

The Latest News in Japan's Life Insurance Market 2019:

Why the Group Management? -Nippon Life's four-company structure and Dai-ichi Life's three-company structure.

Launching Hanasaku Life Insurance Company for Insurance Shop Channel.

Hanasaku Life Insurance Company is a life insurance company just established in April 2019. *Hanasaku* means to bloom in Japanese. Hanasaku Life was named in the hope that the company would help flowers bloom in each customer's life by planting and nurturing new seeds of products and services for him/her.

Hanasaku Life is in fact a wholly owned subsidiary of Nippon Life Insurance Company. The company is strategically established to play a central role to provide products promptly and properly to the independent agency market such as insurance shops that are expanding their presence in a comparative recommendation sales channel, and Hanasaku Life also takes a part in Nippon Life's channel strategy.

In June, the first product, *Hanasaku Iryo* (Whole life medical insurance) was released. Started with medical insurance that is the most competitive products within the insurance shop channel, Hanasaku Life plans to release a few more products for FY2019. The company sets a goal high at selling 100,000 policies and partnering up with more than 3000 agencies by the second year, FY2020. Hanasaku Life aims for a certain level of presence in the insurance shop channel.

A small life insurance company which also has just been established enters to the fiercest market like medical insurance from the start and aims for a certain presence is not something every company can do. It is none other than the credibility of the Nippon Life Group, and Hanasaku Life makes full use of it.

Centered around Nippon Life, the Nippon Life Group has a four-company structure in Japan with Taiju Life Insurance Company, Nippon Wealth Life Insurance Company and Hanasaku Life.

What kind of insurance companies are Taiju Life and Nippon Wealth Life, then?

Nippon Life acquired Mitsui Life Insurance Company at JPY 280 billion and made it a wholly owned subsidiary in March 2016. Three years later, Mitsui Life changed its name to Taiju Life in April 2019.

At the press conference in September 2015, Nippon Life pointed out three reasons to have chosen Mitsui Life as a partner.

- ① Sharing the same philosophy, strategy and vision;

② Mitsui brand having a strong domestic customer base; and

③ Flexible product supply infrastructure.

Nippon Life also emphasized the construction of a system of a strategic complementarity to increase profitability as a group and at the same time the establishment of a solid No. 1 presence in Japan.

To answer the concerns that since the both companies have the same face-to-face-business model of sales agents, both Nippon Life's and Mitsui Life's agents might have undesirable encounters to become against each other toward the same client in the field, Nippon Life said "There are still many prospective customers out there Nippon Life cannot approach yet. We adopt indeed the same business model; however, our product line-ups have different characteristics. Nippon Life's main products are characterized by protection-type while Mitsui Life specializes in non-dividend and foreign currency denominated products. In the sense that each customer has different needs, it will be extremely rare cases that such undesired encounters happen between our agents."

On the other hand, Nippon Wealth Life's predecessor is MassMutual Life Insurance Company. In May 2018, Nippon Life acquired 85% of the issued and outstanding shares of MassMutual Life from US's MassMutual International LLC (MMI) at JPY 104 billion and made MassMutual Life a subsidiary.

This acquisition was aimed at raising the low bancassurance share of Nippon Life. Mass Mutual Life has expanded into a bancassurance channel in Japan since 2004, targeting the wealthy class and has improved its performance through major securities firms and megabanks as its main channel. The company changes its name from MassMutual to Nippon Wealth on January 1, 2019.

As to the transaction of mutual supply of products, the product supply between Nippon Life and Taiju Life is as follows.

January 2017: *Nissay¹ Teizou Teikihoken* (Increasing term life insurance), provided by Nippon Life to Taiju Life

October 2017: *Dream Road*, a foreign currency denominated single premium endowed life insurance, provided by Taiju Life to Nippon Life

July 2018: *Nissay Gakushihoken* (Educational endowment insurance), provided by Nippon Life to Taiju Life

The business results exceeded the sales target plan because the agents of each company sold the products.

Moreover, Nippon Life's wholesalers have started sales support services for the *Nenkin*

¹ Nippon Life Insurance Company is also known as Nissay.

(Annuity) *Shinjidai* (New age), released by Nippon Wealth Life in April 2019. Nippon Wealth Life also committed to the sales through not only major securities firms and megabanks but also regional financial institutions including local banks, credit unions, etc.

So what are the results?

According to the financial results for FY2018, the insurance premium income of the group increased by 11.9% from the previous year to JPY 6069.2 billion, which is a double-digit growth. For these successes, the Nippon Life Group gives credit to the strong sales of bancassurance, the group-wide effort to the insurance sales through the mutual supply of the products, and the reflection of Nippon Wealth Life's financial result to the consolidated accounts.

Mutual supplies of products producing results

There is Dai-ichi Life Insurance Company as a precedent case of group management in the domestic market.

Since FY2017, the company has launched a three-company structure in Japan and has developed the multi-brand/multi-channel strategy that includes mutual supply of products.

Each company's main channel(s) is(are) as follows.

Dai-ichi Life Insurance: Agents and Independent Agencies (Visiting type)

Dai-ichi Frontier Life Insurance: Bancassurance

Neo First Life Insurance: Insurance Shop and Bancassurance

In the implementation of the mutual supply of products, by selling products of Dai-ichi Frontier Life and Neo First Life through Dai-ichi Life's agent channel, Dai-ichi Life's annualized new business premiums increased by 10.6% (FY2018 financial results).

The positive effect was also evident in the business results of Dai-ichi Frontier Life. In the first half of FY2018, the premium and other income increased by 43% to JPY914.1 billion. The contributing factors of this are the increase in the number of regional banks handling Dai-ichi Frontier's products and the full-blown sales through the agent channel. The sales through the agent channel stood at JPY159.5 billion, accounting for 17% of JPY914.1 billion.

There are certain conditions apply to the agents to be able to handle Dai-ichi Frontier Life's products. Some of them include that the agents have to be at least on their second year working at Dai-ichi Life, have to take a certain level of internal education and training, and also pass the internal exam. In many cases, the agents utilize products from the First Frontier as additional proposals for inheritance tax measures and savings needs.

Furthermore, the premium and other income from the products of Dai-ichi Frontier Life and Neo First Life through the agent channel for the first half of FY2018 was JPY212.2

billion. This is four times that of the same period of the previous year, which was JPY54.3 billion.

In addition, Neo First Life started to sell its products online in August this year. There have been an online premium estimation tool and online document request tool so far, and yet an online application tool was added to the functions.

Dai-ichi Life Group is confident as “While each of the three companies develops highly competitive products and the whole group makes endeavors to enhance and diversify sales channels, we provide products and services through the optimal channels that meet the customer needs.”

Raising the level of management quality

So far, we have looked at the group management of Nippon Life and Dai-ichi Life. Let's summarize its background and significance.

First of all, there are the changes on the consumer side. Consumer behaviors on purchasing insurance become diversified and consumers show active behavior toward the insurance purchase more than ever. Because of that, sales channels, through which consumers purchase insurance, take a shift from the ever-so-dominant traditional sales agents and expand to financial institutions, insurance shops, and the Internet.

Suppose that this trend further advances; the flexibility to respond to the need for diversified channels will be extremely important.

For example, it is typical that each company receives two or three approvals for the new products each year. Since the new products can be a big trigger for sales activities, if you have a couple of new products a year, with a simple calculation, you can create opportunities to visit customers every six months. It can be also said that if there is the total of six new products with the three group companies, the touchpoints with prospective customers and existing policyholders will be tripled.

In other words, rather than dealing with the market with a single insurance company, with a group consisted of multiple insurance companies has more capabilities to enhance a product lineups and services, leading to improve cross-supply functions of products.

There is another merit brought by the cross-supply functions within the group: deduction in the product development costs.

In addition, by adopting a multi-channel strategy to a group, it enables the group to access the market unique to each channel and to expand the market as a whole.

The business result of each channel has its own ups and downs by changes in economic and market environments; however, even if a bancassurance channel is sluggish, if an agent

channel or insurance shop channel is strong, the business results of the group as a whole can be improved. This contributes to the management stabilization.

Moreover, the best practice for the customer centered operation, risk management or compliance can be shared among the group companies. By sharing it, it would lead to the improvement of various business operations, and raise the level of overall management quality.

The group management by major life insurance companies in Japan's market has barely started. During the financial results briefing for FY2018, Nippon Life stated "It is very hard to say what the total value of the consolidated financial results means, but each company has strengths and aims to provide insurance as a group by complementing each other."

It is interesting to see in the future that what kind of "group value" will be created, how a growth path will be drawn and a firm position will be built in the shrinking domestic life insurance market due to the population decline.

About the writer:

Kenichi Suzuki is an insurance journalist working for a major insurance trade paper for 34 years. From 2000 onward, he covers a wide range of insurance news including on-line life insurers, insurance shops, overseas expansion of Japanese major life insurers, business strategies, Insurance Council, InsurTech, to name a few. He hosts a private study group, Insurance Marketing Study Group. He occasionally takes a role of a speaker for OLIS seminars and has previously lectured at OLIS overseas seminars in Taipei, Seoul, Beijing, Bangkok and Jakarta.