

# Domestic Life Insurance Business

Responding flexibly to the changing times and changes in customer needs based on a structure with three domestic life insurance companies to provide the best products and services through the best channels

## Where We Are and Our Strategy in the Market

Japan's life insurance market is the second biggest in the world, after the United States, and it has continued to grow steadily over the past five years, at an average growth rate of 4% (based on annualized net premium from policies in-force).

It is estimated that Japan will face a super-aging society in 2025 with approximately 22 million people aged 75 or older, which is equivalent to just under 20% of the total population. While the shrinking of the death protection market accompanying the decline in the working-age population is a risk for the life insurance business, the increase in the elderly population has created new customer needs such as medical and nursing care, and savings. Furthermore, customer needs are also diversifying due to changes in the social structure and customer lifestyles, including the advancement of the aging population and the declining birth rate, a rise in the percentage of unmarried people, and a fall in the average number of people per household.

It is also possible that customer needs will change

rapidly in the future due to technological progress, social innovations, and other factors.

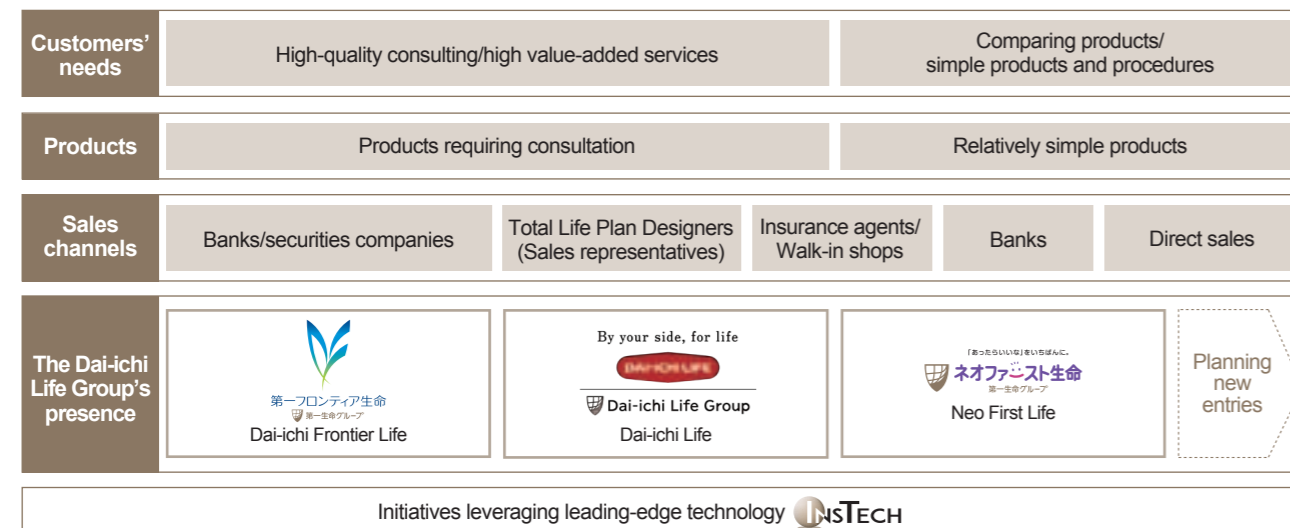
In order to remain a life insurance company that customers can rely on, it is vital to respond to diverse needs as we stand "By your side, for life" with our customers while making innovations aimed at providing new products and services in anticipation of coming changes.

The Dai-ichi Life Group has built a structure of three domestic companies, namely Dai-ichi Life (primarily face-to-face channels), Dai-ichi Frontier Life (primarily over-the-counter sales at banks and securities companies) and Neo First Life (primarily banks and insurance agents) to respond quickly and accurately to changing customer needs.

Moreover, in order to provide customers with new products and services, we are making proactive efforts in our highest priority management strategy, InsTech (Insurance Technology), which leverages leading-edge technology.

• See InsTech initiatives for enhanced value creation (page 36) for details about initiatives related to InsTech.

### Outline of Three-Company Structure in the Domestic Life Insurance Business



## Review of Operations for Fiscal 2016

### Dai-ichi Life

#### Upgrading Consulting Capabilities and Diversifying Sales Channels to Promote Sales of Protection-type Products

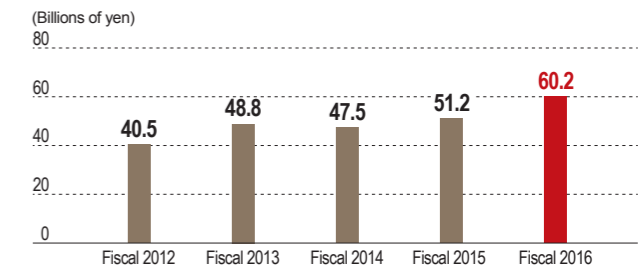
Dai-ichi Life upgraded the consulting capabilities of Total Life Plan Designers, mainly by revising its educational program and increased the number of Total Consultants specializing in consulting services at companies and government offices.

In addition, under the prolonged low-interest-rate environment, Dai-ichi Life strategically controlled sales of single-premium savings-type products while working to promote sales of protection-type products, including third-sector products (medical and nursing care) where customer needs are high.

As a result of these efforts, annualized net premium

from new third-sector policies increased significantly, by 18% from the previous fiscal year.

#### Annualized Net Premium from New Third-sector Policies (Dai-ichi Life)



### Dai-ichi Frontier Life

#### Developing the Industry's Best Product Lineup to Respond to Diverse Customer Needs

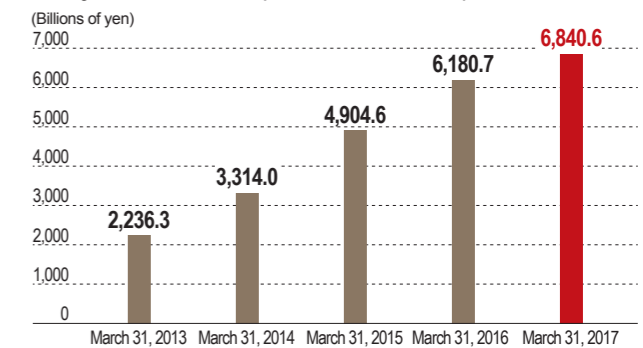
Dai-ichi Frontier Life further bolstered its product lineup and competitiveness by strategically controlling sales of yen-denominated fixed products while launching new foreign-currency-denominated fixed life insurance products where customer needs are high and redesigning foreign-currency-denominated variable products from the perspective of customers.

Dai-ichi Frontier Life also further strengthened its support for financial institutions while customer-first operations were developed, including the disclosure of sales commissions.

As a result of these efforts, the number of policies in-force topped one million in the ninth year of business and

the total amount of policies in-force as of March 31, 2017 reached 6.8 trillion yen.

#### Policy Amount In-force (Dai-ichi Frontier Life)



### Neo First Life

#### Identifying Agents' and Customers' Needs to Launch Differentiated Products in a Flexible Manner

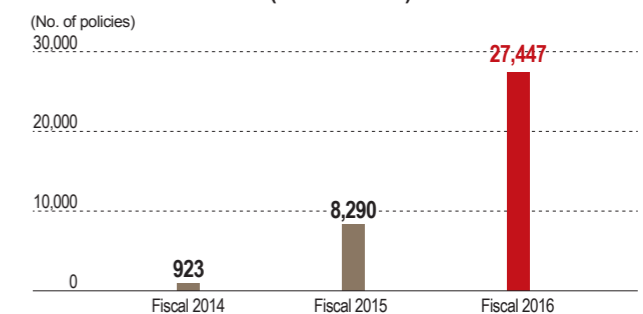
Despite being the latest entrant among Japan's life insurance companies, Neo First Life, which commenced business in August 2015, achieved steady growth by launching distinctive products and increasing the number of commissioned agents such as banks and insurance shops.

In fiscal 2016, Neo First Life launched differentiated products based on use of the medical big data owned by the Dai-ichi Life Group and responding to the needs of financial institutions and agency partners. For example, the life insurance industry's first product using the policyholder's *Kenko Nenrei* (health age\*) instead of his or her actual age was launched. As a result of these efforts, the number of

new policies increased steadily.

\**Kenko Nenrei* (health age) is a trademark registered by Japan Medical Data Center (JMDC).

#### Number of New Policies (Neo First Life)



## Strategies for the Future

During the medium term management plan, D-Ambitious, the Group put a priority on improving the marketing, products and services and sales channels in order to build up the Group presence in the market. The initiatives led to improvements in efficiency indicators of sales representatives and sales by agents.

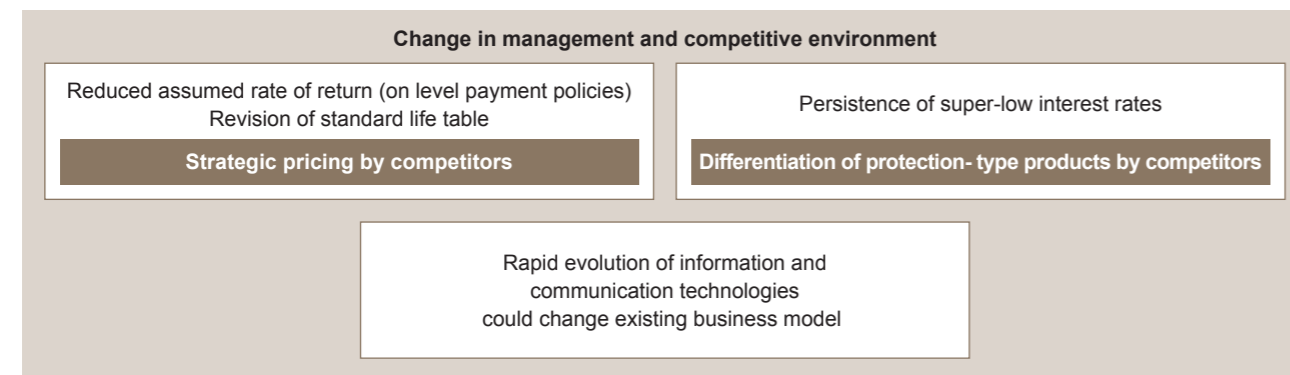
The Group continues to strengthen existing

### Examples of improvement:

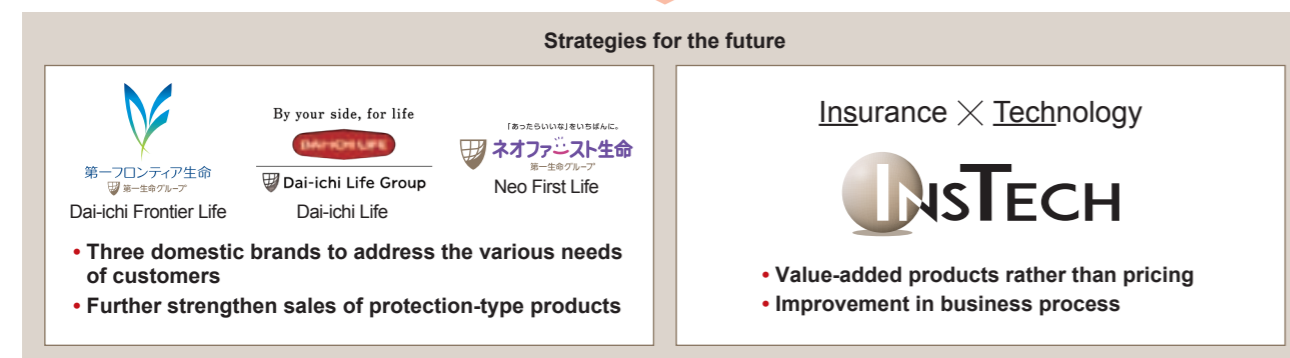
- (1) **Marketing**
  - Making commercial use of accumulated big data and base of 10 million customers
- (2) **Products and services**
  - Introduction of protection-type products for youth and female customers
  - Introduction of annuity products addressing nursing care risk for business owners
- (3) **Sales channel**
  - Extension of training term for sales representatives from two years to five
  - Increased the number of Total Consultants that specialize in sales at the workplace to more than 2,000
  - Diversification of agent channels
  - Sales of Dai-ichi Frontier Life products by Dai-ichi sales representatives

business lines. It implemented attractive features to the existing protection-type products to take advantage in changes in premiums in April 2017. In addition, Japan Post Insurance started sales of Dai-ichi Life's TOP PLAN EXCEED U annuity products for business owners.

The business environment and competitive landscape of the domestic life insurance business could change dramatically on the back of persistently low interest rates and events such as revision of the standard life table, expected in April 2018. The Group has to be prepared for strategic pricing and product differentiation by its competitors. The Group continues to address various needs of its customers based on its customer-first strategies; Dai-ichi Life and Neo First Life address the various needs for protection-type products, and Dai-ichi Frontier Life addresses the consistent need for saving-type products. Through these strategies, the Group aims to grow the value of new business. The Group is also moving forward with InsTech initiatives to provide value-added products away from simple price competition while streamlining the business process.



### Possible acceleration of price competition



## InsTech Initiatives for Enhanced Value Creation

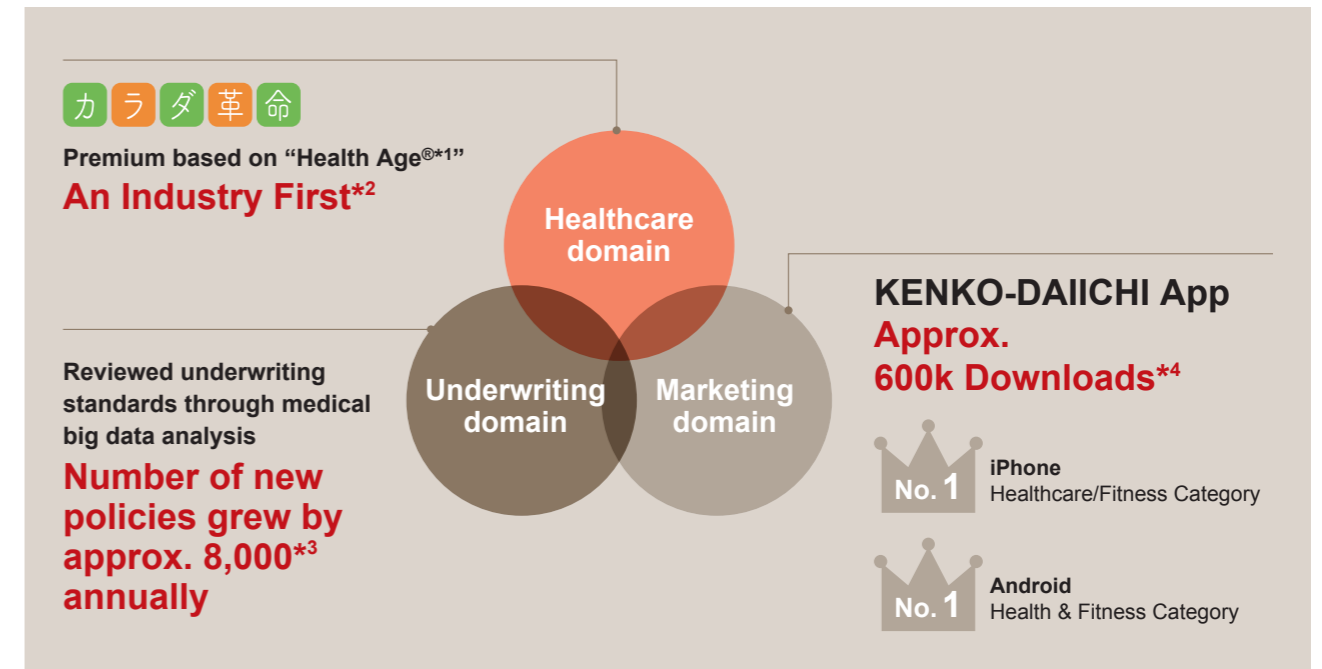
The Group refers to initiatives to create unique innovation to life insurance business as “InsTech,” representing a combination of the insurance business and technology, and promotes group-wide initiatives of strategic importance.

In 2016 the Group started to demonstrate its capabilities: Neo First Life introduced a new product that uses health age as a basis for premiums. Dai-ichi Life extended underwriting criteria based on medical big data analysis and developed the KENKO-DAIICHI app for enhanced value creation.

The Group continues to build an eco-system of companies with different backgrounds, to share information among group companies in the United States and Asia Pacific regions, and aims to create innovation for the future of customers in three segments: healthcare, underwriting and marketing.

• Please refer to page 37 for behind-the-scenes information on the development of the KENKO-DAIICHI app.

### Value Creation through InsTech



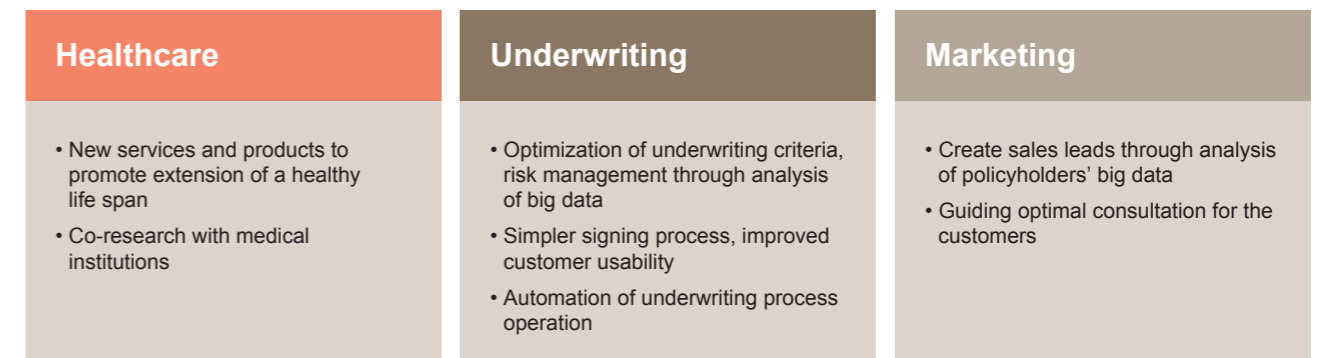
\*1 Kenko Nenrei (health age) is a registered trademark of the Japan Medical Data Center.

\*2 Based on research by the Company on products of life insurance companies that are members of the Life Insurance Association of Japan. (As of September 20, 2016)

\*3 Annualized calculation based on fiscal 2016 results.

\*4 As of July 31, 2017

### InsTech Answering Future Customer Needs





# Creating the Future with InsTech



The Dai-ichi Life Group coined the term “InsTech” as a name for its initiatives to create innovation unique to the life insurance business from both the insurance and technology perspectives. As part of our initiatives, we launched the KENKO-DAIICHI (health first) app in March 2017. For this special feature, we interviewed Takako Kitahori, chief of the Marketing Strategy Unit, who headed this project, and Takero Hayashi of development partner Accenture Japan Ltd.

**Takero Hayashi**  
 Managing Director  
 Insurance Group  
 Financial Services  
 Accenture Japan Ltd

**Takako Kitahori**  
 Chief of the Marketing Strategy Unit  
 Dai-ichi Life Holdings, Inc.

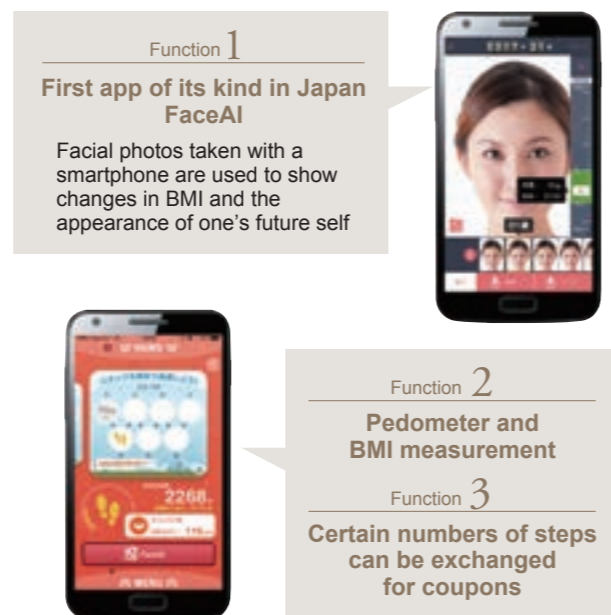
## Release of the KENKO-DAIICHI App for Encouraging People to Take the Lead in Their Health

### —What does InsTech involve?

**Kitahori** “InsTech” is a phrase coined by Dai-ichi Life that combines the words “insurance” and “technology.” We are currently developing products and services and ushering in business innovation in the three fields of “healthcare,” “underwriting,” and “marketing” with the goal of creating innovation unique to the life insurance business by harnessing technologies such as artificial intelligence (AI). Such initiatives are already being implemented by insurance companies in Europe and North America, so we decided to work with Accenture in promoting InsTech because of its global network and wealth of knowledge in best practices within various industries.

**Hayashi** Since Dai-ichi Life contacted us in 2015, we have visited leading companies outside of Japan together to observe their approaches and also exchanged ideas through a close-knit partnership. After clarifying the concept of InsTech, we set up a cross-functional project team, which resulted in the release of KENKO-DAIICHI, a dedicated smartphone app, as part of our efforts in the healthcare field.

**Kitahori** Life insurance companies must complement the social security system. This is why the basic concept behind the app was to create motivation for many people, not just customers of the Dai-ichi Life Group, to maintain or improve their health. We hope the app will serve as a gateway for people to maintain an interest and to take the initiative in their health.



## Sped up Development Using an Eco-system Involving Many Companies

### —How did you go about developing the app?

**Kitahori** One of the strengths of the Dai-ichi Life Group is its access to medical-related big data from its customer information data base. To utilize this and introduce InsTech, the project needed to bring together the strengths of many different companies and groups from inside and outside the Dai-ichi Life Group. Or, in other words, we needed to build an eco-system. In this sense, Accenture’s network and coordinating abilities were extremely powerful.

**Hayashi** One of Accenture’s strengths is its ability to deliver the same high-quality problem-solving services anywhere in the world. We work side by side with customers, including not only consulting, but also the selection of companies to promote strategy and the provision of specific IT solutions, to achieve highly visible results.

**Kitahori** One of the things we emphasized in developing the app was speed. After closely examining strategy and functional requirements internally, Accenture informed us about good practices and failures from other industries and outside Japan, which helped to elevate our planning.

**Hayashi** Later, Accenture took the lead in building an eco-system involving other industries and in app

development. Harnessing our expertise and know-how, we completed development in the space of four months after taking a keen and nimble approach. Dai-ichi Life has a flat organization, so the fast-paced decision-making concerning all processes enabled this fast-paced timeline.

## Paving the Way for a Better Future with the Concept of “Living Healthier and Happier Lives”

### —What’s next for the future?

**Kitahori** First, we would like to enhance KENKO-DAIICHI so that it meets the needs of users. At the same time, we would like to develop new products utilizing the big data of the Dai-ichi Life Group. For example, we will take an initiative to analyze the correlation between data on the number of steps and sleep time with data of medical exams and medical practitioner receipts by having Group employees use wearable terminals starting from October 2016. Also, we want to step up information sharing with our Group companies in the United States and Australia, which were among the first to use InsTech.

Furthermore, we hope to expand our partners. Recently, we concluded a business partnership with Nihon Chouzai Co., Ltd. and are working to deepen this relationship through the sale of insurance products and the development of apps for prescription drugs. In the future, we will consider developing solutions utilizing both companies’ big data. We have also begun joint research with the National Cancer Center Japan and others.

**Hayashi** Through our work with Dai-ichi Life, Accenture recognizes that the concept “living healthier and happier lives” occupies an important meaning for the promotion of InsTech. Looking forward, we hope to create a better future by working together and capitalizing on our strengths.

