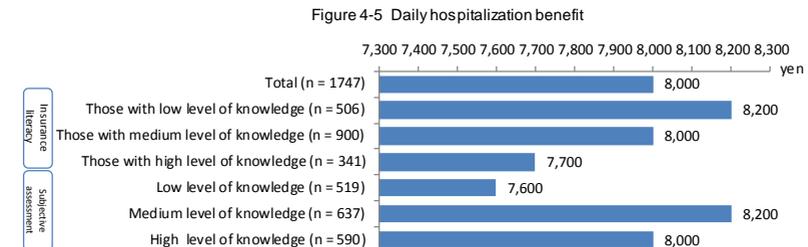
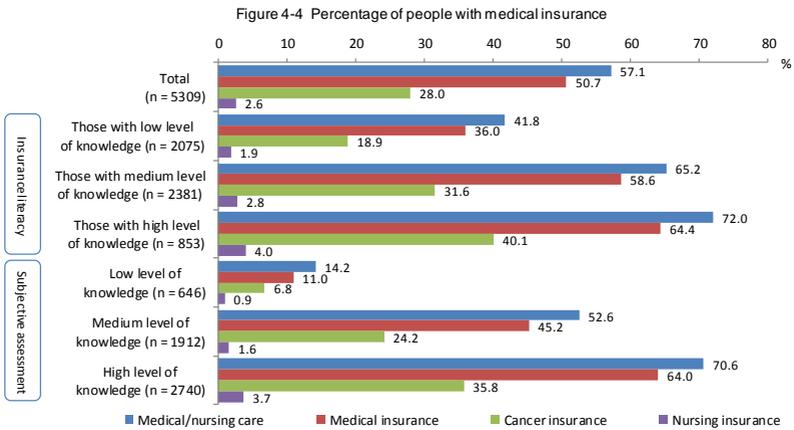


Source: prepared from the "Patient Survey" by the Ministry of Health, Labour and Welfare

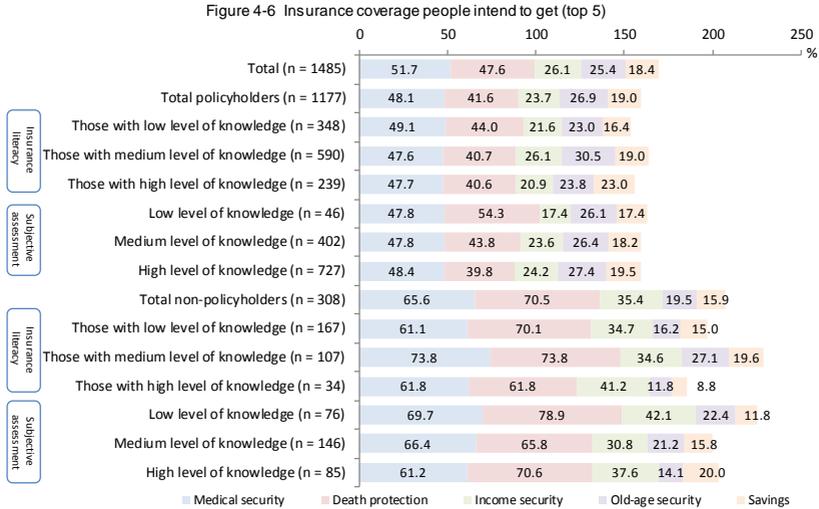
In this section, we will examine the group supporting this argument that medical insurance is unnecessary according to consumers' level of knowledge on insurance, as well as by the amount of household financial assets.

1-1. Knowledge on insurance and insurance needs

If consumers who came across the argument that medical insurance is unnecessary agree and are shifting their needs away from medical insurance, it can be assumed that their confidence in their own knowledge is deepening as their insurance literacy improves. Then, looking at the relation between the policies held by consumers and their self-assessment on their knowledge pertaining to insurance and insurance literacy as seen in the preceding chapter, the ratio of policyholders were higher for those with higher levels of knowledge for both medical and cancer insurance with the percentage of medical/nursing insurance policyholders at 72% for those with a high level of knowledge and 71% for those with a high level of knowledge according to their subjective assessment. [Figure 4-4] Meanwhile, as for those who recently got medical insurance, there seems to be no difference in the amount people receive according to their level of knowledge when we look at the daily hospitalization benefit. [Figure 4-5]



On the other hand, looking at their intention to take out insurance going forward, among life insurance policyholders, those with higher levels of knowledge according to their subjective assessment scored lower for “death protection,” while no difference could be seen by the level of knowledge for the ratio of “medical insurance” among both policyholders and non-policyholders. [Figure 4-6]



1-2. Outstanding financial assets and insurance needs

As we have seen, it seems people are not always supporting the argument that medical insurance is unnecessary even if they are knowledgeable about insurance. Then, is the argument that medical insurance is unnecessary supported by those with more assets who can cover medical expenses with assets such as savings?

Looking at the ratio of people with medical or cancer insurance by their outstanding financial assets, the percentage of those with coverage was larger for the group with more assets, with 67% of the group with outstanding financial assets of 10 million yen or more being covered. [Figure 4-7] Meanwhile, the figure was only 40% for those with outstanding assets of less than 1 million yen, showing a marked difference compared to people with financial assets of 1 million yen or more. Additionally, the average daily hospitalization benefits were approximately 8,000 yen for all groups regardless of the level of outstanding assets, perhaps implying that in terms of actual coverage, the results run contrary to the argument that medical insurance is unnecessary. [Figure 4-8] Looking at people’s future intentions to get coverage, while there is no particular trend among policyholders in the percentage of

people considering getting medical security, among non-policyholders, the percentage rose for those with less outstanding assets with the group with assets of 1 million yen to less than 3 million yen hitting the highest mark at 75%. [Figure 4-9] On the other hand, non-policyholders with assets less than 1 million yen scored 71% or lower than “death protection” (78%), perhaps indicating that the priority lies in “death protection” when one does not have any insurance. As we have seen, a certain trend according to the level of outstanding financial assets could be seen among non-policyholders regarding their intentions to get medical security coverage and these results may seem to support the argument that medical insurance is unnecessary. However, as the percentage of people with death protection and income security were also higher for the group with less assets among non-policy holders, it can be considered that non-policyholders with more assets are in a situation that does not require life insurance in general.

Figure 4-7 Ratio of people with medical insurance coverage (by financial assets)

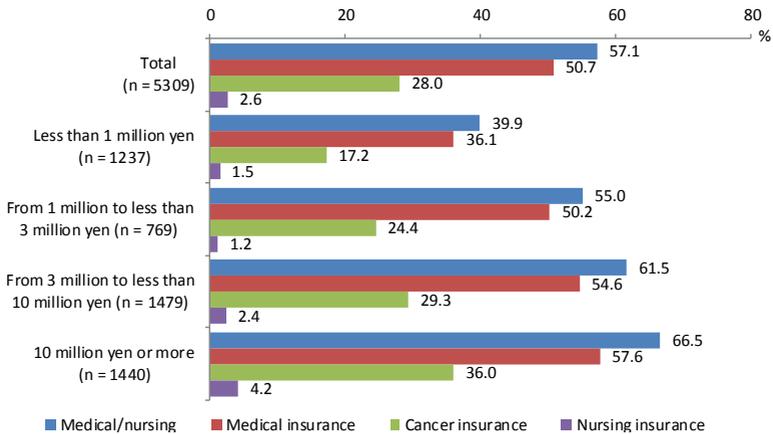


Figure 4-8 Daily hospitalization benefit (by financial assets)

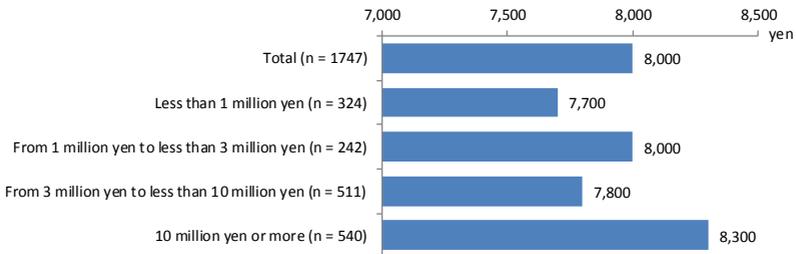
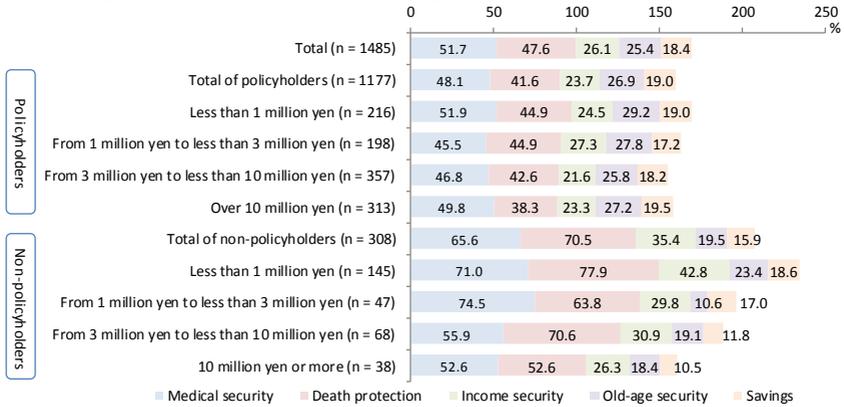


Figure 4-9 Insurance coverage people intend to get (top 5, by outstanding financial assets)

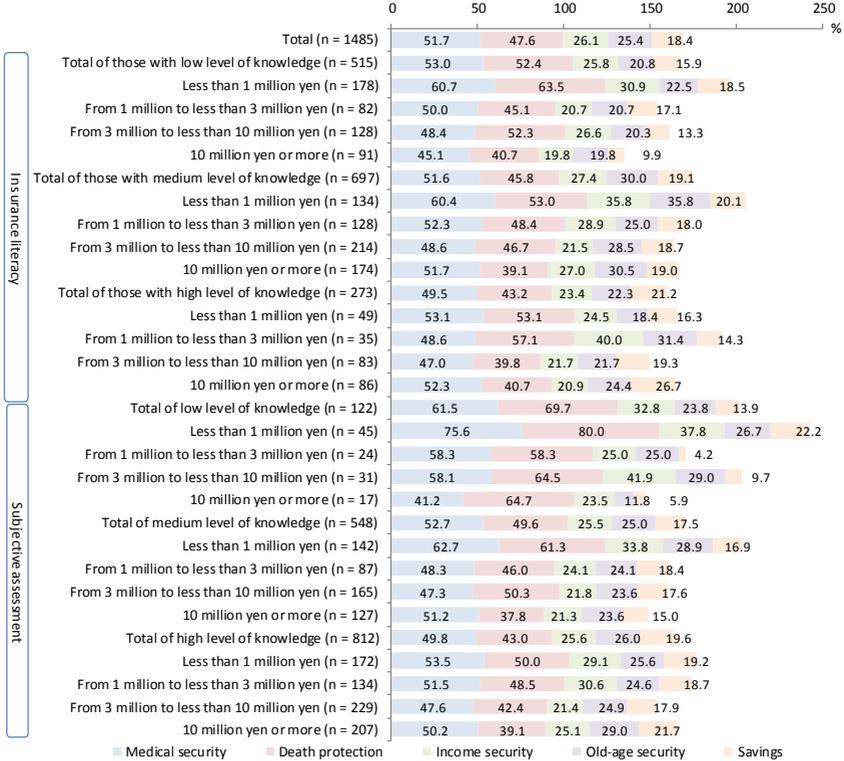


1-3. Insurance literacy, outstanding financial assets and needs for security

As has been seen, no evidence can be found from the relation between the level of knowledge and outstanding assets that the “argument that medical insurance is unnecessary” is affecting whether or not people with a high level of knowledge or those with more assets in taking out insurance. Then is the situation different for consumers with knowledge on life insurance and sufficient assets?

Looking at consumer intentions to take out insurance going forward by the level of knowledge and financial assets, only the group with a low level of knowledge, both in terms of insurance literacy and subjective assessment, showed the trend of people with less assets scoring higher for “medical security” while other groups showed no particular trend. [Figure 4-10] If anything, the group with less assets scored higher for “death protection” among those with medium knowledge in terms of insurance literacy and those with a high level of knowledge in terms of subjective assessment.

Figure 4-10 Insurance coverage people intend to get (top 5)



As we have seen, although the argument that medical insurance is unnecessary may have spread to some consumers, it has yet to receive the support of the mass at this point. Perhaps this is because the younger generation who are likely relatively sensitive to information have not yet built up enough assets as to refrain from getting medical insurance according to the argument that medical insurance is unnecessary. Or perhaps the middle to old age group who already have sufficient assets had taken out medical insurance products by the time they received this information and have not yet taken actions, such as reviewing their policies or deciding to cancel the policy.

In fact, it could also be seen in a focused group interview we conducted in the past that even among consumers who were sensitive to information and took out their insurance upon collecting and comparing various information, there are those who prioritize medical security or who select their medical security upon determining with composure the risks they face in living their lives, regardless of the level of assets they own, as can be seen below.

- Took out lifetime medical insurance “because I felt it was extremely important to have coverage for hospital visits after being discharged

from my experience of having to have to pay a lot of money starting with transportation costs to visit the hospital when I fell ill” (female, 37)

- Took out lifetime medical insurance to prepare for the remote possibility of becoming hospitalized because “I would not be able to put aside money after I retire and become a housewife” (female, 51)
- Got medical insurance after consulting with spouse “because it’s no problem if you can die suddenly, but nowadays, progress in medicine has enabled people to live on even after falling ill and because it’s more worrisome if you get ill” (male, 36)

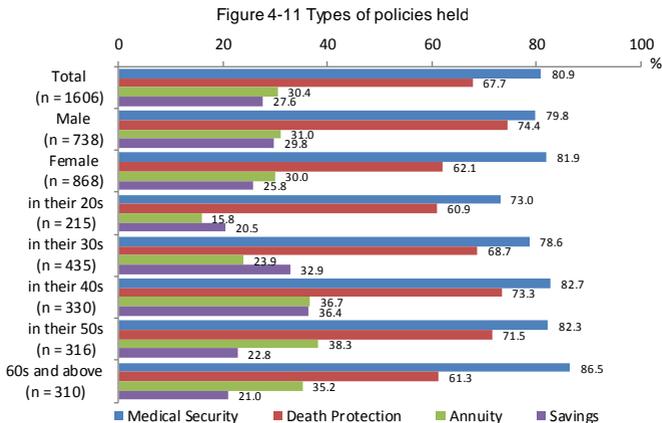
As we have seen, it seems consumers are not determining whether they need to have insurance or how much insurance they get according to the benefits they can receive from the health insurance system or the modern state of medicine when considering medical insurance products.

So what kind of process are consumers actually going through when they choose the medical insurance product to take out? In the next section, we will focus on consumers who took out medical insurance during the past five years and review their process of examination.

2. Actions of Examination Taken by Medical Insurance Policyholders

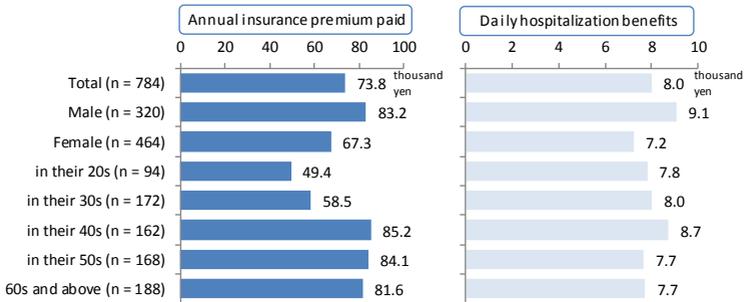
2-1. Situation of medical insurance products

Looking at life insurance policyholders who took out their policy during the past five years by product type, the most popular was medical security with 81% having coverage. [Figure 4-11] By gender, more females had medical insurance with 82% having coverage compared to 80% for males, although the difference is small. Furthermore, those in their 40s and above scored high for having coverage with over 80% being insured.

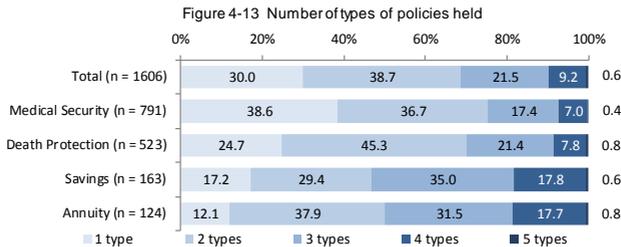


The annual premium paid for medical security products was 73,800 yen on average, while daily hospitalization benefits was 8,000 yen. The insurance premium paid was 73,800 yen for males, which was higher than for females (67,300 yen), and by age, those in their 40s or above paid more than 80,000 yen, which was higher than those in their 20s (49,000 yen) and 30s (67,000 yen). [Figure 4-12] Daily hospitalization benefit by gender was 9,100 yen for men, which was 2,000 yen higher than females (7,200 yen). By age group, the benefit was slightly higher for those in their 40s at 8,700 yen compared to other age groups. However, there were no statistically significant differences in these figures.

Figure 4-12 Annual insurance premium paid/daily hospitalization benefits of most recent policyholders of medical security products



Meanwhile, as for the number of types of policies held, people who have taken out medical security products most recently scored low compared to the overall figures in terms of the percentage of having other types of insurance with 39% having only medical security policies and 37% having two types of policies, including medical security. [Figure 4-13]



It goes without saying that the presence of medical security is rising among insurance policies held, although it does not seem to be the case that the needs of consumers have completely shifted from death protection to pure endowment insurance, which implies that medical security products seem to be

becoming an entry point.

Then what were the reasons for medical insurance policyholders to get security and how was the process of examination?

2-2. Reason for getting insurance differing by generation

Looking at the reasons for getting insurance, “life event” scored the highest, similar to the overall trend, at 29%, followed by “reviewed life plans/family finances” (24%). [Figure 4-14] Compared to other product types, “commercials, direct mails,” as well as “for some reason or another” scored high, with “life event” scoring higher than annuities, “WOM” higher than savings and annuities, and “reviewed life plans/family finances” higher than savings, respectively. Meanwhile, the percentage of people who chose “life event” was lower than those with savings or death protection products. Similarly, the percentage of people who chose “reviewed life plans/family finances” was lower compared to those with annuities as was “solicited” compared to those policyholders of annuities and death protection, respectively.

By the gender of medical insurance policyholders, the percentage of males choosing “life event” was 33%, which was higher than females (27%). [Figure 4-15] By age group, people in their 20s and 30s scored high for “life event” with those in their 20s scoring markedly high at 61%. Meanwhile, those in their 40s and above 60s scored high for “reviewed life plans/family finances” and those in their 50s scored high for “solicited” compared to other age groups. As can be seen, the reasons are different by gender and age group.

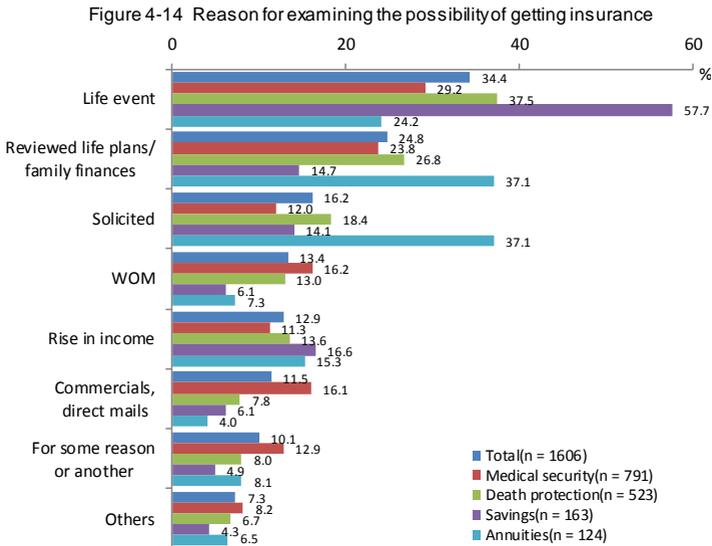
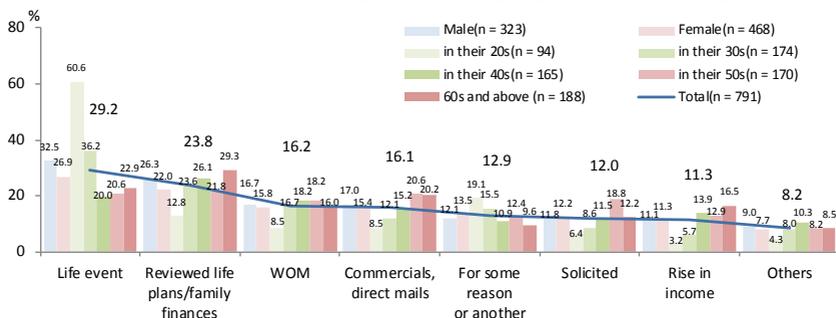


Figure 4-15 Reason for examining the possibility of getting medical security coverage



We also found in a focused group interview conducted in the past that the younger generation took out their insurance through their parents at the timing of certain life events:

- “I took over the policy my parents had when I started working and changed the name of the policyholder to my name” (female, 25)
- “I was recommended by my parents immediately before I got married and simply did exactly as I was told” (male, 31)

In comparison, those in the middle or old-age group tended to examine the possibility of getting insurance on the occasion of at life events, such as retirement or someone close falling ill.

- “Because friends acquaintances who were hospitalized told me they had to pay more than insurance benefits” (female, 43)
- “Because we are getting worried about post-retirement and started to ask ourselves if we should take out insurance to prepare for it” (female, 56)
- Because we started to wonder “if we should change the coverage because it would be difficult to continue to pay insurance after retirement” (male, 59)

2-3. The examination process and determining factor when taking out insurance

As for the process people with medical security went through when examining the possibility of getting insurance, “examined the necessity of assurance” scored high along with people with death protection. Medical insurance policyholders also scored the highest for three other processes. [Figure 4-16] In particular, 33% said they “compared companies/products.” The percentage was eight points higher than for those with death protection (25%). Looking at the number of companies those who “compared companies/products” actually compared, medical insurance policyholders considered 3.31 companies on average, which was higher than people with death protection (3.24 companies). [Figure 4-17] Furthermore, the former

reviewed 3.93 types of product plans, which was approximately the same as people with death protection (3.99 types). As for the perspective of comparison when examining the possibility of getting insurance, people with medical insurance scored higher for “contents/scope of coverage” than those with other types of insurance at 92%. On the other hand, they scored lower for “insurance premium/refund rate” at 48% compared to those with death protection (64%) and savings (76%) plans. [Figure 4-18]

Figure 4-16 Actions taken when examining the possibility of getting insurance

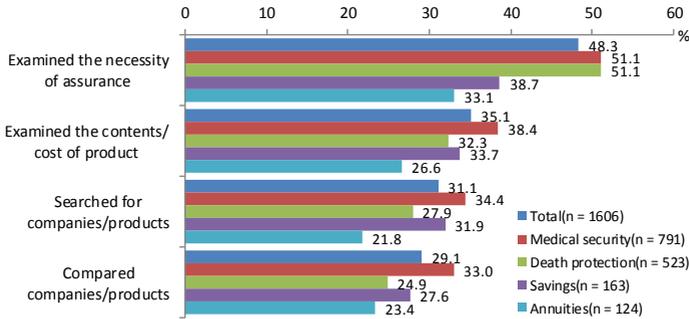


Figure 4-17 Number of companies/types of companies compared

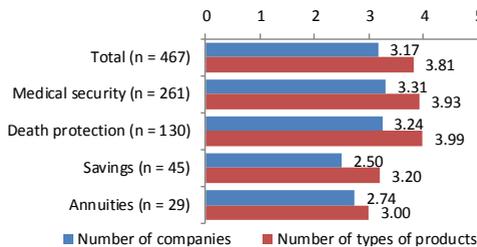
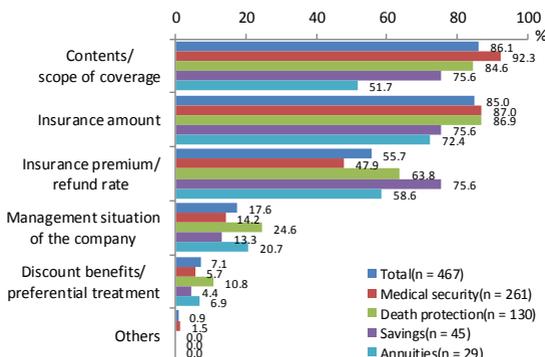
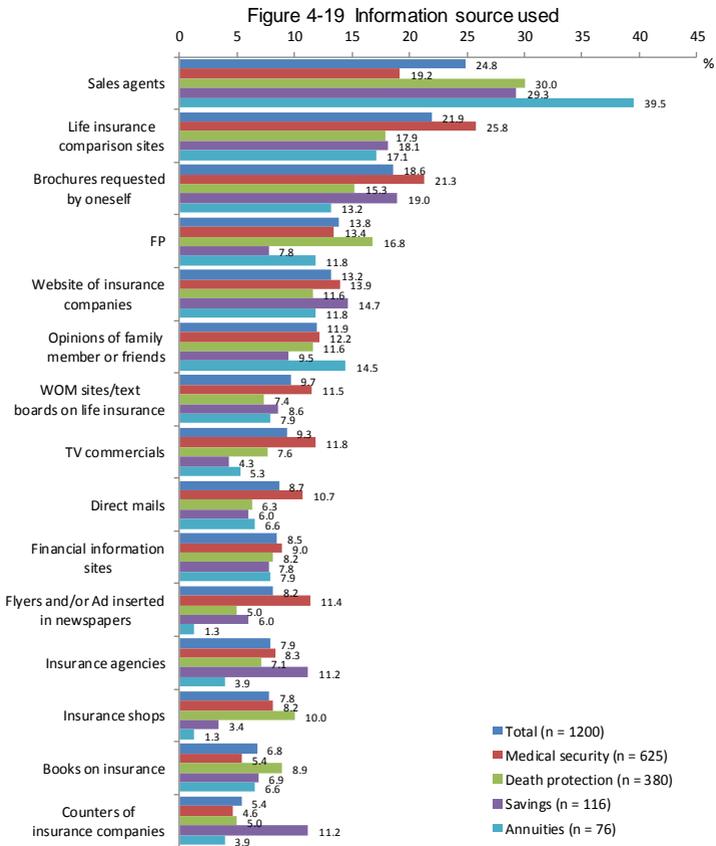


Figure 4-18 Perspective of comparator

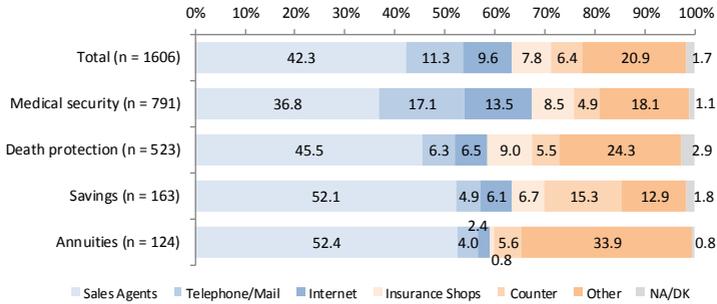


By the source of information used, “life insurance comparison sites” scored the highest at 26% followed by “brochures requested by oneself” (21%). In addition to “life insurance comparison sites” and “brochures requested by oneself,” people with medical insurance scored higher for “TV commercials,” “direct mails,” and “flyers and/or ad inserted in newspapers,” while they scored lower for “sales agents” compared to people with other types of insurance. [Figure 4-19]



By the channels they went through to get their insurance, although “sales agents” were most frequently used accounting for 37%, it was followed by “postal mail” (17%) and “internet” (14%) accounting for over 10% respectively. This may indicate that the channels are more diversified compared to other products. [Figure 4-20]

Figure 4-20 Channels through which people took out insurance



As for the final determining factor for taking out the insurance, “insurance premium was adequate” scored the highest accounting for 47%, significantly exceeding the “contents of coverage was good” (27%). [Figure 4-21] The fact that “insurance premium was adequate” is higher compared to other types of products perhaps indicates that consumers consider the level of insurance premiums as a significantly important factor when examining the possibility of getting medical security. There is no major difference by gender among people with medical insurance products, except for females scoring higher for the “trustworthiness of the insurance company” at 11% compared to men (6%). [Figure 4-22] By age group, “insurance premium was adequate” scored the highest among all age groups, although for people in their 30s, “the contents of coverage was good” also accounted for 35% and the difference between the two are smaller.

Figure 4-21 Final determining factor

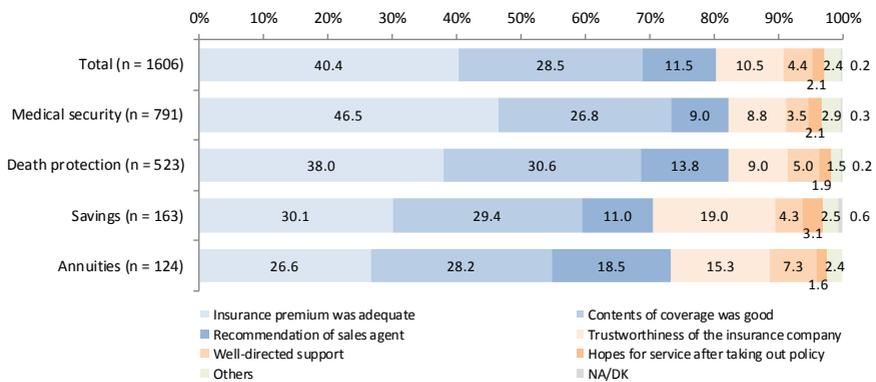
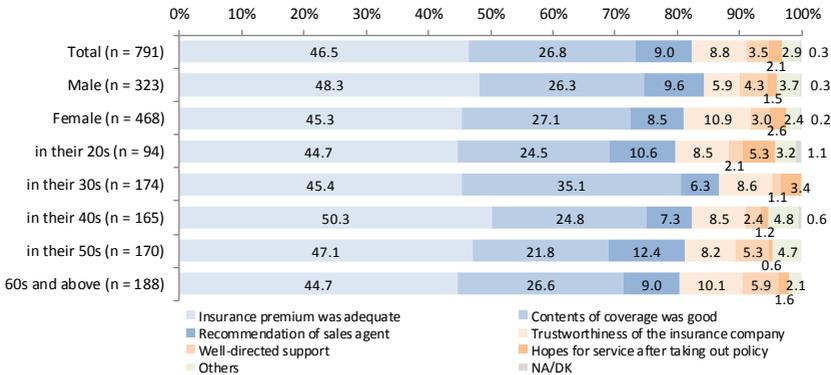


Figure 4-22 Final determining factor



As has been seen, the occasion of examining the possibility of getting medical insurance differs depending on the age. Meanwhile, regardless of their age, people seem to be scrutinizing the balance of content and price more strictly than when they are examining other products. In the medical insurance market where products are becoming diverse, it can be imagined that it is quite difficult to develop a product that is predominantly superior to other companies' products. Perhaps it is necessary to think of what can be done to have consumers acknowledge the added value compared to the price (insurance premium) so that we can avoid falling into price competition with rival companies.

3. Actions of Examinations taken by People with Annuities

It seems there is high interest in whether or not there is a need to make efforts to support oneself after retirement among people of all generations in light of their strong distrust in the overall social security system, including the public pension system. In this section, we will focus on annuities which are one of the representative securities for the aged, and review the characteristics of the awareness and attribution of consumers who took out their policies during the past five years.

3-1. Situation of annuity products

Going through the attribution of consumers who took out annuities during the past five years—by gender, females accounted for 59% or approximately 60%; while by age, those in their 30s accounted for the most at 25%, followed by those in their 40s (22%) and those in their 60s and above (21%) in this order. [Figure 4-23] By gender and age group, for males, those in their 30s accounted for the most at 34% followed by those in their 60s and above (24%); while for females, the two generations of those in their 50s and 40s together accounted

for more than half, with the former accounting for 26% and the latter for 23%. [Figure 4-24]

Figure 4-23 Gender of people with annuities

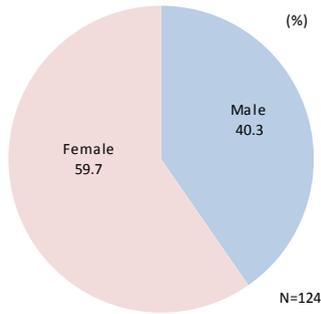
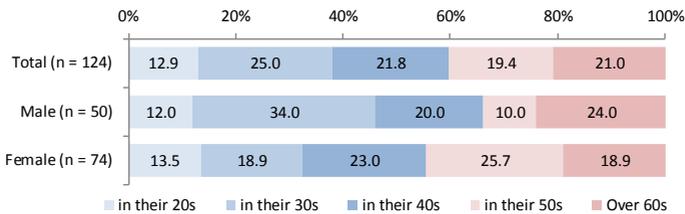


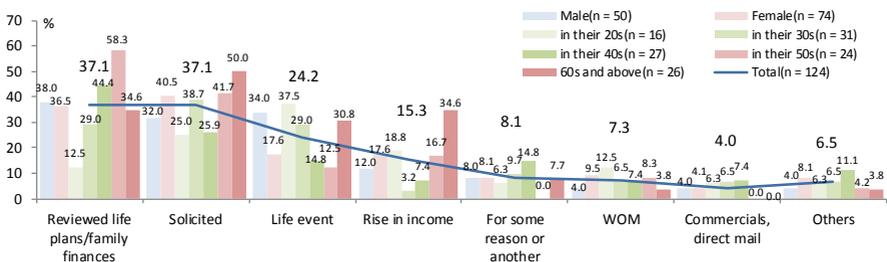
Figure 4-24 Age composition of people with annuities



3-2. Reason for examining the possibility of getting insurance

Looking at the reasons for taking out insurance, overall, “reviewed life plans/family finances” and “solicited” scored the highest, both at 37%, with “life event” (24%) and “rise in income” (15%) also scoring high. These were the items exceeding 10%. [Figure 4-25] As we saw in the previously cited figure 4-14, compared to other product types, people with annuity scored higher for “reviewed life plans/family finances” and “savings” and lower for “commercials and direct mails.”

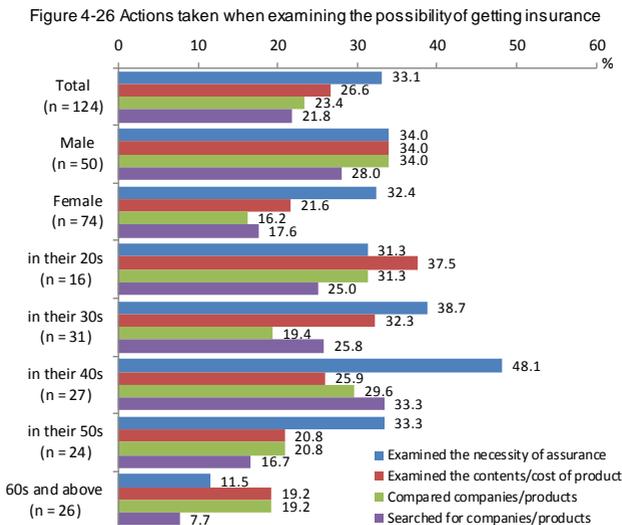
Figure 4-25 Reason for examining the possibility of getting annuity



By gender, men scored high for “life events” at 34% while women scored higher than men for “solicited” (40%) and “rise in income” (18%). Moreover, women scored higher than men for “WOM” as well at 10%. By age group, those in their 40s to 50s tended to score high for “reviewed life plans/family finances” and those in their 50s and above scored relatively high for “solicited” as well. Furthermore, those in their 50s and above also scored high for “rise in income” which seems to imply the possibility that receiving retirement benefits could also be a reason for taking out annuities.

3-3. The examination process and determining factor when taking out annuities

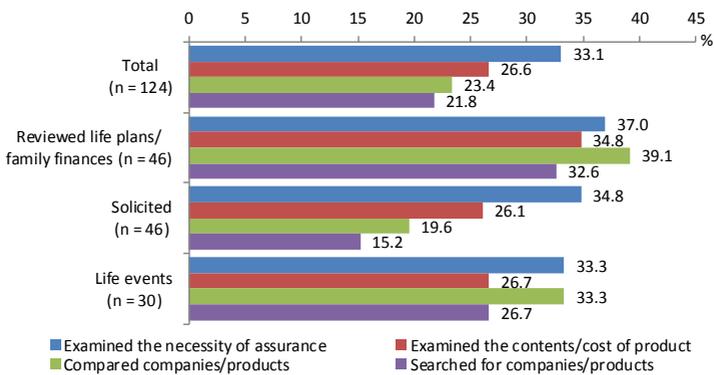
Looking at the actions taken when examining the possibility of getting annuities, overall, “examined the necessity of assurance” scored the highest at 33% followed by “examined the contents/cost of product” (27%), “compared companies/products” (23%) and “searched companies/products” (22%) in this order. [Figure 4-26] By gender, men scored higher for all three actions apart from “examined the necessity of assurance” compared to women. By age group, those in their 30s to 40s tended to score high for “examined the necessity of assurance” and “examined the contents/cost of product” while those in their 60s and above showed a lower rate of execution compared to the overall figures for all actions.



By the major reasons for examining the possibility of taking out annuities, those who started to consider because they reviewed their life plans or family finances scored high for executing all three actions other than “examined the

necessity of assurance” compared to the overall execution rate, while those who did so because of life events scored high for “compared companies/products” and “searched for companies/products.” [Figure 4-27] Meanwhile, those who started to examine because they were solicited scored low for “compared companies/products” and “searched for companies/products.” This implies that as they are being solicited by the seller, such as sales agents or at the counter of financial institutions, they are not taking actions to search for products from other companies that are more advantageous or that better fit their own needs but are examining only the plan that was suggested by the seller and taking it out as it was proposed.

Figure 4-27 Actions taken when examining the possibility of getting insurance



As a result, the determining factor for taking out annuities is balanced between the “content of coverage was good” at 28% and “insurance premium was adequate” at 27%. [Figure 4-28] By gender, males scored higher for “insurance premium was adequate” than females, while females scored higher for “recommendation of sales agent.” By age group, those in their 40s to 50s scored high for “well-directed support” compared to the overall figure, indicating there is a difference in the determining factor by age group. Moreover, by the major reasons for taking out annuities, “insurance premium was adequate” accounted for the most among those who were prompted because they reviewed their life plans/family finances at 35%, which was higher than the overall figure. [Figure 4-29] Meanwhile, “recommendation of sales agent” accounted for the most among those who were solicited at 35%, while “content of coverage was good” accounted for the most among those who got annuities because of life events at 43%. These figures were higher than the overall figures respectively. As can be seen, the determining factor for taking out annuities differs not only by gender and age, but also by the reason they started considering getting assurance.

Figure 4-28 Final determining factor

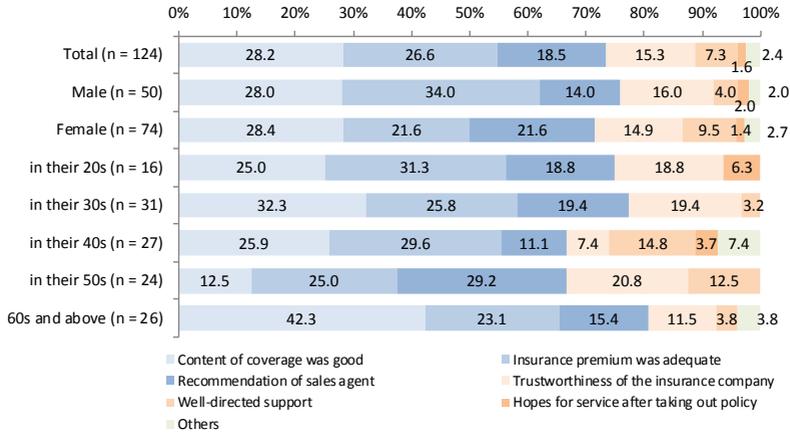
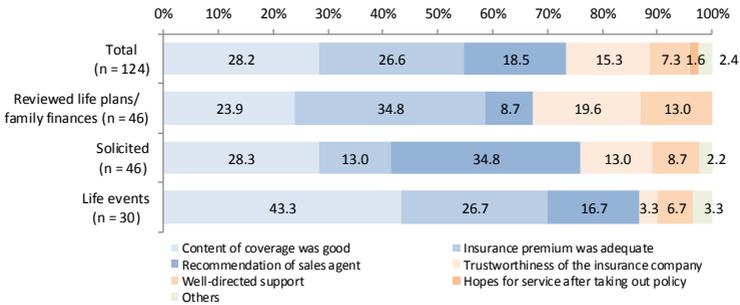


Figure 4-29 Final determining factor

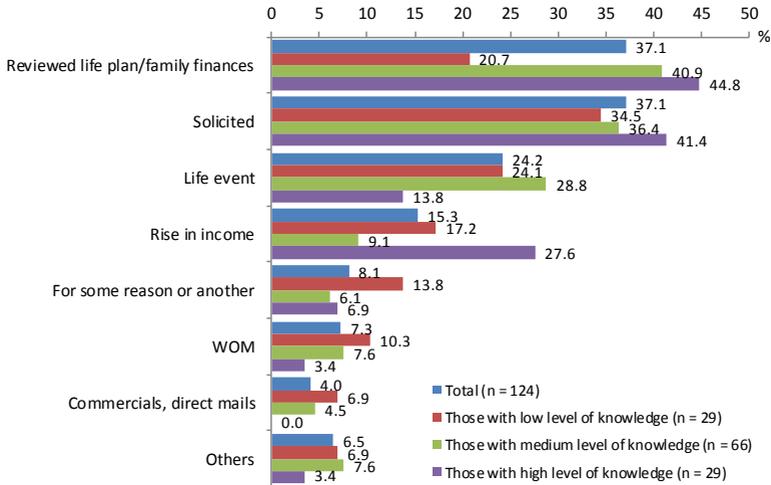


3-4. Examination process that differs depending on insurance literacy

The level of knowledge that consumers have on insurance seems to have a significant effect on why there is such difference in the actions people take when examining the possibility of taking out annuities. Looking at the reasons for taking out annuities by the level of insurance literacy we saw in the preceding chapter, “reviewed life plans/family finances” scored the highest among people with medium and high level knowledge, while among those with a low level of knowledge, “solicited” scored higher at 35% than “reviewed life plans/ family finances” (21%). [Figure 4-30] Furthermore, “for some reason or another” and “WOM” also scored higher compared to people with medium or high levels of knowledge, perhaps implying that those with a low level of knowledge are choosing their product and insurance company without a thorough examination, merely because they were solicited or because of some vague needs or some word-of-mouth. Meanwhile, “solicited” scored higher among those with medium and high levels of knowledge compared to those

with a low level of knowledge; however, “reviewed life plans/family finances” scored even higher, implying that people of these groups are, upon being solicited, analyzing their own life plans and family finances with composure and examining whether or not they need the security, and if yes, which product they should get from which company.

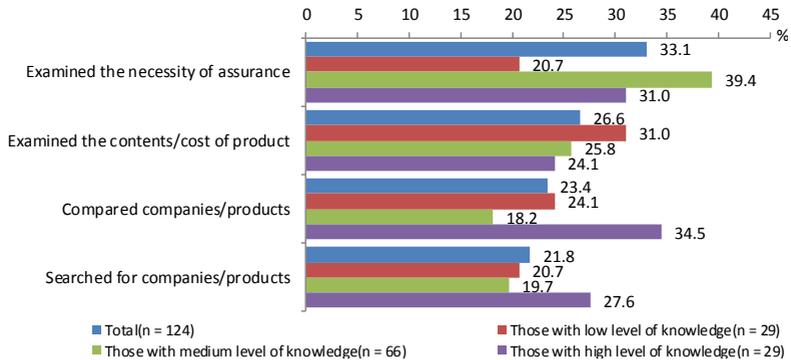
Figure 4-30 Reason to start examining the possibility of getting insurance (by insurance literacy)



In fact, looking at the actions taken by consumers when examining the possibility of taking out annuities by their insurance literacy, those with a high level of knowledge scored higher for “examined the necessity of assurance,” “compared companies/products” and “searched for companies/products” compared to the group with a low level of knowledge, while those with a low level of knowledge scored high for “examined the contents/cost of product” at 31%, which was higher than the score for those with a high level of knowledge (24%) and a medium level of knowledge (26%). [Figure 4-31] Furthermore, those with a medium level of knowledge scored higher for “examined the necessity of assurance” at 39% compared to the group with high level knowledge (31%) as well as the group with a low level of knowledge (21%). These results support our abovementioned hypothesis that while people with a low level of knowledge end up taking out annuities without sufficient examination, those with medium or high levels of knowledge may be examining the necessity of taking out annuities and then getting the coverage upon making comparisons between companies and products.

As has been seen, for annuities as well, the reasons and actions taken when examining the possibility of getting coverage seems to differ depending on the consumer’s age and level of knowledge on insurance.

Figure 4-31 Actions taken when examining the possibility to get insurance (by insurance literacy)



The reason for examining the possibility of taking out annuities seems to differ depending on what kind of meaning the consumers find in life events in their respective generations. Moreover, the actual actions taken when examining the possibility to get insurance differed according to these reasons, as well as the level of insurance literacy of the consumer. Also considering the fact that the level of satisfaction after taking out insurance is higher among the group with a high level of knowledge who actively made their examinations as explained in the preceding chapter, it is important to improve the level of consumer knowledge by providing appropriate information in line with their respective level of knowledge and to encourage them to actively examine such information in the course of soliciting people to take out annuities as well. Furthermore, when soliciting people, perhaps it is necessary to not only emphasize the advantages of the product but to also be considerate of how to appeal the adequateness of the insurance premium.

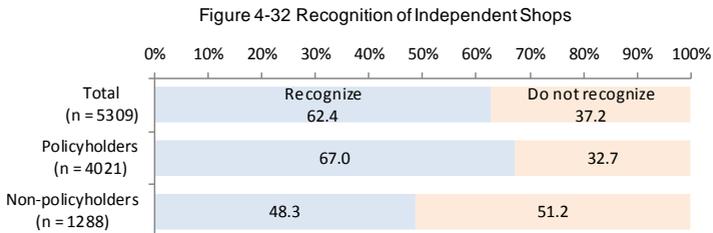
4. Consumers who Use the Shop Channel (independent insurance shops)

As stated in the beginning of this chapter, the channel that is most rapidly increasing its presence in recent years among the rapidly diversifying insurance sales channels is the independent insurance shop channel. [Previously cited figure 4-2] In recent years, it was not unusual to find independent insurance shops in shopping streets or large-scale commercial facilities. Although the situation may differ depending on the shop or the day of the week or time of the day, it is not uncommon to find several groups of consumers sitting at the booths receiving consultation. Independent insurance shops seem to have quickly become widely accepted as the place to receive consultation and take out insurance. In this section, we will focus on the independent insurance shop channel, which is quickly expanding, and look into the characteristics of the consumers who use this emerging channel.

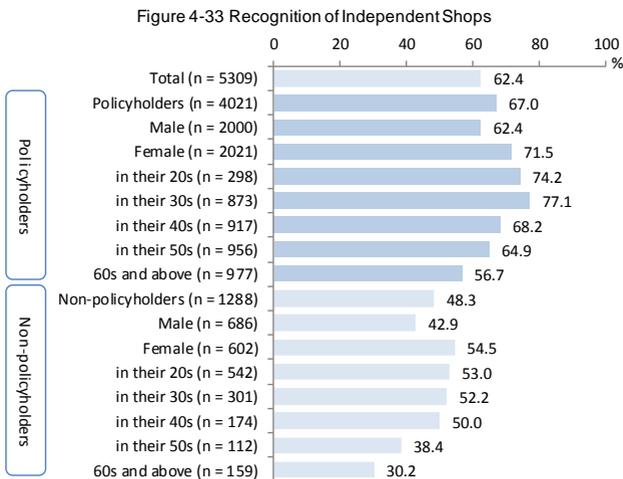
4-1. Recognition of independent insurance shops

First, let us see how recognition is spreading of these independent insurance shops, which are quickly expanding in terms of the number of shops in recent years.

According to a quantitative survey result, overall, 62% of consumers recognized independent insurance shops, [Figure 4-32]. By whether or not the person has life insurance, 67% of policyholders recognized these shops, displaying a higher recognition rate than non-policyholders (48%).



Looking at the recognition rate by gender, females policyholders (72%) and non-policyholders (55%) both scored higher than males (62% and 43%, respectively). [Figure 4-33] By age group, the recognition rate of policyholders in their 20s to 30s exceeded 70%, with people in their 30s scoring a high 77%. As for non-policyholders, those in their 40s or younger scored high with more than half of the respondents recognizing this channel. The recognition rate declined as people grew older, namely for those in their 40s and above for both policyholders as well as non-policyholders. In particular, the recognition rate was below 40% for non-policyholders in their 50s and older.



4-2. Use of independent insurance shops

As has been seen, currently more than 60% of people who have life insurance, as well as almost half of non-policyholders, recognize independent insurance shops. So how much are these shops actually being used and what kind of consumers is using these outlets?

Looking at the use of independent insurance shops as a source of information when examining the possibility of getting insurance among consumers who took out life insurance during the past five years, overall only 8%, or less than 10%, have used these shops. [Figure 4-34] That said, by the timing of when the people took out their insurance, the usage rate has gradually risen to double from the 5% in 2008 to 10% for those who got their policy in 2011 or later. Looking at the attribution of users, by gender, more females than males used independent insurance shops as an information source with 10% of females replying positively compared to 6% of males. By age group, more people in their 20s to 30s replied positively than those in their 40s or older with over 10% of the younger generation using independent insurance shops as an information source. [Figure 4-35]

Figure 4-34 Use of Independent Shops as information source

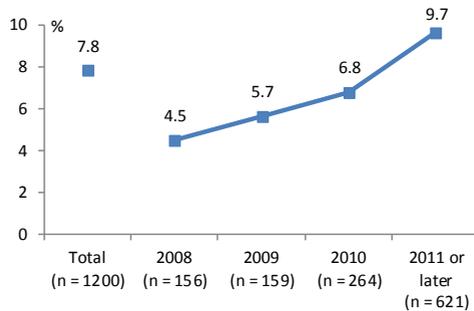
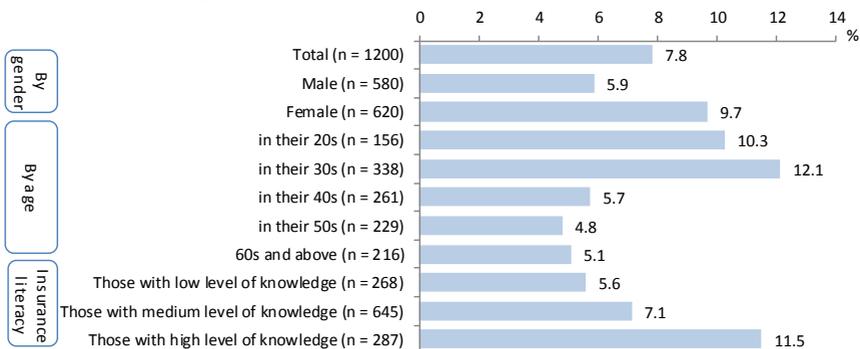
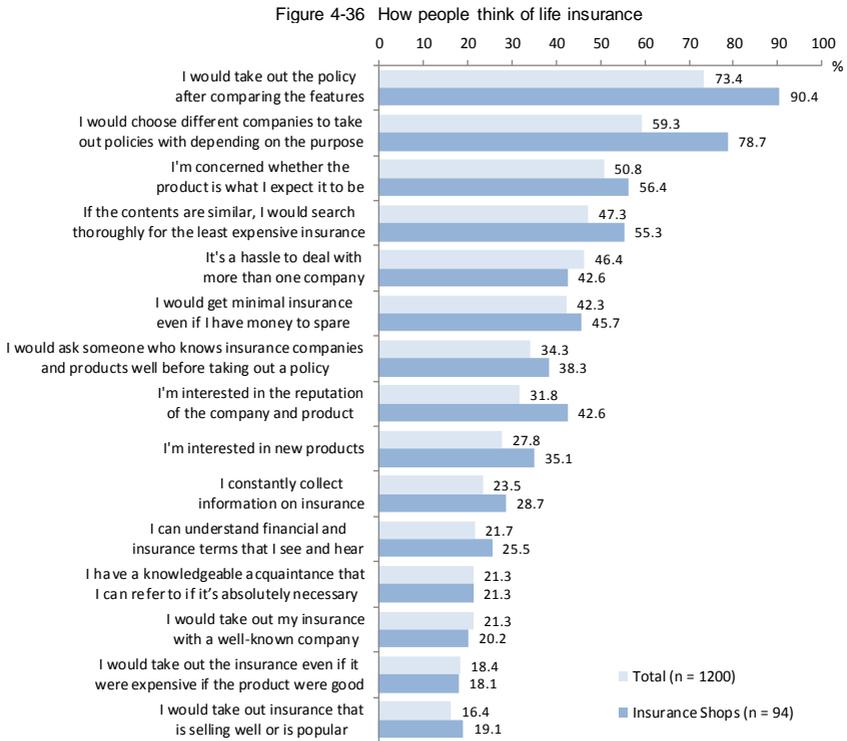


Figure 4-35 Use of Independent Shops as information source

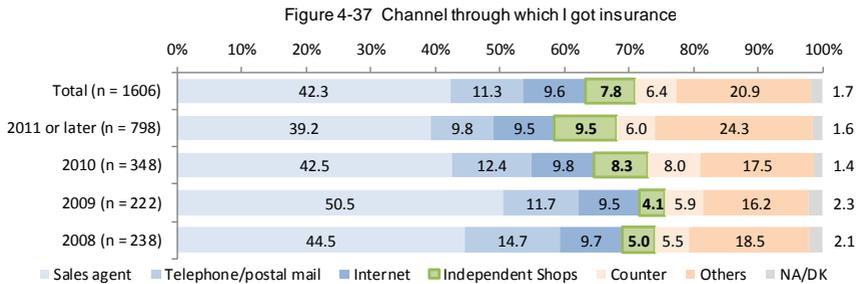


We can also look at the usage rate by insurance literacy, in order to uncover the characteristics of those who used independent insurance shops as an information source; while only 6% of those with low level of knowledge used these outlets, the percentage was high at 12% for those with high level of knowledge. Furthermore, looking at the Top 2 Box of how people think of life insurance, 79% of those who used independent insurance shops as an information source said “I would choose different companies to take out policies depending on the purpose.” The score was 19 points higher than the overall figure. Moreover, they scored 17 points and 11 points higher than the overall figure respectively for “I would take out the policy after comparing the features” (90%), and “I’m interested in the reputation of the company and product” (43%). [Figure 4-36] Furthermore, they scored higher in general for other items as well, showing that those who use independent insurance shops as a source of information are more involved with life insurance.

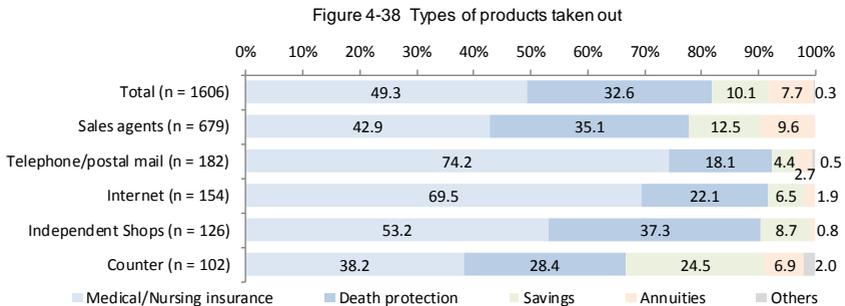


Meanwhile, only 8% used independent insurance shops as a channel to take out insurance, which is lower than sales agents (42%), telephone/postal mail (11%), and the Internet (10%). [Figure 4-37] Looking at this result by when

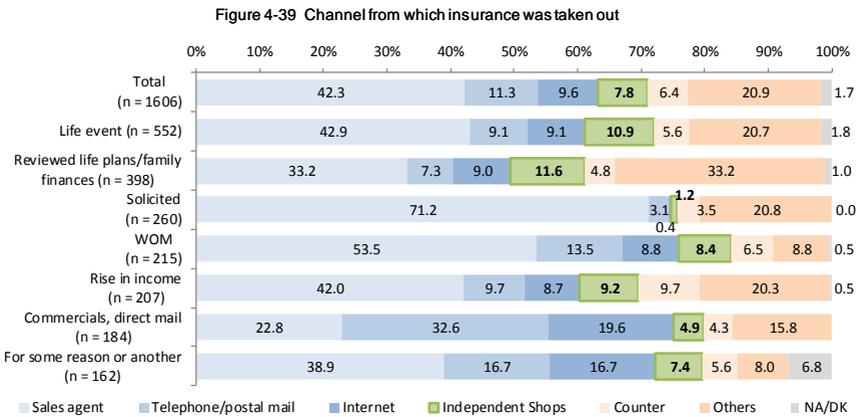
people got their insurance, the ratio has risen from 5% five years ago (2008) to 10% of those who got insurance in or after 2011. This shows that independent insurance shops are gradually increasing their presence, despite still being an emerging channel, in a similar trend as was seen in the use of independent insurance shops as an information source as mentioned above. Meanwhile, the use of “sales agents” fell from 45% in 2008 to 39% of those who got insurance in or after 2011, as did “telephone/postal mail” from 15% to 10% over the same period. The two channels have dropped their shares about 5 points, respectively, and this group who used to use these channels are perhaps shifting to independent insurance shops.



Looking at the life insurance product types that consumers are actually getting at independent insurance shops, “medical security” scored the highest at 53% followed by “death protection” at 37%. [Figure 4-38] Whereas, among those who took out insurance from sales agents, “medical security” scored 43% and “death protection” scored 35% and among those who got insurance through postal mail, “medical/nursing insurance” scored 74% and “death protection” scored 18%. Although independent insurance shops are the same as sales agents in the sense that you face a person when you go through these channels, the product sold at these shops may be slightly inclined towards third market products for which the needs of consumers is relatively clear.



As has been touched upon in the preceding chapter, people who took out their insurance through independent insurance shops also tended to have a high level of knowledge in terms of insurance literacy. [Previously cited 3-13] As to how they think about insurance, they are expected to show high involvement as was the case for those who used independent insurance shops as a source of information. In fact, looking at the channels through which people took out insurance by the reason why they began examining the possibility of getting insurance, the group who cited life events or the reviewing of life plans/family finances scored higher than the overall figure with more than 10% purchasing their policy from independent insurance shops. From this result, we can assume that people’s involvement in life insurance grows as they face life events or as they review their life plans or family finances, and in the process of actively examining the possibility of getting insurance, they come to use independent insurance shops. [Figure 4-39]

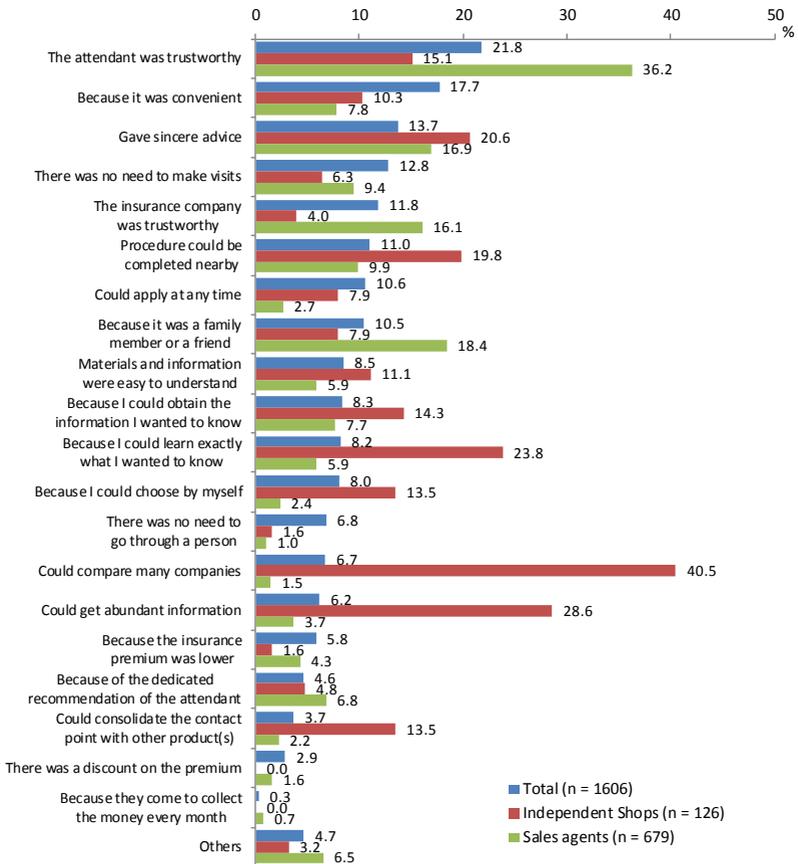


4-3. Reason for choosing independent insurance shops

Looking at the reason why consumers who chose independent insurance shops did so, overall, the top three reasons were “the attendant was trustworthy” (22%), “because it was convenient” (18%), and “gave sincere advice” (14%) in that order. Meanwhile, as for those who took out their policy through independent insurance shops, “could compare many companies” accounted for 40% scoring 41% followed by “could get abundant information” (29%) and “because I could learn exactly what I wanted to know” (24%) in that order. [Figure 4-40] Compared to those who went through sales agents, people who got insurance at independent insurance shops scored 10 or more points higher for their top three reasons as well as “procedure could be completed nearby” (20%), “could consolidate the contact point with other products,” and “because I could choose myself” (both scoring 14%). Conversely, for the items “the

attendant was trustworthy” (15%), “the insurance company was trustworthy” (4%), and “because it was a family member or a friend” (8%), those who got their insurance at independent insurance shops scored 10 or more points lower than people who went through sales agents. As can be seen, while people who went through sales agents cited personal character or relationship, such as “the attendant was trustworthy” or “because it was a family member or a friend” or “gave sincere advice” as the reason for choosing the channel for getting insurance, those who took out their insurance at independent insurance shops cited functional aspects as their top reasons, such as being able to compare with other companies or the abundance, ease of understanding, and certainty of availability of information. From the above, we can understand that although both channels go through humans, their characteristics are completely different.

Figure 4-40 Reason for choosing the channel to take out insurance from



As we have seen, for those who got their insurance at independent insurance shops, the biggest benefit was to be able to compare products between different companies. Looking at the actual experience of comparing products by the channel through which people took out their insurance, 60% of those who went through independent insurance shops had actually made comparisons. This percentage is markedly higher than those who got insurance through the Internet (45%), telephone/postal mail (39%), or sales agents (21%). [Figure 4-41] Furthermore, as to whether or not people compared between companies, 48% of those who got their policies at independent insurance shops had done so. The figure is outstandingly high compared to the mere 10% to 20% for those who went through other channels. However, in terms of the number of companies and products (plans) they actually compared, the result was 3.2 companies and 3.9 products, which was slightly more than that of people who went through sales agents (2.5 companies, 3.1 products) but less than those who took out insurance through telephone or postal mail (4.0 companies, 4.3 types) and about the same level as the overall figures (3.2 companies, 3.8 products). [Figure 4-42]

From these results, we can see that consumers who got insurance at independent insurance shops had the desire to compare companies and products and visited these shops to do so. That said, these people are most likely not thinking of actually going so far as to comparing all companies or combing through all products. Indeed, in a focused group interview conducted in the past, although people voiced concerns about considering products from only one company, they also worry that they will not be able to make a decision if there are too many subjects to compare, as seen below:

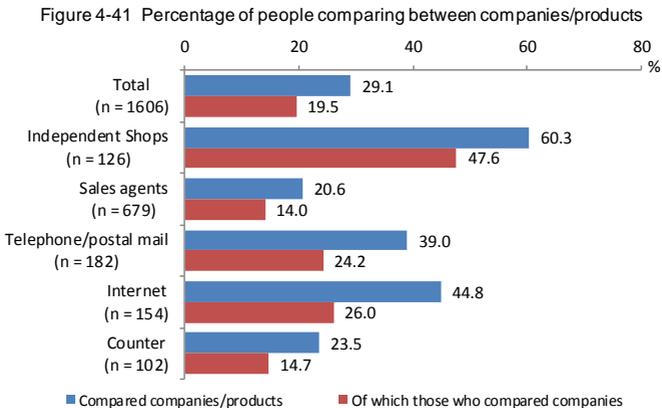
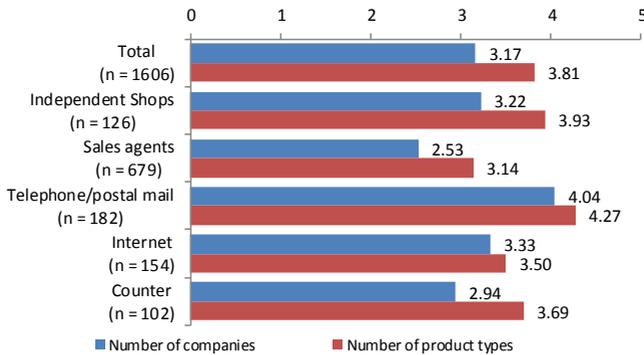


Figure 4-42 Number of companies/products compared



- A sales agent of a life insurance company brought two plans and gave me explanation, but I was not comfortable choosing between only two plans from the same company. I (told the shop about my requirements and) decided to get insurance from one of the three companies they suggested. (Female, 40s)
- I was looking at brochures at the shop in the Ito Yokado supermarket where I always go to but there were too many choices and I couldn't understand very well. (Female, 40s)

Perhaps behind such comments is the fact that even proactive consumers who visit shops themselves to get life insurance do not have enough knowledge to compare different products of various companies and to assess what is better or worse for him or herself.

In the abovementioned focused group interview as well, we can see that the fact that an expert would give thorough explanation had more influence than being able to compare as a factor to determine which insurance to take out, as can be seen below:

- Because the lady is behind the counter, she cannot be aggressive even if I would go in to get a brochure. We chatted a bit but I did not feel uneasy since she never asked me details, not even my name. (Male, 40s)
- Because they offer products from different companies, they don't win or lose no matter which product is sold. If it were only one company, I would think they would sell the insurance that they want to sell, but with the former, it is equal. (Male, 50s)
- When you're looking at comparison sites, if you come up with a question, you have to find the answer yourself. But with a professional advisor, I could get the answer immediately. I would not be wasting any time. (Female, 30s)

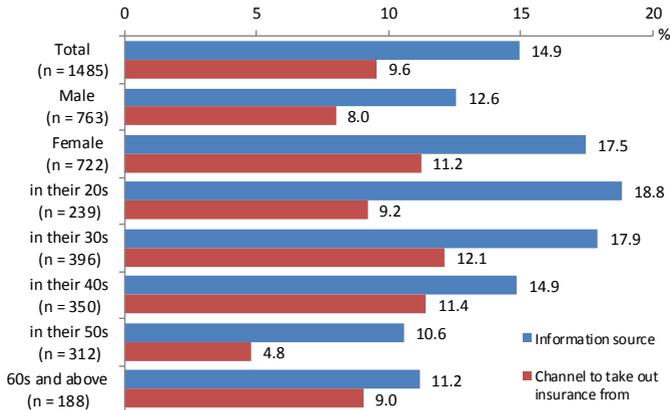
4-4. Outlook going forward

As we have seen, the reason why the independent insurance shop channel has rapidly increased presence in recent years, is perhaps because its functional aspects, such as the fact that people can compare with other companies, that there will certainly be abundant information that is easy to understand, matched the needs of consumers who are very much involved with life insurance and whose insurance literacy is basically high.

Then are independent insurance shops going to increase their presence even further and become a common sales channel for life insurance going forward?

Among consumers who intend to take out life insurance going forward, 15% in total said they would want to use independent insurance shops as an information source when examining the possibility of getting insurance. [Figure 4-43] By gender, 18% of females replied positively, scoring higher than males (13%) and those in their 20s to 30s scored higher than those in their 30s and above with slightly below 20% saying they would use independent insurance shops as an information source.

Figure 4-43 Intention to use when examining the possibility of getting insurance in the future

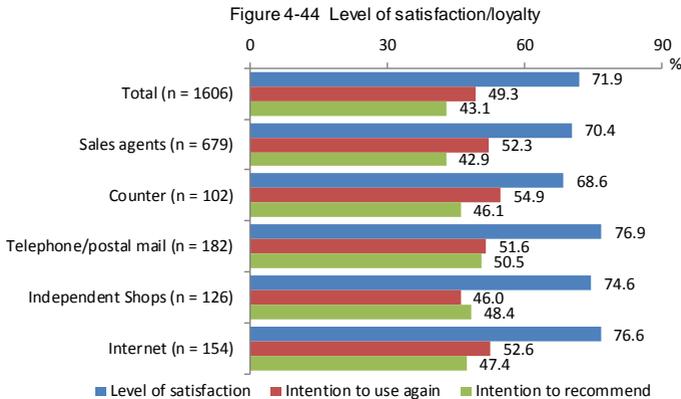


As for the channel people who intend to get life insurance would want to use when getting their policy, 10% cited independent insurance shops. Although females scored slightly higher by gender as did those in their 20s to 30s by age group, there is no significant difference overall.

Considering the fact that the use of independent insurance shops as an information source at the time of taking out the most recent insurance was 10% even among those who got their policy in or after 2011, such use is sure to expand. On the other hand, regarding the use of independent insurance shops as the channel to purchase insurance from, the rate of use has remained near the level of that by those who took out their insurance in or after 2011,

implying that it will be difficult to increase the use as a channel to get insurance.

That said, looking at the level of satisfaction and loyalty in terms of the percentage of the Top 2 Box by the channel people got their insurance from among those who took out insurance during the past five years, the level of satisfaction of policyholders who went through independent insurance shops was 75% or slightly higher than the overall figure (72%). As for the intention to reuse, the percentage was 46%, which was somewhat lower than the overall figure (49%). However, the intention to recommend was 48%, which was higher than the overall figure (43%). [Figure 4-44] This may imply the possibility that the number of consumers who visit independent insurance shops in the examination stage because they were recommended to do so by people around them will increase as the number of people who have experienced using independent insurance shops grows.



In addition to those who go to these shops on their own, more consumers will be using these shops because they were recommended by people who have actually been there. This should enhance the independent insurance shops' position as a source of information even more rapidly going forward. Whether or not it will grow as a channel from which to take out insurance would depend on how consumers who used the independent insurance shop as a source of information assess the office and staff they visit.

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