New policies revive failed insurers

Qualified workers chosen over mass hires to retain staff, lower policy cancelations

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Once-failed life insurance firms are on the path to recovery, as overhauls of marketing systems and product lineups have begun to push up core operating profits.

Although failure forced such drastic restructuring, it provided an opportunity to break from a longstanding business practice in Japan's insurance sector: a reliance on a vast legion of saleswomen who tend to leave quickly, often after less than a year of service.

In August 2003, when U.S. insurance giant American International Group Inc. acquired GE Edison Life Insurance Co., which had taken over the failed Toho Mutual Life Insurance Co., Kazunori Kataoka was appointed president. He immediately changed the firm's personnel policy from mobilizing a huge sales force to hiring a smaller number of quality staff.

President Kataoka, center, emphasizes stringent requirements for hiring new staff.

Reincarnation
Failed life insurers

	Time	
Nissan	April 1997	Initially contracts shifted to Aoba, later purchased by Prudential
Toho	June 1999	Initially contracts shifted to GE Edison, later purchased by AIG to become AIG Edison
Daihyaku	May 2000	Purchased by Manulife
Taisho	August 2000	Initially contracts shifted to Azami, later purchased by Yamato
Chiyoda	October 2000	Purchased by AIG, became AIG Star
Kyoei	October 2000	Purchased by Gibraltar
Tokyo	March 2001	Purchased by T&D group, became T&D Financial

Source: The Nikkei Financial Daily

Today, the new company, AIG Edison Life Insurance Co., spends several months recruiting midcareer sales staff with good marketing experience in various professions, from the securities to car and banking industries. It now hires only 100 persons at most a month, less than half the number of the past.

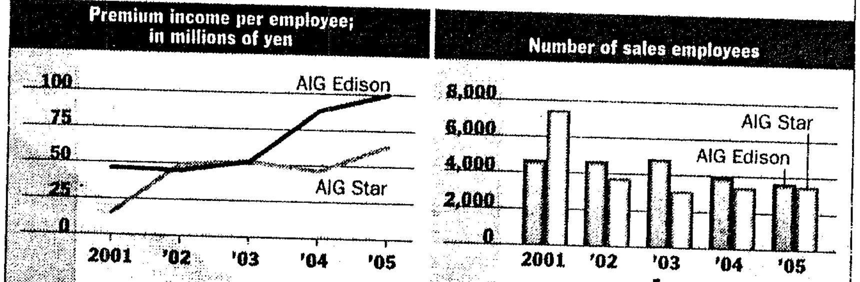
Focus on consulting

Meanwhile, the new emphasis on consulting-based sales has helped improve the policy cancelation rate to 9.7%, down 2.2 points from a year earlier, while boosting income from insurance premiums by 6% over the same period.

But as its business expands, the company has begun to face a shortage of marketing staff. To cope with this, AIG Edison's personnel manager recently asked Kataoka to lower recruitment standards and hire more salespeople.

Kataoka rejected the proposal, which he believed threatened to return the company to the old days that still characterize many Japanese insurance companies — the mass employment of salespeople with a high turnover rate.

Higher productivity
Profiles of AIG Edison and AIG Star



As of March each year

Source: The Nikkei Financial Daily

The practice tends to result in bloated business costs at life insurers because the firms lose employees before they can recoup their investment in training. Moreover, when sales staff quit, their customers often cancel the policies they handled.

Even today, more than half of salespeople at many Japanese life insurers change employers after about a year. Greater attention to marketing quality will be vital if life insurers are to stabilize management over the long term.

"Selling insurance is not something that just anybody can do," said Kataoka, who worked at Chiyoda Mutual Life Insurance Co., which failed in 2000. To many of the failed life insurers trying to revive themselves, ending the practice of mass hiring and high turnover is the crucial business goal.

Frequent assessment

AIG Star Life Insurance Co., which took over Chiyoda, revamped its evaluation system for sales staff by assessing their performance quarterly, compared with the twice-a-year appraisals before Chiyoda went under. Frequent evaluations have helped identify the employees with high morale.

The number of the firm's salespeople has tumbled to 3,500 from 14,000 before the former company failed. Previously, women accounted for 90% of the staff. Now, the sales force is comprised of men and women roughly equally.

The company has seen improved stability of its work force. As a result, income from premiums has surpassed ¥200 billion ($1.8 billion).

Targeting teachers

Gibraltar Life Insurance Co., formerly Kyoei Life Insurance Co., which collapsed in October 2000, has traditionally been a strong insurer for school teachers.

In addition to correcting a high turnover, the company has tried to persuade those employees with strong school teacher connections to remain in the firm, and has strengthened its merit-based personnel system.

While other life insurers are still struggling with their overhaul plans, "the very experience of failure has allowed us to undertake drastic marketing reform quickly," said Takayuki Kimura, director at AIG Star Life.

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 ...cutive at T&D Financial Life Insu... Co. said, "We are looking to doub... ...e number of partner finan...

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...

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

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 sa... channels and powerful name recogn... tion, which Crickmay believes has...

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