FACT BOOK NON-LIFE INSURANCE IN JAPAN 1997 – 1998

FACT BOOK

NON-LIFE INSURANCE IN JAPAN

1997–1998

THE MARINE AND FIRE INSURANCE ASSOCIATION OF JAPAN, INC.

KEY FIGURES

GENERAL INFORMATION ABOUT JAPAN

	Fiscal 1996		Fiscal 1997
● Population :	125,257,016		125,568,035
(Percentage of People Aged 65 and Over)	(15.4%)		(16.0%)
● GNP (nominal) :	¥508,999.2 billion		¥511,122.6 billion
(real) :	¥489,002.1 billion		¥486,072.5 billion
● GDP (nominal) :	¥503,068.2 billion		¥504,565.6 billion
(real) :	¥483,295.3 billion		¥479,835.3 billion
● Percentage of Workers by Industrial Sector :	• Primary Industries	5.5%	5.4%
	• Secondary Industries	32.9%	32.7%
	• Tertiary Industries	61.6%	61.9%
● No. of Registered Automobiles :	71,775,647		72,856,583

JAPANESE NON–LIFE INSURANCE COMPANIES

	Fiscal 1996	Fiscal 1997
● No. of Domestic Insurers	33	33
● No. of Employees : (Including Management)	102,154	98,775
● No. of Agents :	623,741	592,126
● Total Assets :	¥30,358.1 billion	¥31,117.4 billion
(Total Working Assets) :	(¥28,079.2 billion)	(¥28,536.3 billion)
● Direct Premiums Written :	¥10,621.9 billion	¥10,313.7 billion
(Maturity–Refund–Type Insurance Premiums) :	(¥3,166.2 billion)	(¥2,881.0 billion)
● Net Premiums Written :	¥7,228.1 billion	¥7,215.3 billion
● Net Claims Paid :	¥3,490.5 billion	¥3,536.4 billion
● Net Operating Expenses :	¥2,822.1 billion	¥2,830.7 billion

(Notes) (1) "Domestic Insurers" means locally incorporated companies including foreign–capitalized insurers. As two foreign–capitalized insurers have been established in fiscal 1998, the number of "Domestic Insurers" now stands at 35 as of December 15, 1998.

(2) "No. of Agents" includes the agents of foreign companies.

FOREWORD

We take pleasure in presenting the "Non–Life Insurance in Japan Fact Book 1997–1998", offering an outline of our non–life insurance industry and focusing on its activities during fiscal 1997.

Severe conditions confront the Japanese economy as a result of lingering stagnation and confusion in the financial markets. With the passing of the Financial System Reform Bill this June, however, a framework has been put in place for the promotion of the Japanese financial Big Bang, and the drive to the year 2001 has begun.

With the approval of the Financial System Reform Bill, a sweeping reform of the rating organization system was implemented in the non–life insurance industry, and further liberalization of non–life insurance products and services has been promoted. This encourages each non–life insurance company to exercise its ingenuity even more, thus widely expanding the options for consumers when choosing non–life insurance products and services. In addition, as a result of the mutual entry between insurance companies and other financial institutions, the expansion of the business scope of insurance companies, etc., management options have been significantly expanded, and the convenience of consumers is enhanced. Futhermore, the establishment of a Non–Life Insurance Policy–holders Protection Corporation of Japan will ensure the protection of policyholders in the event of a non–life insurance company going bankrupt.

With liberalization and deregulation now in place, the Marine and Fire Insurance Association of Japan has resolved to promote even further the disclosure of information so that consumers can choose their insurance products and services properly at their own discretion. In addition, our Association is determined to make efforts to continue to obtain consumers' reliance on and support of the non–life insurance business by carrying on with activities to ensure that consumers can deepen their understanding of the functions and roles of non–life insurance. We would appreciate it, therefore, if your continued understanding and unchanged support could be extended to our non-life insurance industry.

We hope this Fact Book will help you to a better understanding of the non–life insurance business in Japan.

December 1998

The Marine and Fire Insurance
Association of Japan, Inc.

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(April 1, 1997 — March 31, 1998)

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PART I

GENERAL REVIEW OF FISCAL 1997

(April 1, 1997 — March 31, 1998)

I. JAPAN'S ECONOMY AND NON–LIFE INSURANCE

1. Review of Japan's Economy

The economy of Japan during fiscal 1997 showed signs of entering a deep recession as evidenced in sluggish rates of personal consumption and housing investment. This was attributable to the effect of the rise in the consumption tax rate and peoples' anxiety about the financial system resulting from the successive bankruptcies of financial institutions. The national economy registered growth rates of 0.3% nominally and −0.7% in real terms, down 2.5 and 3.9 percentage points respectively, from the previous year.

2. Trends in National Economy and Non–Life Insurance Business

●***Fire insurance contracts and private equipment investment***

Since the subject–matter of fire insurance is buildings (i.e. houses, shops, factories, and warehouses) and their contents (i.e. personal belongings, equipment, furnishings, and merchandise), its aggregate contract total (amount insured) greatly depends on economic trends. These are represented by private equipment investment, housing starts, inventory investment, and revaluation of buildings and contents due to fiuctuations in price indices such as the construction cost of buildings.

In fiscal 1997, new fire insurance contracts pertaining to residential and general risks reached a total amount insured of ¥435.3 trillion, up 2.0% over the preceding year, in spite of a decrease in housing starts of 18.3% to 1.34 million. Factory risks reached ¥171.3 trillion in terms of aggregate amount insured, up 6.2% over the previous year, while warehouse risks amounted to ¥35.0 trillion, a 2.5% increase over the year before. Overall, fire insurance contracts reached ¥641.6 trillion or 3.1% up over the preceding year.

Table 1 **Gross Domestic Expenditure (Nominal)**

(¥ billion and %)

Item	Fiscal 1996			Fiscal 1997		
	Amount	Growth Rate	Share	Amount	Growth Rate	Share
Private Final Consumption Expenditure	303,048.1	3.2	60.2	305,745.1	0.9	60.6
Private Housing	27,927.7	15.1	5.6	22,416.0	−19.7	4.4
Private Plant and Equipment	78,514.5	7.0	15.6	78,862.3	0.4	15.6
Increase in Private Sector Inventory	737.5	−1.6	0.1	1,112.2	50.8	0.2
Government's Final Consumption Expenditure	48,494.1	1.7	9.6	49,204.9	1.5	9.8
Public Fixed Capital Formation	41,908.9	−3.2	8.3	39,568.5	−5.6	7.8
Increase in Public Sector Inventory	142.7	−31.1	0.0	147.7	3.5	0.0
Net Exports of Goods & Services	2,294.8	−62.2	0.5	7,508.9	227.2	1.5
(Exports)	(51,212.4)	(10.4)	(10.2)	(56,744.2)	(10.8)	(11.2)
(Imports)	(48,917.6)	(21.3)	(9.7)	(49,235.3)	(0.6)	(9.8)
Total	**503,068.2**	**2.8**	**100.0**	**504,565.6**	**0.3**	**100.0**

(Source) "Preliminary Quarterly Estimates of National Expenditure" published by the Economic Planning Agency.

●*Automobile holdings and automobile insurance contracts*

Nationwide automobile holdings at the end of fiscal 1997 amounted to 72.9 million. Classified by type of vehicle, the number of passenger cars increased by 3.1%, while that of trucks decreased by 2.3% due to enhanced efficiency in methods of transportation. Consequently, the total number of all types of vehicles increased by 1.5%. Regarding the number of newly–registered cars, new and used cars showed negative growths of 14.6% and 4.8% respectively in fiscal 1997 over the preceding year due to the fall in consumption.

New and renewed automobile insurance contracts in force for fiscal 1997 registered fi11.9 quadrillion, up 4.5% over the preceding year by virtue of the increase in the number of insured automobiles.

●*Marine transport situation and marine hull insurance contracts*

Although still facing severe management conditions as a result of the sluggish national economy, a decrease in movement of goods toward Asia, and the fall in the level of freight charges, the Japanese shipping industry in fiscal 1997 registered steady growth because of the lasting effect of the low exchange value of the yen and its strenuous efforts to rationalize its operations.

On the other hand, the number of vessels operated by the Japanese shipping companies decreased owing to the restrained construction rate of new vessels caused by the low volume of coastwise cargoes and the excess of tonnage. However, the number of vessels increased in terms of gross tonnage thanks to the construction of numerous large container ships and the completion of LNG ships.

Under these circumstances, marine hull insurance contracts in force continued to increase in terms of gross tonnage in fiscal 1997 in spite of the decrease in the number of vessels insured.

●*Marine cargo insurance contracts —Ocean cargo insurance contracts and coastwise cargo insurance contracts*

As most ocean cargo insurance contracts are related to Japan's export and import trade, and more than a half of export and import cargoes are insured with Japanese insurance companies, a close relationship can be seen between

Table 2 **Gross Domestic Expenditure (Real)**

(¥ billion and %)

Item	Fiscal 1996			Fiscal 1997		
	Amount	Growth Rate	Share	Amount	Growth Rate	Share
Private Final Consumption Expenditure	285,513.6	2.8	59.1	282,152.6	−1.2	58.8
Private Housing	25,914.5	13.7	5.4	20,439.0	−21.1	4.3
Private Plant and Equipment	83,338.0	9.1	17.2	83,900.8	0.7	17.5
Increase in Private Sector Inventory	555.2	−46.4	0.1	1,198.1	115.8	0.2
Government's Final Consumption Expenditure	44,222.5	1.0	9.2	44,213.6	−0.0	9.2
Public Fixed Capital Formation	41,406.8	−2.7	8.6	38,407.2	−7.2	8.0
Increase in Public Sector Inventory	98.2	−45.2	0.0	98.4	0.2	0.0
Net Exports of Goods & Services	2,246.5	−43.6	0.5	9,425.6	319.6	2.0
(Exports)	(60,090.5)	(5.1)	(12.4)	(65,599.7)	(9.2)	(13.7)
(Imports)	(57,844.0)	(8.7)	(12.0)	(56,174.1)	(−2.9)	(11.7)
Total	**483,295.3**	**3.2**	**100.0**	**479,835.3**	**–0.7**	**100.0**

(Source) Same as Table 1.

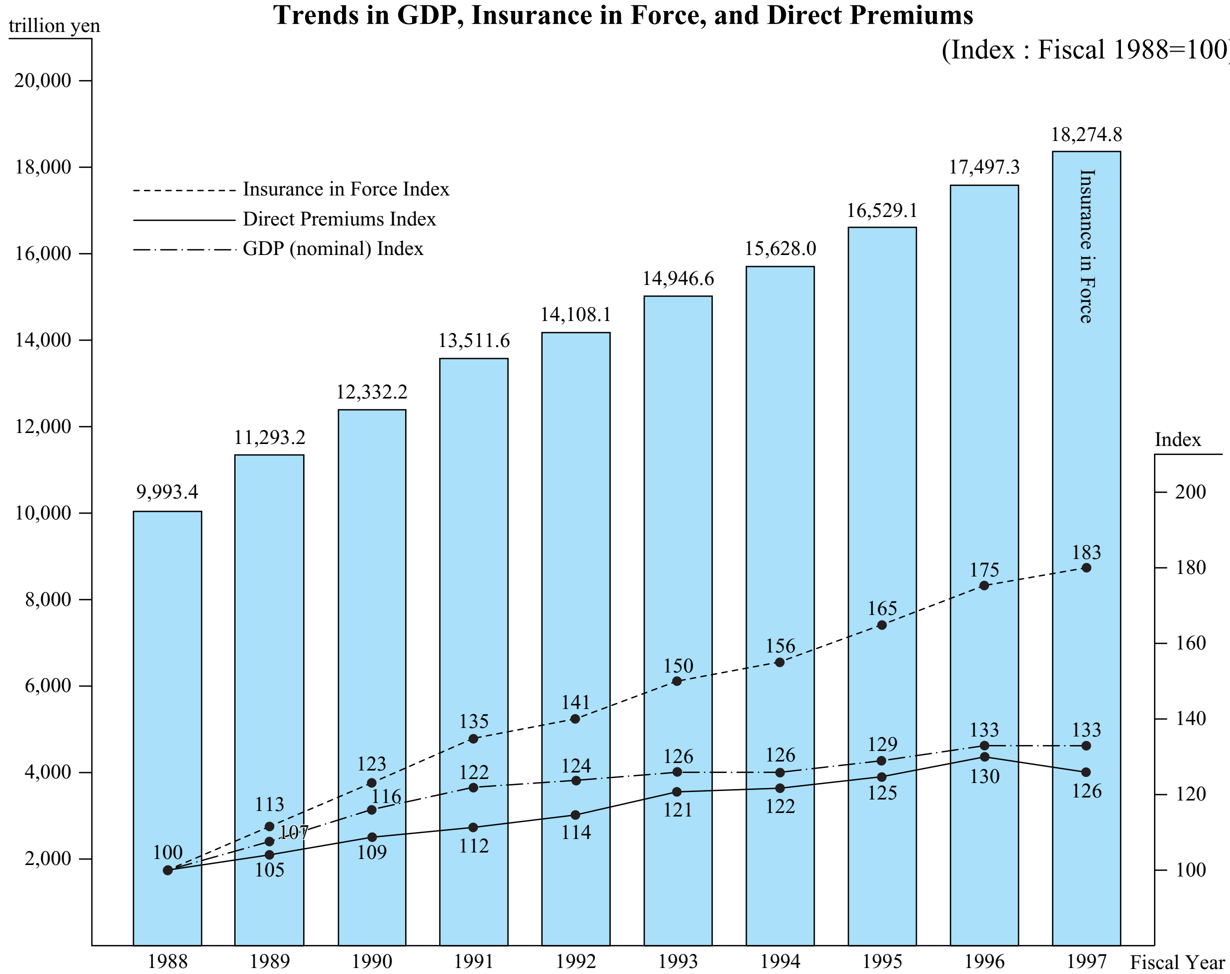
increases in overseas trade and the volume of ocean cargo insurance contracts.

Ocean cargo insurance contracts for fiscal 1997 represented 72% of all marine cargo contracts. Thus, any rise or fall in overseas trade volume and fluctuations in foreign exchange markets will have a great impact on marine cargo insurance in general. Measured in U.S. dollars, the total amount of exports increased by 2.0% from the previous year in terms of customs clearance value. This was due to the increase in exports of automobiles and personal computers supported by the steady growth of the economies of Europe and the United States. On the other hand, there was a 7.9% decrease in imports brought about by stagnant domestic demand resulting from the sluggish national economy. In addition, as a result of the weak yen, down ¥10.60 or −8.7% from the previous year, the total amount of exports, measured in Japanese yen terms, registered an increase of 11.6% from the previous year, and imports an increase of 0.9% in terms of customs clearance value. As a result of these circumstances, ocean cargo insurance contracts for fiscal 1997 increased by 5.9% over the previous year.

Chart 1

Trends in GDP, Insurance in Force, and Direct Premiums

(Index : Fiscal 1988=100)



(Notes) ① "Insurance in Force" means the total sum of insured amounts of new policies issued domestically by Japanese insurers during the respective years.

② Regarding Compulsory Automobile Liability Insurance policies, the total sum insured was calculated by multiplying the limit of payment per policy (¥30 million) by the number of insurance policies in force. With regard to voluntary automobile insurance policies with unlimited coverage, the insured amount per policy is deemed to be ¥0.2 billion, and the total insured amount was calculated by multiplying ¥0.2 billion by the number of insurance policies involved.

③ Direct Premiums include the savings portion of maturity–refund–type insurance premiums, but excluding various refunds other than maturity refunds.

On the other hand, the value of coastwise cargo insurance contracts for fiscal 1997 only increased by 1.7% over the previous year, due to the sluggish national economy. It should be noted that the relation of coastwise cargo insurance to the volume of coastal cargo movement is not so close as the relation of ocean cargo insurance contracts to the volume of exports and imports.

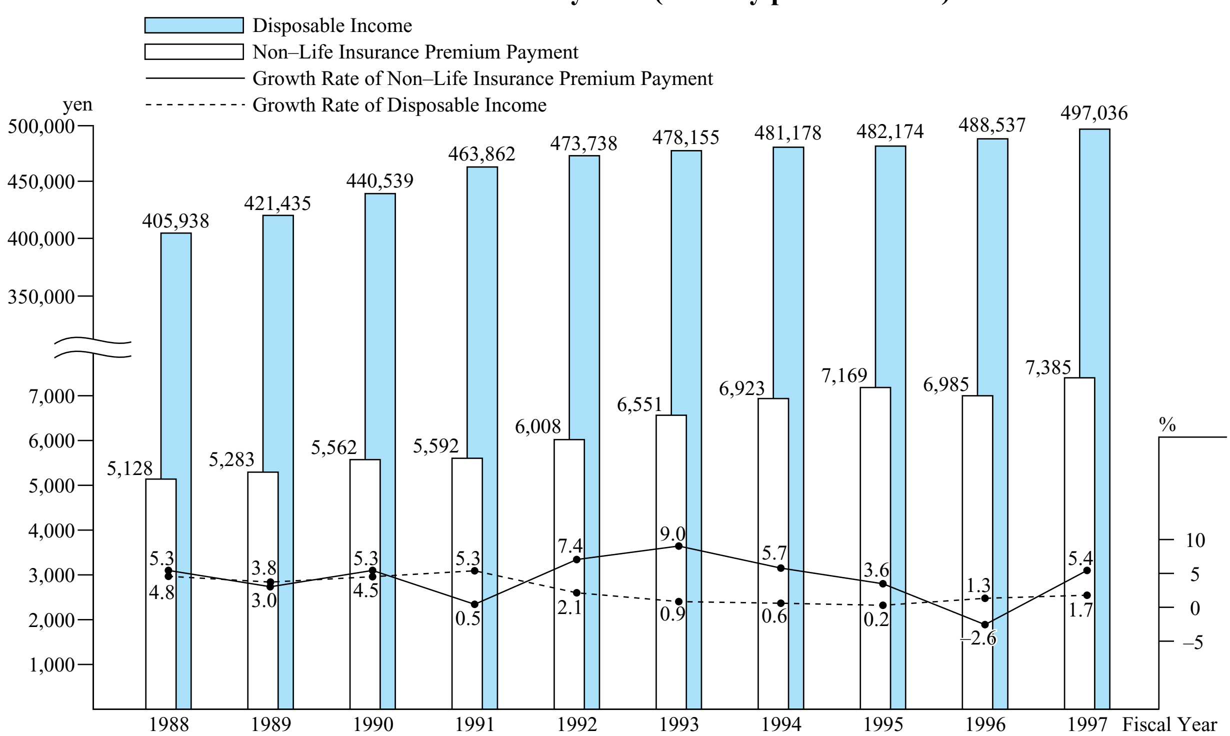
●*General performance*

The combined contracts value of all non–life insurance policies for fiscal 1997 amounted to ¥18.3 quadrillion, an increase of 4.4% over the previous year. Growth in the contracts value of non–life insurance policies is influenced by a variety of factors, not only housing investment, automobile holdings, and overseas trade volume, but also by new diversified risks arising from socio–economic developments and changes, and enhanced public awareness about compensation.

Assuming that all of these factors are reflected in Gross Domestic Product (GDP), the growth in the combined annual contracts value of all non–life insurance policies during the past 10 years curves in a steady ascent, exceeding GDP (nominal) growth level. Direct premiums show almost the same steady growth as the GDP levels of recent years.

Chart 2

Comparison between Disposable Income and Non–Life Insurance Premium Payment (monthly per household)



(Notes) ① Source : "Annual Survey on Household Expense" issued by the Statistics Bureau of the Management and Coordination Agency.
② The amount of non–life insurance premiums implies those of conventional–type insurance policies in principle, not including premiums of maturity–refund–type insurance policies.
③ The figures above show the national average for working households.

3. Household Income and Non–Life Insurance

It is estimated that premium revenue from personal risks, as opposed to commercial, accounts for over 70% of the entire non–life insurance premium income, which indicates the extremely close connection between the levels of household income and the growth of the non–life insurance business.

According to the 1997 survey on household expenses conducted by the Statistics Bureau of the Management and Coordination Agency, monthly non–life insurance premium payments per household increased by 5.4% to ¥7,385, exceeding significantly the rise of 1.7% in disposable income, as shown in Chart 2 on page 4.

Meanwhile, the report of the research work conducted in May and June 1995 by the Marine and Fire Insurance Association of Japan called “Nationwide Survey on Non–Life Insurance” reveals that non–life insurance premium outlay per household per annum is divided into ¥86,000 for fire, ¥104,000 for automobile, and ¥143,000 for personal accident insurance policies.

(Note) The figures for fire and personal accident insurance policies include premiums of maturity–refund–type (savings–type) insurance policies.

II. BUSINESS RESULTS IN FISCAL 1997

1. Results of Operating Balance

(1) Underwriting Balance

● ***Net Premiums Written***

The total net premiums (direct premiums written (*1) + inward reinsurance net premiums − outward reinsurance net premiums − savings portion of maturity–refund–type insurance premiums) written by the 33 domestic non–life insurance companies (*2) in fiscal 1997 reached ¥7,215.4 billion, and registered a decrease of 0.2% over the previous year. This rate of decrease reflects current economic trends, such as falling personal consumption and the sluggish increase in private equipment investment. This was the first ever decrease in net premiums written, apart from the year 1946 when Japan was in postwar turmoil. An outline of the major classes of business is given as follows :

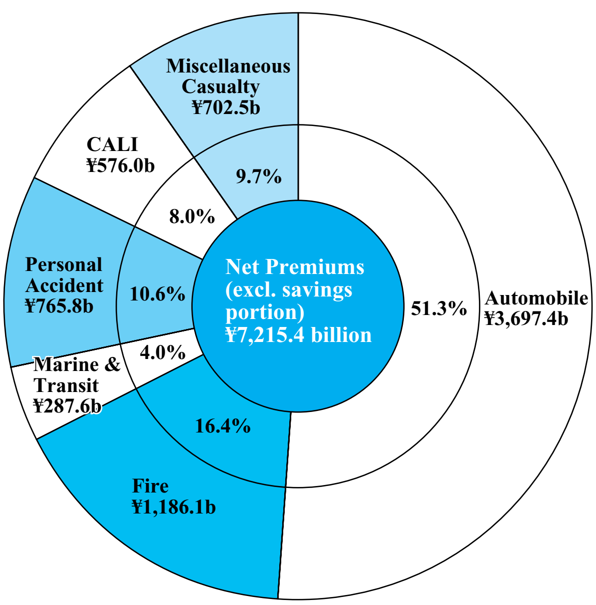
(*1) Direct premiums written = gross direct premiums (including the savings portion of maturity–refund–type insurance premiums) – various returns other than maturity refunds (including return premiums for cancellation, no–claim returns, and return premiums resulting from the decrease of insurable risks)

(*2) The 33 domestic non–life insurance companies include 4 foreign–capitalized insurers, 6 non–life subsidiaries of life insurance companies, and 2 professional reinsurers.

Premiums written for personal accident insurance decreased by 3.9% from the previous year, due to a decrease in sales of maturity–refund–type personal accident insurance policies.

Premiums written for Compulsory Automobile Liability Insurance (CALI) showed a decrease of 4.3% over the previous year. This was attributable to the reduction of the CALI premium rate (about 7.7% on average) taking effect as of May 1, 1997.

Chart 3 Net Premiums by Line (Fiscal 1997)



Premiums written for voluntary automobile insurance, accounting for 51.3% of the total net premiums, registered an increase of only 0.8% over the previous year, due to the slight growth (up 1.5%) in car ownership. Premiums written for fire insurance showed growth of only 0.9% over the preceding year.

Premiums written for miscellaneous casualty insurance ended only 1.2% up over the previous year, even though conventional–type movables comprehensive insurance and general liability insurance increased by 4.1% and 4.7% respectively.

Premiums written for marine cargo insurance increased by 2.4% over the previous year. On the other hand, marine hull insurance showed negative growth of 13.5% over the previous year, due to the reduction of the premium rate. Consequently, the marine and transit lines as a whole recorded negative growth of 2.0% over the previous year.

- ***Net Claims Paid***

Net claims paid (direct claims paid + inward reinsurance net claims paid − outward reinsurance claims received) during fiscal 1997 amounted to ¥3,536.4 billion, an increase of ¥45.9 billion (up 1.3%) over the previous year. This increase was partly due to the rise in the consumption tax rate as from April 1, 1997. Although net claims paid on fire insurance policies decreased by 4.1% from the previous year owing to fewer typhoon claims, voluntary automobile, which accounts for a little less than 60% of the total net claims paid, increased by 1.7% and miscellaneous casualty insurance increased by 6.6%. The loss ratio (i.e. the ratio of claims paid plus adjustment expenses to net premiums written) was 53.5%, a 0.7 percentage point increase from the previous year, due to the increase in the loss ratios of each class of insurance other than fire insurance. This increase in the loss ratio was also attributable to the rise in the consumption tax rate.

- ***Operating Expenses on Underwriting***

Operating expenses on underwriting (agency commissions and brokerage + operating and general administrative expenses on underwriting) amounted to ¥2,830.7 billion, up only 0.3% from the preceding year, in spite of agency commissions and brokerage increasing by 2.4% due to the rise in the consumption tax rate. This slight increase resulted from the efforts made to hold down costs by promoting rationalization or enhancing efficiency in each insurance company's management. The operating expense ratio stood at 39.2%, only a 0.2 percentage point increase from the previous year.

Table 3 **Overall Business Results**

(¥ billion & %)

	Item	Fiscal 1996	Fiscal 1997	
		Amount	Amount	Growth
Ordinary Income and Expenses	Underwriting Income	10,813.9	10,590.1	−2.1
	(Net Premiums Written)	(7,228.2)	(7,215.4)	(−0.2)
	(Savings Portion of Maturity−refund−type Insurance Premiums)	(2,846.4)	(2,593.8)	(−8.9)
	Underwriting Expenses	9,138.9	8,860.8	−3.0
	(Net Claims Paid)	(3,490.5)	(3,536.4)	(1.3)
	(Loss Adjustment Expenses)	(323.2)	(327.1)	(1.2)
	(Agency Commissions and Brokerage)	(1,323.4)	(1,355.1)	(2.4)
	(Maturity Refunds to Policyholders)	(3,469.3)	(3,250.8)	(−6.3)
	(Provision for Liability Reserves)	(336.5)	(131.4)	(−61.0)
	(Provision for Outstanding Loss Reserves)	(96.0)	(37.0)	(−61.5)
	Investment Income	671.4	898.4	33.8
	(Interest and Dividend Income)	(937.3)	(922.2)	(−1.6)
	(Profits on Sales of Securities)	(342.4)	(510.1)	(49.0)
	Investment Expenses	278.6	577.9	107.4
	(Losses on Sales of Securities)	(69.2)	(157.9)	(128.0)
	(Losses on Revaluation of Securities)	(131.8)	(346.7)	(163.0)
	Operating and General Administrative Expenses	1,592.4	1,567.2	−1.6
	(Operating and General Administrative Expenses on Underwriting)	(1,498.6)	(1,475.6)	(−1.5)
	Other Ordinary Expenses	−97.7	−106.4	—
	Ordinary Profits	377.6	376.2	−0.4
	(Underwriting Profits)	(148.7)	(259.0)	(74.2)
Special Profits and Losses Balance		−44.7	−11.5	—
Corporate Income Taxes and Corporate Resident Taxes		232.1	253.4	9.2
Net Profits for the Current Year		100.8	111.3	10.5
Retained Surplus brought forward from the Previous Year		37.9	24.5	−35.5
Unappropriated Earned Surplus of the Current Year		138.8	135.9	−2.1

● *Provisions for Outstanding Loss Reserves and Liability Reserves* (*)

Provisions for outstanding loss reserves at the fiscal year–end amounted to ¥37.0 billion, a decrease of ¥59.1 billion from the previous year. Provisions for liability reserves (including unearned premium reserves, catastrophe reserves, and reserves for maturity refunds) amounted to ¥131.4 billion, down ¥205.1 billion from the preceding year. This was because of the enormous disbursement of liability reserves to meet the payments for maturity refunds at the termination of maturity–refund–type (or savings–type) insurance policies.

(*) The amounts of provisions for outstanding loss reserves and liability reserves were offset by the amounts of dispositions for these reserves

Table 4

Abridged Balance Sheet

<Assets>

(¥ billion & %)

Item	Fiscal 1996		Fiscal 1997	
	Amount	Share	Amount	Share
Deposits	1,851.1	6.1	1,508.7	4.9
Call Loans	1,010.5	3.3	1,127.0	3.6
Monetary Receivables Bought	257.0	0.8	442.8	1.4
Money Trusts	957.5	3.2	816.7	2.6
Securities	15,597.7	51.4	16,151.8	51.9
(National Government Bonds)	(704.3)	(2.3)	(627.3)	(2.0)
(Local Government Bonds)	(1,034.6)	(3.4)	(1,239.3)	(4.0)
(Corporate Bonds)	(3,420.2)	(11.3)	(3,929.3)	(12.6)
(Stocks)	(5,496.6)	(18.1)	(5,428.1)	(17.4)
(Foreign Securities)	(4,394.7)	(14.5)	(4,344.1)	(14.0)
(Other Securities)	(451.9)	(1.5)	(407.6)	(1.3)
(Securities Loaned)	(95.3)	(0.3)	(176.1)	(0.6)
Loans	6,558.7	21.6	6,663.5	21.4
Real Estate	1,846.8	6.1	1,825.7	5.9
(Total Working Assets)	(28,079.2)	(92.5)	(28,536.3)	(91.7)
Other Assets	2,278.8	7.5	2,581.1	8.3
Total Assets	30,358.1	100.0	31,117.4	100.0

(Note) "Other Assets" is composed of ① Cash in hand, ② Furniture and fixtures, ③ Construction in progress, ④ Amounts due from agency business, ⑤ Amounts due from other domestic insurance companies for reinsurance, ⑥ Customer's liability for acceptance and guarantee, and ⑦ Miscellaneous.

<Liabilities and Equities>

(¥ billion & %)

Item	Fiscal 1996		Fiscal 1997	
	Amount	Share	Amount	Share
Underwriting Reserves	24,962.1	82.2	25,126.8	80.8
(Liability Reserves)	(22,833.6)	(75.2)	(22,965.0)	(73.8)
(Outstanding Loss Reserves)	(2,097.4)	(6.9)	(2,134.4)	(6.9)
(Others)	(31.0)	(0.1)	(27.4)	(0.1)
Other Liabilities	2,484.2	8.2	2,970.3	9.5
Total Liabilities	27,446.4	90.4	28,097.1	90.3
Capital	814.3	2.7	841.8	2.7
Legal Reserves	582.5	1.9	620.9	2.0
Surpluses	1,514.9	5.0	1,557.6	5.0
(Profits for the Current Year)	(100.8)	(0.3)	(111.3)	(0.4)
Total Equities	2,911.7	9.6	3,020.3	9.7
Total Liabilities and Equities	30,358.1	100.0	31,117.4	100.0

(Note) "Other Liabilities" consists of ① Amounts due to other domestic insurance companies for reinsurance, ② Accrued taxes, ③ Convertible bonds, ④ Reserves for bad debts and for retirement allowances, ⑤ Acceptance and guarantee, and ⑥ Miscellaneous.

● ***Underwriting Profits***

Underwriting profits (*) amounted to ¥259.0 billion, an increase of ¥110.3 billion, up 74.2% from the previous year.

(*) Underwriting profits = net premiums written − net claims paid − operating expenses on underwriting + savings portion of maturity–refund–type insurance premiums + investment income on such savings portion, etc. − maturity refunds − policyholders dividends − provisions for outstanding loss reserves and liability reserves

(2) Investment Income and Expenses

In spite of insurance companies' investment strategies, their investment income (*) from interest and dividend amounted to ¥922.2 billion, a decrease of ¥15.1 billion (down 1.6%) from the previous year, owing to lower bank interest rates. However, total investment income including profits on sales or redemption of securities, etc., in fiscal 1997 amounted to ¥898.4 billion (up 33.8% from the previous year). On the other hand, investment expenses amounted to ¥577.9 billion, an increase of ¥299.3 billion (up 107.4%) from the previous year. This was because of a decline in stock–market quotations ; in particular, unrealized losses on the valuation of securities amounted to ¥346.7 billion, an increase of ¥214.8 billion (up 163.0%) from the previous year.

(*) Investment income = interest and dividend income + profits on sales or redemption of securities + other investment income, etc. − investment income to allot for maturity refunds of maturity–refund–type (or savings–type) insurance policies

(3) Ordinary Profits

Ordinary profits represent the total of (underwriting income − expenses) + (investment income − expenses) − (operating and general administrative expenses) − (other ordinary expenses). These ordinary profits amounted to ¥376.2 billion, a decrease of ¥1.4 billion, (down 0.4%) from the previous year.

(4) Net Profits for the Current Year

Net profits for the current year, which are the total of ordinary profits + special profits and losses −corporate income taxes and corporate resident taxes, amounted to ¥111.3 billion, an increase of ¥10.5 billion (up 10.5%) from the previous year.

(5) Total Assets and Investment

Non–life insurance companies make investments primarily in securities (national and local government bonds, corporate bonds, stocks, foreign securities, etc.) and loans, while paying due regard to the security, liquidity, and public good of the funds under the insurers' care.

In recent years, assets related to maturity–refund–type (or savings–type) insurance policies have accounted for around 50% of total assets. Furthermore, as a result of the liberalization and internationalization of the financial markets, risks on investments held by non–life insurance companies have become more diversified and complex. Under these circumstances, non–life insurance companies are expected to enhance their risk management and improve the overall efficiency of their investments.

The total assets of all the 33 domestic non–life insurance companies at the end of fiscal 1997 reached ¥31,117.4 billion, up 2.5% over the previous year. The working assets used to earn investment income amounted to ¥28,536.3 billion, representing 91.7% of total assets. Assets related to maturity–refund–type insurance policies amounted to ¥15,274.9 billion, occupying 49.1% of total assets or a decrease of 1.6 percentage points over the preceding year.

Securities headed the list of investments with ¥16,151.8 billion or 51.9% of total assets. By category, stocks led with ¥5,428.1 billion, followed by foreign securities (¥4,344.1 billion), corporate bonds (¥3,929.3 billion), local government bonds (¥1,239.3 billion), national government bonds (¥627.3 billion), and securities loaned (¥176.1 billion). Loans accounted for 21.4% of total assets at ¥6,663.5 billion, down 0.2% from the preceding year.

While investments by non–life insurers are made in almost all industries, a fairly substantial amount of funds is set aside to fulfill the insurers' public responsibilities, and to underwrite national government bonds, government–guaranteed bonds, and local government bonds (fire brigade bonds and traffic bonds), as detailed in Table 5.

Table 5 Financial Cooperation in Public Investment in Fiscal 1997

(¥ billion)

National Government Bonds	36.7
Government–guaranteed Bonds	16.8
Honshu–Shikoku Bridge Authority Bonds	1.8
Fire Brigade Bonds	10.3
Traffic Bonds	8.3
Investments and Loans to "Zaikei" Housing Loan System	0.7
Total	**74.6**

(Note) "Zaikei" Housing Loan System means a system to provide funds for the improvement and the acquisition of houses for salaried workers.

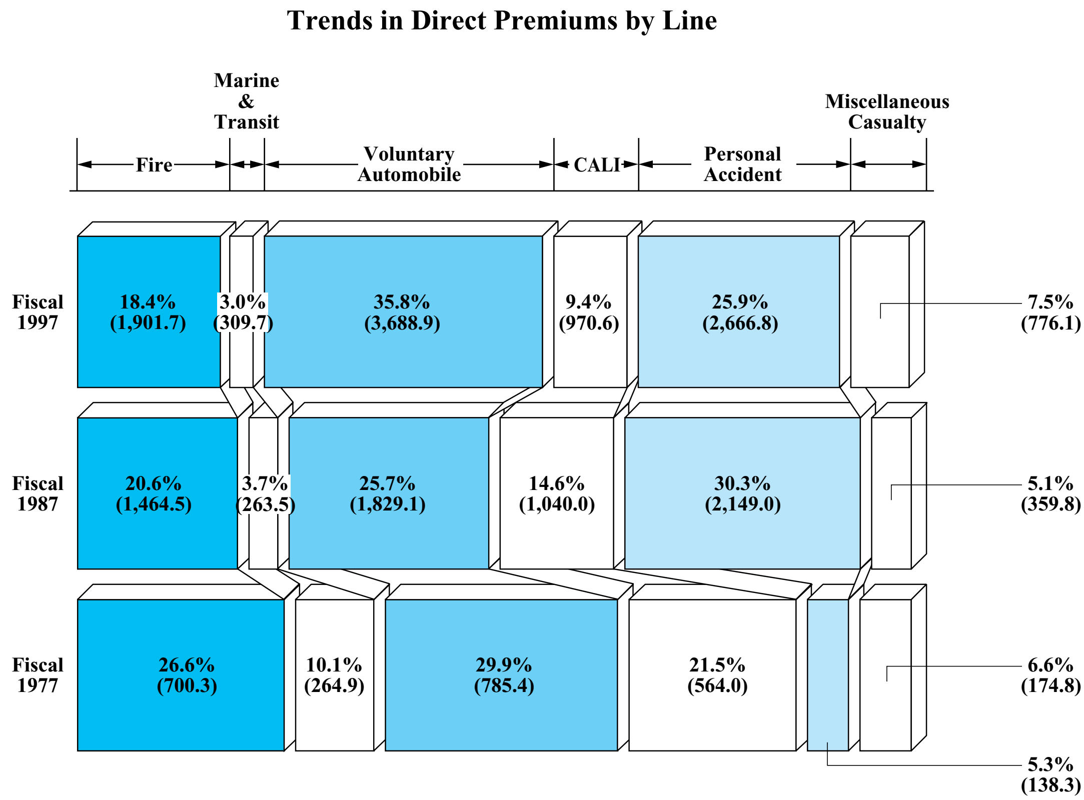
The total liabilities of the 33 non–life insurance companies stood at ¥28,097.1 billion at the end of fiscal 1997. Underwriting reserves, consisting of liability reserves and outstanding loss reserves, accounted for 89.4% of the total at ¥25,126.8 billion.

2. Direct Premiums Written

Direct premiums (gross direct premiums written including the savings portion of maturity–refund–type insurance premiums minus various returns other than maturity refunds, such as return premiums for cancellation, no–claim returns, and return premiums resulting from the decrease of insurable risks) received from all classes of insurance during fiscal 1997 reached ¥10,313.7 billion, down 2.9% over the previous year and the first fall since 1987. This was because direct premiums written from Compulsory Automobile Liability Insurance (CALI) decreased sharply by 8.7% due to the reduction of the CALI premium rate, and with the exception of voluntary automobile insurance (up 1.1%), other insurances including maturity–refund–type insurance registered negative growth.

Chart 4 on page 11 shows the shifts in the distribution of direct premiums among the different lines of insurance business. Voluntary automobile and personal accident insurance have increased significantly in the past twenty years, while fire, marine and transit, and CALI lines have continued to lose their respective shares. The trend clearly implies that major changes have taken place in the non–life insurance business.

Chart 4



(Note) Figures in parentheses indicate the respective direct premiums in billion yen.

3. Direct Premiums Written by Line

(1) Fire Insurance

Direct premiums written by fire insurance in fiscal 1997 amounted to ¥1,901.7 billion, a decrease of ¥1.0 billion (down 0.1%) from the previous year. Classified by risk, ¥1,709.5 billion (down ¥2.9 billion or −0.2%) was for general risks, ¥188.4 billion (up ¥1.8 billion or +0.9%) for factory risks, and ¥3.7 billion (up ¥0.1 billion or +2.4%) for warehouse risks.

Although conventional–type fire insurance premiums increased by 2.7%, maturity–refund–type fire insurance policies registered a negative growth of 4.0%, and this was the major cause for the decrease of 0.1%, as a whole, in fire insurance premiums volume.

Table 6 Developments in Fire Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	1,677.9	14.6
1989	1,818.9	8.4
1990	1,735.1	−4.6
1991	1,613.6	−7.0
1992	1,679.1	4.1
1993	1,821.8	8.5
1994	1,854.5	1.8
1995	1,853.4	−0.1
1996	1,902.7	2.7
1997	1,901.7	−0.1

(Note) Premiums quoted include the savings portion of maturity–refund–type insurance premiums.

(2) *Voluntary Automobile Insurance*

Voluntary automobile insurance wrote direct premiums of ¥3,688.9 billion in fiscal 1997, an increase of ¥39.8 billion (up 1.1%) over the preceding year, owing to the increase in the number of cars insured.

The annual growth for voluntary automobile insurance in the fiscal year 1997 mirrored the increase in car ownership (up 1.5%).

Table 7 Developments in Voluntary Automobile Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	2,009.4	9.9
1989	2,233.7	11.2
1990	2,461.8	10.2
1991	2,762.3	12.2
1992	3,007.6	8.9
1993	3,293.7	9.5
1994	3,444.9	4.6
1995	3,535.8	2.6
1996	3,649.1	3.2
1997	3,688.9	1.1

(3) *Compulsory Automobile Liability Insurance (CALI)*

This insurance is compulsory for the owners of all vehicles (excl. motorcycles of 125 c.c. or less in displacement) who are required to obtain or renew policies at every mandatory automobile inspection. Consequently, the volume of direct premiums is closely linked to car holdings and the number of vehicles coming up for inspection.

Direct premiums written by CALI during fiscal 1997 reached ¥970.6 billion, down ¥92.4 billion or −8.7% over the previous year. This decrease can be attributable to a sluggish increase in car ownership, a downward cycle of CALI premiums after July 1997 brought about by a decrease in the number of vehicles for inspection, and the reduction by about 7.7% on average of the CALI premium rate in May 1997.

Table 8 Developments in CALI Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	1,127.6	8.4
1989	1,159.9	2.9
1990	1,205.1	3.9
1991	1,101.2	−8.6
1992	1,076.3	−2.3
1993	1,001.9	−6.9
1994	1,005.2	0.3
1995	1,034.3	2.9
1996	1,063.0	2.8
1997	970.6	−8.7

(4) *Personal Accident Insurance*

Direct premiums written by personal accident insurance during fiscal 1997 amounted to ¥2,666.8 billion, down ¥226.2 billion or −7.8% from the previous year. Out of this total, maturity–refund–type personal accident insurance policies produced ¥2,023.7 billion, down ¥227.5 billion or −10.1% over the preceding year. Conventional–type personal accident insurance policies amounted to ¥643.1 billion, up ¥13.0 billion or 0.2% over the preceding year.

Table 9 Developments in Personal Accident Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	2,686.4	25.0
1989	2,599.8	−3.2
1990	2,495.0	−4.0
1991	2,677.8	7.3
1992	2,542.2	−5.1
1993	2,793.7	9.9
1994	2,619.7	−6.2
1995	2,730.6	4.2
1996	2,893.0	5.9
1997	2,666.8	−7.8

(Note) Premiums quoted include the savings portion of maturity–refund–type insurance premiums.

(5) Nursing Care Expenses Insurance

Direct premiums collected by nursing care expenses insurance during fiscal 1997 amounted to ¥45.3 billion, down ¥23.2 billion or −33.9%. Out of this total, maturity–refund–type nursing care expenses insurance policies produced ¥15.1 billion, down ¥6.2 billion or −29.2% over the preceding year. The conventional–type nursing care expenses insurance policies amounted to ¥30.2 billion, down ¥17.0 billion or –36.0% from the previous year.

Table 10 Developments in Nursing Care Expenses Premiums

(¥ billion & %)

FY	Premiums	Growth
1990	111.5	104.7
1991	115.7	3.8
1992	99.3	−14.2
1993	73.6	−25.9
1994	68.4	−7.0
1995	67.5	−1.4
1996	68.5	1.5
1997	45.3	−33.9

(Note) Premiums quoted include the savings portion of maturity–refund–type insurance premiums.

(6) Movables Comprehensive Insurance

Movables comprehensive insurance registered direct premium receipts of ¥124.9 billion, up ¥1.8 billion or 1.4% over the previous year. Out of this total, movables comprehensive insurance with maturity refund policies accounted for ¥7.3 billion, down ¥2.2 billion or −22.7% over the previous year. The conventional–type movables comprehensive insurance policies amounted to ¥117.5 billion, up ¥3.9 billion or 3.4% over the preceding year.

Table 11 Developments in Movables Comprehensive Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	73.6	9.5
1989	80.3	9.2
1990	95.1	18.4
1991	101.4	6.6
1992	107.5	6.0
1993	108.7	1.1
1994	112.3	3.3
1995	118.5	5.5
1996	123.1	3.9
1997	124.9	1.4

(Note) Premiums quoted include the savings portion of maturity–refund–type insurance premiums.

(7) General Liability Insurance

Direct premiums registered by general liability insurance during fiscal 1997 amounted to ¥309.0 billion, an increase of ¥14.1 billion or up 4.8% from the preceding year.

Table 12 Developments in General Liability Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	158.8	12.9
1989	178.2	12.2
1990	202.4	13.6
1991	216.4	6.9
1992	231.0	6.7
1993	236.5	2.4
1994	248.8	5.2
1995	275.8	10.9
1996	294.9	6.9
1997	309.0	4.8

(8) Workers' Accident Compensation Liability Insurance

Direct premiums collected from workers' accident compensation liability insurance during fiscal 1997 stood at ¥117.5 billion, down ¥10.9 billion or −8.4% over the previous year.

Table 13 Developments in Workers' Accident Compensation Liability Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	61.9	7.3
1989	68.8	11.3
1990	178.5	159.3
1991	136.8	−23.3
1992	106.8	−21.9
1993	112.4	5.2
1994	107.0	−4.8
1995	124.5	16.4
1996	128.4	3.1
1997	117.5	−8.4

(Note) Premiums quoted include the savings portion of maturity–refund–type insurance premiums.

(9) Other Miscellaneous Casualty Insurance

Direct premium receipts from other miscellaneous casualty insurance policies for the past three years are as shown below.

Table 14 Other Miscellaneous Casualty Premiums by Line

(¥ billion & %)

Class of Business	Fiscal 1995		Fiscal 1996		Fiscal 1997	
	Amount	Growth	Amount	Growth	Amount	Growth
Theft	22,822	10.9	25,010	9.6	26,806	7.2
Glass	3,450	−1.5	3,487	1.1	3,371	−3.3
Aviation	16,797	6.2	18,799	11.9	19,619	4.4
Windstorm & Flood	191	−1.4	190	−0.8	173	−9.0
Guarantee	9,296	−14.8	14,603	57.1	13,616	−6.8
Credit	7,470	3.9	7,962	6.6	7,948	−0.2
Boiler & Turbo–set	2,721	−2.7	2,892	6.3	2,819	−2.5
Livestock	2,551	−1.2	2,481	−2.8	2,938	18.4
Machinery & Erection	39,462	3.0	40,249	2.0	42,468	5.5
Shipowners' Liability for Passengers' Personal Accident	1,208	2.0	1,157	−4.2	1,182	2.2
Contractors' All Risks	38,286	−2.9	41,840	9.3	38,769	−7.3
Atomic Energy	12,311	−2.9	12,249	−0.5	12,152	−0.8
Miscellaneous Pecuniary Loss	75,399	−0.2	76,199	1.1	52,898	−30.6
(Nursing Care Expenses)	(67,518)	(−1.4)	(68,534)	(1.5)	(45,298)	(−33.9)

(10) Marine Hull Insurance

Direct premiums collected by marine hull insurance in fiscal 1997 amounted to ¥78.1 billion, down ¥14.1 billion or −15.3%, marking a downward trend for the fourth consecutive year. This was due to individual non–life insurance companies reducing their premium rates as a result of liberalization measures affecting the hull insurance business as well as the global downward trend in premium levels.

Table 15 Developments in Marine Hull Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	83.3	−12.4
1989	80.2	−3.8
1990	88.8	10.8
1991	91.2	2.7
1992	102.4	12.2
1993	108.2	5.6
1994	105.2	−2.7
1995	97.5	−7.3
1996	92.2	−5.5
1997	78.1	−15.3

(11) Marine Cargo Insurance

Direct premiums collected by marine cargo insurance in fiscal 1997 amounted to ¥163.8 billion, up ¥2.7 billion or 1.6% over the preceding year.

Out of this total, ocean marine cargo insurance, the mainstay of marine cargo premiums, registered growth of 1.6% at ¥153.9 billion. This was due to the increase of Japan's export trade and the continued low value of the yen in foreign exchange markets, and in spite of the decrease in Japanese imports resulting from the sluggish domestic economy. Premium revenues in the coastal marine cargo sector reached ¥9.9 billion, up only 2.1% over the previous year, owing to the stagnation of the domestic economy.

Table 16 Developments in Marine Cargo Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	131.1	7.0
1989	146.4	11.7
1990	157.6	7.7
1991	149.0	−5.5
1992	142.9	−4.1
1993	130.5	−8.7
1994	136.0	4.2
1995	143.9	5.9
1996	161.1	12.0
1997	163.8	1.6

(12) Inland Transit Insurance

Inland transit insurance registered direct premiums of ¥67.8 billion during fiscal 1997, up only ¥0.4 billion or 0.6% over the previous year due to the sluggish domestic economy.

Table 17 Developments in Inland Transit Premiums

(¥ billion & %)

FY	Premiums	Growth
1988	50.6	10.4
1989	55.9	10.3
1990	61.6	10.3
1991	65.3	6.0
1992	64.5	−1.2
1993	63.2	−2.0
1994	63.9	1.0
1995	65.4	2.4
1996	67.4	3.1
1997	67.8	0.6

[MATURITY–REFUND–TYPE (OR SAVINGS–TYPE) INSURANCE POLICIES]

Maturity–refund–type (or savings–type) insurance policies, whose insurance terms continue from 3 to 50 years at maximum (excluding nursing care expenses insurance with maturity refund policy terms which continues for life), have a combined function of indemnity and savings (i.e. maturity refund to be received by policyholders, if no major accident occurs by the time of maturity). By including the savings function, these insurance policies cater to Japanese tastes and have been widely accepted among consumers. In view of this, non–life insurance companies continue to produce new products and to revise existing products in order to meet the diversified needs of consumers. Consequently, these policies have become a major premium earner for the non–life insurance industry and are unique to the Japanese non–life insurance business.

Non–life insurance companies now offer a wide variety of long–term insurance policies with maturity refunds as listed below. In particular, in order to meet Japanese consumers' needs for individual annuities in our aging society, non–life insurance companies have marketed an individual annuity and accident insurance policy, making good use of the savings function of maturity–refund–type insurance policies.

Direct premiums for maturity–refund–type insurance policies have developed steadily and have increased to around ¥3 trillion in the last decade. In fiscal 1997, direct premiums from maturity–refund–type insurance policies accounted for around 30% of the total direct premiums

Table 18 Developments in Maturity–Refund–Type Insurance Premiums

(¥ billion & %)

FY	Premiums	Growth	Ratio to Total Prem.
1988	3,224.2	24.9	39.5
1989	3,191.2	−1.0	37.1
1990	3,078.4	−3.5	34.5
1991	3,036.0	−1.4	33.0
1992	2,883.3	−5.0	30.9
1993	3,207.6	11.2	32.4
1994	2,968.5	−7.5	29.9
1995	3,044.6	2.6	29.8
1996	3,166.3	4.0	29.8
1997	2,881.1	−9.0	27.9

[Main Types of Maturity–Refund–Type (or Savings–Type) Insurance Policies]

(Fire Insurance)
- Long–term Comprehensive Insurance
- Apartment Dwellers' Comprehensive Insurance with Maturity Refund
- Comprehensive Insurance for Homeowners with Maturity Refund
- Sweet Home Insurance with Maturity Refund
- New Fire Mutual Insurance with Maturity Refund
- Building Endowment Comprehensive Insurance
- Maturity Refund Comprehensive Insurance
- Comprehensive Home Insurance with Maturity Refund
- Savings Comprehensive Insurance with Annual Refund

- Store Business Interruption Insurance with Maturity Refund
- Rent Insurance with Maturity Refund
- Shopkeepers' Comprehensive Insurance with Maturity Refund

(Personal Accident Insurance)
- Family Traffic Personal Accident Insurance with Maturity Refund
- Family Personal Accident Insurance with Maturity Refund
- Ordinary Personal Accident Insurance with Maturity Refund
- Individual Annuity and Accident Insurance
- Holiday Leisure Comprehensive Insurance with Maturity Refund
- Active Life Comprehensive Insurance with Maturity Refund
- Married Couples Comprehensive Insurance with Maturity Refund
- Ladies Insurance with Maturity Refund
- "Jitsunen" Long–term Personal Accident Insurance with Maturity Refund
- Secured Life Personal Accident Insurance with Maturity Refund
- New Life Personal Accident Insurance with Maturity Refund
- Income Indemnity Insurance with Maturity Refund
- "Zaikei" Savings Personal Accident Insurance
- "Zaikei" Pension Personal Accident Insurance
- "Zaikei" Housing Loan Personal Accident Insurance
- "Zaikei" Benefits Personal Accident Insurance
- "Zaikei" Fund Personal Accident Insurance
- Maturity Refund Personal Accident Insurance with Flexible Termination Designation
- Personal Accident Insurance for Group Contracts with Maturity Refund
- New Ordinary Personal Accident Mutual Insurance with Maturity Refund
- New Traffic Personal Accident Mutual Insurance with Maturity Refund
- Traffic Personal Accident Long–term Insurance with Annuity
- Family Traffic and "Light Sports" Personal Accident Insurance with Maturity Refund
- Sunrise Personal Accident Insurance with Maturity Refund
- "Better–Life" Personal Accident Insurance with Maturity Refund
- New Family Life Comprehensive Insurance with Maturity Refund

(Miscellaneous Casualty Insurance)
- Movables Comprehensive Insurance with Maturity Refund
- Nursing Care Expenses Insurance with Maturity Refund
- Workers' Accident Comprehensive Insurance with Maturity Refund

4. Losses

(1) Fire

A total of 61,955 fires occurred during the year causing property losses of ¥164.5 billion, killing 2,126 people and injuring 7,482, as shown in Table 20 below. Compared to the preceding year, the number of fires decreased by 2,111 (down 3.3%), the number of people killed increased by 148 (up 7.5%), those injured decreased by 563 (down 7.0%), and the amount of damage decreased by ¥3.8 billion (down 2.2%).

Table 19 Number of Fires during 1997

Kind of Property	Number	Share
Buildings	34,553	55.8 %
Vehicles	7,441	12.0
Forests	3,766	6.1
Ships	125	0.2
Aircraft	5	0.0
Others	16,065	25.9
Total	**61,955**	**100.0**

(Source) "General Review of Fires" issued by the Fire and Disaster Management Agency of the Ministry of Home Affairs.

The number of fires classified by kinds of property is shown in Table 19 above. During the year under review fires in buildings amounted to 55.8% of the total number of fires. The highest number of fires by class of building was as follows : residential houses (13,282), apartments (4,819), and factories (2,645).

The three prefectures with the highest incidences of fire during 1997 were Tokyo, Aichi, and Osaka. On a daily average, 170 fires (1 fire every 8 minutes) occurred with 5.8 people killed and ¥450 million worth of property destroyed.

(2) Traffic Accidents

In 1997, the number of traffic accidents involving bodily injuries reached 780,399, with 9,640 people killed and 958,925 people injured. In other words, 2,138 traffic accidents occurred per day, killing 26 people and injuring 2,627.

From a peak of 16,765 in 1970, the number of deaths from traffic accidents had declined steadily to reach 8,466 in 1979. However, after 1979, the negative trend resumed with the number of deaths exceeding 10,000 in 1988. After 1993, the annual number of deaths began to decline again with fatalities dropping below the 10,000 level in 1996 and 1997.

Table 20
Number of Fires, Losses, and Casualties

Year	Fires	Deaths	Injuries	Property Losses (¥ billion)
1988	59,674	2,116	7,703	144.0
1989	55,763	1,747	7,292	140.5
1990	56,505	1,828	7,097	148.5
1991	54,879	1,817	6,948	161.4
1992	54,762	1,882	6,896	156.9
1993	56,700	1,841	6,895	163.5
1994	63,015	1,898	7,007	172.7
1995	62,913	2,356	7,279	193.8
1996	64,066	1,978	8,045	171.3
1997	61,955	2,126	7,482	164.5

(Source) ① "White Paper on Fire Fighting" published by the Fire and Disaster Management Agency of the Ministry of Home Affairs.
② For 1997, "General Review of Fires" issued by the Fire and Disaster Management Agency.

Table 21
Number of Traffic Accidents and Casualties

Year	Accidents	Deaths	Injuries
1988	614,481	10,344	752,845
1989	661,363	11,086	814,832
1990	643,097	11,227	790,295
1991	662,388	11,105	810,245
1992	695,345	11,451	844,003
1993	724,675	10,942	878,633
1994	729,457	10,649	881,723
1995	761,789	10,679	922,677
1996	771,084	9,942	942,203
1997	780,399	9,640	958,925

(Source) "Statistics '97 Road Accidents Japan" published by the National Police Agency.

Table 22 **High–Amount Court Awards for Victims of Traffic Accidents**

Court Awards (¥ million)	Name of Court	Date of Judgement	Date of Accident	Victim's Sex/Age	Victim's Occupation	Casualty
297	Tokyo District Court	Mar. 30, 1995	July 18, 1984	M/40	Director	Residual Disability
251	Tokyo High Conrt	Oct. 22, 1996	Oct. 7, 1990	M/20	Technical College Student	– do.–
237	Osaka District Court	Sept. 29, 1994	Dec. 4, 1989	M/17	Electrician	– do.–
234	Hiroshima District Court	Jan. 21, 1998	Sept. 2, 1990	M/18	University Student	– do.–
224	Tokyo District Court	Dec. 7, 1995	Aug. 2, 1990	M/17	Senior High School Student	– do.–
222	Kushiro District Court	Aug. 5, 1986	Mar. 3, 1984	M/39	Doctor	Death
203	Supreme Court	Dec. 3, 1993	Nov. 20, 1987	M/11	School Child	Residual Disability
202	Tokyo District Court	Jan. 26, 1995	Oct. 10, 1990	M/46	Representative Director	Death
200	Nagoya District Conrt	Oct. 30, 1996	May 24, 1992	M/32	Plumber	– do.–
194	Yokohama District Court	Aug. 20, 1992	Aug. 11, 1987	M/19	Cram School Student	Residual Disability
192	Tokyo District Court	Mar. 28, 1996	Sept. 19, 1993	M/15	Junior High School Student	– do.–
191	Osaka District Court	June 22, 1993	Feb. 28, 1989	M/22	University Student	– do.–
190	Osaka District Court	June 22, 1995	Sept. 17, 1990	M/18	– do.–	– do.–
189	Osaka District Court	Sept. 16, 1993	Sept. 4, 1985	M/15	Apprentice Barber	– do.–
187	Osaka District Court	Oct. 29, 1991	Apr. 11, 1984	M/17	Part-time Worker	– do.–
184	Tokyo District Court	Aug. 29, 1986	Aug. 3, 1985	M/57	Doctor	Death
184	Nagoya District Court	Jan. 25, 1995	Apr. 22, 1989	M/25	Office Worker	Residual Disability
182	Nagoya District Court	Aug. 25, 1995	Nov. 9, 1990	F/16	Senior High School Student	– do.–
181	Sapporo District Court	Dec. 24, 1997	May 31, 1988	M/16	– do.–	– do.–
181	Yokohama District Court	July 11, 1990	Mar. 5, 1982	M/45	Barber	– do.–

(Note) "Court Awards" means the total sum of victim's awarded damages, including lawyer's and legal expenses and any deductibles for contributory negligence.

The total number of fatalities caused by traffic accidents since World War II now exceeds 500 thousand, and the number of people injured has increased annually. This high level resulted from the expanding number of cars on the roads, the increase in the number of aged people, the diversification of economic activity, and the increase in people driving late at night. In addition to these factors, while the number of drivers and passengers has increased, the number of those fastening seat belts has remained at a low level.

Distinctive features of fatality cases in traffic accidents during 1997 were as follows :

First and foremost a polarization phenomenon can be seen in terms of age group : younger people (16 to 24 years old) and elder people (65 years old and over) killed totaled 2,026 and 3,152 respectively.　In relation to the total number of fatalities, these two groups combined account for 53.7%.　In fact, the proportion of fatalities against the total number of fatalities for these two age groups is 1.7 and 2.1 times respectively the proportion of the population of these groups against the total population of Japan.

Secondly, in terms of types of transportation involved in accidents, the largest number of victims were from accidents involving four–wheeled vehicles (4,251 people or 44.1% of the total fatalities).　This was followed by accidents to pedestrians (2,643 people or 27.4% of the total fatalities), accidents to motorcyclists (1,662 people or 17.2% of the total fatalities), and then accidents to bicyclists (1,065 people or 11.0% of the total fatalities).　In comparison to the preceding year's figures, fatal road accidents decreased in all categories except accidents to bicyclists.　In particular, the number of pedestrian victims of accidents declined remarkably, down by 151 (5.4%).

Thirdly, non–fastening of seat belts was the main reason for the large proportion of fatalities from accidents involving four–wheeled vehicles, namely 2,696 fatalities, or 63.4%.　This shows that further measures should be taken to increase seat belt use.

(3) Direct Claims paid for fires, automobile accidents, personal accidents, marine casualties, etc.

Direct claims paid for fire insurance in fiscal 1997 for dwellings and general risks were ¥234.7 billion (down 5.4% from the previous year) and for factory and warehouse risks ¥93.1 billion (up 5.2% over the preceding year).

Direct claims paid under voluntary automobile policies during the year were ¥1,989.9 billion, or an increase of 1.8% from the preceding year, while CALI direct claims paid were ¥849.6 billion, up 1.7% from the year before.

Direct claims paid for personal accident insurance in fiscal 1997 were ¥299.4 billion, up 1.0% from the preceding year.

A total of ¥51.1 billion (down 1.5% from the previous year) was paid for marine hull claims and ¥77.1 billion (down 2.5% over the previous year) for marine cargo direct claims in fiscal 1997.　As regards heavy claims, one marine hull claim in excess of ¥1.0 billion and two heavy cargo claims of ¥1.0 billion occurred in 1997.

(4) Claims and Maturity Refunds paid

The aggregate total of direct claims paid under all lines of insurance during fiscal 1997 reached ¥3,987.0 billion, up 1.6% from the previous year, while the total sum of maturity refunds paid, including policyholders' dividends under maturity–refund–type insurance of different classes, amounted to ¥3,262.4 billion or a decrease of 6.4% from the previous year.　The claims by classes of business for the past ten years are shown in Table 23.

Table 23 **Direct Claims and Maturity Refunds Paid**

(¥ billion)

Fiscal Year	Fire		Automobile		Personal Accident	Total Claims Paid	Maturity Refunds Paid
	General Risks	Factory & Warehouse Risks	Voluntary Automobile	CALI			
1988	153.7	43.4	1,031.6	699.2	196.5	2,425.5	1,207.0
1989	169.9	56.6	1,193.3	711.4	211.1	2,684.1	1,638.6
1990	203.2	57.3	1,390.3	736.1	228.5	3,042.3	1,976.4
1991	620.8	148.5	1,648.4	779.5	249.2	3,960.7	3,391.0
1992	246.6	77.1	1,809.2	808.0	270.2	3,727.4	2,578.8
1993	314.2	83.0	1,908.5	829.8	284.3	3,914.7	3,344.0
1994	300.4	63.4	1,866.1	832.0	298.6	3,826.1	3,068.5
1995	219.5	75.9	1,902.1	830.4	290.3	3,783.5	2,901.9
1996	248.1	88.5	1,955.3	835.8	296.5	3,925.2	3,484.4
1997	234.7	93.1	1,989.9	849.6	299.4	3,987.0	3,262.4

(Notes) ① "CALI" is an acronym of Compulsory Automobile Liability Insurance.
② "Total Claims Paid" means the aggregate amount of direct claims paid under all lines of insurance.

(5) Data on Automobile Theft and Anti–theft Measures

A. Recent Theft Cases and Insurance

In recent years, automobile theft has emerged as a social problem in the major urban areas of Japan. Mainly luxury and recreational vehicles are involved, and only holders of an automobile insurance policy (physical damage coverage) are indemnified. With the growing frequency of such crimes, claims payments for this type of policy have increased year by year.

(Note) The loss resulting from automobile theft is not covered by an economy automobile physical damage endorsement or motorcycle physical damage coverage.

B. Anti–theft Measures in Osaka Prefecture

As the frequency of automobile theft cases is particularly high in Osaka Prefecture, the Osaka Prefectural Police Department has organized substantial campaigns for the prevention of automobile theft since 1997. The Osaka Regional Office of the Marine and Fire Insurance Association of Japan cooperates with the Osaka Prefectural Police Department in taking such anti–theft measures as putting up posters which call the public's attention to automobile theft at the popular locations in Osaka Prefecture, and distributing leaflets among policyholders of physical damage coverage of automobile insurance, etc.

Table 24 **Number and Amount of Claims Paid for Automobile Theft under Automobile Insurance (Physical Damage Coverage)**

(No. & ¥ billion)

	Fiscal 1996		Fiscal 1997	
	Number of Claims Paid	Amount of Claims Paid	Number of Claims Paid	Amount of Claims Paid
Osaka Prefecture	3,500	7.7	3,800	7.7
Others	6,700	9.5	8,300	11.3
Total	10,200	17.2	12,100	19.0

(Note) Figures above, which are surveyed by the Marine and Fire Insurance Association of Japan, are all approximate.

MAJOR MARINE CLAIMS
(Claims exceeding ¥1 billion in the past 10 years)

● **Marine Hull Losses** (Japanese Flag Vessels Only)

Name of Vessel	Date of Casualty	Nature of Casualty	Claims Paid (¥ million)
Aoyagi Maru	Dec. 10, 1988	Stranding	1,220
Yoshino Maru	June 21, 1989	Sinking by Collision	1,660
Eagle Breez	Oct. 26, 1989	Collision	1,370
Sun River	Jan. 22, 1990	Fire	1,540
Aiko Maru	July 20, 1991	Sinking by Collision	1,000
Tenyo Maru	July 22, 1991	Sinking by Collision	1,660
Japan Platanus	Sept. 27, 1991	Stranding	2,380
Nippo Maru	Sept. 27, 1991	Stranding	1,000
Katsuragi	June 9, 1992	Collision	1,510
Ginga	June 15, 1993	Stranding	1,290
Shinkakogawa Maru	June 6, 1994	Stormy Weather	1,490
Bohai 4	Sept. 29, 1994	Stranding	1,130
Tamayoshi Maru No.12	May 26, 1995	Collision	2,000
Pacific Tower	July 2, 1995	Collision	1,480
Sumidagawa	July 2, 1995	Collision	1,250
Yamato	Apr. 27, 1996	Collision	1,190
Porthedland Maru	May 18, 1996	Stormy Weather	1,670
Corriente	Sept. 24, 1997	Sinking	2,800

● **Marine Cargo Losses**

Major Cargo	Name of Carrying Vessel	Date of Casualty	Nature of Casualty	Claims Paid (¥ million)
Automobiles	Reijin	Apr. 26, 1988	Stranding	2,480
Automobiles	Green Lake	June 29, 1989	Fire	1,890
Automobiles	Lane	Aug. 4, 1991	Sinking by Collision	6,340
Automobiles	Magnolia Ace	Nov. 11, 1994	Fire	1,760
Steel Materials	Sanko Splendour	Apr. 27, 1996	Collision	1,050
Cargo-handling Machine	(Barge)	Oct. 4, 1996	Damage	1,150
Dynamo	Yusho No. 8	Jul. 5, 1997	Sinking	1,000

● **Cargo Losses by Typhoon or Windstorm**

Name of Casualty	Place of Casualty	Date of Casualty	Cause of Casualty	Claims Paid (¥ million)
Typhoon No. 19	Kinki district and Miyagi & Aichi prefectures	Sept. 20, 1990	Typhoon	1,630
Typhoon No. 19	Kyushu, Chugoku, and Shikoku districts	Sept. 27, 1991	Typhoon	8,670

MAJOR CATASTROPHE LOSSES (Since 1945)

● Major Windstorms and Floods

Windstorm and Flood	Time of Occurrence		Number of Casualties and Property Damage		
			Dead/Missing	Buildings damaged	Buildings flooded
Makurazaki Typhoon	Sept.	1945	3,756	89,839	273,888
Catherine Typhoon	Sept.	1947	1,930	9,298	384,743
Typhoon Ion	Sept.	1948	838	18,017	120,035
Typhoon Jane	Sept.	1950	508	56,131	166,605
Typhoon Ruth	Oct.	1951	943	221,118	138,273
Downpour (accompanying weather front)	June	1953	1,013	34,655	454,643
Nanki Downpour	July	1953	1,124	10,889	86,479
Typhoon No.13	Sept.	1953	478	86,398	495,875
Toyamaru Typhoon	Sept.	1954	1,761	207,542	103,533
Isahaya Downpour	July	1957	992	6,811	72,565
Kanogawa Typhoon	Sept.	1958	1,269	16,743	521,715
Isewan Typhoon	Sept.	1959	5,098	833,965	363,611
2nd Muroto Typhoon	Sept.	1961	202	499,444	384,120
Typhoon No. 17 and accompanying weather front	Sept.	1976	169	11,193	442,317
Typhoon No. 20	Oct.	1979	111	7,523	37,450
Downpour, July 1982	July	1982	345	851	52,165
Typhoon No. 10 and accompanying weather front	Aug.	1982	95	5,312	113,902
Typhoon No. 18 and accompanying weather front	Sept.	1982	38	651	136,308
Downpour, July 1983	July	1983	117	3,669	17,141
Typhoon No. 10	Aug.	1986	21	2,683	105,072
Typhoon No. 19	Sept.	1991	62	170,447	22,965

● Major Earthquakes, etc.

Name of Earthquake, etc.	Date of Occurrence	M	Number of Casualties and Property Damage						
			Dead/ Missing	Houses totally destroyed	Houses half damaged	Houses partially damaged	Houses drifted away	Houses flooded	Houses burned down
Nankai	Dec. 21, 1946	8.0	1,330	11,591	23,487	—	1,451	—	2,598
Fukui	June 28, 1948	7.1	3,769	36,184	11,816	—	—	—	3,851
Tokachi–oki (Off Tokachi)	Mar. 4, 1952	8.2	33	815	1,324	—	91	—	—
Tsunami from Chili Earthquake	May 23, 1960	8.5	142	1,500	2,000	—	—	—	—
Miyagiken Hokubu (Northern Miyagi Prefecture)	Apr. 30, 1962	6.5	3	340	1,114	—	—	—	—
Niigata	June 16, 1964	7.5	26	1,960	6,640	—	—	15,298	—

Name of Earthquake, etc.	Date of Occurrence	M	Number of Casualties and Property Damage						
			Dead/ Missing	Houses totally destroyed	Houses half damaged	Houses partially damaged	Houses drifted away	Houses flooded	Houses burned down
Tokachi–oki (Off Tokachi)	May 16, 1968	7.9	52	673	3,004	—	—	—	—
Izuhanto–oki (Off Izu Peninsula)	May 9, 1974	6.9	30	134	240	—	—	—	5
Izuoshima Kinkai (Sea Near Izuoshima)	Jan. 14, 1978	7.0	25	96	616	—	—	—	—
Miyagiken–oki (Off Miyagi Prefecture)	June 12, 1978	7.4	28	1,183	5,574	—	—	—	—
Center of the Sea of Japan	May 26, 1983	7.7	104	934	2,115	3,258	52	—	—
Miyakejima Volcanic Eruption	Oct. 3, 1983	—	—	340	—	—	—	—	—
Naganoken Seibu (Western Nagano Prefecture)	Sept. 14, 1984	6.8	29	14 *1	73	565	—	—	—
Chibaken Toho–oki (Off Eastern Chiba Prefecture)	Dec. 17, 1987	6.7	2	10	—	60,000	—	—	—
Mt. Unzen Volcanic Eruption	June 3, 1991~	—	44	271 by pyroclastic flow 1,117 by debris flow 11 by cinders					
Kushiro–oki (Off Kushiro)	Jan. 15, 1993	7.8	2	12	73	3,389	—	—	—
Hokkaido Nansei–oki (Off Southwest Hokkaido)	July 12, 1993	7.8	230	601	408	5,490	—	455	192 *2
Hokkaido Toho–oki (Off Eastern Hokkaido)	Oct. 4, 1994	8.1	—	61	348	7,095	—	184	—
Sanriku Haruka–oki (Far–off Sanriku coast)	Dec. 28, 1994	7.5	3	72	429	9,021	—	—	—
Southern Hyogo Prefecture (Great Hanshin–Awaji)	Jan. 17, 1995	7.2	6,427	100,302	108,741	227,373	—	—	7,467 *3

(Note) "M" means the magnitude of the earthquake on the Japanese scale.

*1 This includes the number of houses which drifted away.
*2 This is the number of houses which incurred damage by fire.
*3 This includes 347 houses half burned by fire.

III. INTERNATIONALIZATION OF NON–LIFE INSURANCE BUSINESS

1. Foreign Non–Life Insurers in Japan

Foreign non–life insurers operating in the Japanese market are classified according to the following four categories ; (a) locally incorporated companies licensed to conduct non–life insurance business under the Insurance Business Law (In this Fact Book, such foreign–capitalized insurers are classified as domestic insurers.), (b) foreign non–life insurers licensed (on a branch or agent basis) to conduct non–life insurance business under the Insurance Business Law, (c) specific foreign insurers licensed under the Insurance Business Law to conduct non–life insurance business through their general agents in Japan (i.e. the Society of Lloyd's), and (d) representative or liaison offices established in order to collect information on the insurance market. "Foreign non–life insurers" here means insurers in categories (b) and (c) above.

As of December 1, 1998, there were 29 foreign non–life insurers in Japan, of which three confined their activities to reinsurance and three operated only "Protection & Indemnity Insurance". These licensed foreign non–life insurance companies are listed on page 112. The total number has decreased by two from the previous year as one German company has joined the market but two U.K. companies and one French company have transferred their insurance contracts to other companies, thus closing their offices in Japan. Out of the 29 companies, three are represented by Japanese non–life insurance companies as their agents. The totals by country / region are : U.K. (7) ; U.S.A. (7) ; France (2) ; Sweden and Switzerland (2 each) ; New Zealand, India, Australia, South Korea, Philippines, Italy, Bermuda, Norway, and Germany (l each).

Out of these 29 foreign companies, 23 are members of the Property and Casualty Insurance Rating Organization of Japan, while 21 insurers are members of the Automobile Insurance Rating Organization of Japan.

As of April 1, 1998, foreign non–life insurers' employees totaled 2,806, and agents 14,373.

[Direct Premiums Written by Foreign Non–Life Insurers]

In fiscal 1997 ending March 31, 1998, the total of direct premiums (including the savings portion of maturity–refund–type insurance premiums) of foreign non–life insurers amounted to about ¥290 billion, representing an increase of 3.1% over the previous year. Of all lines of business, personal accident insurance maintained the biggest share at 46.1%, followed by voluntary automobile insurance (26.2%), and fire insurance (11.5%).

Table 25 **Direct Premiums of Foreign Non–Life Insurers (Fiscal 1997)** (¥ million & %)

Class of Business	Premiums			Share of Japanese Insurers
	Amount	Growth Rate	Share	
Fire	33,285	2.3	11.5	18.4
Voluntary Automobile	76,207	3.8	26.2	35.8
Personal Accident	133,999	2.7	46.1	25.8
Miscellaneous Casualty	31,150	5.0	10.7	7.5
Marine Hull	167	−12.1	0.1	0.8
Marine Cargo	5,677	8.8	2.0	1.6
Inland Transit	2,827	0.9	1.0	0.7
Compulsory Automobile Liability	7,056	−4.1	2.4	9.4
Total	**290,372**	**3.1**	**100.0**	**100.0**

The market share of foreign non–life insurers in Japan (including five foreign–capitalized non–life insurers operating in Japan) stood at 3.59%. When the savings portion of maturity–refund–type insurance premiums is excluded, this share increases to 4.51%.

[Japan–Foreign Insurance Committee (JAFIC)]

The top management of the Marine and Fire Insurance Association of Japan and the Foreign Non–Life Insurance Association have been meeting regularly since 1982 at the Japan–Foreign Insurance Committee (JAFIC) meetings to exchange views and opinions about various issues of common interest. Moreover, in response to the rapidly changing environment in which the Japanese insurance industry finds itself, the Executive Meeting was established in June 1994 to enhance mutual understanding and to promote further communication through lively discussions between the top executives of the two associations.

2. Japanese Non–Life Insurers Abroad

As of April 1, 1998, 13 Japanese non–life insurers wrote risks in 30 overseas countries and regions. The total of their direct premiums abroad amounted to about ¥77.7 billion, an increase of 19.0% from the previous year. (Direct premiums written by their overseas subsidiaries are not included in these figures, so only premiums of their overseas branch offices and agents are registered.) This increase was chiefly attributable to the downward tendency in the value of the yen, and the fact that premium income from the United States and Canada showed an increase of about ¥15.6 billion from the previous year.

Table 26 Direct Premiums Written Abroad by Japanese Non–Life Insurers (Fiscal 1997)

(¥ million & %)

Class of Business	Premiums	Growth Rate
Fire	20,687	29.1
Automobile	15,991	20.4
Marine Hull	1,004	344.2
Marine Cargo	9,359	−1.8
Others	30,619	17.0
Total	**77,660**	**19.0**

The objectives of the overseas operations of Japanese insurers are as follows : to provide local Japanese clients with insurance services ; to strengthen business relations with local insurers and reinsurers ; to collect information on the local insurance market, etc. The total number of Japanese insurers’ offices abroad is listed in Table 27.

Table 27

The Total Number of Japanese Insurers’ Offices Abroad

Branches and Agents	122
Subsidiaries with 50% and over of Japanese capital	52
Subsidiaries with less than 50% of Japanese capital	60
Liaison Offices	266

(Notes) ① “Subsidiaries” means companies operating insurance business only, thus excluding asset investment, loss survey operations, etc.
② Figures above are as of April 1, 1998.

3. International Reinsurance Business

The outward reinsurance balance had been unfavorable to Japanese insurers for years until fiscal year l991 when the balance was reversed following a sharp increase of claims received for losses caused by a series of typhoons, including Typhoon No.19 (Mireille). In l992, however, the balance became negative again due to a sharp increase in reinsurance premium rates by overseas reinsurers and has since remained unfavorable. Japanese insurers find it necessary to reinsure risks against future potential natural disasters like the series of typhoons in l991.

As for the inward reinsurance business, Japanese non–life insurers were distressed with a series of payments for reinsurance claims from losses caused by frequent catastrophes abroad, such as hurricanes "Hugo (1989)" and "Andrew (l992)", European winter storms (l990), and the Northridge Earthquake (1994). After fiscal 1993, there was an improvement in the balance of the inward reinsurance business by the continued underwriting prudence of Japanese insurers and their efforts to obtain more accurate and up–to–date information. However, after fiscal 1996, this improvement was reversed due to the increase of reinsurance commissions paid as well as claims paid, and in fiscal 1997, the balance worsened to become a deficit of ¥11.2 billion .

The reinsurance business results for the past five years are shown in the tables below :

Table 28

Outward Reinsurance Balance (¥ billion & %)

FY	Premiums (paid)	Claims (received)	Balance
1993	254.2	157.6	− 96.6
1994	246.7	123.8	−123.0
1995	233.3	119.7	−113.6
1996	228.1	124.5	−103.6
1997	250.8	130.3	−120.5

(Note) Claims (received) includes reinsurance commissions, etc.

Table 29

Inward Reinsurance Balance (¥ billion & %)

FY	Premiums (received)	Claims (paid)	Balance
1993	209.5	241.0	−31.5
1994	192.2	197.7	−5.5
1995	178.3	182.7	−4.4
1996	194.5	201.0	−6.5
1997	190.3	201.5	−11.2

(Note) Claims (paid) includes reinsurance commissions, etc.

4. International Comparison of Non–Life Insurance Premium Volume

International comparisons of non–life insurance premium volume are sometimes difficult because of differences in insurance policies, fluctuations in foreign exchange rates, and differences in style of operations.

Nevertheless, a statistical publication "Sigma" issued by the Swiss Reinsurance Company (Zurich) gives us a comprehensive comparison on domestic gross direct premiums written by domestic and foreign insurers in each country. It is useful in understanding the development and size of each non–life insurance market.

According to "Sigma", in l996 there were 82 countries which each earned at least US $ 100 million in total gross direct premiums from both life and non–life insurance businesses. For non–life insurance, the worldwide gross direct premiums total reached about US$909.1 billion (¥102,398.3 billion : US$=¥112.637). The U.S.A. had a 40.3% share of the total non–life insurance premiums, followed by Japan (12.4%), Germany (9.9%), the U.K. (5.8%), and France (5.1%).

The ratio of gross direct premiums to Gross Domestic Product (GDP) is shown in Table 30. Of countries not listed separately, New Zealand represents 4.4% (ranking 2nd) and Slovenia 4.1%(4th). Furthermore, reviewing non–life insurance premiums per capita on a Japanese currency basis, Switzerland maintained its leading position from the year before last with ¥175,376. Of countries not listed separately, Luxembourg totals ¥134,489 (3rd) and Norway ¥ 100,697 (8th).

Table 30 International Comparison of Non–Life Insurance Premium Volume (1996)

Country	Gross Direct Premiums			Gross Direct Premiums / GDP		Per Capita Premiums	
	(¥ billion)	Rank	Share(%)	(%)	Rank	(Yen)	Rank
U.S.A	41,284.7	1	40.3	4.80	1	155,552	2
Japan	12,687.8	2	12.4	2.54	28	100,923	7
Germany	10,115.8	3	9.9	3.82	5	123,563	4
U.K.	5,950.6	4	5.8	3.44	10	76,255	16
France	5,185.2	5	5.1	2.99	16	88,983	12
Italy	3,043.6	6	3.0	2.23	32	53,052	19
Canada	2,388.2	7	2.3	3.52	8	79,860	15
Spain	1,918.4	8	1.9	2.93	18	48,884	21
Netherlands	1,853.1	9	1.8	4.15	3	119,395	5
Korea	1,716.5	10	1.7	3.23	13	37,733	25
Australia	1,640.2	11	1.6	3.73	7	89,434	11
Brazil	1,375.6	12	1.3	1.63	44	8,673	42
Switzerland	1,241.3	13	1.2	3.75	6	175,376	1
Belgium	958.9	14	0.9	3.17	15	94,277	10
Austria	890.8	15	0.9	3.49	9	110,497	6
Sweden	661.9	16	0.7	2.34	30	74,904	17
China	636.7	17	0.6	0.72	69	563	78
Taiwan	544.4	18	0.5	1.76	40	25,456	31
Denmark	509.0	19	0.5	2.59	26	96,755	9
South Africa	468.2	20	0.5	0.95	61	3,154	56
Other 62 countries	7,327.1	—	7.2	—	—	—	—
Total	**102,398.3**	**—**	**100.0**	**3.20**	**—**	**20,725**	**—**

(Notes) ① Figures quoted are from “Sigma / Swiss Re No.4/1998”.
② The exchange rate used (U.S.$= ¥112.673) is the average exchange rate for 1996.
③ Gross Direct Premiums include all premiums written by domestic and foreign companies within the country.
④ The figure for Japan include those of the “Zenkyoren”, the National Mutual Insurance Federation of Agricultural Cooperatives.

5. International Cooperative Relations

In order to develop mutual understanding and establish a good relationship with overseas non–life insurance industries, the Japanese non–life insurance industry has been earnestly promoting international activities by organizing seminars, exchanging views and information with overseas insurance associations, participating in international meetings, etc.

(1) International Cooperation Programs

Our non–life insurance industry has been actively promoting programs for the exchange of insurance technology and expertise with overseas countries, particularly with the East Asian regions.

a) The 27th General Course of the Insurance School (Non–Life) of Japan

The Marine and Fire Insurance Association of Japan, jointly with the Non–Life Insurance Institute of Japan, has been providing an educational program in Tokyo called the Insurance School (Non–Life) of Japan (ISJ) for staff members of non–life insurance companies and regulatory offices in the East Asian regions. The ISJ was founded in 1972 as an international cooperation program organized by our non–life insurance industry under wholly private initiative. The ISJ programs are recognized as one of the core activities of the Association, and considered to be an invaluable insurance educational program to the insurance industry of the East Asian regions.

With the objective of exchanging non–life insurance know–how and expertise with the East Asian regions, the study program of the General Course consists of classroom lectures including discussions, visits to insurance companies, and weekend excursions. The 27th General Course of the ISJ was held from September 28 to October 14, 1998, with 40 participants, under the main theme of "Marine and Transit Insurance".

The General Course has produced 912 graduates over the last 27 years, and including the ISJ Advanced Course mentioned below, the total number of the participants in the ISJ courses has now exceeded 1,000.

Apart from the ISJ courses, individual Japanese non–life insurance companies have also provided their own educational programs from fiscal 1972 to 1997 for 4,422 people from abroad (3,721 from the ISJ participating regions).

b) The 8th Advanced Course of the Insurance School (Non–Life) of Japan

To accommodate an increasing number of requests from those regions to organize an additional course at a higher level, the Marine and Fire Insurance Association of Japan decided in March 1990 to start the Advanced Course from May 1991.

The Advanced Course of the Insurance School of Japan (ISJ) held its eighth session in Tokyo under the co–auspices of the Marine and Fire Insurance Association of Japan and the Non–Life Insurance Institute of Japan for about two weeks from May 10 to 22, 1998. There were 18 participants from the 11 regions in East Asia.

This Advanced Course is, in principle, for executives who have already graduated from the ISJ General Course and is organized in a workshop format rather than the lecture style of the General Course. The main theme of this year's course was "Securing the Soundness of Business Operations in the Non–Life Insurance Field".

Table 31
Number of ISJ General Course Graduates by Region (1972–1998)

Region	Number	
Bandar Seri Begawan (Brunei)	25	(6)
Bangkok	131	(27)
Beijing	27	(0)
Hanoi	16	(0)
Hong Kong	112	(15)
Jakarta	112	(8)
Kuala Lumpur	119	(20)
Macao	27	(9)
Manila	119	(15)
Seoul	103	(20)
Singapore	90	(8)
Taipei	30	(0)
Yangon(Myanmar)	1	(0)
Total	**912**	**(128)**

(Note) Figures in parentheses indicate the number of participants from regulatory offices.

Table 32
Number of ISJ Advanced Course Graduates by Region (1991–1998)

Region	Number	
Bandar Seri Begawan (Brunei)	5	(2)
Bangkok	16	(0)
Beijing	14	(0)
Hanoi	4	(0)
Hong Kong	14	(1)
Jakarta	15	(0)
Kuala Lumpur	15	(4)
Macao	6	(6)
Manila	14	(0)
Seoul	16	(0)
Singapore	16	(3)
Taipei	15	(0)
Yangon(Myanmar)	0	(0)
Total	**150**	**(16)**

(Note) Figures in parentheses indicate the number of participants from regulatory offices.

c) The 6th Session of the Insurance School (Non–Life) of Japan Overseas Seminar

The Japanese non–life insurance industry launched a newly organized program named "Insurance School (Non–Life) of Japan (ISJ) Overseas Seminar" in June 1993. The sixth seminar was held in Hanoi and Yangon on June 16 and 19, 1998, with the generous cooperation of the Vietnam Insurance Corporation (BAOVIET) and the Myanmar Insurance Company respectively. The main theme for this year was "Loss Control in the Japanese Automobile Insurance Business", and three speakers chosen from within the Japanese non–life insurance industry were sent by the Association to the seminar. There were 60 participants in Hanoi and 90 in Yangon.

These ISJ Overseas Seminars are held annually in a few cities chosen, in turn, from among the ISJ participating regions under the co–auspices of the Marine and Fire Insurance Association of Japan, the Non–Life Insurance Institute of Japan, and the relevant authorities or organizations of each region concerned. The objectives of this seminar series are to contribute to the sound development of the non–life insurance industry in the East Asian regions, and to promote friendly relationships among these regions.

d) Insurance School of the Pacific (ISP)

For the purpose of developing the abilities of our insurance personnel, the Japanese non–life insurance industry has been conducting since 1963 an overseas training program for the young insurance practitioners of our non–life insurance companies, agents, and related organizations, entitled "Insurance School of the Pacific (ISP)".

The ISP program is held annually in San Francisco where it follows a five–week training program arranged and coordinated by the Insurance Educational Association (IEA). The five–week program includes both lectures and visits to the offices of insurance companies, brokers, and agents.

After completing their studies in San Francisco, the group makes an extension tour on an optional basis to the East Coast of the U.S. to visit various insurance companies, agent, brokers, and related organizations with a view to broadening their knowledge and expertise.

The ISP has produced 1,133 graduates, including 25 members of the 36th ISP held this year.

e) Visitors from Overseas

Visits by various missions and study teams from abroad to research and study the Japanese non–life insurance market have been increasing. The Marine and Fire Insurance Association of Japan officially welcomed 54 groups (126 individuals) from overseas during the fiscal year 1997.

(2) Promotion of Dialogue and Exchange of Views and Information with Overseas Insurance Associations

Based on the recognition that it is more than ever essential for our non–life insurance industry, facing the progress of liberalization and internationalization, to obtain information from and enhance mutual understanding with the overseas insurance markets, the Marine and Fire Insurance Association of Japan resolved, at its Board of Directors Meeting held on February 19, 1997, to actively pursue dialogue and an exchange of views and information with overseas insurance associations.

As one of the notable developments of the above promotion of dialogue, Mr. Noboru Araki, Executive Director, and Mr. Nobuo Hara, Director and General Manager of the lnternational Department of our Association visited the

Fédération Française des Sociétés d’Assurances (FFSA) in Paris in October, 1997, and the formal signing of the memorandum concerning the cooperation framework between the FFSA and our Association was concluded by Mr. Jean Arvis, then President of the FFSA and Mr. N. Araki, by which the cooperative relationships between the two associations officially started.

Subsequently, Mr. N. Araki and Mr. N. Hara visited Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV) in Bonn and the Association of British Insurers (ABI) in London, and discussed the ways and means to promote cooperative relationships between our Association and the GDV / ABI and affirmed their commitment to the further development of dialogue and exchange of views and information.

With these visits to the FFSA, GDV, and ABI as a start, our Association intends to develop dialogue and exchange of views and information with other insurance associations as far as practicable in the hope of establishing cooperative and friendly relationships.

(3) Participation in International Meetings

Many international meetings regarding non–life insurance are held every year in various countries in the world. Our non–life insurance industry actively participates in these meetings and promotes cooperative relations with overseas non–life insurance industries.

The main international meetings to which the Japanese non–life insurance industry sent delegates or observers were as follows :

a) The Third Meeting of the International Meeting of Insurance Associations (IMIA)

With the objective of exchanging views and information on the activities of the respective insurance associations and on general matters relating to the insurance business, the International Meeting of Insurance Associations (IMIA) brings together delegates from insurance associations of many countries.

Following the success of the first and second meetings held in Paris in October, 1996 and in Sydney in September, 1997 respectively, the third annual meeting of the IMIA was held in Cancun, Mexico, on September 27 and 28, 1998, with 24 delegates from 20 insurance associations and federations in 11 countries participating. Our Association has sent two delegates to each meeting.

This year, Mr. Noboru Araki, Executive Director, and Mr. Nobuo Hara, Director and General Manager of the International Department of our Association participated in the meeting, the themes of which were as follows : ① “Electronic Commerce”, ② “Y2K Insurance Issues”, ③ “Managing a Trade Association in a Consolidating and Global Economy”, ④ “Insurance and the World Trade Organization”, ⑤ “What kind of Regulation for the 21th Century”, ⑥ “International Accounting Standards”. Mr. N. Hara of our Association chaired the session under the theme of ⑤, and Mr. N. Araki gave a speech.

b) The Fifth Meeting of the International Association of Insurance Supervisors (IAIS)

The International Association of Insurance Supervisors (IAIS) is an international organization established with the objective of exchanging views and information on insurance supervision and promoting cooperative relations among overseas countries regarding the establishment of safe and stable insurance markets for the benefit and protection of policyholders.

In the banking and securities sectors, the Basle Committee on Banking Supervision and the lnternational Organization of Securities Commissions (IOSCO) have been established. An equivalent organization, the IAIS was subsequently set up by insurance supervisors of many countries.

This year, the fifth annual meeting of the IAIS was held in Cancun, Mexico, from September 29 to October 1, 1998, with 130 delegates from supervisory authorities in 63 countries participating and 110 observers in attendance. Mr. Noboru Araki, Executive Director, and Mr. Nobuo Hara, Director and General Manager of the International Department of our Association, participated in the annual meeting as observers.

c) The 62nd Session of the Insurance Committee of the OECD

The 62nd session of the Insurance Committee of the OECD (Organization for Economic Co–operation and Development) was held in Paris from November 23 to 27, 1998, with around 90 delegates from 29 OECD member countries, and Mr. Nobuo Hara, Director and General Manager of the International Department, participated on behalf of our Association.

The main activities of the Committee are the collection and feedback of the insurance statistics of member countries, the exchange of views and information on insurance supervision, the study of the position of the insurance business within the financial industry, and the contribution to the study of insurance by UNCTAD (United Nations Conference on Trade and Development).

d) The 19th Meeting of the East Asian Insurance Congress (EAIC)

The 19th meeting of the East Asian Insurance Congress (EAIC) was held at Macau Landmark, in Macau, from September 20 to 25, 1998, with approximately 900 participants from 36 countries all over the world, including about 50 participants from Tokyo.

The EAIC meeting was founded in 1962 in Tokyo with the objective of exchanging views and information regarding all kinds of insurance and enhancing friendly relationship among its member cities, and thereafter, 11 member cities have taken it in turn every two years to host the general meetings. In addition to hosting the inaugural meeting in 1962, Tokyo also hosted the eleventh in 1982.

This year, under the theme of "Global Socio–Economic and Environmental Changes–What Impact on East Asian Insurers ?", two plenary sessions, two life insurance sessions, and three non–life insurance sessions took place. Subsequently, Mr. Takashi Onoda, Chief Delegate from Tokyo, made a presentation on the current condition of the Japanese insurance market, the movement towards the liberalization of insurance, and insurance system reform during the course of the Japanese "Big Bang".

e) The 124th General Meeting of the International Union of Marine Insurance (IUMI)

The International Union of Marine Insurance (IUMI) is the longest–running international meeting devoted to marine insurance, and was established in Berlin, Germany, in 1874.

The 124th general meeting of the IUMI was held in Lisbon, Portugal, from September 13 to 17, 1998, and ten delegates from our non–life insurance industry participated in the meeting.

f) The 58th General Meeting of the International Union of Aviation Insurers (IUAI)

In 1934, the Aviation Sub–Committee of IUMI was dissolved, and a new organization, the International Union of Aviation Insurers (IUAI), was established.

The 58th General Meeting of the IUAI was held in Edinburgh, Scotland, from May 25 to 29, 1998, and eight delegates from our non–life insurance industry participated in the meeting.

g) Others

Japanese non–life insurance companies and related organizations also participated in other international meetings. These were as follows :

- **The 2nd Conference of the Asia–Pacific Risk and Insurance Association (APRIA)**

  Asia–Pacific Risk and Insurance Association (APRIA) was established in Singapore in September, 1997, in order to develop the risk management in the insurance field in the Asia–Pacific regions. This year, the second annual conference of APRIA was held at Nanyang Technological University in Singapore, from July 19 to 22 with 125 delegates from 14 regions participating, including one delegate from the Non–Life lnsurance lnstitute of Japan.

- **The annual seminar of the International Insurance Society (IIS)**

  The 1998 annual seminar of the International Insurance Society (IIS), which was founded in 1965, was held in Sydney, Australia from July 12 to 18, and participants from Japanese insurance companies attended the seminar.

- In addition to the above meetings, individual non–life insurance companies also sent representatives to the following main international meetings.

  - World Insurance Congress (WIC)
  - Asia–Pacific Insurance Conference (APIC)
  - Federation of Afro–Asian Insurers and Reinsurers (FAIR)
  - Rendez–Vous de Septembre
  - Baden–Baden Meeting

IV. NEW PRODUCTS

Deregulation and liberalization have developed steadily in the Japanese non–life insurance market.

In line with the agreement of the Japan–US Insurance Talks reached on December 15, 1996, i.e. "Supplementary Measures by the Government of Japan and the Government of the US regarding Insurance", voluntary automobile insurance with differentiated premium rates was approved by the authorities, and was put on the market on September 3, 1997. In addition, non–life insurance companies have obtained the comprehensive approval of the authorities from January 1998 to develop or amend corporate–oriented insurance endorsements freely without seeking prior approval. This has enabled non–life insurance companies to develop or amend the contents of coverage, policy conditions, and premium rates of the above–mentioned endorsements flexibly in response to corporate needs.

Furthermore, with the proposals on the direction of insurance system reforms which were submitted by the Insurance Council, an advisory body to the Minister of Finance, on June 13, 1997 and the subsequent passing of the Financial System Reform Bill through the Diet on June 5, 1998, the framework of the Japanese "Big Bang" was started. In line with these, the sweeping reform of the rating organization system was implemented, thus accelerating substantial deregulation and liberalization in non–life insurance products, services, and premium rates.

In this stream of deregulation and liberalization, each non–life insurance company is encouraged to exercise its ingenuity even more. As a result, various kinds of insurance products and services have been developed and put on the non–life insurance market. Some examples are as follows :

(1) The liberalization of the Corporate–oriented Non–Life Insurance

Each non–life insurance company has obtained comprehensive approval from the authorities from January 1998 to develop or amend corporate–oriented insurance in fire, general liability, and contractor's all risks fields freely without seeking prior approval. This has enabled non–life insurance companies to develop or amend the contents of coverage and policy conditions of the above–mentioned endorsements more flexibly and freely.

This approval made it possible for each non–life insurance company to provide and market tailor–made insurance products and services to meet corporate needs.

(2) Diversification of the Automobile Insurance

In the field of automobile insurance, various kinds of unique insurance policies and services have been developed as a result of non–life insurance companies exercising their own ingenuity, and these include as follows :

- Introduction of automobile insurance policies with travel coupons, gasoline gifts, etc.
- Expansion of eligibility in group insurance
- Reduction of additional insurance premium rates for customers who authorize direct debits from their bank accounts each month (standing orders).
- Introduction of unlimited property damage liability coverage
- Introduction of a system whereby changes of policy conditions become effective even before additional insurance premiums are paid out.
- Introduction of a fixed payment for substitute auto expenses in the event of automobile accidents.
- Introduction of automatic renewal endorsements
- Introduction of substitute auto provision endorsements in the event of automobile accidents.

- Introduction of endorsement regarding extra expenses ancillary to automobile accidents.
- Introduction of bodily injury compensation coverage (under this coverage, the insured's losses and damages arising from automobile accidents shall be indemnified directly by the insured's policy involved regardless of fault.).

(3) Other Insurance

Even in such insurance fields as fire, personal accident, and general liability insurances for individuals, and inland transit insurance, various kinds of new insurance policies and services have been developed and now put on the market.

V. MAJOR DEVELOPMENTS

1. Automobile Insurance

(1) Premium Rates and Payment Standards for Compulsory Automobile Liability Insurance (CALI) revised (May 1997)

Taking the improvement in the Compulsory Automobile Liability Insurance (CALI) balance of accounts into consideration, and on the recommendation of the CALI Council, CALI premium rates have been reduced by about 7.7% on average, effective from May 1, 1997.

In addition, with the increase in wages, compensation for losses or damages, and consumer price levels, non–life insurance companies were authorized by the Finance Minister to raise payment standards in certain areas for CALI policies, and they have applied to any accident occurring on or after May 1, 1997.

(2) Improvement of Loss Survey Method for Compulsory Automobile Liability Insurance (CALI) (April 1998)

In the CALI field, the Automobile Insurance Rating Organization of Japan, a fair and neutral independent body, conducts loss surveys and the results of the surveys are used by non–life insurance companies in deciding the ultimate amount of claims payment. As from April 1998, the Organization has established a “Board of Examiners” and a “Board of Reexaminers” to recognize the degree of permanent disability, and, in fatal accidents, the negligence of victims involved, thus improving its examination structure so that the loss survey could become even more just and fair, as well as objective and transparent.

In this relation, as from April 1998, non–life insurance companies not only have cooperated with the Organization in implementing the improvement measures mentioned above, but also have taken their own measures to improve the situation concerning loss survey, such as explaining the CALI system, the claims filing method, the loss survey method, etc., thus making every effort to make a fine–tuned response to victims and other claimants.

(3) Institution of Guideline on Automobile Insurance Policy with Differentiated Premium Rates (June 1997)

New automobile insurance policies with differentiated premium rates were approved, effective from September 1, 1997, and marketed on September 3, 1997.

Since the premium rates for this policy are calculated depending on such risk factors as the driver’s age, sex, region, and driving history, there is a possibility of the difference in premium rates applicable to policyholders expanding and the premium rates for high–risk policyholders increasing substantially.

Under these circumstances, in order to protect the victims of traffic accidents by securing the financial ability of the guilty party to assume his / her responsibilities, the Ministry of Finance issued the administrative guideline on automobile insurance policy with differentiated premium rates on June 30, 1997, which stipulates the basic ideas for the differentiation of premium rates. The following characterize this administrative guideline :

① Risk factors on one or more of which premium rates can be calculated

a. Driver’s age : The maximum premium rate shall not be more than three times greater than the minimum.
b. Sex : The difference in premium rates between the sexes shall not be more than one and a half times.

c. Region : The number of regional categories shall not be more than seven ; Hokkaido, Shikoku, Kyushu, and Honshu which shall be divided into Tohoku, Kanto–Koshinetsu, Hokuriku–Tokai, and Kinki–Chugoku. The difference in premium rates between the regions shall not be more than one and a half times.
d. Object of use : Vehicle use shall be divided into commercial, private, recreational, commuter, etc., categories.
e. Driving history : The number of traffic accidents and the years of driving experience shall be taken into consideration.
f. Type of use : Annual driving distance, etc. shall be taken into consideration.
g. Type of vehicles : Vehicles shall be classified as private or commercial passenger cars, buses or trucks, all other cars, motorcycles, etc.
h. Safety devices : Such devices shall be taken into consideration as the existence of dual airbags and antilock brake systems.
i. Multi–ownership : The number of insured vehicles shall be taken into account.

②Matters to be taken into account concerning insurance distribution and business administration

a. Prohibition of rejecting insurance applications in principle

Concerning bodily injury coverage and policy renewal, the guideline in principle prohibits insurance companies from rejecting insurance applications except for cases where the risks concerned are considered to be significantly large.

b. Prohibition of selective underwriting in principle

Insurance companies are in principle prohibited from underwriting only specific risks based on the driver's region, age, sex, etc.

Although this guideline was repealed on June 8, 1998 in line with the total review of the administrative directives and instructions, its spirit has been incorporated into Article 12 of the Enforcement Regulation of the Insurance Business Law and other regulations, which came into effect by the issuance of the Finance Ministerial Ordinance on the same day.

(4) Entry of the National Federation of Workers and Consumers Insurance Cooperatives (called "Zenrosai" in Japanese) into the Compulsory Automobile Liability Mutual–Aid (CALMA) Business (April 1997)

At the 103rd session of the Compulsory Automobile Liability Insurance (CALI) Council held on February 4, 1997, the six non–life insurance subsidiaries of life insurers and eight mutual–aid cooperatives including the Zenrosai were allowed to conduct the CALI business and the CALMA business respectively.

Consequently, after obtaining a license from the competent authorities concerned in March 1997, the eight cooperatives started their operations as from April 1, 1997.

(5) The 104th Session of the Compulsory Automobile Liability Insurance (CALI) Council held (February 1998)

On February 6, 1998, the CALI Council, an advisory body to the Finance Minister, held its 104th session to deliberate on the Minister's inquiry about the possibility of allowing the National Federation of Motor Insurance Cooperatives (called "Zenjikyo" in Japanese) and its six affiliated cooperatives to conduct the Compulsory Automobile Liability Mutual–Aid (CALMA) business, and came to the conclusion that the Minister might give his consent to the relevant authorities on their entering the CALMA field.

2. Earthquake Insurance

(1) Aggregate Limit of Indemnity for Earthquake Insurance on Dwelling Risks increased (April 1997)

In response to the increase in the total sum of insured amounts of policies in force concerning earthquake insurance on dwelling risks and to provide for the most catastrophic contingency, the aggregate limit of indemnity for earthquake insurance was raised from ¥3,100 billion to ¥3,700 billion effective from April 1, 1997.

Since the likelihood of catastrophic losses following an earthquake is high, the aggregate amount of indemnity payable by all insurers to all policyholders per any one occurrence is limited. This aggregate limit of indemnity for earthquake insurance is reviewed periodically in the Diet in order to be able to cope with such huge quakes as the Great Hanshin–Awaji Earthquake of January 17, 1995. The changes in the aggregate limit are shown in the table below.

Table 33 Development of Aggregate Limit of Indemnity

Effective from	Aggregate limit of indemnity per one occurrence
June 1966 (Establishment)	¥ 300 billion
May 1972	¥ 400 billion
April 1975	¥ 800 billion
April 1978	¥ 1,200 billion
April 1982	¥ 1,500 billion
June 1994	¥ 1,800 billion
Oct. 1995	¥ 3,100 billion
April 1997	¥ 3,700 billion

(2) Earthquake Insurance Claims Settlement Seminar and Drill held (February 1998)

With the aim of ensuring quick and smooth claims settlements in the event of an earthquake, the non–life insurance industry has been providing earthquake insurance claims settlement seminars and drills throughout the country since 1979.

On February 18, 1998, the Marine and Fire Insurance Association of Japan held the 16th session of the seminar and drill in Shizuoka City with about 200 participants drawn from the executives and experts of the claims settlement divisions of non–life insurance companies. They participated in a workshop on earthquake risks and conducted a simulation on making emergency claims settlements on the supposition that the Tokai (i.e. pacific coastal region of the middle part of Japan) Earthquake had occurred.

3. Insurance Related Laws, etc.

(1) Financial System Reform Bill approved by the Diet (June 1998)

On March 13, 1998, the Financial System Reform Bill, which incorporated a series of financial system reforms put forward by the Insurance Council, the Financial System Research Council, and the Securities and Exchange Council*, was submitted to the Diet, and, after passing on June 5, was published on June 15, 1998.

*The Insurance Council, the Financial System Research Council, and the Securities & Exchange Council were subsequently merged into the Financial Council.

The Bill amended en bloc 24 financial related laws, such as the Insurance Business Law, the Law concerning Non–Life Insurance Rating Organizations, the Securities and Exchange Law, the Banking Law, etc. Thus, a framework was put in place for the sweeping reform of the Japanese financial systems.

(2) Revision of the Insurance Business Law (December 1998)

In line with the passing of the Financial System Reform Bill mentioned before, the Insurance Business Law was revised, effective from December 1, 1998 in principle, in which provisions are stipulated with regard to such matters as early warning measures based on solvency margin ratios of insurance companies, the holding of bank and securities subsidiaries by insurance companies, and the establishment of a Policy–holders Protection Corporation to ensure the protection of policyholders in the event of an insurance company becoming insolvent.

(3) Revision of the Law concerning Non–Life Insurance Rating Organizations (July 1998)

In line with the passing of the Financial System Reform Bill mentioned before, the Law concerning Non–Life Insurance Rating Organizations was revised, effective from July 1998.

The objective of this revision was to radically reform the rating organization system, thus liberalizing the Japanese non–life insurance market. As a result of this revision, the obligation for members of the rating organizations to use the premium rates calculated by the rating organizations was abolished, and the rating organizations now calculate “reference risk premium rates” which members can use as the basis for the calculation of their premium rates. In addition, the rating organizations calculate “standard premium rates” for Compulsory Automobile Liability Insurance and earthquake insurance on dwelling risks.

(4) Financial Supervisory Agency established (June 1998)

On June 22, 1998, the Financial Supervisory Agency was newly established under the Prime Minister’s Office and is responsible for the inspection and supervision of financial institutions including insurance companies.

From the viewpoint of transparency and securing fairness and equity in financial administration, the Financial Supervisory Agency is independent and separate from the existing Ministry of Finance, and takes over the inspection and supervisory functions of the Ministry of Finance, such as the issuance and withdrawal of licenses, approval of products/services, and issuance of orders to improve/suspend the business operations of financial institutions.

In line with the above change, the Ministry of Finance currently carries out such functions as policy planning, research and study relating to the overall financial system, and the establishment and repeal of financial related laws and regulations.

(5) Training Course and Examination for Non–Life Insurance Brokers held (July 1998)

In conjunction with the enactment of the new Insurance Business Law, effective on April 1, 1996, an insurance brokerage system was introduced for the first time to the Japanese insurance market.

Insurance brokers have to be registered with the Commissioner of the Financial Supervisory Agency, and they must prove that they are fit to conduct the insurance distribution business properly when being registered. To this end, insurance brokers have to be trained, and their ability to conduct the insurance distribution business must be judged by a competent organization. Our Association has been chosen to fill this role for the time being, and we are required to provide prospective insurance brokers with training courses and examinations, based on the Administrative Guideline issued by the Ministry of Finance and the Financial Supervisory Agency.

Training courses and examinations are organized in Tokyo and Osaka twice a year and, as shown in the table below, have been held three times between April 1, 1997 and the end of July, 1998. During this period, 100 candidates have passed the examinations bringing the total of successful candidates since July, 1996, to 279.

Whereas previous training courses were organized around lectures, future courses will be run on a correspondence basis.

Table 34 Training Course and Examination for Non–Life Insurance Brokers

	Training Period	Date of Examination
3rd Examination	May 26 to 28, 1997	July 14, 1997
4th Examination	Cancelled due to insufficient number of applicants	January 14, 1998
5th Examination	June 1 to 12, 1998	July 13, 1998

4. Insurance Related Councils, etc.

(1) Insurance Council's Report "On the Review of the Directions of the Insurance Business" submitted (June 1997)

At its 63rd general assembly held on December 20, 1996, the Insurance Council*, an advisory organ to the Minister of Finance, decided to establish the "Fundamental Subjects Study Committee" as a working party to discuss issues fundamental to the insurance business and its supervisory administration as an integral part of the Financial System Reform Plan (the Japanese "Big Bang") proposed by Mr. Ryutaro Hashimoto, then Prime Minister, in November 1996.

The Fundamental Subjects Study Committee adopted, at its first session on January 21, 1997, the following five subjects for discussion : ① liberalization measures, including the reform of the rating organization system, ② acceleration of mutual entry between financial institutions, ③ introduction of a holding company system, ④ insurance distribution by banks and other financial institutions, and ⑤ application of the market value method to trading accounts. The Committee met ten times up to June 1997, and their discussions were compiled in the report entitled "On the Review of the Directions of the Insurance Business", which was submitted and approved at the 64th general assembly of the Insurance Council held on June 13, 1997.

As an integral part of the financial system reforms, insurance companies must provide customers with efficient insurance services and satisfy their increasingly sophisticated and diverse insurance needs. In line with this, the report reviewed the insurance business and supervisory regulations from the perspectives of ① customers' interests, ② the national economy, and ③ global standards.

*The Insurance Council was subsequently merged with the Financial System Research Council and the Securities & Exchange Council, to create the present Financial Council.

(2) Establishment of the Non–Life Insurance Committee of the Financial Liaison Meeting (March 1998)

In order to ensure the further transparency of financial administration, the Financial Liaison Meeting was established by the Ministry of Finance. Consisting of committees classified by type of financial sector, the new Meeting provides a forum for the exchange of views, opinions, and information with the financial sector as well as for the explanation of financial administration.

The Non–Life Insurance Committee meets every two months on average, and allows key officials from the Ministry of Finance to meet directors and officers from all the member companies of the Marine and Fire Insurance Association of Japan.

In addition to the Non–Life Insurance Committee, the following five financial institutions have their own committees with the Ministry of Finance : ① city banks, long–term credit banks, and trust banks, ② regional banks, ③second regional banks, ④ credit associations, and ⑤ life insurance companies.

5. Others

(1) Improvement of Disclosure (April 1997 and May 1998)

In order to secure the transparency of the non–life insurance business and to meet the requests of consumers for promoting disclosure, our Association reviews periodically the criteria for disclosure of information provided by each non–life insurance company.

Information is now disclosed in these new areas : ① Deposits in mutual insurance companies, ② Insurance underwriting profits, ①③ Types of commodity securities, their balance average, and trading amount (disclosed annually since the end of March 1997.), ④ Solvency margin ratio, ⑤ Amount of securities classified by their remaining period, ⑥ Amount of loans for domestic companies classified by their remaining period, ⑦ Amount of subordinated loans, ⑧ Amount of bonds which are delinquent for more than three months, ⑨ Amount of bonds with relaxed terms and conditions of payment, ⑩ Breakdown of the amount of acceptance and guarantee, and ⑪ Breakdown of the amount of customer’s liability for acceptance and guarantee (disclosed annually from the end of March 1998).

(2) Nursing Care Insurance Bill approved by the Diet (December 1997)

The rapid aging of Japanese society has created serious problems, and one major public concern which is in urgent need of attention is how best to provide nursing care services for the elderly.

To address this issue and to provide the social framework for the provision of nursing care services for the elderly, the Public Nursing Care Insurance Bill was approved by the 141st extraordinary session of the Diet held on December 9, 1997, and it will be enforced from April 1, 2000.

At present, the necessary arrangements to establish the infrastructure for the provision of nursing care services are being made by the government and municipalities with the aim of achieving the most effective organization and operation of nursing care for the elderly.

In order to contribute to the establishment of the above infrastructure, and to play a positive role in the public nursing care insurance system, our non–life insurance industry has requested the competent authorities and other parties involved to take measures so that non–life insurance companies can become involved in such nursing care services as the preparation and implementation of nursing care plans, utilizing claims arrangement networks of non–life insurance companies when approving the provisions of nursing care services, etc. (Regarding the details of the requests of our non–life insurance industry, please see page 87.)

(3) Follow–up Meeting of the Japan–US Insurance Talks held (July 1998)

Following the agreement reached at the Japan–US Insurance Talks on December 1996, follow–up meetings were held in Tokyo from June 9 to 12, 1998, between the Japanese and US governments. The focal point of discussion was to confirm the implementation of the deregulation measures regarding the primary sectors of the Japanese non–life insurance market provided in the agreement.

Some of the main points agreed at the above Talks were as follows ; ① in order to avoid radical change in the third sector, the subsidiaries of Japanese life and non–life insurance companies are not allowed to write third sector business (such types of insurance as cancer, medical, and personal accident insurance) in which foreign insurers enjoy an advantageous position. This restriction will continue until the deregulation measures provided in the agreement regarding the primary sectors are implemented, ② if the five criteria for deregulation in primary sectors mentioned below are satisfied by no later than July 1, 1998, and the implementation of the deregulation measures are confirmed, the subsidiaries of Japanese life and non–life insurance companies will be able to enter into the third sector from January 2001.

At this follow–up meeting, the US government argued that the points (d) and (e) of the following five criteria had not been fully met. However, the Japanese government contested this US statement and asserted that the deregulation measures provided in the agreement had been fully implemented. Thus, the restriction, which prohibits the subsidiaries of Japanese life and non–life insurance companies from entering into the third sector, should be removed by no later than 2001.

Following this meeting, Mr. Hikaru Matsunaga, then Minister of Finance and Mr. Masaharu Hino, the Commissioner of the Financial Supervisory Agency, issued separate statements on July 2, 1998, announcing that the third sector would be completely liberalized from January, 2001, as the criteria for removal of the restrictions of entering into the third sector had been fully met by the implementation of the sweeping reform of the rating organization system following the passage of the Financial System Reform Bill through the Diet on June 5, 1998.

Mr. Takashi Onoda, then Chairman of our Association issued a statement on June 10, 1998, in which Mr. Onoda emphasized that we strongly hoped that the deregulation of the third sector would be implemented unreservedly in January, 2001, despite the argument from the U.S. side, and that the Japanese insurance market would develop in a manner fair, sound, and transparent from the viewpoint of consumers.

Five criteria for the primary sectors deregulation

(a) Approval of automobile insurance policy with differentiated premium rates.
(b) Decreasing the minimum insured amount of commercial fire insurance to which advisory rates are applied.
(c) Expansion of insurance products to which the notification system applies.
(d) Abolition of obligation to use premium rates calculated by the rating organizations.
(e) Approval of application for differentiated products within the standard processing period.

(4) Union of Machinery Insurers of Japan dissolved (September 1997)

On September 30, 1997, the Union of Machinery Insurers of Japan, which was composed of 25 non–life insurance companies, dissolved itself and brought to an end 41 years of activity in the machinery and erection insurance field.

The Union contributed to the spread of machinery insurance in Japan from its establishment on May, 1956, by giving technical support to and managing the reinsurance pool of machinery insurance for its member companies.

However, the Fair Trade Commission advised on December 19, 1996, that the Union might be considered to form a cartel concerning the underwriting of machinery and erection insurance, and the Union resolved to disband by itself.

(5) Lloyd's Japan starts Business Operations (April 1997)

On January 9, 1997, under the provision of Paragraph 1 of Article 219 of the Insurance Business Law, the Society of Lloyd's (i.e. Lloyd's of London) obtained a special non–life insurance license from the Finance Minister for its underwriting members to conduct 19 classes of insurance business in Japan.

The Society of Lloyd's set up their liaison office in Tokyo on October 2, 1995, and started making preparations to enter the Japanese insurance market.

Following the granting of the license, Lloyd's Japan Inc., which was established on September 30, 1996 as the general agent of the Society and its underwriting members, started business operations in Japan on April 1, 1997.

Table 35 **Direct Premiums by Line**

Class of Business	Fiscal 1988		Fiscal 1989		Fiscal 1990		Fiscal 1991		Fiscal 1992	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,677,868	14.6	1,818,885	8.4	1,735,083	−4.6	1,613,575	−7.0	1,679,118	4.1
(Maturity–re-fund–type)	(984,564)	(22.6)	(1,083,464)	(10.0)	(989,761)	(−8.6)	(831,334)	(−16.0)	(843,804)	(1.5)
Voluntary Automobile	2,009,361	9.9	2,233,741	11.2	2,461,758	10.2	2,762,325	12.2	3,007,564	8.9
Personal Accident	2,686,407	25.0	2,599,797	−3.2	2,494,998	−4.0	2,677,805	7.3	2,542,171	−5.1
(Maturity–re-fund–type)	(2,227,330)	(26.2)	(2,096,857)	(−5.9)	(1,975,294)	(−5.8)	(2,117,139)	(7.2)	(1,980,646)	(−6.4)
Miscellaneous Casualty	400,108	11.2	500,960	25.2	719,250	43.6	725,908	0.9	707,919	−2.5
(Maturity–re-fund–type)	(12,320)	(−3.8)	(10,871)	(−11.8)	(113,320)	(942.4)	(87,517)	(−22.8)	(58,811)	(−32.8)
Marine Hull	83,346	−12.4	80,200	−3.8	88,832	10.8	91,246	2.7	102,393	12.2
Marine Cargo	131,148	7.0	146,432	11.7	157,645	7.7	148,953	−5.5	142,896	−4.1
Inland Transit	50,644	10.4	55,855	10.3	61,611	10.3	65,303	6.0	64,550	−1.2
Sub–total	7,038,884	16.0	7,435,870	5.6	7,719,177	3.8	8,085,115	4.7	8,246,611	2.0
Compulsory Automobile Liability	1,127,625	8.4	1,159,880	2.9	1,205,090	3.9	1,101,209	−8.6	1,076,278	−2.3
Grand Total	**8,166,509**	**14.9**	**8,595,750**	**5.3**	**8,924,267**	**3.8**	**9,186,324**	**2.9**	**9,322,889**	**1.5**
(Maturity–re-fund–type)	(3,224,214)	(24.9)	(3,191,192)	(−1.0)	(3,078,375)	(−3.5)	(3,035,990)	(−1.4)	(2,883,260)	(−5.0)

(Notes) ① Direct Premiums Written = Gross Direct Premiums (including the Savings Portion of Maturity–refund–type Insurance Premiums) S Various Returns other than Maturity Refunds (including return premiums for cancellation, no–claim returns, and return premiums resulting from the decrease of insurable risks)
② Maturity–refund–type (or savings–type) insurance policies are detailed on page 16

Table 36 **Net Premiums by Line**

Class of Business	Fiscal 1988		Fiscal 1989		Fiscal 1990		Fiscal 1991		Fiscal 1992	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	880,565	5.1	948,046	7.7	973,460	2.7	982,596	0.9	989,926	0.7
Voluntary Automobile	2,013,605	9.9	2,245,339	11.5	2,478,107	10.4	2,779,749	12.2	3,030,497	9.0
Personal Accident	633,213	13.3	661,049	4.4	666,962	0.9	693,565	4.0	700,806	1.0
Miscellaneous Casualty	371,693	8.0	479,383	29.0	601,411	25.5	625,362	4.0	629,197	0.6
Marine Hull	76,455	−9.9	73,611	−3.7	79,799	8.4	80,331	0.7	81,012	0.8
Marine Cargo	127,687	5.9	143,106	12.1	155,052	8.3	147,446	−4.9	139,876	−5.1
Inland Transit	48,350	10.6	53,575	10.8	59,199	10.5	62,558	5.7	60,810	−2.8
Sub–total	4,151,568	8.6	4,604,110	10.9	5,013,990	8.9	5,371,608	7.1	5,632,124	4.8
Compulsory Automobile Liability	571,114	5.1	596,256	4.4	614,696	3.1	620,094	0.9	596,903	−3.7
Grand Total	**4,722,681**	**8.2**	**5,200,366**	**10.1**	**5,628,687**	**8.2**	**5,991,702**	**6.4**	**6,229,027**	**4.0**

(Note) Net Premiums Written = Direct Premiums Written + Inward Reinsurance Net Premiums − Outward Reinsurance Net Premiums − Savings Portion of Maturity–refund–type Insurance Premiums

(¥ billion & %)

Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996		Fiscal 1997		Class of Business
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	
1,821,791	8.5	1,854,494	1.8	1,853,364	−0.1	1,902,702	2.7	1,901,652	−0.1	Fire
(942,060)	(11.6)	(894,388)	(−5.1)	(858,219)	(−4.0)	(844,488)	(−1.6)	(810,960)	(−4.0)	(Maturity–re-fund–type)
3,293,655	9.5	3,444,927	4.6	3,535,792	2.6	3,649,071	3.2	3,688,850	1.1	Voluntary Automobile
2,793,730	9.9	2,619,717	−6.2	2,730,623	4.2	2,892,951	5.9	2,666,790	−7.8	Personal Accident
(2,210,554)	(11.6)	(2,021,958)	(−8.5)	(2,115,638)	(4.6)	(2,251,163)	(6.4)	(2,023,671)	(−10.1)	(Maturity–re-fund–type)
694,303	−1.9	698,785	0.6	750,800	7.4	793,468	5.7	776,114	−2.2	Miscellaneous Casualty
(55,002)	(−6.5)	(52,161)	(−5.2)	(70,726)	(35.6)	(70,622)	(−0.1)	(46,460)	(−34.2)	(Maturity–re-fund–type)
108,157	5.6	105,242	−2.7	97,545	−7.3	92,209	−5.5	78,058	−15.3	Marine Hull
130,495	−8.7	135,959	4.2	143,930	5.9	161,147	12.0	163,782	1.6	Marine Cargo
63,229	−2.0	63,866	1.0	65,377	2.4	67,409	3.1	67,840	0.6	Inland Transit
8,905,359	8.0	8,922,990	0.2	9,177,430	2.9	9,558,957	4.2	9,343,087	−2.3	Sub–total
1,001,857	−6.9	1,005,150	0.3	1,034,273	2.9	1,063,021	2.8	970,632	−8.7	Compulsory Automobile Liability
9,907,217	**6.3**	**9,928,140**	**0.2**	**10,211,704**	**2.9**	**10,621,978**	**4.0**	**10,313,719**	**−2.9**	**Grand Total**
(3,207,616)	(11.2)	(2,968,507)	(−7.5)	(3,044,584)	(2.6)	(3,166,273)	(4.0)	(2,881,091)	(−9.0)	(Maturity–re-fund–type)

(¥ billion & %)

Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996		Fiscal 1997		Class of Business
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	
1,017,022	2.7	1,076,867	5.9	1,105,961	2.7	1,175,180	6.3	1,186,054	0.9	Fire
3,314,553	9.4	3,466,250	4.6	3,555,270	2.6	3,666,582	3.1	3,697,444	0.8	Voluntary Automobile
756,686	8.0	760,049	0.4	782,749	3.0	797,101	1.8	765,795	−3.9	Personal Accident
615,959	−2.1	621,749	0.9	651,276	4.7	694,050	6.6	702,505	1.2	Miscellaneous Casualty
81,744	0.9	79,657	−2.6	74,055	−7.0	73,473	−0.8	63,582	−13.5	Marine Hull
124,495	−11.0	130,387	4.7	137,473	5.4	155,885	13.4	159,574	2.4	Marine Cargo
59,136	−2.8	60,084	1.6	61,980	3.2	63,975	3.2	64,426	0.7	Inland Transit
5,969,596	6.0	6,195,046	3.8	6,368,767	2.8	6,626,250	4.0	6,639,384	0.2	Sub–total
581,965	−2.5	570,226	−2.0	590,508	3.6	601,908	1.9	576,014	−4.3	Compulsory Automobile Liability
6,551,561	**5.2**	**6,765,273**	**3.3**	**6,959,275**	**2.9**	**7,228,158**	**3.9**	**7,215,398**	**−0.2**	**Grand Total**

PART II

GENERAL INFORMATION

1. Insurance Supervision and Insurance-related Laws

(1) Insurance Supervisory Authorities

a. The Financial Supervisory Agency, which came into existence on June 22, 1998, is responsible for the supervision and inspection of financial institutions including insurance companies. Whereas the Ministry of Finance was previously the only supervisory authority for financial insitutions, the financial supervisory structure was reviewed and has totally changed with the establishment of the Financial Supervisory Agency.

b. The Financial Supervisory Agency (FSA) is independent and separate from the Ministry of Finance, and takes over the supervisory and inspection functions of the Ministry of Finance, such as the issuance and withdrawal of licenses, approval of products and services, and issuance of orders to improve or suspend the business operations of financial institutions. In line with this, the Ministry of Finance has been reorganized. The former Banking Bureau and the Securities Bureau were abolished and the Financial Planning Bureau has been newly established to carry out such functions as policy planning, research and study relating to the overall financial system, introduction and repeal of financial related laws and regulations, such as the Insurance Business Law, the Law concerning Non–Life Insurance Rating Organizations, the Banking Law, and the Securities & Exchange Law.

c. The FSA is composed of four departments (i.e. the Commissioner's Secretariat, the Inspection Department, the Supervisory Department, and the Securities & Exchange Surveillance Commission), subdivided into different divisions. The Insurance Supervisory Division of the Supervisory Department is responsible for life and non–life insurance companies including foreign insurers, insurance holding companies, the Policy–holders Protection Corporation, non–life insurance agents, life insurance solicitors, insurance brokers, and non–life insurance rating organizations. It also functions as the secretariat of the Compulsory Automobile Liability Insurance Council which is an advisory organ to the Commissioner.

d. Under the provisions of the Insurance Business Law, financial inspectors from the Inspection Department of the FSA examine whether the operations of insurance companies, including insurance distribution, are being carried out in accordance with the laws and regulations, whether sound investment is being secured, and whether management and control are being properly exercised by these companies. In addition, the local financial bureaux of the Ministry of Finance, which are located in 11 major regional cities, are also responsible for the inspection and supervision of local insurance companies. However, the Director Generals of the local financial bureaux carry out inspection and supervision under the direction of the Commissioner of the FSA.

e. To ensure the sound and proper management of the earthquake insurance system on dwelling risks, the Government Financial Institutions Division of the Financial Planning Bureau of the Ministry of Finance is responsible for earthquake reinsurance and the audits of non–life insurance companies under the Law concerning Earthquake Insurance.

f. Though the FSA and the Ministry of Finance work independently and separately, the Commissioner of the FSA shall confer with the Minister of Finance if the Commissioner considers the measures to be taken could have a serious influence on the maintenance of public confidence and order in the financial system. These measures include the suspension of the business operations of a financial institution, and the approval of eligibility of a bankrupt financial institution for financial assistance.

(2) Insurance Advisory Councils

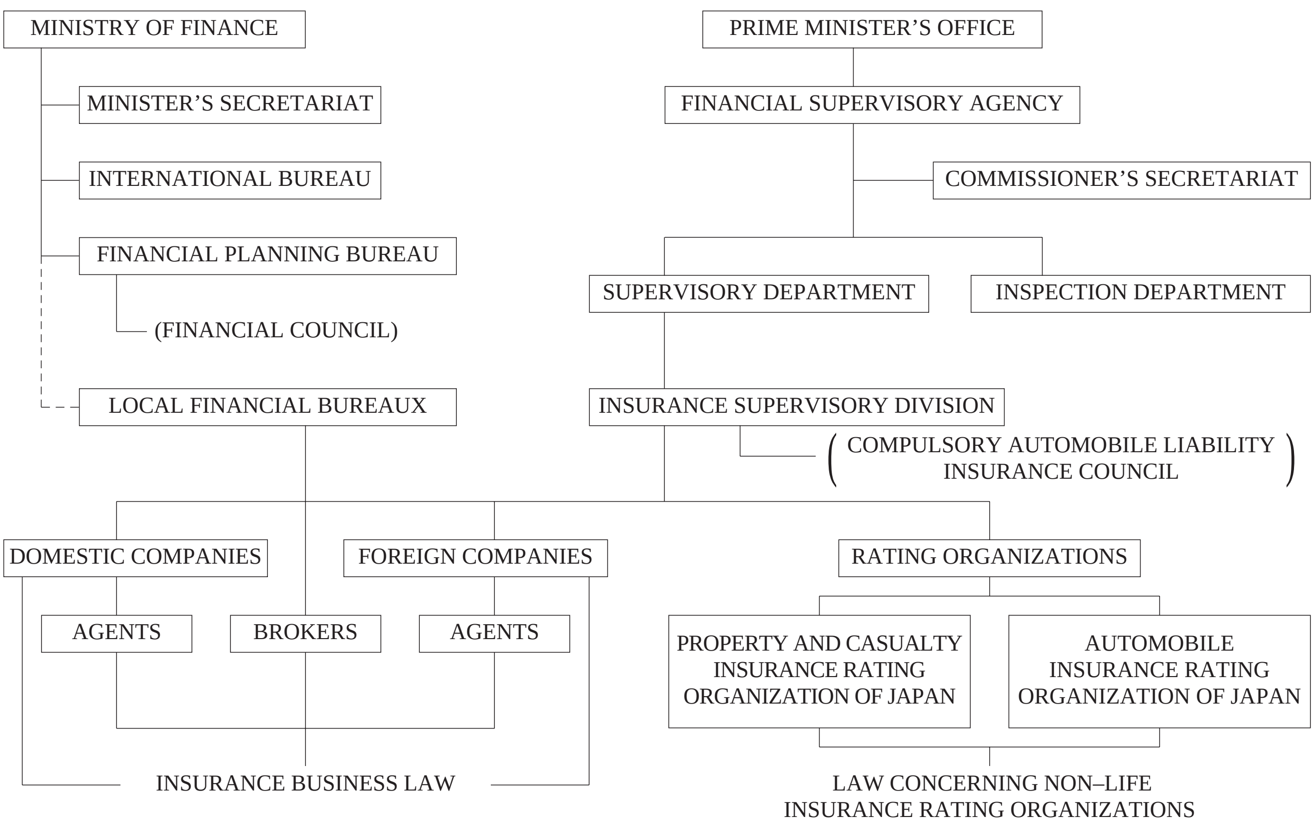
a. There are two insurance advisory councils : the Financial Council to the Minister of Finance and the Compulsory Automobile Liability Insurance (CALI) Council to the Commissioner of the Financial Supervisory Agency.

b. The Financial Council was established by combining three former councils (the Financial System Research Council, the Insurance Council, and the Securities & Exchange Council), in line with the reorganization of the supervisory structure in June 1998. The Financial Council is currently composed of 18 members, and it can also appoint expert and temporary members to research particular themes. In addition, the Financial Council can set up ad hoc working parties whenever necessary.

c. The CALI Council was established under the Automobile Liability Security Law which was introduced in 1955. The CALI Council is currently composed of 13 members, and it is exclusively resposible for matters related to CALI. In accordance with the said Law, the Commissioner should request the CALI Council for its advice on the approval or alteration of the CALI premium rates when he / she considers it necessary.

d. As advisory organs to the administrative bodies, these councils shall, at the request of the Minister or the Commissioner, discuss possible ways and means to improve the financial system including the business affairs and administration of the insurance industry and matters related to CALI. The members of each council are drawn from academic circles, the mass media, consumer groups, etc.

(3) Supervisory Structure of Insurance Industry



(4) Insurance-related Laws

The purpose of insurance laws is to protect policyholders' interests by ensuring the sound management of insurance companies and to promote the sound development of insurance business. Currently, this is achieved by the following four laws which are considered to be the pillars of the insurance system.

a. Insurance Business Law (effective 1996)
b. Law concerning Non–Life Insurance Rating Organizations (1948)
c. Automobile Liability Security Law (1955)
d. Law concerning Earthquake Insurance (1966)

A. Insurance Business Law

(1) Objective

The objective of this Law, with due consideration of the public responsibilities of the insurance business, is to protect policyholders' interests by ensuring the sound management of insurance companies and the fairness of insurance soliciting activities, thereby contributing to the stability of people's lives and the sound development of the national economy.

(2) Definition

In order to make insurance–related terminology more precise, such words as insurance business, insurance company, foreign insurer, subsidiary, insurance holding company, life insurance solicitor, non–life insurance agent, and insurance broker are defined individually.

(3) License

a. No person can carry on insurance business without obtaining a license from Prime Minister.

b. There are two types of license available, one for life insurance business and the other for non–life insurance business.

c. No person can hold licenses for both life and non–life insurance businesses concurrently.

d. The license for the life insurance business is granted for either underwriting insurance listed in ① below or underwriting insurance listed in ② and / or ③ in conjunction with ①.

① Insurance providing a certain fixed amount of benefits concerning the survival or death of individuals
② Insurance relating to personal accident, sickness, and nursing care fields
③ Of those classes of insurance listed in e. ① below, reinsurance related to the above ① or ②

e. The license for non–life insurance business is granted for either underwriting insurance listed in ① below or underwriting insurance listed in ② and / or ③ in conjunction with ①.

① Insurance covering loss or damage caused by a specified type of accident, which includes surety bonds
② Insurance relating to personal accident, sickness, and nursing care fields
③ Of those classes of insurance listed in d. ① above, insurance related to death occurring during the course of

overseas travel and death directly caused by sickness during the course of overseas travel

(Note) : Reinsurance, conducted by non–life insurance companies, is deemed to be part of their insurance business.

(4) Application Procedures for a License

Any person wishing to obtain a license must submit to the Commissioner of the Financial Supervisory Agency (Commissioner)* an application together with the so–called “Fundamental Documents”. These consist of ① the articles of incorporation, ② a statement showing the method of operations, ③ general policy conditions, and ④ a statement showing the basis of working out premiums and underwriting reserves.

(Note) : Under this Law, Prime Minister delegates his / her authorities to the Commissioner of the Financial Supervisory Agency, except for the license of insurance companies, its revocation, etc.

(5) Examination Criteria for a License

The Commissioner must examine whether the applicants for a license meet the following criteria :

a. The applicant possesses sufficient assets to carry on insurance business soundly and effectively, and the prospects of revenues and expenditures concerning the applicant’s insurance business are satisfactory.

b. The applicant, in the light of its human resources and other circumstances, possesses sufficient knowledge and experience to conduct insurance business appropriately, fairly, and effectively, and holds adequate social credibility.

c. The contents of the statement showing the method of operations, general policy conditions, and the statement showing the basis of working out premiums and underwriting reserves satisfy certain specified criteria.

(6) Amount of Capital or Foundation Fund

An insurance company must be a stock or mutual company with a capital or foundation fund of not less than ¥ one billion, as stipulated in the Enforcement Ordinance.

(7) A Stock or Mutual Company carrying on Insurance Business

a. The provisions of the Commercial Code apply mutatis mutandis to stock or mutual insurance companies. Special exceptions, however, are stipulated concerning the earned surplus reserves, registration of the incorporation, etc. of a stock company.

b. Minority members of a mutual company are guaranteed certain rights. For example, members representing not less than 1 / 1,000 of the total members or 1,000 or more of the members who have held continuous membership for at least the preceding six months may require certain matters to be placed on the agenda at a general meeting of members.

c. A mutual company is able to issue corporate bonds subject to a resolution of its board of directors.

d. A stock company can be converted into a mutual company, and vice versa.

(8) Insurance Business

a. An insurance company is able to underwrite risks according to the type of license it obtains.

b. An insurance company must invest insurance premiums or any other assets in the manner stipulated in the Enforcement Regulations of the Prime Minister's office and the Ministry of Finance.

c. An insurance company can carry on the following and other businesses ancillary to its licensed insurance business : ① giving of guarantees for debts, ② dealing in government bonds, etc. or handling of their flotation, ③ acquisition or transfer of monetary claims, and ④ handling of private placement of securities, etc.

d. In addition to the businesses mentioned above, an insurance company can deal in business relating to specific securities or transactions provided in each item of Paragraph 2 of Article 65 of the Securities and Exchange Law to the extent that performance of its licensed insurance business is not precluded.

e. An insurance company cannot conduct any other business than those mentioned above and such business allowed under other laws.

f. An insurance company is prohibited from conducting transactions under terms and conditions which are significantly different from those of ordinary transactions with any party which has a special relationship with the holding company, its subsidiaries, and the customers thereof.

g. The scope of exemption from the Anti–Monopoly Law is limited to concerted activities in the following kinds of business, ① aviation insurance, ② atomic energy insurance, ③ Compulsory Automobile Liability Insurance (CALI), and ④ earthquake insurance on dwelling risks, and to concerted activities related to reinsurance pools on insurances other than the four preceding kinds of business, such as making of policy conditions (excluding premium rates), determination of loss adjustment, fixing of the volume of reinsurance transactions, and setting of reinsurance premium rates and commissions. Concerted activities cannot be approved by the Commissioner without the consent of the Fair Trade Commission.

(9) Subsidiaries

a. The types of subsidiaries in which an insurance company can hold more than 50% of the stock are as follows ; ① Life and Non–Life insurance companies, ② Banks (limited to bankrupt banks until March 31, 2000), ③ Securities companies, ④ Foreign institutions operating insurance, banking, securities business, etc., ⑤ Companies providing incidental and ancillary businesses to the parent insurance company (e.g. systems development, human resources), ⑥ Companies conducting financial related business (e.g. investment trusts, investment managements), and ⑦ Downstream holding companies, whose subsidiary business activities are the same as those of insurance company subsidiaries.

b. When an insurance company wishes to hold subsidiaries mentioned in the above, it must obtain prior approval from the Commissioner.

c. If an insurance company and / or its subsidiaries wishes to hold the stock of a domestic commercial company (e.g. a real estate company, manufacturing company, etc.), the aggregate amount of stocks held by the insurance company and its subsidiaries shall not exceed 10% of the stock of the commercial company.

(10) Accounting

a. An insurance company must, for each fiscal year, draw up a business report describing the state of its operations and assets, and submit it to the Commissioner. Moreover, an insurance company is, for each fiscal year, required to draw up an explanatory document describing the state of its operations and assets, and provide its head office, principal offices, and branch offices with this document so that it can be open to public inspection.

b. An insurance company must, for each fiscal year, set aside liability reserves to meet future obligations arising from insurance contracts. In addition, an insurance company is required to establish, for each fiscal year, outstanding loss reserves equal to the sum of outstanding claims, premiums returnable, and other benefits payable for events which have already occurred. An insurance company is also required to set aside price fluctuation reserves to meet losses arising from the price fluctuations of the stocks, etc.

c. The chief actuary appointed by an insurance company, at the closing of the account, must confirm whether underwriting reserves for the specific insurance contracts have been accumulated through sound actuarial methods, whether the payment of policyholders' dividends or the distribution of surpluses has been made fairly and equitably, etc., and submit his / her opinion papers stating the result of the examination to the board of directors. After that, he / she must submit, without delay, copies of the same opinion papers to the Commissioner.

(11) Supervision

a. In the case that an insurance company wishes to make an alteration in the particulars stated in ① a statement showing the method of operations, ② general policy conditions, and ③ a statement showing the basis of the calculation of premiums and underwriting reserves (excluding the particulars stipulated in the Enforcement Regulations of the Prime Minister's office and the Ministry of Finance which are considered to be less detrimental to policyholders' interests), it must obtain approval thereof from the Commissioner.

b. In the case that an insurance company wishes to make an alteration in the particulars stipulated in the Regulations mentioned above a., it must notify the Commissioner.

c. The Commissioner may require an insurance company to submit a business improvement plan when the Commissioner considers appropriate measures necessary, after examining the state of its assets and indices to determine the soundness of an insurance company's management, including the so–called "solvency margin standard".

(12) Portfolio Transfer, Dissolution, Liquidation, etc.

a. An insurance company is able to transfer its insurance portfolio to another insurance company under the agreement with the company concerned.

b. Necessary provisions are instituted with regard to the portfolio transfer, such as a resolution of the transfer, its public notice and the raising of objections to it, and then the public announcement of the transfer and its notification to the policyholders.

c. Necessary provisions are also instituted with regard to dissolution, liquidation, etc. of an insurance company.

(13) Foreign Insurers

a. A foreign insurer is not allowed to carry on insurance business unless it establishes its branch office, etc. in Japan and obtains a license from Prime Minister. Concerning the licensing of foreign insurers, the same provisions as apply to domestic insurers are instituted.

b. A foreign insurer having no branch office, etc. in Japan is prohibited from concluding any insurance contract (excluding those stipulated in the Enforcement Ordinance and Regulation) on persons residing or property located in Japan, etc. except for insurance contracts for which permission of the Commissioner has been received.

c. A foreign insurer must deposit the cash and / or securities which are stipulated in the Enforcement Ordinance as a necessary and proper amount to protect policyholders in Japan.

d. A foreign insurer must hold in Japan assets equivalent to the total of the amount calculated on its underwriting reserves and outstanding loss reserves in Japan in accordance with the Enforcement Regulations of the Prime Minister's Office and the Ministry of Finance, and the amount stipulated in the Regulations as an equivalent to its equity capital.

e. An unlicensed foreign insurer wishing to establish a representative or liaison office in Japan for the purpose of collecting or providing information on insurance business, etc. must notify the Commissioner thereof in advance.

f. Special provisions to allow a specific corporation (the "Society of Lloyd's") to obtain a license from Prime Minister for its underwriting member to conduct insurance business in Japan are instituted.

(14) Special Measures to Protect Policyholders

a. When, in view of the conditions of business or assets of an insurance company, the Commissioner considers that it is difficult for the company to continue its business, or that the continuation of its business is detrimental to policyholders, the Commissioner can order the company to discuss the transfer of its portfolio or to take any other necessary measures. The Commissioner can also order an insurance custodian to take over the administration of the company's business and assets.

b. The Commissioner can designate an insurance company as the transferee of the portfolio and recommend the company to participate in discussions on the transfer of the portfolio. If no agreement is reached after such discussions, the Commissioner can conduct the necessary mediation after hearing both parties' opinions in advance.

c. In order to ensure the protection of policyholders, a Policy–holders Protection Corporation (Corporation) shall be created to give financial aid to a reliever insurance company in the event of an insurance company going bankrupt. The Corporation shall also undertake the insurance contracts of a bankrupt insurance company even when a reliever insurance company does not appear.

d. Separate Corporations shall be established for the life and the non–life insurance business, and they must obtain authorization for their establishment from the Minister of Finance. The participation of insurance companies in the Corporation, excluding reinsurers, etc., should be compulsory.

e. Necessary provisions are also stipulated with regard to the administration of, the contributions of members to, and the supervision of the Corporation.

(15) Insurance Holding Companies

a. Any insurance company wishing to become an insurance holding company or to establish an insurance holding company is required to obtain approval thereof from Prime Minister in advance. Concerning a merger involving an insurance holding company, it shall not take effect without the approval of the Commissioner.

b. An insurance holding company must obtain the permission of the Commissioner in advance when it wishes to hold such types of subsidiaries as ① a life insurance company, ② a non–life insurance company, ③ a bank, ④ a securities company, ⑤ a foreign company operating insurance, banking, or securities business, ⑥ a company providing incidental or ancillary businesses to the insurance holding company or its subsidiaries.

c. An insurance holding company must, for each fiscal year, prepare a consolidated business report stating the conditions of business and assets of itself and all its subsidiaries, and submit the report to the Commissioner.

d. Necessary provisions are also stipulated with regard to the submission of materials, on–the–spot inspections, submission of business improvement plans, and revocations of approval.

(16) Insurance Distribution

a. No person, other than officers or employees of a non–life insurance company, registered life insurance solicitors or non–life insurance agents, and registered insurance brokers, is allowed to engage in insurance distribution.

b. A life insurance solicitor and a non–life insurance agent must be registered with the Commissioner.

c. No life insurance company is allowed to commission a life insurance solicitor of any other life insurance company to engage in insurance distribution on its behalf. Neither can a life insurance solicitor engage in insurance distribution on behalf of a life insurance company other than the one he / she represents. These provisions, however, do not apply to the cases stipulated in the Enforcement Ordinance as those where no problem arises in protecting the interests of policyholders.

d. Insurance companies are liable for losses caused to policyholders by their life insurance solicitors or non-life insurance agents in relation to their distribution.

e. An insurance broker must be registered with the Commissioner and make a cash deposit. The minimum cash deposit required is ¥40 million and the maximum ¥800 million depending on the total amount of brokerage fees, etc. However, in cases where the Commissioner has approved an insurance broker taking out a professional liability insurance policy, the insurance broker can have the cash deposit exceeding ¥40 million reduced, depending on the insured amount of the liability insurance policy.

f. Life insurance solicitors, non–life insurance agents, insurance brokers, etc. are prohibited from conducting such specified acts as making misrepresentations to the policyholders, causing them to apply for a new insurance contract by way of unjust termination of an existing insurance contract in force, offering them discount or rebate of premiums or any other special benefit, etc.

(17) Miscellaneous

An applicant for an insurance contract may use the cancellation option ("cooling–off") clause to withdraw or cancel the application by giving written notice, except in certain cases (e.g. insurance period is less then one year.).

B. Law concerning Non–Life Insurance Rating Organizations

With the objective of creating a rating organization system similar to that of the U.S., the Law concerning Non–Life Insurance Rating Organizations was introduced in Japan in 1948. In line with this Law, the Property and Casualty Insurance Rating Organization of Japan was established in November of that year, followed in 1964 by the Automobile Insurance Rating Organization of Japan. The outline of the current Law concerning Non–Life Insurance Rating Organizations is as follows :

(1) Objective

The objective of this Law is to promote the sound development of the non–life insurance business and to protect policyholders' interests by ensuring the appropriate business operations of non–life insurance rating organizations when calculating "reference pure risk premium rates" and "standard premium rates" to be used by members as the basis of the calculation of fair non–life insurance premium rates.

(2) Establishment of Rating Organizations

a. Two or more non–life insurance companies may, upon obtaining the approval of Prime Minister, establish a non–life insurance rating organization.

b. The kind of insurance for reference risk premium rates which can be calculated by the rating organizations shall be stipulated in the Enforcement Regulations of the Prime Minister's Office and the Ministry of Finance, i.e. fire, personal accident, voluntary automobile insurance, etc.

c. The kind of insurance for standard premium rates which can be calculated by the rating organizations shall be Compulsory Automobile Liability Insurance and earthquake insurance on dwelling risks.

d. The rating organizations must notify the Commissioner of the Financial Supervisory Agency (Commissioner) within two weeks of any insurance company either joining or withdrawing from the rating organizations.

(3) Business Operations

a. Rating organizations shall conduct the following business operations :

① To calculate "reference pure premium rates" which shall be provided for the use of members.
② To calculate "standard premium rates" which shall be provided for the use of members.
③ To collect information and to conduct research and study pertaining to the calculation of premium rates, and to provide members with their results.
④ To disseminate knowledge concerning insurance premium rates and to promote the awareness and understanding of the public.
⑤ To conduct incidental or ancillary activities related to the above business.

b. The provisions of the Anti–Monopoly Law do not apply, in principle, to the activities designated in this Law.

(4) Reference Risk Premium Rates and Standard Premium Rates

a. Reference risk premium rates and standard premium rates to be calculated by rating organizations should be reasonable, adequate, and not unfairly discriminatory.

b. Once reference risk premium rates and standard premium rates have been calculated by rating organizations, they should notify the Commissioner of them. Notification is also required when approved rates are altered.

c. The Commissioner should examine the reference risk premium rates and then notify the rating organizations of his / her judgement within 30 days. As for standard premium rates, the Commissioner should notify the Fair Trade Commission of his / her receipt of these premium rates, and examine them. In the case that the members of the rating organizations and interested persons have a complaint concerning these standard premium rates, objections may be raised within a certain period.

(5) Supervision

a. When the Commissioner considers it necessary to ensure appropriate operations of rating organizations, he / she may require the rating organizations to report on their business and financial conditions, and order his / her staff members to conduct on–the–spot inspection.

b. In the case that a rating organization contravenes this Law, its Enforcement Ordinances and Regulations, or commits any activities detrimental to the public interest, Prime Minister may order the rating organization to dismiss its director and auditor, suspend its business activities, or he / she may withdraw the approval of its incorporation.

C. Automobile Liability Security Law

The Automobile Liability Security Law was enacted on December 1, 1955 to provide financial security to traffic accident victims. Under this Law, a Compulsory Automobile Liability Insurance (CALI) policy was initially marketed in February 1956. This policy only covers liability for bodily injury to traffic accident victims and not liability for property damage. As provided in the Law, no one is allowed to drive an automobile without owning a CALI policy. Violation of the obligation to take out a CALI policy may result in a prison sentence of up to six months, or in a fine of up to ¥50,000 (Law, Article 87). Motorcycles of 125 c.c. or less in displacement were not initially within the scope of the Automobile Liability Security Law, but in 1966 they became subject to CALI under the Law by being classified as “automobiles”.

(1) Tort Liability for Automobile Accidents

Until the Automobile Liability Security Law was enacted in 1955, tort liability procedures for automobile accidents had been based mainly on the Civil Code (Article 709), under which a victim could only claim damages after he had succeeded in proving that the other party was at fault. This is, so to speak, the legal concept of “responsibility for negligence”. However, it was not easy, indeed often impossible, in many cases for the victim to find the necessary proof.

By substituting the legal concept akin to “responsibility for no fault” for that of “responsibility for negligence”, the Automobile Liability Security Law sought to strengthen victims’ rights. Under this rule damages can be claimed, if the victims or their heirs can prove that injury / death was caused by a traffic accident. Under the provision of Article 3 of the said Law, the accused is responsible for tort liability claim, unless he / she can succeed in proving all of the following three points :

a. Neither the accused nor the driver (if different) was negligent in operating the automobile.

b. There was malice or negligence on the part of the victim or a third party other than the driver.

c. There was neither structural defect nor malfunction in his / her automobile.

(2) Limits of Insurers' Liabilities

The limits of insurers' liabilities are legally stipulated for death, for different grades of permanent disability, and for other bodily injuries. (If bodily injury results in death or permanent disability, indemnities for the bodily injury and death or permanent disability are paid separately subject to the respective limits of liability.) These limits of liability are applicable for each victim, but there is no total limit per occurrence. After payment of a claim the limits of an insurer's liability remain unchanged for the remainder of the policy period. In the case of a fatal accident, however, the insurance company requires the policyholder to pay an additional surcharge premium on a pro rata basis for the remaining period of his policy (Law, Article 19–2).

The limits of insurers' liabilities have been increased periodically to reflect the prevailing economic and social conditions. The current scheme of coverage is as follows : Death : ¥30 million ; Permanent Disability : ¥30 million (1st grade)~¥0.75 million (14th grade) ; and Bodily Injury : ¥1.2 million.

(3) Government Reinsurance and Insurers' Pool Scheme

The premium portfolio of all CALI contracts except for policies for motorcycles of 125 c.c. or less in displacement is reinsured en bloc with the government on a 60% quota share basis (Law, Articles 40 & 42). The remaining 40% is placed in a private CALI Pool and is shared by all non–life insurance companies operating CALI business (including Toa Reinsurance Co.).

Since the acceptance of all CALI risks is obligatory*, the purpose of this pooling arrangement is to prevent the possible deterioration in the operating results of any individual insurer and to distribute bad risks equitably among all insurers.

*Insurance companies are prohibited from refusing CALI applications, unless the insured or insurance applicant fails to pay premiums, or is guilty of non–disclosure or misrepresentation, etc.

D. Law concerning Earthquake Insurance

(1) Background

Insurance coverage for industrial earthquake risks in Japan was introduced in 1956. In 1966 an earthquake protection scheme for residential risks was started with reinsurance support provided by the government under the Law concerning Earthquake Insurance. Later on, in 1984, in order to supplement earthquake coverage for dwelling risks, an earthquake fire expense coverage for fire caused by earthquake was added to the body of each fire policy.

Three kinds of coverage are available, but only in conjunction with main fire insurance policies : coverage for industrial earthquake risks written in the form of an extended coverage endorsement, earthquake fire expense coverage provided as built–in coverage in the main fire policy, and earthquake coverage on dwelling risks as stipulated in a separate set of earthquake clauses subject to ordinary fire risks covered concurrently.

Reinsurance requirements for industrial earthquake risks are met individually by private insurance companies, while reinsurance for dwelling houses and contents is arranged automatically under a government budget–supported scheme.

(2) Earthquake Insurance on Dwelling Risks

Under the Law concerning Earthquake Insurance, earthquake risks on dwelling houses and contents include not only earthquakes, but also volcanic eruptions and any resulting tidal waves (tsunami). Initially, the earthquake policy was designed to only cover total loss or damage to whatever was insured. Later on, in 1980, a "half loss" concept was introduced to the earthquake protection scheme to broaden the coverage. Following quakes in Chiba (1987) and Izu (1989) in the Kanto area, however, consumer demand for wider earthquake insurance coverage increased. In response, the Enforcement Ordinance and Regulation of the Law concerning Earthquake Insurance were amended, effective from April 1, 1991, to introduce a "partial loss" (less than "half loss") coverage to the policy, applicable to both residential buildings and contents. Resulting from the devastating Great Hanshin–Awaji Earthquake of January 17, 1995, the Enforcement Ordinance and Regulation of the Law were revised, effective from January 1, 1996 in order to widen the coverage as follows :

① Scope and Amount of Coverage

(A) Residential Buildings

a. Total loss : This means the amount of loss of or damage to the main structural parts of the residential building reaches 50% or more of the current value of the building, or the proportion of the floor space of the area burnt down or swept away to the total floor space reaches 70% or more. In the case of "total loss", 100% of the insured amount (max. ¥50 million) is to be paid, but up to a limit of the actual cash value of the building.

b. Half loss : This means the amount of loss of or damage to the main structural parts of the residential building reaches 20% or more, but less than 50%, of the current value of the building, or the proportion of the floor space of the area burnt down or swept away to the total floor space reaches 20% or more, but less than 70%. In the case of "half loss", 50% of the insured amount is to be paid, but up to a limit of 50% of the actual cash value of the building.

c. Partial loss : This means the amount of loss of or damage to the main structural parts of the residential building reaches 3% or more, but less than 20%, of the current value of the building, or the residential building is flooded over floor level. In the case of "partial loss", 5% of the insured amount is to be paid, but up to a limit of 5% of the actual cash value of the building.

(B) Household Property

a. Total loss whereby the amount of loss of or damage to the household property reaches 80% or more of the current value of the household property : 100% of the insured amount (max. ¥10 million) is to be paid, but up to a limit of the actual cash value of the household property.

b. Half loss whereby the amount of loss of or damage to the household property is at least 30% but less than 80% of the current value of the household property : 50% of the insured amount is to be paid, but up to a limit of 50% of the actual cash value of the household property.

c. Partial loss whereby the amount of loss of or damage to the household property is at least 10% but less than 30% of the current value of the household property : 5% of the insured amount is to be paid, but up to a limit of 5% of the actual cash value of the household property.

② Reinsurance Scheme

Since the likelihood of catastrophic losses following an earthquake is high, the aggregate limit of indemnity is shared among all private insurers and the government, who are liable under the excess of loss reinsurance cover arranged through the Japan Earthquake Reinsurance Company (hereinafter referred to as JER). The aggregate limit of indemnity was raised by the Diet from ¥1,800 billion to ¥3,100 billion as from October 19, 1995, in order to be able to cope with another huge quake like the Great Hanshin–Awaji Earthquake in January 1995. In response to the increase in the total sum of insured amounts of policies in force concerning earthquake insurance on dwelling risks, the aggregate limit of indemnity was again raised, effective from April 1, 1997, from ¥3,100 billion to ¥3,700 billion. The current arrangements for reinsurance and retrocessional transactions are as follows :

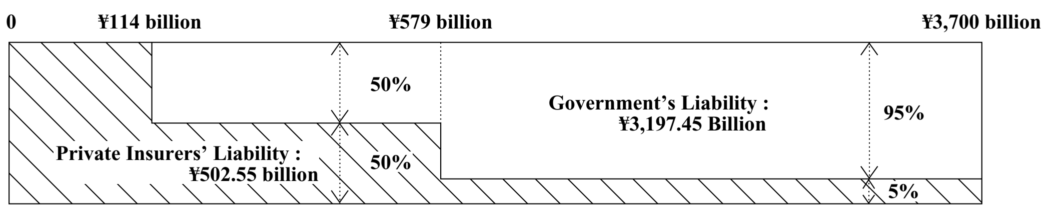
a. Reinsurance with JER :
All earthquake risks written by direct insurers are wholly reinsured with JER.

b. Retrocession with direct insurers :
JER cedes a certain portion of the portfolio back to the original direct insurers and also to the Toa Fire and Marine Reinsurance Company by way of excess of loss reinsurance.

c. Retrocession with the government :
The remainder of the earthquake portfolio is guaranteed by the excess of loss reinsurance coverage concluded between the government and JER under the Law concerning Earthquake Insurance.

d. The aggregate limit of indemnity :
The aggregate limit of indemnity payable by all insurers and the government to all policyholders per any one occurrence now stands at ¥3,700 billion. In case the total amount of claims per quake exceeds the aggregate limit of indemnity, claims payable shall be reduced pro rata by the proportion of the excess amount to the total amount of claims.

③ Liability Sharing Scheme between the Government and Private Insurers for Fiscal 1998



(A) Up to ¥114b : .... Private Insurers for 100%
(B) Over ¥114b up to ¥579b : .... Government for 50% (¥232.5b), Private Insurers for 50% (¥232.5b)
(C) Over ¥579b up to ¥3,700b : .... Government for 95% (¥2,964.95b), Private Insurers for 5% (¥156.05b)

2. Outline of the Financial System Reform Bill (Non–Life Insurance)

As an integral part of the Japanese financial system reforms (the Japanese "Big Bang"), the Financial System Reform Bill was introduced to the Diet on March 13, 1998 and then approved as drafted on June 15, 1998. The Bill amends en bloc 24 financial related laws, such as the Insurance Business Law, the Law concerning Non–Life Insurance Rating Organizations, the Banking Law, and the Securities & Exchange Law. Some of the key issues related to the insurance system reform and laid out in the Bill were as follows :

I. Creation of Policy–holders Protection Corporation

1. Objectives

In order to ensure the protection of policyholders, a Policy–holders Protection Corporation (hereinafter called the "Corporation") shall be created to give financial aid to a reliever insurance company in the event of an insurance company becoming insolvent. The Corporation shall also undertake the insurance contracts of an insolvent insurance company even when reliever insurance companies do not appear.

2. Establishment of the Corporation

Separate Corporations shall be established for the life and non–life insurance industries, and they must obtain approval for their establishment from the authorities. All life and non–life insurance companies, excluding reinsurers, etc., must participate in their respective Corporations, and it is expected that the Corporations will start their operations as from December 1, 1998.

3. Compensation for Policyholders to be provided by the Corporation

(1) Non–Life Insurance Contracts to be compensated

The Corporation for the non–life insurance industry shall compensate such types of insurance contracts as Compulsory Automobile Liability Insurance (CALI), voluntary automobile insurance, fire insurance for individuals and small–to–medium–sized enterprises, earthquake insurance on dwelling risks, personal accident insurance, etc.

(2) Compensation Ceilings

The Corporation shall compensate up to 90% of the liability reserves accumulated at the time of insolvency, except for CALI and earthquake insurance on dwelling risks where 100% shall be compensated.

(3) Changes in Terms and Conditions of Insurance Contracts

When the insurance contracts of an insolvent insurance company are transferred to the Corporation or a reliever insurance company, the terms and conditions of the insurance contracts (e.g. expected interest rates, etc.) can be changed to an appropriate level based on bank interest rates at the time of the transference.

4. Contributions of Insurance Companies and Borrowing Capacity of the Corporation

(1) The member insurance companies of the Corporation shall make an annual contribution to the Corporation to meet the costs of protecting policyholders (the so–called "pre–contribution system"). However, paying due consideration to the insurance companies' financial capacity, a ceiling on the amount to be contributed annually by

individual insurance companies and the size of a Corporation's fund shall be established. Regarding the ceiling on the Corporation's fund, it is expected to be around ¥50 billion, i.e. about ten times of the total annual contributions of the individual insurance companies.

(2) If compensation to policyholders should exceed the fund accumulated by the Corporation, the Corporation shall borrow money from financial institutions. However, the Corporation should not be allowed to borrow sums which are beyond the financial capacity of member insurance companies and, therefore, the Ministerial Ordinance of the Insurance Business Law shall stipulate the limits of the Corporation's borrowing.

5. Provisional Measures before the end of March 2001

If an insurance company goes bankrupt before the end of March 2001, the following provisional measures shall be taken :

a. The Corporation for the non–life insurance industry shall compensate the full amount of claims incurred from all types of insurance contracts before the end of March 2001. However, the maturity refunds of maturity–refund type (or savings–type) insurance policies and other returns should be excluded.

b. The Corporation for the non–life insurance industry shall compensate 100% of the liability reserves for such non–life insurance contracts as individual annuity and accident insurance, "Zaikei" savings personal accident insurance, etc., thus guaranteeing the future livelihood of policyholders and fulfilling the social responsibility of insurance industry.

6. Public Support

Until the end of March 2001, the Corporation shall be allowed to either use the government as their guarantor when borrowing money from financial institutions or borrow money directly from the Bank of Japan.

II. Introduction of an Early Warning System for the Insurance Business

An early warning system for the insurance business shall be introduced to allow the supervisory authorities to take such measures as ordering the suspension of the business operations of an insurance company based on its solvency margin ratios. This system is expected to be introduced from the closing of accounts for 1998 fiscal year.

III. Reforms of a Rating Organization System

1. Abolition of Obligation for Members to use Premium Rates

The obligation for members of a rating organization to use the premium rates calculated by the rating organization shall be abolished.

2. Introduction of Reference Risk Premium Rate and Standard Premium Rate

a. The rating organization shall calculate a "reference risk premium rate" which members can use as the basis for the calculation of their premium rates.
The "reference risk premium rate" shall be calculated for such insurance contracts as to be stipulated in the

Enforcement Regulations of the Prime Minister's Office and the Ministry of Finance, and is expected to apply to fire, personal accident, and voluntary automobile insurance.

b. Regarding CALI and earthquake insurance on dwelling risks, the rating organization shall calculate an operating premium rate (i.e. pure risk premium rate plus loading premium rate) to be called a "standard premium rate".

3. Notification and Examination of Premium Rates calculated by the Rating Organization

a. Once the "reference risk premium rate" and "standard premium rate" have been calculated, the rating organization shall notify them to the Commissioner of the Financial Supervisory Agency.

b. As for the "reference risk premium rate", the Commissioner shall examine and notify the result to the rating organization within 30 days. Based on the "reference risk premium rate", the members of the rating organization shall formulate their own operating premium rates, and then notify or apply to the Commissioner for approval to use these premium rates in accordance with the provisions of the Insurance Business Law.

c. Regarding the "standard premium rate", once it has been examined by the Commissioner and given public notice, the members of the rating organization may merely notify the Commissioner that they will use this premium rate. Adoption of this premium rate by the insurance company involved is deemed to have been approved or notified in accordance with the provisions of the Insurance Business Law.

4. Scope of Business Operations of the Rating Organization

The scope of the business operations of the rating organization shall be defined and stipulated in the Law concerning Non–Life Insurance Rating Organizations as follows ;

a. To calculate "reference pure premium rates" which shall be provided for the use of the members,

b. To calculate "standard premium rates" which shall be provided for the use of the members,

c. To perform the role of data banks and to provide the members with consulting services by collecting information and conducting research pertaining to the calculation of premium rates,

d. To conduct incidental or ancillary activities related to the above businesses.

5. Relations with the Anti–Monopoly Law

The current exemption of the rating organization from the Anti–Monopoly Law shall be abolished. However, activities relating to the calculation of the "standard premium rate" by the rating organization shall be exempted from the applications of the Anti–Monopoly Law, and this exemption shall be stipulated in the Law concerning Non–Life Insurance Rating Organizations.

6. Implementation Date of the Reforms

The above reforms shall come into effect as from July 1, 1998.

IV. Holding of Subsidiaries by Insurance Companies, etc.

1. Business Activities of Insurance Company Subsidiaries

a. Mutual entry between insurance companies and banks, etc. shall be permitted through their subsidiaries.

b. The type of subsidiaries of which an insurance company can hold more than 50% of the stock are as follows ;

1) Life and non–life insurance companies,
2) Banks (limited to bankrupt banks up to March 31, 2000),
3) Securities companies,
4) Foreign institutions operating insurance, banking, securities business, etc.,
5) Companies providing incidental or ancillary businesses to the parent insurance company, such as systems development and human resources,
6) Companies conducting financial related business, such as investment trusts and investment management,
7) Downstream holding companies, whose subsidiary business activities are the same as those of insurance company subsidiaries.

c. If an insurance company wishes to hold the stock of a commercial company (e.g. a real estate company, manufacturing company, etc.), the aggregate amount of stocks held by the insurance company and its subsidiaries shall not exceed 10% of the stock of the commercial company. The same restriction shall also be applied to banks in the ratio of 5%.

2. Supervision and Regulation of Mutual Entry

a. When an insurance company, bank, etc., wishes to hold subsidiaries, prior approval must be obtained from Prime Minister.

b. Insurance companies, banks, etc. which hold subsidiaries shall prepare consolidated business reports every fiscal year, and submit them to the Commissioner.

c. In the case that an insurance company holds subsidiaries, the total investments by the insurance company and its subsidiaries in one or the same company/person shall not exceed the ratios to be stipulated in the Enforcement Regulations of the Prime Minister's Office and the Ministry of Finance.

3. Other Revisions related to the Insurance Business

a. An insurance company shall be permitted to apply the market value method to its trading accounts, irrespective of the Commercial Law.

b. An insurance company may conduct such businesses as financial futures transactions and dealing in derivatives.

4. Implementation Date

Mutual entry shall be, in principle, implemented as from December 1, 1998. However, the following limitations shall be introduced in the Financial System Reform Bill ;

a. Up to March 31, 2000, only bankrupt banks may be held as bank subsidiaries of insurance companies.

b. Up to March 31, 2001, only insolvent insurance companies may be held as insurance subsidiaries of banks.

(Note)
The Japanese "Big Bang"

In November 11, 1996, then Prime Minister of Japan, Mr. Ryutaro Hashimoto, instructed then Finance Minister, Mr. Hiroshi Mitsuzuka, and then Justice Minister, Mr. Isao Matsuura, to undertake financial system reforms, the so–called Japanese "Big Bang" with the goal of transforming the Japanese financial market into one on par with those of New York and London by 2001.

This financial system reform plan was put forward with due regard to the following economic circumstances in which the Japanese financial market found itself : ① development of financial liberalization and internationalization, ② occurrence and collapse of the so–called "Bubble Economy", and ③ stagnation of the Tokyo financial market in comparison with New York and London.

In order for our economy to maintain its vitality even with the advent of an aging society, it is essential to have a financial market in which we will be able to invest effectively our personal financial assets of more than ¥1,200 trillion, and to invest in the rising industries which are to bear the destiny of Japan on their shoulders. In order for Japan to make a significant contribution to the world, it is necessary for Japan to provide finances smoothly to the world.

Financial system reform is aimed at developing our financial market radically in line with the three principles of the market, "free" in which market theory holds, "fair" in which transparency and reliability are the rule, and "global" in which internationalization thrives.

From the viewpoint of users, it is expected that new financial products will be introduced into the market to help cope with various needs, and with the expansion of the scope of banking and securities activities, users will be able to invest their personal assets easily and in a variety of ways.

In order for our financial market to revitalize itself, it is necessary for Japan to clear off promptly the bad debts that continue to be held by financial institutions as well as to promote the above financial system reform. Therefore, it is important to approach the development of financial system reform while continuing to maintain the soundness of the financial system.

The Japanese government will make every effort to complete this financial system reform as one of its important priorities such as budgetary and economic structure reform.

3. Deregulatory Trends in the Japanese Non–Life Insurance Market

The Japanese non–life insurance market entered an epoch–making era with the new Insurance Business Law which took effect on April 1, 1996. In addition, as an integral part of the Japanese financial system reforms (the Japanese "Big Bang"), a Financial System Reform Bill was approved at the Diet on June 5, 1998. In line with this Bill, the sweeping reform of the non–life insurance rating organization system was implemented. The obligation for members to use the premium rates calculated by the rating organizations was abolished on July 1, 1998, thus accelerating the deregulation and liberalization in the Japanese non–life insurance market.

Deregulatory trends in the Japanese non–life insurance market are as follows :

June 17, 1992	Insurance Council's report "New Course of the Insurance Business" submitted to the Minister of Finance.

- This report formed the basis of the reform plans for the Japanese insurance business.

- In line with this report, and in order to conduct further research and study from a legal viewpoint, the Round–Table Conference for Legislative Reform was set up.

June 24, 1994	Report "On the Amendments of Insurance–Related Laws" presented by the Round–Table Conference for Legislative Reform.

- In line with this report, the Ministry of Finance began drawing up legislation.

October 11, 1994	Agreement on the insurance sector of the Japan–US New Economic Framework Talks reached.

- The following are some points stated in the above agreement entitled "Measures by the Government of Japan and the Government of the United States regarding Insurance".

  ① Mutual entry of life and non–life insurance companies into the third sector under certain conditions.
  ② Introduction of a notification system.
  ③ Expansion of the scope of the file and use system.
  ④ Expansion of benchmark rates and free rates.
  ⑤ Introduction of a brokerage system.

April 1, 1996	New Insurance Business Law enforced.

- The Law concerning the Control of Insurance Soliciting and the Law concerning Foreign Insurers were unified in the new Insurance Business Law.

- The Policyholders' Protection Fund for Non–Life Insurance Companies was established on April 1, 1996. The objective was to provide financial aid to a reliever insurance company taking over the insolvent company's portfolio. The maximum amount of financial aid was ¥30 billion per one insolvent company.

- The brokerage system was introduced and the first examination of insurance brokers was carried out on July 22, 1996.

- On October 1, 1996, the six non–life insurance subsidiaries of life insurance companies and the eleven life insurance subsidiaries of non–life insurance companies began operations.

October 1, 1996	Measures for the further deregulation of the non–life insurance business in Japan announced by the Ministry of Finance.

- Major measures were as follows :

① Introduction of the direct selling system in voluntary automobile insurance.
② Expansion of the advisory rating scheme for loading premium rates of commercial fire insurance.
③ Expansion of the notification system.

November 11, 1996	Japanese Financial System Reform Plan (the Japanese "Big Bang") put forward.

- Mr. Ryutaro Hashimoto, then Prime Minister of Japan, instructed the Minister of Finance and the Minister of Justice to discuss financial deregulation measures to be implemented by 2001. (As regards the details of this Plan, please see page 64.)

December 15, 1996	The Japan–US Insurance Talks were concluded.

- At the follow–up meetings regarding interpretation and application of the Measures by the Japanese and US governments on October 11, 1994, it was decided that Supplementary Measures would be implemented as an integral part of the Measures. In line therewith, the Ministry of Finance issued drastic and far–reaching measures on December 16, 1996. As regards the details of these measures, please see page 42.

December 20, 1996	Fundamental Subjects Study Committee of the Insurance Council established.

- To respond to the Japanese "Big Bang", and with the founding objective of deliberating fully on the further improvement of insurance deregulation, the Fundamental Subjects Study Committee was established as the Insurance Council's working party.

- The Prime Minister's advisory councils, such as the Economic Council and Administrative Reform Council, submitted their respective reports including deregulation measures in the non–life insurance sector in December 1996.

June 13, 1997	Insurance Council's report "On the Review of the Directions of the Insurance Business – as an integral part of the Financial System Reform" submitted to the Minister of Finance.

- The main subjects of the Insurance Council's report were as follows :

① Liberalization measures, including the reform of rating organizations.
② Acceleration of mutual entry between financial institutions.
③ Introduction of the holding company system.
④ Insurance distribution by banks and other financial institutions.
⑤ Application of the market value method to trading accounts.

- In addition, a study group on the payment guarantee system, which was organized by the Ministry of Finance, submitted its interim report on June 13, 1997. Its final report was compiled on December 5, 1997.

- Automobile insurance policy with differentiated premium rates was marketed on September 3, 1997. This policy was in line with Administrative Guidelines issued by the Ministry of Finance on June 30, 1997.

December 5, 1997	Report concerning the Payment Guarantee System submitted to the Insurance Council.

- The introduction of the Payment Guarantee System is aimed at ensuring the protection of policyholders and defining rules concerning their protection in the event of an insurance company going bankrupt, including cases where reliever insurance companies do not appear.

- Following the discussions in the Insurance Council, a draft bill concerning the payment guarantee system was drawn up and included in the Financial System Reform Bill.

June 5, 1998	Financial System Reform Bill approved by the Diet.

- The Financial System Reform Bill amends en bloc 24 financial related laws, such as the Insurance Business Law, the Law concerning Non–Life Insurance Rating Organizations, the Banking Law, and the Securities & Exchange Law.

- Some of the key issues related to insurance system reform laid out in the Bill were as follows :

  ① Creation of Policy–holders Protection Corporation
  ② Introduction of an Early Warning System for the insurance business
  ③ Reform of the rating organization system
  ④ Holding of subsidiaries by insurance companies, etc.

- The revisions of the Insurance Business Law took effect on December 1, 1998, while the revisions of the Law concerning Non–Life Insurance Rating Organizations came into effect on July 1, 1998.

- Following the enforcement of the revised Law concerning Non–Life Insurance Rating Organizations, the obligation for members to use the premium rates calculated by the rating organization was abolished.

June 22, 1998	Financial Supervisory Agency created.

- The Financial Supervisory Agency is independent and separate from the existing Ministry of Finance, and takes over the inspection and supervisory functions of the Ministry of Finance, such as the issuance and withdrawal of licenses, approval of products/services, and issuance of orders to improve/suspend the business operations of financial institutions (incl. insurance companies).

- At the same time, the Ministry of Finance has also been reorganized.

December 1, 1998	Non–Life Insurance Policy–holders Protection Corporation of Japan established.

- Under the former system, the Policyholders' Protection Fund for Non–Life Insurance Companies could not come into effect unless reliever insurance companies appeared in the event of a non–life insurance company becoming insolvent. In addition, it was necessary to define rules concerning the protection of policyholders.

- The Corporation shall carry out the following types of business activities ;

① To provide financial aid to a reliever insurance company.
② To undertake the insurance contracts of an insolvent non–life insurance company which is a member of the Corporation, and to administer and/or deal with these insurance contracts.
③ To collect contributions from the member companies.
④ To provide loans to the member companies, etc.

As regard the details of the Corporation, please see page 78.

4. Distribution System

The non–life insurance distribution system in Japan is divided into direct distribution, agency, and brokerage.

Direct distribution, known as the "chokuhan–shain" or "direct salesperson" approach in Japan, means the method where staff members of non–life insurance companies are engaged directly in distribution of insurance products. In fiscal 1997, domestic direct premiums collected through agents amounted to 91.2% of all non–life insurance premiums and the remainder (8.8%) was collected through direct distribution and brokerage.

Agents and brokers are subject to the control of the Financial Supervisory Agency and the Ministry of Finance under the Insurance Business Law and must be registered with the Commissioner of the Financial Supervisory Agency(*). Therefore, only registered agents and brokers as well as staff members of non–life insurance companies are authorized to engage in insurance distribution.

Under the Insurance Business Law and its related regulations, agents and brokers are prohibited from giving any rebates or premium discounts to their clients. They have the duty to protect the policyholder's interests as well as do their utmost to ensure the orderly development of insurance distribution.

* Under the Insurance Business Law, Prime Minister delegates his / her authority concerning the registration of agents and brokers to the Commissioner of the Financial Supervisory Agency.

(1) Non–Life Insurance Agency System

The first step toward regulating agency activities and enhancing professional competence was taken in 1952 with the creation of the Fire Insurance Agency Classification System. At that time, this class of insurance business held the lion's share of all non–life insurance premiums.

With the dramatic advance of motorization and the acceleration in social and economic development, however, automobile and personal accident insurance policies have come to the fore. Consequently the Non–Marine Agency System, unifying fire insurance and automobile insurance, was started in April 1973 and personal accident insurance was included in April 1974.

The ever–growing popularization of automobile insurance and personal accident insurance policies has been a remarkable phenomenon, and at the same time consumers needs have widened and diversified. In order that agents' duties as insurance producers might be fully discharged, the New Non–Marine Agency System was introduced in October 1980.

However, in line with the enforcement of the new Insurance Business Law on April 1, 1996, and in order to promote further development of agency qualifications, the New Non–Marine Agency System was reformed as "Non–Life Insurance Agency System" based on the administrative directions of the Finance Ministry. Subsequently, as a result of the review of the administrative directions, individual non–life insurance companies established their own "Non–Life Insurance Agency System", and do their utmost to ensure the qualifications of insurance agents.

All non–life insurance companies have been putting a great deal of emphasis on the training of agents to develop their knowledge of insurance, business conduct, procedures in case of loss, etc., so that they can carry out their responsibilities in a professional manner.

The Non–Life Insurance Agency System stresses personal qualifications and agency classifications for agents handling fire, automobile, or personal accident insurance. Such agents are designated as classified agents, in contrast with non–classified agents who only handle other classes of insurance.

— ***Personal Qualifications***

Anyone engaged in the agency business dealing with fire, automobile, or personal accident insurance must, after completing the prescribed educational and training courses, obtain any of the following qualifications by taking the examinations.

- Special Class (General Risks)
- Special Class (Factory Risks)
- Upper Class
- Ordinary Class
- Primary Class

— ***Agency Classifications***

Agents handling fire, automobile, or personal accident insurance are classified into the same five classes as those for personal qualifications. Classification depends upon the level of satisfaction toward the requirements for authorization, such as premium volume collected, number of qualified staff, observance of laws and regulations, and attitudes toward customers.

• Special Trainees System

To strengthen their distribution network, individual non–life insurance companies have their own "Special Trainees System" to train their exclusive and full–time agents.

The purpose of the Special Trainees System is to give staff members selected courses to enable them to acquire knowledge of and practice in non–life insurance soliciting within a certain period. Although the organization of this system varies from company to company, a common stipulation is that trainees will work for the company as its exclusive agents in the future. As of March 31, 1998, the number of "undergraduate" special trainees reported was 10,103.

Table 37 **Number of Agents over the Past Three Years**

Class		1995	1996	1997
Classified Agents	Special (General & Factory)	119	122	128
	Special (General)	1,198	1,369	1,546
	Special (Factory)	33	35	35
	Upper	92,593	96,531	95,723
	Ordinary	236,245	241,505	283,292
	Primary	39,534	182,983	123,564
	Sub–total	369,722	522,545	504,288
Non–classified Agents		106,495	101,196	87,838
Grand Total		**476,217**	**623,741**	**592,126**

(Notes) ① Special Class Agents are in principle divided into two : "Special (General)" and "Special (Factory)". However, "Special (General & Factory) Class Agents" above are qualified to deal with both "General" and "Factory" risks.
② "Number of Agents" above comprises those belonging to foreign, as well as domestic, non–life insurance companies.

Table 38 Number of Agents by Type (As of March 31, 1998)

	Number	Portion (%)
Exclusive Agents	465,402	78.6
Multi–representative Agents	126,724	21.4
Corporate Agents	135,529	22.9
Individual Agents	456,597	77.1
Full–time Agents	85,544	14.4
Part–time Agents	506,582	85.6

(2) Insurance Brokerage System

In conjunction with the enforcement of the Insurance Business Law on April 1, 1996, an insurance brokerage system has been introduced to the Japanese insurance market with the following aims: ① ensuring the harmonization of the Japanese insurance distribution system with international insurance markets, ② diversifying distribution channels, and ③ promoting user convenience.

In order to clarify the roles or functions which insurance brokers take, the Insurance Business Law prohibits them from acting as non–life insurance agents or life insurance solicitors concurrently. In addition, an insurance broker is legally bound to act with the utmost good faith (the so–called "duty of best advice"). (Such a legal duty is not imposed on non–life insurance agents.)

Furthermore, insurance brokers differ from non–life insurance agents in that they are not empowered by insurance companies to conclude insurance contracts, to accept applicants' representations, or to receive insurance premiums.

Insurance brokers are not allowed to start their operations until they are registered with the Commissioner of the Financial Supervisory Agency. At the time of registration, insurance brokers must prove that they are fit to conduct the insurance distribution business adequately. Their ability is judged by means of an examination which, for the time being, is given by the Marine and Fire Insurance Association of Japan (or the Life Insurance Association of Japan in the case of life insurance brokers), based on the Administrative Guidelines issued by the Financial Supervisory Agency and the Ministry of Finance. (The total number of successful candidates up to the last examination held in July 1998 amounted to 279)

Since insurance brokers are independent from insurance companies, they are liable for loss or damage to policyholders resulting from their insurance brokerage. (In the case of non–life insurance agents, the insurance companies concerned ultimately assume in principle the responsibility for such loss.)

From the viewpoint of protecting policyholders, therefore, insurance brokers are legally obliged to make a cash deposit which endorses their financial means to cover their liability. The minimum cash deposit required is ¥40 million and the maximum ¥800 million.

Insurance brokers are allowed to act as an intermediary for the conclusion of insurance contracts on condition that they deal with insurance products of insurance companies licensed in Japan. As regards reinsurance, ocean marine hull insurance, ocean marine cargo insurance, commercial aircraft insurance, etc., however, they are allowed to mediate for unlicensed foreign insurers directly.

5. *Investment Regulation*

In order to ensure the sound operation of insurance business and to protect policyholders' interests, asset investment by insurance companies is supervised by the competent authorities under the Insurance Business Law. The Enforcement Regulations of the Prime Minister's Office and the Ministry of Finance under the Insurance Business Law stipulates the kinds of investable assets and their scope of investment as follows :

(1) Scope of Investment

Paragraph 2 of Article 97 of the Law and Article 47 of the Enforcement Regulations provide that an insurance company should invest money received as premiums or any other assets within the following sectors :

① Japanese securities, such as government bonds, local government bonds, bonds issued by juridical persons organized under special laws or ordinances, debentures, stocks, investment trusts, or commercial paper (CP), etc.

② foreign securities, such as government bonds, local government bonds, stocks, beneficiary certificates, or negotiable certificates of deposit, etc. of foreign countries

③ real estate

④ monetary claims

⑤ gold bullion

⑥ money loans

⑦ loans secured on the securities mentioned in ① or ② above

⑧ bank deposits or postal savings

⑨ money trust, monetary claims in trust, securities trust, or real estate in trust

⑩ over–the–counter trading in securities derivatives, transactions of securities index futures, securities options, or foreign market certificate futures stipulated in Paragraph 8③–2 and Paragraphs 14 through 16 of Article 2 of the Securities and Exchange Law

⑪ financial futures transactions stipulated in Paragraph 8 of Article 2 of the Financial Futures Exchange Law

⑫ trading in derivatives stipulated in Paragraph 1⑧ of Article 98 of the Insurance Business Law

⑬ foreign exchange futures transactions

⑭ any other sectors equivalent to those mentioned above

(2) Limits on Utilization of Assets

Article 97–2 of the Law and Articles 48 through 48–6 of the Enforcement Regulations provide that, in utilizing assets of an insurance company, the ratios of respective kinds of assets to the total assets shall not exceed those stated below:

① holding of Japanese stocks ; 30%

② holding of real estate ; 20%

③ holding of assets in foreign currency ; 30%

④ holding of bonds, giving loans, and lending securities ; 10%

⑤ voluntary investments stipulated in items from ① to ⑧ of Article 47 of the Enforcement Regulations ; 3%

⑥ holding of debentures and stocks of one and the same company ; 10%

⑦ giving loans to one and the same person ; 3%

⑧ lending securities to one and the same person ; 10%

⑨ deposits with one and the same person (i. e. the same bank) ; 10%

⑩ placing assets in trust of one and the same person (i.e. the same trust company) ; 10%

⑪ guarantee of obligation for one and the same person ; 3%

⑫ trading in derivatives to one and the same person calculated according to the standard set by the Commissioner of the Financial Supervisory Agency and the Minister of Finance ; 10%

Concerning ⑥ to ⑫ above, please note the following points ;

- The “one and the same person (company)” includes any other related person or entity as stipulated in Article 48–2 of the Enforcement Regulations.
- These rules also apply to any person or entity with a special relation to the insurance company as stipulated in Article 48–4 of the Regulations. (i.e. subsidiary of insurance company)
- Where these are held concurrently, the aggregate limit is 10%.

Exceptions to the above limitations are allowed under special circumstances, if approved by the Commissioner of the Financial Supervisory Agency.

(Note) Regulations concerning the investment of insurance companies in one and the same person were totally revised in line with the revisions of the Insurance Business Law taking effect on December 1, 1998, and ⑥ to ⑫ above are the main regulations thereof.

6. Underwriting Reserves

Underwriting reserves for non–life insurance companies in Japan include liability reserves, outstanding loss reserves, and price fluctuation reserves. These reserves are set aside subject to the provisions of the Enforcement Regulation of the Insurance Business Law, the Statement showing the basis of working out premiums and underwriting reserves (hereinafter called the "Statement for premiums and underwriting reserves"), the Enforcement Regulation of the Law concerning Earthquake Insurance, Notices in the Gazette, the Administrative Guidelines issued by the Financial Supervisory Agency and the Ministry of Finance, and the Special Taxation Measures Law.

(1) Liability Reserves

① Ordinary Liability Reserves

For all lines of the non–life insurance business except earthquake insurance on dwelling risks and Compulsory Automobile Liability Insurance (CALI), non–life insurance companies must set aside the amount of unearned premiums or the "initial year balance", depending on which is greater, as their liability reserves.

The "initial year balance" means premiums received during the business year less claims paid and other expenses incurred under those contracts for which the premiums have been received in the course of the said business year. Unearned premiums are premiums for the unexpired portion of existing policies at the end of the business year minus reinsurance premiums, and also less a portion of premiums already returned or returnable, if any.

② Catastrophe Reserves

As stipulated in the Enforcement Regulation of the Insurance Business Law, catastrophe reserves must be set aside by every class of non–life insurance, in accordance with a formula mentioned in the Statement for premiums and underwriting reserves of respective policies, except CALI and earthquake insurance on dwelling risks. The details of the catastrophe reserves are shown in Table 39 on page 75.

③ Reserves for Refunds

As regards policies issued with deposit premiums of a provisional nature subject to adjustment upon expiry of the policy period, and also policies issued for a premium on condition that the whole or part of it be returnable upon expiry without loss, sums required for refunds of such premiums should be reserved under Article 70 of the Enforcement Regulation of the Insurance Business Law and the Statement for premiums and underwriting reserves. As regards long–term comprehensive insurance, family traffic personal accident insurance with maturity refund, and other maturity–refund–type (or savings–type) insurance policies which are written under an agreement to receive a savings–portion of premiums from a policyholder at the outset and to refund it upon maturity at a fixed rate of interest, the sum corresponding to the present value computed at compound interest should be reserved at the end of every business year.

Table 39 **Catastrophe Reserves**

Group of Business	Class of Business	Minimum Reserving Rate ①	Limit of Accumulation ②	Disposition of Reserves ③
Marine Hull and Aviation	Marine Hull and Aviation	3%	160%	80%
Fire, Marine Cargo, and Inland Transit	Fire	3.5%	100%	50%
	Marine Cargo, Inland Transit, Windstorm & Flood, General Liability, Contractors' All Risks, and Movables Comprehensive	2%		
Automobile, Personal Accident, and Miscellaneous Casualty	Automobile, Personal Accident, and Miscellaneous Casualty (except Windstorm & Flood, General Liability, Contractors' All Risks, Movables Comprehensive, Nursing Care Expenses, Atomic Energy, and Surety Bonds)	2%	100%	50%
Nursing Care Expenses	Nursing Care Expenses	2%	100%	50%
Surety Bonds	Surety Bonds	2%	100%	50%
Atomic Energy	Atomic Energy	50%		Full amount of net claims paid

(Notes) ① "Minimum Reserving Rate" means a percentage of net premiums to be reserved annually.
② "Limit of Accumulation" means the maximum sum to be withheld as percentage of net premiums.
③ "Disposition of Reserves" occurs when the loss ratio exceeds the specified level as a group of business, then the excess portion of the claims can be withdrawn from the catastrophe reserves.

④ Reserves for Dividends to Policyholders

For long–term comprehensive insurance, family traffic personal accident insurance with maturity refund, and other maturity–refund–type (or savings–type) insurance policies, any balance between the sum of income arising from the investment of the savings–portion of premiums combined with investment yield and the amount which has been set aside as "reserves for refunds" as explained in ③ above, should be reserved as stipulated in the Statement for premiums and underwriting reserves to provide for future payments of dividends to policyholders.

⑤ Reserves for Earthquake and CALI

The reserves for earthquake insurance on dwelling risks under the Law concerning Earthquake Insurance should be equal to net premiums less net business expenses plus relevant investment income. Reserves for CALI are composed of obligatory reserves, adjustable reserves, reserves for investment income, and reserves for loading costs.

⑥ Liability Reserves for Reinsurance Contracts

As regards reinsurance premiums ceded to the following entities, non–life insurance companies can be exempted from establishing liability reserves : a. licensed domestic insurers in Japan, b. licensed foreign insurers in Japan, c. unlicensed foreign insurers which are deemed to pose few risks to the sound management of ceding companies in terms of the condition of business or assets, etc.

(2) Outstanding Loss Reserves

① Ordinary reserves for outstanding losses

Non–life insurance companies are required to establish, at the time of closing their books, outstanding loss reserves equal to the sum of outstanding claims, premiums returnable, and policyholders' dividends payable for events which have already occurred ; and the said reserves should include the sum for any claim of cases still in dispute.

② IBNR

IBNR (Incurred But Not Reported) reserves are required for automobile insurance, personal accident insurance (including personal accident mutual insurance), general liability insurance, and workers' accident compensation insurance. They are stipulated in the Notices in the Gazette.

Foreign non–life insurers operating in Japan are also required to set aside, at the end of March every year, liability reserves and outstanding loss reserves for all of their writings in Japan with breakdowns for each class of business. In addition, these reserves should be held in Japan in the form of assets.

(3) Price Fluctuation Reserves

With regard to stocks and other assets designated under the Enforcement Regulation of the Insurance Business Law as those which may bring about losses due to price fluctuations, non–life insurance companies are required to lay aside the amount calculated in accordance with the Enforcement Regulation as price fluctuation reserves so that their claims paying ability can be duly ensured. This does not apply to cases where non–life insurance companies have obtained approval from the Commissioner of the Financial Supervisory Agency to be exempted from reserving the total or a part of the amount.

In addition, non–life insurance companies are only allowed to dispose of price fluctuation reserves in order to make up for a deficit when the amount of losses resulting from the trade of stocks and other assets exceeds the amount of profits accruing from such trade.

Under the former Insurance Business Law, when a non–life insurance company sold or revalued its assets, it had to set aside the balance between the profits and losses which it made in this process as "Reserves under Article 86 of the Law". This stipulation was established in order to ensure that non–life insurance companies retain such extraordinary profits on their accounts, thus strengthening financial position and management of insurance companies.

In line with the enforcement of the new Insurance Business Law and in order to improve the distribution method of dividends to the new one where capital gains may be included in dividends, however, "Reserves under Article 86 of the Law" have been reorganized as price fluctuation reserves.

7. Outline of Early Warning Measure in the Non–Life Insurance Business

The environment surrounding non–life insurance companies is rapidly changing as deregulation and liberalization of the insurance business develop steadily in Japan, and more than ever, non–life insurance companies are required to maintain sound management and to protect policyholders' interests.

To this end, the following three measures have been introduced to the Japanese non–life insurance market in line with the revisions of the Insurance Business Law : (1) Introduction of a Solvency Margin Ratio to judge the management soundness of non–life insurance companies, (2) Introduction of an Early Warning Measure based on the Solvency Margin Ratio whereby the supervisory authorities can require an ailing non–life insurance company to improve its business operations, and (3) Establishment of the Policy–holders Protection Corporation to deal with the possible insolvency of a non–life insurance company.

It is essential that these three measures form a trinity and work together effectively. An outline of these measures is as follows :

(1) Solvency Margin Ratio

In addition to the reserves to cover claims payments, payments for maturity refunds of savings–type insurance policies, etc., it is necessary for non–life insurance companies to maintain sufficient solvency in order to provide against risks which may exceed their usual estimates. Accordingly, a "Solvency Margin Ratio" was introduced to the Japanese insurance market as a part of the Early Warning Measures resulting from the enforcement of the totally revised Insurance Business Law in April 1996.

The Solvency Margin Ratio is one of the indices which the supervisory authorities utilize in order to judge the management soundness of a non–life insurance company. The Solvency Margin Ratio means the ratio of "solvency margin of non–life insurance companies by means of their capital, reserves, etc." to "risks which will exceed their usual estimates". It is considered that problems concerning the soundness of a non–life insurance company will not arise if the ratio is 200% or more.

Individual Japanese non–life insurance companies have disclosed their Solvency Margin Ratios from the closing of accounts for fiscal 1997, prior to the implementation of the Early Warning Measure. In addition, when the ratio is disclosed, each non–life insurance company is required to explain to consumers the meaning of the ratio in order not to make use of it as a competitive weapon in distributing insurance products. The details of the Solvency Margin Ratio are as follows :

1) The Solvency Margin Ratio is calculated according to the following formula:
   Solvency Margin Ratio＝

$$\frac{\text{Total of Solvency Margin}}{1/2\times\{\sqrt{(\text{General Insurance Risk})^2+(\text{Expected Interest Rate Risk}+\text{Asset Management Risk})^2}+\text{Business Administration Risk}\}+\text{Catastrophe Risk}}\times 100\%$$

2) "Total of Solvency Margin" means the claims–paying ability which insurance companies have in excess of their liability reserves to meet their contractual obligations, and it is composed of the following items : a. Total capital, b. Price fluctuation reserves, c. Catastrophe reserves, d. Allowance for bad debts, e. 90% of unrealized profits from stocks, f. 85% of unrealized profits from real estate, g. Other items stipulated by the Minister of Finance, such as the reserves for dividend to policyholders of mutual insurance companies, the amount of deposits, and

the equivalent amounts of tax effect.

3) The risks mentioned in the denominator are defined as follows :

"General Insurance Risk" means the risk of incurring claims payments which exceed the usual estimates, i.e. the difference between the estimated maximum claims payments based on probability and the estimated claims payments which form the foundation of the calculation of insurance premium rates.

"Expected Interest Rate Risk" means the risk of actual interest rates falling below forecast due to substantial changes in the economic environment.

"Asset Management Risk" is the total of the following risks : a. Risk of losses caused by price fluctuations, etc., in the value of stocks, real estate, and other assets, b. Risk caused by failure to recover loans, credit, etc., due to default, insolvency, etc., of debtor, c. Risk of incurring losses caused by failure of investments in domestic and foreign affiliated companies, d. Risk of incurring losses caused by off–balance transactions, such as futures transactions, options, and swaps, e. Risk from failure to recover outward reinsurance claims, and inward reinsurance premiums.

"Business Administration Risk" means the risk of incurring losses caused by misjudgement, default, etc., of business administration.

"Catastrophe Risk" means the risk of incurring losses caused by huge natural disasters, such as an earthquake and a flood.

(2) Early Warning Measure

In line with the passing of the Financial System Reform Bill through the Diet on June 5, 1998, provisions concerning an Early Warning Measure were introduced, taking effect as from April 1, 1999, as one of the supervisory methods based on the Solvency Margin Ratio of non–life insurance companies.

The objective of the Early Warning Measure is to urge non–life insurance companies to improve their management at an early stage in order to prevent them from becoming insolvent. If the Solvency Margin Ratio of a non–life insurance company falls below a certain level, the authorities shall require the non–life insurance company involved to take such measures as submitting business improvement plans, changing its business plans, stopping business operations, and depositing assets.

The details of these measures are to be stipulated in the Enforcement Regulation under the Insurance Business Law by the Prime Minister's Office and the Ministry of Finance, in accordance with the level of the Solvency Margin Ratio.

(3) Non–Life Insurance Policy–holders Protection Corporation

In order to ensure the protection of policyholders, a Policyholders' Protection Fund for Non–Life Insurance Companies was established on April 1, 1996. This system could not come into effect unless reliever insurance companies appeared in the event of an insurance company becoming insolvent. In addition, it was necessary to define rules concerning the protection of policyholders.

In order to resolve these issues, and with the approval of the Financial System Reform Bill, provisions concerning a Policy–holders Protection Corporation were introduced in the Insurance Business Law taking effect as from December 1, 1998, and the "Non–Life Insurance Policy–holders Protection Corporation of Japan" (hereinafter referred to as the "Corporation") was established on the same day. An outline of the Corporation is as follows :

1) Objective

In order to transfer smoothly the insurance contracts of an insolvent insurance company to a reliever insurance company, the Corporation shall give financial aid to the reliever insurance company. In addition, when reliever insurance companies do not appear, the Corporation shall undertake the insurance contracts of an insolvent insurance company, and then administer and deal with these contracts, thereby protecting policyholders, etc., and maintaining the reliability of the non–life insurance business

2) Membership

In line with the provisions of the revised Insurance Business Law, all the non–life insurance companies operating in Japan, including foreign insurers and one specific corporation (the Society of Lloyd's) have joined the Corporation. However, professional reinsurers, etc., are excluded.

3) Organizational Structure

a. The Corporation has one Chairman, seven Directors, and one Auditor. The Corporation also has one Executive Director.

b. In order to discuss such matters as providing financial aid to a reliever insurance company, undertaking the insurance contracts of an insolvent insurance company, and providing loans to the members, etc., an Administrative Committee has been established in the Corporation. In addition, the Corporation has a Valuation Committee to evaluate the assets of an insolvent company.

c. The General Meeting of Members, the sovereign executive body, shall be convened by Chairman within three months after the closing of accounts of the fiscal year. The members shall exercise voting rights which are weighted in accordance with the ratio of the annual contribution of the respective members to the total amount. In addition, Chairman shall convene a meeting of the Board of Directors. The Corporation's secretariat manages and conducts its business operations.

4) Types of Business Activities

The Corporation carries out the following types of business activities ; a. to provide financial aid to a reliever insurance company, b. to undertake the insurance contracts of an insolvent insurance company which is a member of the Corporation, and to administer and / or deal with these insurance contracts, c. to collect contributions from the members, d. to provide loans to the members, etc.

5) Non–Life Insurance Contracts to be compensated

The Corporation compensates 100% of the liability reserves for Compulsory Automobile Liability Insurance (CALI) and earthquake insurance on dwelling risks. In addition, the Corporation compensates up to 90% of the liability reserves for fire insurance of individuals and small sized enterprises, personal accident insurance, medical expenses insurance, nursing care expenses insurance, voluntary automobile insurance, individual annuity and accident insurance, and "Zaikei" savings personal accident insurance.

However, provisional measures, effective until the end of March 2001, will provide 100% compensation for claims incurred from all types of insurance contracts.

6) Contributions, etc.

a. The members must, at the beginning of each fiscal year, make a contribution to the Corporation in order to sustain the policyholders protection funds and to meet the expenses of the Corporation. The ceiling on the total funds of the Corporation shall be ¥50 billion, i.e. ten times the total annual contributions of the members. However, the members are required to contribute ¥6.5 billion per year up to the end of March 2001.

b. While the amount of each members' annual contribution shall be decided with due regard to the amount of net premiums written and liability reserves accumulated, etc., payment for the running costs of the Corporation shall be divided equally among the members.

c. In order to give financial aid to a reliever insurance company, the Corporation shall be allowed to borrow money from financial institutions, subject to the approval of the supervisory authorities. However, a ceiling on such borrowing has been established, i.e. the total sum of the funds accumulated and the money borrowed cannot exceed ¥50 billion. In addition, until the end of March 2001, the Corporation shall be allowed to either use the government as their guarantor when borrowing money from financial institutions or borrow money directly from the Bank of Japan.

8. *Social and Public Activities*

(1) Social and Public Activities

A. Loss Prevention Activities

Prevention of accidents and disasters is a common concern, and various measures are being implemented by central and local governments and their related organizations. In view of the social and public nature of its business, and in addition to the activities of individual non–life insurance companies, the Marine and Fire Insurance Association of Japan has also long engaged in safety management and loss prevention activities to help prevent accidents and disasters, and to reduce losses or damages.

(A) Fire Prevention

The Marine and Fire Insurance Association of Japan carries out the following fire prevention activities to help strengthen the fire fighting facilities of central and local governments and to promote fire prevention consciousness among the public :

- Activities under the “Fire Prevention Fund Scheme”

The Association has been subsidizing various activities, such as the strengthening of fire fighting facilities and the promotion of fire prevention awareness, through this “Fire Prevention Fund Scheme” introduced in 1952.

a. Strengthening of fire fighting facilities

Every year the Association donates fire fighting equipment to local municipalities. The donations made in 1997 to 44 local municipalities, etc. included rescue trucks, chemical fire trucks, pumpers with a tank, and other standard fire engines.

b. Activities to promote fire prevention consciousness

(a) Regional “Housewife Fire Prevention Experts” meetings

The 768 recipients of the “Housewife Fire Prevention Expert” award, given by the Association to housewives qualified in fire prevention, have actively conducted fire prevention activities in local communities in all regions of Japan on a volunteer basis.

(b) Symposiums on fire prevention

Every year the Association holds symposiums on fire protection to heighten loss prevention consciousness among the public. In 1997 such symposiums were held in Ichinoseki City, Iwate Prefecture and Hamamatsu City, Shizuoka Prefecture.

(c) Lectures on fire prevention

Every year since 1947, in conjunction with local governments and local fire departments, the Association has held lectures by scholars and experts on fire prevention for fire prevention managers and the public. In 1997 these lectures, covering subjects such as measures against earthquakes and volunteerism, were given at 49 locations, drawing audiences totaling 17,530 people, with the support of the Fire and Disaster Management Agency and the Fire Chiefs Association of Japan.

Furthermore, in 1997, the Association held symposiums under the auspices of the Fire and Disaster Management Agency in 7 cities to commemorate 50th anniversary of the municipal fire fighting.

(d) Publication of fire prevention materials

The "Loss Prevention Journal" (Quarterly), a pamphlet for the general public distributed during a nationwide fire prevention campaign in autumn, and other fire prevention materials were made available.

(B) Traffic Accident Prevention

The Association conducts the following activities for the prevention of traffic accidents and the protection of traffic accident victims :

a. Activities under the "Traffic Accident Prevention Fund Scheme"

Through this scheme, established in 1972, the Association has been subsidizing various activities to promote traffic accident prevention consciousness and traffic safety education, and cooperating with central and local governments in running traffic accident prevention programs.

(a) Traffic accident prevention campaigns

Every year since 1975 nationwide campaigns for "Traffic accident prevention and protection of traffic accident victims" have been organized by the Association in coordination with traffic safety campaigns.

In these campaigns the Association makes use of the mass media, such as TV, etc., to appeal for greater safe driving consciousness, and to promote an awareness of the need to purchase automobile bodily injury liability insurance policies in the interest of traffic accident victims.

(b) Educational activities

The Association has distributed the traffic safety educational video, entitled "The Seat Belt", which uses the crash test footage to show the importance of seat belt use. The Association has also organized safe–driving events for drivers, and in urging municipalities to hold similar events, has offered to share its know–how with them.

(c) Cooperation in traffic safety administration

The Association has cooperated with the Management and Coordination Agency and the National Police Agency in making data, materials, movies, videos, etc. for traffic safety education available, in particular to preschool children and driving school.

b. Activities using Compulsory Automobile Liability Insurance (CALI) investment income

Since 1971 the Association has been conducting the activities below, by utilizing investment income from accumulated CALI funds. A committee consisting of expert members of the CALI Council examines organizations' applications for funds and fixes amounts to be disbursed from the funds.

(a) Improvement of emergency medical services (About ¥1.6 billion disbursed)

In 1997 financial assistance was extended to the Japanese Red Cross Society and the Social Welfare Organization “Saiseikai” Imperial Gift Foundation Inc., and ambulances were donated to local governments through the Fire and Disaster Management Agency.

(b) Traffic accident prevention measures (About ¥0.6 billion disbursed)

In 1997 financial assistance was extended to the Japan Traffic Management Technology Association. Traffic accident prevention equipment was donated to each prefectural police department.

(c) Protection of traffic accident victims (About ¥0.7 billion disbursed)

In 1997 financial assistance was extended to the Japan Center for Settlement of Traffic Accident Disputes and to traffic accident orphans for schooling and other needs.

(d) Measures for medical expenses rationalization and accurate permanent disability criteria (About ¥0.2 billion disbursed)

The Association organized an educational program on the rationalization of medical expenses and carried out studies on accurate criteria for assessing permanent disability.

c. Public relations for CALI

In order to broaden the public’s understanding of the CALI system and to increase CALI ownership for motorbikes of 250 cc or less in displacement, public awareness campaigns have been conducted through the mass media since 1966.

(C) Purchase of Fire Brigade Bonds and Traffic Bonds

a. Fire brigade bonds

Since 1954 the Association has been purchasing fire brigade bonds. In 1997 the Association subscribed for ¥10.3 billion.

b. Traffic bonds

Since 1965 the Association has been purchasing municipal traffic bonds. The Association’s subscription in 1997 reached about ¥8.3 billion.

B. Activities on safety management and loss prevention

At the same time as internationalization and deregulation are taking place, the risks surrounding households and enterprises are diversifying. In this situation, people request various kinds of information on safety management and loss prevention from the non–life insurance industry, and also require it to make pertinent suggestions and develop countermeasures. To comply with these demands, the Association has been conducting various activities on safety management and loss prevention measures.

(A) Traffic Safety Promotion

In view of the intrinsic relationship between traffic accidents and the non–life insurance industry through voluntary automobile insurance and CALI policies, the Association not only analyzes claims payment data on traffic accidents, but also conducts studies on various themes and organizes public activities in order to play a positive role in the prevention of traffic accidents.

a. Study and analysis

The Association has conducted study and analysis of claims data in order to highlight various aspects, such as hospitalization expenses, physical damage expenses, etc. of traffic accidents which are of particular relevance to the non–life insurance industry. The findings of the study and analysis were included in a report entitled "The actual conditions of traffic accidents as shown by automobile insurance claims data".
Furthermore, the Association also carried out study and analysis of the seat belt usage rate and the effects of using seat belts on the basis of statistics of traffic accidents.

b. Publication of "C&I (Crash & Insurance)"

In order to publicize the results of all the studies and analyses mentioned above and to offer traffic safety education backed by hard data, the Association issues a publication "C&I (Crash & Insurance)" twice per year, and distributes it to the public at cost price.

(B) General Safety Management and Loss Prevention

The Association has been conducting the following research and study activities on general safety management and loss prevention measures.

a. Basic research on various risks

Using case studies based on fire, personal accident and liability risks as well as natural and environmental disasters, the Association conducts activities, such as analysis of risks, collection of data on disasters, proposals for loss prevention measures, and so forth.

b. Investigation into laws and regulations concerning safety management and loss prevention measures in overseas countries

The Association had completed an investigation into the laws and regulations concerning safety management and loss prevention for fires, explosions, and workers' accidents in thirteen countries (U.S., U.K., Thailand, Germany, Malaysia, Singapore, France, Australia, Netherlands, Republic of China, Indonesia, People's Republic of China, and India). The findings, including pertinent information on safety management and loss prevention abroad, have been given to Japanese companies operating in overseas markets.

c. Database on accidents and disasters

The Association has been gathering data on natural disasters, including fires and explosions, workers' accidents, and traffic accidents. A database system, established in 1992, to manage this information on accidents and disasters has contributed significantly to loss prevention activities in the non–life insurance industry.

C. Dealing with Environmental Problems

Environmental problems are of such importance that communities throughout the world must unite in their efforts to deal with them. The non–life insurance industry has actively come to grips with environmental problems in order to ensure consumers' safety and security.

(A) Response of Non–Life Insurance Companies to Environmental Problems

The non–life insurance industry has set itself tasks that relate specifically to environmental problems, and each non–life insurance company has dealt with these problems accordingly. In November 1996, the industry mapped out "Non–Life Insurance Industry Action Plan on Environment" in compliance with the "Keidanren Appeal on Environment" declared by Keidanren, the Japan Federation of Economic Organizations, and defined the industry's position on environmental problems. Subsequently, the Association has analysed the responses of 33 member companies, including the Association, to these problems and provided feedback on the results. This step aims at ensuring further promotion of each company's and the Association's responses to environmental problems.

(B) Automobile Parts Repair Campaign and Automobile Parts Recycling Campaign

The Association conducted a campaign aimed at increasing use of repaired automobile parts from June to July, 1997, and again from June to July, 1998. The campaign's aim was to lighten the financial burden of automobile users and to ensure the effective use of material resources and the reduction of industrial waste through reusing repairable automobile parts. The Association simultaneously conducted a promotion campaign for the recycling of sound automobile parts taken from automobiles beyond repair.

(2) Public Relations

To enlighten the public on the essential functions of non–life insurance, the Association has been continuously providing the public with pertinent information on non–life insurance through the mass media and lectures. From time to time it also devotes itself to two–way discussions with consumer groups.

A. Communications and Dialogue

(A) Non–Life Insurance Round Table held

In June 1991 the Association established a Non–Life Insurance Round Table as a forum for experts to exchange opinions on the future directions of the non–life insurance business. The Round Table consists of experts drawn from every field of society as well as Chairman and Vice Chairmen of our Association. The Round Table was held in June and December in 1997.

(B) Meetings with opinion leaders

The Association holds regular meetings with opinion leaders from news media, consumers, and other organizations to listen to their views and advice on non–life insurance activities. In 1997, eight meetings with news media people and seven meetings with administrators of local consumer centers were held.

(C) Lectures for consumers

The Association sends non–life insurance lecturers to consumer study meetings held under the sponsorship of local consumer centers. During 1997 such meetings were held in 31 locations with a total audience of 1,639.

B. Cooperation with Schools

Various approaches are used to raise awareness among senior high school students.

(A) Essay contest on non–life insurance by senior high school students

The non–life insurance essay contest has been held annually since 1963 with the aim of promoting students' awareness of non–life insurance and an understanding of its role. Essay themes deal with everything related to safety and security in daily life, though they broadly fall under two main sections – "Impressions or thoughts on non–life insurance" and "Research on non–life insurance".

(B) Lectures for senior high school students, teachers, etc.

The Association has sent lecturers to meetings at senior high schools, which have been held for students, parents, and teachers to promote an understanding about the mechanism and the role of non–life insurance. In fiscal 1997, such meetings were held at 57 senior high schools with a total audience of 20,710.

(C)Publication of "Senior High School Educational Material"

For proper guidance at senior high schools in understanding non–life insurance, the Association issues a quarterly "Senior High School Educational Material" brochure designed as additional reading in social studies and homemaking classes.

C. Advertising

The industry has been providing the public with a variety of information on non–life insurance and explaining the contents of non–life insurance policies and the non–life insurance system. In fiscal 1997 the industry made a particular effort to expand the ownership of earthquake insurance on dwelling risks policies through the mass media.

D. Information Dissemination

(A) Publication of P.R. booklet

To promote the public's understanding of non–life insurance and the activities of the non–life insurance industry, the Association issues a monthly "Songai Hoken" (Non–Life Insurance) publication.

(B) Bound volumes of disclosure materials of each non–life insurance company

To provide consumers with sufficient information on non–life insurance, the Association has bound copies of the annual reports of every non–life insurance company in single volumes and presented them to local consumer centers.

(C) Guide Book on Non–Life Insurance Products in Daily Life

In connection with insurance products close to daily life such as fire, automobile, and personal accident insurance, the Association issues the "Guide Book on Non–Life Insurance Products in Daily Life" which explains the contents of those kinds of insurance products, and key points to consider when taking out insurance contracts.

(D) Publication of literature on compensation problems

To give traffic accident victims pertinent advice on compensation problems, a leaflet entitled “For Traffic Accident Victims” was compiled. Copies of it were distributed to the Automobile Insurance Claims Counseling Centers in each prefecture. Likewise, complying with a request from the National Police Agency, a textbook, “Knowledge of Compensation for Damage”, designed for driving safety training leaders was compiled and distributed to prefectural police departments.

(E) Association Homepage Launched

As a result of the demand for speedy and up–to–date information on the non–life insurance business, the Association has launched its own homepage on the internet as from October 16, 1997.

The address is “http://www.sonpo.or.jp”.

(3) Requests and Proposal

A. Requests for Fiscal 1999 Tax Reform

The Marine and Fire Insurance Association of Japan submitted the “Requests for Fiscal 1999 Tax Reform” to the competent authorities and parties on September 17, 1998, with the goal of improving and revising the current tax system governing the non–life insurance business. The requests comprise ten items which can be categorized into three groups from the following viewpoints : a. To promote the self–responsibility and self–help efforts of individuals for the approaching aged society, b. To provide the public with greater security against unexpected disasters, and c. To cope with the changes arising from liberalization. An outline of the requests is shown on page 93.

B. Proposals and Requests for the Public Nursing Care Insurance System

In line with the enhanced social discussion on the aging society, the non–life insurance industry published the “Proposals for the Public Nursing Care Insurance System”, which comprised its requests for (1) products and services to be offered by non–life insurance companies in the future so as to ensure comfortable retirements, (2) area of activity of the private sector and the public system, and (3) the Public Nursing Care Insurance System itself. On the basis of these proposals, the non–life insurance industry is now conducting extensive activities to seek the better social understanding of the roles which non–life insurance companies will play in the approaching aging society.

In this relation, the Marine and Fire Insurance Association of Japan, has prepared a pamphlet which stresses the necessity of self–help efforts in the aging society as well as to deepen the public understanding of the Public Nursing Care Insurance System, and has distributed copies to consumers and the various parties concerned.

Although the Nursing Care Insurance Bill was approved by the Diet on December 9, 1997, it will not be enforced until April 2000. At present, the Council on Medical Insurance and Welfare, an advisory body to the Minister of Health and Welfare, is deliberating on the details of the Public Nursing Care Insurance System.

In light of the social and administrative movements on this matter, the non–life insurance industry intends to continue to promote its lobbying activities to ensure the betterment of peoples’ old age. An outline of the “Proposals for the Public Nursing Care Insurance System” issued by the Association is as follows :

1. Products and services to be offered by non–life insurance companies in the future so as to ensure comfortable retirements

It is necessary for non–life insurance companies to further develop and expand their products and services and offer them to those who wish to provide for a comfortable old age by themselves, by making the most of the insurance companies' achievements and experience fostered through the distribution of nursing care expenses insurance policies and various kinds of incidental services. Under these circumstances, the non–life insurance companies are required to deliberate on the following various kinds of services : (1) information services related to nursing care, (2) nursing care services offered at home, (3) nursing care amenities services, and (4) financial services, etc.

2. Area of activity of the private sector and the public system

The private corporations, which are ready to offer the diverse products flexibly, should play a role in providing better products and services by competing with each other as well as exercising their ingenuity.

3. Requests for the Public Nursing Care Insurance System

The non–life insurance industry has been advocating the following items concerning the Public Nursing Care Insurance System : (Some of them have already been incorporated into the Nursing Care Insurance Bill by virtue of the industry's strenuous lobbying.)

(1) Introduction of a composite nursing care system.

(2) Realization of deregulation and creation of standards for the designation of companies engaged in nursing care services, by which the private corporations including non–life insurance companies will be able to enter the nursing care service business extensively.

(3) Establishment of a system which will enable non–life insurance companies to participate in preparing nursing care plans.

(4) Creation of a legal framework for the realization of the items (2) and (3) mentioned above.

(5) Minimization of the level of benefits to be offered under the Public Nursing Care Insurance System.

(6) Prohibition of cash payment by the Public Nursing Care Insurance System.

(7) Application of loss survey systems of non–life insurance companies to on–the–spot inquiries to recognize the degree of necessity of nursing care.

(8) Raising of the non–life insurance premium tax deductible limit on nursing care expenses insurance policies.

9. Ownership of Policies

The Marine and Fire Insurance Association of Japan and the Automobile Insurance Rating Organization of Japan conducted a nationwide survey on the four major personal lines of insurance products. The ownership of each policy is as follows :

(1) Fire Insurance

According to the replies of the 4,254 households of the 6,000 randomly contacted by the Marine and Fire Insurance Association of Japan in a nationwide survey from May to June in 1995, 57.0% were covered against fire damage on their dwellings and household properties.

Of those households, 48.1% were covered for both dwellings and household properties, while 36.1% were covered for dwellings only and 13.0% for household properties only.

(2) Earthquake Insurance on Dwelling Risks

The non–life insurance industry has made every effort to expand the diffusion of earthquake insurance on dwelling risks since its introduction to the market in 1966. The ownership of earthquake insurance on dwelling risks coverage (i.e. the ratio of the number of contracts to the number of households based on the Basic Resident Registers) was 14.2% as of the end of March 1998, up 1.1 percentage points from the preceding year. Although the ownership has remained at a low level, the figures has grown steadily since the Great Hanshin–Awaji Earthquake on January 17, 1995.

(3) Personal Accident Insurance

From a nationwide survey on personal accident insurance conducted from May to June in 1995, the ownership of personal accident insurance policies totaled 75.1% among the 2,150 households surveyed.

(4) Voluntary Automobile Insurance

The survey conducted at the end of March 1998 by the Automobile Insurance Rating Organization of Japan revealed that 69.9% of registered automobiles were covered against liability for bodily injury, 69.2% against liability for property damage, 31.6% against physical damage (to the insured vehicle), and 68.1% against passengers' personal accident.

As a result of a rise in public awareness of possible liability and the increasing level of court awards, ownership of liability insurance both for bodily injury and property damage has grown steadily as shown in Table 40. The non–life insurance industry conducts an annual campaign to promote ownership of bodily injury liability insurance in order to protect traffic accident victims.

The ownership of passengers' personal accident coverage has shown a steady upward trend as has liability coverage for bodily injury and property damage. The ownership of physical damage coverage, which shows the lowest rate among the four coverages, had shown a higher growth rate than two liability coverages and passengers' personal accident coverage.

The growth rate of each coverage slowed down slightly in each year from 1992 to 1995. However, it accelerated again in 1996 and 1997.

Table 40 **Ownership of Voluntary Automobile Insurance**

Fiscal Year	Number of Registered Automobiles (thousand)	Bodily Injury Liability	Property Damage Liability	Physical Damage	Passengers' Personal Accident
1988	55,137	64.1%	62.7%	20.4%	60.9%
1989	57,994	65.1	63.9	22.4	62.1
1990	60,499	66.2	65.2	24.6	63.4
1991	62,713	67.2	66.3	26.6	64.6
1992	64,498	68.2	67.3	28.4	65.7
1993	66,279	68.4	67.5	28.9	66.0
1994	68,104	68.7	67.9	29.2	66.6
1995	70,107	68.8	68.1	29.8	66.9
1996	71,776	69.4	68.7	30.7	67.5
1997	72,857	69.9	69.2	31.6	68.1

10. Non–Life Insurance Counseling System

The non–life insurance industry uses the following insurance counseling organizations to give answers or advice to questions or complaints from consumers or policyholders and to provide them with consultation and insurance information :

(A) Non–Life Insurance Counseling Offices

The Marine and Fire Insurance Association of Japan has 15 counseling centers throughout Japan. These offices give explanations and advice to the public concerning non–life insurance in general. The counseling office at the Association's headquarters has produced a more consumer–friendly atmosphere for visitors. A toll free telephone line (0120–107808) was installed to receive complaints and questions from policyholders in remote areas.

(B) Automobile Insurance Claims Counseling Centers

The Marine and Fire Insurance Association of Japan has 54 counseling centers throughout the country to give information and advice to the public on coverage, procedures for filing claims, etc. under voluntary automobile insurance and Compulsory Automobile Liability Insurance (CALI).

(C) CALI Claims Counseling Offices

The Automobile Insurance Rating Organization of Japan has 12 CALI Claims Counseling Offices throughout the country. These offices give information and advice to the public on coverage, procedures for filing claims, etc. under CALI.

(D) Individual Insurance Companies

All non–life insurance companies have sections at their headquarters and branch offices to offer information and advice on non–life insurance in general and to provide counseling services on traffic accidents. The latter counseling service offices total 4,615.

(E) Non–Life Insurance Arbitration Committee

This Committee, set up by the Marine and Fire Insurance Association of Japan and made up of five academics, deals with problems not settled through mediation by the non–life insurance counseling offices mentioned above.

Table 41 Number of consultations accepted in fiscal 1997

Non–Life Insurance Counseling Offices	7,797
Automobile Insurance Claims Counseling Centers	67,906
CALI Claims Counseling Offices	3,473

11. Loss Survey System

(1) Claims Settlement Service Offices and Experts

In order to deal immediately with those who have been involved in accidents, individual non–life insurance companies have established around 2,800 claims settlement service offices nationwide which are staffed with about 20,000 people who have accumulated expertise and know–how. In addition, individual non–life insurance companies have conducted training cources such as medical training, to improve the quality of their experts.

(2) Automobile Insurance Adjusters

The automobile insurance adjuster's task is to estimate fair and reasonable repair costs for damaged cars under the provisions of automobile physical damage and property damage liability insurance policies.

Automobile insurance adjusters are divided into (a) "technical adjusters" who adjust the repair costs for damage to general kinds of vehicles and (b) "specific cars adjusters" who adjust the repair costs for damage to special purpose vehicles such as mobile cranes and diggers. Both types of adjusters are required to take an obligatory training course held periodically, and technical adjusters are ranked by class obtained through classification tests that are given by the Marine and Fire Insurance Association of Japan. All adjusters must be registered with the Association. As of April 1, 1998, the number of registered adjusters was as follows :

* Technical Adjusters 7,518
* Specific Cars Adjusters 58

(3) Property Loss Assessors in Fire and Casualty Insurance

Property loss assessors estimate the appropriate amounts for loss of or damage to insured properties and also evaluate proper insurable values of properties in the fire and casualty insurance fields. Depending on their experience and technical know–how, property loss assessors fall into one of three classes — 1st, 2nd, and 3rd — and they are required to pass the examinations for their respective classes in order to be registered with the Marine and Fire Insurance Association of Japan. As of August 1, 1998, the non–life insurance industry had 671 assessors as shown below :

* 1 st Class Property Loss Assessors 112
* 2nd Class Property Loss Assessors 273
* 3 rd Class Property Loss Assessors 286

12. Requests for Fiscal 1999 Tax Reform

The outline of the Request for Fiscal 1999 Tax Reform, which is referred to in the previous article on page 87, is as follows :

1. To promote the self–responsibility and self–help efforts of individuals for the approaching aged society

- Creation of a new non–life insurance premium tax deduction system to be applied to non–life insurance products which have been designed in response to the approaching aged society

To create a new non–life insurance premium tax deduction system to be applied to individual annuity and accident insurance, nursing care expenses insurance, and medical expenses insurance products, which will enjoy tax deductible limits of ¥100,000 under the Income Tax Law and of ¥70,000 under the Local Tax Law, thus rewarding the self–help efforts of individuals to prepare for the approaching aged society.

Our standpoint in this request is that this system may be created as an extensive tax deduction system which will apply not only to the above–mentioned non–life insurance products but also to similar products fulfilling certain requirements. This recognizes that the response to the approaching aged society should be treated as an urgent national issue.

2. To provide the public with greater security against unexpected disasters

(1) Raising of the current non–life insurance premium tax deductible limits

To raise the current tax deductible limits on non–life insurance premiums for fire insurance, personal accident insurance, etc. to ¥50,000 for the Income Tax Law and ¥35,000 for the Local Tax Law respectively, thus placing them on an equal footing with the limits applied to life insurance products, etc. as well as promoting the self–help efforts of individuals to provide against unexpected disasters.

Note : Current premium tax deductible limits for non–life insurance

- Treatment in the Income Tax Law
  The premium tax deduction is applied up to ¥15,000 for maturity–refund–type insurance policies with an insurance period of more than ten years, ¥3,000 for other short–term insurance policies, and ¥15,000 for both combined.
- Treatment in the Local Tax Law
  The premium tax deduction is applied up to ¥10,000 for maturity–refund–type insurance policies with an insurance period of more than ten years, ¥2,000 for other short–term insurance policies, and ¥10,000 for both combined.

(2) Creation of a premium tax deduction system for Earthquake Insurance on Dwelling Risks

To create an independent premium tax deduction system for earthquake insurance on dwelling risks with tax deductible limits of ¥50,000 under the Income Tax Law and of ¥35,000 under the Local Tax Law, in order to encourage the public to make a personal effort to provide against earthquakes as well as further expanding the diffusion of earthquake insurance policies.

(3) Improvement of the system for Catastrophe Reserves

a. To raise the present non–taxable savings rate of Catastrophe Reserves from 3/100 to 5/100 of the net premiums on fire insurance and others, and raise the current tax–exempt rate of its balance to the net premiums from 34/100 to 50/100.

Note : Non–life insurance companies are currently allowed to exempt from tax a certain ratio (e.g. 3% for fire insurance and others) of net premiums which they set aside annually as Catastrophe Reserves, in accordance with the Corporate Tax Law.   However, Catastrophe Reserves must be included in profits after they have been accumulated for 10 years or more.   In the event that the ratio of the balance of Catastrophe Reserves to the net premiums falls short of a certain level (34/100), the reserves are allowed to continue to be set aside and to be treated as tax–exempt.

b. To restore the relevant provisions concerning Catastrophe Reserves to the Corporate Tax Law, which, at present, are included in the Special Taxation Measures Law.

(4) Expansion of non–life insurance products to which the current non–life insurance premium tax deduction system applies

To extend premium tax deduction to Compulsory Automobile Liability Insurance and voluntary automobile insurance, in line with the raising of the current non–life insurance premium tax deductible limits.

3. To cope with the changes arising from liberalization

(1) Introduction of exceptions to the taxation rules concerning specific transactions of non–life insurance companies

To introduce exceptions to the said rules, which will allow non–life insurance companies to make term–end valuations based on a market value method concerning securities, financial derivatives, etc. which are designated as specific transactions, thus placing the non–life insurance companies on an equal footing with banks, etc.

(2) Raising of tax–exempt limits on the Zaikei Savings System

To raise the present tax–exempt limits on the Zaikei Savings (i.e. Assets Formation) System from ¥5.5 million to ¥10 million for Zaikei Housing Savings, from ¥3.85 million to ¥7 million for Zaikei Pension Savings, and from ¥5.5 million to ¥10 million for both combined.

(3) Establishment of tax measures concerning defined–contribution pension plans

To take tax measures which will respond to the introduction of defined–contribution pension plans, such as a tax exemption at the time of contribution and deferment of taxation for the arising investment income.   This recognizes its important role as a means of ensuring retirees' income.

(4) Extension of carry–over period of business deficits and introduction of consolidated tax liability system

To extend the carry–over period of business deficits as protection against huge deficits caused by catastrophe and other losses, and to introduce a consolidated tax liability system for new business operated through subsidiary companies.

(5) Establishment of a taxation system relating to holding companies

a. To create a taxation system applicable to holding companies so as to ensure the smooth introduction of a holding company system in the event of the introduction of a stock exchange plan which is currently under deliberation at the Legislative Council.

b. To establish a taxation system which will help the demutualization of mutual non–life insurance companies.

13. Chronology

Year	Organizations	Classes of Non–Life Insurance Started
1859	● Non–life insurance business was started in Yokohama by a foreign insurance company.	
1867	● Yukichi Fukuzawa (scholar) introduced Occidental insurance practices to Japan through his book entitled “Guide to Western Countries”.	
1869	● The customs office in Kanagawa undertook the indemnification of fire and other losses of bonded goods. (Origin of fire insurance in Japan)	
1873	● The *Honin–sha*, established for the development of Hokkaido, undertook cargo insurance. (Origin of marine insurance in Japan)	
1877	● Daiichi Nippon Bank started marine underwriting.	
1878	● The first marine insurance company in Japan was granted an operating license.	
1879	● The first marine insurance company in Japan started its operations.	● Marine cargo insurance
1883		● Marine hull insurance
1887	● The first fire insurance company in Japan was granted an operating license.	● Ordinary fire insurance
1888	● The first fire insurance company in Japan started its operations.	
1893		● Inland transit insurance
1895	● The Japanese Society of Insurance Science was formed.	
1898	● The Commercial Code was enacted. (The insurance industry was made subject to licensing. The basis of insurance supervision and administration was firmly established.)	
1899	● The Commercial Code including the Insurance Contract Law was reenacted, and the Enforcement Law of Commercial Code including the Insurance Supervisory Law was enacted.	
1900	● The Insurance Business Law was published and enacted. ● An insurance division was established in the Commerce and Industry Bureau of the Ministry of Agriculture and Commerce to supervise insurance.	
1904		● Credit insurance (Incorporated into fidelity credit insurance in January 1973)

1907	● The Fire Insurance Association was formed with 5 member companies. A nationwide tariff agreement was enacted, but was subsequently abolished in 1912.	
1908		● Boiler insurance (Incorporated into boiler and turbo–set insurance in December 1962)
1910	● The first personal accident insurance company in Japan was licensed.	
1911		● Ordinary personal accident insurance
1914	● The War–Time Marine Insurance Indemnification Law was published. (Abolished in September 1917) ● The Fire Insurance Association was reorganized with 16 members.	● Automobile insurance
1916	● The Fire Insurance Association was renamed the Dai–Nippon Fire Insurance Association.	● Theft insurance
1917	● The Joint Fire Insurance Association of Japan was established, and nationwide fire tariff rates were introduced.	
1920	● The Japan Marine Underwriters' Association was established.	● Forest fire insurance
1923	● The Great Kanto Earthquake occurred.	
1925	● The Ministry of Agriculture and Commerce was split into the Ministry of Commerce and Industry and the Ministry of Agriculture and Forestry. Insurance supervision came under the jurisdiction of the Ministry of Commerce and Industry.	
1926		● Glass insurance
1927	● The Hull Insurers' Union was established.	
1933	● The Non–Life Insurance Institute of Japan was established.	
1936		● Aviation insurance
1938		● Windstorm and flood insurance ● Fire business interruption insurance
1939	● The Insurance Business Law (Amended) was published. ● The Joint Fire Insurance Association of Japan was reorganized as the Dai–Nippon Fire Insurance Association (2nd).	
1940	● The Insurance Business Law (Amended) was enacted. ● "State–Run Non–Life Reinsurance Law" was enacted. (Abolished in February 1945)	

1941	● The Marine and Fire Insurance Association of Japan was established, amalgamating the Dai–Nippon Fire Insurance Association and several marine insurance organizations. ● Supervisory jurisdiction was transferred from the Ministry of Commerce and Industry to the Ministry of Finance. ● "Expedient Measures Law for War Risk Insurance" was published. (Abolished in February 1944)	
1942	● The Marine and Fire Insurance Association of Japan was dissolved and the Non–Life Insurance Control Association was founded.	
1943	● "Death and Bodily Injury by War Risks Insurance Law" was published. (Abolished in December 1945)	
1944	● "War–Time Special Non–Life Insurance Law" was published in place of "Expedient Measures Law for War Risk Insurance". (Abolished in December 1945)	
1945	● "The Central Association of Non–Life Insurance Law" was published. ● The Central Association of Non–Life Insurance was founded. (Terminated in September 1947) ● The "Non–Life Insurance Control Association" was dissolved and the "Central Association" took over its business.	
1946	● The Marine and Fire Insurance Association of Japan was reestablished.	
1947	● Fire insurance tariff rates were sharply raised.	● "Kyotsu" group personal accident insurance ● Racing–horse insurance
1948	● The Marine and Fire Insurance Association of Japan was incorporated. ● The Law concerning the Control of Insurance Soliciting was published and enacted. ● The Law concerning Non–Life Insurance Rating Organizations was published and enacted. ● The Fire and Marine Insurance Rating Association of Japan was established. (This Association was renamed the Property and Casualty Insurance Rating Organization of Japan on April 1, 1996.)	
1949	● The Law concerning Foreign Insurers was published and enacted. ● Dwelling risks' rates were introduced in fire insurance tariffs (20% lower than the general risks).	● Workers' accident compensation liability insurance
1950	● The Federation of All Japanese Non–Life Insurance Agency Associations was founded. ● The Marine and Fire Insurance Association of Japan was admitted as a member of the International Union of Marine Insurance.	

1951		● Bid guarantee insurance ● Performance guarantee insurance
1952	● The fire prevention contribution scheme was started. ● The Fire Insurance Agency Classification System was started.	
1953		● Shipowners' liability endorsement for passengers' personal accident ● "Kan–i" traffic personal accident insurance ● General liability insurance
1954		● Long–term fire insurance endorsement
1955	● The Automobile Liability Security Law ("CALI" Law) was published and enacted, and the CALI Council, an advisory organ to the Finance Minister, was established.	● Extended coverage endorsement for explosion (Abolished in June 1984) ● Fire insurance for mortgagee's interest ● Extra living expenses coverage endorsement (Abolished in April 1979) ● Compulsory automobile liability insurance (Limit of liability for death was ¥300 thousand) ● Declaration policy endorsement
1956	● Compulsory Automobile Liability Insurance system started. ● The Union of Machinery Insurers of Japan was established.	● Machinery insurance ● Erection insurance ● School children group personal accident endorsement ● Earthquake risk coverage endorsement (for commercial risks) ● Windstorm and flood risks coverage endorsement (for commercial risks)
1957		● Fire insurance for small amount (Abolished in June 1973) ● Premises liability insurance ● Contractors' liability insurance ● Products liability insurance ● Elevator liability insurance ● Automobile repairers' and garage–keepers' liability insurance ● Personal liability insurance ● Sports liability insurance
1958		● Ski and skate tour accident endorsement (Incorporated into ordinary personal accident insurance in October 1975) ● Athletes group personal accident endorsement ● Mountaineering travel personal accident endorsement (Incorporated into ordinary personal accident insurance in June 1979) ● Golfers insurance

1958		● Shipowners' liability insurance for passengers' personal accident ● Monthly payment fire insurance
1959	● The Insurance Council was established.	● Hunters insurance
1960	● The Japan Atomic Energy Insurance Pool was established. ● The CALI limit on death was raised from ¥300 thousand to ¥500 thousand.	● Atomic site liability insurance ● Atomic transport liability insurance ● Contractors' all risks (building works) insurance ● Householders comprehensive insurance
1961		● Installment sales credit insurance ● Loss of time insurance (hull) ● Monthly payment householders comprehensive insurance ● Movables comprehensive insurance ● Train risks coverage endorsement
1962	● The 1st Conference of the East Asian Insurance Congress was held in Tokyo. ● The Marine and Fire Insurance Association of Japan instituted a sales campaign for fire insurance by setting the month of November as the "Month of Fire Insurance". (In 1965 the "Month of Fire Insurance" was renamed the "Month of Non–Life Insurance".)	● Storekeepers comprehensive insurance ● Mink insurance ● Ship repairers' liability insurance ● Domestic travelers' personal accident insurance ● Domestic air travelers' personal accident insurance
1963	● The Japanese Hull Insurers' Union was established. ● The Insurance School of the Pacific (ISP) was started.	● Fire mutual insurance ● Doctors' liability insurance ● Building endowment insurance
1964	● The Automobile Insurance Rating Association of Japan was established. (This Association renamed the Automobile Insurance Rating Organization of Japan on April 1, 1996.) ● The CALI limit for death was raised from ¥500 thousand to ¥1 million. ● The Non–Life Insurance Premium Tax Deduction System was admitted in the Income Tax Law. (Limits on deductions : Long–term policy ; ¥7,500, Short–term policy ; ¥1,500) ● The traffic accident prevention fund scheme was started. ● The Federation of All Japanese Non–Life Insurance Agency Associations was incorporated.	● Endorsement for replacement value on dwelling risks ● Atomic material damege insurance
1965	● The Marine and Fire Insurance Association of Japan extended the scope of its consulting functions for policyholders. (The Non–Life Insurance Consulting Department and the Non–Life Insurance Arbitration Committee were set up.) ● The Non–Life Insurance Premium Tax Deduction System was comprehensively introduced. (Limits on deductions : Long–term policy ; ¥10,000, Short–term policy ; ¥2,000)	● "Beloved baby" insurance

1966	● The Law concerning Earthquake Insurance (in respect to dwelling risks only) was published and enacted. ● The CALI limit for death was raised from ¥1 million to ¥1.5 million. ● Motorbike owners were required to take out CALI.	● Earthquake insurance on dwelling risks (Limits of insured amount : ¥900 thousand for building and ¥600 thousand for contents) ● Infant insurance
1967	● The CALI limit for death was raised from ¥1.5 million to ¥3 million.	● Municipalities' group traffic personal accident insurance for their citizens ● Rent coverage endorsement ● Traffic personal accident insurance
1968		● LP gas dealers' liability insurance ● Long–term comprehensive insurance ● Automobile drivers' liability insurance ● Maturity refund long–term insurance ● Employees' housing loan credit insurance ● Apartment dwellers insurance ● Fishing trip insurance ● Hotel owners' liability insurance
1969	● The non–life insurance business was designated as the "1st class capital investment liberalized business" under the government economic policy. ● The Insurance Council submitted the recommendations to the Minister of Finance under the title of "What insurance supervision should be in the future with particular emphasis on liberalization". ● The CALI limit for death was raised from ¥3 million to ¥5 million.	● Ordinary personal accident mutual insurance ● Traffic personal accident mutual insurance
1970	● The International Insurance Seminar (IIS) was held in Tokyo. ● The International Union of Aviation Insurers was held in Kyoto.	● Traffic personal accident insurance with annuity
1971		● Architects' liability insurance ● Comprehensive personal accident insurance ● Personal accident insurance for Sports Safety Association ● Certified public accountants' liability insurance ● Housing loan guarantee insurance
1972	● In place of the traffic accident prevention fund scheme, the traffic accident prevention contribution scheme was established. ● The limits on the insured amounts for earthquake insurance on dwelling risks were raised to ¥1.5 million for building and to ¥1.2 million for contents. ● The Insurance School (Non–Life) of Japan (ISJ) was started.	● Credit card theft insurance ● Employers' liability for industrial accident insurance ● Workers' accident compensation insurance ● Overseas travelers comprehensive insurance ● Atomic–powered vessel operators' liability insurance ● Drive others' cars endorsement ● Overseas travel loan credit insurance (Incorporated into personal loan credit insurance in June 1979)

1972		● Pharmacists' professional liability insurance
1973	● The 1st Non–Life Insurance Industry Representative Mission to China was sent. ● The Non–Marine Agency System was started. ● Non–life insurance business was designated as the "100% capital investment liberalized business". ● The CALI limit for death was raised from ¥5 million to ¥10 million.	● Fidelity credit insurance ● Government workers' housing loan credit insurance ● Personal loan credit insurance ● Travel agents' liability insurance ● Family traffic personal accident insurance ● Contractors' all risks (civil engineering works) insurance ● Monthly payment family traffic personal accident insurance ● Dwelling house fire insurance
1974	● The Non–Life Insurance Premium Tax Deduction System was improved. (Limits of deductions : Long–term policy ; ¥15,000, Short–term policy ; ¥3,000)	● Family automobile policy (F.A.P.) (Abolished in January 1976) ● "Bicology" insurance ● Income indemnity insurance ● Surety bonds ● Traffic personal accident long–term insurance with annuity ● Overseas travelers' personal accident insurance ● Ladies comprehensive insurance ● Travel agents' expenses insurance ● Store business interruption insurance ● Family traffic personal accident insurance with maturity refund
1975	● The Marine and Fire Insurance Association of Japan began traffic accident prevention and victims protection campaign. ● The limits on the insured amounts for earthquake insurance on dwelling risks were raised to ¥2.4 million for building and ¥1.5 million for contents. ● The Insurance Council submitted to the Minister of Finance the recommendations entitled "What the insurance business should be in the future". ● The CALI limit for death was raised from ¥10 million to ¥15 million. ● The International Union of Marine Insurance Tokyo Conference was held.	● Limited coverage endorsement for vehicles' own damage ● Commercial automobile policy (C.A.P.) (Abolished in January 1976) ● Garden insurance ● Oil pollution liability insurance ● Yacht and motorboat comprehensive insurance ● Umbrella liability insurance ● Computer comprehensive insurance ● Data processors' liability insurance (Renamed Data servicing distributors and electric telecommunicators professional liability insurance in September 1988) ● Endorsement for value agreement on dwelling risks (replacement cost value on building and actual cash value on house–hold property) ● Private automobile policy (P.A.P.) (Renamed Package Automobile Policy in July 1991) ● Automobile agreed value insurance

1976	● The Conference of the International Machinery Insurers' Association was held in Kyoto. ● The International Congress of Actuaries was held in Tokyo.	● University students' education and research personal accident insurance ● Sports accident compensation insurance (Renamed accident compensation insurance in July 1983) ● Lawyers' liability insurance ● Travelers' check comprehensive insurance ● Hotel guests' liability insurance
1977		● Exclusive sales agents guarantee insurance ● Trim insurance ● Small cargo inland transit insurance ● Maturity refund comprehensive insurance
1978	● The CALI limit for death was raised from ¥15 million to ¥20 million.	● Fire prevention equipment maintenance companies' liability insurance
1979	● The Insurance Council submitted its recommendations to the Finance Minister under the title of "Revisions of the Earthquake Insurance System".	● PTA management liability insurance ● Workers' accident comprehensive insurance
1980	● The Federation of All Japanese Non–Life Insurance Agency Associations was reorganized to become the "Independent Insurance Agents of Japan, Inc.". ● The Law concerning Earthquake Insurance was partially revised to improve earthquake insurance system on dwelling risks. (The limits on the insured amounts were raised to ¥10 million for building and ¥5 million for contents.) ● The New Non–Marine Agency System was introduced.	● Vocational trainees' personal accident insurance ● Bicycle comprehensive insurance ● Government workers' general loan credit insurance ● "Economy" automobile physical damage endorsement ● PTA group personal accident insurance
1981	● The "Hull War Risks Reinsurance Pool" was established. ● The Insurance Council submitted to the Finance Minister its recommendations on "What the non–life insurance business should be in the future". ● The 1st Non–Life Insurance Convention was held. (Held every year afterwards) ● The International Union of Aviation Insurers Tokyo Conference was held. ● The fire prevention contribution scheme and the traffic accident prevention contribution scheme were partially revised and renamed the fire prevention fund scheme and the traffic accident prevention fund scheme respectively.	● Silver–aged talents center group personal accident insurance ● Professional school students' personal accident insurance ● Tenants' liability endorsement ● Storekeepers' liability endorsement ● Family bike liability endorsement ● Satellite insurance ● Endorsement for performance guarantee insurance for work in prison ● Personal blanket liability insurance
1982	● The 2nd Non–Life Insurance Industry Representative Mission to China was sent. ● The Japan–Foreign Insurance Committee (JAFIC) was set up. ● The 11th Conference of the East Asian Insurance Congress was held in Tokyo.	● "Hole–in–one expenses" endorsement to golfers insurance ● Students comprehensive insurance ● Personal accident insurance for riders of bicycles bearing T.S. mark ● Tennis players comprehensive insurance ● Family workers' accident compensation insurance

1982		● Dwelling–houses quality guarantee liability insurance ● Laundries' liability insurance ● Miscellaneous pecuniary loss insurance ● Special automobile policy (S.A.P.) ● Family personal accident insurance
1983	● The Clauses Sub–committee, a working party of the Consumers Policy Committee of the National Life Council, reviewed various non–life insurance policy conditions. ● The crime prevention measures conferences composed of the police and non–life insurance industry were founded throughout the country.	● Bankers' blanket policy ● Snow damage coverage endorsement ● Overseas resident representatives comprehensive insurance ● Exposition comprehensive insurance ● Extended coverage endorsement for falling objects of lumps of ice, etc. ● Non–occupational accident coverage endorsement to workers' accident comprehensive insurance ● Insurance gift coupons ● Domestic travelers comprehensive insurance ● Package tour insurance for travel agents (Renamed travel agents' special compensation insurance in April 1996) ● Ski and skate comprehensive insurance ● Package policy ● Employees' general loan credit insurance ● Baseball team insurance (Incorporated into sports team comprehensive insurance in December 1990)
1984	● The National Life Council reported on the "simplification of non–life insurance policy conditions".	● "Juku" comprehensive insurance ● Family traffic and "light sports" personal accident insurance with maturity refund ● Insurance for cost of control of oil wells, etc. in land areas ● Movables comprehensive insurance with maturity refund ● Comprehensive home insurance with maturity refund ● Storekeepers' liability insurance ● Ladies insurance with maturity refund ● Condominium or apartment dwellers comprehensive insurance with maturity refund ● Apartment dwellers comprehensive insurance with maturity refund ● Robot comprehensive insurance ● Store business interruption insurance with maturity refund

1985	● The CALI limit for death was raised from ¥20 million to ¥25 million. ● The International Union of Marine Insurance Tokyo Conference was held.	● "Tanshinsha" comprehensive insurance ● Newly–married couple insurance ● Condominium repair cost reserve insurance ● Coastwise cargo liability insurance ● Medical expenses insurance
1986	● The Conference of the International Machinery Insurers Association was held in Tokyo. ● Non–Life Insurance Data Communications Network started operation.	● "Trunk room" extended coverage endorsement to fire insurance ● Endorsement for coverage of personal injuries to automobile passengers with seat belt fastened ● Ordinary personal accident insurance with maturity refund ● Family personal accident insurance with maturity refund ● Additional endorsement for ordinary personal accident insurance with maturity refund ● Family sports comprehensive insurance ● Special clauses class No. 6 of hull insurance
1987	● The Insurance Council submitted its recommendations to the Minister of Finance under the title of "What the non–life insurance industry ought to be in a new era". ● Personal accident insurance and medical expenses insurance were newly added to the subject of non–life insurance tax deductions.	● Livestock feed sales credit insurance ● Endorsement for replacement–cost–value–agreement on building and household property ● Old people's club group personal accident insurance ● Endorsement for payment of claims (Fire insurance deductible system) ● Women part–timers insurance ● Juvenile comprehensive insurance ● Juvenile comprehensive insurance with maturity refund ● Endorsement for extra expenses of stolen passport ● Certified public tax accountants' liability insurance
1988	● The Marine and Fire Insurance Association of Japan established Izu Training Center. ● Non–life insurance companies were designated to "Zaikei" savings handling financial institutions.	● Zaikei savings personal accident insurance ● Zaikei pension personal accident insurance ● Zaikei housing loan personal accident insurance ● Zaikei benefits personal accident insurance ● Zaikei fund personal accident insurance ● Endorsement for coverage of personal injuries to automobile passengers with seat belt fastened (for credit card holders) ● Community activities comprehensive insurance ● "Emergency shutdown coverage endorsement" to fire insurance ● Rent credit insurance for private home-owners

1988		● Holiday leisure comprehensive insurance ● Holiday leisure comprehensive insurance with maturity refund ● "Delayed start of business" insurance ● Franchise chain comprehensive insurance ● Nurses' liability insurance ● Active life comprehensive insurance ● Active life comprehensive insurance with maturity refund
1989	● Non–life insurance companies started the over–the–counter selling of government bonds. ● The Comprehensive Committee was set up under the Insurance Council. ● The 3rd Non–Life Insurance Industry Representative Mission to China was sent. ● Agreement was made with the Japan Medical Association on the standards for payment of medical expenses under CALI.	● Married couples comprehensive insurance ● Married couples comprehensive insurance with maturity refund ● Nursing care expenses insurance ● New ladies insurance with maturity refund ● Cultural properties comprehensive insurance ● School excursion comprehensive insurance ● Comprehensive insurance for homeowners with maturity refund ● Pleasure fishing boat owners and operators comprehensive insurance ● Surveyors' liability insurance ● PTA liability insurance ● Weather insurance for golf courses ● Livestock product sales credit insurance
1990	● The Non–Life Insurance Premium Tax Deduction System was admitted in the Local Tax Law. (Limits on deductions : Long–term policy ; ¥10,000, Short–term policy ; ¥2,000) ● The Marine and Fire Insurance Association of Japan sent market research missions to the United States and European countries. ● The Comprehensive Committee of the Insurance Council made an interim report entitled "Role of the Insurance Industry". ● The Non–Life Insurance Institute of Japan was reorganized.	● Network interruption insurance ● Security guards' liability insurance ● Rice wholesalers' credit insurance ● Emergency homecoming expenses insurance ● Administrative scriveners' liability insurance ● Products recall expenses insurance ● "Jitsunen" long–term personal accident insurance with maturity refund ● Secured life personal accident insurance with maturity refund ● Nursing care expenses insurance with maturity refund ● Income indemnity insurance with maturity refund ● Workers' accident comprehensive insurance with maturity refund ● Directors' and officers' liability and company reimbursement policy ● Shopkeepers' association comprehensive coverage endorsement ● Advance loss of profit insurance ● Sports team comprehensive insurance ● Recreational facilities expenses insurance

1991	● Following revisions to the Law concerning Earthquake Insurance, the Earthquake Insurance System was modified. ● The CALI limit for death was raised from ¥25 million to ¥30 million. ● The Insurance School (Non–Life) of Japan Advanced Course was started. (In line with the establishment of this course, the existing course which started in 1972 was renamed "The Insurance School (Non–Life) of Japan General Course".) ● The Non–Life Insurance Round Table with membership drawn from academics and interest groups was organized. ● A "Code of Conduct" for the non–life insurance industry was devised.	● Building endowment comprehensive insurance ● Sunrise personal accident insurance with maturity refund ● Retirement home's association credit insurance ● Civil engineering completed risks insurance ● Tour conductors' liability insurance ● Physical therapists' professional liability insurance ● New life personal accident insurance with maturity refund ● Comprehensive corporate expenses and profits insurance ● Foreign trainees endorsement ● Sweet home insurance with maturity refund
1992	● The Insurance Council submitted its recommendations to the Minister of Finance under the title of "The New Course of Insurance Business". ● The International Union of Aviation Insurers Kyoto Conference was held.	● Rent insurance with maturity refund ● Shopkeepers comprehensive insurance with maturity refund ● Contract implementation expenses insurance ● Nursing carers' professional liability insurance ● Environmental impairment liability insurance ● Emergency lifesaving technicians' liability insurance ● Maturity refund personal accident insurance with flexible termination designation ● Individual annuity and accident insurance ● Tenant comprehensive insurance ● Membership business guarantee pool insurance ● Ski resort comprehensive liability insurance ● Land readjustment credit insurance ● UNPKO personal accident insurance ● Weather insurance for ski resorts
1993	● The 1st session of the ISJ Overseas Seminar was held in Hong Kong and Bangkok. ● The International Insurance Society held its annual session in Tokyo.	● Campers insurance ● Wheelchair users comprehensive insurance
1994	● The Insurance Council submitted its report "On the Amendments of Insurance–Related Laws" to the Minister of Finance. ● 21 domestic non–life insurance companies joined the Japan Securities Dealers Association. ● Agreement on "Measures by the Government of Japan and the Government of the United States Regarding Insurance" was reached.	● Intellectual property dispute legal expenses insurance ● Personal accident insurance for group contracts with maturity refund ● Commercial credit insurance

1995	● The Great Hanshin–Awaji Earthquake occurred. ● The new Insurance Business Law was published. ● The International Union of Marine Insurance Tokyo Conference was held.	● Products liability insurance for small– and medium–sized enterprises ● Electric appliances extended warranty coverage endorsement ● Performance bond for public construction works ● "Better–life" personal accident insurance with maturity refund ● Savings comprehensive insurance with annual refund ● Social insurance labor consultant professional liability ● Comprehensive snow sports coverage endorsement to the ski and skate comprehensive insurance
1996	● In line with the revisions to the Law concerning Earthquake Insurance, the Earthquake Insurance System was modified. (The limits on the insured amounts were raised to ¥50 million for building and ¥10 million for contents.) ● The new Insurance Business Law was enacted. ● The Non–Life Insurance Agency System was started. ● The Policyholders' Protection Fund for Non–Life Insurance Companies was established. ● Training programs and qualification examinations for insurance brokers were held. ● Mutual entry between the life and the non–life insurance business was started through the subsidiaries. ● Supplementary Measures by the Government of Japan and the Government of the United States Regarding Insurance was concluded.	● Volunteer activities insurance ● Insurance broker bond ● Travel itinerary booking guarantee liability insurance ● Gaikokuho–Jimu–Bengoshi liability insurance ● Independent power producer's bond
1997	● The Japanese Hull Insurers' Union was dissolved. ● The Insurance Council submitted its report "On the Review of the Directions of the Insurance Business".	● Environmental impairment liability insurance for waste generator ● Golf competition insurance ● Brokers liability insurance ● New family life comprehensive insurance ● New family life comprehensive insurance with maturity refund ● New fire mutual insurance ● New ordinary personal accident mutual insurance ● New traffic personal accident mutual insurance
1998	● The structures and the roles of the Marine and Fire Insurance Association was reviewed. ● Financial Supervisory Agency was established. ● The Insurance Business Law was revised and published. ● The Law concerning Non–Life Insurance Rating Organizations was revised and enacted.	

14. Non–Life Insurance Organizations

- ***Property and Casualty Insurance Rating Organization of Japan (established in 1948)***
  Established under the Law concerning Non–Life Insurance Rating Organizations, this Organization calculates reference pure risk premium rates for fire and personal accident insurance, and a standerd premium rate for earthquake insurance on dwelling risks. It has 34 domestic and 23 foreign companies as its members.
  (Address : 31–19, Shiba 2–Chome, Minato–Ku, Tokyo 105–0014. Tel. : 03–5441–1228. Fax :03–5441–1274.)

- ***Automobile Insurance Rating Organization of Japan (established in 1964)***
  This Organization was established under the Law concerning Non–Life Insurance Rating Organizations to focus its attention on the rating of Compulsory Automobile Liability Insurance (CALI) and voluntary automobile insurance. This Organization currently calculates reference pure risk premium rates for voluntary automobile insurance and a standard premium rate for CALI. It maintains survey offices at major cities throughout the nation for settlement of CALI claims. Membership includes 33 domestic and 21 foreign companies.
  (Address : Tokyo Tenrikyokan Bldg., 9, Kanda Nishikicho 1–Chome, Chiyoda–Ku, Tokyo 101–0054. Tel. : 03–3233–4771. Fax : 03–3295–9296.)

- ***Japan Atomic Energy Insurance Pool (established in 1960)***
  This Pool acts as a joint underwriting office and a reinsurance pool. 31 domestic and 13 foreign companies are represented.
  (Address : Non–Life Insurance Bldg., Annex, 7, Kanda Awajicho 2–Chome, Chiyoda–Ku, Tokyo 101–0063. Tel. : 03–3255–1231. Fax : 03–3258–8689.)

- ***Independent Insurance Agents of Japan, Inc. (established in 1950)***
  This Organization was founded to help professional agents establish and improve their professional status.
  (Address : Hibiya Park Bldg. 508, 8–1, Yurakucho 1–Chome, Chiyoda–Ku, Tokyo 100–0006. Tel. : 03–3201–2745. Fax : 03–3201–4639.)

- ***The Non–Life Insurance Institute of Japan (established in 1933)***
  Established with the object of contributing to the further development of non–life insurance, the Institute is responsible for study, research, and education.
  (Address : Non–Life Insurance Bldg., 9 Kanda Awajicho 2–Chome, Chiyoda–Ku, Tokyo 101–8335. Tel. : 03–3255–5511. Fax : 03–3255–1449.)

- ***The Foreign Non–Life Insurance Association (established in 1947)***
  This Association was established in 1947 to promote the sound development of the non–life insurance industry in general and the foreign non–life insurance industry in particular in Japan, and to maintain close liaison and build relationships among foreign non–life insurers operating in Japan. The membership presently stands at 24.
  (Address : #204 Azabudai Uni House, 1–1–20 Azabudai, Minato–Ku, Tokyo 106–0041. Tel. : 03–3224–0254. Fax : 03–3224–0326.)

(Note) The figures above are as of December 1, 1998.

15. Directory

Licensed Domestic Companies
(35 Companies as of December 15, 1998)

- **Allianz Fire & Marine Insurance Japan Ltd.** MITA N.N. Bldg. 4F, 1–23, Shiba 4–Chome, Minato–Ku, Tokyo 108–0014. Tel. : 03–5442–6500. Fax : 03–5442–6509. E–mail : admin @ allianz. co. jp

- **Allstate Property and Casualty Insurance Japan Co., Ltd.** 2F., Hibiya Daibiru Bldg. 2–2, 1–Chome, Uchisaiwaicho, Chiyoda–Ku, Tokyo 100–0011. Tel. : 03–3539–9000. Fax : 03–3539–9004.

- **The Asahi Fire & Marine Insurance Co., Ltd.** 6–2, Kajicho 2–Chome, Chiyoda–Ku, Tokyo 101–8655. Tel. : 03–3254–2211. Fax : 03–3254–2296. E–mail : asahifmi @ blue. ocn. ne. jp

- **AXA Non–Life Insurance Co., Ltd.** Ariake Frontier Bldg. Tower A, 3–1–25 Ariake Koto–Ku, Tokyo 135–0063. Tel. : 03–3570–8900. Fax : 03–3570–8911.

- **The Chiyoda Fire & Marine Insurance Co., Ltd.** 28–1, Ebisu 1–Chome, Shibuya–Ku, Tokyo 150–8488. Tel. : 03–5424–9288. Fax : 03–5424–9382. Telex : 24975 CHIYOFR J. URL : http // www. chiyoda–fire. co. jp /

- **CIGNA Accident & Fire Insurance Co., Ltd.** Akasaka Eight–One Bldg., 13–5, Nagata–cho 2–Chome, Chiyoda–Ku, Tokyo 100–0014. Tel. : 03–5620–8730. Fax : 03–5620–8880.

- **The Daido Fire & Marine Insurance Co., Ltd.** Okinawa head office : 12–1, Kumoji 1–Chome, Naha, Okinawa 900–8586. Tel. : 098–867–1161. Fax : 098–862–8362. Tokyo branch office : 2–7, Kanda Sudacho 1–Chome, Chiyoda–Ku, Tokyo 101–0041. Tel. : 03–3254–7517. Fax : 03–3254–4174.

- **The Daiichi Mutual Fire & Marine Insurance Co.** 5–1, Nibancho, Chiyoda–Ku, Tokyo 102–0084. Tel. : 03–3239–0011. Fax : 03–5999–0375. Telex : 26554 DITIFIRE J.

- **The Dai–ichi Property & Casualty Insurance Co., Ltd.** Hirakawacho, 1–2–10 Chiyoda–Ku, Tokyo 102–0093. Tel. : 03–5213–3124. Fax : 03–5213–3306.

- **The Dai–Tokyo Fire & Marine Insurance Co., Ltd.** 25–3, Yoyogi 3–Chome, Shibuya–Ku, Tokyo 151–8530. Tel. : 03–5371–6122. Fax : 03–5371–6248. URL : http: // daitokyo. index. or. jp /.

- **The Dowa Fire & Marine Insurance Co., Ltd.** Tokyo head office : St. Luke's Tower, 8–1, Akashi–cho, Chuo–Ku, Tokyo 104–8556. Tel. : 03–5550–0254. Fax : 03–5550–0318. Telex : J22852 DOWAFIRE. Osaka head office : 15–10, Nishi–Tenma 4–Chome, Kita–Ku, Osaka 530–8555. Tel. : 06–363–1121. Fax : 06–363–7519. URL : http: // www. dowafire. co. jp /

- **The Fuji Fire & Marine Insurance Co., Ltd.** Osaka head office : 18–11, Minamisenba 1–Chome, Chuo–Ku, Osaka 542–8567. Tel. : 06–266–7007. Fax : 06–266–7102. Tokyo head office : 12–1, Kandatsukasacho 2–Chome, Chiyoda–Ku, Tokyo 101–0048. Tel. : 03–5295–7633. Fax : 03–5295–7649. URL : http: // www. fujikasai. co. jp

- **The Japan Earthquake Reinsurance Co., Ltd.** The Kobuna–cho Fuji Plaza 4F, 8–1 Nihonbashi Kobuna–cho, Chuo–Ku, Tokyo, 103–0024. Tel. : 03–3664–6107. Fax : 03–3664–6169. E–mail : jishin–a @ db3. so–net. or. jp

- **JI Accident & Fire Insurance Co., Ltd.** Al Bldg., 20–5, Ichibancho, Chiyoda–Ku, Tokyo 102–0082. Tel. : 03–3237–2045. Fax : 03–3237–2250. URL : http: // www. jihoken. or. jp

- **The Koa Fire & Marine Insurance Co., Ltd.** 7–3, 3–Chome, Kasumigaseki, Chiyoda–Ku, Tokyo 100–0013. Tel. : 03–3593–7712. Fax : 03–3593–7325. URL : http: // www. koa. co. jp /

- **The Kyoei Mutual Fire & Marine Insurance Co.** 18–6, Shimbashi 1–Chome, Minato–Ku, Tokyo 105–8604. Tel. : 03–3504–2335. Fax : 03–3508–7680. E–mail : reins.intl @ kyoeikasai. co. jp URL : http: // www. kyoeikasai. co. jp

- **Meiji General Insurance Co., Ltd.** 11–1, Kanda Tsukasamachi 2–Chome, Chiyoda–Ku, Tokyo 101–0048. Tel. : 03–3257–3149. Fax : 03–3257–3299. E–mail : T150652 @ ho. meiji–life. co. jp URL : http: // www. meiji–general. aaapc. co. jp /

- **Mitsui Marine & Fire Insurance Co., Ltd.** 9, Kanda Surugadai 3–Chome, Chiyoda–Ku, Tokyo 101–8011. Tel. : 03–3259–3111. Fax : 03–3291–5467. Telex : 24670 KALMSEA J. URL : http : // www. netforward. or. jp / mitsui

- **Mitsui Seimei General Insurance Co., Ltd.** 1–1, Toranomon 2–Chome, Minato–Ku, Tokyo 105–0001. Tel. : 03–3224–2830. Fax : 03–3224–2857.

- **The Nichido Fire & Marine Insurance Co., Ltd.** 3–16, Ginza 5–Chome, Chuo–Ku, Tokyo 104–0061. Tel. : 03–3289–1066. Fax : 03–3574–0646. E–mail : nichido @ qa2. so–net. or. jp URL : http : // www. mediagalaxy. co. jp / nichido /

- **The Nippon Fire & Marine Insurance Co., Ltd.** 2–10, Nihonbashi 2–Chome, Chuo–Ku, Tokyo 103–8255. Tel. : 03–3272–8111. Fax : 03–5229–3385. URL : http: // www. mediagalaxy. co. jp / nipponfire /

- **The Nissan Fire & Marine Insurance Co., Ltd.** 9–5, 2–Chome, Kita–Aoyama, Minato–Ku, Tokyo 107–8654. Tel. : 03–3746–6515. Fax : 03–3470–1308. Telex : 24983 JASANINS J. E–mail : webmas @ nissan–ins. co. jp URL : http: // www. nissan / ins. co. jp

- **Nissay General Insurance Co., Ltd.** 25th Floor, Shinjuku NS Bldg., 2–4–1, Nishishinjuku, Shinjuku–Ku, Tokyo 163–0888. Tel. : 03–5325–8042. Fax : 03–5325–8149.

- **The Nisshin Fire & Marine Insurance Co., Ltd.** Tokyo head office : KDD Otemachi Bldg. 13–15F, 8–1, Otemachi 1–Chome, Chiyoda–Ku, Tokyo 100–8112. Tel. : 03–3231–8000. Fax : 03–3231–8040. Urawa head office : 7–5, Kamikizaki 2–Chome, Urawa–Shi, Saitama 338–8511. Tel. : 048–834–2570. Fax : 048–834–1406. Telex : (23) 7607599 NISMAR UC. E–mail : nisshin @ mb. infoweb. ne. jp URL : http: // nisshinfire. co. jp

- **Saison Automobile and Fire Insurance Co., Ltd.** Sunshine 60 Bldg., 1–1, Higashi–Ikebukuro 3–Chome, Toshima–Ku, Tokyo 170–6068. Tel. : 03–3988–2572. Fax : 03–3980–7367.

- **Secom Toyo General Insurance Co., Ltd.** 9–15, Nihonbashi–Honcho 1–Chome, Chuo–Ku, Tokyo 103–8420. Tel. : 03–3245–1430. Fax : 03–3271–2670.

- **The Sumi–Sei General Insurance Co., Ltd.** Sumitomo Life Yotsuya Bldg., 8–2 Honshio–Cho, Shinjuku–Ku, Tokyo 160–0003. Tel. : 03–5360–6779. Fax : 03–5360–6991.

- **The Sumitomo Marine & Fire Insurance Co., Ltd.** 27–2, Shinkawa 2–Chome, Chuo–Ku, Tokyo 104–8252. Tel. : 03–3297–6663. Fax : 03–3297–6882. URL : http: // www. sumitomomarine. co. jp

- **The Taisei Fire & Marine Insurance Co., Ltd.** 2–1, Kudan–Kita 4–Chome, Chiyoda–Ku, Tokyo 102–0073. Tel. : 03–3222–3072. Fax : 03–3234–4073. E–mai : saiho @ taiseikasai. co. jp URL : http: // www. taiseikasai. co. jp

- **Taiyo Fire & Marine Insurance Co., Ltd.** 7–7, Nibancho, Chiyoda–Ku, Tokyo, 102–0084. Tel. : 03–5226–3117. Fax : 03–5226–3133.

- **The Toa Fire & Marine Reinsurance Co., Ltd.** 6, Kanda Surugadai 3–Chome, Chiyoda–Ku, Tokyo 101–8703. Tel. : 03–3253–3171. Fax : 03–3253–1208. Telex : 24384 TOARE J.

- **The Tokio Marine & Fire Insurance Co., Ltd.** 2–1, Marunouchi 1–Chome, Chiyoda–Ku, Tokyo 100–8050. Tel. : 03–3285–1900. Fax : 03–5223–3040. Telex : 3722170 STILWA J. URL : http: // www. tokiomarine. co. jp /

- **UNUM Japan Accident Insurance Co., Ltd.** Sanbancho UF Bldg. 2F, 6–3, Sanbancho, Chiyoda–Ku, Tokyo 102–0075. Tel. : 03–5276–5602. Fax : 03–5276–5609.

- **The Yasuda Fire & Marine Insurance Co., Ltd.** 26–1, Nishi–Shinjuku 1–Chome, Shinjuku–Ku, Tokyo 160–8338. Tel. : 03–3349–3111. Fax : 03–5381–7406. Telex : 0232–2790 YASUDA J. URL : http: // www. yasuda. co. jp /

- **The Yasuda General Insurance Co., Ltd.** 29th Floor, Shinjuku MAYNDS Tower, 1–1, Yoyogi, 2–Chome, Shibuya–Ku, Tokyo 151–0053. Tel. : 03–5352–8129. Fax : 03–5352–8213. E–mail : uwdept @ mx7. mesh. ne. jp

Licensed Foreign Companies
(29 Companies as of December 15, 1998)

- **AIU Insurance Company (U. S. A.)** AIG Tokyo Bldg., 1–3, Marunouchi 1–Chome, Chiyoda–Ku, Tokyo 100–8234. Tel. : 03–3216–6611. URL : http: // www. aiu. co. jp

- **American Home Assurance Company (U. S. A.)** AIG Tower 21F, 2–4, Kinshi 1–Chome, Sumida–Ku, Tokyo 130–8560. Tel. : 03–5619–3200. Fax : 03–5619–3153. E–mail : ahamaster @ aig. co. jp URL : http: // www. americanhome. co. jp

- **Ansvar Mutual Insurance Company (Sweden)** Sweden Center, 11–9, Roppongi 6–Chome, Minato–Ku, Tokyo 106–0032. Tel. : 03–3403–9971. Fax : 03–3403–5170.

- **Assicurazioni Generali S.p.A. (Italy)** ARK Mori Bldg. West 30F, 12–32, Akasaka 1–Chome, Minato–Ku, Tokyo 107–6030. Tel. : 03–5562–8691. Fax : 03–5562–8690. E–mail : agjund @ mercury. plala. or. jp

- **Assuranceforeningen GARD–gjensidig (Norway)** Tokyo Sakurada Bldg. 8F, 1–3, Nishi–Shimbashi 1–Chome, Minato–Ku, Tokyo 105–0003. Tel. : 03–3503–9291. Fax : 03–3503–9655.

- **Assurances Generales de France I.A.R.T. (France)** MITA N.N. Bldg. 4F, 1–23, Shiba 4–Chome, Minato–Ku, Tokyo 108–0014. Tel. : 03–5442–6590. Fax : 03–5442–6719.

- **The Britannia Steam Ship Insurance Association Ltd. (U. K.)** 2–5–12 Higashi–Kanda, Chiyoda–Ku, Tokyo 101–0031. Tel. : 03–5821–1688. Fax : 03–5821–1686.

- **Commercial Union Assurance Company plc (U. K.)** Iwanami Shoten Hitotsubashi Bldg. 15F, 5–5, Hitotsubashi 2–Chome, Chiyoda–Ku, Tokyo 101–0003. Tel. : 03–5275–5758. Fax : 03–5275–5740. E–mail : cuj–uw @ ma. kcom. or. jp URL : http: // www. gate–uk. co. jp / company / cu /

- **Eagle Star Insurance Company Ltd. (U. K.)** Urban Toranomon Bldg. 3F, 16–4, Toranomon 1–Chome, Minato–Ku, Tokyo 105–0001. Tel. : 03–3503–2331. Fax : 03–3503–2337.

- **Federal Insurance Company (U. S. A.)** Sumitomo Ichigaya Bldg., 1–1, Ichigaya Honmuracho, Shinjuku–Ku, Tokyo 162–0845. Tel. : 03–3266–1051. Fax : 03–3266–1060. URL : http: // www. chubb. com

- **General Accident Insurance Asia Ltd. (New Zealand)** Iwanami Shoten Hitotsubashi Bekkan 3F, 2–4–4, Hitotsubashi, Chiyoda–Ku, Tokyo 101–0003. Tel. : 03–5275–3501. Fax : 03–5275–3502.

- **Gerling Allgemeine Versicherungs–AG (Germany)** Sanbancho KS Bldg. 7F, 2 Banchi, Sanbancho, Chiyoda–Ku, Tokyo 102–0075. Tel. : 03–5214–1361. Fax : 03–5214–1365. E–mail : gerling @ gerling. co. jp

- **Hyundai Marine & Fire Insurance Company, Ltd. (R. O. K.)** Yurakucho Denki Bldg., 7–1, Yurakucho 1–Chome, Chiyoda–Ku, Tokyo 100–0006. Tel. : 03–3215–3434. Fax : 03–3215–3436.

- **Liberty Mutual Insurance Company (U. S. A.)** Kamiyacho Mori Bldg. 5F, 4–3–20 Toranomon, Minato–Ku, Tokyo 105–0001. Tel. : 03–3431–5575. Fax : 03–3431–5533.

- **The London Assurance (U. K.)** Queen's Tower B, 28F, 2–3–3, Minatomirai, Nishi–Ku, Yokohama–shi, Kanagawa 220–6128. Tel. : 045–682–6600. Fax : 045–682–6601.

- **Lumbermens Mutual Casualty Company (U. S. A.)** Sumitomo Shiba–Daimon Bldg. 8F, 2–5–5 Shiba–Daimon, Minato–Ku, Tokyo 105–0012. Tel. : 03–5408–7755. Fax : 03–5408–7733.

- **The New India Assurance Company, Ltd. (India)** Hibiya Park Bldg., 8–1, Yurakucho 1–Chome, Chiyoda–Ku, Tokyo 100–0006. Tel. : 03–3214–4711. Fax : 03–3201–8045. E–mail : nia @ tokyo–cci. or. jp. URL : http: // www. tokyo–cci. or. jp / member / tbn02c1

- **Odyssey Re (Stockholm) Insurance Corporation (Sweden)** Fukoku Seimei Bldg., 2–2, Uchisaiwaicho 2–Chome, Chiyoda–Ku, Tokyo 100–0011. Tel. : 03–3591–8291. Fax : 03–3591–8294.

- **QBE Insurance (International) Ltd. (Australia)** Tokyo Sakurada Bldg., 1–3, Nishi–Shimbashi 1–Chome, Minato–Ku, Tokyo 105–0003. Tel. : 03–3501–6891. Fax : 03–3501–6890. E–mail : qbe @ gol.com URL : http: // www. qbe. co. jp

- **Royal & Sun Alliance Insurance plc (U. K.)** Marunouchi Mitsui Bldg., 2–2, Marunouchi 2–Chome, Chiyoda–Ku, Tokyo 100–0005. Tel. : 03–3212–3551. Fax : 03–3216–0758.

- **Royal Exchange Assurance (U. K.)** Sumitomo Fudosan Hamacho Bldg. 4F, 42–3, Nihonbashi Hamacho 3–Come, Chuo–Ku, Tokyo 103–0007. Tel. : 03–5643–2671. Fax : 03–3661–1640.

- **The Society of Lloyd's (U. K.)**
  [Lloyd's Japan Inc] Otemachi Financial Center 17F, 5–4, Otemachi 1–Chome, Chiyoda–Ku, Tokyo 100–0004. Tel. : 03–3215–5291. Fax : 03–3215–5295.

- **Transatlantic Reinsurance Company (U. S. A.)** Hibiya Park Bldg. 9F, 1–8–1 Yurakucho, Chiyoda–Ku, Tokyo 100–0006. Tel. : 03–3212–6041. Fax : 03–3212–6046. URL : http: // www. transre. com

- **The United Kingdom Mutual Steam Ship Assurance Association(Bermuda) Ltd. (Bermuda)** Jinbocho TS Bldg., 7–3, Jinbocho 2–Chome, Kanda, Chiyoda–Ku, Tokyo 101–0051. Tel. : 03–3263–8880. Fax : 03–3263–8885. URL : http: // www. ukpandi. com

- **Winterthur Swiss Insurance Company (Switzerland)** 10–2, Shirokanedai 2–Chome, Minato–Ku, Tokyo 108–0071. Tel. : 03–5423–0632. Fax : 03–5423–0623. E–mail : 100470,1230 @ compuserve. com URL : http: // www. swisshotline. co. jp. /

- **Zurich Insurance Company (Switzerland)** Shinanomachi Rengakan, 35 Shinanomachi, Shinjuku–Ku, Tokyo 160–0016. Tel. : 03–5361–2580. Fax : 03–5361–2581.

- **The Travelers Indemnity Company (U. S. A.)**
  [The Nippon Fire & Marine Insurance Company, Ltd.] 2–10, Nihonbashi 2–Chome, Chuo–Ku, Tokyo 103–0027. Tel. : 03–5229–3232. Fax : 03–5229–3385.

- **Malayan Insurance Company, Inc. (The Philippines)**
  [The Tokio Marine & Fire Insurance Company, Ltd.] Planning Group, International Department, 2–1, Marunouchi 1–Chome, Chiyoda–Ku, Tokyo 100–8050. Tel. : 03–3285–1901. Fax : 03–5223–3040.

- **GAN Incendie Accidents (France)**
  [The Yasuda Fire & Marine Insurance Company, Ltd.] 26–1, Nishi–Shinjuku 1–Chome, Shinjuku–Ku, Tokyo 160–8338. Tel. : 03–3349–3773. Fax : 03–3346–3868. E–mail : GanIA @ super. win. or. jp

16. *Outline of the Marine and Fire Insurance Association of Japan, Inc.*

1. History

Prior to the present Association's establishment in 1946, its origin can be traced back to 1917, when the Joint Fire Insurance Association of Japan was founded by domestic and foreign insurance companies then operating in Japan. In 1939 the Joint Association was reorganized as the Dai–Nippon Fire Insurance Association. In 1941 it was amalgamated with several marine insurance organizations, such as the Japan Marine Underwriters' Association and the Hull Insurers' Union, established in 1920 and 1927 respectively, into the former Marine and Fire Insurance Association of Japan consisting of only domestic companies as regular members. The following year, in 1942, its name and functions were changed to the Non–Life Insurance Control Association assisting the government in the control of the industry during a chaotic economic period. Shortly after the hostilities ended, in September 1945, however, this Control Association was dissolved.

The present Marine and Fire Insurance Association of Japan was reestablished on April 1, 1946, by all the domestic non–life insurance companies. On May 1, 1948, it was reorganized as an incorporated body and is, as of December 15, 1998, composed of 33 domestic companies.

(Note) Despite its name, the Marine and Fire Insurance Association of Japan is in substance the non–life insurance association. When the name was registered, "Marine" and "Fire" were the two major classes representative of the then non–life insurance industry in Japan. Even with all the great changes which have taken place since then, the name has remained intact.

2. Objective

The objective of the Association is to promote the sound development and maintain the reliability of the non–life insurance business in Japan.

3. Major Activities

- Representing the non–life insurance industry in the presentation of opinions on business issues confronting the industry
- Research and study on overseas insurance markets, collection of information on their current trends, and dialogue and exchange of views and information with overseas insurance associations, related organizations, etc.
- Promotion of dialogue with consumers such as giving lectures on fire prevention, education for students, and provision of symposiums on fire prevention
- Fire and traffic accident prevention activities such as the donation of fire engines, fire fighting equipment, and traffic accident prevention equipment to local municipalities, etc.
- Counseling and consultation with the public concerning non–life insurance in general and grievance procedures
- Offering information and receiving opinions on non–life insurance
- Education and examination for non–life insurance producers
- Research, collection, and observation of various kinds of laws and regulations pertaining to non–life insurance
- Research and study on various kinds of insurance products, the soliciting system, safety management and loss prevention, etc.
- Research and study on general, accounting, and financial affairs of non–life insurance companies

4. Board Members (As of December 15, 1998)

Chairman		
Mr. Koukei Higuchi	Tokio M & F	(President)
Vice Chairmen		
Mr. Koichi Ariyoshi	Yasuda F & M	(President)
Mr. Koji Fukuda	Chiyoda F & M	(President)
Mr. Yasuo Oda	Fuji F & M	(President)
Mr. Hideji Suzuki	Kyoei Mutual F & M	(President)
Ordinary Directors		
Mr. Eiji Tanaka	Allianz F & M	(Executive Vice President)
Mr. Moriya Noguchi	Asahi F & M	(President)
Mr. Takashi Ohkawa	CIGNA Ac.& F	(Director and Chief Operating Officer)
Mr. Munemasa Ura	Daido F & M	(President)
Mr. Kouichi Hirai	Daiichi Mutual F & M	(President)
Mr. Akira Seshimo	Dai–Tokyo F & M	(President)
Mr. Shuichiro Sudo	Dowa F & M	(President)
Mr. Tsukasa Imura	JI Ac. & F	(President)
Mr. Mutsuharu Okamoto	Koa F & M	(President)
Mr. Takeo Inokuchi	Mitsui M & F	(President)
Mr. Takashi Aihara	Nichido F & M	(President)
Mr. Ken Matsuzawa	Nippon F & M	(President)
Mr. Ryutaro Sato	Nissan F & M	(President)
Mr. Masashi Moriguchi	Nissay General	(President)
Mr. Takayuki Kurotani	Nisshin F & M	(President)
Mr. Tomonori Kanai	Saison A & F	(President)
Mr. Seiji Yamanaka	Secom Toyo General	(President)
Mr. Hiroyuki Uemura	Sumitomo M & F	(President)
Mr. Ichiro Ozawa	Taisei F & M	(President)
Mr. Tsunaie Kanie	Taiyo F & M	(President)
Mr. Takao Isoyama	Tokio M & F	(Executive Vice President)
Mr. Shiro Tsuchiya	Yasuda F & M	(Senior Executive Managing Director)
Vice Chairman		
Mr. Souhei Hidaka	Association	
Executive Director		
Mr. Noboru Araki	Association	
Managing Directors		
Mr. Tamotsu Mori	Association	
Mr. Kazuo Kubota	Association	

Ordinary Directors

Mr. Koichiro Koyanagi	Association	(General Manager of Research & Development Dept.1)
Mr. Nobuo Hara	Association	(General Manager of International Dept.)
Mr. Kentaro Takenaka	Association	(General Manager of Corporate Planning Dept.)

Ordinary Auditors

Mr. Hiroshi Ohashi	Toa F & M Re.	(President)
Mr. Tetsuro Murakami	Japan Earthquake Re.	(President)
Mr. Yoshihiro Masago	Certified Public Accountant	

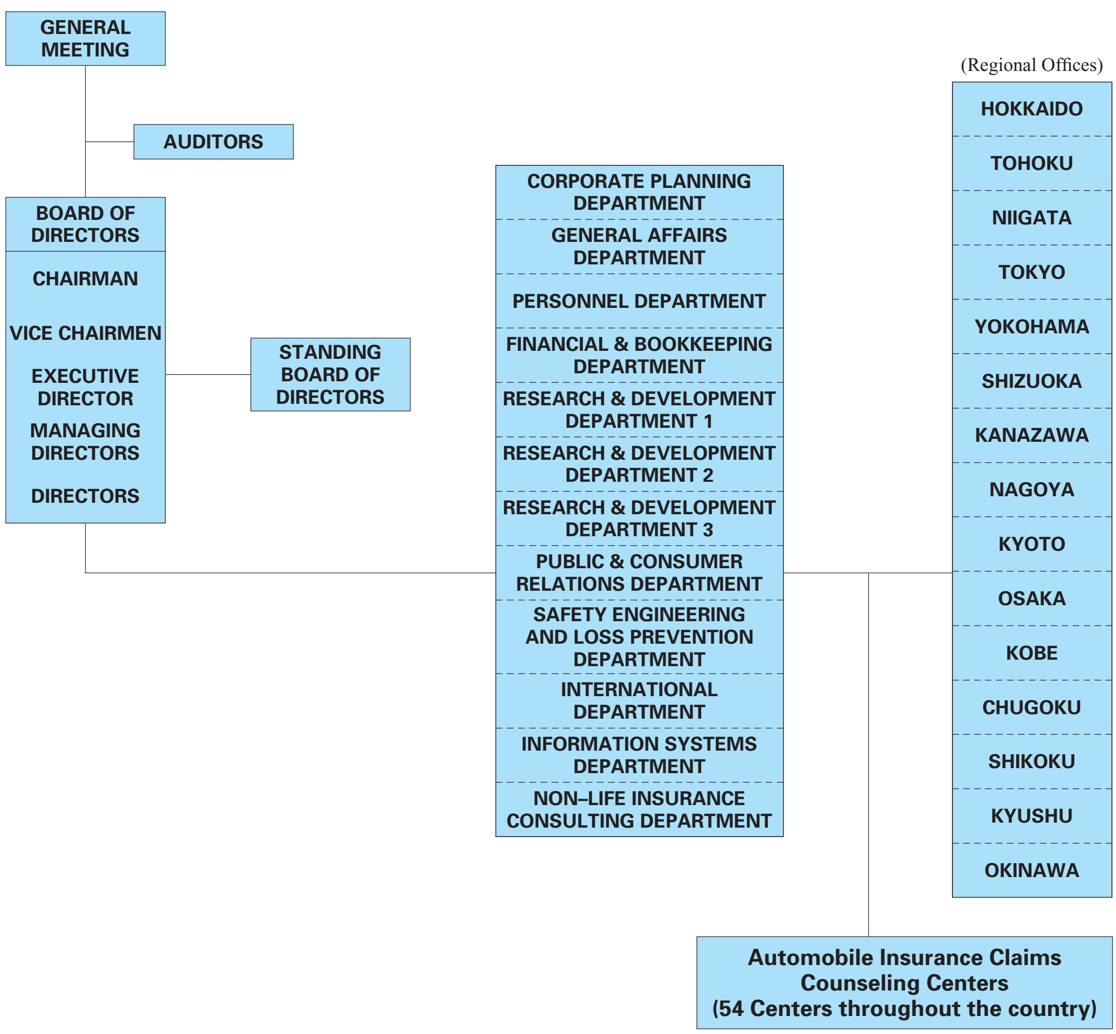
(Abbreviation)

- M & F : Marine and Fire
- F & M : Fire and Marine
- A & F : Automobile and Fire
- Ac. & F : Accident and Fire

5. Employees : Around 390

6. Organization

(As of December 15, 1998)



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