

# Establishment of Nonlife Insurance Business Navigation System “A-NIBNS”

Masahiro Nakamura, Aoyama Gakuin University, Japan  
Akinori Ishikawa, Aoyama Gakuin University, Japan  
Kakuro Amasaka, Aoyama Gakuin University, Japan

## ABSTRACT

*In this study, the authors teamed up with nonlife insurance companies and agencies to create a business approach method that made it possible to reform insurance-related business activities from a policyholder perspective. A detailed operational method was then put together as “A-NIPNS”, or Amalab’s Nonlife Insurance Business Navigation System. The system is comprised of four parts: (1) a networking system for sharing information within nonlife insurance companies and with agencies, (2) a customer handling evaluation system, (3) a business information sharing system used to link nonlife insurance companies and agencies, and (4) a complaint utilization system for policyholders. After putting together the system, the authors implemented a trial operation using Nonlife Insurance Company A and Nonlife Insurance Agency B in order to check its effectiveness.*

**Keywords:** Nonlife Insurance; Policyholder; A-NIBNS

## INTRODUCTION

In recent years, the nonlife insurance industry has been focusing on strengthening their operations to put more focus on policyholders, and reforming nonlife insurance policies has become one of the most urgent and critical business issues that insurance companies face. For years, property insurance contracts depended on agents canvassing for sales or contract closing procedures, which were almost all handled by nonlife insurance agencies. Because of this, direct policyholder (customer) feedback (problems and demands) rarely reached the insurance companies, which in turn created a customer service bottleneck.

This study constructs Amalab’s (Amasaka laboratory’s) Nonlife Insurance Business Navigation System “A-NIBNS”, a model that aims to help nonlife insurance companies and agencies carry out insurance-related business activities from a policyholder perspective. Specifically, “A-NIBNS” is comprised of four subsystems. The first is a networking system, which is designed to allow information to be shared within nonlife insurance companies and with agencies. The second is a customer handling evaluation system, which is used to generate radar charts indicating how well agencies are taking care of the needs of their policyholders. The third subsystem is a business information sharing system that is set up to examine all shared matters between nonlife insurance companies and their agencies, and then provide an easy way for that information to be shared. The last subsystem is a customer complaint utilization system that records complaints from policyholders and offers ways in which those complaints might be utilized to improve operations. The authors put together these four subsystems as “A-NIBNS” and offer a new business approach model that can also make optimum use of the overall system.

## ROLES AND PROBLEMS OF INSURANCE

### Roles of Insurance

Nonlife or property insurance is a way to collect insurance money in an amount that covers damages caused by unexpected events. Life comes with a variety of risks, and auto collisions (which occur every 40 seconds) are just one example of a common accident that can result in extensive damages that must be paid for. Fires, typhoons,

earthquakes, and heavy snowfall are other risks that we may encounter in our daily lives. However, signing up for a nonlife insurance policy can help offset the financial losses associated with accidents and disasters like these. As a result, these policies are crucial in helping us to maintain stability in our lives (Shiu and Yu, 2010).

### **Problems of Insurance**

Today, operating insurance companies in a way that prioritizes policyholders is a major issue facing the nonlife insurance industry as a whole. An incident in 2005, where companies failed to pay compensation, was one reason that policyholders lost faith in the insurance industry, which now must work to regain their trust. Carrying out their operations in a way that puts the policyholder first also requires that insurance companies collect customer feedback, understand where their customers are coming from, and use that information to modify the way they are running their business. In other words, insurance companies must operate from a policyholder perspective, yet there are problems with nonlife insurance running this way. One, companies collect their feedback through external organizations known as nonlife insurance agencies and two, the employees at nonlife insurance companies have few opportunities to interact directly with policyholders (Sato, 2011; Nakao, 2010).

### **Nonlife Insurance Policies Handled by Insurance Agencies**

Nonlife insurance customers are categorized into three groups based how they purchased their policy - through an agency, through an insurance broker, or directly. Since about 93% of insurance premiums come to the company through an agency, the authors of this study chose to focus on nonlife insurance policies handled by insurance agencies.

When a nonlife insurance customer is handled through an agency, it is the agency that actually issues the policy. For this reason, it is rare for policyholder feedback and requests to go directly to the insurance company. In addition, 84.4% of agency policies go through a sideline agency, meaning that the agency's main business is something other than issuing insurance policies. For auto insurance this may be an auto dealer and for fire insurance, it may be a real estate company. As a result, the seller may have insufficient knowledge of the insurance product itself and may not offer it as the insurance company originally intended (Sato, 2011; Nakao, 2010). The above situation makes it necessary for insurance agencies and insurance companies to set up a system that allows them to carry out their insurance-related business activities from a policyholder perspective.

In looking at prior research done on this topic, both within Japan and overseas, the authors found studies related to customer handling and customer handling skills at insurance companies as well as studies on marketing nonlife insurance. However, these studies simply discussed the topic of dealing with policyholders and did not go further to offer concrete solutions to the problems facing nonlife insurance business activities (Shiu and Yu, 2010; Takahashi et al., 2010; Yoshikawa and Taura, 1997; Kinoshita, 2007; Sato, 2011; Nakao, 2010; Amasaka, 2005; Amasaka, 2012; Takahashi et al., 2008; Kato, 2007; Miwa, 2005; Ishikawa, 2012; Larson and Kerr, 2007; Bryde, 2003).

## **CONSTRUCTING “A-NIBNS”**

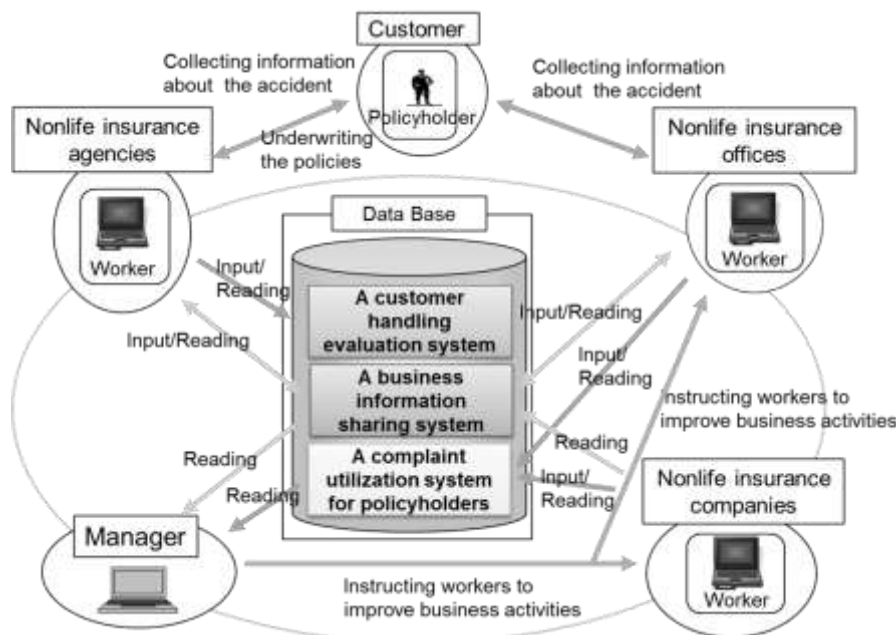
### **Problems of Nonlife Insurance Policies Handled by Insurance Agencies**

Interviews were held with three major nonlife insurance companies and three nonlife insurance agencies to examine the issues associated with carrying out business from a customer perspective. Three specific problem areas came to light. The first was that agencies are not doing a good job of dealing with policyholders, in part because they don't know what policyholders really want. The second was a lack of communication between insurance agencies and nonlife insurance companies, particularly in terms of agencies passing along the customer feedback they receive. Third, companies are not able to utilize customer feedback to improve their operations since complaints from policyholders are not being shared throughout the company. This is resulting in the repeated occurrence of similar complaints.

To summarize the problem areas identified in the study, 1) feedback from policyholders is not being shared between agencies and nonlife insurance companies or within the insurance companies themselves, 2) policyholders are not being approached from a customer-first perspective, 3) there is a lack of communication between agencies and nonlife insurance companies, and 4) customer complaints are not being utilized throughout insurance companies as a whole.

**Contents of "A-NIBNS"**

To solve these problems, we constructed Amalab’s Nonlife Insurance Business Navigation System (A-NIBNS) which is comprised of four parts: 1) a networking system for sharing information within nonlife insurance companies and with agencies, 2) a customer handling evaluation system, 3) a business information sharing system used to link nonlife insurance companies and agencies, and 4) a complaint utilization system for policyholders (Figure 1). First, we constructed a networking system which is able to share information within nonlife insurance companies and with agencies.



**Figure 1: Contents of "A-NIBNS"**

**A Customer Handling Evaluation System**

We’ll start by discussing nonlife insurance business activities handled by insurance agencies. Nonlife insurance business activities include accepting insurance contracts, collecting premiums from policyholders, and paying out compensation according to the terms of insurance contracts. The organizations responsible for each of these activities are: 1) agencies are responsible for bringing in customers and underwriting the policies, 2) both the agency and the nonlife insurance company are responsible for collecting information about the accident, and 3) the insurance company is responsible for recording accident information paying claims. However, agencies are the ones primarily responsible for contract procedures. For this reason, the authors interviewed 32 nonlife insurance policyholders and ran a text mining analysis on the results (Figure 2).

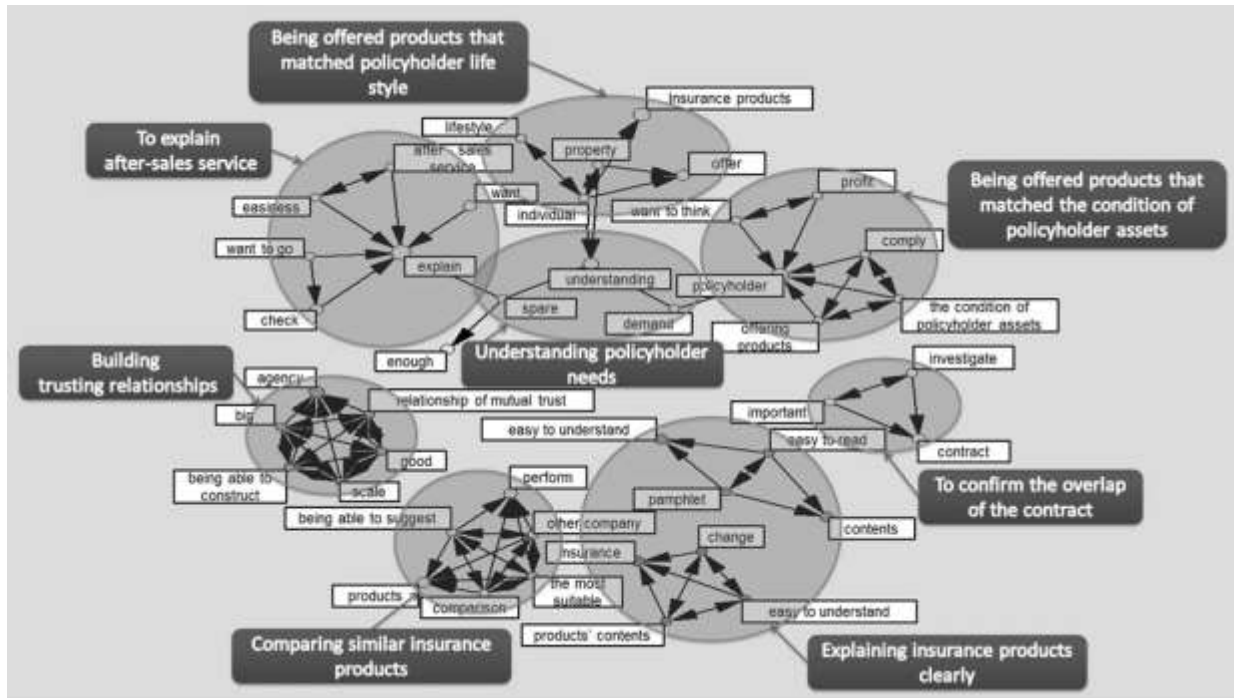
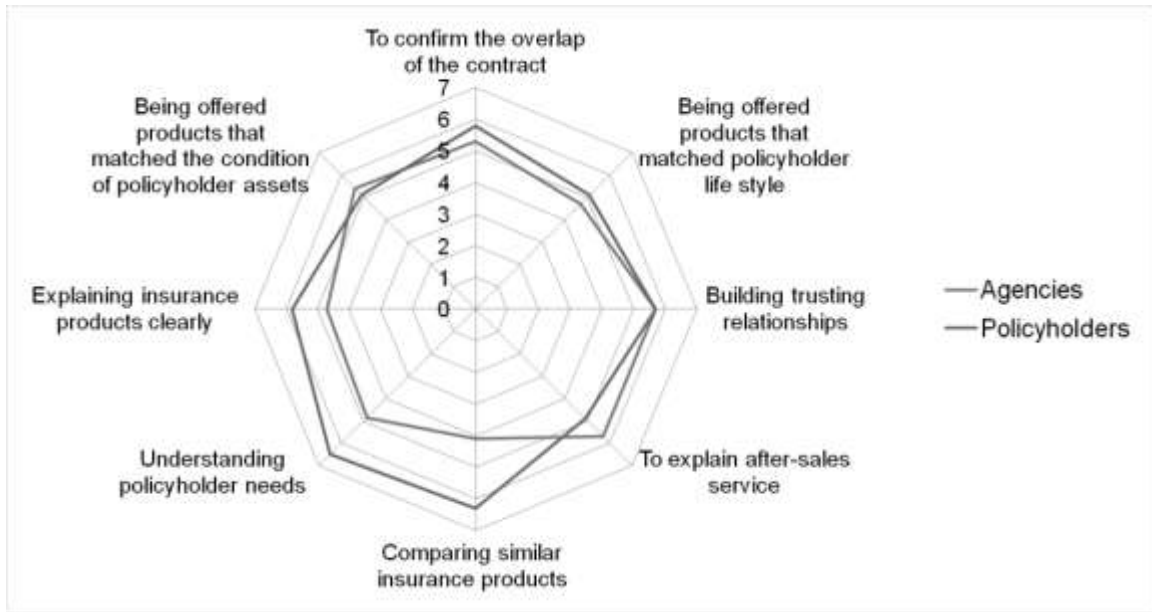


Figure 2: Text Mining Diagram

Some of the results of that analysis follow. In terms of how customers want to be treated by their insurance agency, groupings that included items such as “policyholder”, “asset status”, and “handling” indicated that policyholders wanted to be offered products that matched the condition of their assets. Other groups were interpreted in a similar way, which allowed the authors to identify eight types of customer handling that policyholders were looking for when they signed up for an insurance policy. Policyholders and agency employees were then asked to evaluate each of these eight items on a seven-point scale to indicate how important they were and to what degree they were actually being carried out.

The types of customer handling that received the highest scores among policyholders were comparing similar insurance products and understanding policyholder needs. In other words, the survey revealed that insurance customers want to be offered an insurance product that truly matches their personal situation. The agency employees, on the other hand, gave the highest scores to explaining after-sales service and building trusting relationships. Finally, both policyholders and agency employees gave priority to confirming policyholder needs (particularly when there was a large gap in terms of handling) and comparing similar products (Figure 3). The survey revealed that insurance agencies do find it necessary to offer products that match the needs of individual customers. The above results allowed the authors to evaluate how well agencies were dealing with their policyholders as well as clarify what further actions agencies needed to take in that area.



**Figure 3: Evaluations of Agencies and Policyholders**

**A Business Information Sharing System Used to Link Nonlife Insurance Companies and Agencies**

This section deals with the lack of communication between agencies and nonlife insurance companies. The authors put together a system that the two can use to share information, making it possible for agencies to send customer feedback to the insurance company (Figure 4).

**Figure 4: A Business Information Sharing System**

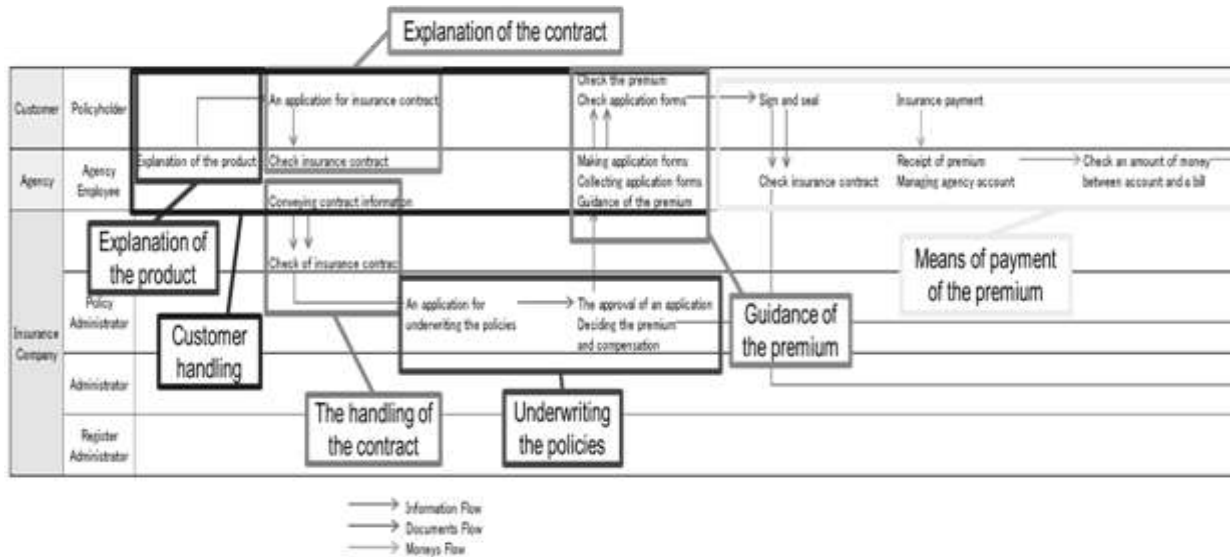
The system asks users to first input a title, followed by detailed information to be sent to the insurance company. Agencies then enter any background information indicating how the suggestion or request came about, including policyholder feedback or what the agency thinks about that feedback. Once the required items are filled out, the information is saved in the system and displayed as a list of submitted titles. The insurance company can then look at this list of suggestions, identify the kinds of suggestions being submitted from each type of agency, and share whatever information is necessary to improve agency operations. The feedback can also be used as the basis

for improving business activities at the insurance company itself, which in turn may lead to better-run agencies as well.

**A Complaint Utilization System for Policyholders**

This section deals with the difficulty insurance companies have in understanding the kinds of complaints that policyholders bring, the kinds of customer handling they are dissatisfied with, and the degree to which they are dissatisfied. It is because of this difficulty that insurance company employees cannot make positive use of the complaints that policyholders make.

In tackling this problem, the authors first came up with a business activity flowchart to clarify the process that insurance companies go through in their work with customers (Figure 5). The different activities were then grouped by type. By clarifying which activities policyholders were dissatisfied with, along with the degree of that dissatisfaction, the authors were able to specify the problem activities. The authors worked with insurance company employees to come up with a task flowchart for auto insurance - one of the most important nonlife insurance products. The nonlife insurance business activities associated with auto insurance, from signing the policy to the moment before an insurable accident occurs, were then grouped by type. A similar task flowchart was prepared for the business activities that happen after an insurable accident occurs, and these were categorized as well. Insurance activities in the task flow were split into three sections - policy procedures, policy management, and accident handling. Next, customer dissatisfaction was classified into four types - policy cancellations, switching agents, demanding an apology, and other. A complaint registration form was then created based on the above categories (Figure 6).



**Figure 5: A Business Activity Flowchart**

**Figure 6: A Complaint Utilization System**

To fill out the complaint form, users start by selecting the type of insurance task to which the complaint applies, followed by the way the complaint was handled and the type of customer dissatisfaction. When entering the details of the policyholder complaint, the user starts by inputting a title that summarizes the complaint, followed by further details. Once all the items have been filled out, the complaint form is saved.

Example search about the complaint

Policy procedures	Number of complaints	Policy management	Number of complaints	Accident handling	Number of complaints
<a href="#">Explanation of the product</a>	15	<a href="#">Non-arrival and deficiency of securities</a>	5	<a href="#">Insufficient explanation</a>	5
<a href="#">Explanation of the contract</a>	27	<a href="#">Means of payment of the premium</a>	10	<a href="#">Payment authorization</a>	22
<a href="#">The handling of the contract</a>	13	<a href="#">Procedure of the contract change</a>	12	<a href="#">Accident processing</a>	4
<a href="#">Guidance of the premium</a>	19	<a href="#">Cancellation of a contract procedure</a>	6	<a href="#">Insurance payment</a>	20
<a href="#">Underwriting the policies</a>	21	<a href="#">Refund procedure by the expiration of a term</a>	5	<a href="#">Lack of the communication</a>	27
<a href="#">Update procedure</a>	15	<a href="#">Customer handling</a>	17	<a href="#">Customer handling</a>	24
<a href="#">Customer handling</a>	34	<a href="#">Others</a>	13	<a href="#">Others</a>	8
<a href="#">Others</a>	12				

[return](#)

**Figure 7: The Screen to Search Examples about the Complaint**

The saved complaints then appear as a list, categorized by type of business activity (Figure 7). The list is displayed with the number of complaints listed in each category. This allows insurance companies to see, at a glance,

how many complaints are associated with each work task. For example, if there are numerous complaints related to direct customer handling, the company can look at the associated location in the task workflow to identify the process where the most complaints are occurring.

Also, users can select an item from this list in order to find out more about the specific complaints that are coming in. For example, users could select the item “insufficient explanation” to see a summary of the associated complaints as well as the type of dissatisfaction, allowing them to take in this information for each type of complaint at a glance.

**CONSTRUCTING A NONLIFE INSURANCE BUSINESS APPROACH MODEL “A-NIBAM”**

The authors put together Amalab’s nonlife insurance business approach model “A-NIBAM” as a way of utilizing the information in the system as shown in Figure 8. In Step 1, the insurance company selects the nonlife insurance business activity or task that they wish to target. In Step 2, users identify the departments associated with the task selected in the first step and set up an information network with those departments. A database is then set up to record related data, which makes it possible to share whatever information is needed. In Step 3, users identify the kind of customer handling that policyholders want from insurance agencies and examine their own agencies to see how that type of handling is being carried out. By displaying these results in a radar chart, agencies can see what they need to do when working with policyholders in the future. Step 4 involves preparing an information registration form that enables nonlife insurance companies to share with agencies whatever information they need in order to carry out business operations from a policyholder perspective. The insurance companies can then look at that information, which allows policyholder feedback to be shared between agencies and companies. This in turn allows both parties to take the necessary steps to carry out business tasks that put the customer first. In Step 5, users record the complaints they receive from policyholders so that they can be shared throughout the insurance company. By identifying the causes of customer complaints and the steps needed to prevent them, insurance companies and agencies can put a stop to repeat grievances.

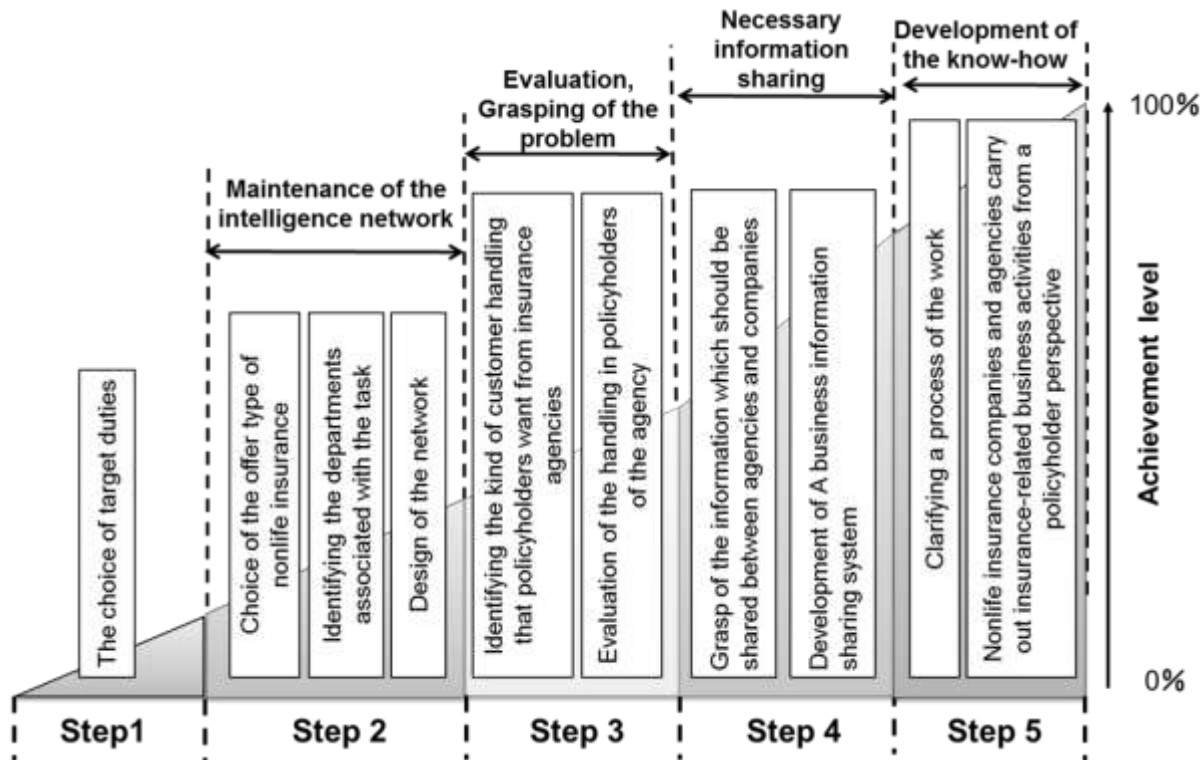


Figure 8: A Nonlife Insurance Business Approach Model



## EFFECTIVENESS OF “A-NIBNS” AND THE APPROACH METHOD

Interviews were conducted of Nonlife Insurance Company A and Nonlife Insurance Agency B. The verification was conducted by explaining a nonlife insurance business approach model and “A-NIBNS” built by the authors and conducting a face-to-face interview survey of their assessment of the effectiveness and any problems. Two aspects of the system that were rated highly by users were (1) recognition of the necessity of better communication with agencies beyond the sharing of policyholder feedback and (2) the ability to share customer complaint information, which could be used to determine how things should be handled differently in the future. Two suggestions for improvement were (1) organizing and adding more information items that could be shared with nonlife insurance companies and (2) putting together a system that would support agencies in becoming more independent. The verification process above indicated to the authors that the system offered a valuable service, confirming the effectiveness of “A-NIBNS” and the approach method.

## CONCLUSION

This study constructs Amalab’s Nonlife Insurance Business Navigation System (A-NIBNS) which aims to help nonlife insurance companies and agencies carry out insurance-related business activities from a policyholder perspective. Furthermore, the authors put together Amalab’s Nonlife Insurance Business Approach Model “A-NIBAM” as a way of utilizing “A-NIBNS”. Future research needs to be done in order to quantitatively grasp the degree to which policyholder feedback is being used and to make the system more practical for both nonlife insurance companies and agencies.

## AUTHOR INFORMATION

**Masahiro Nakamura** is a graduate student of the Graduate School of Science and Engineering at Aoyama Gakuin University, Japan.

**Akinori Ishikawa** received his Master of Engineering degree from the Graduate School of Science and Engineering at Aoyama Gakuin University, Japan.

**Dr. Kakuro Amasaka** is a Professor in the College of Science and Engineering at Aoyama Gakuin University, Japan. He received his Ph.D. degree in Precision Mechanical and System Engineering, Statistics and Quality Control at Hiroshima University in 1997. Since joining Toyota Motor Corporation in 1968, He worked as a quality control consultant for many divisions, and the General Manager of the TQM Promotion Division (1998-2000). His specialty is New JIT, Science TQM, Science SQC, Numerical Simulation (CAE) and Customer Science. Now, He has been serving as the vice chairman of JSPM (2003-2007) and JOMSA (2008-2010), the director of JSQC (2001-2003) and the commissioner of the Deming Prize judging committee (2002-present). Now, he is inaugurated as the chairman of JOMSA (2011-2012). E-mail: [kakuro\\_amasaka@ise.aoyama.ac.jp](mailto:kakuro_amasaka@ise.aoyama.ac.jp) (Corresponding author)

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