



Superior consulting services from Sony Life Japan via an innovative application/declaration process using automated underwriting solutions provided by Munich Re

Sony Life's history and performance

"From today, insurance will change. Life Planners will change it!" was the slogan used by Sony Life at its operational start in 1981. Life Planners started to promote tailor-made life insurance products under the mission statement *"Providing sensible insurance protecting customers' economic stability by high-level consulting"*.

The years since then have seen continuous growth, so that by Sony Life's 30th anniversary in 2011, total assets exceeded JPY 5 trillion. In fiscal year 2012, total in-force business¹ amounted to JPY 37 trillion, including JPY 4.5bn in new business sales¹.

Life Planner Value - Four Commitments

At the launch of Sony Life's Life Planner channel, there were just 27 Life Planners. Now there are more than 4,000 Life Planners consulting Sony Life's customers under the corporate slogan *"Walk along with our customers and contribute to the realization of their dreams throughout their lives"*.

To enable all employees to contribute to the execution of this concept, Sony Life established the *"Life Planner Value - Four Commitments"* guiding principle. To deliver their promises to customers, every single employee bases their concrete activities on the same lines, articulated by *"Plan, Co-Creation, Professionalism, Society"*.

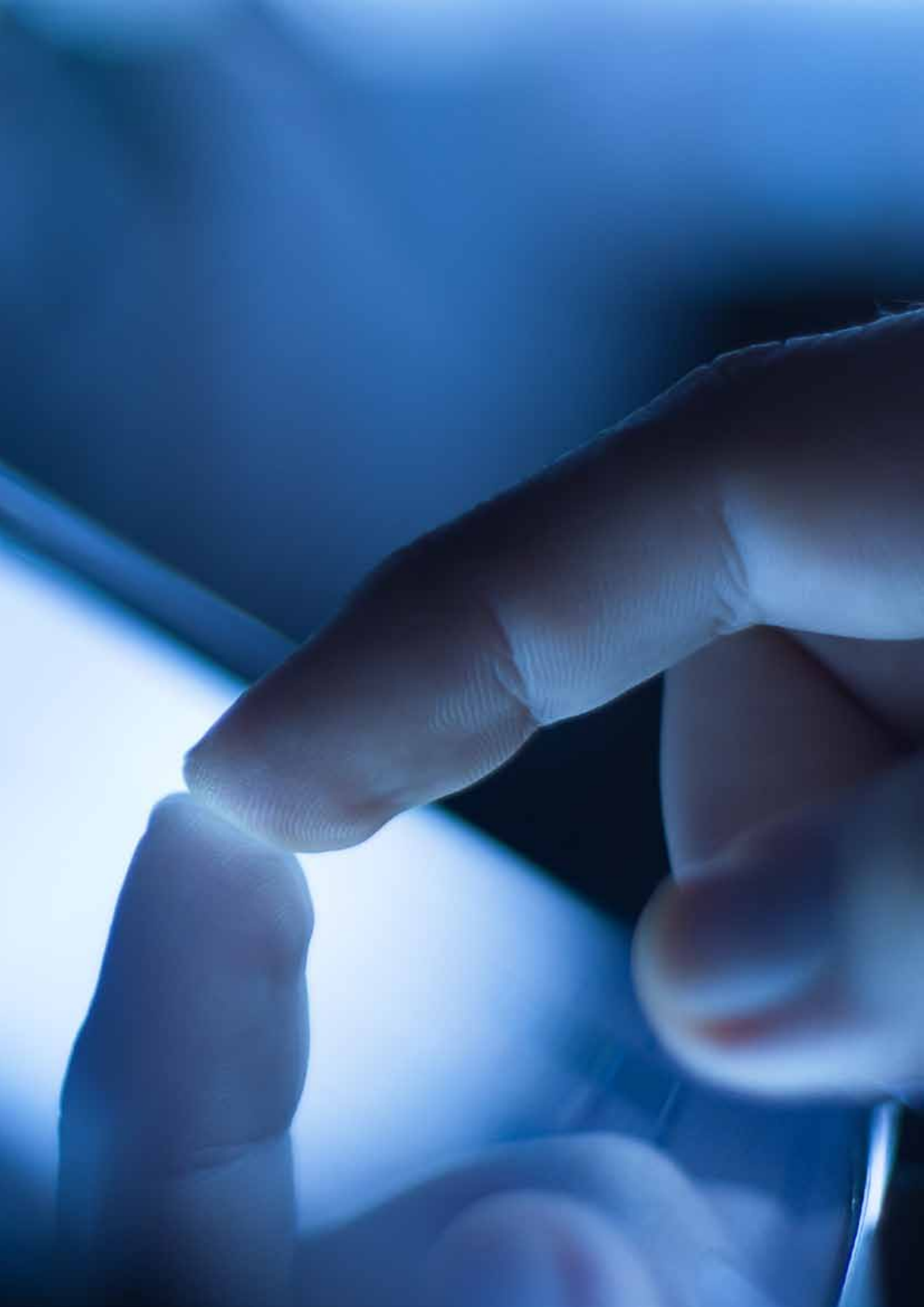
The Co-Creation project

To enrich services after contract conclusion, Sony Life established the Co-Creation project in 2009. Life Planners and customers worked together to establish a foundation to efficiently provide high-level services on a wide scale.

Under the first phase of the Co-Creation project, Sony Life launched the following three services for customers in May 2012:

- Provision of information for follow-up consulting
- Regular check of insurance benefits
- Support in solving issues relating to illnesses and nursing care

The second phase launched in October 2012 enabled paperless life insurance application by upgrading the sales support system with 5,000 new electronic devices. As a result, the application, bank transfer registration and health check-up reports are all now paperless, and declarations can also be handled onscreen. Real-time application handling lowers data transfer costs, reduces the burden on customers and Life Planners, and improves administration processes at head office.



Maximum use of state-of-the-art technology

This new paperless process not only digitally captures answers on the declaration form, but also automatically generates additional questions in case of a medical history of injury or sickness, so that the declaration can be completed at point of sale.

In order to implement an automated “question-answer” method, Sony Life used the Underwriting Rules Engine² (URE, newly-called “Allfinanz Interview Server”) from Munich Re Automation Solutions empowered with Munich Re’s underwriting rules adjusted to meet Sony Life’s underwriting guidelines.

The new application/declaration process was first installed at a selected branch office where it was used for two months before it was rolled-out countrywide. Because Munich Re Automation Solution’s underwriting rules engine can also be used in demo mode, Life Planners were able to practice freely and get used to the new process.

A paperless application process



Currently, about 4,000 Life Planners are using this state-of-the-art paperless application/declaration process countrywide. A revolutionary tablet-based process which can be completed on-screen from start to end of the application was not only stimulating customers but also the Life Planners.

Troublesome paperwork was simplified, enabling a smooth process which is extremely pleasing to Sony Life’s customers. Thanks to this refreshing feedback from customers, this new process spread throughout Japan in no time.

Just two months after the roll-out, Sony Life completed 93% of all applications for which the paperless process can be used. This by far exceeded Sony Life’s first-year target. The background of this fast penetration - without particularly forcing automation and keeping conventional processes in place - is not only due to paperless processes as such, but also due to the fact that applications with medical histories of injury/sickness can be completed at point of sale. Munich Re’s automated underwriting solution has undoubtedly added additional value to Sony Life’s new application/declaration process.



Mr Tatsuo Hasegawa,
General Manager, Co-Creation Planning
Division (now Senior Vice President)
Sony Life Insurance Co., Ltd.

“A good part of the project was managed by Sony Life. However, with regard to the underwriting rules engine which is not our professional territory, Munich Re’s know-how to manage the project and develop underwriting rules drove the project to success. Without Munich Re’s expertise, we would never have completed the implementation of an automation solution from scratch.”

Great impact caused by an innovative application/declaration process

In less than half a year after release, the new application/declaration process has resulted in tangible effects.

Reduction in number of days from application to contract

Under the previous process, it used to take several days from time of application to completing the underwriting at head office. With the new paperless process, necessary information arrives at the head office within an hour after completion of the application so contracts can be concluded on the same day as application. In total, Sony Life has reduced the number of days from application to contract signature by approximately 50%.

Reduction in incomplete applications/declarations

Incomplete declarations with omissions were reduced to zero. Further, due to the customized underwriting rules by Munich Re, additional information for medical underwriting can be obtained efficiently and effectively at point of sales. This dramatically reduced the number of cases which require additional declarations. In total, the number of incomplete applications/declarations was reduced by approximately 70% compared to the previous paper-based process. Reducing the number of incomplete applications/declarations not only reduces the burden of customers and Life Planners, but also increases the efficiency of the underwriting department at head office.

Previously, underwriters lost a lot of time tediously checking whether all questions had been answered. Such clerical matters are now completed automatically, allowing underwriters to concentrate on essential underwriting.

Consistent underwriting decision

Under a paper-based declaration process, declarations provided by different applicants with the same medical history can vary. On the one hand, there are cases with insufficient information to allow proper underwriting, and on the other hand, there are cases with redundant information making the application unacceptable.

Through the new application/declaration process empowered with Munich Re's Underwriting Rules Engine, the information necessary is collected without gaps, and redundant information is avoided, resulting in standardization of the information collected. Further, the underwriting rules engine reduces the human errors that occur in the course of administering an enormous amount of applications.

Accumulation of declaration data

The data collected at the application/declaration stage by the rules engine is stored. By analyzing the data, e.g. the emergence of declarations, ratio of automatically underwritten cases, breakdown of underwriting decisions, etc. not only overall application trends, but also specific disease or injury trends can be identified. At Sony Life, such data is analyzed meticulously and used to effectively revise underwriting rules.

Reduction in administrative costs

Under the previous paper-based process, there were many documents customers needed to fill out. With the new process, not only paper costs but also information transfer costs were reduced.

Even better quality consulting

Due to the more efficient process, the large amount of time spent by Life Planners on administrative work can now be spent with customers. Therefore, communication with customers can be deepened and consulting further improved.

Sony Life invests a lot of effort in recruiting and educating Life Planners. For Sony Life's sales and marketing managers, this accounts for a large part of their time. However, executing managerial duties using information in paper documents is limited. The new paperless process improved the quality of internal communication by dramatically reducing the need to check paper documents in order to capture the information needed. The ability to know what's happening with applications on a real-time, nationwide basis is also invaluable from a managerial perspective.



Key to a successful project

Implementation of a fitting and expandable solution

"I think that teaming up with Munich Re in areas beyond our expertise was a decisive factor for success".

Mr Tatsuo Hasegawa, General Manager, Co-Creation Planning Division (now Senior Vice President), and responsible for the project, reflects as follows:

"When selecting the solution provider, of greatest importance for Sony Life was the question whether our own underwriting guidelines can be transformed correctly into the rules engine. To construct underwriting rules which reflect our underwriting guidelines properly and satisfy requirements of our medical department within limited timelines, a partner with a great wealth of knowledge was absolutely essential".

There were multiple possibilities with regard to selecting the best solution such as in-house development or other reinsurers. However, what Mr Hasegawa emphasized most during the selection process was: *"Extensive experience and specialist know-how in creating underwriting rules"* and Munich Re was the only provider who fulfilled those strict requirements.

Mr Yohei Ishibashi, currently in the Operation Planning Division, was also involved in the selection process and commented:

"There were providers who offered cheaper solutions and we have also considered those. However, we came to the conclusion that Munich

Re would be the best partner to implement a superior solution within limited timelines. The proven ability to create a high-quality automation solution already at the initial stage of the new application/declaration process was a decisive factor for our decision. Already after a short period, we can state that the investment was clearly worthwhile".

Mr Hasegawa, the final decision maker, evaluates Munich Re's work as follows:

"As promised at promotion stage, with regard to the customization of the underwriting rules and creation of an underwriting system, Munich Re's performance was outstanding. Their staff are specialists and truly trustworthy, delivering requested tasks within given timelines."

The Co-Creation project launched in 2009 involved close to 5,000 man-months. It was clearly a huge project and the three most important parameters, i.e. time frame, budget and quality, were all in line with the initial plan. Looking at past projects, this is in fact a noticeable achievement. Mr Hasegawa tells that if Sony Life hadn't teamed up with Munich Re, this would not have been possible.

From underwriting manual to underwriting rules

Munich Re's underwriting rules for Japan cover about 220 injuries and diseases. Also supported by international experience, this covers most of the injuries and diseases declared in insurance applications in Japan. Sony Life and Munich Re have further customized Munich Re's rules set and it is already apparent that the customized version covers 97% of injuries/diseases disclosed at application stage.

Based on two months monitoring after release, Sony Life found that underwriting results produced by underwriters matched perfectly with the results produced by the underwriting engine and underwriters are confident with underwriting decisions produced automatically by the underwriting rules engine.

Further, additions or changes to the underwriting rules can be made easily which is a major benefit of Munich Re's solution.

Mr Ishibashi who actually makes such updates says:

"Once the first version of the rules set is created, adjustments can be made very easily so Munich Re Automation Solutions' rules architecture tool is extremely advantageous and user-friendly".

For traditional business rules engines, programming becomes necessary and when making adjustments, additional costs and involvement of the IT department become unavoidable. Also the work load of the department which maintains the rules after release is not negligible. With the tools provided by Munich Re Automation Solutions, these concerns are fortunately not relevant, so Sony Life executes regular underwriting rules updates.



Heading for the next stage

As part of the 30th anniversary activities, of which the Co-Creation Project was one part, another proposition was to prepare a solid basis for the next 30 years.

Mr Hasegawa comments as follows:

“Providing life insurance means entering a very long relationship that can last for 20 to 30 years and embrace several generations so customer information needs to be followed through. Given the aging of the population, consulting at the application stage needs to be repeated again and again so that benefits and services can be adjusted to the customers’ changing life stages, needs and risks timely. It is not only about concluding a contract but following through with customers and getting to know them better. This is why we have engaged in this project.”

After driving the first phase launched in May 2012 and the second phase in October 2012 to success, Sony Life is already heading for the next stage.

There are strong expectations that the new application/declaration process Sony Life currently uses for Life Planners will be expanded to the broker channel. Not only for declaration method and health check-up method³, but we are also looking into the possibility of utilization for medical examination method.

Sony Life believes that finally, most common applications will be handled by the underwriting engine while complicated or large amount cases will be underwritten manually by underwriters.

At Sony Life, the goal is not to underwrite all cases automatically. The underwriting engine is most useful to avoid incomplete applications/declarations and to collect the information needed for medical underwriting efficiently. On the other hand, information obtained from medical certificates and through medical examinations remains important to assess risks properly. It is not possible to automate everything, so Sony Life’s underwriters will be enabled to concentrate on such aspects.

By implementing the new application/declaration process, clerical underwriting processes can be avoided so Sony Life’s underwriters can increase their skills and focus on the essence of medical underwriting.

“Cutting edge technology in ideal harmony with human skills” – Sony Life believes that maintaining a good balance between both technology and human skills is important.

Based on the slogan *“Life Planners and customers co-create together”*, this new application/declaration process will be evolved further in order to yet again increase Sony Life’s consulting services throughout the next 30 years of relationship with their customers.

For Sony Life as well as for all clients throughout the world, Munich Re and Munich Re Automation Solutions will remain to be the best partner with regard to automated underwriting.

This case study was written from an interview with Sony Life regarding their implementation project of Munich Re’s automated underwriting solutions.

¹The new business sales and the in force business comes from the total amount of individual life insurance and individual annuities.

² As from December 2011, the name of this product has been changed from Underwriting Rules Engine to Allfinanz Interview Server(AIS).

³Traditionally, life insurers have used four different selection methods for their new business underwriting, i.e. declaration-only, Mensetsushi, health check-up and medical examination. With the declaration only method, insurers can write new business up to about JPY 15m, with Mensetsushi, up to JPY 40 million, with health check-up up to JPY 70m and with medical examination up to the maximum issue limit. Those limits are different from company to company and also depend on the age of applicants.

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