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The Future of Insurance Product Development in Japan

RGA Product Development Survey

By Kazunori Hashida and Leigh Allen

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RGA conducted an online survey in September of 2018, asking 30 leading life insurance companies in Japan to identify current and future product development trends. A complementary survey of approximately 4,800 policyholders of life products in Japan was completed in July 2018. Highlights from the product development and consumer surveys are included here.

CURRENT STATE OF INSURANCE PRODUCT DEVELOPMENT IN JAPAN

When asked to define the aim of product development for the Japanese market, 63% of respondents emphasized the need to develop innovative new products or identify new risks. Generating new product design ideas was identified as a primary barrier. Unsurprisingly, the majority of respondents launched innovative products less than once a year.

Insurers found inspiration for innovation from many sources. Competitors were top-rated sources of product design information. Insurers also reported relying on feedback from distributors and consumers to guide development, while saving products required greater consideration of economic factors.

Respondents primarily sought to differentiate product offerings through unique features and secondarily via value-added services. Companies indicated they focused new product development efforts on substandard and standard risk segments, with only 20% pursuing the preferred market.

Key Performance Indicators (KPIs) used to measure successful product development were predominantly focused on the top

line and include premium, face amount and number of policies insured. Respondents also reported using topline KPIs to monitor new product sales performance. Interestingly, respondents indicated that annual profit and present value (or embedded value) were less important for product development and measuring progress.

PRODUCT DEVELOPMENT AND INNOVATION

Where do Japanese insurers see the greatest opportunity for innovation in product development? Most respondents pointed to medical products, including riders and cancer. As greater longevity and declining birth rates challenge Japanese insurers, many are shifting focus to product development for the living benefits market and annuities for post-retirement income.

Indeed, aging populations in Asia and the growing popularity of wellness-related products have piqued the interest of insurers around the world. The survey found high consumer interest in medical and cancer products, as well as living benefits offerings. Medical products are believed to offer good coverage and are generally marketed by both captive (tied) and independent agents.

While traditional whole life products (when affordable) generated the greatest consumer interest, premium discounts linked to wellness products also strongly appealed to Japanese consumers. These products rely on health data to support longevity and help those with impairments adjust. Wellness products could include features related to health management services, as well as mobile applications for disease control and eldercare.

Artificial intelligence (A.I.) is also attracting greater attention, particularly in the area of back-office and sales support automation and digitization. In particular, A.I. is being used to address the need to digitize and rapidly assess written physician notes from physical exams. RGA has studied a form of A.I., called optical character recognition (OCR), which is designed to enable computers to interpret physician notes in various formats. While this is difficult, RGA recognizes that promoting A.I. technologies will benefit the industry.

DISTRIBUTION AND TARGETED SEGMENTS

Multi-brand and multi-channel distribution strategies are growing in popularity, with respondents reporting an increasing focus on online mobile sales and telemarketing. Companies also suggested that an ecosystem of third-party services is forming to support insurers' efforts to increase policyholder engagement.

30
RESPONDENTS

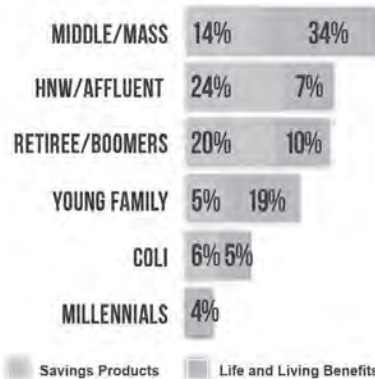
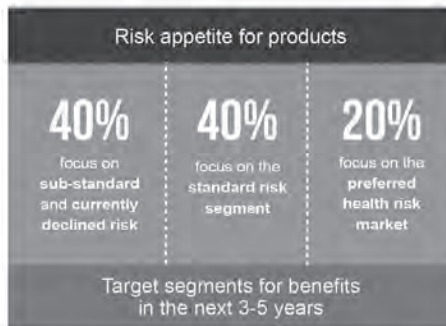


Top Product Choice
WHOLE OF LIFE 21%
[if affordable]

Consumers are highly interested in medical and cancer **LIVING BENEFIT PRODUCTS**

Top Products of Focus Over the Next 3 years
MEDICAL including riders
LONG-TERM CARE & DISABILITY INCOME

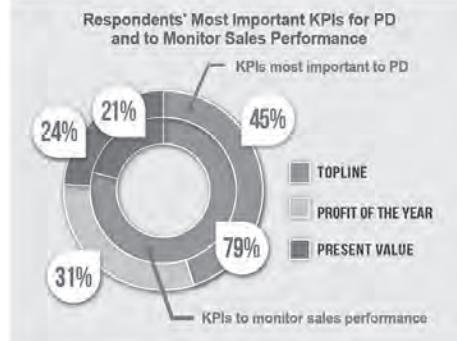
Largest Challenge for Implementing New Products
29% weighted
PRODUCT DESIGN OR IDEATION



Majority of companies launch new products less than once a year



KPIs used for product development and monitoring are predominantly topline – premium, face amount, number of policies



In Japan, face-to-face advice remains highly valued in the market. Captive and independent agents remain dominant and primarily are responsible for distribution, followed by bancassurance channels.



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Insurers' top savings product target markets were high net worth or affluent segments, followed by retiree and "Baby Boomer" (near-retirement) demographic groups. The middle/mass market ranked third. Conversely, life and living benefits products targeted the middle/mass market, young families and retirees. ■



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