

The Latest News in Japan's Life Insurance Market 2020: Innovation Labs set up a full-scale operation to create business models.

Emphasized on the name, *Nippon Life X*

Nippon Life X was launched to respond rapidly to the diverse needs of customers and society. It also accelerates existing activity in a distinctively Nippon Life manner [and] business developments that are difficult for Nippon Life to accomplish alone----

Nippon Life launched Nippon Life X as the external name for the innovation development office in April 2020. In August, Tokyo office of Nippon Life X was relocated to FINOLAB, the base for open innovation in Otemachi, Tokyo. And so, Nippon Life held a briefing session for Nippon Life X and expressed its determination toward the challenge of creating new business models as above.

Nippon Life's journey of innovation activities set off by dispatching its employees to Silicon Valley, USA to do some researches in FY2016. The efforts taken for these 4 years since then are as follows.

FY2017: Started full-scale networking. Increased the number of employees in Silicon Valley and then gathered information of almost 1,000 companies and interviewed with about 40 companies. Jointly developed smartphone apps with Sales Development Group.

FY2018: Established Innovation Development Office within Corporate Planning Department and set up the development investment limit of JPY10 billion. Started to invest in venture capitals.

FY2019: Posted new representatives to London and Beijing. Established its own base in Silicon Valley. Prepared about 120 reports at all the bases combined. Increased the amount of investment limit for innovation development to JPY30 billion. Invested in an AI avatar company for the avatar which can be adopted to smartphone apps for sales agents.

FY2020: Started to use the name Nippon Life X and relocated its Tokyo office to FINOLAB. Got the intrapreneurship program off the ground in April.

Nippon Life talks about its work accomplishment for the last 4 years in Silicon Valley as follows.

“There is one big result in terms of adopting advanced technology to a sales field. As for the investment area, we started investing in venture capitals in the US and expanded the target to funds and individual companies.

We'd say we have achieved a certain result if the companies we have invested in can reach

the level that they produce some innovation for life insurance sales or new business in the next step. This is still in a developing stage though...”

By the way, the “one big result” for a sales field is the smartphone app for sales agents using an AI avatar, which will give some advice to the sales agents such as “Your presentation is good on this point...” or “It would be much better if...” and so on for the presentation an agent made toward the app.

Increased investment limit for innovation development to JPY30 billion

In November 2019, Nippon Life’s Innovation Development Office decided to increase the amount of the investment limit for innovation development from JPY10 billion to JPY30 billion.

Its portfolio includes individual companies, venture capitals and investment trusts, and 70% of the limit have been invested on a commitment base so far. However, the investment is considered more like R&D expenses so that an investment return is a secondary result.

So how does Nippon Life find potential overseas startup companies?

“We have taken a very cautious approach as investing in overseas venture capitals first and then setting up investment funds, and from there investing in individual companies,” said Nippon Life.

In Japan, by taking advantages of Nissay Capital, Nippon Life sets up investment funds every year with a certain amount of funds. They say that in the seed or early stage, a growth phase of the venture capitals, Nippon Life is taking a lead.

There also are names such as UTokyo IPC and Plug and Play in the US as its business partners.

UTokyo IPC aims to expand the innovation ecosystem of the University of Tokyo. There are three activities: entrepreneur support, investment business, and corporate innovation support. Nippon Life joined in March 2020.

Silicon Valley’s Plug and Play will be utilized as its sourcing, (a means of selecting target companies and further negotiation) for startups in USA, Japan and China.

As for the investment and research structure, in addition to 15 people placed in Tokyo, 1 each in London and Beijing, 8 in Silicon Valley have been placed respectively.

The reason for setting up another base in London and Beijing is that “There exists a different ecosystem in a different place and we need to follow each thoroughly,” according to Nippon Life.

In Beijing, mega IT companies such as Tencent provide various platforms and create mini-apps within apps. Thereby, mega IT companies are the main body of innovation or

digitalization. On the other hand, in London, banks and insurers are in the center of innovation ecosystem.

Fostering innovation awareness through intrapreneurship program

A service which allows a person who needs a temporary childcare service to search for available childcare places by the nearest train station and other conditions, and then apply for the service through smartphone app---this is the idea selected through the paper screening of the intrapreneurship program of Nippon Life.

Innovation Development Office launched an intrapreneurship program in April 2020. Through the program, it aims to foster awareness for innovation and establish it as corporate culture.

There are four new business areas it aims for: ①Childcare and Education, ②Healthcare, ③Work style and Diversity, and ④Finance and Economics.

The program was offered to all the internal employees of almost 20,000 and by the deadline, the end of May, 423 ideas were received. Applicants were ranged from 20s to 60s, including not only head office staff but also branch staff.

According to Nippon Life, it appeared that managers in their late 30s and early 40s came up with good ideas as they know the insurance business inside out.

During the paper screening in the beginning of August, 20 ideas made the cut. Of which, 7 ideas are in the area of childcare and education, 6 in healthcare, 1 in work style and diversity, and 2 in other areas.

At the midterm selection in September, 20 ideas will be reduced to about 10 ideas and at the final selection which will have been held by the end of December, a few ideas will be selected to be commercialized.

After that, a project team will be formed centered with the idea's proposer and supported by members of Nippon Life X, consultants and partner companies including startup companies and they aims for commercialization in FY2021.

For the ideas which couldn't make it this time, detailed feedbacks such as "This part was good but this part was lacking," or "It'd be better if you dig further here," are given back to applicants.

Nippon Life shows its eagerness toward the program as "We'd like them to bluish up their ideas at a seminar for people who proposed their ideas regardless of their approval or rejection. We'd like to continue to keep this intrapreneurship program every year."

Development status of other companies competing for innovation

Not only Nippon Life, but other life insurance companies are also working on establishing systems which effectively conduct researches on new services with advanced technologies, such as AI or wearable devices, and a proof-of-concept which assumed to be utilized for life insurance business. Each company's main initiatives are as follows.

<Dai-ichi Life>

Dai-ichi Life Innovation Lab was established in April 2018. The company pursues initiatives by following the next four steps: ①Formulate business concepts, ②Gather information and consolidate skills/expertise ③Conduct flexible PoC, Proof of Concept, and ④Contribute to existing operation, etc.

On the global expansion aspect, Dai-ichi Life has set up the system to gather trend information on advanced technologies and startups through the offices in London and Shanghai, with the center on Dai-ichi Life Innovation Lab, Silicon Valley established in July 2018 and the regional headquarter in Singapore.

One of the results is dementia insurance released in December 2018. Its unique feature, a cognitive function check tool, was arranged for a smartphone app by America's startup company, Neurotrack, with whom Dai-ichi Life formed a strategic partnership. The number of policies sold for this dementia insurance exceeded 200,000 as of the end of May 2020.

<Sumitomo Life>

Sumitomo Life Digital Innovation Labs was established in Tokyo and Silicon Valley, USA in April 2018. It strengthens the partnership with South African's financial services company, Discovery, and the Netherlands' NN group in the digital field.

In July of the same year, a health promotion type of insurance, *Vitality*, was released for the first time in Japan. *Vitality* is a wellness program developed and introduced by South Africa's Discovery in 1997. The number of sales surpassed 440,000 policies by the end of May, 2020.

<Aflac>

In August 2018, Aflac Innovation Lab was opened. Its mission is to open up a new business frontier by combining insurance and something else. In October of the same year, a health promotion type of insurance was started to be sold exclusively through online. Aflac will carry forward the projects focused on healthcare because it is no stranger to life insurance and easy to tackle with,

<Meiji Yasuda Life>

In April 2019, Meiji Yasuda Institute of Life and Wellness, Inc. changed its name to Meiji Yasuda Research Institute. It enhances a basic survey on healthcare, advanced technology and big data from a medium to long term perspective. Moreover, together with Digital Innovation Development Office which is under Corporate Planning Department and is responsible for

R&D and implementation, it aims to make their work be practically utilized in products and services.

<Taiyo Life>

Taiyo Life Aging Society Institute was established in April 2020. From the standpoint of prevention, early detection and early treatment of diseases, the institute conducts collaborative researches with other academic institutions utilizing big data, and discloses the results widely to public. Moreover, It tries to connect the results of those joint research projects or new technologies and services the institute would find to insurance products and services.

<Asahi Life>

Asahi Digital Innovation Lab was established within Information System Planning Department in April 2020. It aims for providing new added values and creating new business models. It strengthens the cooperation with Asahi Life's information system subsidiary, Info Techno Asahi, and through the partnership with outside companies, it collects information through external network and demonstrates flexible PoCs.

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.