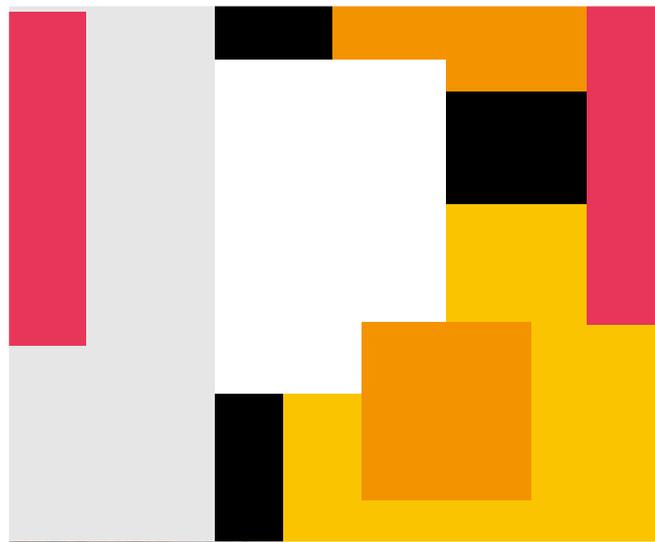
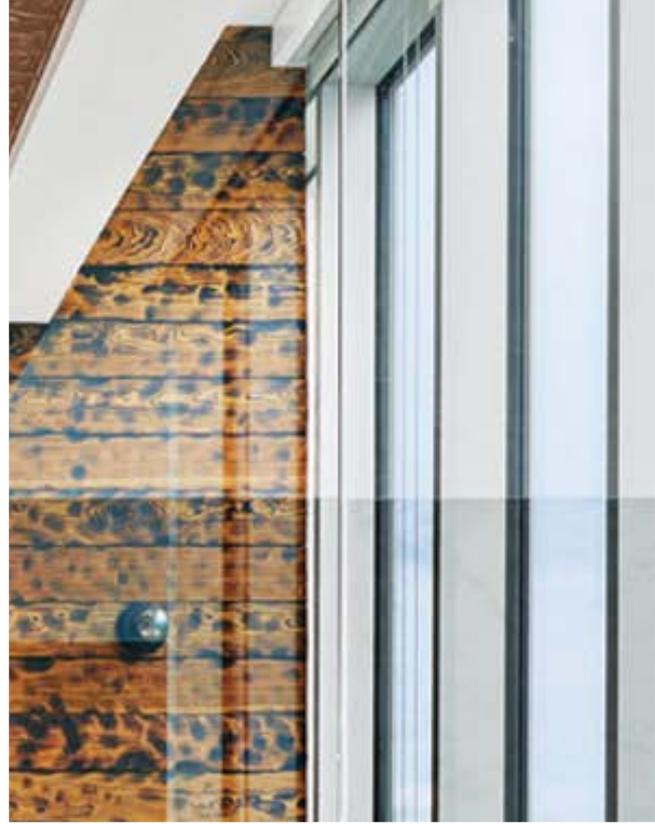


Life Insurance Consumer Survey 2021

New values among younger generations and growing interest in ESG among wealthier demographics





The environment surrounding the life insurance industry is undergoing major changes. Although companies were slowly exploring remote sales methods before the COVID-19 pandemic, the increased difficulty of face-to-face sales during the pandemic has made this an even more pressing task. In addition, as consumers become more digitally-oriented, younger users are displaying an increasing preference for mobile device-based sales. At the same time, however, some customer segments continue to prefer the attentive service afforded by traditional face-to-face sales approaches, making consumer needs ever more diverse.

Life insurance companies need to be able to identify the diverse and changing needs of life insurance customers in a timely manner and respond to those needs swiftly and accurately. To this end, the PwC Japan Group conducted our Life Insurance Consumer Survey 2021, a large-scale survey of approximately 5,000 consumers in Japan, with the objective of understanding today's diverse consumer trends.

This report outlines three major challenges facing life insurance companies in relation to their customers, as well as five key points that emerged from analysis of the survey results and which may provide hints as to how companies can respond to these challenges.



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When designing this consumer survey, we defined the following three challenges faced by life insurance companies with regard to customers.

Challenge 1

Delivering customised products and services to a fragmented customer base

As mentioned at the outset of this report, customer needs are becoming increasingly diverse and fragmented, and the services provided by insurance companies are expanding beyond the traditional domain of life assurance products to include peripheral areas such as health support. On top of this, companies are needing to make use of new approaches, such as digital technologies, for their sales and marketing processes. In order to respond sensitively and precisely to these diverse customer needs, life insurance companies need to redefine their understanding of customer segments in a manner that is unconstrained by traditional channels.

Challenge 2

Approaching previously unreachable customer segments

Certain customer segments are difficult to reach through face-to-face sales, which has served as the primary life insurance sales channel to date. Because face-to-face sales channels require an attentive sales approach that incurs significant labour costs, it has traditionally been difficult from a profitability standpoint to reach young people and singles, who have little need for life insurance products. If companies are able to reach out to these demographics at a low cost, the potential for developing new markets exists. However, while some companies are already working to target the younger generation, many are still struggling to establish a profitable business model.



Challenge 3

Building an ongoing connection with customers

Due to the nature of insurance products, particularly life insurance products, companies do not typically have much subsequent contact with customers after the time of sale, unless an unfortunate accident covered under the policy occurs and a claim is made. Although this has been acknowledged as an issue in the past, the measures taken to date, such as regular visits by sales staff, have been limited. Nevertheless, insurance companies have long held a strong desire to build an ongoing connection with their customers, both in terms of increasing customer satisfaction and taking advantage of upselling opportunities.

Recently, through alliances with other industries, products such as embedded insurance, where insurance is included in a package of various products and services, have been developed, and internet-based businesses have begun to utilise their platforms to establish customer connections. Although developing systems for selling their products through the numerous available ecosystems is not necessarily a bad goal for insurance companies, they should be aware of the risk that contact points with customers may be monopolised by those selling the original products and services or by the platform provider.

We designed and conducted this survey with the above challenges in mind. Before presenting some of the insights we obtained from the survey results, we would like to briefly touch upon the analysis methods employed.



In order to understand the customers targeted in this survey better, we created the six household personas based on the following three demographics: (1) single/family household, (2) age, and (3) household income. The respective personas and household descriptions are shown below (Exhibit 1).

Although segment A, young single-person households and segment B, comfortable single-person households are both single-person households, segment A represents members of the 'smartphone generation'

who are more conservative in their consumer behaviour, and segment B represents a more affluent group of singles. Segments C to F are multiple-person households. Segment C, single-income family households, are more traditional households where one spouse works full time and the other is either a full-time homemaker or works part time. Segment D, full-time dual income households and segment E, high income households are both segments where both spouses work full time, but segment E can be considered relatively affluent as their annual household income

Exhibit 1: Typical customer segments (personas representing key demographics)

A: Young single-person households

- Taro Suzuki
- 29 years old
- Single
- Annual income: 3.5 million yen

- Can't do without his smartphone, always using it for something.
- Doesn't eat out much and puts the extra money into savings. Not interested in cars either, as he doesn't feel the need for one.
- Spends his free time at home watching online video sharing sites and gaming.



B: Comfortable single-person households

- Koji Yoshida
- 50 years old
- Single
- Annual income: 8.0 million yen

- Single and has disposable income, but not much time to spend it because he is busy with work.
- Spends days off driving his car, playing sports, or participating in group activities.
- Collects wristwatches as a hobby.



C: Single-income family households

- The Tanaka family: Tadashi (husband, 41 years old), Saori (wife, 39 years old), Chisato (daughter, 5 years old)
- Married, 1 child
- Annual household income: husband 4.5 million yen, wife 1.0 million yen

- Have a tight budget because their daughter is young and Saori doesn't work full time.
- Hands full with their current situation, have not thought seriously about having a second child or saving enough for themselves.
- Play with daughter at the park or pool on days off.



D: Full-time dual income households

- The Sato family: Michihiro (husband, 39 years old), Hanako (wife, 38 years old), Ayumi (daughter, 6 years old)
- Married, 1 child
- Annual household income: husband 5.0 million yen, wife 3.5 million yen

- Often use time-saving services and appliances as both parents are busy.
- Daughter has a lot of extracurricular activities and parents spend their days off accompanying her.
- Bought a full set of camping gear since unable to go abroad due to COVID-19.



E: High income households

- The Takahashi family: Naoyuki (husband, 46 years old), Yukie (wife, 45 years old)
- Married
- Annual household income: husband 8.0 million yen, wife 6.0 million yen

- Will buy things they need, even if they are expensive. Prefer higher-quality products than most people.
- Eat out a lot and go to the gym to stay healthy.
- Love cars and replace them frequently, also travel frequently.



F: Pension income households

- The Yamada family: Namihei (husband, 66 years old), Fune (wife, 65 years old)
- Married
- Annual household income: husband 2.5 million yen, wife 1.2 million yen

- Don't travel far anymore, recently started a vegetable garden at home.
- Love their grandchildren, but a little sad that their children often come to them with worries about education expenses or requests for help with babysitting.



exceeds 10 million yen. Segment F, pension income households, are ‘pensioners’ in terms of age, but because this survey did not include information on individual household assets, there is likely to be some variance in their disposable income. Due to the limitations of the online survey method we employed, households where the head of household is 70 years old or older were not covered. In theory, these six personas represent approximately 80% of the rest of all households in Japan.

The following diagram (Exhibit 2) summarises the insurance-related needs of each of the six personas, based on information including our analysis of the results of this survey. It is evident that the need for insurance itself, level of digital literacy, and attitude toward investment differ widely among the segments.

Next, we will present a small portion of the actual analysis data from the survey results, and search for hints on how to solve the three challenges outlined earlier in this report.

Exhibit 2: Each persona’s attitude toward insurance and financial services

A: Young single-person households

- Taro Suzuki
- 29 years old
- Single
- Annual income: 3.5 million yen

- Flexible and open to new financial services and companies.
- Young and single, so does not feel the need for insurance as protection, but is interested in it as a financial product and as an income tax deduction benefit.



B: Comfortable single-person households

- Koji Yoshida
- 50 years old
- Single
- Annual income: 8.0 million yen

- Wants to purchase or revise insurance coverage appropriate for his own circumstances after listening to explanations in person.
- Invests in stocks, gathers information, and makes purchases via PC.



C: Single-income family households

- The Tanaka family: Tadashi (husband, 41 years old), Saori (wife, 39 years old), Chisato (daughter, 5 years old)
- Married, 1 child
- Annual household income: husband 4.5 million yen, wife 1.0 million yen

- Own smartphones, but do not use many smartphone-based financial services and prefer to pay in cash.
- Interested in asset management and would like to start investing once they have the time and money to spare.



D: Full-time dual income households

- The Sato family: Michihiro (husband, 39 years old), Hanako (wife, 38 years old), Ayumi (daughter, 6 years old)
- Married, 1 child
- Annual household income: husband 5.0 million yen, wife 3.5 million yen

- Use credit cards, electronic money, mobile payment services, etc. extensively.
- Have a full range of insurance, including life, home, and educational endowment insurance.
- Have also begun investing, but only in investment trusts. Are interested in and flexible regarding signing up for new services and products.



E: High income households

- The Takahashi family: Naoyuki (husband, 46 years old), Yukie (wife, 45 years old)
- Married
- Annual household income: husband 8.0 million yen, wife 6.0 million yen

- Consider depth of coverage the most important factor when considering insurance. Are fine with online documentation when enrolling in a new policy, but want to consult with sales staff when reviewing coverage.
- Manage a stock portfolio, and are keen to try any new products or services that may be useful.



F: Pension income households

- The Yamada family: Namihei (husband, 66 years old), Fune (wife, 65 years old)
- Married
- Annual household income: husband 2.5 million yen, wife 1.2 million yen

- Own smartphones, but are more comfortable using a PC.
- Want to avoid risks, so do not invest but only save. Believe that their current insurance coverage is sufficient, so do not wish to be contacted by insurance companies nor revise their current policies.



3

Measures to address the three challenges, based on the analysis results

Challenge 1

Customised services for fragmented customer segments

As we described in ‘2. Analysis methods’, customised products and services give insurance companies the potential to reach out further to customer segments whose needs are not met by existing insurance products and services. In this section, we would like to present three trends in the survey data that may serve as hints for how to achieve this.

Hint 1: High-income households have a high degree of interest in ESG and the SDGs

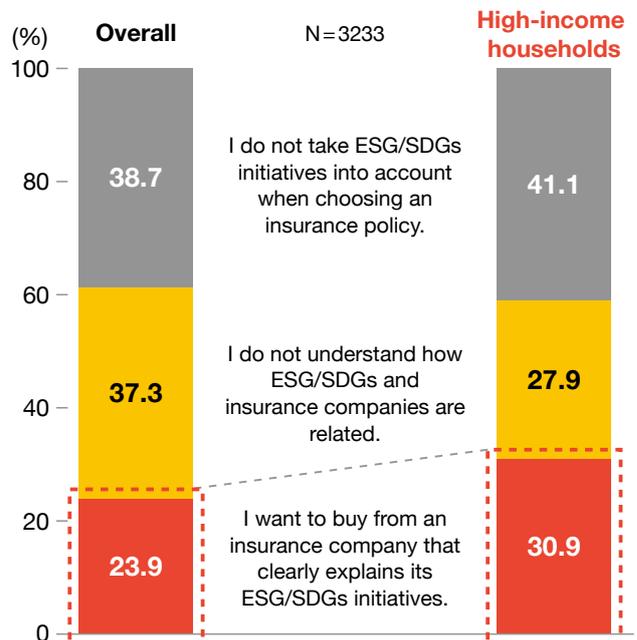
Segment E, high-income households, displayed a different response pattern than the other household personas for many of the survey questions, suggesting that it may be effective to design products and services tailored to this specific demographic. Due to their higher household income, this segment is also more interested in investing, and is more likely to already use their mobile phones and PCs to access financial services than the other segments.

As one example, the percentage of respondents in this segment who answered ‘Yes’ to the question, ‘Would you like to purchase insurance from an insurance company that is engaged in initiatives related to ESG and the SDGs?’ was significantly higher than that for other segments (Exhibit 3). This indicates that insurance companies may be able to reach out to high-income households more effectively by developing insurance products that incorporate these features in some way.



Exhibit 3: High interest in ESG and the SDGs among high-income households

Q: Would you like to purchase insurance from an insurance company that is engaged in initiatives related to ESG and the SDGs? (Select only one answer.)



Hint 2: The appeal of point-based reward programs differs among customer segments

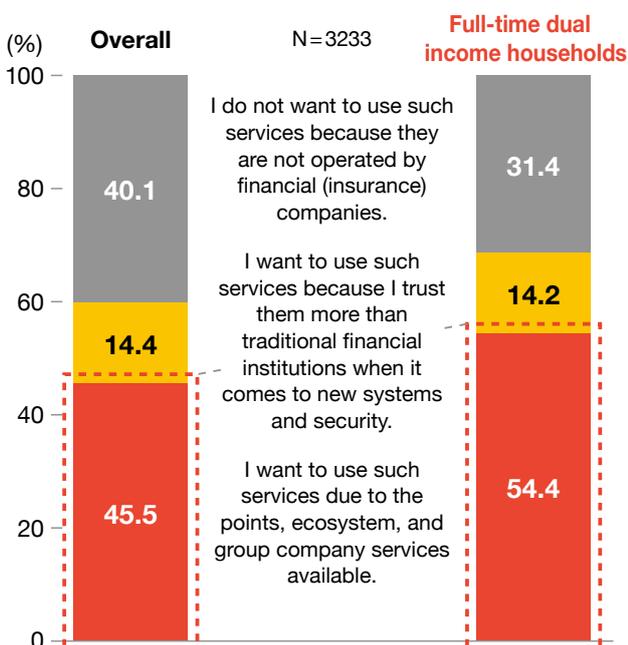
In Japan, point-based reward programs, in which consumers can accumulate points by shopping and by using specific products and services and then use those points to shop at participating vendors, have become a powerful marketing tool in recent years. In this survey, we observed differences in attitudes toward these point-based reward programs among the six customer segments. In particular, the responses of segment D, full-time dual income households, indicate that this segment has an overall favourable view of point-based reward programs and are more willing than

other segments to provide their personal information in order to receive better service (Exhibit 4). It is therefore likely that offering these types of rewards could be an effective measure in terms of maintaining connections with this group of customers, and that insurance companies should consider building an ecosystem by collaborating with other businesses that offer products and services which consumers in this segment have a strong affinity for. These findings also indicate a potential for upselling by effectively utilising customers' personal information in order to propose new services.

Exhibit 4: Full-time dual income households view point-based reward programs positively

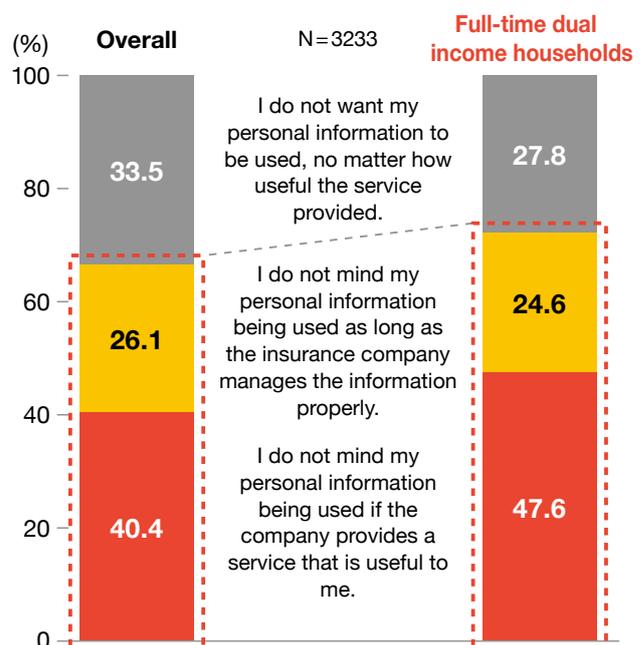
Q: Which of the following best describes your attitude regarding services provided by new financial service providers (financial businesses whose parent companies are not financial institutions, such as e-commerce platforms or web service providers.)? (Select one answer only.)

Attitude toward point-based reward programs



Q: Which of the following best describes your attitude regarding the use of your personal information by insurance companies?

Tolerance for use of personal information



Hint 3: Individualised sales approaches utilising personal information represent potential for growth

At the same time, somewhat paradoxically, we also observed cases where these socioeconomic orientations of respondents did not necessarily correlate with demographics such as age or income bracket. This suggests that it will be important for insurance providers to customise their services by collecting and aggregating personal information (including customer preferences).

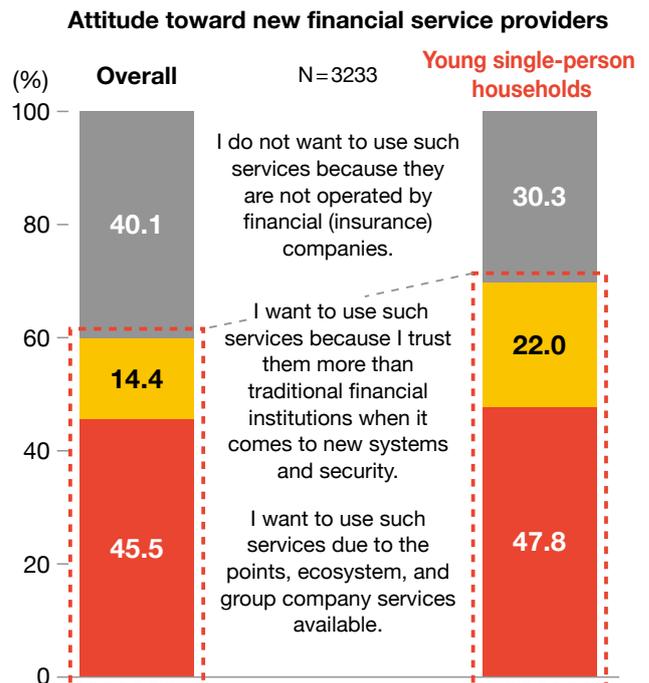
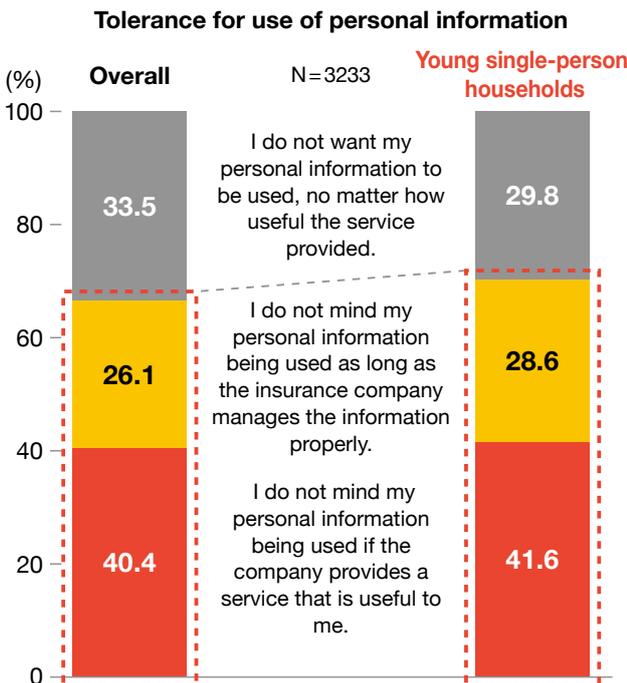
For example, the responses of segment A, young single-person households, to questions regarding the use of personal information and level of interest in using new financial service providers showed a very interesting trend (Exhibit 5). Although this young demographic is not a current core customer segment for life insurance companies, they are clearly more

open than other segments to service proposals that utilise their personal information and to using financial services provided by internet-based service providers. However, it seems likely that this preference correlates with their level of digital literacy or information literacy, rather than their age. Customer segments with a high degree of digital literacy are comparatively tolerant of companies using their personal information as long as they are able to control the information they provide. Therefore, adopting an individualised approach to this segment by utilising data in a way that can help improve the value of services provided to customers, rather than for aggressive sales pushes, could potentially lead to higher customer satisfaction and increased profits for insurance companies.

Exhibit 5: Potential for individualised sales approaches utilising personal information

Q: Which of the following best describes your attitude regarding the use of your personal information by insurance companies?

Q: Which of the following best describes your attitude regarding services provided by new financial service providers (financial businesses whose parent companies are not financial institutions, such as e-commerce platforms or web service providers)? (Select one answer only.)



Challenge 2

Engaging with customer segments that have not yet been effectively reached

Next, we will look at two of the six personas that life insurance companies have had comparative difficulty engaging with to date: segments A (young single-person households) and B (comfortable single-person households). The reason insurance companies have traditionally given these lower priority is likely because singles have a comparatively low need for life insurance, and it is therefore not profitable to engage them through traditional face-to-face sales channels, which incur high labour costs.

However, young single-person households are a demographic that may one day marry, and can therefore be considered a source of latent demand for life insurance. Therefore, establishing and maintaining a connection with them in a way that does not require high costs could be a very promising strategy. As you are likely aware, traditional insurance companies have entered the small-amount short-term insurance market by teaming up with partners with the ability to reach

this demographic, who tend to rely on smartphone-based services for many of their needs, and creating a mobile-centred line of communication with them.

Other surveys¹ have shown that the percentage of young people who are enrolled in some form of life insurance is more than double among those who are aware of the tax deduction for insurance premiums compared to those who are unaware of this scheme. As a means of engaging this demographic, we expect that the strategy of gaining a foothold via core products based on their return on investment and tax-reduction benefits and then utilising this opening to upsell will continue to be effective.

Next, we would like to examine some hints obtained from the survey results regarding how to upsell by leveraging new connections established through mobile device-based insurance sales.

¹ Japan Association for Financial Planners. 2017 Survey of Lifestyle and Money Trends Among Young Working Japanese (働く若者のくらしとお金に関する調査2017).



Hint 4: Young singles are comparatively more open to face-to-face communication

The data revealed, somewhat surprisingly, that young single-person households preferred face-to-face communication more than the other segments. Although face-to-face sales approaches are typically costly, they can be an effective means of upselling to existing customers. In certain cases, it may also be worth considering online face-to-face sales or other methods that can be used to reduce costs while maintaining the advantages of physical face-to-face sales.

The responses also revealed the needs of younger generations, who often consider purchasing insurance

coverage products when a major life event occurs, and who desire more detailed explanations when signing up for additional coverage products after initially purchasing core foothold products (Exhibit 6, left).

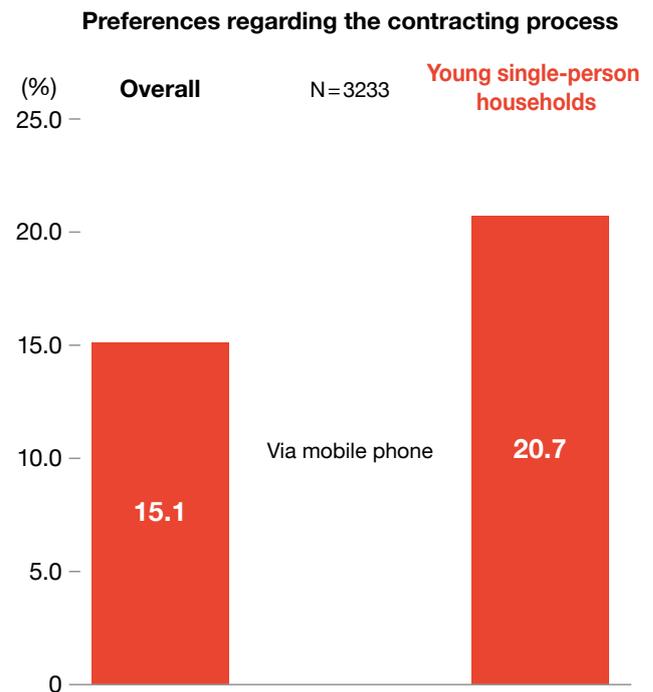
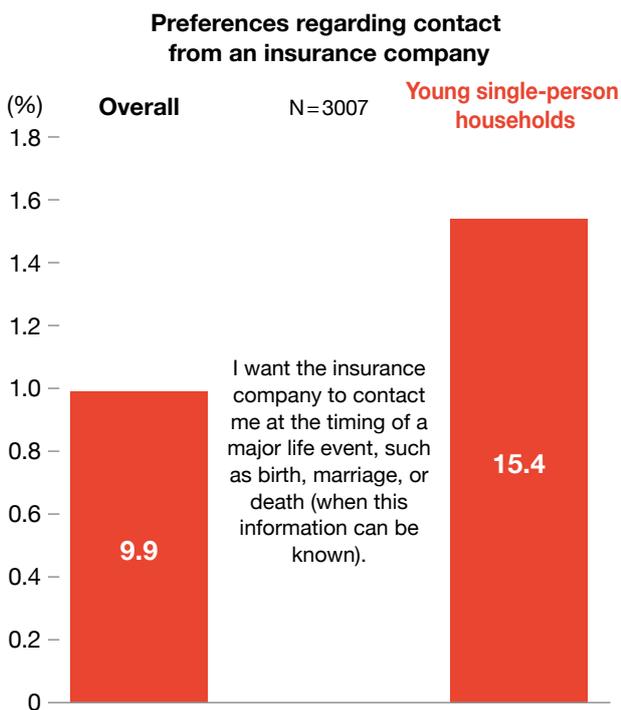
On the other hand, considering that this segment also wishes to complete procedures such as contract procedures on their mobile phones (Exhibit 6, right) as well as to reduce contact risk due to the COVID-19 pandemic, insurance companies should explore possibilities such as limiting face-to-face meetings or adopting a hybrid format that combines online face-to-face meetings with mobile phone use.

Additionally, as we will examine in more detail in the next section, insurance companies also need to establish an ongoing relationship with their customers. In other words, maintaining a more organic relationship with unmarried customers will allow insurance companies to better respond to their needs when a major life event occurs.

Exhibit 6: Possibility of using a face-to-face approach to engage young single-person households

Q: What do you seek in a life insurance company regarding the insurance you have purchased? (Percent of respondents who selected the corresponding option)

Q: When purchasing or revising your life insurance coverage in the future, in which format would you prefer the contracting process to be carried out? (Percent of respondents who selected the corresponding option)



Challenge 3

Building an ongoing relationship with customers

Because insurance products, particularly life insurance products, do not typically involve many transactions other than at the time of purchase, building an ongoing relationship with customers has traditionally presented a challenge for insurance companies. Of course,

companies have not completely neglected this area, adopting measures such as visiting existing customers once a year to confirm their contract details. However, in terms of cost effectiveness, maintaining long-term relationships has proven difficult.

Hint 5: Digital technology can help to build ongoing relationships with customers

The survey yielded some interesting results in this area. When asked whether they know how to contact their insurance company in the event of an emergency, one in seven respondents overall answered that they might not be able to recall on the spur of the moment (Exhibit 7, left). Among respondents in their 20s, this ratio rose to one in four (Exhibit 7, right). In addition, one in four respondents overall responded that they would like to be able to contact their insurance company easily through a mobile app or similar means in the event of a disaster.

Therefore, we can see that using digital technology to build an ongoing customer connection is one way to

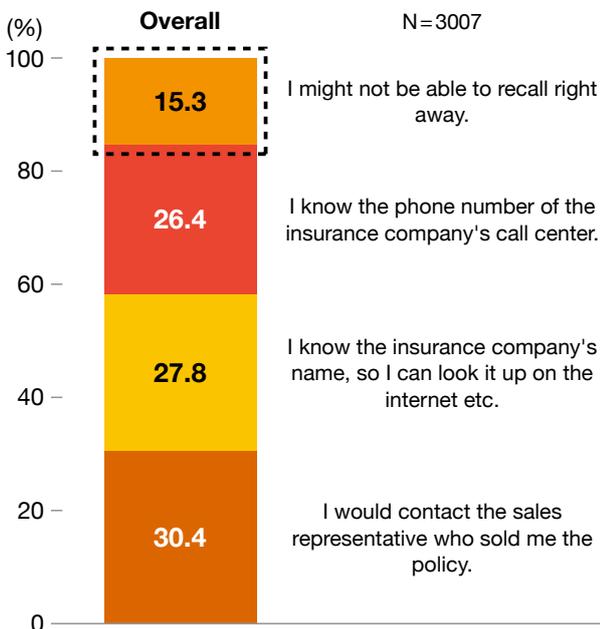
meet the needs of these customers, and as we have already observed, it also increases the possibility of upselling, which can also be expected to increase the LTV (lifetime value; the overall monetary value of a long-term customer relationship) of these customers. Developing health-related apps to create an ongoing connection with customers is one strategy in line with this approach.

In addition, creating an easy way to communicate with customers may improve the accuracy of insurance claim recommendations when an emergency occurs, reducing the amount of effort required on the part of insurance companies.

Exhibit 7: Using digital technology to build connections with customers

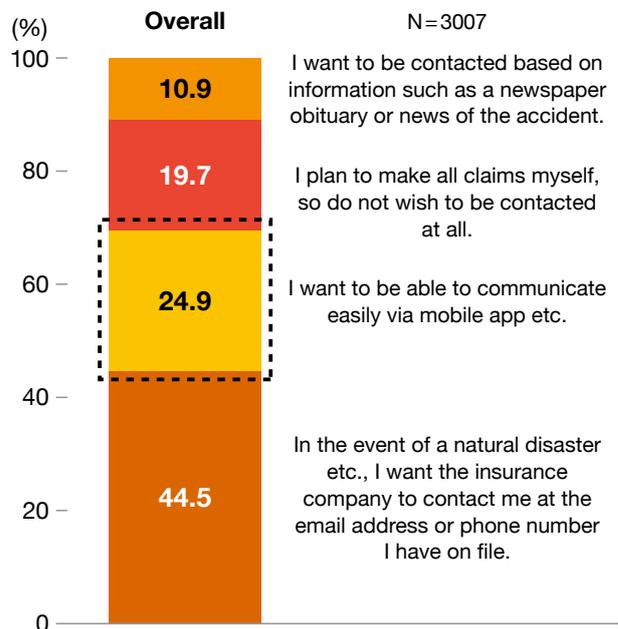
Q: Regarding the insurance you have purchased, do you know how to contact the insurance company to file a claim?

Contact point for filing an insurance claim



Q: Regarding the insurance you have purchased, when would you like your insurance company to contact you in the event of a disaster or accident?

Contact in event of disaster/accident



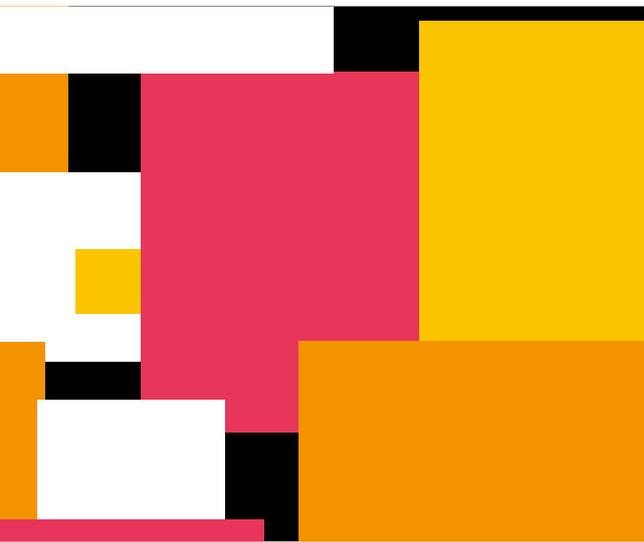
Considering the increasing number of alliances and collaborations with partner companies, it will become even more important for life insurance companies to appropriately classify their customers into segments and work to identify their respective needs regarding customer engagement. At the same time, companies must also address the issue of how to utilise customers' personal information to deliver customised products and services.

New customer approaches, such as small-amount short-term insurance, have also made it possible to engage with previously unreachable customer segments. In order to successfully upsell from this position, companies must develop systems that allow them to maintain ongoing contact with customers, such as mobile apps. On top of that, it will be critical for companies to design efficient and effective customer contact points that incorporate the right combination of mobile and face-to-face communication (whether physical or online).

PwC will continue to monitor Japanese consumers' attitudes toward insurance and provide insight into how insurance companies should address related issues, on a regular basis.

Overview of the PwC Japan Group Life Insurance Consumer Survey 2021

- Survey period: 18-22 June 2021 (online survey of respondents provided by market research companies)
- Scope: Life insurance policyholders aged 20-69; Number of valid responses: 4,912
 - Excluding Japan Post Insurance, mutual insurance, and group creditors' life insurance attached to housing loans
 - Persons who were the decision-maker in purchasing life insurance
- Persons who have purchased or are considering purchasing insurance (e.g. who have researched, requested information, made inquiries about, or talked to a salesperson about life insurance) within the last five years through one of the following five channels:
 - (1) Salespeople employed by life insurance companies, (2) Remote sales channels (Internet, TV, magazines, etc.), (3) Banks or securities companies, (4) Insurance agents' offices (insurance outlets and similar businesses, excluding financial institutions), (5) Salespeople affiliated with insurance agencies (excluding financial institutions)
- Respondents were distributed evenly across channels and age groups, and survey results were weighted according to channel size prior to tabulation and analysis.



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