

## **The Latest News in Japan's Life Insurance Market 2021: Lifenet Insurance Company has thrived with the COVID-19 pandemic and how does it maintain its momentum?**

**The number of new businesses hitting all-time record high and policies in-force reaching 500,000.**

Lifenet's number of new business in FY2020 was a record high of 100,587, a year-on-year increase of 24.3%, surpassed 100,000 for the first time.

There are some factors to boost its new business performance; such factors include the customer awareness of life insurance needs triggered by the COVID-19 pandemic and the customer changes in purchasing behavior which now prefers non-face-to-face sales when taking out life insurance.

Is Lifenet's remarkable success in its new business performance still moving forward at the steady pace into FY 2021?

For the first half of the year, it recorded 53,720, a 4.3% increase from the same period last year. This is the weaker performance in the growth rate compared with the first half year of FY2020, a 35.9% increase from the previous year same period at 51,505. It is also the highest growth rate for the half year ever recorded for the company.

Even looking at the number of new business by month, all the monthly sales for the first half of FY2020 from April to September surpassed those of FY2019.

During the first half period of FY2021, however, the sales dipped in April and July. Especially as far as April goes, if compared with the previous April where the number of new business significantly increased to 11,078, the decline is prominent with the number at 8,890.

In addition, its accumulated number of new business from the first to the third quarter of FY2021 (from April to December) was 76,226, increased by 3.5% from the same period last year, whereas these numbers of the previous year were recorded as 73,669 and 27.9% respectively.

Especially for the three months from October to December, the business performance didn't meet its target numbers. According to Lifenet, this is because the company misjudged the consumer sentiment. As the declaration of a state of emergency over COVID-19 was lifted in September, consumer behavior moved outward and it resulted in the temporally decline of customer needs for life insurance over all.

However, after hitting the bottom in November at 7,026, the number of new business has been on a recovery trend with 7,487 in December and 8,027 in January.

On the other hand, the number of policies in force reached 496,659 as of January 2022, and it is without doubt that Lifenet will cross 500,000 mark during FY2021. Lifenet started business in June 2008 and the number of policies in force will surpass 500,000 in about 14 years.

Incidentally, Lifenet's annualized premiums on policies in force as of January 2022 are JPY 21 billion and the breakdown of the number of in-force policies by product is as follows.

Term Life *Kazoku*: 242,350

Whole Life Medical *Jibun*: 135,732

Term Medical Care *Jibun Plus*: 8,554

Long-term Disability *Hataraku-Hito*: 63,146

Cancer *Double Yell*: 46,877

As for the composition ratio of products, Term Life accounts for 48.7%, Whole Life Medical accounts for 27.3%, and Long-term Disability — the product that Lifenet has been particularly promoting — accounts for 12.7%. Cancer, which was released in September 2017, accounts for 9.4%.

Furthermore, the annualized premium per policy-in-force is about JPY 42,000.

### **Providing *betterChoice* through joint subsidiary**

Lifenet's effort in the first half of FY2021 can be summarized into the following three business outcomes.

- i. Released new long-term disability insurance *Hataraku-Hito 3* in June.
- ii. Launched a subsidiary, Lifenet Mirai.
- iii. Launched White Label business with Money Forward

*Hataraku-Hito 3* features the industry's first lump-sum benefit to support returning to work. The benefit is to shoulder the medical costs which might incur even after going back to the workforce and to support the loss of income due to an inability to work fulltime.

Lifenet is a pioneer to sell individual disability insurance in 2010. In 2016, *Hataraku-Hito 2* which allows the policy holder to choose the way of receiving benefits and the term of insurance was introduced. More than 10 years have passed since the first product was placed in the market and the product was updated with the new concept to support returning to the work.

Looking at Lifenet's customer base, 76% of new business come from customers in their 20s to 40s. To be more specific, 30% are in their 30s, 28% are in their 40s and 18% are in their 20s.

That being said, the age group of 50s and 60s also accounts for 17% and 6% respectively, and according to Lifenet, the age range of its customer base has been expanding now that people in their 50s and 60s are becoming to have less hesitation in applying insurance through

online.

In addition, it should be noted that 53% of those new customers actually purchased life insurance for the first time. From FY2019 to FY2020, customer needs for reviewing existing insurance policies increased, such that 23% are those who switched from other life insurance companies and 18% are those who purchased as a supplement to existing insurance policies purchased from other life insurance companies.

The opening of a new subsidiary company, LIFENET MIRAI Inc., has been drawing attention as well. Lifenet Mirai is a joint venture with MILIZE Inc. and was established in May last year. MILIZE develops and operates the web platform *MILIZE* with a mission, restructuring finance with utilizing technologies.

The service brand name is *betterChoice* and the services to be provided include insurance comparison site, policy management and life plan proposal.

On the insurance comparison site, the products, such as dementia insurance that Lifenet doesn't cover, are offered by teaming up with group companies of major life insurance companies. Nonlife insurance products will be available on the website soon.

Lifenet Mirai aims to develop an online insurance platform; however, the company is also highly motivated to expand its range of products handled on the website into other areas than insurance as well in the future.

### **White Label Channel, a driving force of med to long term growth**

Not only Internet Channel but also White Label Channel has been taking on increasing importance in Lifenet's Channel strategy.

The strength of White Label business lies in its usage of the partner companies' large customer base and high brand power. Lifenet positions White Label as one of the important channels for its medium to long term growth and has high expectations to promote its sales toward boosting the growth of new business performance with the partner companies.

Lifenet with a telecommunication company KDDI Corporation released its very first White Label life insurance product, *au Life Insurance* in December 2016. KDDI's customer base is about 27 million.

Following, Lifenet teamed up with a retailing company Seven Financial Service Co., Ltd., and released White Label product, *Seven Financial Service Life Insurance* in April 2020. Seven Financial Service's customer base is about 72 million.

With the white label business with Money Forward Inc., which was started in July last year, the services to review insurance policies are provided to the users of *Money Forward Fixed Cost Review* service provided by Money Forward. Users may take out *Maney Forward Life*

*Insurance* through online.

“In order to successfully lead customers from online services to insurance contracts, designing a better customer experience is important. We have just started and haven’t seen any results yet. We’d like to polish our customer experience with Money Forward,” says Lifenet.

Life insurance review services through *Money Forward Fixed Cost Review* is the second service followed by electricity bill review services. An online services provider, Money Forward’s customer base is about 12 million.

For the direct Internet sales channel branding, a brand awareness is one of the important KPIs, and the investment centered on mass advertising will be a brand equity that will contribute to the new business acquisition, according to Lifenet. As a matter of fact, its brand awareness has increased to 50%.

### **Proactively investing on customer experience innovation**

Lifenet increased its capital through an overseas public offering two years in a row, in July 2020 and September 2021. The raised capital amounts are JPY13.8 billion and JPY 9.7 billion, respectively.

The fund was used for 1. System development for products and services responding to changes, 2. Strengthening business alliances, and 3. New business to build an online platform for life insurance.

Regarding the direct Internet sales channel, Lifenet will mainly develops UI (User Interface)/UX (User Experience) with a focus on customer touch points by the end of FY2021 and from FY 2022 onwards, it will proactively invest in the back-end infrastructure.

By so doing, innovation of Customer Experience, or CX, by improving the efficiency of data analysis and optimizing customer touch points, and reducing operational costs by improving efficiency of infrastructural costs will be executed.

The motive behind the aggressive investment is the business forecast of the increasing needs for online life insurance.

The latest result of *National Field Survey on Life Insurance* conducted by Japan Institute of Life Insurance were announced in September last year.

Consumer intention to take out insurance through online has been gradually increasing as the survey result shows that the rate is 17.4%; however, when it comes to the actual insurance purchase rate through online, it stands at only 4.0%. Being that said, both numbers went upward compared with the survey conducted three years ago as both numbers were 12.5% and 3.3%, respectively back then. The data is a source of confidence for Lifenet that online life insurance market has a huge potential to grow.

In the life insurance industry, Digital Transformation (DX) Strategy has become the urgent management issue. While working on DX, what does Lifenet have in its mind to differentiate itself from others?

“What we develop is not only products or policy clauses but also the entire customer experience including promotions to identify needs for insurance, seamless and frictionless websites, convenient policy managements, smooth and prompt insurance payment. Our competitive strategy is to improve the so-called customer experience that is dedicated to online activities. This is also the contributing factor for our differentiation. We would like to establish a solid position as a leading online life insurance company,” says Lifenet.

Lifenet has set EEV, European Embedded Value, as its important management index and it was JPY 112 billion in the first half of FY2021 which is an increase of 17.8% from the end of the previous fiscal year, achieving the target number of JPY100 billion set in FY2018. Going forward, the company aims to achieve the next goal of JPY 200 billion as quick as possible by realizing further growth.



This is the last article of the series. Thank you for reading and supporting *The Latest News in Japan's Life Insurance Market 2019-2021*.

About the writer:

**Kenichi Suzuki** is an insurance journalist working for a major insurance trade paper for 35 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.