

**RGA**

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## RGA 2019 Japan Bancassurance Survey

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## Table of Contents

|                                                                                |    |
|--------------------------------------------------------------------------------|----|
| Introduction                                                                   | 4  |
| About RGA                                                                      | 5  |
| RGA 2019 Japan Bancassurance Survey                                            | 6  |
| Respondent Profile                                                             | 7  |
| Executive Summary                                                              | 8  |
| Highlights                                                                     | 8  |
| Shift in Bancassurance Distribution Models                                     | 10 |
| Bancassurance Profitability Over the Last Three Years                          | 11 |
| Percentage of Insurance Sales Generated by Bancassurance                       | 12 |
| Insurance Sales Staff for Bancassurance                                        | 13 |
| Top Sales Channels Generating the Most Bancassurance Premium                   | 13 |
| Product Launches and Insurance Product Distribution Agreements                 | 14 |
| Bank-Reported Product Portfolio Gaps                                           | 16 |
| Product Areas Banks Expect Insurers to Focus On                                | 17 |
| Insurers' Products of Focus for New Bancassurance Product Development          | 18 |
| Single Premium Products: Annualized Premium from Bancassurance Sales           | 19 |
| Single Premium Products: Insurer Total Annualized Premium                      | 20 |
| Regular Premium Products: Annualized Premium from Bancassurance Sales          | 21 |
| Regular Premium Products: Insurer Total Annualized Premium                     | 21 |
| Customer Segments: Insurers vs. Banks                                          | 22 |
| Plans to Develop Products for the Young Family Segments                        | 22 |
| LTC and Dementia Products Hold Promise for Banks                               | 24 |
| Insurers View Banks as a Promising Channel for Future Medical and Cancer Sales | 24 |
| Wellness Products                                                              | 25 |

|                                                                   |    |
|-------------------------------------------------------------------|----|
| Sales of Regular Premium Annuities Through Banks                  | 25 |
| Factors Contributing to Bancassurance Success and Bank Challenges | 26 |
| Bank Sales Commissions                                            | 28 |
| Commission Systems to Administer Trailer Commissions              | 28 |
| Top Insurance Competitors: Insurers' Perspectives                 | 28 |
| Banks' Perspectives: Best Insurers for Support                    | 30 |
| Underwriting Practices for Bancassurance                          | 31 |
| Insurer Goals for Bancassurance                                   | 31 |
| Paperless Sales Process                                           | 32 |
| Best Insurers for Sales Tools and Systems                         | 33 |
| Regulations to Be Lifted to Ease Buying Insurance for Customers   | 33 |
| Sales Guidelines for Foreign Currency Denominated Products        | 34 |
| Top-Ranked Innovations in Bancassurance for Japan                 | 34 |
| Reinsurance                                                       | 35 |
| Reinsurer Support                                                 | 36 |
| Notice                                                            | 37 |

## Introduction

Japan's bancassurance industry has been evolving for over 17 years and is increasingly becoming a dominant distribution channel for life insurance sales, particularly for senior segments. However, bancassurance sales have been slowing over the past few years mainly due to a prolonged ultra-low interest rate environment and rigorous new sales procedures. Even though Japanese banks have a full product line-up, including protection products such as medical and cancer, they haven't been able to penetrate young family segments as well as expected.

In 2019, RGA Japan conducted two surveys to get perspectives of both banks and insurers. We surveyed 24 insurers, replicating the same format we used in 2013 and 2017. As for bank distributors, we were able to survey 20 regional banks through a collaboration with Hoken No Madoguchi Group. The format and intention of the surveys was to focus on the key products, insurance sales, and regulatory issues from each perspective.

The key findings summarized in this report will provide an overview of the bancassurance market as a whole, as well as futures trends, including outlooks for product development and distribution.

We wish to thank the 20 banks and 24 insurance companies that participated and made this research and report possible. Your contributions were crucial, and we hope this research will enhance industry knowledge of this important channel and the mutually beneficial relationships between banks and insurers.

We look forward to continuing to support efforts to further progress this exciting business.



**Arthur Ozeki**  
Chief Executive Officer, Japan Branch



**Shin Yagisawa**  
Executive Director, Head of Business Development

## About RGA

Reinsurance Group of America, Incorporated (RGA) is a leader in the global life reinsurance industry, with approximately \$3.3 trillion of reinsurance in force and assets of \$64.5 billion. RGA is one of the largest life reinsurance companies in the world and the only global reinsurer to focus primarily on life and health-related reinsurance solutions.

In 1995, RGA launched operations in Japan with a representative office in Tokyo and was the first foreign-based life reinsurance company in Japan to be granted a full license to operate. Today, RGA Reinsurance Company Japan Branch (RGA Japan), located in Tokyo's financial center, has a team of more than 90 associates providing support to clients all over Japan. It has become the market-leading life reinsurer in the country, providing all lines of individual and group life reinsurance to support individual life and living benefits coverages such as critical illness, long-term care, and disability.

RGA serves clients from operations in 26 countries with core products and services that include individual life reinsurance, individual living benefits reinsurance, group reinsurance, health reinsurance, facultative underwriting, product development, and financial reinsurance. RGA Japan is also a pioneer in the development of innovative capital-motivated reinsurance and asset-intensive/annuity reinsurance solutions and provides expertise in claims and e-underwriting. RGA is known as well for expertise in risk assessment and capital management.

Our commitment to serving our clients is reflected in our many local and global awards. In 2018, for the eighth consecutive year, RGA was ranked #1 on NMG Consulting's Global All Respondent Business Capability Index (BCI), based on feedback from insurance executives in more than 50 countries. RGA was also recognized by Asia Insurance Review magazine as "Life Reinsurer of the Year" at the 2017 and 2018 Asia Insurance Industry Awards, for our use of data an innovation to reach the underinsured. In addition, RGA was named "Editor's Choice – Most Innovative Reinsurer of the Year" by Life Insurance International magazine, for developing innovations that are substantially improving the user experience as well as increasing business efficiency and profitability.

## **RGA 2019 Japan Bancassurance Survey**

We are pleased to release the results of our third RGA Japan Bancassurance Survey. Bancassurance is an important and evolving distribution channel for insurers in Japan. Since our initial survey of this channel six years ago (2013), we have seen significant changes in how banks serve the Japanese market, both in their approach to insurance sales and the protection products offered.

This report combines the survey findings from insurance companies that provide insurance products sold through bank channels in Japan, and from regional banks that sell insurance products to their retail customer base. Both insurers and banks reported on insurance product offerings, growth trends, standard practices, and regulatory implications for the country's bancassurance distribution channel. These findings will ultimately provide possible paths to enhanced distribution opportunities and product development.

Both banks and insurers that participated were provided with the questions in advance to facilitate completion. The survey was deployed online in September 2019 and was completed by a total of 24 insurer respondents and 20 bank respondents.

On November 27, 2019, RGA Japan hosted a client seminar in Tokyo where we presented highlights of the bank and insurer findings and provided insights into the future of bancassurance in Japan.

This report summarizes the survey findings and reflects the responses received. Financial information reflects financial year-end 2018 (FY 2018) results from April 2018 – March 2019.

RGA's continued commitment to conducting surveys and monitoring the Japan bancassurance market form a greater understanding of the trends, standard practices, and experience of the country's bancassurance distribution channel.

## Respondent Profile

The 24 insurers that participated in this survey include insurance companies that have existing distributor partnership agreements or planned strategic alliances with banking partners. The shift to strategic alliances is an evolving distribution model for bancassurance in Japan. We believe these insurers are fundamentally representative of Japan's total bancassurance market.

RGA would like to thank all of the participants for their responses and insights into this important market, and all of the individuals who submitted responses on behalf of their companies and banks, making this research possible.

The following insurance companies participated in the RGA 2019 Japan Bancassurance Survey:

- AEGON Sony Life Insurance Co., Ltd.
- Aflac Life Insurance Japan Ltd.
- Asahi Mutual Life Insurance Company
- AXA Life Insurance Co., Ltd.
- Cardif Assurance Vie Japan
- Credit Agricole Life Insurance Company Japan Ltd.
- FWD Fuji Life Insurance Company, Limited
- Manulife Life Insurance Company
- Medicare Life Insurance Co., Ltd.
- Meiji Yasuda Life Insurance Company
- MetLife Insurance K.K.
- Mitsui Sumitomo Aioi Life Insurance Company, Limited
- Mitsui Sumitomo Primary Life Insurance Company, Limited
- Nippon Life Insurance Company
- Nippon Wealth Life Insurance Company Limited
- ORIX Life Insurance Corporation
- Sompo Himawari Life Insurance Inc.
- SUMITOMO LIFE INSURANCE COMPANY
- TAIJU LIFE INSURANCE COMPANY LIMITED
- TAIYO LIFE INSURANCE COMPANY
- The Dai-ichi Frontier Life Insurance Co., Ltd.
- The Neo First Life Insurance Company, Limited
- The Prudential Gibraltar Financial Life Insurance Co., Ltd.
- Tokio Marine & Nichido Life Insurance Co., Ltd.

The following regional banks partnered with Hoken No Madoguchi Group to participate in the RGA 2019 Japan Bancassurance Survey:

- CHUGOKU bank Ltd.
- Kita-Nippon Bank, Ltd.
- NANTO BANK,LTD.
- North Pacific Bank, Ltd.
- Shikoku Bank, Ltd.
- The 77 Bank, Ltd.
- THE BANK OF NAGOYA,Ltd.
- The Bank of Toyama, Ltd.
- The Chiba Bank, Ltd.
- The Daisan Bank, Ltd.
- The Fukui Bank, Ltd.
- The Gunma Bank, Ltd.
- The Hiroshima Bank, Ltd.
- The Iyo Bank, Ltd.
- The Juroku Bank, Ltd.
- The Musashino Bank, Ltd
- The Nishi-Nippon City Bank, Ltd.
- THE SAN-IN GODO BANK, LTD.
- THE SHIZUOKA BANK,LTD.
- Tsukuba Bank, Ltd.

## Executive Summary

Bancassurance in Japan is becoming increasingly important, both for the companies that provide insurance products and for the banks selling protection products to their clients. RGA has observed a shift in the distribution models insurers are using to optimize bancassurance sales since we conducted our first Japan Bancassurance Survey six years ago.

This survey explores the many aspects of how Japanese insurers and banks currently engage in bancassurance, answering key questions about their strategic approaches, products sold and future product development, investment in innovation, challenges, and regulatory changes. We believe you will value the differing outlooks between insurers and banks to derive a whole picture of the bancassurance market.

This report contains a wealth of information about Japan's bancassurance market. We believe its full value will be derived once you are able to assimilate the contents and consider the information in relation to your organization. RGA welcomes engagement with any participants wishing to further discuss aspects of this report and the survey.

## Highlights

- In reaction to short-term product cycles and commoditized prices, RGA observed a shift in operational models from 2013: 33% of Japanese insurers reported they are currently participating in or are planning future strategic alliances or joint ventures. This is a shift from the traditional distributor-partnership agreements and a 7% increase from our last survey in 2017.
- 92% of insurers view bancassurance as vital to their sales success, and 29% of insurers believe that bancassurance profitability has increased over the last three years due to factors such as the increased sales of regular premium protection products; in-force policies related to product offerings are contributing to profitability and growth, as well as assumed interest rates.
- Banks reported that they participate in bancassurance agreements to offer their customers one-stop shopping for financial services (top-ranked response) as well as for increased fee income.
- The largest percentage of insurers surveyed (33%) reported between 0% to 10% of total life insurance sales generated by bancassurance channels; insurers dedicated to bancassurance garnered a larger percentage of sales – 17% reported between 90% to 100% of insurance sales from banks.
- Conversely, banks reported a wider spread of ranges for percentage of insurance product sales for fees and commissions, with the majority (26%) reporting between 10% and 20%.
- Most insurers plan to keep bancassurance staffing levels generally stable. Where staffing increases are planned, 18% are increasing their tele-sales agents, 16% are adding wholesaler/marketing support staff, and 14% are planning to hire more insurance planners for bancassurance. Only 5% plan to decrease bancassurance staff.
- According to bank respondents, the top driver of bancassurance sales of single premium products are bank sales representatives and bank tellers. Sales of regular premium products are driven by independent advisors (bank-employed), followed by bank tellers in the branch, and bank sales representatives.
- Half of bank respondents stated that they launched two single premium products (10 responses) and two regular premium products (11 responses) within a year. Survey findings revealed that banks established new distribution agreements to support product expansion to meet the needs of their customers.
- Forty percent of regional banks reported gaps in current product portfolios and suggested the following products to address these gaps: long-term care (LTC) benefits; education endowment products; tontine products; unit-linked products; medical insurance without cash value to support expensive treatments or unapproved medications; dementia products; and disability income products (with higher age limits than existing products).

- There appears to be a disconnect between what products banks believe they should focus on and what insurers plan to focus on. While banks are still looking for single premium Japanese Yen (JPY) products, insurers are significantly focused on foreign currency products given the current low interest rates. However, adding new benefits such as LTC helps insurers to meet the needs of banks.
- The focus on customer segments also differed between bank and insurer respondents. Insurers' top-ranked target is affluent/high-net-worth (HNW) individuals, while banks ranked individuals with young families (in their 20s to 40s) as their top customers, followed by affluent/HNW.
- RGA noted fewer insurance companies are planning to develop products for the young family segment; only 17% of insurers reported plans to do so in 2019, a 13% decrease from the RGA 2017 Japan Bancassurance Survey. RGA concludes that young family segments are difficult to target in banks due to constraints on their time during the work day and inconvenient bank branch hours, as evidenced by the latest figures from the Nikkin report.
- Dementia and LTC products hold promise to increase bancassurance sales, according to 90% of bank respondents.
- Fifty percent of insurers view banks as a viable channel for future medical and cancer sales, a decrease of 11% since our 2017 survey findings. The opportunity was rated as "medium" in strength, as banks continue to struggle with sales of these products.
- Twenty-five percent of insurers reported selling regular premium annuities through bank channels; two insurers reported that sales results were meeting expectations, while the remaining four stated that sales were below expectations.
- Insurers cited product quality and features as the top contributing factor to bancassurance sales success, followed by wholesaler support and training support for sales staff.
- Banks' top bancassurance business challenge is training support for sales staff; retail business capability ranked second.
- Eighty percent of banks believe that simplified underwriting of products would increase bancassurance sales due to a number of factors including fewer declined cases; soliciting insurance business based on the information gathered during the course of business; and the possibility of reducing what bank staff need to explain to customers.
- Insurers' top goals for bancassurance include a paperless process (stated as the top-rated goal in 2017 as well), followed by reduced end-to-end sales time and improved profitability.
- The majority of banks - 19 out of 20 - indicated they are currently using or plan to use a paperless process. Nine banks have already implemented a process and the remaining 10 plan to implement it within the next 12 to 24 months. Only one respondent reported using automated underwriting as part of the process.
- Banks and insurers both ranked prohibited sales for loan customers as the top regulation to lift to ease buying insurance. Lifting the requirement of non-disclosure of banking information was ranked second.
- With respect to the new guidelines implemented for the sale of foreign currency denominated products in banks, 46% of insurers stated that it moderately affected their bancassurance business, while 8% said it made a significant impact. The remaining 46% of respondents reported no impact.
- The top-ranked innovation for bancassurance sales for banks and insurers is digitization of the sales process, followed by decreasing regulation for banks.
- The most common reasons for insurance companies to use reinsurance are guaranteed minimum death benefit (GMDB) risk transfer, and automatic reinsurance (quota share/surplus).

## Shift in Bancassurance Distribution Models

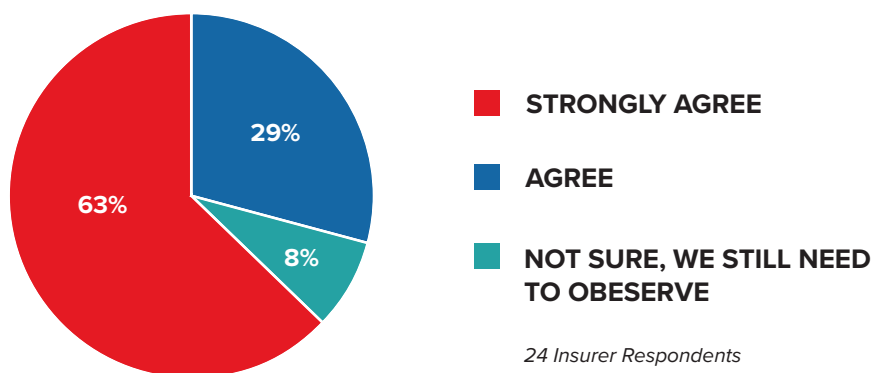
In Japan, bancassurance has traditionally operated via distributor partnership agreements. In the years since the RGA 2013 Bancassurance Survey was conducted, we have noted a shift in operational models: 33% of the Japanese insurers surveyed reported they are participating in or planning future strategic alliances or joint ventures. This is a 7% increase from the 2017 survey findings where 26% of insurers indicated changing models. One of the first formalized strategic alliances announced was between Sumitomo Mitsui Trust Bank (SMTB), the fourth largest banking group in Japan and BNP Paribas in 2018.



24 Respondents

Global surveys conducted by RGA indicate that profitability is increased when insurers and banks have tied sales targets for insurance sales through strategic alliances or joint ventures. As seen across Asia, the increasing partnership opportunities to access large customer bases is profitable for both banks and insurers. Within the bancassurance structure, life products are related to financial products; since banks have access to their clients' personal financial assets, they often work to promote life policies with built-in cash value as an alternative form of investment, citing tax benefits.

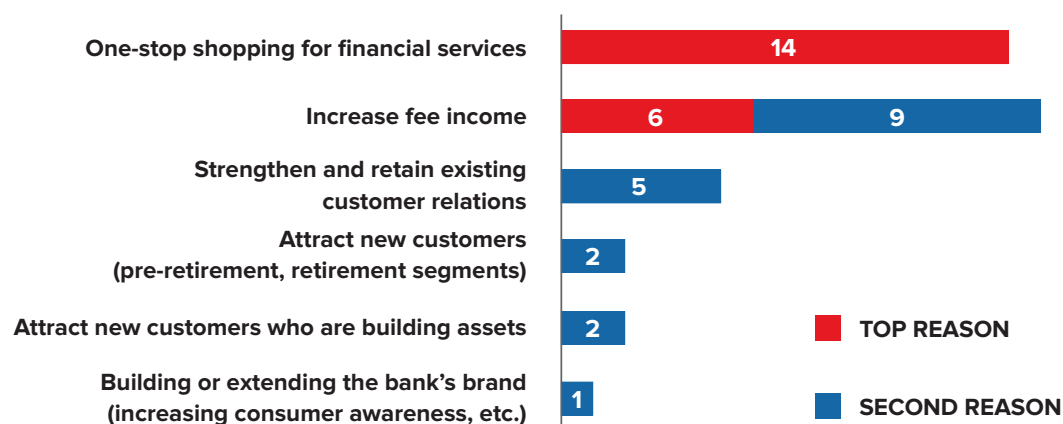
## Bancassurance as a Vital Channel for Insurer Success



In the insurer survey, RGA asked if they believe bancassurance is vital to their success. Ninety-two percent said they agree or strongly agree that bancassurance is fundamental to their success.

The top reasons selected by banks to participate in bancassurance agreements: one-stop shopping for financial services (ranked as the top reason by 14 banks), followed by increasing the fee income.

## Top Reasons for Banks to Participate in Bancassurance Agreements

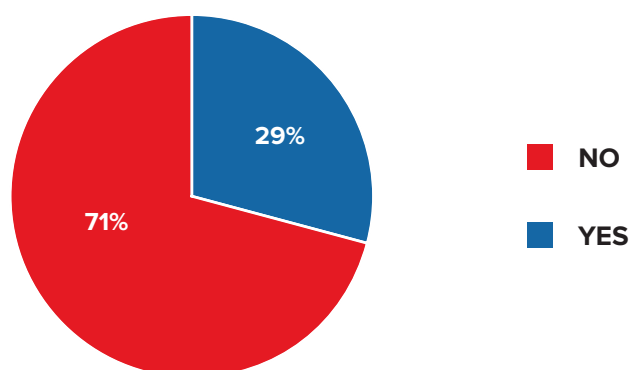


20 Bank Respondents

## Bancassurance Profitability Over the Last Three Years

Among insurer survey respondents, 29% believe that bancassurance profitability has increased over the last three years.

### Proportion of Insurers that Believe Profitability of Bancassurance Products have Increased over the Last 3 Years



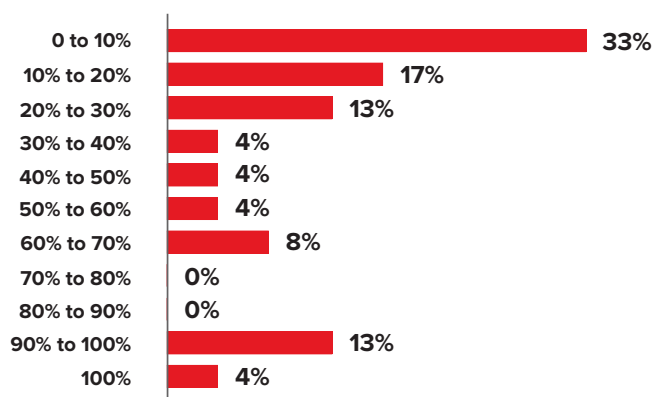
Insurers attributed the increase in bancassurance profitability over the last three years to:

- Sale of regular premium protection products have increased
- In-force policies are starting to contribute to profitability
- Increased number of profitable protection policies (e.g., income protection) being sold
- Main products such as medical insurance and income protection has steadily increased
- Increased number of policies sold
- Growth due to changes in our product offerings and assumed interest rates

## Percentage of Insurance Sales Generated by Bancassurance

The largest percentage of insurers (33%) reported between 0% to 10% of total life insurance sales generated from bancassurance. Seventeen percent reported between 10% and 20% of total life insurance sales were from bancassurance; another 17% attributed between 90% to 100% of sales to bancassurance. As highlighted in the graph below, RGA's survey findings indicate that insurers selling bancassurance products through tied agents produced lower percentages of sales (as highlighted by the lower numbers in the middle of the graph) as compared to the companies dedicated to bancassurance sales, which had greater percentage of sales (displayed on the bottom of the graph).

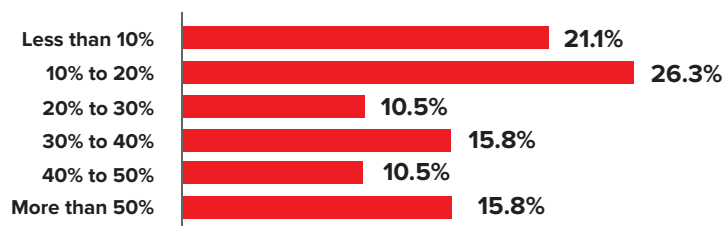
### Insurers: Percentage of the Total Life Insurance Sales Generated from Bancassurance



24 Insurer Respondents

Banks reported a spread of ranges for the percentage of insurance products sales for "fees and commissions." The majority of banks (26.3%) reported between 10% and 20%, while another 21% reported less than 10% of product sales. At the higher end, 15.8% indicated more than 50% of sales were tied to fees and commissions. The ranges indicate the level of strategic focus of insurers distributing products via banks.

### Banks: Percentage of Insurance Product Sales for Fees and Commissions



19 Bank Respondents

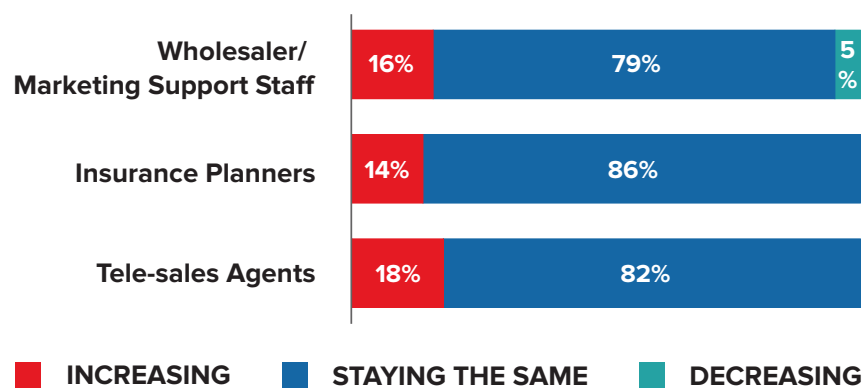
## Insurance Sales Staff for Bancassurance

RGA surveyed insurers regarding staffing levels and future planning for staff. Wholesaler staff or marketing support staff are the principal sales force for insurers in the bancassurance channel.

|              | Wholesaler/<br>Marketing Support<br>Staff | Tele-sales Agents | Insurance<br>Planner | Other         |
|--------------|-------------------------------------------|-------------------|----------------------|---------------|
| Total number | 1,499                                     | 381               | 327                  | 238           |
| Average      | 88.2                                      | 22.4              | 163.5                | 59.5          |
|              | 17 Respondents                            | 17 Respondents    | 2 Respondents        | 4 Respondents |

The majority of insurers reported that they predominantly plan to keep their staffing levels the same. Where increased staffing is planned, tele-sales agents are the biggest area of focus with 18%, followed by 16% increasing wholesaler/marketing support staff, and 14% hiring more insurance planners for bancassurance sales. Only 5% plan to decrease staff.

### Future Planning for Staffing



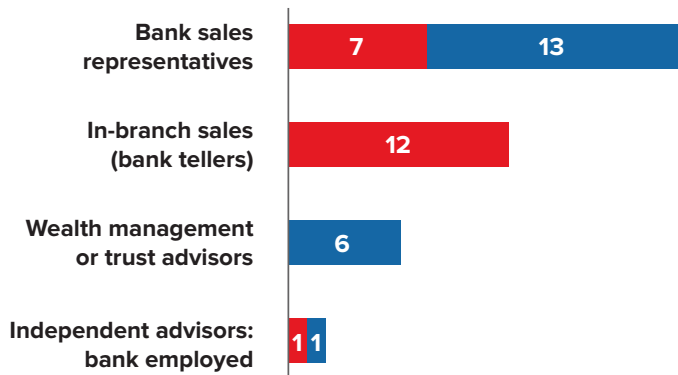
19 Insurer Respondents

## Top Sales Channels Generating the Most Bancassurance Premium

Regular premium products are sold by more sales types than single premium products, as indicated by bank respondents. The top sales types generating the most premium for single premium products are: bank sales representatives, followed by in-branch sales (e.g., bank tellers).

Regular premium products are primarily driven by independent advisors (bank-employed) and in-branch sales (e.g., bank tellers). Bank sales representatives generate the third-highest premium.

## Single Premium Products



## Regular Premium Products



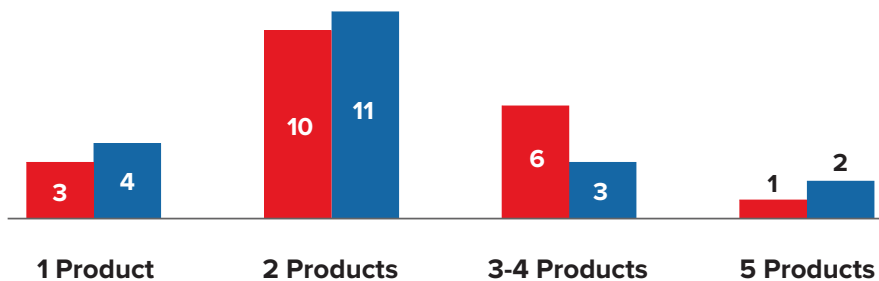
■ TOP DISTRIBUTION CHANNELS ■ 2ND TOP DISTRIBUTION CHANNEL

20 Bank Respondents

## Product Launches and Insurance Product Distribution Agreements

Approximately half of banks surveyed reported launching two products within a year for both single and regular premium products. Three to four product launches per year was the second most popular time frame for 9 companies introducing single or regular premium products.

## Product Launches within a Year

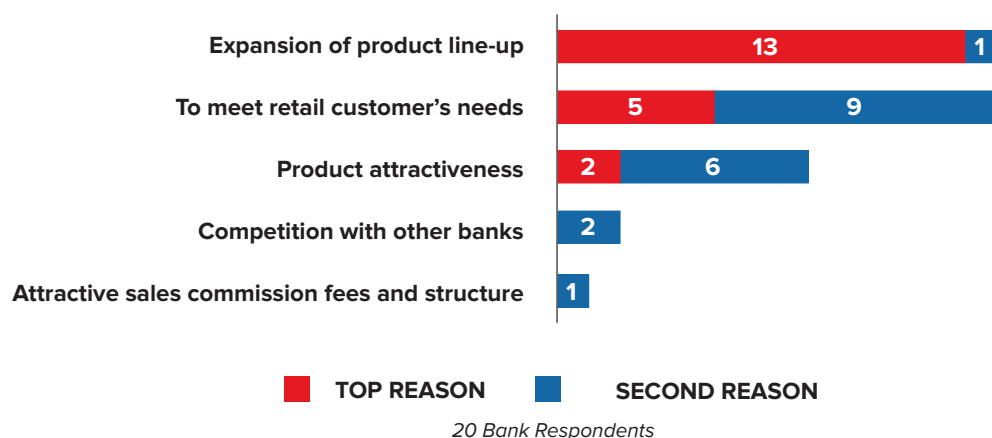


■ SINGLE PREMIUM PRODUCTS ■ REGULAR PREMIUM PRODUCTS

20 Bank Respondents

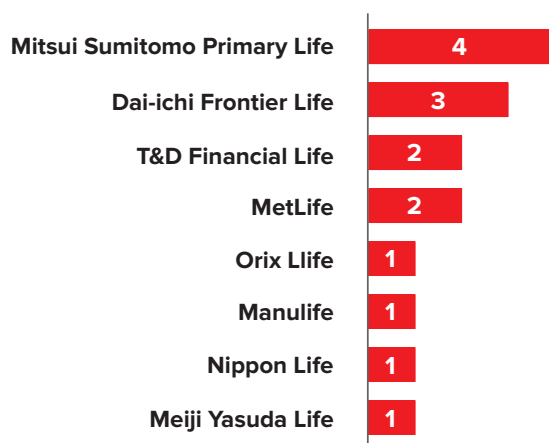
Interrelated to the number of product launch initiatives, RGA survey results also found that new product distribution agreements are an attractive way for banks to expand their product line-up and to meet the needs of their retail customers. Product attractiveness ranked third and may be more popular with banks that launch more than one or two products each year.

## Reasons to Enter New Insurance Product Distribution Agreements

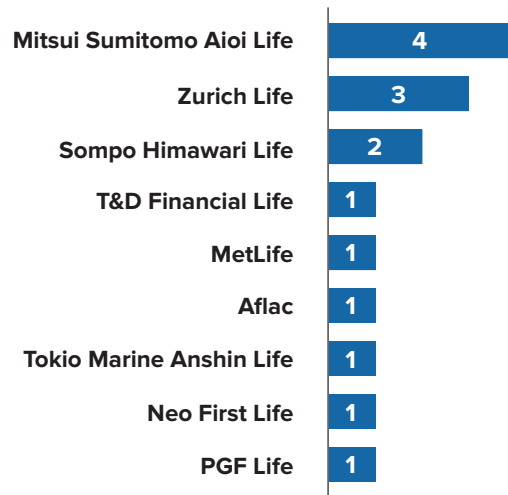


RGA asked banks to rate the best insurers with respect to product development of both single premium and regular premium products. The insurer that is perceived to be strongest (receiving the highest number of responses) was Mitsui Sumitomo Primary Life for single premium products and Mitsui Sumitomo Aioi Life for regular premium products. Dai-ichi Frontier Life was ranked as the second strongest for their development of single premium products, as was Zurich Life for their regular premium products.

## Top Ranked Insurers for Single Premium Product Development



## Top Ranked Insurers for Regular Premium Product Development



### Bank-Reported Product Portfolio Gaps

Forty percent of the banks participating in our survey reported gaps in their current product portfolios and suggested the following benefits to address the gaps:

- LTC benefits (3 responses)
- Education endowment products (JPY and FC-denominated) (2 responses)
- Tontine type products
- Unit-linked products
- Medical insurance without cash value to provide support to expensive treatment that cannot be covered by typical medical or cancer insurance (such as drugs which have yet to be approved)
- Dementia products
- Disability income products (cover older ages than existing products)

## Product Areas Banks Expect Insurers to Focus On

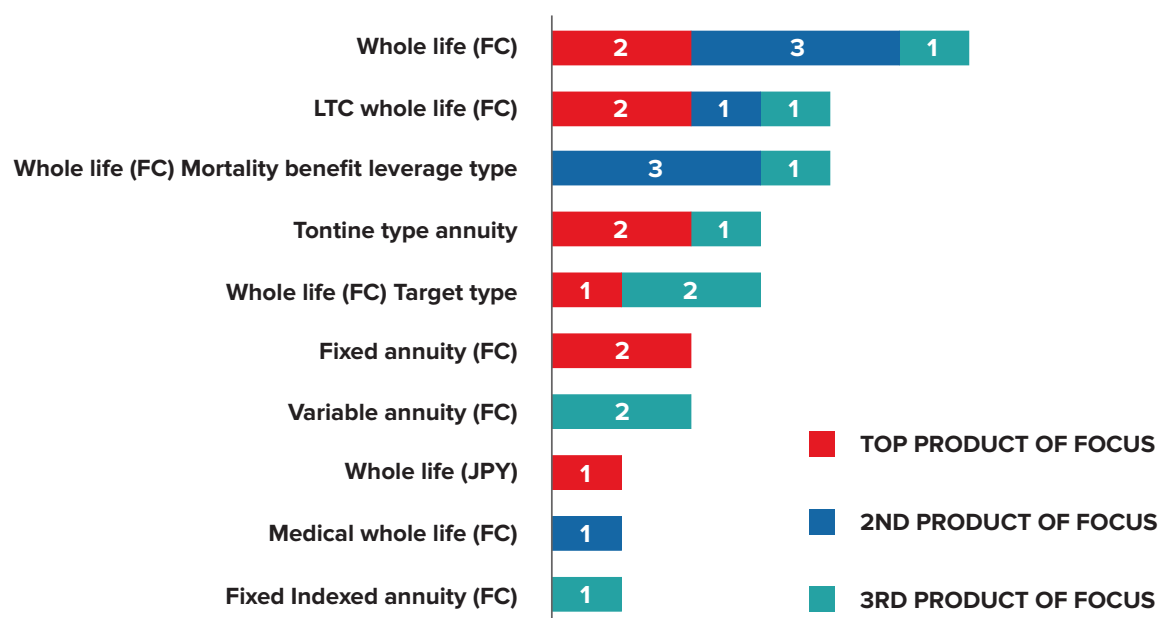
Banks indicated the following products as areas of focus for bancassurance product development:

| Single Premium Products                                                       | Number of banks that indicated the product |
|-------------------------------------------------------------------------------|--------------------------------------------|
| JPY denominated saving product (annuity, longevity)                           | 15                                         |
| Foreign currency saving product (annuity, longevity)                          | 15                                         |
| Long-term care product (additional benefit attached to saving product)        | 11                                         |
| JPY denominated saving product (inheritance)                                  | 10                                         |
| Foreign currency saving product (inheritance)                                 | 9                                          |
| Fixed indexed saving product (annuity, investment)                            | 4                                          |
| Critical illness product (additional benefit attached to saving product)      | 4                                          |
| Hospital cash benefit product (Additional benefit attached to saving product) | 3                                          |

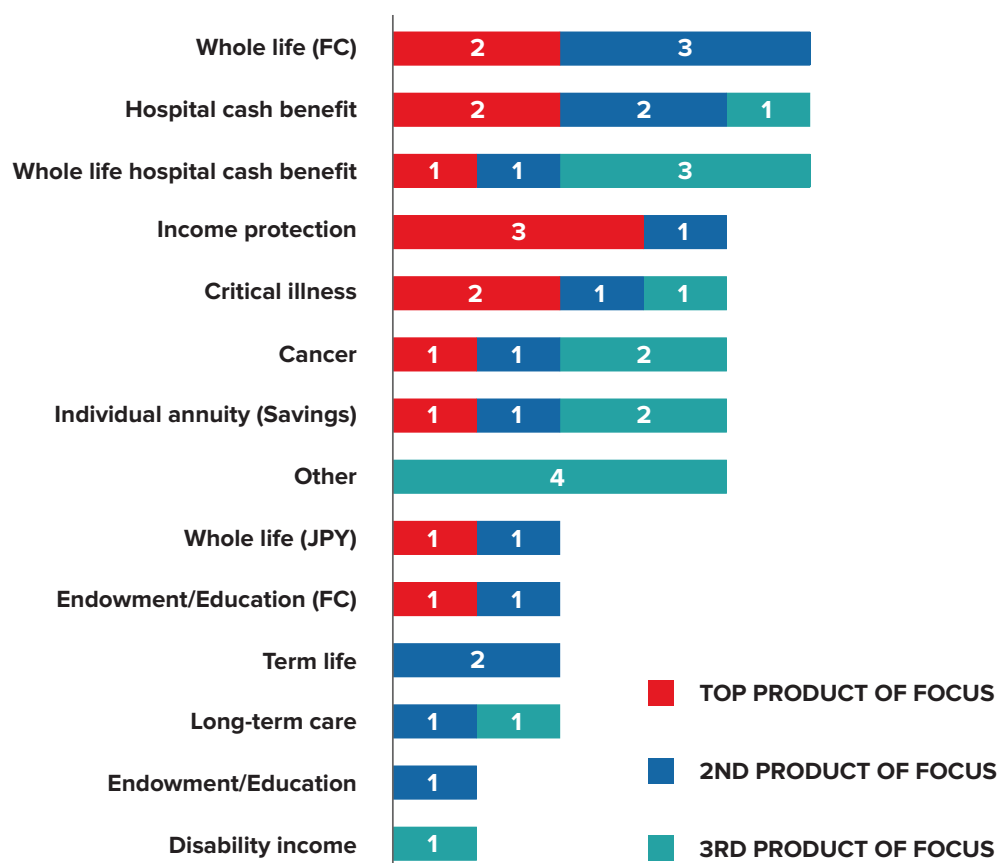
| Regular Premium Products                                                                   | Number of banks that indicated the product |
|--------------------------------------------------------------------------------------------|--------------------------------------------|
| New risk products (e.g., disability income or long-term care)                              | 11                                         |
| Saving vehicle for young customers (annuity, endowment, unit-linked, universal life, etc.) | 11                                         |
| Long-term care product                                                                     | 10                                         |
| Disability income                                                                          | 7                                          |
| FC Mortality whole life product                                                            | 6                                          |
| JPY Mortality whole life product                                                           | 6                                          |
| Protection products (medical/cancer)                                                       | 6                                          |
| Whole life medical product                                                                 | 5                                          |
| Protection products (mortality)                                                            | 5                                          |
| Critical illness product                                                                   | 4                                          |
| Cancer product                                                                             | 4                                          |
| Hospital cash benefit product                                                              | 2                                          |

## Insurers' Products of Focus for New Bancassurance Product Development

### Top Single Premium Products of Focus for Insurers



### Top Regular Premium Products of Focus for Insurers



Survey findings indicate that banks believe that insurers should be focused on developing more savings types of products for single premium including foreign currency and Japanese Yen (JPY)-denominated annuities and pensions to address longevity risks (21% of responses). Long-term care products (attached as a rider to savings types of insurance products) was also reported as a top-ranking product (15% of responses).

Banks also believe insurers should focus on regular premium products, such as savings types of insurance products for youth, including endowment products (14% of responses). Protection products, such as disability income and long-term care, are another top focus area (14% of responses). Long-term care products ranked third, with a response rate of 13%.

There appears to be a disconnect between what products banks believe they should focus on and what insurers plan to focus on. Interesting to note that while banks are still looking for single premium JPY products, insurers are significantly focused on foreign currency products given the ultra-low interest rates. However, adding new benefits such as long-term care, helps insurers to meet the needs of banks.

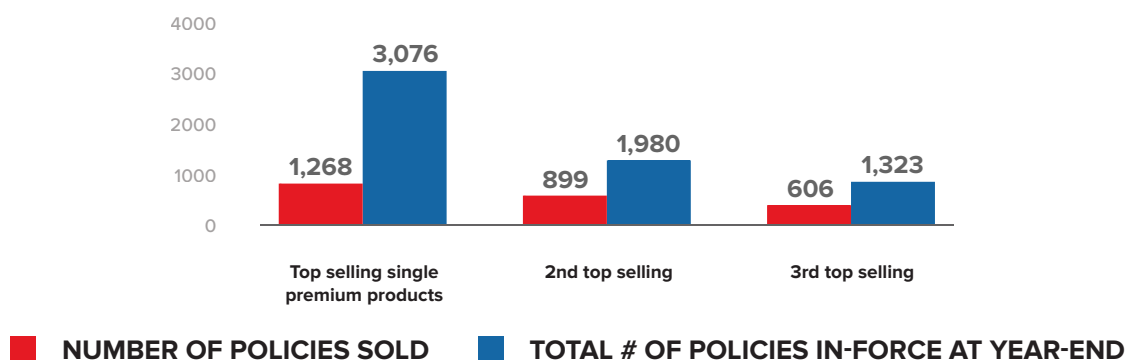
### Single Premium Products: Annualized Premium from Bancassurance Sales

A total of 18 bank respondents provided total annualized premium for their top three single premium products sold through bancassurance channels in financial year 2018-19. The top five single premium products by annualized premium were:

1. Sunny Garden EX
2. Long Dream GOLD 2
3. Premier Currency Plus 2
4. Premier Present
5. Premier Receive

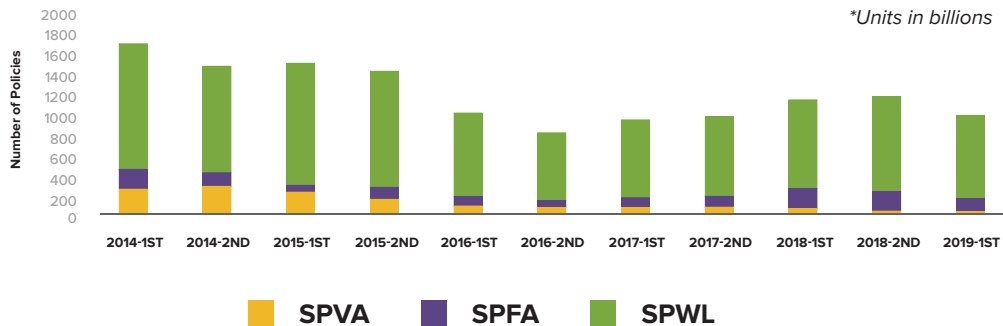
Survey findings revealed that for the top three best-selling single premium products (by premium) banks reported a total of 2,773 policies sold in FY 2018-19 and 6,379 policies in-force at the end of the year.

### Top 3 Selling Single Premium Products Policies Sold & In-Force at Year-End



16 Bank Respondents

## Sales Trends of Single Premium Products (Source: Nikkin Report)



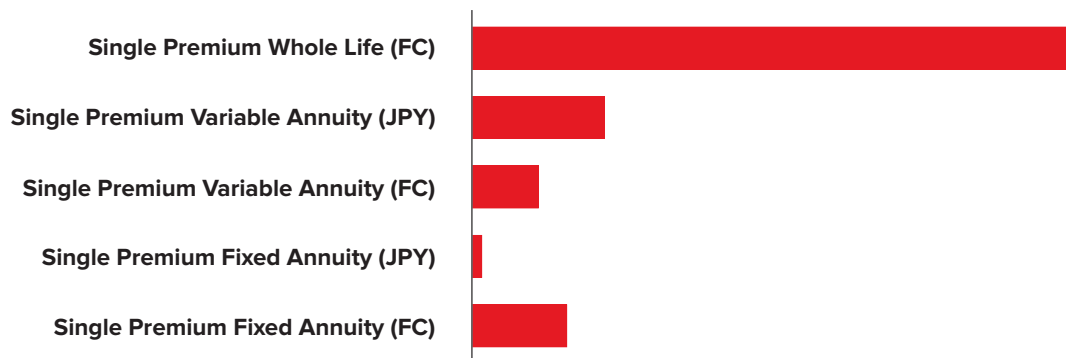
In the graph above, please note the performance trend of the single payment products by category – Single Premium Variable Annuity (SPVA), Single Premium Fixed Annuity (SPFA), and Single Premium Whole Life (SPWL).

The Nikkin Report features figures from a survey conducted of regional banks and major credit banks. As a whole, the recovery trend declined in the second half of 2016. We still observe that single premium products are difficult to sell.

## Single Premium Products: Insurer Total Annualized Premium

The annualized premium of single premium products sold via bancassurance channels for respondents was highest for single premium whole life (FC) products, followed by single premium variable annuity (JPY) products and single premium fixed annuity (FC) products.

## Total Annualized Premium for Single Premium Products



11 Insurer Respondents

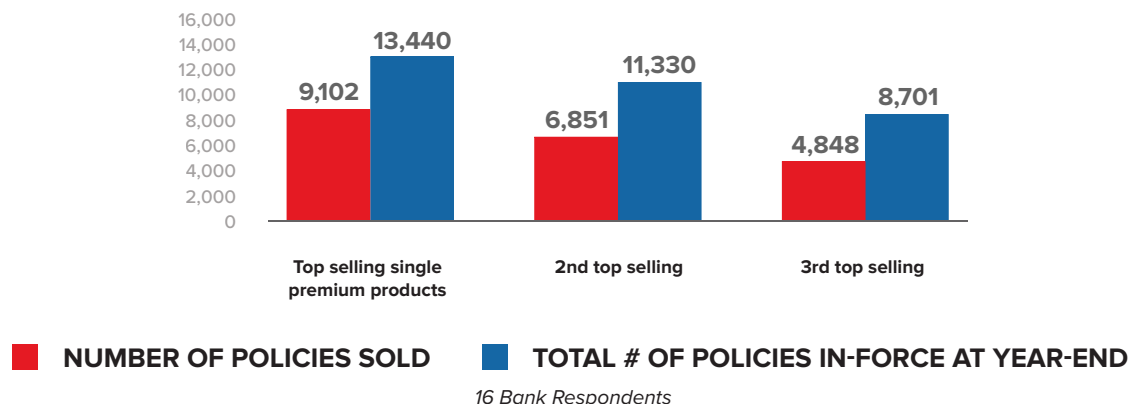
## Regular Premium Products: Annualized Premium from Bancassurance Sales

A total of 10 bank respondents provided total annualized premium for their top three regular premium products sold through bancassurance channels in financial year 2018-19. The top five regular premium products by annualized premium were:

1. U.S. Dollar Denominated Shushin Hoken PG
2. U.S. Dollar Denominated Shushin Hoken Dollar Smart
3. Kodawari Kojin Nenkin
4. Stay Gold
5. Flexi Gold

For the top three best-selling regular premium products (by premium), banks surveyed reported a total of 20,801 policies sold in FY 2018-19 and 33,471 policies in-force at the end of the year.

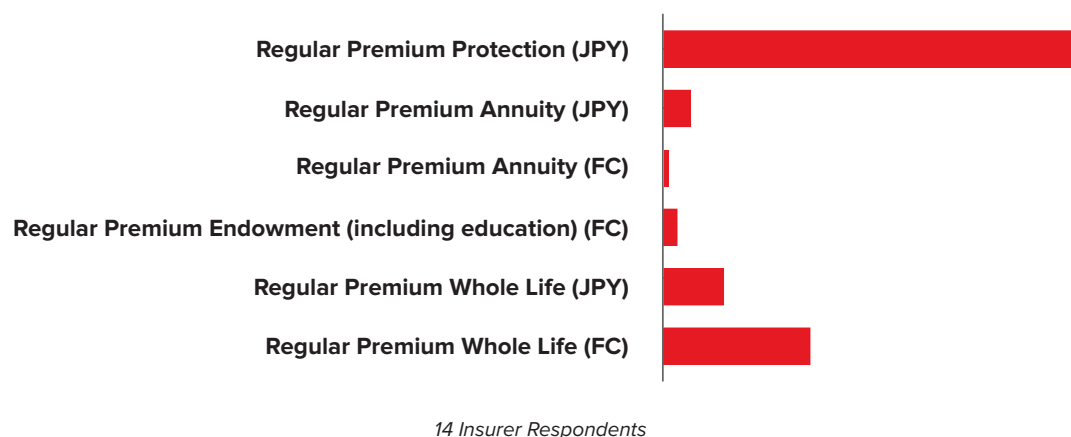
### Top 3 Selling Regular Premium Products Number of Policies Sold & In-Force at Year-End



## Regular Premium Products: Insurer Total Annualized Premium

The annualized premium of regular premium products sold via bancassurance channels for respondents was highest for regular premium protection products, followed by regular premium whole life (FC) products and then whole life JPY products.

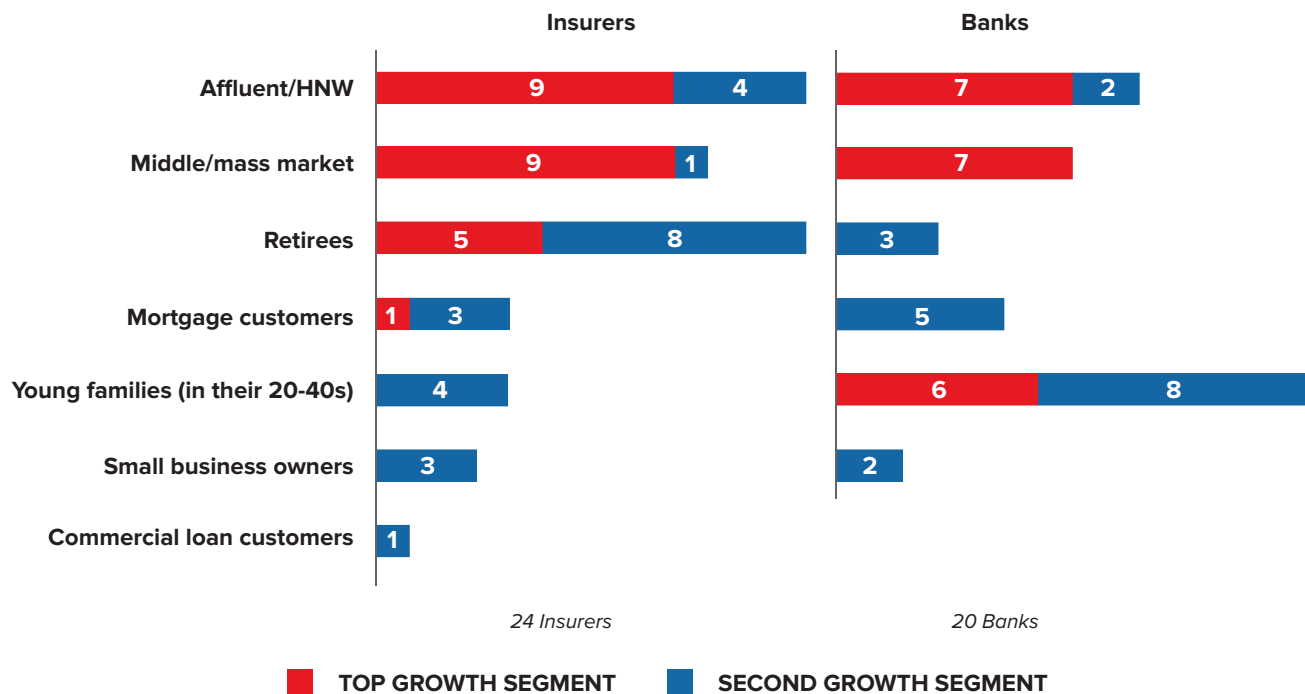
### Total Respondent Annualized Premium for Regular Products



## Customer Segments: Insurers vs. Banks

Survey findings revealed that insurers and banks had slightly different perspectives on top-ranked customer segments viewed as growth segments for bancassurance. The top customer segments for growth viewed by insurers are: affluent/High-Net-Worth (HNW), retirees ranked second, and middle and mass market ranked third. Banks ranked individuals with young families (in their 20s to 40s) as their top customer segment (consistent with our 2017 survey), followed by affluent or HNW customers, and the middle or mass market.

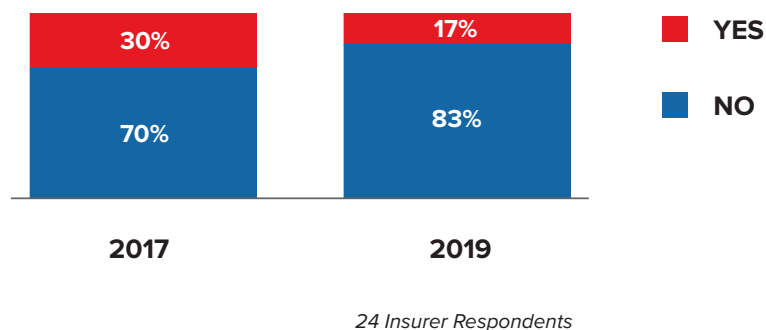
### Top Ranked Customer Segments for Insurers and Banks



## Plans to Develop Products for the Young Family Segments

As reported in the previous section, there was a decrease in the number of insurance companies who plan to develop products for the young family segments.

### Plans to Develop Products for the Young Family Segments



The four insurers that plan to develop products for the young family segment reported developing the following types of products:



**Disability Income  
(living benefits)**



**Offer insurance as  
a tool to prepare  
education expense for  
families with children  
(or pregnant women)**



**Offer measures to  
accumulate assets for  
the future through  
regular premium  
products targeting  
working generations**



**Increase the number  
of insureds in their  
40s and 50s by  
simplified issue  
product**

RGA concludes that young family segments are difficult to target in banks due to constraints on their time during the work day and inconvenient bank branch operation hours that are not always convenient, as evidenced by the latest sales figures from the Nikkin Report.

RGA research findings in other markets highlight the need for banks to develop a digital strategy to complement their bancassurance strategy. Online banking and related technologies have reduced the number of consumer transactions in bank branches. This trend has serious implications for the traditional bancassurance sales model, which has been heavily reliant on face-to-face interactions in the branch or tele-sales marketing.

A growing number of banks are offering digital channels for an improved customer experience, and many are shifting to end-to-end digital delivery. As a result, some markets are closing their bank branches due to diminishing client visits, shifting consumer behavior, and preferences for more sophisticated engagement. To learn more about the shift to digitization, please RGA's research: [Digitization and Strategy: Bancassurance Trends and Best Practices](#).

## LTC and Dementia Products Hold Promise for Banks

Of the 20 regional banks participating in our survey, 90% believe that long-term care (LTC) and dementia products will increase bancassurance sales.

The reasons to support LTC and dementia products include:

- Strong customer interest in LTC and dementia products (multiple responses)
- Growing customer needs – based on extended lives (100-year life) and an aging population (multiple responses)
- Elderly customers are visiting bank branches
- Area of bancassurance to develop
- Deal with longevity risks

## Insurers View Banks as a Promising Channel for Future Medical and Cancer Sales

Half (50%) of insurers regard banks as a viable channel for future medical and cancer sales; this decreased by 11% since the 2017 survey. For both products, insurers ranked the opportunity as predominantly "medium" in strength, as banks continue to struggle with sales of medical and cancer products.



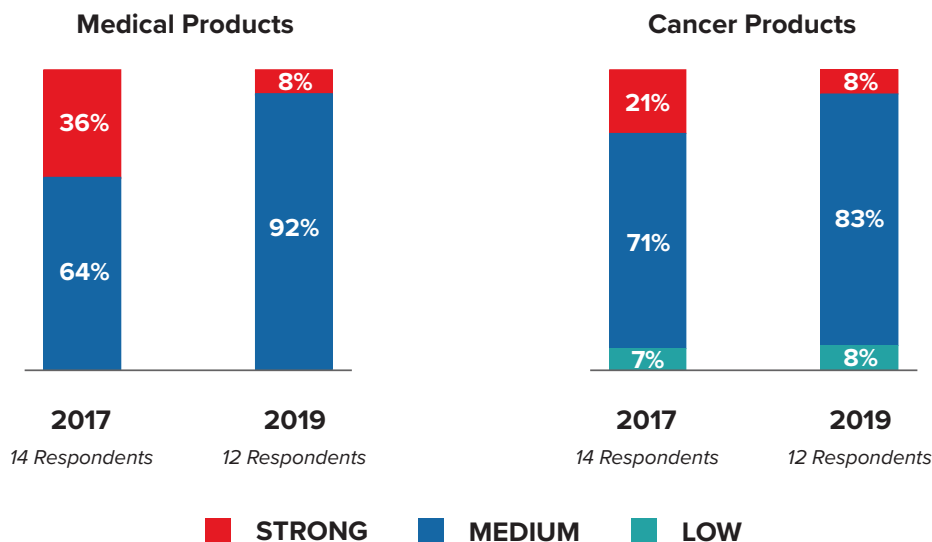
50%

In 2019, 50% of insurers regard banks as a viable channel for medical and cancer sales

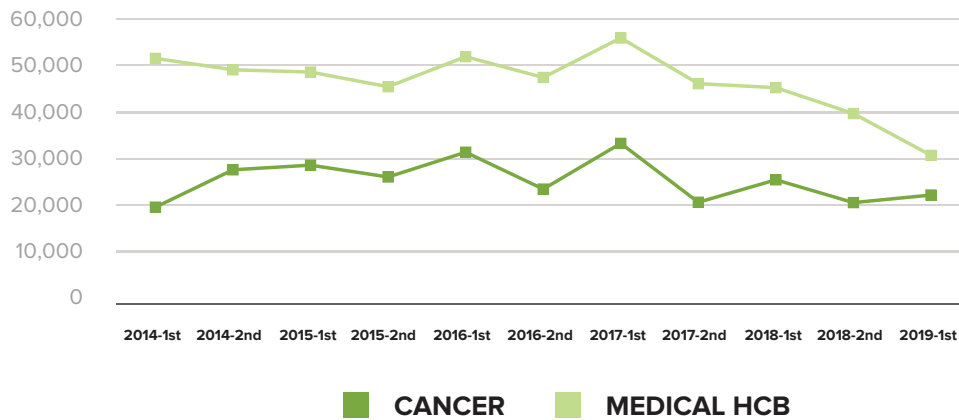
61%

In 2017, 61% of insurers viewed banks as a viable sales channel for future sales

### Strength of Opportunity



## Medical and Cancer Product Sales: Number of Policies (Source: Nikkin Report)



### Wellness Products

Overwhelmingly, banks (95%) prefer to rely on insurers' wellness products; one bank indicated that they plan to develop their own wellness-related program.

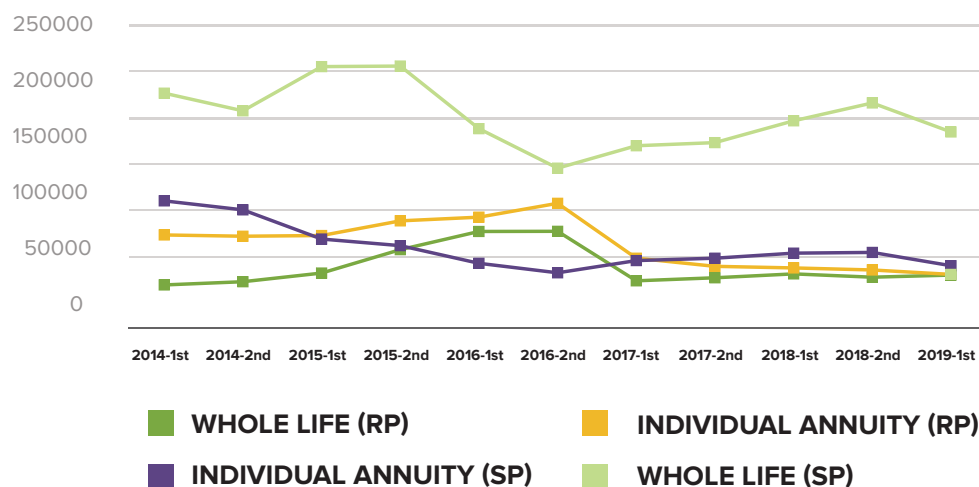
### Sales of Regular Premium Annuities Through Banks

Twenty-five percent of insurers surveyed (6 companies) reported selling regular premium annuities through bank channels; two of those respondents reported the sales results were meeting expectations, while the other four stated sales were below expectations. RGA's 2017 survey revealed that insurers were interested in launching regular premium annuities and we have seen a few implement them; however, the products are yet to be successful.

The main customer age segments for the annuities sold through banks are:

- 30 to 40 years (2 respondents)
- 40 to 50 years (4 respondents)

## Life and Annuity Product Sales: Number of Policies (Source: Nikkin Report)



## Factors Contributing to Bancassurance Success and Bank Challenges

Product quality and features was the top factor contributing to the success of bancassurance sales as ranked by insurer respondents (with a total of 20 responses). It was also ranked as the top factor in our 2017 survey, followed by buy-in at the branch level. In our latest survey, wholesaler support ranked second (with 14 responses). Survey findings from 2017 and 2019 cited training support for sales staff as the third most important factor contributing to bancassurance success (with 12 responses).

## Insurer's Top Success Factors



24 Insurer Respondents

Banks reported that their top challenge is training support for sales staff, followed by retail business capability. Ease of sales process and use of customer transaction data tied for third place.

## Top Bank Challenges for Bancassurance Business



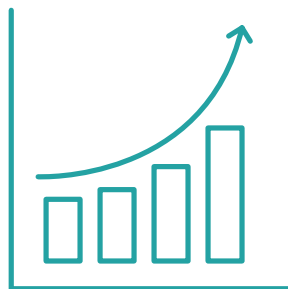
20 Bank Respondents

## Bank Sales Commissions

**4.7 % MAXIMUM  
COMMISSION RATE**

**4.0% AVERAGE  
COMMISSION RATE**

**2.2% MINIMUM  
COMMISSION RATE**



For single premium products, the regional banks surveyed reported a maximum commission rate of 4.7%; an average rate of 4%; and a minimum commission rate of 2.2%.

9 Bank Respondents

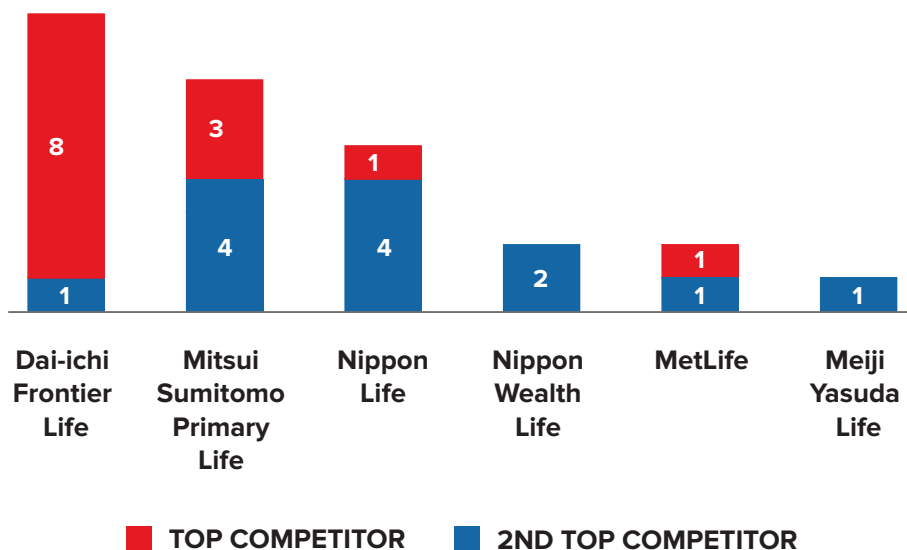
## Commission Systems to Administer Trailer Commissions

Most (90%) of the banks surveyed stated that they do not have a commission system in production or in planning for administering a trailer commission. Two bank respondents said they plan to develop a system.

## Top Insurance Competitors: Insurers' Perspectives

RGA surveyed insurers to find out who they consider to be their top competitors in the Japan market. Thirteen respondents provided the following insights and competitive advantages for supporting single premium products, while 17 respondents provided competitor names and advantages for regular premium products.

### Top Competitors for Single Premium Products

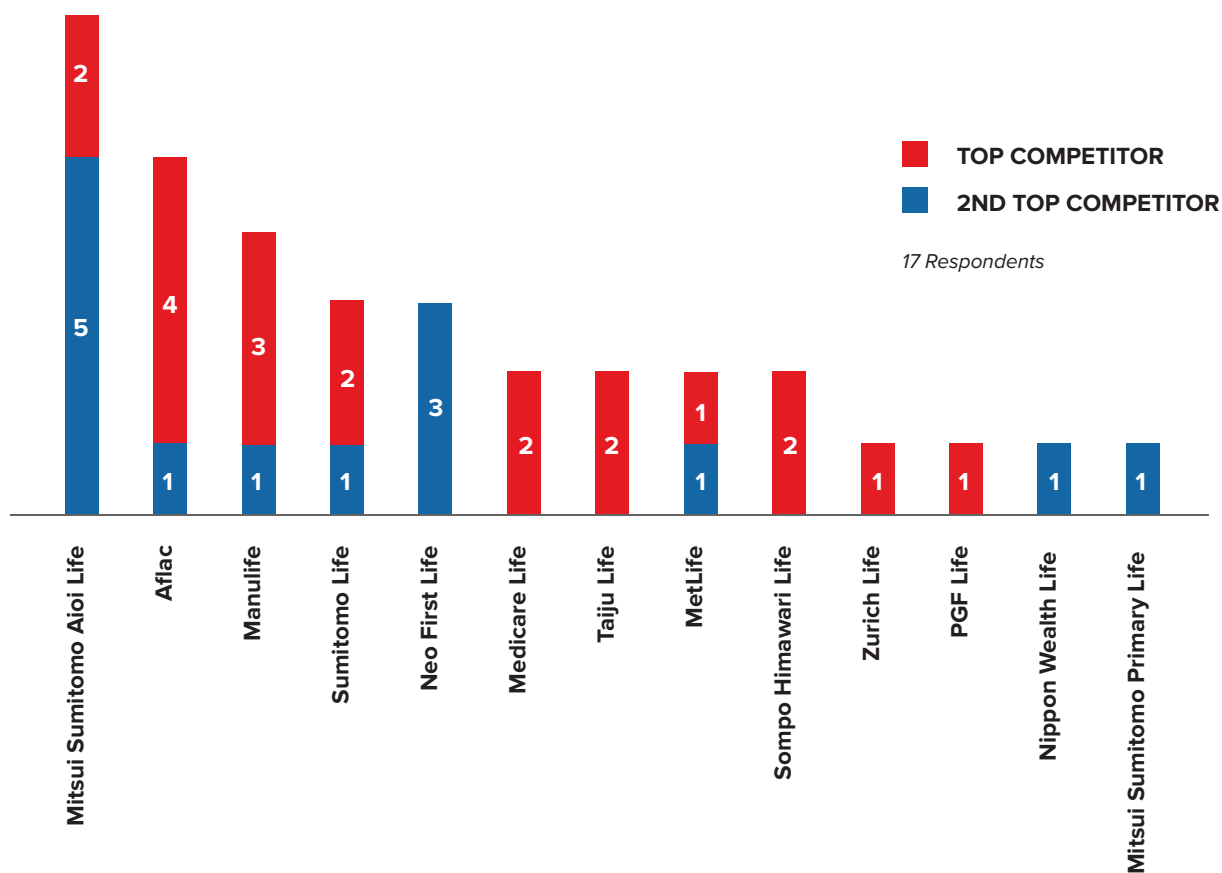


13 Respondents

The top competitive advantages for the top three insurance companies named include:

| DAI-ICHI FRONTIER LIFE                                       | MITSUI SUMITOMO PRIMARY LIFE                  | NIPPON LIFE                      |
|--------------------------------------------------------------|-----------------------------------------------|----------------------------------|
| Reputation of parent company                                 | Product features (advancement)                | High name recognition            |
| Sales capabilities for bancassurance                         | Product capability                            | Large number of bank partners    |
| Sales support from wholesaler                                | Sales support capability (CIR and wholesaler) | Penetration and vitality         |
| Easy to understand product design                            | Easy to understand product design             | Product feature (coupon payment) |
| Relationship with bancassurance partner                      | Flexible product supply system                | Organizational power             |
| Product features                                             |                                               | Strength of management           |
| Flexible product supply system – high flexibility/high yield |                                               |                                  |
| Price                                                        |                                               |                                  |

### Top Competitors for Regular Premium Products



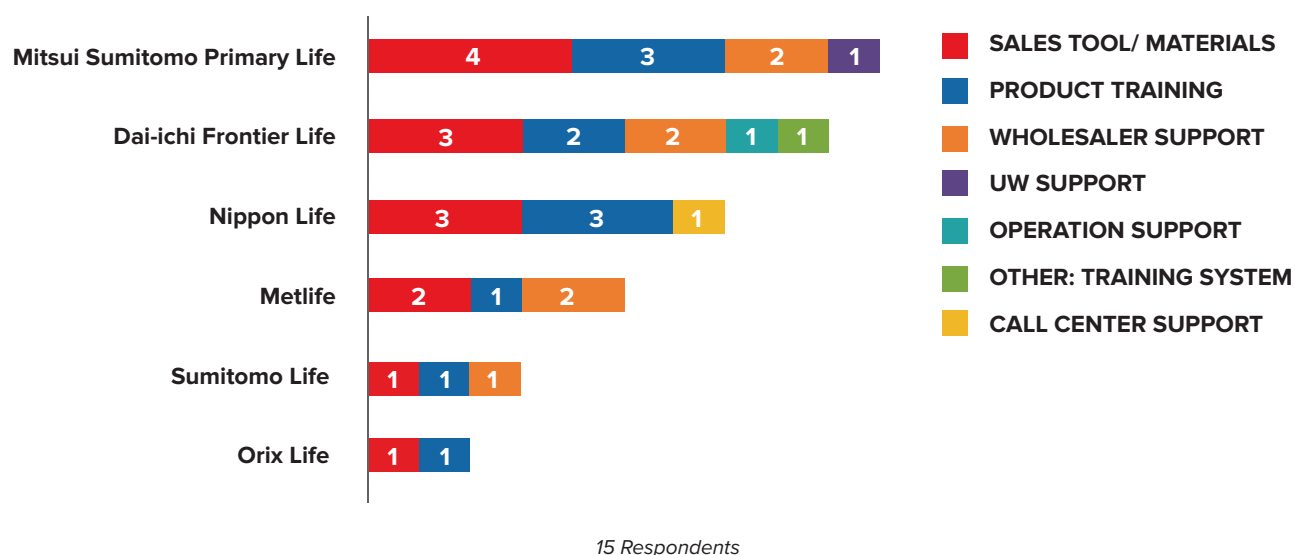
The top competitive advantages for the top three insurance companies named include:

| MITSUI SOMITOMO AIOI LIFE               | AFLAC           | MANULIFE                         |
|-----------------------------------------|-----------------|----------------------------------|
| Wide coverage                           | Simple coverage | Product feature                  |
| High added-value                        | Brand power     | Commissions                      |
| Rich benefit                            | Name value      | High yield                       |
| Variety of proposal and human resources |                 | Support for dispatched employees |
| Feature of riders                       |                 |                                  |

### Banks' Perspectives: Best Insurers for Support

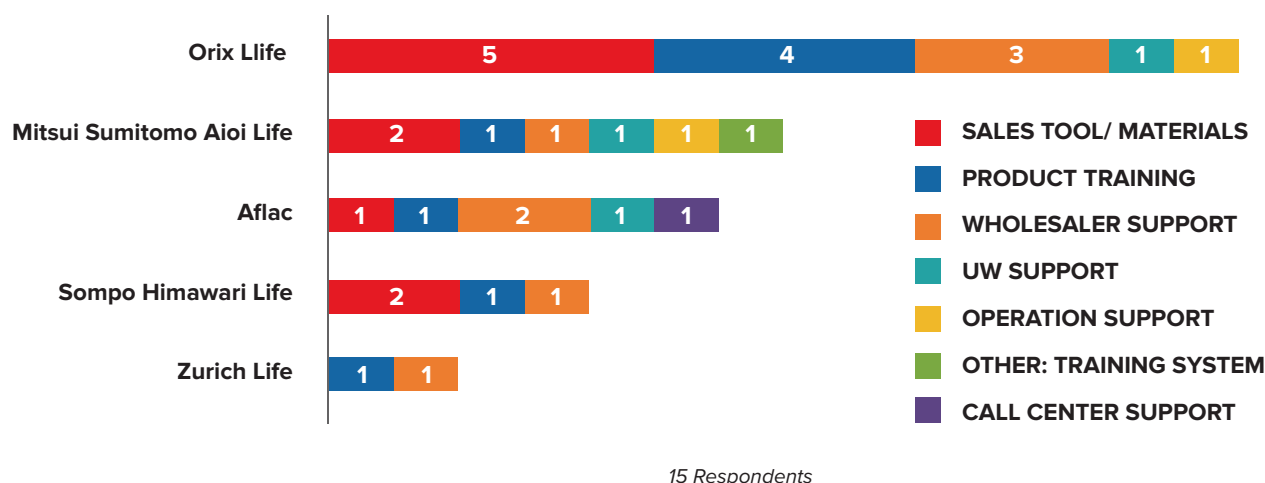
The best insurer rated for their support of single premium products is Mitsui Sumitomo Primary Life, garnering the most responses (10) across various support categories including wholesaler support, sales tools and materials, product training, and training support system (other). Dai-ichi Frontier Life ranked second (with 9 responses) across similar categories, with the addition of call center support and operation support. The next highest-ranking companies include Nissay Life (7 responses), MetLife (5 responses), Sumitomo Life (3 responses), and Orix Life (2 responses) for their support across different categories.

### Banks' Perspective: Best Insurers for Support of Single Premium Products



For regular premium products, 14 banks ranked Orix Life as the top insurer for support, with responses across five support categories including sales/tools materials, product training, wholesaler support, underwriting support, and operational support. The second highest ranked insurer was Mitsui Sumitomo Aioi Life, earning seven responses across six support categories. Aflac ranked third (with six responses across five categories), while Sompo Himawari Life received four responses across three support areas for regular premium products. Zurich Life received two responses for supporting product training and wholesaler support. .

## Banks' Perspective: Best Insurer Goals for Bancassurance Sales



## Underwriting Practices for Bancassurance

The banks were asked if they believed simplified underwriting products would increase bancassurance sales and 80% responded “yes.” The following supporting reasons were given to explain increasing sales.

Reasons for increasing sales due to simplified underwriting practices

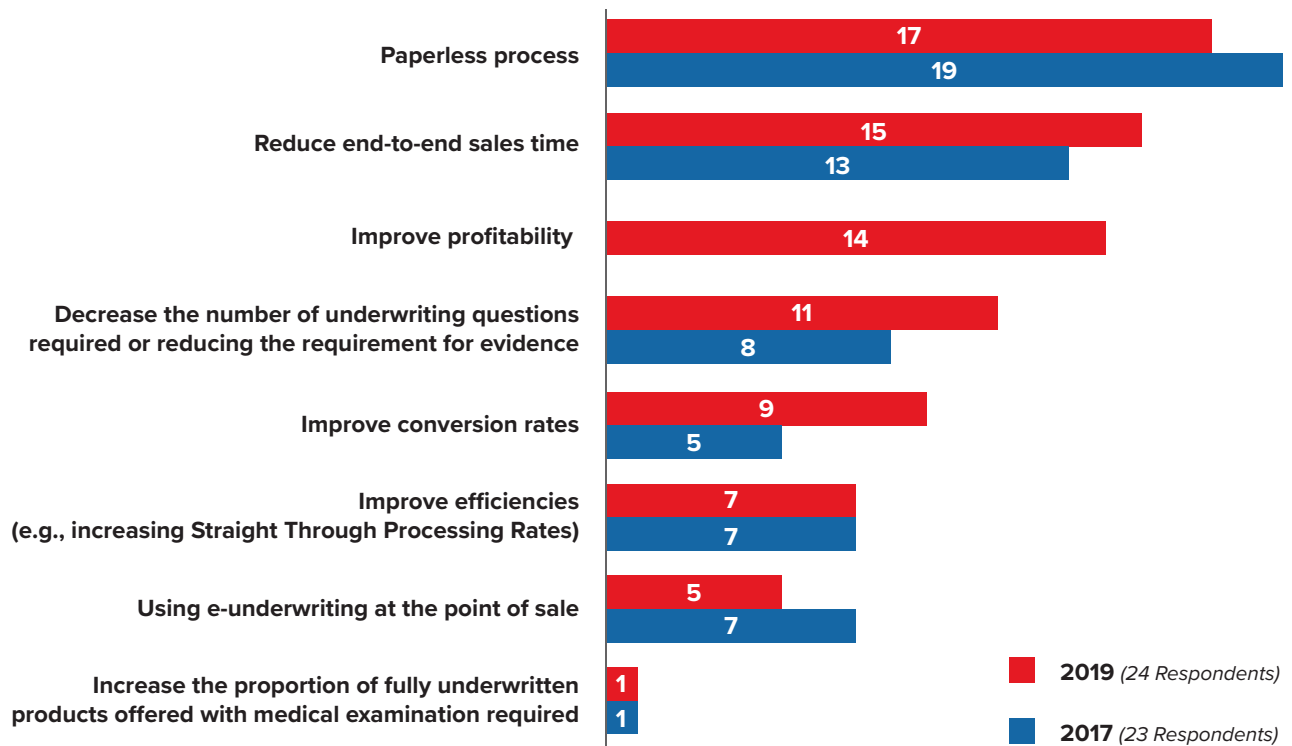
- Number of declined cases will decrease
- Sales will increase if simplified issue boosts bancassurance activities
- Possible to reduce what bank staff needs to explain to customers
- Although many points to sort out re: use of personal information; the procedures which avoid taking time and trouble to consumers are generally appreciated by sales staff and customers

Of those bank respondents who believe that simplified issue would increase sales, 40% indicated they would also consider using banking credit data and transaction data for simplified underwriting to increase insurance sales (with customer consent).

## Insurer Goals for Bancassurance

To increase bancassurance sales, insurers rated the implementation of a paperless process as the top insurer goal in both RGA's 2019 and 2017 surveys. The second most cited goal of 2019 was reducing the end-to-end sales time (15 responses). Plans to improve profitability came in third in 2019, but it was not included as an option in the 2017 survey. Decreasing the number of underwriting questions was the fourth most popular goal, garnering 11 responses in 2019 (compared with eight in 2017). The goal of improving conversion rates received more responses (9) in 2019 than in 2017 (5). The use of e-underwriting at the point of sale was a slightly less popular goal in 2019 (5 responses) than in 2017 (7 responses).

## Insurer Goals for Bancassurance Sales



### Paperless Sales Process

The majority of banks indicated that they are currently using or plan to use a paperless sales process, with a response rate of 95% (19 out of 20 bank respondents). Nine bank respondents already implemented the process, while six plan to implement the process within the next 12 months. Four banks reported plans to employ a paperless process within 12-24 months. Only one respondent (of 19) reported using automated underwriting as part of the process.

## Best Insurers for Sales Tools and Systems

RGA surveyed banks on which insurers were the best for sales tools and systems for sales. Banks ranked the following sales tools and systems:

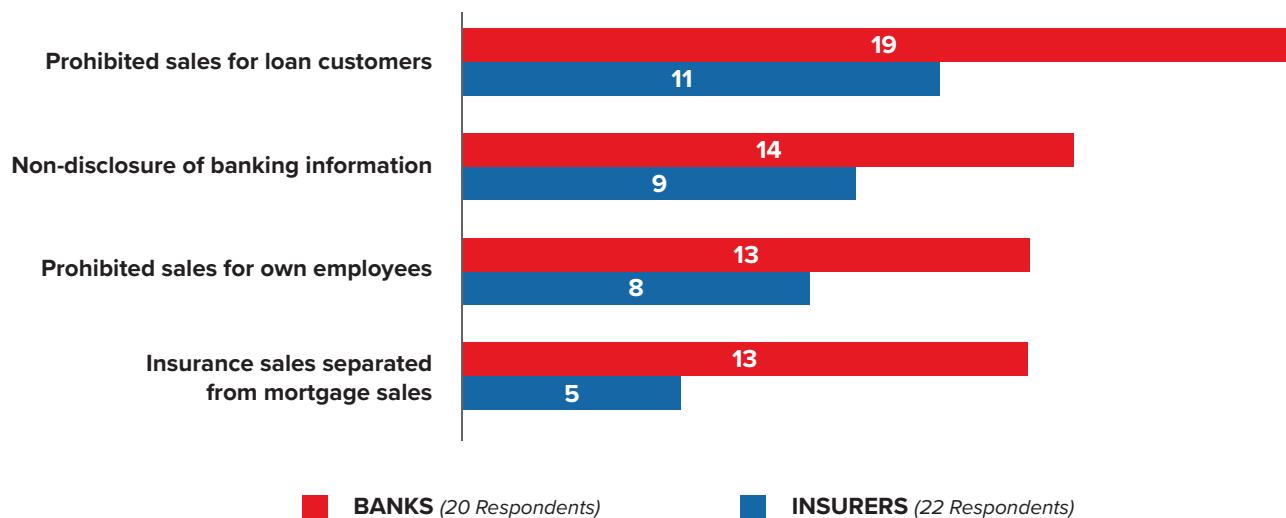
| 1. NIPPON LIFE                                                | 2. DAI-ICHI FRONTIER LIFE          | 3. SOMPO HIMAWARI LIFE                    |
|---------------------------------------------------------------|------------------------------------|-------------------------------------------|
| Name recognition                                              | Abundance of sales tools           | Development of new tools combined with IT |
| Inheritance-related recommendation tool                       | Variety of products                | Apps to lure customers to shops           |
| Implemented as a policy management system                     | Richness of e-learning tools, etc. | 3. MITSUI SUMITOMO PRIMARY LIFE           |
| Collaborated with tablet applications                         | 3 Responses                        |                                           |
| Development of a new system                                   |                                    | Strong proposal ability                   |
| Tablets are functional and easy to use and contain few errors |                                    | 3. ORIX LIFE                              |
| 7 Responses                                                   |                                    | Easy to input                             |
| *All the insurers ranked third had 2 responses each           |                                    |                                           |

Other insurers referenced included: Manulife for their tablet capabilities, as well as Zurich Life for the ease of input.

## Regulations to Be Lifted to Ease Buying Insurance for Customers

Banks and insurer respondents both ranked prohibited sales for loan customers as the top regulation to be lifted to make it easier for customers to buy insurance. Lifting the requirement of non-disclosure of banking information was ranked the second most important item for helping sales.

### Banks and Insurers: Regulations to be Lifted to Ease Buying Insurance



Only 20% of bank respondents reported that they were impacted by regulation on commission disclosure. The impact of commission disclosure cited by those banks included:

- Overall sales decreased
- Product sales ranking changed
- Decreased annual premium commission due to the introduction of L-shaped commission structure
- The system to evaluate bank branch results changed

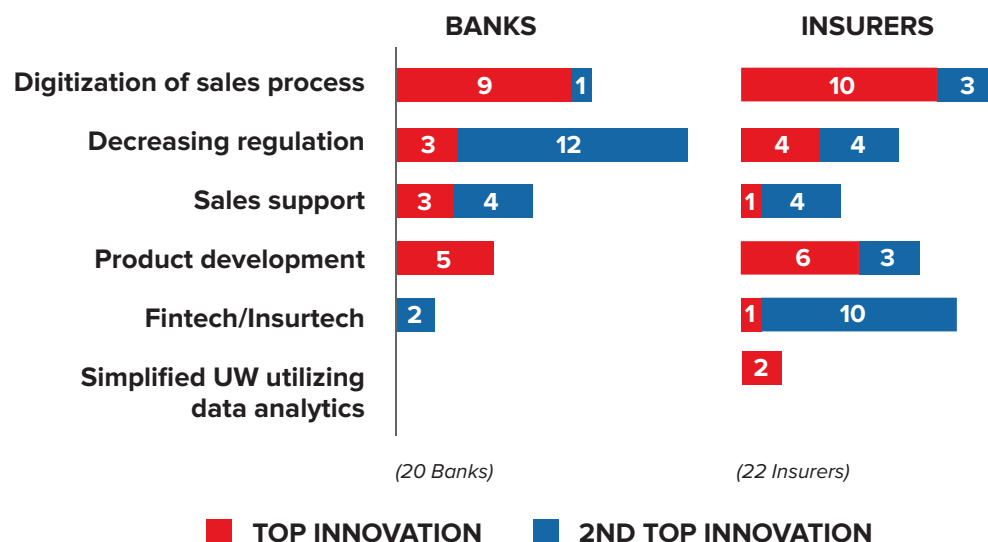
## Sales Guidelines for Foreign Currency Denominated Products

With respect to the new sales guidelines implemented for the sales of foreign currency denominated products in banks, 46% of insurers stated that it moderately affected their bancassurance business, while 8% said it made a significant impact. The remaining 46% of respondents reported no impact at all.

## Top-Ranked Innovations in Bancassurance for Japan

RGA asked bank and insurance companies about the top-ranked innovations for bancassurance in Japan. Both banks and insurers ranked digitization of the sales process as their top innovation for bancassurance sales. The next most frequently cited “top” innovation for both banks and insurers was product development. When factoring in votes for the top two bancassurance innovations in Japan, decreasing regulation was the most popular answer for banks; for insurers, digitization of the sales process remained the top answer, followed by fintech and insurtech.

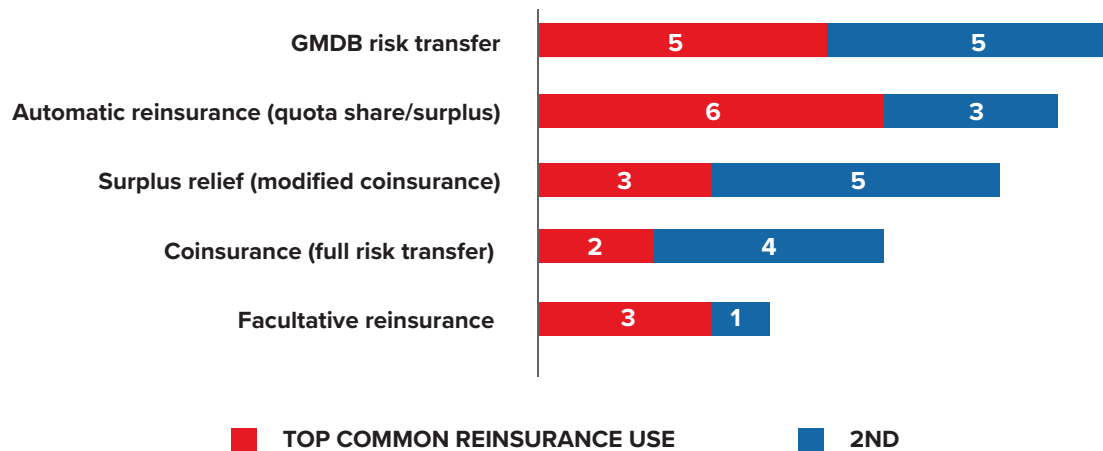
### Top Ranked Innovations for Banks and Insurers



## Reinsurance

The most common reasons that insurance respondents use reinsurance were GMDB risk transfer and automatic reinsurance (quota share/surplus). Surplus relief (or modified coinsurance) was ranked third, and coinsurance with full risk transfer was ranked fourth. Facultative reinsurance ranked last, with a total of 4 responses.

### Top Reasons for Reinsurance Support

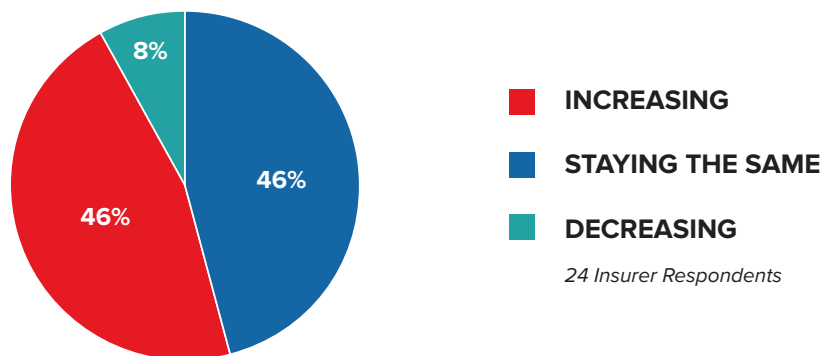


19 Insurer Respondents

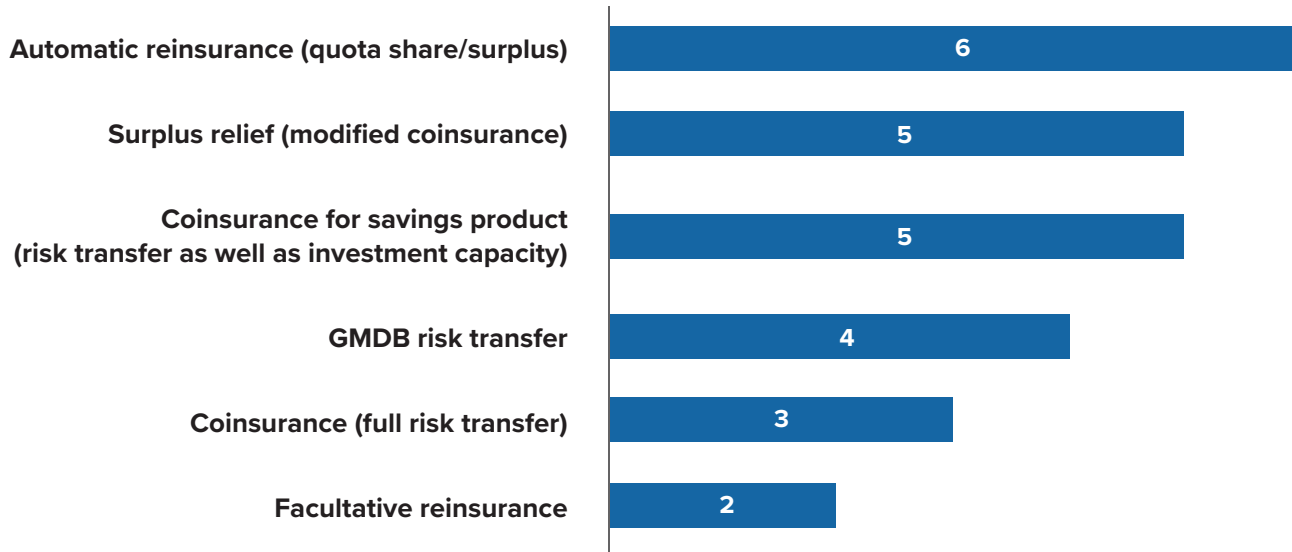
## Reinsurer Support

Reinsurer support is expected to stay the same for 46% of insurer respondents, while 8% are decreasing the amount of reinsurer support for bancassurance business. The remaining 46% are planning to increase their reinsurer support, which means more support for automatic reinsurance, surplus relief, coinsurance, and GMDb risk transfer, as well as facultative reinsurance. The findings are highlighted in the graph below.

### Projected Changes in Reinsurer Support



### Increasing Areas of Reinsurer Support



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