

Betting on specialized products, wide sales channels

Some of the life insurance companies that collapsed in the late 1990s and early 2000s have made a comeback by leveraging their narrowly focused product ranges and sales channels.

An executive at T&D Financial Life Insurance Co. said, "We are looking to double the number of partner financial institutions to 60 by the end of fiscal 2006."

The company's main products are annuity policies for individual customers, so partnerships with banks and brokerages are the central pillars of its marketing policy. Sales managers at its head office meet daily to discuss which institutions in which regions to tie up with.

Like many other small and midsize life insurers that went under, the company, in its former incarnation as Tokyo Mutual Life Insurance Co., was unable to differentiate, selling products almost identical to those developed by leading life insurance companies.

The failed firm was bought in October 2001 by the T&D group, comprising Daido Life Insurance Co. and Taiyo Life Insurance Co., before restarting as T&D Financial Life.

OTC specialist

T&D Financial Life now aspires to gain strength by focusing on selling individual annuity insurance over the counter at financial institutions. It now has 28 partners in the banking and securities industries, an increase of nine from three months ago. It plans to double that number in less than two years.

The T&D's strategy is to maintain a clear division of labor among group firms in terms of target markets. Daido Life Insurance is strong in the market for small and midsize companies. Taiyo Life Insurance is good at serving housewives and other retail customers. T&D Financial Life is to focus on selling policies at banks and other institutions.

Deregulation of insurance sales at banks began in 2001. The ban on single-premium endowment policies will be lifted late this year, with full liberalization of the market scheduled at the end of 2007.

"We have no plans to merge the three firms," said Naoteru Miyato, president of T&D Holdings Inc. at a shareholders' meeting on June 29. "Each firm has its own strength so we will keep them as separate units under the holding company."

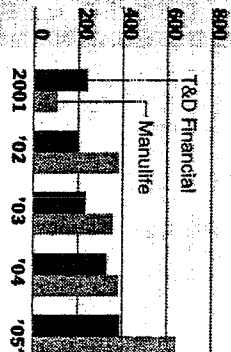
As to why each unit has a relatively limited target market, "We think this will allow the three companies to earn more premiums by concentrating on marketing," said Sonosuke Usui, managing director of T&D Holdings.

The total amount of individual annuity policies in force at T&D Financial Life reached ¥388.8 billion at the end of March 2005, a nearly 20% jump from a year earlier.

Built on variable annuities

Meanwhile, driven by its supremacy in variable annuity policies, Manulife Life Insurance Co. has seen its business growth indicators reach the highest levels of all major insurers, highlighted in

Pension plans
Amount of private annuity-insurance contracts, year-end basis, in billions of yen



*March-end Source: The Nikkei Financial Daily

its 57% surge in new policy contracts during the year to March 2005.

President Geoff Crickmay said that the capital and business alliance agreed upon with Bank of Tokyo-Mitsubishi in January 2004 was a major turning point for the company.

As the Canadian group took over the contracts of failed Daihyaku Mutual Life Insurance Co. and sought to turn the business around, many experienced sales staff left. The move the company made in response to restore its depleted marketing force was to ally with a megabank.

Under the agreement, Tokyo-Mitsubishi bought preferred shares in Manulife worth ¥5 billion, and the two companies started selling individual annuity policies they jointly developed. One of them, the Premiere variable annuity

product, is also sold over the counter at all outlets of Mitsubishi Trust & Banking Corp. and Mitsubishi Securities Co.

The Mitsubishi alliance has allowed Manulife to quickly gain extensive sales channels and powerful name recognition, which Crickmay believes has helped the company establish a leading position in the fast-growing market.

Group know-how

Manulife, a member of the Manulife Financial group, can also benefit from the group's know-how and performance in valuable annuity products, an area in which the group enjoys one of the largest shares in the U.S. market. This advantage "enables us to introduce advanced products faster than other insurers," Vice President Yoshinobu Takahara said.

In fact, the Premiere was unprecedented in Japan in that it guarantees a payment amounting to 110% of paid insurance premiums (principal) for policies with maturities of more than 20 years.

Even so, Manulife's profile is still low in other types of individual products, such as policies with death coverage, with the amount of contracts in force declining and the rate of policy cancellations at a high level.

Failed insurers were all allowed to reduce the assumed yields they once promised to policyholders. In this sense, the firms are under pressure to repay the "debt" by getting their businesses back on track and returning profits to their existing customers.