



Insurance Shops

—Evolution of Marketing and Business Models

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Profile

Kenichi Suzuki

Managing Editor of the Editorial and Sales Department of Hoken Joho, a specialized insurance marketing newspaper.

Hoken Joho features a wide variety of information, such as management strategies, marketing strategies, education systems, sales skills/motivational enhancement/guidance on activities for sales representatives, and the latest trends in foreign countries.

<Interview themes after the 1990s are as follows:>

- ☆ A series of bankruptcies of life insurance companies that had happened since 1997 (such as 7 medium-sized life insurance companies)
- ☆ Easing of regulations/liberalization (such as reciprocal extension of life and non-life insurance businesses)
- ☆ The non-payment of insurance claims after 2003 and the management innovation afterwards
- ☆ The moves of the online life insurance companies
- ☆ The moves of the insurance shops which have been rapidly expanding as a new channel
- ☆ Major life insurance companies' new management strategies (asset management, overseas business expansion, the utilization of AI/big data, etc.)

He has a broad network in the insurance industry and presides over Society for Research on Insurance Marketing, etc.

He has given lectures at seminars in Japan and abroad held by Oriental Life Insurance Cultural Development Center (OLIS). Such overseas seminars include Taipei, Beijing, Seoul, and Bangkok.



<What are insurance shops?>

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



Office bldg.
in a city

Suburbs



Insurance shops in a shopping mall and in a shopping street



Shopping mall



Shopping street



There are about 2,000 insurance shops across Japan—No. of insurance shops of top 5 companies

	(No. of shops)
Hoken no Madoguchi	600
Hoken Minaoshi Honpo	256
Hoken Clinic	178
AEON Insurance Shop	121
Hoken-no 110 Ban	93
<hr/> Total	1,248

★Top 5 companies account for 60% of the total number.

Diverse players

<Independent agencies>

Hoken no Madoguchi, Hoken Minaoshi Honpo, Hoken Clinic

<Agencies affiliated with insurance companies>

Hoken-no 110 Ban, Life Salon (Nippon Life),

Hoken-Hyakka, INSURANCE DESIGN (Sumitomo Life)

<Agencies affiliated with retailers>

AEON Insurance Shop, Seven Insurance Shop

<Others>

Zexy Insurance Shop (Recruit Group)

Insurance Terrace (Tokai Tokyo Securities)

Facts about Insurance Shops

- Insurance shops can be opened anywhere. No approval from FSA is required.
- Initial cost is about 15 million yen.
- Insurance shops handle a large number of products from different insurance companies.
- There are two types of shops: those operating in local areas and those operating nationwide.
- Sales staff include many former sales staff of life insurance companies.

Hoken no Madoguchi

(1) Reasons why a former life planner at Sony Life opened an insurance shop

- The main reason why life planners quit their job is the stress they feel about acquiring new customers and maintaining sales performance.
- Life planners have to invest 80% of their time on acquiring new customers and only remaining 20% are left for preparing insurance proposals.
- Insurance Shop was developed as a business model where life planners can focus only on insurance proposals.
- Hoken no Madoguchi opened its first door in Yokohama, Kanagawa Pref. in March 2000.

Hoken no Madoguchi

(2) At first, consumers had no idea what Hoken no Madoguchi was for.

- Emphasized that Hoken no Madoguchi selects products that meet customers' needs from a neutral standpoint as an independent agency for multiple life insurers.
- The number of visitors was only 5–10 a month for the first 3–4 years.
- Attracted customers by placing ads for free insurance consultation service on community papers, free advertising papers, and others.

Hoken no Madoguchi

(3) What size and where did Hoken no Madoguchi open their shops?

- The average shop size is 50 to 100m² with 3 or 4 staff members.
- Site locations were tenants in buildings (shops opened on the second or higher floors), and street-level shops around the periphery of train stations.
- As the brand recognition increased, they opened shops in large shopping centers having a high customer gathering power.
- The number of shops reached 50 in February 2006; it took 6 years.
- The number of shops reached 100 in February 2008. The speed of shop opening increased as a result of an increase in consumer recognition.

Hoken no Madoguchi

(4) People who initially visited the shops for consultation

- The initial main target was housewives in their 30s (children in elementary school years).
- The most common reason for consultation was to save insurance premiums, and the second one was that they had worry about the content of the insurance.
- As a result of review of household budgets, insurance premiums were listed as an item that could be saved more.
- Strong tendency that they would like to hear professional advices.
- Women have the power to make a decision in purchasing individual insurance products.

Hoken no Madoguchi

(5) Why did Hoken no Madoguchi grow rapidly after its 10th anniversary?

- Customers came to understand what service they can get.
- They utilized TV commercial to enhance the recognition of Hoken no Madoguchi.
- They increased visibility widely through online and newspaper advertisement as well as outdoor signs.

Hoken no Madoguchi

(6) Hoken no Madoguchi accelerated the opening of the shops and expanded nationwide.

The number of the shops reached 200 in April 2011



Reached 300 in September 2012



Reached 400 in June 2013




Opened shops in all prefectures in Japan in April 2014 for the first time among insurance shops.

The number of shops reached 486.

Hoken no Madoguchi

(7) What advantages does the multiple-store development have?

- It creates familiarity because shops are located in familiar places such as commuting routes and residential areas.
- It increases convenience because people can consult with professionals at their convenient time.



<Marketing strategies of insurance shops>

Hoken Clinic: Shop opening

Shops are divided into three ranks (S, A, B) by the number of consultations from new customers/month.

S-rank: 150 or more

A-rank: 60~149

B-rank: 40~59

Hoken Clinic: Increasing the skills to attract customers (1)

Information affecting the number of customer visits (website)

1. No. of affiliated insurance companies
2. No. of posting of customers' comments
3. Shop holidays
4. Pictures of female consultants

Hoken Clinic: Increasing the skills to attract customers (2)

- Reaching an unspecified number of people at events and other occasions.
- The main purpose is to let people know that shops are located there.

Hoken Clinic: Equation of the sales

- Commission per policy x The number of customers who visited the shop x The contract rate
- It takes 13 to 18 months to be profitable on a monthly basis.
- It takes 36 months for accumulated losses to be wiped out.

Hoken Clinic: “Three Ps” are key points

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

1. Promotion (advertising, promotion)
2. People (development of human resources with high productivity)
3. Process (consultation process)

Hoken Clinic: Out of three Ps, “People” are the most important.

The biggest differentiation is the ability of shop planners.

Managerial resources (manpower, goods, and money) are injected into guidance, education, and training.

Required skills include abilities to listen, suggest, and close a deal.

Standardized listening and customer handling know-how is shared among all the shops.

Hoken Clinic:

Recent trend of customer visits

- Customers in their 30s account for the largest percentage, and those in their 20s, 40s, and 50s are 20% each.
- Customers make an appointment via their smartphone.
- The number of customers who visit without an appointment is increasing at the shops located within the shopping mall.
- The number of customers who visit on Saturdays, Sundays or holidays accounts for over 40% of the total number of the customers.
- Catalysts of consultation are: 1. concerns about the content of the insurance 2. renewal of insurance or request for the review of the current insurance 3. saving of insurance premium.

Hoken Clinic: Creating lifetime customers

Providing customer services and consultation as insurance professionals



Customer satisfaction will increase



New prospective customers will be introduced mainly through word-of-mouth



Existing policyholders will make additional purchase
(be repeat customers)



Chosen as the main insurance agency by households



Customers become lifetime customers



<Enforcement of the Revised Insurance Business Act in May 2016>

Shops received the following criticisms as a result of the rapid growth:

They say that they choose products from a fair and neutral perspective, but...



Don't they choose products by prioritizing commission over consumer needs?

Product choosing process is not transparent.

Is the neutrality really secured?



Distrust in the commission-oriented practice increased inside and outside the life insurance industry.

In response to this, the government started to take measures

—A series of actions taken for the revision of the Insurance Business Act

- April 2012: The Financial System Council
“Working group on the Provision of Insurance Products/Services” was set up.
- June 2013: After 16 meetings, a report was published.
- May 2014: The Revised Insurance Business Act was promulgated.
- February 2015: Public comments were released.
- May 2015: Responses to public comments were published.
- May 2016: The Revised Insurance Business Act came into force.

Establishment of basic rules on insurance solicitation

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

Obligation to understand customers' intention

Confirming customers' intention only at the final stage is not sufficient.

< Confirmation of the customer's intention → Suggestion (reason for the recommendation) → Re-confirmation → Checking of gaps → Closing >

The Revised Insurance Business Act made it mandatory to establish a series of process from “the understanding of customer needs” to “the suggestion of insurance plans which meet the needs.”

Obligation to provide customers with information

The provision of the information on products and others, which becomes a base for customers' judgment on the purchase of insurance products, became mandatory.

1. Information necessary for customers to understand the content of insurance products
 - Payment conditions for insurance claims, policy term, and policy amount, etc.
2. Information that needs customers' attention
 - Details of duty of disclosure, date of commencement of coverage, lapse of policy, and safety net
3. Other reference information for policyholders
 - Main services attached to insurance policies

Obligation to establish the appropriate management of insurance solicitors

In addition to being subject to the management/guidance through insurance companies, insurance shops are required to establish the management of insurance solicitors based on the size and characteristics of their operations.

1. Establishment of internal rules—
Solicitation policy, response to complaints
2. Establishment of system with oversight function



<Compliance with the Revised Insurance Business Act>

In the case of IRRC Corporation (1)

IQ System

1. Function of life planning

When customer attributes are entered, the necessary amount of coverage will be displayed graphically.

The excess/shortage of coverage is clarified.

2. Function of understanding customers' intention

Customers' intention is recorded through the comment input function.

3. Function of product recommendation

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

4. Function of suggestion history

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

In the case of IRRC Corporation (2)

<Written confirmation of intention>

Prepare for death protection.

Prepare for diseases or injuries.

Prepare for care or disability.

Prepare for savings and longevity.



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

In the case of IRRC Corporation (3)

Narrow down the type of insurance products based on the customer's intention.

In the case of death protection, compare and recommend products in the term insurance category.

Narrow down products by entering conditions such as policy amount and policy term.

Compare products with the same insurance content in terms of insurance premium.

Review of FSA's inspection/supervision

1. From formality to substantiality

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

2. From the past to the future

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

3. From part to whole

Focus on whether really important issues are being handled.

FSA conducted an interview survey (1)

Conducted an interview about the status of agencies' responses after the enforcement of the Revised Insurance Business Act.

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

Results of FSA's interview survey (2)

<Case relating to the understanding of customers' intention>

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

<Effects>

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

Results of FSA's interview survey (3)

<Case relating to suggestions/explanation>

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

<Effects>

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



<Principles for Customer-Oriented Business Conduct>

Principles for Customer-Oriented Business Conduct (1)

Published in January 2017

1. Establish and publish a policy for customer-oriented business conduct
2. Pursue the best interest of customers
3. Appropriately manage conflicts of interest
4. Clarify fees and commissions
5. Provide important information in an easy-to-understand manner
6. Provide services suited to customers
7. Adopt systems which adequately motivate employees



Principles for Customer-Oriented Business Conduct (2)

Shift from
rule-based supervision/guidance
to
a principle-based approach

Hoken no Madoguchi declares its goal to be the best company for customers

Developed and published in April 2017

Management philosophy: “Be the best company for customers”

Hoken no Madoguchi has striven to enhancing the quality of customer-oriented management, sales, and employees. The activities have been compiled into a declaration.

Quality indicators (Key Performance Indicator: KPI) are set for achievements which will be disclosed on a regular basis.

Hoken no Madoguchi

Results of activities aimed at being the best company for customers

(FY2016)

Total no. of consultations/year

No. of consultations with new customers: 544,015

No. of consultations with existing customers: 155,016

Purchase process: 115,954

No. of policyholders 796,575

Implementation rate of Three Plus One Activity: 58.3%

Persistency rate of life insurance (based on number of policies)

13 months: 97.8%

24 months: 95.0%

37 months: 92.0%

Sales results by product

Number of contracts: 428,000 (FY2016)

No.1 Medical life insurance: 113,000

No.2 Cancer and three major disease insurance: 68,000

No.3 Whole life insurance: 68,000

No.4 Auto insurance: 56,000

No.5 Fire insurance: 44,000

(with earthquake coverage 77.2%)

No.6 Term insurance: 32,000

No.7 Annuity, endowment, educational insurance: 23,000



<A period of fierce competition among channels>

Changes by period

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

Trend of individual insurance policies (1)

(The Life Insurance Association of Japan, FY2016)

[New policies]

Number: 19.3 million (down 2.9% y-o-y)

Amount: 68,478.9 billion yen (down 1.8% y-o-y)

[By type]

Medical life insurance: 3.55 million

Whole life insurance: 3.51 million

Term insurance: 2.16 million

Cancer insurance: 2.08 million

Endowment insurance: 1.38 million

Trend of individual insurance policies (2)

(The Life Insurance Association of Japan, FY2016)

[Policies-in-force]

Number: 167.72 million (up 4.8%)

Amount: 862,905.2 billion yen (up 0.5%)

The number of policies increased for nine consecutive years while the amount continued to increase from the previous fiscal year

[Number of policies by type]

Whole life insurance: 36.59 million

Medical life insurance: 35.29 million

Cancer insurance: 23.90 million

Term insurance: 21.19 million

Endowment insurance: 13.89 million

Trend of individual insurance policies (3)

(Life Insurance Culture Center, FY2016)

Annual insurance premiums paid per household

385,000 yen on average

(1) 120,000 yen ~ below 240,000 yen: 19.0%

(2) Below 120,000 yen, and

240,000 yen ~ below 360,000 yen: 15.9%

respectively

(3) 360,000 yen ~ below 480,000 yen: 10.5%



<Traditional captive agent channel>

Captive agent channel

- Focus on personal relationship
- Consulting skills (necessary to obtain up-to-date information on the social security system, tax, and medical area as related knowledge)
- Emotional value (respond to customers with a sense of hospitality)
- Check the details of policy once a year

Life planner

- Have strengths in consulting sales. Design tailor-made insurance plans.
- Solicitation style: Self-contained solicitation, Single-handedly perform the entire solicitation process, from developing prospective customers, making presentations, closing contracts, to soliciting referrals.

Non-life insurance agencies

- A channel dedicated to non-life insurance companies
- Cross-selling of medical life insurance and other products to policyholders of auto insurance, fire insurance, etc.
- The number of agencies stands at 196,000, including 37,000 dedicated agencies



<Agency channel with increasing presence>

Bancassurance (1)

- Responding to asset building needs of affluent customers (over 60s) with single premium policies.
- From October 2016, banks started to disclose commission concerning single premium. Behind this is promotion of “Fiduciary Duty” (customer-oriented business conduct).

Bancassurance (2)

<Impact of ultra-low interest rates>

Premium income decreased significantly due largely to the suspension of the sale of yen-denominated single premium whole life insurance.

Dropped sharply from 6 trillion yen in FY2015 to around 4 trillion yen in FY2016 (April 2016–March 2017).

Shifted to focus on the sale of non-yen denominated products from FY2017.



<Stagnant online life insurance companies>

Lifenet Insurance (1)

Three key growth drivers

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

Lifenet Insurance (2)

<Sale of life insurance products from via the Internet to smartphone>

Established the purchase flow that is most suitable for smartphones.

Started services to check the status of insurance/provide the estimate of insurance premium utilizing chatbot.

Promoting the advantages of services that use smartphones.

<Ten years after founding>

The number of policies-in-force is 260,000 and the number of policyholders is about 160,000.



<Acquisition of insurance shops by major life insurance companies>

Nippon Life (1)

There is a change in the channel share of new business insurance (annualized premiums of 3 trillion yen: FY2016 estimates).

Captive agents: 45%

Bancassurance: 26%

Agencies including insurance shops: 29%

There is an urgent need to respond to this new trend—an increase in bancassurance and insurance shops—with agility and flexibility.

Nippon Life (2)

Increased the number of shops aimed at improving the presence in areas with a small share.

Invested 1 billion yen in Life Salon (50 shops).

Acquired Hoken-no 110 Ban (89 shops).

Facilitating alliance with companies in other industries:

Alliance with NITORI Holdings Co., Ltd.*

Alliance with NTT DOCOMO INC.**

*Furniture and home accessories retailer.

**Mobile phone operator.

Nippon Life (3)

Set up Nissay Life Plaza (started in 1999, 98 shops) in the branch buildings.

Position it as the contact point for customers in the region.

Assign not only the person in charge at the shop but also the person in charge of visits.

Visit the person who requested information materials and explain them and encourage the additional purchase.


Sumitomo Life

Operating Hoken-Hyakka (73 shops) as part of Sumitomo Group

Promoting effective alliance strategies

Acquired Hoken Hotline (90 shops).

Acquired INSURANCE DESIGN (20 shops) at 3.0 billion yen (estimate).



<Evolution of insurance shops' business model>

Hoken no Madoguchi: Management quality (1)

Ensuring “Three Plus One Activity”

Conduct the activity in a thorough manner as the ultimate version of Recommended-based-on-Comparison type sale. “Three” refers to the number of meetings to be conducted before contract conclusion.

“Plus One” refers to the process to have a policy holder come to the shop again after he/she receives the insurance policy and confirm the content of the insurance.

Implementation rate of Three Plus One Activity: 63.8%

Goal for FY2017: 75%

Hoken no Madoguchi: Management quality (2)

<Internal audit>

Annually conduct an audit of all the shops as to 30 items.

There are four assessment levels and shops receiving an evaluation lower than a certain level will be audited again. Assessment level of B or higher is required. Shops which received assessment level of D will be subject to a penalty. The goal is for all the shops to get the assessment level of A or B.

Hoken no Madoguchi: Improvement of shop profitability (1)

Check each risk from the perspective of household risk management.

“Anshin-no-wa” providing thorough, comprehensive insurance without overlapping coverage.

Hoken no Madoguchi: Improvement of shop profitability (2)

<Enhancement of non-life insurance strategy>

- Providing one-stop solutions for life and non-life insurance.
- Fire, auto, and overseas travel insurance have potential for growth.
- Upgraded the Non-Life Insurance Promotion Office to the Non-Life Insurance Promotion Department.

Hoken no Madoguchi: Improvement of shop profitability (3)

<Promotion of alliance with regional banks>

- Set up Hoken Plaza in the loan center of banks.
- Provide bank employees with sales skills training.
- Provide support for customer attraction.



Thank you for your attention.