

The Latest News in Japan's Life Insurance Market 2020: Changes brought by COVID-19 in the life insurance industry– A new sales model combined face-to-face sales with non-face-to-face sales.

The payment associated with COVID-19 is 1.6 billion yen for death benefits and 350 million yen for hospitalization benefits.

“I am not able to judge whether or not this number is large or small; however, what is more important is to look in details into the future situation toward the spread of disease, and the insurance payment – how it will be like in accordance with the situation,” commented President Hiroshi Shimizu of the Life Insurance Association of Japan, also a president of Nippon Life Insurance Company, on the total insurance payment of 2 billion yen. LIAJ held a press conference on June 12, and reported a total insurance payment associated with COVID-19.

Of 2 billion-yen, 250 death benefit claims were made with the total payment of about 1.6 billion yen and 2,700 hospitalization benefit claims with about 350 million yen as of the end of May.

In Japan, the first COVID-19 patient was confirmed in the middle of January this year. After reaching 1,000 on March 20, the number of patients surged over 2,000, 3,000, 4,000, at the end of March, on April 3, and April 6 respectively.

On April 7, Japanese government declared a state of emergency pursuant to the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response and the declaration was imposed in the 7 prefectures, including the Tokyo metropolitan area, before it was expanded to the nationwide on April 16.

It is said that when the conditions of the Three Cs (Closed spaces, Crowded places, Close-contact settings) are all met, the incidence of infection among people will become high so that the government strongly requested to avoid non-essential, non-urgent outing and to close business voluntarily.

The declaration was lifted in 39 prefectures on May 14 and nationwide on May 25.

During this period, LIAJ took various measures in connection with COVID-19.

First, as financial relief measures for policyholders who have difficulties to pay for premiums, the grace period was extended to a maximum of 6 months, or the end of September.

At the same time, for policyholders who are infected with coronavirus but receive medical attention at places other than medical facilities, such as hotels or their own homes, LIAJ has created a guideline regarding the required documents for making insurance claims so that such policyholders can also receive hospitalization benefits.

A simplified and unified form of medical certificates required for insurance claims including

hospitalization benefits has been also created in light of reducing an administrative burden on medical providers.

700,000 policy loan applications, about 406 billion yen

In addition to such efforts made by the life insurance industry, each LIAJ member company (42 companies) has carried out various measures as well. Some efforts are as follows.

- ① Waiving interest for new policy loans to fulfill temporary financial needs. Incidentally, an interest rate for policy loans varies among companies and a duration of insurance, it is usually set between 3% and 5.75%.
- ② Applying an accidental death benefit for a death caused by COVID-19.
- ③ Applying an outpatient benefit for medical care through telemedicine, such as online or telephone doctors, at home instead of visiting hospitals.

So, how much are they effective in supporting policyholders?

There are approximately 170,000 applications for the extension of premium payment grace period (as of the end of May).

There are approximately 700,000 applications for the new policy loans and almost 406 billion yen was newly loaned out (as of the end of May).

President Shimizu added “The needs for temporary suspension for premium payments and the temporary needs for financing are rising and the impact of the spread of COVID-19 is extensive. We will be particularly required to identify the situation of each policyholder and provide him/her with extensive follow-up services in order for him/her to keep insurance policies.”

For that reason, LIAJ announced a revised measure concerning unpaid premiums on June 10.

The previous measure whereby unpaid premiums were to be paid in full by the end of September was revised and according to the new measure, the grace period has been extended by another 7 months, by the end of April next year. Payments in installment have become available as one of the payment options.

Despite all these measures, however, it is disturbing that there is a rapid increase in the number of cancellations.

How many policies have been cancelled without being applied for the payment extension or how many cases are there in which policyholders cancelled their policies to use surrender cash value to finance their business without applying for new policy loan?

There is a surrender value column in *Summary of Life Insurance Business*, which LIAJ publishes every month. Although business summaries of April and after have not been

published yet and therefore the actual numbers are still unknown, it is the most likely that the number will be greater than that of the same month last year.

The abrupt increase in the number of policyholders who fall into financial difficulties to pay premiums due to unemployment or decrease in incomes led by the outbreak of COVID-19 is concerned. It will be a huge blow to a life insurance market.

By the way, LIAJ has made a donation for the front-line medical professionals committed themselves to fight against COVID-19. A total of 1 billion yen, including 400 million yen each to Japan Medical Association and Japanese Nursing Association has been donated so far.

Voluntary restraint from face-to-face sales in April and May but guaranteed salary

Covid-19 has brought an unprecedented impact on sales fields.

Life insurance companies began restraining business activities in the wake of the government's strong self-restraint request of unnecessary outing. After the announcement of the state emergency declaration nationwide on April 16, sales agents worked from home and voluntarily stopped sales activities.

Instead, sales agents engaged in the following activities during this period.

- ① Making follow-up calls or sending follow-up emails to clients to ask about their health conditions and to explain about a cause of payment on their insurance policies.
- ② Introducing the special measures set for policyholders such as the extension of grace period for premium payments.
- ③ Brushing up or improving skills such as consulting skills through e-learning by using a tablet-type sales mobile terminal.

“Our sales agents prioritized a non-face-to-face access to clients. Not only providing information about the extension of premium payments grace period and special handlings of hospitalization benefits, they also provided consultation on insurance coverages or premiums upon requests. They carried out activities to deliver peace of mind to our clients” (Meiji Yasuda Life Insurance Company)

Since any aggressive sales activities were voluntarily given up, there were few new businesses. However, life insurance companies, whose main sales channel is a sales agent channel have decided to adopt a guaranteed salary system.

For example, Meiji Yasuda Life guarantees a sales agent the average salary he/she earned from October 2019 to March 2020, until July according to his/her non-face-to-face activity results.

Fukoku Mutual Life Insurance Company guarantees a salary calculated from the average salary amount earned from October 2019 to March 2020 to a sales agent until August.

Life Insurance Companies successively resumed visiting clients in the area where the state of emergency declaration was lifted on June 1.

When sales agents visit policyholders, they make sure to contact them beforehand to avoid any undesirable visit. Also checking a body temperature daily and managing physical condition, wearing masks, and sanitization (washing hands/gargling throat) are thoroughly implemented among sales agents.

If clients do not wish to be visited, telephone and email will be considered as the preferred method of contact for them and conducted accordingly.

Customizing combination of face-to face and non-face-to-face sales

In order to co-exist with coronavirus, work arrangements to avoid the 3Cs and telework from home have started to have a root in the society. While face-to-face sales activities are at their breaking point with such an abrupt change in the business environment, a new business model has been sought after.

First, what has been learned for these two months while non-face-to face sales activities were the only option.

“Customers purchasing behavior will be a combination of face-to face and non-face-to-face activities. Each customer will have a different preference in the combination, so it will be diversified.

If so, it is no longer only about sales activities and what life insurance companies have to do is to customize a combination of face-to-face and non-face-to-face based on each client’s request, preference and behavioral pattern.” (Nippon Life Insurance Company)

“One might feel convenience in concluding business only with digital means, without any human intervention, or feel comfortable with an on-demand remote access which has no time and space constraints, while another might realize again the necessity of a meeting face-to-face. The various needs of customers will become more apparent.” (the Dai-ichi Life Insurance Company, Ltd.)

“In midst of the trend for digitalization, it’s conceivable that insurance sales through the Internet will increase; however, considering the nature of life insurance which support policyholders in the long run, the sales agents being the center of insurance sales will remain unchanged in the future.

We’d like to take advantages of digital technology on various aspects such as building a scheme to enable digital contact with customers, improving customer convenience and agent performance.” (Sumitomo Life Insurance Company)

Nippon Life particularizes the activities utilizing digital technology as follows.

- ① Collecting customer information through LINE ID collection campaign.
- ② Contacting customers continually to provide with product and service information through LINE.
- ③ Providing customers with a tool to raise customer needs through LINE
- ④ Sending insurance proposals through LINE

With over 80 million users, LINE, an interactive messaging application, enables to provide information timely to customers without meeting in person.

It aims to strengthen the relationship with policyholders by expanding a digital contact point with them to make a cycle of collecting policyholder information and sending feedback to sales agents.

Major life insurance companies have a strong dependency on face-to-face sales by their sales agents. They have established a new face-to-face and non-face-to-face combined sales model and taken one step forward toward a sustainable growth even in these difficult times.

Significant business performance of online insurance companies

While face-to-face activities have been limited, the sales of non-face-to-face sales channel such as the Internet has been picking up. So, let me touch upon its trend.

The number of monthly new business of Lifenet Insurance Company reached a record high of 11,078 in April. It is almost doubled from 5,605 the same month last year. There are 9,017 new businesses sold in May and it is 34% increase from 6,718 year on year.

At the financial results briefing held in May 15, Lifenet Insurance attributed its sales growing factor to the following three points.

- ① A spread of coronavirus infection made the needs for life insurance apparent.
- ② People got spare time to consider life insurance due to working from home stemmed from a stay-at-home request. In addition, the changes in customers behavioral pattern of purchasing insurance not meeting in person resulted in a positive impact.
- ③ Other life insurance companies voluntarily restricted face-to-face sales activities.

However, 10,000 new businesses a month account for less than 1% of what the entire life insurance industry makes so that Lifenet Insurance is far from being a threat for large and medium-sized life insurance companies.

Advance Create Co., Ltd. operates an insurance comparison website, *Hoken Ichiba*, and its business is going strong as well.

The number of life insurance sales in April through *Hoken Ichiba* increased by 31% to 2,214 compared to the previous month, triple the sales reported in the same month last year.

Moreover, an online insurance consultation service, a newly launched service in March, is

off to a good start with 5,312 reservations made in April.

Here are some comments from customers.

“I can take an online consultation and I can talk while looking at someone. It makes me feel a sense of security.”

“Right before my birthday, I was about to go to a nearby insurance agency. But I was feeling lost because the shopping complex was closed due to COVID-19. I am glad that I was able to consult on insurance and purchase even under these circumstances.”

Even with the strong performance on non-face-to-face sales channel, Lifenet Insurance takes a prudent stance as a trend for new business after May is uncertain.

Growing concern over the decline in business during the first quarter

While some life insurance companies are boosting their business through the Internet sales channel, for the life insurance industry, the biggest concern right now is the possible decline in business performance during the first quarter, from April to June.

During the FY2019 financial result briefing in May, many companies commented “There wasn’t much impact seen in April but there should be a considerable impact in May and June.”

The second wave of the spread of COVID-19 has been expected and if the voluntary restraint of sales activity is prolonged further because of that, it is impossible to predict the performance not only for the first quarter of FY2020 but also throughout the entire FY2020.

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.