FACT BOOK

NON-LIFE INSURANCE IN JAPAN

1998—1999

FACT BOOK NON-LIFE INSURANCE IN JAPAN 1998 – 1999

THE MARINE AND FIRE INSURANCE ASSOCIATION OF JAPAN, INC.

KEY FIGURES

GENERAL INFORMATION ABOUT JAPAN

	Fiscal 1997		Fiscal 1998
● Population:	125,568,035		125,860,006
(Percentage of People Aged 65 and Over)	(16.0%)		(16.5%)
● GNP (nominal) :	511,525.6 billion yen		501,330.0 billion yen
(real) :	494,151.5 billion yen		484,957.1 billion yen
● GDP (nominal) :	504,986.7 billion yen		494,523.7 billion yen
(real) :	487,834.1 billion yen		478,364.7 billion yen
● Percentage of Workers by Industrial Sector :	Primary Industries	5.4%	5.3%
	Secondary Industries	32.7%	31.3%
	Tertiary Industries	61.9%	62.8%
● No. of Registered Automobiles :	72,856,583		73,688,389

JAPANESE NON-LIFE INSURANCE COMPANIES

	Fiscal 1997	Fiscal 1998
● No. of Domestic Insurers	33	35
● No. of Employees : (Including Management)	98,775	96,114
● No. of Agents :	592,126	593,872
● Total Assets :	31,117.4 billion yen	30,823.7 billion yen
(Total Working Assets) :	(28,536.3 billion yen)	(28,296.9 billion yen)
● Direct Premiums Written :	10,313.7 billion yen	9,622.9 billion yen
(Maturity-Refund-Type Insurance Premiums) :	(2,881.0 billion yen)	(2,474.8 billion yen)
● Net Premiums Written :	7,215.3 billion yen	6,915.0 billion yen
● Net Claims Paid :	3,536.4 billion yen	3,640.6 billion yen
● Net Operating Expenses :	2,830.7 billion yen	2,726.3 billion yen

(Notes) (1) “Domestic Insurers” means locally incorporated companies including foreign-capitalized insurers. As a new insurer has been established in October 1999, the number of “Domestic Insurers” now stands at 36 as of December 15, 1999.

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

FOREWORD

We take pleasure in presenting the “Fact Book, Non-Life Insurance in Japan 1998-1999”, offering an outline of our non-life insurance industry and focusing on its activities during fiscal 1998.

In the Japanese non-life insurance industry, the development of new insurance products and the liberalization of premium rates have been accelerated by the significant reform of the rating organization system on July 1, 1998. With the further promotion of ingenuity, rationalization, and efficient management of individual non-life insurance companies, it is expected that advantages to and the convenience of customers will be further enhanced. In addition, thanks to the enforcement of the Financial System Reform Law on December 1, 1998, the new financial system for the 21st century is taking shape. Furthermore, measures to avoid radical change in the so-called third sector (such insurance products as personal accident, cancer, and nursing care insurance) based on the Japan-US Insurance Agreement will be terminated in January 2001. Thus, the curtain is now coming up on a new era of non-life insurance business.

Under these circumstances, the Non-Life Insurance Policy-holders Protection Corporation of Japan was established on December 1, 1998, in order to maintain the long-term soundness of individual non-life insurance companies and to protect their policyholders. In addition, our Association has resolved to promote even more the disclosure of information of individual non-life insurance companies. Our Association also endeavors to increase consumers’ reliance on the non-life insurance industry by carrying on with various activities to promote consumers' understanding of non-life insurance.

We will devote our energies to obtaining the continuous reliance of consumers on the non-life insurance industry. 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 1999
The Marine and Fire Insurance
Association of Japan, Inc.

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(April 1, 1998 - March 31, 1999)

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PART I

GENERAL REVIEW OF FISCAL 1998

(April 1,1998-March 31,1999)

I. JAPAN'S ECONOMY AND NON-LIFE INSURANCE

1. Review of Japan's Economy

In spite of positive financial measures taken by the government and the lowering of bank interest rates, the economy of Japan during fiscal 1998 was marked by continued sluggish personal consumption. This was a result of the decrease in private equipment investment due to the decrease of corporate profit, the decrease in personal income, and public anxiety about future employment prospects. The national economy registered growth rates of -2.1% nominally and -2.0% in real terms, down 2.3 and 1.6 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 fluctuations in price indices such as the construction cost of buildings.

In fiscal 1998, new fire insurance contracts pertaining to residential and general risks reached a total amount insured of 434.9 trillion yen, down 0.1% over the preceding year, due to a decrease in housing starts of 12.1% to 1.18 million. Factory risks reached 184.3 trillion yen in terms of aggregate amount insured, up 7.6% over the previous year, while warehouse risks amounted to 34.8 trillion yen, a 0.5% decrease over the year before. Overall, fire insurance contracts reached 654.1 trillion yen or 2.0% up over the preceding year.

Table 1 Gross Domestic Expenditure (Nominal)

(billion yen and %)

Item	Fiscal 1997			Fiscal 1998		
	Amount	Growth Rate	Share	Amount	Growth Rate	Share
Private Final Consumption Expenditure	304,433.9	0.4	60.3	304,775.4	0.1	61.6
Private Housing	22,278.0	-19.9	4.4	19,554.8	-12.2	4.0
Private Plant and Equipment	79,412.6	1.7	15.7	68,379.9	-13.9	13.8
Increase in Private Sector Inventory	2,042.6	6.2	0.4	1,228.8	-39.8	0.2
Government's Final Consumption Expenditure	49,901.8	2.7	9.9	50,015.0	0.2	10.1
Public Fixed Capital Formation	39,316.5	-6.1	7.8	40,749.5	3.6	8.2
Increase in Public Sector Inventory	156.9	10.3	0.0	-123.8	-178.9	0.0
Net Exports of Goods & Services	7,444.3	224.3	1.5	9,865.5	32.5	2.0
(Exports)	(56,671.1)	(10.7)	(11.2)	(53,695.6)	(-5.3)	(10.9)
(Imports)	(49,226.8)	(0.6)	(9.7)	(43,830.1)	(-11.0)	(8.9)
Total	**504,986.7**	**0.2**	**100.0**	**494,445.0**	**-2.1**	**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 1998 amounted to 73.7 million, up 1.1% over the previous year. Classified by type of vehicle, the number of passenger cars increased by 2.6%, while that of trucks decreased by 2.8% due to enhanced efficiency in methods of transportation. Regarding the number of newly-registered cars, new and used cars showed negative growths of 11.2% and 2.7% respectively in fiscal 1998 over the preceding year due to the fall in consumption.

Automobile insurance contracts in force for fiscal 1998 registered 12.3 quadrillion yen, up 3.3% 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 continuing sluggish national economy since last year, a decrease in movement of goods toward Asia, and the fall in freight charges, the Japanese shipping industry in fiscal 1998 registered steady growth because of the lasting effect of the low exchange value of the yen and its strenuous efforts to rationalize its operations.

The number of conventional-type vessels operated by the Japanese shipping companies decreased owing to the acceleration in the scrapping of vessels. However, the sum of gross tonnage of conventional-type vessels increased thanks to the steady construction of large container ships, tankers, and LNG ships.

In line with the increase in gross tonnage, the insured amount of marine hull insurance contracts in force has increased for 3 consecutive years to reach 22.9 trillion yen in fiscal 1998, a 12.6% increase over the previous year even though the number of conventional-type vessels insured decreased.

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

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

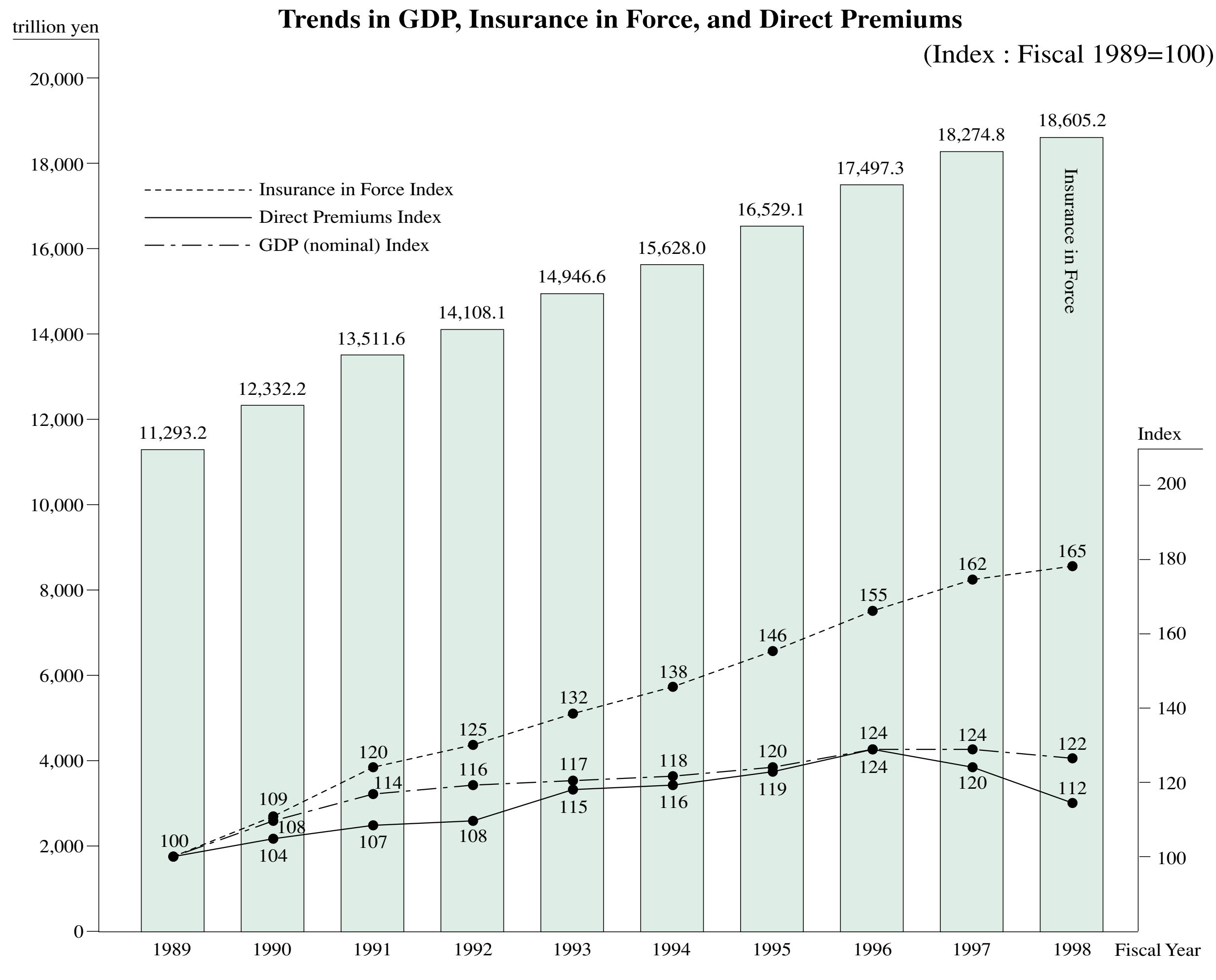
(billion yen and %)

Item	Fiscal 1997			Fiscal 1998		
	Amount	Growth Rate	Share	Amount	Growth Rate	Share
Private Final Consumption Expenditure	282,277.8	-1.2	57.9	282,620.6	0.1	59.1
Private Housing	20,279.9	-21.4	4.2	18,119.4	-10.7	3.8
Private Plant and Equipment	87,390.8	2.1	17.9	76,556.9	-12.4	16.0
Increase in Private Sector Inventory	2,470.8	18.6	0.5	1,441.6	-41.7	0.3
Government's Final Consumption Expenditure	45,272.0	2.0	9.3	45,440.2	0.4	9.5
Public Fixed Capital Formation	39,295.1	-7.1	8.1	41,685.2	6.1	8.7
Increase in Public Sector Inventory	101.9	4.0	0.0	-106.7	-204.7	0.0
Net Exports of Goods & Services	10,745.8	171.7	2.2	12,546.2	16.8	2.6
(Exports)	(67,663.5)	(9.1)	(13.9)	(65,173.6)	(-3.7)	(13.6)
(Imports)	(56,917.7)	(-2.0)	(11.7)	(52,627.4)	(-7.5)	(11.0)
Total	**487,834.1**	**-0.4**	**100.0**	**478,303.4**	**-2.0**	**100.0**

(Source) Same as Table 1

Ocean cargo insurance contracts for fiscal 1998 represented 75% of all marine cargo contracts, and, in general, any rise or fall in overseas trade volume and fluctuations in foreign exchange markets will have a great impact on marine cargo insurance. Measured in U.S. dollars, the total amount of exports decreased by 8.1% from the previous year in terms of customs clearance value. This was due to the sluggish economy in Asian regions, a fall in the price of products, and slowdown in the growth of exports to Europe and the United States. On the other hand, there was a 15.5% decrease in imports brought about by stagnant domestic demand. As a result of the weak yen, down 4.4% from the previous year, the total amount of exports, measured in Japanese yen terms, registered a decrease of 3.8% from the previous year, and imports a decrease of 11.5% in terms of customs clearance value. Thus, as a result of these circumstances, new ocean cargo insurance contracts in force for fiscal 1998 increased by 0.9% over the previous year. On the other hand, new coastal cargo insurance contracts decreased by 11.1% from the previous year reflecting a slowdown in the amount of coastal cargo transportation resulting from the sluggish national economy.

Chart 1



(Notes) 1. “Insurance in Force” means the total sum of insured amounts of new policies issued domestically by Japanese insurers during the above period.

2. Regarding Compulsory Automobile Liability Insurance policies, the total sum insured was calculated by multiplying the limit of payment per policy (30 million yen) 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 yen, and the total insured amount was calculated by multiplying 0.2 billion yen 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.

Overall, new marine cargo insurance contracts in force for fiscal 1998 amounted to105.7 trillion yen, down 3.4% from the previous year.

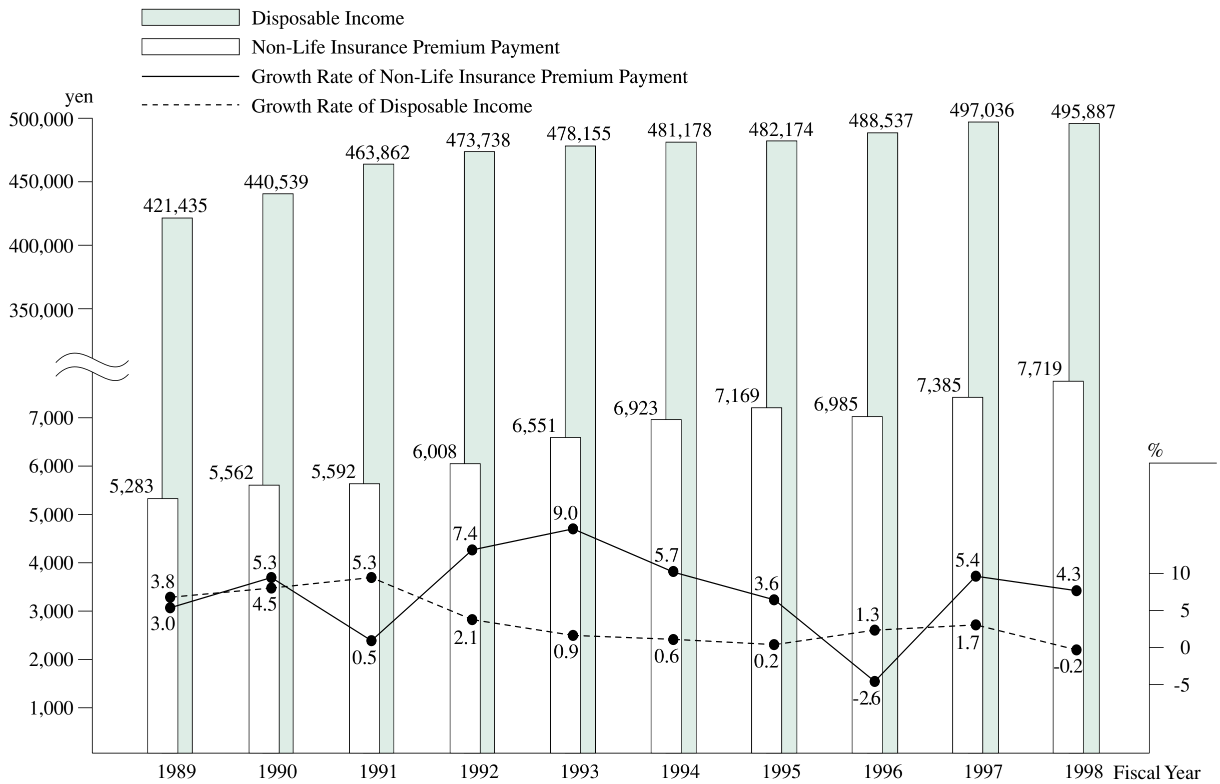
● ***General performance***

The total sum of insured amount of non-life insurance policies for fiscal 1998 amounted to 18.6 quadrillion yen, an increase of 1.8% over the previous year. Growth in the insured amount 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 total sum of insured amount of non-life insurance policies during the past 10 years curves in a steady ascent, exceeding GDP (nominal) growth level. Direct premiums had showed almost the same steady growth as GDP levels until fiscal 1996, and thereafter the trend reversed, as shown in chart 1 on page 3.

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 close connection between the levels of household income and the growth of the non-life insurance business.

According to the 1998 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 4.3% over the previous year to 7,719 yen, while disposable income decreased by 0.2% over the previous year, as shown in Chart 2 on page 4.

4. Ownership of Non-Life Insurance Policies

(1) Fire Insurance

The ownership of fire insurance (i.e. the ratio of the number of contracts in force to the number of households based on the Basic Resident Registers) was 50.9% for dwellings and 24.9% for household properties.

(Note) The number of contracts in force is based on the data of our Association's member companies, and is the total of fire insurance contracts for dwelling and general risks, and long-term comprehensive insurance contracts.

(2) Earthquake Insurance on Dwelling Risks

The ownership of earthquake insurance on dwelling risks coverage (i.e. the ratio of the number of contracts in force to the number of households based on the Basic Resident Registers) was 14.8% as of the end of March 1999, up 0.6 percentage points from the same period. Although ownership has remained at a low level, the figure has grown steadily since the Great Hanshin-Awaji Earthquake on January 17,1995.

(3) Personal Accident Insurance

According to the replies of the 4,599 households of the 6,000 randomly contacted by the Marine and Fire Insurance Association of Japan in a nationwide survey in November 1998, 61.5% were covered by personal accident insurance policies.

(4) Voluntary Automobile Insurance

The survey conducted at the end of March 1999 by the Automobile Insurance Rating Organization of Japan revealed that 67.8% of registered automobiles were covered against liability for bodily injury, 67.5% against liability for property damage, 30.8% against physical damage (to the insured vehicle), and 66.4% against passengers' personal accident.

Table 3 **Ownership of Voluntary Automobile Insurance**

Fiscal Year	Number of Registered Automobiles (thousand)	Bodily Injury Liability	Property Damage Liability	Physical Damage	Passengers' Personal Accident
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
1998	73,688	67.8	67.5	30.8	66.4

II. BUSINESS RESULTS IN FISCAL 1998

1. Results of Operating Balance

(1) Underwriting Balance

● ***Net Premiums Written***

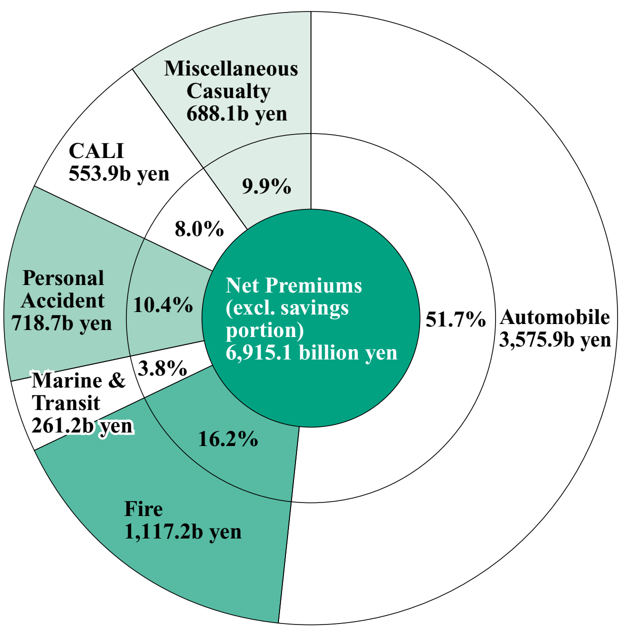
The total net premiums (direct premiums written(*1) + inward reinsurance net premiums – outward reinsurance net premiums – savings portion of maturity-refund-type insurance premiums) written by our 34 member non-life insurance companies in fiscal 1998(*2) reached 6,915.1 billion yen, a decrease of 4.2% from the previous year. This second consecutive decrease resulted from the reduction of premium rates for the main insurance products in May 1998, the initial effect of the liberalization of the premium rate in July 1998, and prolonged economic inactivity. 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) Of the 35 non-life insurance companies operating in fiscal 1998, 34 companies belong to our Association, and this number includes 5 foreign-capitalized insurers, 6 non-life subsidiaries of life insurance companies, and 2 professional reinsurers.

Net premiums written from voluntary automobile insurance, which account for 51.7% of the total net premiums written, showed a decrease of 3.3% from the previous year, due to the decrease in sales of new cars, etc. This was the first ever decrease in net premiums written, apart from 1946 when Japan was in postwar turmoil. Premiums written from Compulsory Automobile Liability Insurance (CALI) also decreased by 3.8% from the previous year.

Chart 3 Net Premiums by Line (Fiscal 1998)



Net premiums written from fire insurance decreased by 5.8% from the previous year, due to the decrease in housing starts from the previous year. Net premiums written from personal accident insurance decreased by 6.2% from the previous year, due to a fall in sales of maturity-refund-type personal accident insurance policies.

Net premiums written from miscellaneous casualty insurance showed a decrease of 2.1% over the previous year, reflecting the decline in such major types of business as general liability insurance, conventional-type movables comprehensive insurance, and workers' accident compensation liability insurance.

Net premiums written from marine cargo and marine hull insurance fell by 10.7% due to the influence of liberalization, and net premiums written from transit insurance also were down by 4.0%. Consequently, the marine and transit lines as a whole showed a decrease of 9.2% over the previous year.

● ***Net Claims Paid***

Net claims paid (direct claims paid + inward reinsurance net claims paid – outward reinsurance claims received) on all classes of insurance business during fiscal 1998 amounted to 3,640.6 billion yen, an increase of 104.3 billion yen (up 2.9%) from the preceding year. Although net claims paid on voluntary automobile insurance policies, which accounts for more than 50% of the total net claims paid, and personal accident insurance decreased by 0.1% and 3.9% respectively, fire insurance increased substantially by 29.7%, owing to the effect of natural disasters such as typhoon No.7 (Vicki), and miscellaneous casualty insurance increased by 5.4%. The loss ratio (i.e. the ratio of claims paid plus adjustment expenses to net premiums written) was 57.4%, a 3.9 percentage point increase from the previous year, due to the increase in the loss ratios of major classes of insurance. This increase in the loss ratio was attributable to the increase of net claims paid and the decrease of net premiums written which is the denominator of the loss ratio.

● ***Operating Expenses on Underwriting***

Operating expenses on underwriting (agency commissions and brokerage plus operating and general administrative expenses on underwriting) amounted to 2,726.3 billion yen, down 3.7% from the preceding year. This decrease resulted from efforts made to hold down costs by promoting rationalization or enhancing efficiency in each insurance company’s management to cope with the liberalization of insurance premium rates.

The operating expense ratio, however, stood at 39.4%, a 0.2 percentage point increase from the previous year. This was due to a decrease in the net premiums written which is the denominator of the operating expense ratio.

Table 4 Overall Business Results

(billion yen & %)

	Item	Fiscal 1997	Fiscal 1998	
		Amount	Amount	Growth
Ordinary Income and Expenses	Underwriting Income	10,590.1	10,109.1	-4.5
	(Net Premiums Written)	(7,215.4)	(6,915.1)	(-4.2)
	(Savings Portion of Maturity-refund-type Insurance Premiums)	(2,593.8)	(2,217.5)	(-14.5)
	(Reversal of Outstanding Loss Reserves)	(–)	(20.5)	(–)
	(Reversal of Liability Reserves)	(–)	(343.3)	(–)
	Underwriting Expenses	8,860.8	8,442.3	-4.7
	(Net Claims Paid)	(3,536.4)	(3,640.6)	(2.9)
	(Loss Adjustment Expenses)	(327.1)	(326.2)	(-0.3)
	(Agency Commissions and Brokerage)	(1,355.1)	(1,291.1)	(-4.7)
	(Maturity Refunds to Policyholders)	(3,250.8)	(3,049.4)	(-6.2)
	(Provision for Outstanding Loss Reserves)	(37.0)	(–)	(–)
	(Provision for Liability Reserves)	(131.4)	(–)	(–)
	Investment Income	898.4	976.5	8.7
	(Interest and Dividend Income)	(922.2)	(860.9)	(-6.6)
	(Profits on Sales of Securities)	(510.1)	(573.6)	(12.5)
	Investment Expenses	577.9	542.8	-6.1
	(Losses on Sales of Securities)	(157.9)	(215.1)	(36.3)
	(Losses on Revaluation of Securities)	(346.7)	(254.2)	(-26.7)
	Operating and General Administrative Expenses	1,567.2	1,526.4	-2.6
	(Operating and General Administrative Expenses on Underwriting)	(1,475.6)	(1,434.8)	(-2.8)
	Other Ordinary Expenses	-106.4	-203.1	–
	Ordinary Profits	376.2	371.1	-1.4
	(Underwriting Profits)	(259.0)	(240.7)	(-7.1)
Special Profits and Losses Balance		-11.5	-94.8	–
Corporate Income Taxes and Corporate Resident Taxes		253.4	184.1	-27.3
Net Profits for the Current Year		111.3	92.2	-17.2
Retained Surplus brought forward from the Previous Year		24.5	23.8	-2.7
Unappropriated Earned Surplus of the Current Year		135.9	116.1	-14.5

● ***<u>Outstanding Loss Reserves and Liability Reserves</u>***

The amount of outstanding loss reserves (including "Incurred But Not Reported") in fiscal 1998 decreased by 20.5 billion yen from the previous year.

The amount of liability reserves (including unearned premium reserves, catastrophe reserves, and reserves for maturity refunds) in fiscal 1998 decreased by 343.3 billion yen from the previous year.

Table 5 Abridged Balance Sheet

<Assets>

(billion yen & %)

Item	Fiscal 1997		Fiscal 1998	
	Amount	Share	Amount	Share
Deposits	1,508.7	4.9	1,459.4	4.7
Call Loans	1,127.0	3.6	838.5	2.7
Monetary Receivables Bought	442.8	1.4	849.7	2.8
Money Trusts	816.7	2.6	672.7	2.2
Securities	16,151.8	51.9	16,388.3	53.2
(National Government Bonds)	(627.3)	(2.0)	(833.8)	(2.7)
(Local Government Bonds)	(1,239.3)	(4.0)	(1,230.7)	(4.0)
(Corporate Bonds)	(3,929.3)	(12.6)	(4,026.0)	(13.1)
(Stocks)	(5,428.1)	(17.4)	(5,594.3)	(18.2)
(Foreign Securities)	(4,344.1)	(14.0)	(4,108.6)	(13.3)
(Other Securities)	(407.6)	(1.3)	(403.8)	(1.3)
(Securities Loaned)	(176.1)	(0.6)	(191.0)	(0.6)
Loans	6,663.5	21.4	6,271.3	20.3
Real Estate	1,825.7	5.9	1,817.0	5.9
(Total Working Assets)	(28,536.3)	(91.7)	(28,296.9)	(91.8)
Other Assets	2,581.1	8.3	2,526.8	8.2
Total Assets	31,117.4	100.0	30,823.7	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 yen & %)

Item	Fiscal 1997		Fiscal 1998	
	Amount	Share	Amount	Share
Underwriting Reserves	25,126.8	80.8	24,762.0	80.3
(Liability Reserves)	(22,965.0)	(73.8)	(22,621.5)	(73.4)
(Outstanding Loss Reserves)	(2,134.4)	(6.9)	(2,113.8)	(6.8)
(Others)	(27.4)	(0.1)	(26.7)	(0.1)
Other Liabilities	2,970.3	9.5	2,939.6	9.6
Total Liabilities	28,097.1	90.3	27,701.6	89.9
Capital	841.8	2.7	888.2	2.9
Legal Reserves	620.9	2.0	646.1	2.1
Surpluses	1,557.6	5.0	1,587.7	5.1
(Profits for the Current Year)	(111.3)	(0.4)	(92.2)	(0.3)
Total Equities	3,020.3	9.7	3,122.0	10.1
Total Liabilities and Equities	31,117.4	100.0	30,823.7	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 240.7 billion yen, a decrease of 18.3 billion yen, down 7.1% 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 interest and dividends amounted to 860.9 billion yen, a decrease of 61.3 billion yen (down 6.6%) 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 1998 amounted to 976.5 billion yen (up 8.7% from the previous year). On the other hand, investment expenses amounted to 542.8 billion yen, a decrease of 35.1 billion yen (down 6.1%) from the previous year. This was because of unrealized losses on the valuation of securities which amounted to 254.2 billion yen, a decrease of 92.5 billion yen (down 26.7%) from the previous year.

(*) Total 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). This ordinary balance amounted to 371.1 billion yen, a decrease of 5.1 billion yen, (down 1.4%) from the previous year.

(4) Net Profits for the Current Year

Net profits for the current year, which are the total of ordinary profits including special profits or losses minus corporate income taxes and corporate resident taxes, totaled 92.2 billion yen, a decrease of 19.1 billion yen (down 17.2%) 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 34 domestic non-life insurance companies at the end of fiscal 1998 reached 30,823.7 billion yen, down 0.9% over the previous year. The working assets used to earn investment income amounted to 28,296.9 billion yen, representing 91.8% of total assets. Assets related to maturity-refund-type insurance policies amounted to 14,907.2 billion yen, occupying 48.4% of total assets or a decrease of 0.7 percentage points over the preceding year. Securities headed the list of investments with 16,388.3 billion yen or 53.2% of total assets. By category, stocks led with 5,594.3 billion yen, followed by foreign securities (4,108.6 billion yen), corporate bonds (4,026.0 billion yen), local government bonds (1,230.7 billion yen), national government bonds (833.8 billion yen), and securities loaned (191.0 billion yen). Loans accounted for 20.3% of total assets at 6,271.3 billion yen, down 5.9% from the preceding year.

While investments by non-life insurers are made in almost all industries, a portion of the 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 6.

Table 6 Financial Cooperation in Public Investment in Fiscal 1998

(billion yen)

National Government Bonds	49.3
Fire Brigade Bonds	8.0
Traffic Bonds	7.4
Honshu-Shikoku Bridge Authority Bonds	0.9
Investments and Loans to "Zaikei" Housing Loan System	0.6
Total	**66.2**

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

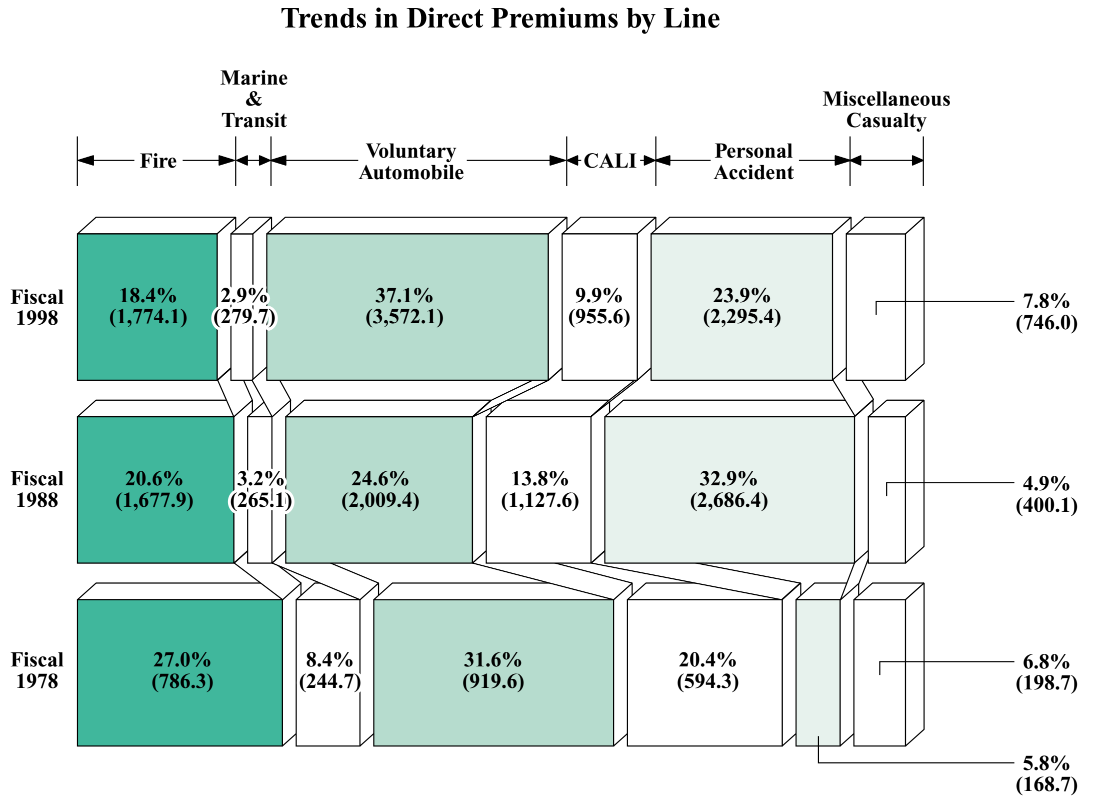
The total liabilities of the 34 non-life insurance companies stood at 27,701.6 billion yen at the end of fiscal 1998. Underwriting reserves, consisting of liability reserves and outstanding loss reserves, accounted for 89.4% of the total at 24,762.0 billion yen.

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 1998 reached 9,622.9 billion yen, down 6.7% over the previous year. Direct premiums have decreased for two consecutive years, and the latest fall was due to the decline in direct premiums written from not only the major non-life insurance lines, such as voluntary automobile insurance and fire insurance, but also most other lines.

Chart 4 on page 12 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 1998 amounted to 1,774.1 billion yen, a decrease of 127.6 billion yen (down 6.7%) from the previous year. Classified by risk, 1,597.8 billion yen (down 115.0 billion yen or -6.7%) was for general risks, 172.4 billion yen (down 12.7 billion yen or -6.9%) for factory risks, and 3.9 billion yen (up 0.2 billion yen or 4.6%) for warehouse risks.

Of this total, conventional-type fire insurance premiums decreased by 7.3% and maturity-refund-type fire insurance policies registered a negative growth of 7.0%.

Table 7 Developments in Fire Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	1,774.1	-6.7

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

(2) Voluntary Automobile Insurance

Although there was an increase in car ownership (up 1.1%) and the number of cars insured (up 0.1%), voluntary automobile insurance wrote direct premiums totaling 3,572.1 billion yen in fiscal 1998, a decrease of 116.8 billion yen (down 3.2%) over the preceding year.

Table 8 Developments in Voluntary Automobile Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	3,572.1	-3.2

(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 and/or motorcycles coming up for inspection.

Direct premiums written by CALI during fiscal 1998 reached 955.6 billion yen, a decrease of 15.0 billion yen (down 1.6%) over the previous year which had also marked a decline. This second decrease can be attributed to a sluggish increase in car ownership, though an upward cycle of CALI premiums after July 1998 was brought about an increase in the number of vehicles inspected.

Table 9 Developments in CALI Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	955.6	-1.6

(4) Personal Accident Insurance

Direct premiums written by personal accident insurance during fiscal 1998 amounted to 2,295.4 billion yen, down 371.4 billion yen or -13.9% from the previous year. Of this total, maturity-refund-type personal accident insurance policies produced 1,676.3 billion yen, down 347.4 billion yen or -17.2% over the preceding year. Conventional-type personal accident insurance policies amounted to 619.1 billion yen, down 24.0 billion yen or -3.7% over the preceding year.

Table 10 Developments in Personal Accident Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	2,295.4	-13.9

(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 1998 amounted to 48.8 billion yen, up 3.5 billion yen or 7.8%. Of this total, maturity-refund-type nursing care expenses insurance policies produced 20.6 billion yen, up 5.5 billion yen or 36.4% over the preceding year. The conventional-type nursing care expenses insurance policies amounted to 28.2 billion yen, down 20.0 billion yen or -6.5% from the previous year.

Table 11 Developments in Nursing Care Expenses Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	48.8	7.8

(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 119.0 billion yen, down 5.9 billion yen or -4.7% over the previous year. Movables comprehensive insurance with maturity refund policies accounted for 3.9 billion yen, down 3.5 billion yen or -47.4% over the previous year. The conventional-type movables comprehensive insurance policies amounted to 115.2 billion yen, down 2.4 billion yen or -2.0% over the preceding year.

Table 12 Developments in Movables Comprehensive Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	119.0	-4.7

(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 1998 amounted to 304.2 billion yen, a decrease of 4.8 billion yen or down -1.5% from the preceding year.

Table 13 Developments in General Liability Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	304.2	-1.5

(8) Workers' Accident Compensation Liability Insurance

Direct premiums collected from workers' accident compensation liability insurance during fiscal 1998 stood at 103.4 billion yen, down 14.2 billion yen or -12.1% over the previous year.

Table 14 Developments in Workers' Accident Compensation Liability Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	103.4	-12.1

(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 15 Other Miscellaneous Casualty Premiums by Line

(million yen & %)

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998	
	Amount	Growth	Amount	Growth	Amount	Growth
Theft	25,010	9.6	26,806	7.2	28,422	6.0
Glass	3,487	1.1	3,371	-3.3	2,984	-11.5
Aviation	18,799	11.9	19,619	4.4	11,992	-38.9
Windstorm & Flood	190	-0.8	173	-9.0	190	10.0
Guarantee	14,603	57.1	13,616	-6.8	14,242	4.6
Credit	7,962	6.6	7,948	-0.2	9,508	19.6
Boiler & Turbo-set	2,892	6.3	2,819	-2.5	2,836	0.6
Livestock	2,481	-2.8	2,938	18.4	2,824	-3.9
Machinery & Erection	40,249	2.0	42,468	5.5	39,799	-6.3
Shipowners' Liability for Passengers' Personal Accident	1,157	-4.2	1,182	2.2	1,126	-4.8
Contractors' All Risks	41,840	9.3	38,769	-7.3	35,649	-8.0
Atomic Energy	12,249	-0.5	12,152	-0.8	11,456	-5.7
Miscellaneous Pecuniary Loss	76,199	1.1	52,898	-30.6	58,442	10.5
(Nursing Care Expenses)	(68,534)	(1.5)	(45,298)	(-33.9)	(48,841)	(7.8)

(10) Marine Hull Insurance

Direct premiums collected by marine hull insurance in fiscal 1998 amounted to 68.3 billion yen, down 9.8 billion yen or -12.5%, marking a downward trend for the fifth consecutive year. This was due to the continuous reduction of premium rates as a result of liberalization within the hull insurance business as well as the global downward trend in premium levels.

Table 16 Developments in Marine Hull Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	68.3	-12.5

(11) Marine Cargo Insurance

Direct premiums collected by marine cargo insurance in fiscal 1998 amounted to 147.0 billion yen, down 16.8 billion yen or -10.3% over the preceding year.

Of this total, ocean marine cargo insurance, the mainstay of marine cargo premiums, amounted to only 138.1 billion yen, down 10.2%. This was due to the fall in product prices, and the decrease in Japanese exports and imports resulting from the sluggish domestic, as well as Asian, economy. Premium revenues in the coastal marine cargo sector reached only 8.9 billion yen, down -10.7% over the previous year, owing to the stagnation of the domestic economy.

Table 17 Developments in Marine Cargo Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	147.0	-10.3

(12) Inland Transit Insurance

Inland transit insurance registered direct premiums of 64.4 billion yen during fiscal 1998, down 3.4 billion yen or -5.1% over the previous year due to the reduction of loading caused by the sluggish domestic economy.

Table 18 Developments in Inland Transit Premiums

(billion yen & %)

FY	Premiums	Growth
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
1998	64.4	-5.1

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

Maturity-refund-type (or savings-type) insurance policies, whose insurance terms continue from 3 to 60 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).

Direct premiums for various maturity-refund-type insurance policies amounted to 2,474.9 billion yen during fiscal 1998, down 406.2 billion yen or -14.1% over the preceding year.

Table 19 Developments in Maturity-Refund-Type Insurance Premiums

(billion yen & %)

FY	Premiums	Growth	Ratio to Total Prem.
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
1998	2,474.9	-14.1	25.7

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. In fiscal 1998, direct premiums from maturity-refund-type insurance policies accounted for around 25% of the total direct premiums, though marking a downward trend in the ratio to total direct premiums. Non-life insurance companies continue to offer a wide variety of long-term insurance policies with maturity refunds in various lines such as fire insurance, personal accident insurance, automobile insurance, etc. 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.

4. Losses

(1) Fire

A total of 54,987 fires occurred during the year causing property losses of 156.5 billion yen, killing 2,077 people and injuring 7,256, as shown in Table 21 below. Compared to the preceding year, the number of fires decreased by 6,902 (down 11.2%), the number of people killed decreased by 18 (down 0.9%), those injured decreased by 362 (down 4.8%), and the amount of damage decreased by 20.4 billion yen (down 11.5%).

Table 20 Number of Fires during 1998

Kind of Property	Number	Share
Buildings	32,804	59.7 %
Vehicles	7,545	13.7
Forests	1,916	3.5
Ships	134	0.2
Aircraft	2	0.0
Others	12,586	22.9
Total	**54,987**	**100.0**

(Note) "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 20 above. During the year under review, fires in buildings amounted to 59.7% of the total number of fires. The highest number of fires by class of building was as follows : residential houses (12,557), apartments (4,983), and factories (2,360).

The three prefectures with the highest incidences of fire during 1998 were Tokyo, Osaka, and Aichi. On a daily average, 151 fires (1 fire every 10 minutes) occurred with 5.7 people killed and 430 million yen worth of property destroyed.

(2) Traffic Accidents

From a peak of 16,765 in 1970, the number of deaths from traffic accidents had declined steadily to 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 for 3 consecutive years from 1996.

Table 21
Number of Fires, Losses, and Casualties

Year	Fires	Deaths	Injuries	Property Losses (billion yen)
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	61,889	2,095	7,618	176.9
1998	54,987	2,077	7,256	156.5

(Note) 1. "White Paper on Fire Fighting" published by the Fire and Disaster Management Agency of the Ministry of Home Affairs.
2. For 1998, "General Review of Fires" issued by the Fire and Disaster Management Agency.

Table 22
Number of Traffic Accidents and Casualties

Year	Accidents	Deaths	Injuries
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
1998	803,878	9,211	990,675

(Note) "Statistics '98 Road Accidents Japan" published by the National Police Agency.

Table 23 **High-Amount Court Awards for Victims of Traffic Accidents**

Court Awards (million yen)	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	Permanent Disability
265	Tokyo District Court	Mar. 19, 1998	Feb. 8, 1993	M/20	University Student	- do. -
251	Tokyo High Court	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
206	Tokyo District Court	June 24, 1999	Oct. 24, 1994	M/40	Director	Permanent Disability
203	Supreme Court	Dec. 3, 1993	Nov. 20, 1987	M/11	School Child	- do. -
202	Tokyo District Court	Jan. 26, 1995	Oct. 10, 1990	M/46	Representative Director	Death
200	Nagoya District Court	Oct. 30, 1996	May 24, 1992	M/32	Plumber	- do. -
199	Tokyo District Court	Feb. 26, 1999	Apr. 22, 1990	F/27	Office Worker	Permanent Disability
194	Yokohama District Court	Aug. 20, 1992	Aug. 11, 1987	M/19	Cram School Student	- do. -
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. -
191	Osaka District Court	Mar. 26, 1998	Nov. 5, 1993	M/63	Representative Director	- do. -
190	Osaka District Court	June 22, 1995	Sept. 17, 1990	M/18	University Student	- 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. -
187	Osaka District Court	May 18, 1998	Jan. 31, 1992	F/18	Senior High School Student	- 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.

In 1998, the number of traffic accidents involving bodily injuries reached 803,878, with 9,211 people killed and 990,675 people injured. Per day, 2,202 traffic accidents occurred, killing 25 people and injuring 2,714. The number of traffic accidents in Japan had fluctuated until 1991, but since then, the total has increased each year and the figure for 1998 is the highest on record with the number of people injured also the highest in 28 years. Consequently, the Japanese are faced with a severe traffic accident problem.

Distinctive features of fatality cases in traffic accidents during 1998 were as follows :

First and foremost a polarization phenomenon can be seen in terms of age group : elder people (65 years old and over) and younger people (16 to 24 years old) killed totaled 3,174 and 1,790 respectively. In relation to the total number of fatalities, these two groups combined account for 53.9%. In fact, the proportion of fatalities against the total number of fatalities for these two age groups is 2.2 and 1.5 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 was from accidents involving four-wheeled vehicles (3,972 people or 43.1% of the total fatalities). This was followed by accidents to pedestrians (2,605 people or 28.3% of the total fatalities), accidents to motorcyclists (1,632 people or 17.7% of the total fatalities), and then accidents to bicyclists (988 people or 10.7% of the total fatalities).

In comparison to the preceding year's figures, fatal road accidents decreased in all categories except accidents to motorcyclists (an increase of 27 people). In particular, the number of four-wheel vehicle victims of accidents declined remarkably, down by 279 (6.6%).

Thirdly, the largest proportion of fatalities from accidents involving four-wheeled vehicle was from the non-fastening of seat belts, namely 2,588 fatalities, or 65.2%, although the number of fatalities from non-fastening of seat belts has been dropping since 1994. 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 1998 for dwellings and general risks were 350.1 billion yen (up 49.1% from the previous year) and for factory and warehouse risks 97.5 billion yen (up 4.7% over the preceding year).

Direct claims paid under voluntary automobile policies during the year were 1,998.7 billion yen, or an increase of 0.4% from the preceding year, while CALI direct claims paid were 850.2 billion yen, up 0.1% from the year before.

Direct claims paid for personal accident insurance in fiscal 1998 were 290.1 billion yen, down 3.1% from the preceding year.

A total of 47.7 billion yen (down 12.5% from the previous year) was paid for marine hull claims and 77.0 billion yen (down 0.1% over the previous year) for marine cargo claims in fiscal 1998. As regards heavy claims, two marine hull claims in excess of 1.0 billion yen occurred in 1998.

(4) Claims and Maturity Refunds paid

The aggregate total of direct claims paid under all lines of insurance during fiscal 1998 reached 4,110.3 billion yen, up 3.1% 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 3,061.6 billion yen or a decrease of 6.2% from the previous year. The claims by classes of business for the past ten years are shown in Table 24.

Table 24 **Direct Claims and Maturity Refunds Paid** (billion yen)

Fiscal Year	Fire		Automobile		Personal Accident	Total Claims Paid	Maturity Refunds Paid
	General Risks	Factory & Warehouse Risks	Voluntary Automobile	CALI			
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
1998	350.1	97.5	1,998.7	850.2	290.1	4,110.3	3,061.6

(Note) 1. "CALI" is an acronym of Compulsory Automobile Liabiliy 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 targeted, 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.

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 major 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 popular locations in Osaka Prefecture, and distributing leaflets among policyholders of physical damage coverage of automobile insurance, etc. As a result of these measures, the increase of claims payment for automobile theft was halted in 1997. These claims, however, started to increase again in 1998, and new countermeasures are needed.

Table 25 **Number and Amount of Claims Paid for Automobile Theft under Automobile Insurance (Physical Damage Coverage)**

(No. & billion yen)

	Fiscal 1997		Fiscal 1998	
	Number of Claims Paid	Amount of Claims Paid	Number of Claims Paid	Amount of Claims Paid
Osaka Prefecture	3,800	7.7	4,600	8.3
Others	8,300	11.3	12,200	15.7
Total	12,100	19.0	16,800	24.0

(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 yen in the past 10 years)

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

Type of Vessel	Date of Casualty	Nature of Casualty	Claims Paid (million yen)
Fishing Vessel	June 21, 1989	Sinking by Collision	1,660
Container Ship	Oct. 26, 1989	Collision	1,370
Liquified Petroleum Gas Tanker	Jan. 22, 1990	Fire	1,540
Ore Carrier	July 20, 1991	Sinking by Collision	1,000
Fishing Vessel	July 22, 1991	Sinking by Collision	1,660
Ore Carrier	Sept. 27, 1991	Stranding	2,380
General Cargo Ship	Sept. 27, 1991	Stranding	1,000
Container Ship	June 9, 1992	Collision	1,510
Hydrofoil Ferry	June 15, 1993	Stranding	1,290
Bulk Carrier	June 6, 1994	Stormy Weather	1,490
Drilling Unit	Sept. 29, 1994	Stranding	1,130
Sand Carrier	May 26, 1995	Collision	2,000
Oil Tanker	July 2, 1995	Collision	1,480
Oil Tanker	July 2, 1995	Collision	1,250
Bulk Carrier	Apr. 27, 1996	Collision	1,190
Ore Carrier	May 18, 1996	Stormy Weather	1,670
Ore Carrier	Sept. 24, 1997	Sinking	2,940
Refridgerated Cargo Carrier	Nov. 26, 1997	Stranding	1,440
Bulk Carrier	Mar. 13, 1998	Stranding	1,580
Bulk Carrier	Aug. 26, 1998	Sinking	2,300
Factory Ship	Nov. 19, 1998	Fire	1,530

(Source) The data of the Property and Casualty Insurance Rating Organization of Japan

● **Marine Cargo Losses**

Major Cargo	Type of Carrying Vessel	Date of Casualty	Nature of Casualty	Claims Paid (million yen)
Automobiles	Vehicles Carrier	June 29, 1989	Fire	1,890
Automobiles	General Carrier	Aug. 4, 1991	Sinking by Collision	6,340
Automobiles	Vehicles Carrier	Nov. 11, 1994	Fire	1,760
Steel Materials	Bulk Carrier	Apr. 27, 1996	Collision	1,050
Cargo-handling Machine	Barge	Oct. 4, 1996	Damage	1,150
Dynamo	Barge	July 5, 1997	Sinking	1,000

● **Cargo Losses by Typhoon or Windstorm**

Name of Casualty	Place of Casualty	Date of Casualty	Causes of Casualty	Claims Paid (million yen)
Typhoon No. 19	Kinki district and Miyagi & Aichi prefectures	Sept. 20, 1990	Typhoon	1,630
Typhoon No. 19	Kyushu, Chugoku, Shikoku districts	Sept. 27, 1991	Typhoon	8,670
Typhoon No. 7	Kinki and Chukyo districts	Sept. 22, 1998	Typhoon	2,340

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
Downpour, August 1993	Aug.	1993	79	824	21,987

● 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 (Northrn 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	–	–	–	–
lzuhanto-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	*1 14	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	*2 192
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	–	–	*3 7,467

(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. INTERNATIONAL RELATIONS

1. 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, 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 28th 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 a 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 an invaluable program by 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 28th General Course of the ISJ was held from September 20 to October 7, 1999, with 43 participants, under the main theme of “Automobile Insurance”.

The General Course has produced 955 graduates over the last 28 years, and including the ISJ Advanced Course mentioned below, the total number of participants on ISJ courses has reached 1,123.

Table 26
Number of ISJ General Course Graduates by Region (1972-1999)

Region	Number	
Bandar Seri Begawan (Brunei)	27	(6)
Bangkok	136	(27)
Beijing	30	(0)
Hanoi	18	(1)
Hong Kong	117	(16)
Jakarta	117	(8)
Kuala Lumpur	123	(20)
Macao	29	(10)
Manila	123	(15)
Seoul	108	(21)
Singapore	93	(8)
Taipei	33	(0)
Yangon (Myanmar)	1	(0)
Phnom Penh	0	(0)
Total	**955**	**(132)**

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

Table 27
Number of ISJ Advanced Course Graduates by Region (1991-1999)

Region	Number	
Bandar Seri Begawan (Brunei)	5	(2)
Bangkok	18	(0)
Beijing	14	(0)
Hanoi	5	(0)
Hong Kong	16	(1)
Jakarta	17	(0)
Kuala Lumpur	17	(5)
Macao	7	(7)
Manila	16	(0)
Seoul	18	(0)
Singapore	18	(4)
Taipei	17	(0)
Yangon (Myanmar)	0	(0)
Phnom Penh	0	(0)
Total	**168**	**(19)**

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

Apart from the ISJ courses, individual Japanese non-life insurance companies have also provided their own educational programs during the period of fiscal 1972 to 1998 for 4,602 people from abroad (3,873 from the ISJ participating regions).

b) The 9th Advanced Course of the Insurance School (Non-Life) of Japan

To accommodate an increasing number of requests from the East Asian 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 ninth 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 16 to 28, 1999. There were 18 participants from the 10 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 "The Future of Rating System and Marketing of Non-Life Insurance Business".

c) The 7th Session of the Insurance School (Non-Life) of Japan Overseas Seminar

The seventh session of the Insurance School (Non-Life) of Japan (ISJ) Overseas Seminar was held in Singapore on June 11, 1999, with the kind cooperation of the General Insurance Association of Singapore (GIAS), under the main theme of "New Directions of the Non-Life Insurance Business for the 21st Century".

The Marine and Fire Insurance Association of Japan, jointly with the Non-Life Insurance Institute of Japan, have been holding the ISJ Overseas Seminar annually since 1993, under the co-auspices of the relevant associations or organizations of each region concerned, in a few cities chosen, in turn, from among the ISJ participating regions. This Seminar's concept was conceived as a valuable means of presenting our techniques and know-how on specific themes, targeting mainly insurance practitioners in those markets.

However, as the previous session, which was held in Hanoi and Yangon in June 1998, marked the completion of the rotation of venues, our Association reviewed the original concept of the Overseas Seminar and decided to reorganize our activities. We therefore held a new-style of symposium, dealing with carefully selected issues confronting the insurance industry.

With Mr. Albert Koh, President of the General Insurance Association of Singapore (GIAS) and Mr. Koukei Higuchi, then Chairman of our Association attending, the Seminar attracted 127 participants from the member companies of the GIAS, the authorities, related organizations and other parties concerned. This was the largest number of participants in the history of the Overseas Seminar.

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 the Insurance Educational Association (IEA) arranges and coordinates a five-week training program. 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, some members of the group make an extension tour on an optional basis to the East Coast of the U.S. to visit various insurance companies, agents, brokers, and related organizations with a view to broadening their knowledge and expertise.

The ISP has produced 1,155 graduates, including 22 members of the 37th 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 42 groups (89 individuals) from overseas during the fiscal year 1998.

(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 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.

One of the notable developments in the promotion of dialogue was the visit of Mr. Noboru Araki, Executive Director, and Mr. Nobuo Hara, Director and General Manager of the International Department of our Association to the Fédération Française des Sociétés d'Assurances (FFSA) in Paris in October, 1997. 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, thus officially initiating cooperative relationships between the two associations.

Following the visit to the FFSA, Mr. N. Araki and Mr. N. Hara also visited Gesamtverband der Deutschen Versicherungs-wirtschaft e.V. (GDV) in Bonn on October 29, 1997, and the Association of British Insurers (ABI) in London on October 31,1997, 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.

Subsequently, on January 20 to 22, 1999, Mr. Mark Boléat, then Director General of the ABI, and on May 6 and 7, 1999, Dr. Bernd Michaels, President of the GDV, and Dr. Jörg Freiherr Frank von Fürstenwerth, Chief Executive Officer, Managing Member of the Presidential Council, visited our Association. Mr. Koukei Higuchi, then Chairman, Mr. N. Araki, our Executive Director, and other directors met them, and exchanged views and information on the issues and the changes arising from the development of liberalization and the challenges of globalization in each insurance market. At the time of their respective visits, Mr. M. Boléat of the ABI and Dr. B. Michaels and Dr. Fürstenwerth of the GDV confirmed the official start of the cooperative relationship between their associations and ours based on an exchange of information and views.

With the establishment of these cooperative relationships between the FFSA, GDV, ABI and ours 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 Fourth 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 third meeting held in Cancun, Mexico in September 1998, the fourth annual meeting of the IMIA was held in San Francisco, on December 7, 1999. Our Association sent two delegates, Mr. Noboru Araki, Executive Director, and Mr. Nobuo Hara, Director and General Manager of the International Department of our Association, to the meeting. The themes of this year's meeting were as follows : ① "International Insurance Regulatory Issues Work Projects of IAIS", ② "Panel Discussion/Topic: International Trade Talks on Insurance", ③ "Electronic Commerce, Changes in Insurance Industry Practice", and ④ "Panel Presentation/Topic: Trade Association Revenues, Maintaining Revenue Base in Time of Industry Consolidation/Convergence, Trends with regard to Assessment Approach, Interaction with Banking and Securities Associations, Keeping the CEO's Interest". Mr. N. Hara of our Association joined the session under the theme of ② as a panelist.

b) The Sixth 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 International 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 sixth annual meeting of the IAIS was held in San Francisco from December 8 to 10, 1999. 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 63rd Session of the Insurance Committee of the OECD

The 63rd session of the Insurance Committee of the OECD (Organization for Economic Co-operation and Development) was held in Paris from June 14 to 18, 1999, with around 100 delegates from 29 OECD member countries participating, and Mr. Nobuo Hara, Director and General Manager of the International Department of our Association, participated in the meeting, together with a delegate from the Financial Supervisory Agency of Japan.

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, study and research on the position of the insurance business within the financial industry and the private pension scheme, and the provision of insurance technology and expertise to non-member countries of the OECD.

d) The Executive Board Meeting of the East Asian Insurance Congress (EAIC)

The Executive Board Meeting of the EAIC was held at Westin Philippine Plaza, in Manila, on October 4, 1999, in order to discuss mainly the preparations for the 20th conference of the EAIC to be held in Manila in October 2000. During the meeting, the Executive Board also approved officially that the 21st conference of the EAIC would be held in Tokyo in 2002. Mr. Nobuo Hara, Director and General Manager of the International Department of our Association, participated in the Executive Board Meeting as Auditor.

The EAIC conference 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 conference. In addition to hosting the inaugural meeting in 1962, Tokyo also hosted the eleventh in 1982.

e) The 125th 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 125th general meeting of the IUMI was held in Berlin, Germany, from September 12 to 16, 1999, and ten delegates from our non-life insurance industry participated in the meeting.

f) The 59th 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 59th General Meeting of the IUAI was held in Zurich, Switzerland, from May 24 to 28, 1999, and eight delegates from our non-life insurance industry participated in the meeting.

g) The International Accounting Standards Committee (IASC)

The Steering Committee on Insurance of the IASC, which was established by the Board of the IASC in April 1997 to establish an international accounting standard on insurance, held its first meeting in October 1997. So far, five meetings have been held, and the members of the Steering Committee, including one delegate from our non-life insurance industry, discussed the preparation of an issues paper which was issued early in December 1999.

h) The Legal Committee of the International Maritime Organization (IMO)

During fiscal 1998, the 77th and 78th Legal Committees of the IMO were held in London on April 20 to 24 and October 19 to 23, 1998, respectively, and one delegate from our non-life insurance industry participated in the two meetings.

i) Others

Individual Japanese insurance companies also participated in other international meetings. These included the annual seminar of the International Insurance Society (IIS), Rendez-Vous de Septembre, Baden-Baden Meeting, etc.

2. Upcoming WTO 2000 Round of Services Negotiations

Though the World Trade Organization (WTO) Financial Services Agreement of 1997 represented the first permanent agreement, further liberalization and globalization of financial services have been developing rapidly and extensively. It is expected that the upcoming WTO 2000 Round of Services Negotiations will be a key to the sound development of the financial services sector of the world economy in the 21st century. Under the circumstances, on November 19, 1999, the Marine and Fire Insurance Association of Japan issued a proposal for the upcoming WTO 2000 Round of Services Negotiations, prior to the third Ministerial Conference of the WTO held in Seattle, Washington from November 30, 1999.

The private sector of the US and European countries has already been playing a positive role in promoting the upcoming WTO 2000 Round of Services Negotiations by such means as forming the Coalition of Service Industries and the European Services Forum, making presentations at various international meetings, issuing their opinions and proposals, etc. In Japan, private companies and organizations, including our Association, are positively conducting various kinds of activities, centrally coordinated by the “Keidanren”, the Japan Federation of Economic Organizations. This international trend of the private sector positively involving itself in the upcoming WTO 2000 Round of Services Negotiations has been especially marked in the financial services sectors where the activities of the US and European financial and insurance industries have led to the formation of the Financial Leaders Group. Therefore, it is expected that such private sector initiatives will affect significantly the upcoming WTO 2000 Round of Services Negotiations.

Japanese non-life insurance companies are conducting global business operations by means of providing non-life insurance products and services in overseas countries and transacting international reinsurance. Therefore, our Association has recognized that the outcome of the WTO 2000 Round of Services Negotiations could greatly affect the future global business operations of Japanese non-life insurance companies. As a representative of the Japanese non-life insurance companies, our Association believes that it can add a constructive perspective to the upcoming trade negotiations.

Our Association’s proposals for the upcoming WTO 2000 Round of Services Negotiations are as follows:

> The Marine & Fire Insurance Association of Japan (the “Association”), a trade association comprised of 35 non-life insurance companies doing business in Japan, welcomes the advent of the WTO 2000 Round, during which the guarantees and benefits of the General Agreement on Trade in Services (“GATS”) will be strengthened and extended to cover more of the global services trade. The Association offers these

comments, which we hope will assist in guiding the efforts of the WTO negotiators in the area of insurance services.

I. Background

1. The WTO Financial Services Agreement of 1997

The Association strongly supports the WTO Financial Services Agreement of 1997 ("FSA"), which represented the first permanent agreement in which WTO Member countries ("Members") committed themselves to the principles of broad market access and national treatment of foreign financial services suppliers on the basis of the Most-Favored Nation ("MFN") treatment. The FSA has contributed to the steady growth of financial services markets while ensuring stable financial policies and predictable markets for investors in each Member.

Assessing the commitments of each Member, while some countries have liberalized their markets in accordance with their FSA commitments, others still have not adequately embraced the principles of market access and national treatment. Moreover, the number of developing countries that have made FSA commitments is insufficient. The Association believes that promoting liberalization will contribute to an increase in consumer benefits through the acceleration of competition and the expansion of employment that results when investment in an economy by overseas companies is encouraged. Such liberalization of the financial services market thus can be expected to further the development of the national economy that makes such commitments. The Association believes it is important that each Member, from this point forward, steadily promote market liberalization in accordance with the procedures stipulated in Article XIX of the GATS.

In addition to the benefits of market liberalization, a key factor that has enhanced the functioning of the WTO has been the introduction of an effective dispute settlement mechanism. In the view of the Association, the WTO dispute settlement mechanism has succeeded in curbing unilateral sanctions measures that could promote protectionism.

2. Progress of Liberalization in the Japanese Insurance Services Market

In Japan, drastic deregulation and liberalization measures in the financial market are proceeding steadily as envisioned under the Financial System Reform (the so-called "Big Bang") initiated in 1996 by then-Prime Minister Hashimoto. These measures include lifting the ban on cross-sector entry between banks, securities firms and insurance companies, which will be fully implemented by the end of March, 2001.

Regarding the insurance market, in 1996 the Japanese government made further commitments under the so-called "Supplementary Measures by the Government of Japan and the Government of the United States Regarding Insurance" ("Supplementary Measures"). Among these commitments was the total reform of the rating organization system by abolishing the requirement that companies in Japan use premium rates calculated by the ratings organizations.

The Japanese government also decided to schedule as Additional Commitments to the FSA its commitments on deregulation of the Primary Sector of the insurance market as agreed in the Supplementary Measures. Thus, over the past years, the Japanese government has made strong commitments to deregulate its insurance market on a multilateral basis and has met these commitments by enactment and implementation of the Financial System Reform Law, a broad measure resulting in the wholesale amendment of 24 financial laws including the Insurance Business Law in 1998.

Under its Additional Commitments to the FSA, the Government of Japan agreed to restrict entry by domestic insurance companies into the Third Sector of the insurance market until two and one half years after five specific criteria relating to deregulation of the primary insurance sectors were met. (The Third Sector consists of personal accident, medical and cancer insurance.) The last of these five criteria was fully met in July 1998, with the implementation of the law achieving total reform of the rating organization system described above. Thus, the Japanese government has announced that it will terminate the measures to avoid radical change in the Third Sector and realize full liberalization of this sector as scheduled in January 2001. The Association strongly supports this fundamental policy of the Japanese government.

II. Proposals for the Upcoming WTO 2000 Round of Services Negotiations

1. The Japanese Government Proposal

On July 12, 1999, the Japanese government issued a paper entitled "Preparation for the 2000 Services Negotiations" in which it made the following proposal for the WTO 2000 Round of Services Negotiations:

(1) Members should commence the next round of negotiations soon after the third Ministerial Conference, with broad and general guidelines and procedures aimed at

① achieving deeper and broader liberalization commitments, and
② elaborating effective rules for trade in services.

(2) Members should take up the following issues and considerations for the agenda of guidelines and procedures:

① a comprehensive scope of sectors;
② negotiations on specific commitments by combining a request-offer with a formula approach;
③ MFN exemptions;
④ disciplines on domestic regulations with the possibility of pro-competitive disciplines; and
⑤ negotiations on GATS rules.

(3) In the context of the negotiations, Members should pursue further consideration of special and differential treatment for developing-country Members and of scheduling guidelines and classifications.

The Association basically supports this proposal of the Japanese government. However, with regard to the disciplines on domestic regulation mentioned under Item (2) above, the Association believes that the regulatory authorities of each Member should not be prevented from enforcing necessary measures for prudential reasons, based on the condition of each Member, as stipulated in paragraph 2 of the GATS Annex on Financial Services.

2. The Association's Proposals for the WTO 2000 Services Negotiations

The Association has identified six objectives in the area of financial services on which it encourages specific progress be made during the WTO 2000 Round:

(1) Full Implementation of Commitments Made Under the Financial Services Agreement of 1997

Some Members have not adequately implemented their commitments made under the 1997 FSA. The Association strongly encourages each Member to implement its FSA commitments, and it calls for measures to discuss full FSA implementation in the upcoming Round. In particular, where a national government has committed to liberalization under the FSA, it must ensure that autonomous (state) governments under its authority implement those commitments.

(2) Additional Progress on Market Liberalization

The Association strongly hopes that each Member will make additional commitments to further improvement of market access and national treatment throughout their financial services sectors. Japanese non-life insurance companies still experience significant barriers to developing insurance business in some countries, and the Association hopes to see these barriers reduced or abolished during the next Round of negotiations. Such barriers include:

① Limitations on foreign capital ratios;
② Prohibitions of and restrictions on branch establishment by foreign companies ;
③ Obstacles to license issuance, such as multiple/inconsistent regulations and long waiting/procedural periods;
④ Citizenship and residence requirements for company executives and staff;
⑤ Obligation of reinsuring with state reinsurance companies;
⑥ Restrictions on foreign remittance;
⑦ Monopolies in certain lines of insurance business by domestic insurance companies or state insurance companies; and
⑧ Discriminatory taxation treatments towards foreign companies.

The Association proposes that Members in the next Round should seek acceptance by all Members of the Understanding on Commitments in Financial Services. This Understanding defines basic liberalization measures, and some countries have not yet agreed to it. Acceptance of the Understanding is one way to steadily advance liberalization at the same level in each Member.

(3) Examination of the Method of Regulation

As noted above, the GATS Annex on Financial Services, paragraph 2, specifically authorizes the regulatory authorities of each Member to take necessary measures for prudential reasons, including measures for the protection of investors, depositors, policyholders or persons to whom a fiduciary duty is owed by a financial service supplier, or measures to ensure the integrity and stability of the financial system.

Consistent with this directive, the Association believes that discussion regarding such prudential measures, particularly those for the protection of policyholders, should not be included within the scope of the WTO 2000 services negotiations. At the same time, with the increased globalization and integration of financial markets and expansion of financial conglomerates taking place, international co-operation among regulatory authorities is becoming more important. Regulatory authorities from each Member should seek to harmonize the necessary prudential measures they take through the participation in international organizations.

However, because regulations can become barriers to entry when they lack objectivity, transparency and impartiality, the Association suggests that the following regulatory principles be secured:

① Objectivity and Transparency in Regulations

The transparency and stability of the legal environment is necessary to promote the predictability of business operations. To secure such an environment, transparency and objectivity of regulation must be provided, and regulations must be enforced without discriminatory application or sudden change.

② Objective Licensing Standards

Because insurance is a business that must operate in the public interest, it is common practice that an insurer is required to be licensed before it engages in the business. Licensing requirements and procedures are fundamental to an insurer's operations. The Association therefore emphasizes that rules regarding the requirements, procedures, and standards for licensing must be maintained at a highly objective and transparent level. Moreover, to the extent a licensing authority is attempting to use the licensing requirement as a means for controlling, either officially or unofficially, the number of entrants in the market, such practices must be abolished.

③ Maintaining a Level Field of Competition

A level field of competition is the prerequisite of meaningful liberalization. Thus, the complete implementation of a rule of non-discrimination between domestic and foreign companies, as well as among foreign companies, is very important. In this respect, excessive emphasis on the so-called "Grandfather Clause" (the inclusion in liberalization proposals of a grandfathering provision that preserves advantages for earlier market participants) can adversely affect fair competition. Accordingly, invocation of such clauses must be carefully examined.

(4) The Reduction of MFN Exemptions

The goal of the GATS to expand trade in services under conditions of transparency and progressive liberalization can be achieved through an expanded scope of the GATS liberalization principle. MFN treatment is one of the most basic principles of the WTO, and therefore only narrow departures from this principle, through the registration of MFN exemptions, should be permitted.

Japan has not registered any MFN exemptions to the GATS. By contrast, a large number of other Members are still registering MFN exemptions. The Association recommends in the next Round, Members seek a substantial reduction in the number of MFN exemptions registered.

(5) Regulation of Insurance Sales on Internet

It is predicted that the Internet will become one of major channels of insurance distribution in the near future. Because current insurance regulatory rules are based on traditional sales methods, there could be a mismatch or some inadequacy when these rules are applied to electronic commerce. If a Member's regulatory authorities implement measures for regulating insurance sales on the Internet, consistent with paragraph 2 of the GATS Annex on Financial Services, the following elements should be considered:

① Whether or not electronic disclosure of all important information is practically and technically possible;
② The appropriate method of confirming policyholders' understanding of important information;
③ Protection of privacy (including the obligation of insurers, Internet providers, etc. to maintain confidentiality);
④ Effectiveness of the contract (identification of the contracting parties, and confirmation, alternation, and cancellation of the contract terms.);
⑤ Ensuring effectiveness of regulation on a cross-border basis; and
⑥ Jurisdiction (regulatory authorities of both the home-country and the host should have the authority to supervise insurance sales through Internet).

(6) Treatment of Developing Countries and the Expansion of Members

As stipulated in Paragraph 2, Article XIX of the GATS, it is essential that the process of liberalization take place with due respect for the different levels of development of individual Members. There is some concern that radical liberalization should not be promoted where the market environment is not well-enough developed to support that liberalization. Consideration must be given to state of development of a country's regulatory and/or supervisory system (including the organizational structure in place to enforce regulations), the systems in place to protect policyholders, and the level of education of the country's consumers. At the same time, to ensure support by the developing countries in the WTO, it is necessary to examine as thoroughly as possible the economic benefits liberalization brings to developing countries.

In addition to ensuring that developing countries obtain the greatest benefits from liberalization, it is also important that additional countries gain entrance to the WTO. Such expansion is necessary to strengthen the effectiveness of the WTO framework. Promotion of liberalization, and increase of transparency and stability in regulation and/or supervision can best be achieved through maximum participation in the WTO.

3. Japan-US Insurance Talks

At the Japan-US New Economic Framework Talks in July 1993, insurance was designated as one of the priority sectors of the Framework Talks between the Japanese and the US governments. As a result of the subsequent negotiations between two governments, they concluded an agreement entitled the " Measures by the Government of Japan and the Government of the United States regarding Insurance" (hereinafter referred to as the "Measures") on October 11, 1994, which laid out the measures on insurance that both governments had decided to implement. Subsequently, both governments had follow-up meetings from 1995, concerning the interpretation and application of the Measures. As a result, both governments reached an agreement on December 15, 1996, and signed a document entitled the “Supplementary Measures by the Government of Japan and the Government of the US regarding Insurance” (hereinafter referred to as the “Supplementary Measures”) on December 24, 1996.

A focal point of the Supplementary Measures was as follows:

a) In order to avoid radical change in the third sector (such businesses as cancer, medical, and personal accident insurance which are not classified into either life or non-life insurance), the subsidiaries of Japanese life and non-life insurance companies are not allowed to underwrite the third sector in which foreign insurance companies enjoy an advantageous position. This restriction will continue until deregulation measures provided in the agreement regarding the primary sectors are implemented.

b) If the five criteria for deregulation in the primary sectors mentioned below are met 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 allowed to enter the third sector from January 1, 2001.

Five criteria for the primary sectors deregulation provided in the Supplemental Measures

(a) Approval of automobile insurance policy with differentiated premium rates
(b) Expansion of the scope of application of the advisory rate system for loading rates of commercial fire insurance in line with the decreases in the minimum insured amount per contract (The minimum insured amounts per contract required are as follows; effective on January 1, 1997: more than 20 billion yen; and effective on April 1, 1998: more than 7 billion yen)
(c) Adding sixteen insurance products (such as general liability insurance, movables comprehensive insurance, etc.) to the list of products to which the notification system applies
(d) Implementation of the necessary legal changes (including administrative measures) to eliminate the obligations for members of rating organizations to use premium rates calculated by the rating organizations
(e) Approval of applications for differentiated products or rates within the standard processing period of 90 days

At the follow-up meeting held in Tokyo from June 9 to 12, 1998, the US government argued that the implementation measures undertaken by Japan were not sufficient to meet the five criteria, and thus termination of the measures to avoid radical change in the third sector must be postponed. However, the Japanese government contested this US argument, asserting that the deregulation measures provided in the agreement had been fully implemented. With the passing of the Financial System Reform Bill at the Diet on June 5, 1998, which included the reform of the rating organization system, the above five criteria had been finally met. Thus, the restrictions, which prohibit the subsidiaries of Japanese life and non-life insurance companies from entering into the third sector, should be removed by no later than January 1, 2001.

This follow-up meeting failed to resolve the divergence of views between the two governments. The Minister of Finance and the Commissioner of the Financial Supervisory Agency accordingly announced on July 2, 1999 that the measures to avoid radical change in the third sector would be terminated on January 1, 2001, as scheduled, because the two governments had agreed in 1996 that if they could not reach a common view on whether or not the five criteria set forth in the 1996 agreement had been met, each side would preserve the right to act in conformity with its own view as to whether or not the criteria had been met.

Mr. Takashi Onoda, then Chairman of our Association issued a statement on June 10, 1998, in which Mr. T. Onoda emphasized that we strongly hoped that the deregulation of the third sector would be implemented unreservedly on January 1, 2001, despite the argument from the US side, and that the Japanese insurance market would develop fairly, soundly, and transparently from the viewpoint of consumers.

On March 31, 1999, the United States Trade Representative (USTR) issued a "National Trade Estimate Report on Foreign Trade Barriers" (NTE report), in which the USTR took up the insurance sector in Japan. With reference to this report, the Japanese government announced its comments on April 16, 1999, stating that the NTE report's description concerning insurance was marked by erroneous ascertainment of facts and unwarranted interpretation.

On April 16, 1999, the subsequent follow-up meeting of the Japan-US Insurance Talks was held in Washington between the Japanese and US governments. Representatives from the National Association of Insurance Commissioners (NAIC), some state insurance commissioners, and Japan's Financial Supervisory Agency and Fair Trade Commission also attended the meeting. They exchanged views and opinions on the administrative supervision of insurance in each country. They also discussed the implementation of deregulation measures of both governments based on the 1994 and 1996 insurance agreements. Subsequently, the USTR issued a "Report of the USTR on identification of trade expansion priority (Super 301) pursuant to Executive order 13116" on April 30, 1999, in which the USTR took up the insurance sector in Japan as one of the areas where serious concerns remain.

On the other hand, the United States General Accounting Office (GAO) submitted a report on the implementation and the monitoring of the US-Japan insurance agreements on September 24, 1999, at the request of the Subcommittee on Trade, Committee on Ways and Means, House of Representatives in the US. The GAO report was based on a questionnaire distributed among the US majority-owned insurance companies and brokers operating in Japan, and meetings with officials of the US and Japanese governments and the management of the insurance industry, including our Association. In this report, the GAO stated that " In our January 1999 survey, almost all of the US companies (12 of 13) and brokers (2 of 3) operating in Japan reported that overall, the Japanese government had implemented the 1994 and 1996 agreements to a moderate or greater extent. Our analysis of company responses to our survey indicates that the Japanese government has implemented most of its commitments to improve transparency and procedural protections and deregulate the insurance market. Most of the companies (10 of 13) and brokers (2 of 3) reported that both agreements had enhanced their ability to compete in Japan, and a few companies attributed increased sales and market share to actions taken by Japan under the agreements. Companies, however, reported that a few of the agreements' commitments in the areas of transparency, deregulation, and the third sector protection had not been fully implemented."

Our Association believes that the liberalization of the Japanese financial market will be completed by January 1, 2001, as originally scheduled, and strongly hopes that the third sector will not become the only area excluded from the "Big-Bang" liberalization of the Japanese financial market in 2001, when mutual entry between banks, security firms, and insurance companies into each other's markets will be allowed without restriction.

IV. INTERNATIONAL BUSINESS

1. Foreign Non-Life Insurers in Japan

Foreign non-life insurers operating in Japan are classified according to the following four categories ; (a) locally incorporated insurers, including foreign-capitalized insurers (herein, such foreign-capitalized insurers are classified as domestic insurers.), licensed to conduct non-life insurance business under the Insurance Business Law, (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 15, 1999, there were 27 foreign non-life insurers in Japan from the following countries: U.K. (8) ; U.S.A. (6) ; France and Switzerland (2 each) ; Sweden, India, Australia, Korea, the Philippines, Italy, Bermuda, Norway, and Germany (1 each). Of these 27 companies, three confine their activities to reinsurance and the other three offer only "Protection & Indemnity Insurance", while a further three are represented by Japanese non-life insurance companies as their agents. These 27 foreign non-life insurers are listed on page 119.

Of these 27 foreign non-life insurers, 20 are members of the Property and Casualty Insurance Rating Organization of Japan, while 18 insurers are members of the Automobile Insurance Rating Organization of Japan. As of April 1, 1999, foreign non-life insurers' employees totaled 3,078, and agents 20,459.

[Direct Premiums Written by Foreign Non-Life Insurers]

In fiscal 1998 ending March 31, 1999, the total of direct premiums (including the savings portion of maturity-refund-type insurance premiums) of foreign non-life insurers amounted to about 296 billion yen, recording an increase of 1.8% over the previous year. This contrasted with the fact that the total direct premiums written by the 34 domestic non-life insurance companies during fiscal 1998 showed negative growth, down 6.7% from the previous year. Personal accident insurance maintained the biggest share of any line of business at 43.8%, followed by voluntary automobile insurance (28.6%), and miscellaneous casualty insurance (11.8%).

Direct Premiums of Foreign Non-Life Insurers (Fiscal 1998)

Table 28 (million yen & %)

Class of Business	Premiums			Share of Japanese Insurers
	Amount	Growth Rate	Share	
Fire	32,203	-3.3	10.9	18.4
Voluntary Automobile	84,506	10.9	28.6	37.1
Personal Accident	129,490	-3.4	43.8	23.9
Miscellaneous Casualty	34,749	11.6	11.8	7.8
Marine and Inland Transit	7,686	-11.4	2.6	2.9
Compulsory Automobile Liability	6,972	-1.2	2.4	9.9
Total	**295,606**	**1.8**	**100.0**	**100.0**

The market share of foreign non-life insurers in Japan (including six foreign-capitalized non-life insurers operating in Japan) stood at 3.67%, up 0.08 of a percentage point from the previous year. When the savings portion of maturity-refund-type insurance premiums is excluded, this share increases to 4.56%, up 0.05 of a percentage point from the previous year.

[Japan-Foreign Insurance Committee (JAFIC)]

The top management of the Marine and Fire Insurance Association of Japan and the Foreign Non-Life Insurance Association of Japan 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, 1999, 13 Japanese non-life insurers wrote risks through their overseas branch offices and agents in 39 countries and regions. The total of their direct premiums abroad amounted to about 62.1 billion yen, a decrease of 20.2% from the previous year. (Direct premiums written by their overseas subsidiaries are not included in these figures.) This decrease was chiefly attributable to the upward tendency in the value of the yen, and the fact that premium income from the United States and Canada showed a decrease from the previous year.

Table 29 Direct Premiums Written Abroad by Japanese Non-Life Insurers (Fiscal 1998)

(million yen & %)

Class of Business	Premiums	Growth Rate
Fire	14,459	-30.2
Automobile	12,745	-26.2
Marine Hull	177	-16.9
Marine Cargo	8,451	-6.2
Others	26,276	-14.4
Total	**62,107**	**-20.2**

The objectives of the overseas operations of Japanese insurers are as follows : to provide local 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 30.

Table 30

The Total Number of Japanese Insurers' Offices Abroad

Branches and Agents	123
Subsidiaries with 50% and over of Japanese capital	54
Subsidiaries with less than 50% of Japanese capital	59
Liaison Offices	254

(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, 1999.

3. International Reinsurance Business

The outward reinsurance balance had been unfavorable to Japanese insurers for years until fiscal year 1991 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. Though the negative balance exceeded 120 billion yen in fiscal 1994 and 1997, the balance improved in fiscal 1998 to a deficit of 65.5 billion yen. 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 badly affected by 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 thanks to the increased caution in underwriting reinsurance and the efforts of insurance companies to obtain more accurate information. However, after fiscal 1997, this improvement was reversed due to the increase of reinsurance commissions paid as well as claims paid, and in fiscal 1998, the balance worsened to become a deficit of 19.4 billion yen.

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

Table 31

Outward Reinsurance Balance (billion yen)

FY	Premiums (paid)	Claims (received)	Balance
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
1998	230.8	172.6	-65.5

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

Table 32

Inward Reinsurance Balance (billion yen)

FY	Premiums (received)	Claims (paid)	Balance
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
1998	181.4	200.8	-19.4

(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, in principle, a comprehensive comparison on domestic gross direct premiums written by domestic insurers and branches of foreign insurers in each country. It is useful in understanding the development and size of each non-life insurance market.

According to “Sigma”, in l997 there were 86 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$896.9 billion (110,046.3 billion yen: US$=122.70 yen). The U.S.A. had a 41.9% share of the total non-life insurance premiums, followed by Japan (11.3%), Germany (8.9%), the U.K. (6.3%), and France (4.5%).

The ratio of gross direct premiums to Gross Domestic Product (GDP) is shown in Table 33. Of countries not listed separately, New Zealand represents 4.5% (ranking 2nd) and Ireland 3.0% (13th). Furthermore, reviewing non-life insurance premiums per capita on a Japanese currency basis, the U.S.A. held the leading position with 172,234 yen. Of countries not listed separately, Luxembourg totals 129,976 yen (3rd) and Norway 98,737 yen (9th).

Table 33 International Comparison of Non-Life Insurance Premium Volume (1997)

Country	Gross Direct Premiums			Gross Direct Premium / GDP		Per Capita Premiums	
	(billion yen)	Rank	Share(%)	(%)	Rank	(yen)	Rank
U.S.A.	46,131.0	1	41.9	4.64	1	172,234	1
Japan	12,426.6	2	11.3	2.45	26	98,651	10
Germany	9,793.1	3	8.9	3.81	6	119,338	4
U.K.	6,935.4	4	6.3	3.34	12	89,681	14
France	4,972.0	5	4.5	2.91	16	85,007	15
Canada	3,310.3	6	3.0	4.30	3	110,491	7
Italy	3,200.6	7	2.9	2.28	30	55,644	20
Spain	1,857.7	8	1.7	2.85	19	47,240	22
Netherlands	1,836.0	9	1.7	4.12	4	117,620	5
Australia	1,723.6	10	1.6	3.58	9	92,872	13
Brazil	1,710.9	11	1.6	1.74	43	10,699	41
Korea	1,709.8	12	1.6	3.79	7	37,178	24
Belgium	1,135.7	13	1.0	3.82	5	111,559	6
Switzerland	1,131.5	14	1.0	3.61	8	159,093	2
Austria	844.4	15	0.8	3.34	12	104,602	8
China	720.5	16	0.7	0.64	74	577	81
Sweden	641.0	17	0.6	2.29	29	72,454	18
Russia	604.9	18	0.6	1.10	62	4,110	57
Taiwan	587.7	19	0.5	1.69	45	27,252	30
South Africa	551.9	20	0.5	3.48	10	12,834	37
Other 66 Countries	8,221.5	—	7.5	—	—	—	—
Total	**110,046.3**	—	**100.0**	**3.06**	—	**21,693**	—

(Note) 1. Figures quoted are from “Sigma / Swiss Re No.3/1999”.
2. The exchange rate used (U.S. $= 122.70 yen) is the average exchange rate for fiscal 1997.
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.

V. MAJOR DEVELOPMENTS

1. 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 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.

2. 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, the framework was put in place for the sweeping reform of the Japanese financial systems. The Bill, except for only a few parts, was enforced on December 1, 1998.

3. 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.

(Note) As a measure in force for a limited period until the end of March 2001, the Financial Reconstruction Commission (FRC) was established under the Prime Minister's Office on December 15, 1998. The FRC is a higher authority than the FSA, and is responsible for administration of the bankruptcy procedures applying to financial institutions, planning and research relating to a system for financial institution bankruptcy procedures and other critical situations, granting and revocation of licenses to financial institutions, etc.

4. 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 1, 1998.

The objective of this revision was to 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.

5. Financial Council established (August 1998)

The Financial Council, an advisory organ to the Minister of Finance, was established in August 1998, by combining three former councils, i.e. the Financial System Research Council, the Insurance Council, and the Securities & Exchange Council. The Financial Council shall deliberate on the improvement of the system for financial institutions and the securities exchange business, in order for our financial system to maintain its vitality and reliability in the 21st century.

6. Claims Settlements for Torrential Downpours and Typhoons 1998 Summer (August to October 1998)

A series of torrential downpours and typhoons from August 4 to October 18, 1998 caused serious damage locally. They were as follows: downpours on August 4 (badly affecting mainly Niigata prefecture), August 27 to 30 (badly affecting mainly Fukushima, Tochigi, and Ibaraki prefectures), and September 23 to 25 (badly affecting mainly Kochi prefecture), and typhoons No. 5 on September 15, No. 7 on September 22, and No.10 on October 17 and 18.

The most notable was Typhoon No. 7 (Vicki), which hit mainly Aichi, Mie, and Kyoto prefectures, and caused heavy claims (159.9 billion yen) involving 181,278 insurance policies. According to the Fire and Disaster Management Agency of the Ministry of Home Affairs, the total numbers of fatalities/missing and injured resulting from this typhoon were 18 and 564 respectively, while the number of damaged houses stood at 32,536.

Non-life insurance companies reacted promptly and efficiently, establishing claims settlement headquarters in the stricken areas and rushing in extra staff from all over the country to assist in smooth and rapid settlement of claims.

The number of policies involved and the amount of claims incurred in those torrential downpours and typhoons are shown in the table 34.

Table 34

(million yen)

Disasters \ Class of Business	Fire *1		Miscellaneous *2		Automobile *3		Marine Cargo		Marine Hull		**Total**	
	Number of Policies	Claims Incurred	Number of Policies	Claims Incurred	Number of Cars	Claims Incurred	Number of Policies	Claims Incurred	Number of Policies	Claims Incurred	Number of Policies	Claims Incurred
Downpour (Aug. 4)	1,854	971	55	104	3,568	1,884	–	–	–	–	**5,477**	**2,959**
Downpour (Aug. 27~30)	3,279	7,293	120	769	6,089	1,916	38	432	0	0	**9,526**	**10,410**
Typhoon No. 5 (Sept. 15)	7,420	5,426	631	1,264	3,527	599	31	82	5	30	**11,614**	**7,401**
Typhoon No. 7 (Sept. 22)	147,526	144,083	7,772	7,268	25,836	6,122	133	2,342	11	84	**181,278**	**159,899**
Downpour (Sept. 23~25)	6,004	6,593	297	856	5,719	3,821	52	157	0	0	**12,072**	**11,427**
Typhoon No. 10 (Oct. 17~18)	13,937	10,588	827	815	5,044	1,262	829	703	19	471	**20,656**	**13,839**
Total	**180,020**	**174,954**	**9,702**	**11,076**	**49,783**	**15,604**	**1,083**	**3,716**	**35**	**585**	**240,623**	**205,935**

(Note) 1. Fire insurance mainly refers to ① Dwelling House Fire Insurance, ② Householders Comprehensive Insurance, ③ Storekeepers Comprehensive Insurance, ④ Long-term Comprehensive Insurance, ⑤ Ordinary Fire Insurance, and ⑥ Housing Loan Corporation Special Fire Insurance.

2. Miscellaneous casualty insurance mainly refers to ① Movables Comprehensive Insurance, ② Personal Accident Insurance, ③ Contractors' All Risks Insurance.

3. Automobile insurance refers to Physical Damage Insurance.

7. Fair Trade Commission published a Report on the Actual Conditions of the Insurance Business (November 1998)

On November 13, 1999, the Fair Trade Commission (FTC) published a report on the actual conditions of the insurance business. The objective of the report was to study the progress of deregulation in the insurance business and level of competitiveness among insurance companies after the implementation of deregulation measures, such as the revisions of the Insurance Business Law effective in April 1996 and the Law concerning Non-Life Insurance Rating Organizations effective in July 1998.

The main contents of this report were a) the current situation of the insurance business after the deregulation measures, b) transactions between corporate customers and non-life insurance companies concerning non-life insurance.

8. Earthquake Insurance Claims Settlement Seminar and Drill held in Tokyo (November 1998)

On November 26, 1998, the Marine and Fire Insurance Association of Japan held the 17th seminar on earthquake risks and conducted a simulation on making emergency claim settlements in Tokyo, on the supposition that a "shutoken Chokkagata" (an earthquake with its shallow epicenter directly below a metropolitan area) had occurred.

Around 200 staff members drawn from the non-life insurance companies operating in Japan participated in the seminar and drill, and conducted such simulations as the confirmation of the emergency system in the non-life insurance industry and the assessment of damage by using aerial photos of urban areas.

The Association has been conducting seminars and drills since 1979 in different places nationwide, mainly in the metropolitan and Tokai areas, with the aim of ensuring quick and smooth claim settlements concerning earthquake insurance policies involved in the event of quakes, thus contributing to prompt claims payment to the policyholders.

9. 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.

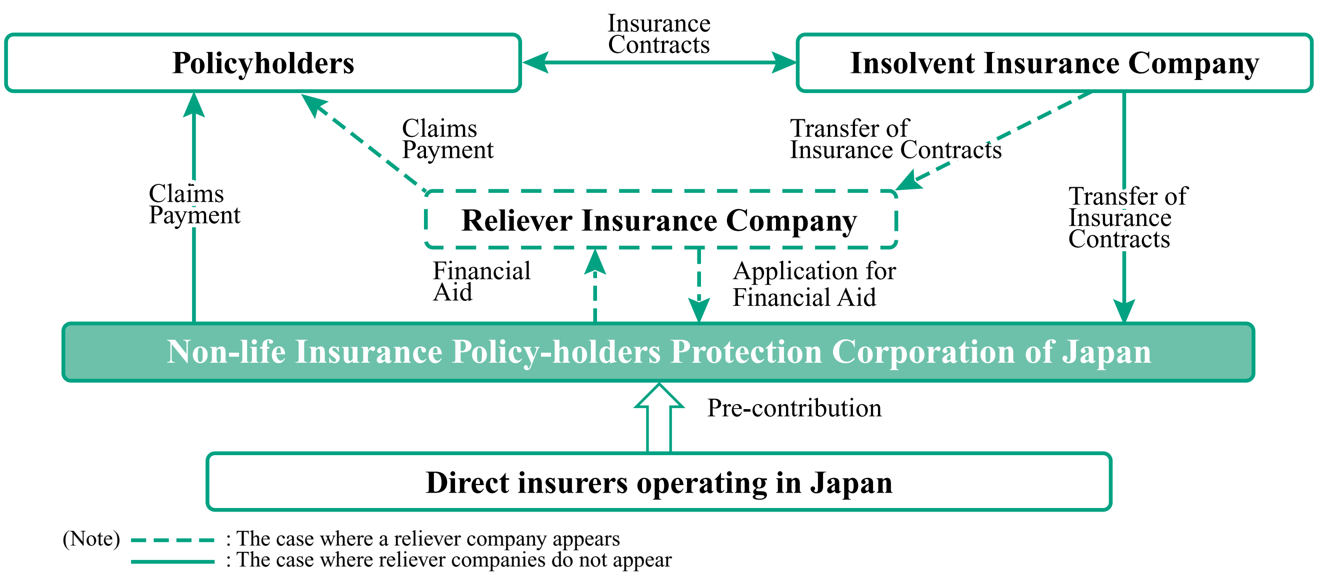
10. Non-Life Insurance Policy-holders Protection Corporation established (December 1998)

As an integral part of the financial system reform, and at the same time as the enforcement of the revised Insurance Business Law, the "Non-Life Insurance Policy-holders Protection Corporation of Japan" was established on December 1, 1998.

The Marine and Fire Insurance Association of Japan had established the "Policyholders' Protection Fund for Non-Life Insurance Companies" on April 1, 1996 when the new Insurance Business Law took effect. The main business activity of the Policyholders' Protection Fund was to provide financial aid to a reliever insurance company taking over the portfolio of an insolvent insurance company.

However, this Policyholder's Protection Fund was superseded by the establishment of the "Non-Life Insurance Policy-holders Protection Corporation of Japan", which has been given the functions of undertaking the insurance contracts of an insolvent insurance company even when reliever insurance companies do not appear, as well as providing financial aid to a reliever insurance company, thereby ensuring further protection of policyholders. As for the details of the Corporation, please refer to page 74.

Outline of the Policyholders Protection Scheme



11. Deliberations on the Review of the CALI System (December 1998 to November 1999)

As an integral part of its deregulation requests to the government, “Keidanren”, the Japan Federation of Economic Organizations, requested the abolition of the government reinsurance scheme for Compulsory Automobile Liability Insurance (CALI) in October 1998. Furthermore, the issue of privatization of the CALI system was taken up during the discussions on the reform of the central ministries, etc. in October 1998. With due regard to these circumstances, our Association established the CALI Ad Hoc Committee in December 1998, in order to review the CALI system as a whole.

At the 105th session of the CALI Council held on February 17, 1999, the Chairman of our Association proposed that deliberations on the future direction of the CALI system, including the abolition of the CALI government reinsurance scheme, etc. should take place at the CALI Council.

Subsequently, at the round table of the CALI Council held on June 25, 1999, our Chairman expressed the fundamental standpoint of our member companies concerning the CALI system, including the request for the abolition of the government reinsurance scheme. Our fundamental standpoint includes maintaining as currently the compulsory nature of the insurance, the obligation of insurance companies to provide CALI contracts, and the no-loss and no-profit principle. At present, the CALI system as a whole is being deliberated at the round table of the CALI Council, especially in such areas as protecting traffic accident victims, streamlining of CALI administrative procedures, reviewing CALI government reinsurance scheme, etc.

On the other hand, separately from the deliberations at the CALI Council, the Ministry of Transport established its own round table concerning the future direction of CALI in February 1999, in order to discuss the CALI system as a whole. The discussions were concluded at the end of September 1999, and then reported to the round table of the CALI Council held on October 7, 1999.

12. Increase in Aggregate Limit of Indemnity for Earthquake Insurance on Dwelling Risks (April 1999)

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 3,700 billion yen to 4,100 billion yen effective from April 1, 1999.

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 in January 1995. The changes in the aggregate limit are shown in Table 35 and details of the earthquake insurance on dwelling risks are described on page 64.

Table 35 Changes in Aggregate Limit of Indemnity

Effective from	Aggregate limit of indemnity per one occurrence
June 1966 (Establishment)	300 billion yen
May 1972	400 billion yen
April 1975	800 billion yen
April 1978	1,200 billion yen
April 1982	1,500 billion yen
June 1994	1,800 billion yen
October 1995	3,100 billion yen
April 1997	3,700 billion yen
April 1999	4,100 billion yen

13. Introduction of Early Warning Measure (April 1999)

One of the supervisory methods to prevent insurance companies from becoming insolvent is an early warning measure, by which the Commissioner of the Financial Supervisory Agency shall order certain measures if the management index of an insurance company which shows its business soundness falls below a certain level. The Enforcement Regulation concerning the early warning measure was published in January 1999 by the Prime Minister's Office and the Ministry of Finance in accordance with the Insurance Business Law and has been effective since April 1999.

To be exact, the early warning measure is divided into the following three categories based on the level of the solvency margin ratio : category 1 is the case where the solvency margin ratio falls below 200% but is above 100%, category 2 where the ratio falls below 100% but is above 0%, and category 3 where the ratio falls below 0%. In accordance with these categories, the Commissioner shall issue orders to improve, suspend, etc., part or all of the business operations.

The solvency margin ratio was included in disclosure items stipulated in the Enforcement Regulation of the Insurance Business Law issued by the Prime Minister's Office and the Ministry of Finance in November 1998. Therefore, the disclosure of the solvency margin ratio has been mandatory for all insurance companies from the closing of accounts at the end of March 1999. As for the details of the early warning measure, please refer to page 71.

14. Improvement of Information Disclosure (May 1999)

In order to secure the transparency of the non-life insurance business and to meet the requests of consumers for the further promotion of information disclosure, our Association reviews periodically the criteria for disclosure of information provided by individual non-life insurance companies, in order to facilitate the disclosure process.

Information has been disclosed annually from the end of March 1998 in the following new areas : a) solvency margin ratio, b) balance of securities classified by their remaining period, c) balance of loans for domestic companies classified by their remaining period, d) balance of subordinated loans, e) amount of bonds which are delinquent for more than three months, f) amount of bonds with relaxed terms and conditions of payment, g) breakdown of the balance of acceptance and guarantee, h) breakdown of the balance of customer's liability for acceptance and guarantee.

Subsequently, with the revision of the Insurance Business Law effective on December 1, 1998, which resulted from the approval of the Financial System Reform Bill at the Diet on June 5, 1998, insurance companies are required to provide their head office, principal offices, and branch offices with an explanatory document describing the conditions of their business operations and assets available for public inspection.

Furthermore, mandatory items to be included in the explanatory document were newly stipulated in the Enforcement Regulation of the Insurance Business Law issued by the Prime Minister's Office and the Ministry of Finance effective from December 1, 1998.

With due regard to those developments, and in accordance with the mandatory items to be included in the explanatory document, our Association totally reviewed the criteria for disclosure of information provided by individual non-life insurance companies. The new criteria for disclosure of information have been applied from the end of March 1999, and the main new items are as follows :

a) Matters concerning the principal business of insurance companies, such as indices showing principal business operations during the last five fiscal years.
b) Business operations of an insurance company, such as structures for risk management, compliance, etc.
c) Principal business operations of an insurance company and its subsidiaries, etc.
d) Condition of assets held by an insurance company and its subsidiaries, etc. during the last two consolidated accounting years.

15. Discussions in the Financial Council (July and August 1999)

The Financial Council has established Sub-committee 1, in order to deliberate on the introduction of the so-called "Financial Services Law" which will respond to the future development of various types of financial products and stipulate rules concerning the cross selling and distribution of these financial products. The interim report was compiled and published by the sub-committee in July 1999, and further deliberation is currently taking place toward final legislation.

On the other hand, Sub-committee 2 of the Financial Council discussed such issues as the demutualization of insurance companies, the review of the deposit insurance system for protecting depositors when a financial institution goes bankrupt, etc. The report was compiled and published by Sub-committee 2 in July 1999. Furthermore, a working group concerning fundamental issues in insurance was established under Sub-committee 2 in August 1999, in order to deliberate on the direction of risk management in insurance companies and the introduction of bankruptcy legislation which takes into account the nature of insurance contracts.

16. Expansion of Non-Life Insurance Products for Commercial Risks to which Notification System applies (August 1999)

As part of the government's promotion of deregulation programs and its efforts to revitalize the non-life insurance market, the number of non-life insurance products to which the notification system applies was expanded effective from August 13, 1999. This deregulation is an integral part of the Japanese Financial Big Bang, and was enacted at the same time as the revision of the Enforcement Regulation of the Insurance Business Law.

As a result, the number of non-life insurance products to which the notification system applies was expanded to 40 types of insurance products, and in principle, non-life insurance products for commercial risks have moved from the approval system to the notification system, except for group personal accident insurance, etc.

(Note) The notification system was introduced in line with the new Insurance Business Law effective from April 1, 1996. Under this system, an insurance company shall notify the Financial Supervisory Agency (FSA) should it wish to make an alteration to the particulars stipulated in the so-called "fundamental documents" (i.e. the statement showing the method of operation, general policy conditions, and the statement showing the basis of the calculation of premiums and underwriting reserves). The notification system applies only to cases where, as stipulated in the Enforcement Regulation of the Insurance Business Law, no problem arises in protecting policyholders' interests, etc. Alterations notified shall take effect within a 90-day-examination by the FSA.

17. Estimated Claims for Typhoon No. 18 (Bart) (September 1999)

The Marine and Fire Insurance Association of Japan announced the estimated amount of insurance claims for Typhoon No. 18 (Bart) as of October 29, 1999. This typhoon, which hit mainly the Kyushu and Chugoku districts on September 24 and 25, 1999, caused heavy claims (230.3 billion yen), involving 278,031 insurance policies. This is the second largest claim ever recorded in the Japanese non-life insurance market after Typhoon No. 19 (Mireille) in 1991 with 567.5 billion yen.

The details of the estimated amount of insurance claims for Typhoon No. 18 are as follows:

Table 36

(million yen)

Fire *1		Miscellaneous *2		Automobile *3		Marine Cargo		Marine Hull		**Total**		Heavily Stricken Areas (Prefectures)
Number of Policies	Claims Incurred	Number of Policies	Claims Incurred	Number of Cars	Claims Incurred	Number of Policies	Claims Incurred	Number of Policies	Claims Incurred	**Number of Policies**	**Claims Incurred**	
221,600	194,781	5,162	10,494	50,573	17,326	582	5,878	114	1,857	**278,031**	**230,336**	Kumamoto, Yamaguchi, Fukuoka, Hiroshima

(Note) 1. Fire insurance mainly refers to ① Dwelling House Fire Insurance, ② Householders Comprehensive Insurance, ③ Storekeepers Comprehensive Insurance, ④ Long-term Comprehensive Insurance, ⑤ Ordinary Fire Insurance, and ⑥ Housing Loan Corporation Special Fire Insurance.

2. Miscellaneous casualty insurance mainly refers to ① Movables Comprehensive Insurance, ② Personal Accident Insurance, ③ Contractors' All Risks Insurance.

3. Automobile insurance refers to Physical Damage Insurance.

Table 37 **Direct Premiums by Line**

Class of Business	Fiscal 1989		Fiscal 1990		Fiscal 1991		Fiscal 1992		Fiscal 1993	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,818,885	8.4	1,735,083	-4.6	1,613,575	-7.0	1,679,118	4.1	1,821,791	8.5
(Maturity-refund-type)	(1,083,464)	(10.0)	(989,761)	(-8.6)	(831,334)	(-16.0)	(843,804)	(1.5)	(942,060)	(11.6)
Voluntary Automobile	2,233,741	11.2	2,461,758	10.2	2,762,325	12.2	3,007,564	8.9	3,293,655	9.5
Personal Accident	2,599,797	-3.2	2,494,998	-4.0	2,677,805	7.3	2,542,171	-5.1	2,793,730	9.9
(Maturity-refund-type)	(2,096,857)	(-5.9)	(1,975,294)	(-5.8)	(2,117,139)	(7.2)	(1,980,646)	(-6.4)	(2,210,554)	(11.6)
Miscellaneous Casualty	500,960	25.2	719,250	43.6	725,908	0.9	707,919	-2.5	694,303	-1.9
(Maturity-refund-type)	(10,871)	(-11.8)	(113,320)	(942.4)	(87,517)	(-22.8)	(58,811)	(-32.8)	(55,002)	(-6.5)
Marine Hull	80,200	-3.8	88,832	10.8	91,246	2.7	102,393	12.2	108,157	5.6
Marine Cargo	146,432	11.7	157,645	7.7	148,953	-5.5	142,896	-4.1	130,495	-8.7
Inland Transit	55,855	10.3	61,611	10.3	65,303	6.0	64,550	-1.2	63,229	-2.0
Sub-total	7,435,870	5.6	7,719,177	3.8	8,085,115	4.7	8,246,611	2.0	8,905,359	8.0
Compulsory Automobile Liability	1,159,880	2.9	1,205,090	3.9	1,101,209	-8.6	1,076,278	-2.3	1,001,857	-6.9
Grand Total	**8,595,750**	**5.3**	**8,924,267**	**3.8**	**9,186,324**	**2.9**	**9,322,889**	**1.5**	**9,907,217**	**6.3**
(Maturity-refund-type)	(3,191,192)	(-1.0)	(3,078,375)	(-3.5)	(3,035,990)	(-1.4)	(2,883,260)	(-5.0)	(3,207,616)	(11.2)

(Note) 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. Maturity-refund-type (or savings-type) insurance policies are detailed on page 17

Table 38 **Net Premiums by Line**

Class of Business	Fiscal 1989		Fiscal 1990		Fiscal 1991		Fiscal 1992		Fiscal 1993	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	948,046	7.7	973,460	2.7	982,596	0.9	989,926	0.7	1,017,022	2.7
Voluntary Automobile	2,245,339	11.5	2,478,107	10.4	2,779,749	12.2	3,030,497	9.0	3,314,553	9.4
Personal Accident	661,049	4.4	666,962	0.9	693,565	4.0	700,806	1.0	756,686	8.0
Miscellaneous Casualty	479,383	29.0	601,411	25.5	625,362	4.0	629,197	0.6	615,959	-2.1
Marine Hull	73,611	-3.7	79,799	8.4	80,331	0.7	81,012	0.8	81,744	0.9
Marine Cargo	143,106	12.1	155,052	8.3	147,446	-4.9	139,876	-5.1	124,495	-11.0
Inland Transit	53,575	10.8	59,199	10.5	62,558	5.7	60,810	-2.8	59,136	-2.8
Sub-total	4,604,110	10.9	5,013,990	8.9	5,371,608	7.1	5,632,124	4.8	5,969,596	6.0
Compulsory Automobile Liability	596,256	4.4	614,696	3.1	620,094	0.9	596,903	-3.7	581,965	-2.5
Grand Total	**5,200,366**	**10.1**	**5,628,687**	**8.2**	**5,991,702**	**6.4**	**6,229,027**	**4.0**	**6,551,561**	**5.2**

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

(million yen & %)

Fiscal 1994		Fiscal 1995		Fiscal 1996		Fiscal 1997		Fiscal 1998		Class of Business
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	
1,854,494	1.8	1,853,364	-0.1	1,902,702	2.7	1,901,652	-0.1	1,774,122	-6.7	Fire
(894,388)	(-5.1)	(858,219)	(-4.0)	(844,488)	(-1.6)	(810,960)	(-4.0)	(754,434)	(-7.0)	(Maturity-refund-type)
3,444,927	4.6	3,535,792	2.6	3,649,071	3.2	3,688,850	1.1	3,572,065	-3.2	Voluntary Automobile
2,619,717	-6.2	2,730,623	4.2	2,892,951	5.9	2,666,790	-7.8	2,295,419	-13.9	Personal Accident
(2,021,958)	(-8.5)	(2,115,638)	(4.6)	(2,251,163)	(6.4)	(2,023,671)	(-10.1)	(1,676,318)	(-17.2)	(Maturity-refund-type)
698,785	0.6	750,800	7.4	793,468	5.7	776,114	-2.2	746,046	-3.9	Miscellaneous Casualty
(52,161)	(-5.2)	(70,726)	(35.6)	(70,622)	(-0.1)	(46,460)	(-34.2)	(44,144)	(-5.0)	(Maturity-refund-type)
105,242	-2.7	97,545	-7.3	92,209	-5.5	78,058	-15.3	68,290	-12.5	Marine Hull
135,959	4.2	143,930	5.9	161,147	12.0	163,782	1.6	146,988	-10.3	Marine Cargo
63,866	1.0	65,377	2.4	67,409	3.1	67,840	0.6	64,388	-5.1	Inland Transit
8,922,990	0.2	9,177,430	2.9	9,558,957	4.2	9,343,087	-2.3	8,667,318	-7.2	Sub-total
1,005,150	0.3	1,034,273	2.9	1,063,021	2.8	970,632	-8.7	955,582	-1.6	Compulsory Automobile Liability
9,928,140	**0.2**	**10,211,704**	**2.9**	**10,621,978**	**4.0**	**10,313,719**	**-2.9**	**9,622,900**	**-6.7**	**Grand Total**
(2,968,507)	(-7.5)	(3,044,584)	(2.6)	(3,166,273)	(4.0)	(2,881,091)	(-9.0)	(2,474,896)	(-14.1)	(Maturity-refund-type)

(million yen & %)

Fiscal 1994		Fiscal 1995		Fiscal 1996		Fiscal 1997		Fiscal 1998		Class of Business
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	
1,076,867	5.9	1,105,961	2.7	1,175,180	6.3	1,186,054	0.9	1,117,182	-5.8	Fire
3,466,250	4.6	3,555,270	2.6	3,666,582	3.1	3,697,444	0.8	3,575,870	-3.3	Voluntary Automobile
760,049	0.4	782,749	3.0	797,101	1.8	765,795	-3.9	718,693	-6.2	Personal Accident
621,749	0.9	651,276	4.7	694,050	6.6	702,505	1.2	688,091	-2.1	Miscellaneous Casualty
79,657	-2.6	74,055	-7.0	73,473	-0.8	63,582	-13.5	55,939	-12.0	Marine Hull
130,387	4.7	137,473	5.4	155,885	13.4	159,574	2.4	143,440	-10.1	Marine Cargo
60,084	1.6	61,980	3.2	63,975	3.2	64,426	0.7	61,831	-4.0	Inland Transit
6,195,046	3.8	6,368,767	2.8	6,626,250	4.0	6,639,384	0.2	6,361,138	-4.2	Sub-total
570,226	-2.0	590,508	3.6	601,908	1.9	576,014	-4.3	553,926	-3.8	Compulsory Automobile Liability
6,765,273	**3.3**	**6,959,275**	**2.9**	**7,228,158**	**3.9**	**7,215,398**	**-0.2**	**6,915,064**	**-4.2**	**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 institutions, 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. The FSA 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. (As a measure in force for a limited period until the end of March 2001, the Financial Reconstruction Commission (FRC) was established under the Prime Minister's Office on December 15, 1998. The FRC is a higher authority than the FSA, and is responsible for administration of the bankruptcy of financial institutions, planning and research relating to a system for financial institution bankruptcy procedures and other critical situations, granting and revocation of licenses to financial institutions, etc.)

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 insurance companies, agents, brokers, etc., located in each region. 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 Minister's Secretariat of the Ministry of Finance is responsible for earthquake reinsurance and the audits of non-life insurance companies under the Law concerning Earthquake Insurance.

(2) Insurance Advisory Councils

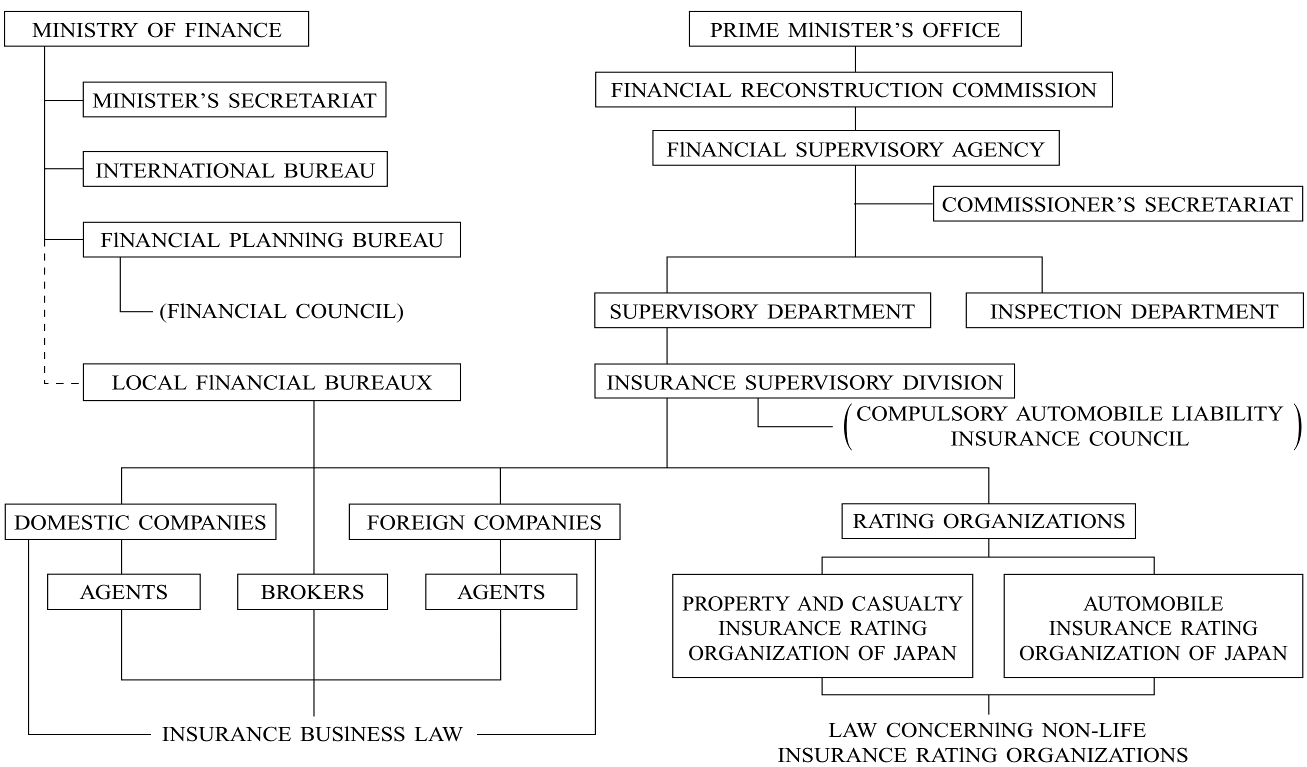
a. There are two insurance advisory councils : the Financial Council to the Minister of Finance and the Compulsory Automobile Liability Insurance (CALI) Council to the Commissioner of the Financial Supervisory Agency.

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 sub-committees and working groups whenever necessary. Currently, two sub-committees exist to discuss such issues as the introduction of the Japanese version of the “Financial Services Law”, demutualization of insurance companies, the rehabilitation procedures of insurance companies, etc.

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 responsible 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. (Currently, the review of the CALI system as a whole is being discussed at the round table of the CALI Council.)

(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 the Financial Reconstruction Commission.
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) and / 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 an intrinsic 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, the Financial Reconstruction Commission delegates its authority to the Commissioner of the Financial Supervisory Agency, except for the granting or revocation of licenses to insurance companies, 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 yen, 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 Regulation issued by 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 rotation, 3) acquisition or transfer of monetary obligations, 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 insurance 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 insolvent 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 management), 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 working out premiums and underwriting reserves (excluding the particulars stipulated in the Enforcement Regulation issued by the Prime Minister's office and the Ministry of Finance which is 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 Regulation mentioned in a. above, it must notify the Commissioner. Alterations notified shall be effective, in principle, after a 90-day-examination by 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 ratio".

(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 the Financial Reconstruction Commission. 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 Regulation issued by the Prime Minister's Office and the Ministry of Finance, the amount of deposit, and the amount stipulated in the Regulation 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 the Financial Reconstruction Commission 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 the Financial Reconstruction Commission in advance.

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 yen and the maximum 800 million yen 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 yen 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 than 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 their non-life insurance premium rates.

(2) Establishment of Rating Organizations

a. Two or more non-life insurance companies may, upon obtaining the approval of the Financial Reconstruction Commission, 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 Regulation issued by the Prime Minister's Office and the Ministry of Finance, i.e. fire, personal accident, nursing care, 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 risk premium rates" which shall be provided for the members.
2 To calculate "standard premium rates" which shall be provided for the 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 notified 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, the Financial Reconstruction Commission 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 yen (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 yen; Permanent Disability : 30 million yen (1st grade) ~ 0.75 million yen (14th grade) ; and Bodily Injury : 1.2 million yen.

(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 (insurance) 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 insurance on dwelling risks.

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). The insured amount of the earthquake insurance policy is not less than 30% but not exceeding 50% of the insured amount of main fire insurance policy. 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 yen) 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 yen) 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 yen to 3,100 billion yen 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, to 3,700 billion yen and, effective from April 1, 1999, to 4,100 billion yen. The current arrangements for reinsurance and retrocessional transactions are as follows :

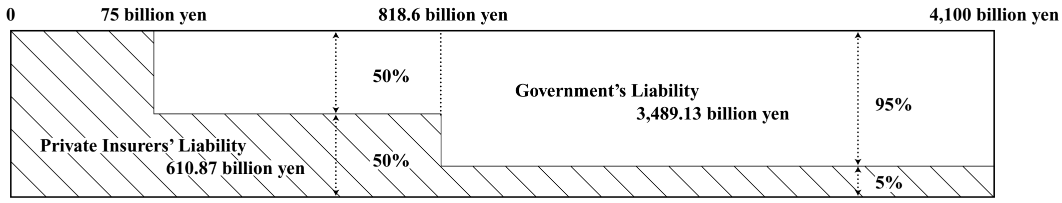
a. Reinsurance with JER :
All earthquake risks written by direct insurers are wholly reinsured with JER.

b. Retrocession with direct insurers :
JER cedes a certain portion of the portfolio back to the original direct insurers and also to the Toa 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 4,100 billion yen. If the total amount of claims per quake exceeds the aggregate limit of indemnity, claims payable shall be reduced pro rata by the proportion of 4,100 billion yen to the total amount of claims.

3) Liability Sharing Scheme between the Government and Private Insurers for Fiscal 1999



(A) Up to 75b yen : .... Private Insurers for 100%

(B) Over 75b yen up to 818.6b yen : .... Government for 50% (409.4b yen)
Private Insurers for 50% (409.45b yen)

(C) Over 818.6b yen up to 4,100b yen : .... Government for 95% (3,489.13b yen)
Private Insurers for 5% (164.07b yen)

2. Liberalization of 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 in the Diet on June 5, 1998. In line with this, the 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 deregulation and liberalization in the Japanese non-life insurance market. Major developments of liberalization 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" (Measures).
  ① Mutual entry of life and non-life insurance companies into the third sector under certain restrictions.
  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 former three laws, i.e. the Insurance Business Law, the Law concerning the Control of Insurance Soliciting, and the Law concerning Foreign Insurers were amended and consolidated 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 yen 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.

December 24, 1996 The Japan-US Insurance Talks were concluded.

● Representatives of the Japanese and the U.S. governments met from December 1995 through December 1996 regarding the interpretation and application of the "Measures". As a result of these consultations, each government decided to implement "Supplement Measures by the Government of Japan and the Government of the United States regarding Insurance" as an integral part of the "Measures".

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 the 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 measure 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.

- With the approval of the Financial System Reform Bill, non-life insurance companies were allowed to distribute investment trusts directly to customers on December 1, 1998, on the condition of registering with and obtaining approval from the Commissioner of the Financial Supervisory Agency.

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.

July 1, 1998 Non-Life Insurance Rating Organization System reformed.

- 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.

- The rating organization shall calculate a “reference risk premium rate” for fire, personal accident, nursing care, and voluntary automobile insurance. The rating organization shall also calculate a “standard premium rate” for the Compulsory Automobile Liability Insurance and earthquake insurance on dwelling risks.

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.

March 31, 1999 Early Warning Measure in Insurance Companies became effective.

- The early warning measure is an administrative trigger which will be put into action in accordance with the solvency margin ratios, one of the indices that the supervisory authorities utilize in order to judge the management soundness of an insurance company.

August 13, 1999 Expansion of the Notification System

- The number of non-life insurance products to which the notification system applies was expanded effectively from August 13, 1999, and in principle, non-life insurance products for commercial risks have moved from the approval system to the notification system.

October 29, 1999 Firewall Regulation concerning the Entry of Insurance Companies to the Banking Business through their Subsidiaries introduced.

- With the entry of insurance companies to the banking business through their subsidiaries allowed from October 1, 1999, a regulation concerning measures to prevent harmful effects on policyholders arising from the entry was introduced effective from October 29, 1999.

- The allowance of the entry of insurance companies to the banking business resulted from the enforcement of the Financial System Reform Bill on December 1, 1998.

3. *Outline of Measures for Early Warning and Policyholders' Protection 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 policyholders 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 three 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 management soundness of a non-life insurance company will not arise if the ratio is 200% or more.

Japanese non-life insurance companies have disclosed their solvency margin ratios from June 1998. 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. Subsequently, the calculation method of the solvency margin ratio was modified on March 31,1999, taking into account the environmental and structural changes surrounding insurance companies and the development of their businesses and their insurance products and services. The details of the solvency margin ratio are as follows :

1) The solvency margin ratio is calculated according to the following formula:

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

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 mis-judgement, 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 at the Diet on June 5, 1998, provisions concerning an early warning measure were introduced in the Insurance Business Law as one of the key factors in the new insurance supervisory and regulatory framework based on the solvency margin ratio of non-life insurance companies. The details of the early warning measure were stipulated in the Enforcement Regulation of the Insurance Business Law, and have been effective since March 31, 1999.

The objective of the early warning measure is to ensure the sound and proper business operation of an insurance company and the protection of policyholders, etc, by enabling the supervisory authorities to urge insurance companies, including foreign insurers operating in Japan and one specific corporation (i.e. the Society of Lloyd's), to improve their management in accordance with their solvency margin ratio.

It is considered that problems concerning the soundness of an insurance company will not arise if the solvency margin ratio is 200% or more. However, if the ratio of an insurance company falls below 200%, the supervisory authorities shall take the early warning measure on the basis of the provisions of the Insurance Business Law and its enforcement regulation. According to the enforcement regulation, the early warning measure is divided into three categories in accordance with the level of the solvency margin ratio, and the outline of each category is as follows ;

a. Category 1 (The case where the solvency margin ratio falls below 200% but is above 100%)

Under this category, the supervisory authorities shall require an insurance company to submit a business improvement plan which the supervisory authorities consider appropriate to ensure the management soundness of the insurance company involved, and then the supervisory authorities shall order the implementation of the business improvement plan.

b. Category 2 (The case where the solvency margin ratio falls below 100% but is above 0%)

The supervisory authorities shall choose from among the following measures which they consider appropriate ;

1. Submission of plans considered as appropriate to increase the capability of paying claims, etc., and the implementation of these plans.
2. Prohibition of payment of stock dividends or director's bonuses, or restraints on the amount of these.
3. Prohibition on distribution of dividends or surpluses to policyholders, or restraints on the amount of these.
4. Alteration of calculation method (incl. coefficients which form the basis of the calculation) of premium rates concerning insurance contracts to be newly entered into.
5. Restraint on operating expenses.
6. Prohibition on certain methods of asset investment, or restraints on its amount.
7. Reduction of business operations at part of the branch or office.
8. Closing of some of the branches or offices, excluding the main office or chief office.
9. Reduction of business operations at subsidiaries, etc.
10. Disposal of stocks or equities of subsidiaries, etc.
11. Reduction of existing businesses or prohibition of new businesses, such as businesses ancillary to licensed insurance business, businesses relating to specific securities transactions stipulated in the Securities and Exchange Law, and businesses allowed under other laws.
12. Other measures which the supervisory authorities consider necessary.

c. Category 3 (The case where the solvency margin ratio falls below 0%)

When the level of the solvency margin ratio of an insurance company falls below 0%, the supervisory authorities shall issue an order to suspend part or all of the business operations for a specified period.

In addition to these measures mentioned above, the Enforcement Regulation includes the following four items ;

1. If an insurance company finds that its solvency margin ratio decreases in category 2 or 3, and if the insurance company promptly submits a business improvement plan which the supervisory authorities judge to be appropriate to restore the company's solvency margin ratio, the category of the order which the supervisory authorities issue shall depend on the result of the implementation of the business improvement plan.

2. Even though an insurance company falls within category 3, the supervisory authorities shall be able to issue an order including the measures of category 2, when the difference between the assets and the liability of the insurance company including an unrealized loss or gain of securities, etc. shows a plus or when it is obviously expected to become a plus.

3. Even though an insurance company does not fall within category 3, the supervisory authorities shall be able to issue an order including the measures of category 3, when the difference between the assets and the liability of the insurance company including an unrealized loss or gain of securities, etc. shows a minus or when it is obviously expected to become a minus.

4. The early warning measure shall not apply to the Japan Earthquake Reinsurance Company whose insurance contracts are reinsured by the government under the Law concerning Earthquake Insurance on dwelling risks.

(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. The General Meeting of Members shall be convened by the 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.

c. 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 value both the assets and the liability reserves of an insolvent non-life insurance company. The Corporation's secretariat manages and conducts its business operations.

4) Types of Business Operations

The Corporation carries out the following types of business operations :

a. To provide financial aid to a reliever non-life insurance company to which the insurance contracts of an insolvent non-life insurance company are transferred.

b. To undertake the insurance contracts of an insolvent non-life insurance company, and to administer and/or deal with these insurance contracts, when reliever non-life insurance companies do not appear.

c. To provide loans to the members of the Corporation in the event that they have to stop claims payment to their policyholders due to temporary cash-flow problems.

d. To provide loans to certain policyholders, etc., of an insolvent non-life insurance company within the amount equivalent to claims incurred, when the non-life insurance company has stopped claims payment due to the issuance of an order to suspend its business operations.

5) Non–Life Insurance Contracts to be compensated

The Corporation compensates 100% of the claims and return premiums for Compulsory Automobile Liability Insurance (CALI) and earthquake insurance on dwelling risks. In addition, regarding the claims incurred from voluntary automobile insurance, fire insurance for individuals and small sized enterprises, personal accident insurance, medical expenses insurance, and nursing care expenses insurance, the Corporation shall compensate 90%. Furthermore, the return premiums for cancellation of these insurance policies, and the return premiums and the maturity refunds of these maturity-refund-type (or savings-type) insurance policies shall be compensated 90%. However, in the case that the expected interest rates of these maturity-refund-type insurance policies are changed by the bankruptcy procedures contained in the Insurance Business Law, the compensation for the return premiums for cancellation and the maturity refunds involved may fall below 90%. Moreover, provisional measures, effective until the end of March 2001, shall provide as follows :

a) 100% compensation for claims incurred from all types of insurance policies (excluding reinsurance). This recognized the compensation function of non-life insurance, and is in line with the measures that bank deposits shall be compensated 100% until the end of March 2001.
b) 100% compensation for the return premiums for cancellation and the maturity refunds of "Zaikei" saving personal accident insurance and individual annuity & accident insurance policies. However, the provision concerning changes in expected interest rates also applies to this.

6) Finance of the Corporation

a. The members of the Corporation 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 yen, i.e. ten times the total annual contributions of the members. However, the members are required to contribute 6.5 billion yen 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 yen. In addition, until the end of March 2001, the Corporation shall be allowed to use the government as their guarantor when borrowing money directly from the Bank of Japan.

d. In the case that the costs required for the bankruptcy procedures exceed 50 billion yen, the Corporation shall consider the measures to be taken, including requesting the authorities to review the whole system, with due regard to such conditions as the amount of funds accumulated, financial aid, etc. which has previously been provided, and the business soundness of the members of the Corporation.

4. Distribution System

The non-life insurance distribution system in Japan is divided into agency, brokerage, and direct distribution by officers or employees of insurance companies.

Agents and brokers must be registered with the Commissioner of the Financial Supervisory Agency (Note) in accordance with the Insurance Business Law. Therefore, only registered agents and brokers as well as staff members of 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 a duty to protect the policyholder's interests as well as do their utmost to ensure the orderly development of insurance distribution.

In fiscal 1998, domestic direct premiums collected through agents amounted to 91.6% of all non-life insurance premiums, and the remainder, 8.3% and 0.1%, was collected through direct distribution and brokerage respectively. The total number of sales staff engaged in agency business in domestic and foreign non-life insurers amounted to 1,180,784 at the end of March 1999.

(Note) Under the Insurance Business Law, the Financial Reconstruction Commission delegates its 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 the "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.

(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: a. ensuring the harmonization of the Japanese insurance distribution system with international insurance markets, b. diversifying distribution channels, and c. promoting user convenience.

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 is given by the Marine and Fire Insurance Association of Japan, based on the Administrative Guidelines issued by the Financial Supervisory Agency. (The total number of successful candidates up to the last examination held in July 1999 amounted to 329)

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.

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 yen and the maximum 800 million yen.

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. However, as regards reinsurance, ocean marine hull insurance, ocean marine cargo insurance, commercial aircraft insurance, etc., they are allowed to mediate for unlicensed foreign insurers directly.

(3) Direct Distribution

A distribution system that allows officers or employees of non-life insurance companies to distribute non-life insurance products directly is called "Direct Distribution" and includes different kinds of forms as follows.

● ***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, 1999, the number of "undergraduate" special trainees reported was 9,442.

● ***Chokuhan-Shain System***

Direct distribution, known in Japanese as the "chokuhan-shain" or "direct salesperson" approach means the method where staff members of non-life insurance companies are engaged directly in distribution of non-life insurance products. As of March 31, 1999, the number of "chokuhan-shain" reported was 9,410.

● ***Others***

Correspondence selling, arising from advertising, magazines, and TV, DM(Direct Mail), telemarketing and internet-online-sales, is one of new direct distribution channels.

5. *Investment Regulation*

In order to ensure the sound operation of insurance business and to protect policyholders' interests, asset investment by insurance companies is regulated under the Insurance Business Law. The Enforcement Regulation issued by 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 Regulation 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 8 (3) - 2 or 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 1 (8) 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 Regulation 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 Regulation ; 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 person or entity substantially considered to be an identical person or entity as stipulated in Article 48-2 of the Enforcement Regulation.
- 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 Regulation. (i.e. subsidiary or holding company of an insurance company)
- Where these are held concurrently, the aggregate limit is 10%. (Regarding 7 and 11, the aggregate limit is 3%.)

Exceptions to the above limitations could be allowed under exceptional circumstances, if approved by the Commissioner of the Financial Supervisory Agency.

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 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

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

(b) 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 83.

(c) 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 fiscal year.

(d) Reserves for Dividends to Policyholders

For long-term comprehensive insurance, family traffic personal accident insurance with maturity refund,

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.

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 (c) above, should be reserved as stipulated in the Statement for premiums and underwriting reserves to provide for future payments of dividends to policyholders.

(e) 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.

(f) 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

(a) Ordinary Reserves for Outstanding Losses

Non-life insurance companies are required to establish, at the time of closing their account, 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.

(b) 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.

(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.

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. Social and Public Activities

(1) 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 :

a. Strengthening of fire fighting facilities

Every year the Association donates fire fighting equipment to local municipalities. The donations made in 1998 to 40 local municipalities, etc. included chemical fire trucks, pumpers with tanks, and other standard fire engines.

b. Activities to promote public awareness of fire prevention

(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 public awareness of loss prevention. In 1998 such symposiums were held in Kagoshima City, Kagoshima Prefecture and Kesennuma City, Miyagi 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 the public. In 1998 these lectures, covering subjects such as measures against earthquakes and voluntary activities, were given at 53 locations, drawing audiences totaling 20,850 people, with the support of the Fire and Disaster Management Agency and the Fire Chiefs Association of Japan.

(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, such as films or videos, were made available.

(e) Cooperation activities for fire prevention organization

To cooperate with the fire prevention organization, the Association distributed fire alarms to 179 cities and analyzed the monitor questionnaire to accumulate data for fire prevention.

(B) Traffic Accident Prevention

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

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 road safety, and to promote an awareness of the need to purchase automobile bodily injury liability insurance policies in order to protect traffic accident victims.

b. Educational activities

The Association has distributed the traffic safety educational video, entitled “The Seat Belt”, which uses 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 schools.

d. 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) Traffic accident prevention measures (appr. 0.3 billion yen disbursed)

Traffic accident prevention equipment was donated to each prefectural police department.

(b) Improvement of emergency medical services (appr. 1.0 billion yen disbursed)

In 1998 financial assistance was extended to the Japanese Red Cross, and ambulances were donated to local governments through the Fire and Disaster Management Agency.

(c) Protection of traffic accident victims (appr. 0.8 billion yen disbursed)

In 1998 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 (appr. 0.2 billion yen disbursed)

The Association organized an educational program on the rationalization of medical expenses.

e. 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 1998 the Association subscribed for 8.0 billion yen.

b. Traffic bonds

Since 1965 the Association has been purchasing municipal traffic bonds. The Association's subscription in 1998 reached about 7.4 billion yen.

(2) Study and Research 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 study and research 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 reports entitled “The actual conditions of traffic accidents as shown by automobile insurance claims data” and “The analysis of conditions of the injury of traffic accident victims”.

Furthermore, the Association also carried out a new study and analysis which integrated existing data on traffic accidents and automobile insurance, and issued a report entitled “The study and research on integration and use of the data of traffic accidents and automobile insurance”.

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, explosion, 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 has completed an investigation into the laws and regulations concerning safety management and loss prevention for fires, explosions, and workers' accidents in thirteen countries (the U.S.A., U.K., Thailand, Germany, Malaysia, Singapore, Australia, France, Republic of China, Indonesia, Netherlands, People's Republic of China, and India). In 1998, the report on the U.S.A. was updated to include the analysis of laws and regulation on environmental issues. 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.

(3) Response to Environmental Issues

Environmental issues 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 issues in order to ensure consumers' safety and security.

(A) Response of Non-Life Insurance Companies to Environmental Issues

The non-life insurance industry has set itself tasks that relate specifically to environmental issues, and each non-life insurance company has dealt with these issues accordingly. In November 1996, the non-life insurance industry mapped out its position on environmental problems in the “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. The activities of non-life companies on environmental issues are as below:

a. Measures to help curb the Greenhouse Effect

As to be expected type of business, the non-life insurance industry uses paper very abundantly. In consideration of the environmental effect of the consumption of paper resources, every member company has been grappling with the problem of how to cut down its use of paper.

b. Recycling Activities

As one of the answers to this problem, 90% and more of our member companies have promoted the use of recycled paper.

c. Introduction of an Environmental Management System

3 of our member companies have introduced their own environmental management system. Furthermore, 3 companies have acquired and other companies are planning to acquire the ISO14001 certification (as of December 1999).

d. Raising awareness of Environmental Issues

Many companies have donated to environmental organizations and have carried out activities aimed at educating and raising awareness on environmental issues.

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

The Association conducted a campaign aimed at increasing the use of repaired automobile parts from June to July, 1998, and again from June to July, 1999. 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.

(4) Response to Year 2000 Issue

Year 2000 (Y2K) issue is of such importance that communities throughout the world must unite in their efforts to prevent trouble or accidents. In order to secure consumer safety and security, the non-life insurance industry in Japan has promoted such measures as below, with the aim of maintenaning and improving of social trust:

(A) Preparation of each non-life insurance company for Y2K issue

All our member companies have given priority to the Y2K issue in their management policy, and have completed modifications and internal tests of core computer systems which could directly affect business operations if Y2K preparation is insufficient as well as drawing up contingency plans designed to minimize losses or damage arising from Y2K. Thus, the Y2K preparations of our member companies have been appropriate. Furthermore, the details of each non-life insurance company's preparations have been published in its disclosure documents.

(B) Preparation of the Association

(a) Preparations of the Non-Life Insurance Joint-Network System

Our Association has confirmed that no problems were reported during the tests it carried out on the Non-Life Insurance Joint-Network System (the information data exchange system) and the on-line system between non-life insurance companies and their agents. Furthermore, the contingency plan for the Joint-Network System was prepared and distributed among our member companies.

(b) Advertising in news papers and magazines to raise awareness of Y2K

To raise small and medium sized companies' awareness of Y2K, the Association has advertised in the mass media from December 1998.

(c) Printing pamphlets and a booklet

The Association printed 421,000 pamphlets in December 1998 and 380,000 pamphlets in May 1999, and also published a booklet, including examples of various risks classified by the type of the industry and individual companies involved, for distribution to policyholders and insureds through its member companies as well as related organizations such as local chambers of commerce, the Japanese Small Business Corporation, etc.

(e) Guidance concerning Y2K prepared

In January 1999, our Association prepared guidance concerning Y2K, in which the Association stresses that member companies should draw up contingency plans to prevent or avoid losses arising from Y2K problem and to respond rapidly whenever Y2K problems occur. Furthermore, our Association has drawn up its own contingency plan which specifies risks and stipulates measures on how to cope should Y2K problems occur.

(f) Seminar on Y2K issue held

The Association has held seminars concerning Y2K issue, and these included lectures by a foreign reinsurance company in December 1998 and by a lawyer from the U.S.A. in August 1999.

(5) 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. The Association also devotes itself to two-way discussions with consumer groups, etc.

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 the Chairman and Vice Chairmen of our Association. The Round Table was held in June and December 1998.

(B) Meetings with opinion leaders

The Association holds regular meetings with opinion leaders from the news media, consumers, and other organizations to listen to their views and advice on non-life insurance activities. In 1998, 9 meetings with news media representatives, 16 meetings with administrators of local consumer centers and one meeting with leaders of consumer organizations were held.

(C) Lectures for consumers and consumer consultation staffs

The Association sends non-life insurance lecturers to consumer study meetings held under the sponsorship of local consumer centers. During 1998 such meetings were held in 36 locations with a total audience of 1,330, in addition to lectures on basic insurance given to consumer consultation staff in Tokyo.

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.

In accordance with the request, the Association has sent lecturers to meetings at senior high schools, which have been held for students, parents, and teachers to promote an understanding of the mechanism and role of non-life insurance on the theme of traffic accidents and compensation for damages. In fiscal 1998, such meetings were held at 50 senior high schools with a total audience of 11,864.

In addition, the association has also sent lecturers to meetings at universities, junior colleges and professional schools. In 1998, such meetings were held three times.

(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, the prevention of traffic accidents, the non-life insurance system, etc. In fiscal 1999 the industry made an 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

For the consumer administrative organizations and consumer groups, the Association issues the bimonthly "Sonpo" (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 non-life insurance member companies 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 gives an outline 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 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) Provision of information via Association Homepage

As demands for speedy and up-to-date information on the non-life insurance business increase, the Association has opened its own homepage on the internet to be used as the general information center of non-life insurance. This homepage provides much useful information such as details of traffic accidents or disasters, information on traffic safety and loss prevention, and various statistics, etc. Furthermore, the homepage is linked to other sites such as those of non-life insurance companies, foreign and domestic insurance organizations, and administrative organizations, etc. The URL of our homepage is "http://www.sonpo.or.jp".

8. Requests and Proposals

(1) Requests for Fiscal 2000 Tax Reform

The Marine and Fire Insurance Association of Japan submitted the “Requests for Fiscal 2000 Tax Reform” to the competent authorities and parties on September 16, 1999, with the goal of improving and revising the current tax system governing the non-life insurance business. The requests comprise twelve items which can be categorized into three groups from the following viewpoints: (1) To promote the self-responsibility and self-help efforts of individuals for the approaching aged society, (2) To provide the public with greater security against unexpected natural disasters, and (3) To cope with the future review of the tax system, etc.

Of the following requests, four items, i.e. 1. (1)&(2) and 2.(1)&(2) were especially emphasized as matters of highest priority for our Association, since the response to the approaching aged society and the preparation for unexpected catastrophes, such as natural disasters, etc., should be treated as urgent national issues.

In addition, regarding the request for 1.(1) (“The 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”) which we have been requesting since last year as a core concern, our standpoint is that if this new tax deduction system were created it would be permissible to create an extensive tax deduction system which could apply not only to the non-life insurance products involved but also to similar products fulfilling certain requirements.

The outline of our Association’s requests for fiscal 2000 tax reform is as follows:

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

(1) 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 yen under the Income Tax Law and of 70,000 yen under the Local Tax Law, thus rewarding the self-help efforts of individuals based on their self-responsibility to provide for the approaching aged society.

(2) Establishment of tax measures concerning a defined-contribution pension plan

a. To establish the following tax measures when a defined-contribution pension plan is introduced :

(a) To make tax-deductible the contributions of individuals to the defined-contribution pension plan at the time of the contributions,
(b) To allow the contributions of companies to be treated as part of their expenses at the time of the contributions, and,
(c) To make tax-exempt the interest and dividend arising from the investment of the above-mentioned contributions.

b. To introduce corporate tax measures concerning special accounts which non-life insurance companies will establish to provide customers with multiple defined-contribution plans, and to administer the contributions of companies and individuals separately from other assets.

(3) 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 yen to 10 million yen for Zaikei Housing Savings, from 3.85 million yen to 7 million yen for Zaikei Pension Savings, and from 5.5 million yen to 10 million yen for both combined.

2. To provide the public with greater security against unexpected natural 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 yen for the Income Tax Law and 35,000 yen for the Local Tax Law respectively, thus promoting the self-help efforts of individuals to provide against unexpected disasters as well as placing the so-called 'third sector non-life insurance products" on an equal footing with the limits applied to life insurance products, etc.

(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 yen for maturity-refund-type policies with an insurance period of more than ten years, 3,000 yen for the other short-term policies, and 15,000 yen for both combined.
- Treatment in the Local Tax Law
  The premium tax deduction is applied up to 10,000 yen for maturity-refund-type policies with an insurance period of more than ten years, 2,000 yen for the other short-term policies, and 10,000 yen 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 yen under the Income Tax Law and of 35,000 yen 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 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 make tax-exempt 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. In addition, catastrophe reserves must be included in profits after they have been accumulated for 10 years or more. However, 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 (refer to 2(1)).

3. To cope with the future review of the tax system, etc.

(1) Necessary arrangements for the tax system in line with the introduction of a market value accounting system and a risk-hedge accounting system

To make the necessary arrangements for the tax system to avoid discrepancies between the tax method and the accounting method, which will be caused by the introduction of a market value accounting system and a risk-hedge accounting system both from fiscal 2000.

(2) Extension of carry-over period of deficits, reapplication of refunds by carry-back of deficits, and extention of period of refunds by carry-back of deficits

a. To extend the carry-over period of deficits caused by new business operations, such as the mutual entry between life and non-life insurance companies through their subsidiaries, etc.

b. To reapply refunds by carry-back of deficits, and to extend the period of refunds by carry-back of deficits, in order to prepare for huge catastrophic losses, etc.

(Note) Under the current tax system, the carry-over period and the carry-back period of deficits are five years and one year respectively. Currently, the application of the carry-back system has been suspended by the government.

(3) Necessary arrangements for the taxation system in line with the introduction of a system for corporate separation

To make the necessary arrangements for the tax system in line with the introduction of a system for corporate separation which is currently being discussed in the Legal Council.

(4) Early introduction of a consolidated tax liability system

To introduce a consolidated tax liability system as soon as possible, since it is considered that the development of new business, such as mutual entry among financial institutions through their subsidiaries, will become more prominent.

(5) Necessary arrangements for the tax system relating to demutualization

To make necessary arrangements for the tax system which will help the demutualization of mutual non-life insurance companies.

(2) Proposals and Requests for the CALI System

At the 105th session of the CALI Council held on February 17, 1999 and the round table of the CALI Council held on June 25, 1999, the Chairman of our Association proposed that deliberations on the future direction of the CALI system as a whole, including the abolition of the CALI government reinsurance scheme and the reduction of CALI administrative procedures, should take place at the CALI Council.

The central points of our non-life insurance industry were as follows:

1. To abolish the CALI government reinsurance scheme

There is no necessity at present to maintain the CALI government reinsurance scheme since the ability of direct insurance companies to pay claims has improved dramatically, and their skill and expertise in operating the system is well developed. Even if the government reinsurance scheme is abolished, a negative impact on the provision of security to traffic accidents victims might not arise as long as the other fundamental features, such as the no-loss and no-profit principle, compulsory insurance being linked to mandatory automobile inspection, and the obligation on insurance companies to provide CALI contracts, are maintained as currently.

2. To reduce CALI administrative procedures

Under the current government reinsurance scheme, non-life insurance companies operating CALI business are required to submit the details of individual CALI contracts and their claims payments to the Ministry of Transport. In order to realize the effective operation of the CALI system through the streamlining of the CALI administrative procedures, the non-life insurance industry would like to request the CALI Council to discuss the improvement of CALI administrative procedures.

(3) Proposals and Requests for the Introduction of a Defined-Contribution Pension Plan

The introduction of a defined-contribution pension plan, which will complement the public pension system and be a new choice in addition to current defined-benefit pension plan, is being deliberated by the government, the Liberal Democratic Party, etc.

In these circumstances, our Association submitted the following requests and proposals to the competent authorities and parties in July 1999, in order for non-life insurance companies to play a role in the aging society as a member of the private sector by making the most of the know-how and expertise which non-life insurance companies have cultivated:

a. To permit non-life insurance companies to play the role of “asset administrators” who will administer the contributions of companies and individuals to the plan separately from other assets.

b. To allow a wide range of financial institutions, including non-life insurance companies, to qualify as “plan administrators” who will conduct management, such as record-keeping, participant education, advice to participants, etc., concerning investments of the contributions.

c. To allow employees of a company to use the same schemes as the company-contribution-type on the condition that the company and the employees have agreed, even if the company does not contribute to the plan. This should also apply to the so-called “matching contributions of the company” i.e. the case where the company provides its employees with supplementary contributions.

d. To establish tax measures concerning the defined-contribution pension plan. As for the details, please refer to page 94.

(4) Requests for the Zaikei Savings (i.e. assets formation) System

Since non-life insurance companies entered into the Zaikei Savings (i.e. assets formation) system in 1988, the Association has requested the Ministry of Labor to improve the Zaikei Savings system every year. Our requests in 1999 were categorized into three groups from the following viewpoints: (1) To amend the Zaikei Law and its ordinances and regulations, in order to relax the requirements for the application of the Zaikei Savings system, (2) To raise the tax-exempt limits on the Zaikei Savings system as shown on page 95, and (3) To simplify the application procedures for the Zaikei Savings system, etc.

(5) Proposals and Requests for the Public Nursing Care Insurance System

In line with the increase in social discussion about the aging society, our Association compiled in November 1996 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) an area of activity for both the private sector and the public system, and (3) the Public Nursing Care Insurance System itself. On the basis of these proposals, our Association has conducted extensive activities to seek the better social understanding of the roles which non-life insurance companies will play in the approaching aging society.

Following the approval of the Nursing Care Insurance Bill by the Diet on December 9, 1997, 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 these circumstances, the Association submitted the following more concrete requests and proposals to the authorities and parties in August 1999, in order for the non-life insurance industry to play its role more actively under the public nursing care insurance system.

- To create a new non-life insurance premium tax deduction system to be applied to nursing care expenses insurance, etc., which has been designed in response to the aging society, thus rewarding the self-help efforts of individuals.

- To realize deregulation, by which non-life insurance companies will be able to enter the nursing care and welfare service business extensively. Non-life insurance companies have been marketing nursing care expenses insurance, etc., as well as providing information services related to nursing care since 1989. Some non-life insurance companies have also been actively providing nursing care services offered at home, services for retirement homes, and training services for home helps through their subsidiaries. However, in order to enhance the fundamentals of nursing care services, it is essential to promote the entry of new service providers to the market.

- To disclose statistical data which is necessary for non-life insurance companies to design private nursing care insurance, in light of promoting the diffusion of private nursing care insurance which will supplement the public nursing care system.

In this relation, the Association has also 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.

9. 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 such as the establishment of the "Non-Life Insurance Information Corner", where consumers can examine pamphlets on major insurance products (personal line) provided by non-life insurance companies. 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 52 counseling centers throughout the country to give information and advice to the public on coverage, procedures for filing claims, etc., concerning voluntary automobile insurance and Compulsory Automobile Liability Insurance (CALI).

(C) CALI Claims Counseling Offices

The Automobile Insurance Rating Organization of Japan has 11 CALI Claims Counseling Offices throughout the country. These offices give information and advice to the public on coverage, procedures for filing claims, etc.

(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 4,121.

(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 39 Number of consultations accepted in fiscal 1998

Non-Life Insurance Counseling Offices	8,487
Automobile Insurance Claims Counseling Centers	68,651
CALI Claims Counseling Offices	3,441

10. Loss Survey System

(1) Claims Settlement Service Offices and Experts

In order to deal immediately with claims from accident victims, our member non-life insurance companies have established around 2,800 claims settlement service offices nationwide which are staffed with about 19,000 people who have accumulated expertise and know-how. In addition, individual non-life insurance companies have conducted training courses 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, 1999, the number of registered adjusters was as follows :

* Technical Adjusters ……………………………………7,467
* Specific Cars Adjusters ………………………………………63

(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 May 1, 1999, the non-life insurance industry had 815 assessors as shown below:

* 1st Class Property Loss Assessors ……………………111
* 2nd Class Property Loss Assessors ……………………290
* 3rd Class Property Loss Assessors……………………414

11. 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 former 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 yen) ● 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 yen to 500 thousand yen.	● 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 was renamed the Automobile Insurance Rating Organization of Japan on April 1, 1996.) ● The CALI limit for death was raised from 500 thousand yen to 1 million yen. ● The Non-Life Insurance Premium Tax Deduction System was admitted in the Income Tax Law. (Limits on deductions : Long-term policy ; 7,500 yen, Short-term policy ; 1,500 yen) ● 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 yen, Short-term policy ; 2,000 yen)	● "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 yen to 1.5 million yen. ● Motorbike owners were required to take out CALI.	● Earthquake insurance on dwelling risks (Limits of insured amount : 900 thousand yen for building and 600 thousand yen for contents) ● Infant insurance
1967	● The CALI limit for death was raised from 1.5 million yen to 3 million yen.	● 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 yen to 5 million yen.	● 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 yen for building and to 1.2 million yen 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 yen to 10 million yen.	● 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 yen, Short-term policy ; 3,000 yen)	● 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 yen for building and 1.5 million yen 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 yen to 15 million yen. ● 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 household 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 yen to 20 million yen.	● 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 yen for building and 5 million yen 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 annually until 1997) ● 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 yen to 25 million yen. ● 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 yen, Short-term policy ; 2,000 yen) ● 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 yen to 30 million yen. ● 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. ● 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 yen for building and 10 million yen 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 of life and the non-life insurance subsidiaries began. ● Supplementary Measures by the Government of Japan and the Government of the United States Regarding Insurance were 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". ● The Union of Machinery Insurers of Japan was dissolved.	● 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 of Japan were reviewed. ● Financial Supervisory Agency was established. ● The Insurance Business Law was revised and enacted. ● The Law concerning Non-Life Insurance Rating Organizations was revised and enacted. ● Non-life Insurance Policy-holders Protection Corporation of Japan was established.	(With the development of liberalization and deregulation, various new types of insurance products have been put on the market by individual insurance companies.)

12. 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, personal accident, and nursing care insurance, and a standard premium rate for earthquake insurance on dwelling risks. It has 33 domestic and 20 foreign companies as its members.
  (Address : 31-19, Shiba 2-Chome, Minato-Ku, Tokyo 105-0014. Tel. : 03-5441-1228. Fax :03-5441-1274. URL:http://www.sonsan.or.jp/)

- ***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 calculation of reference pure risk premium rates for voluntary automobile insurance and a standard premium rate for Compulsory Automobile Liability Insurance (CALI). It maintains survey offices at major cities throughout the nation for settlement of CALI claims. Membership includes 34 domestic and 18 foreign companies.
  (Address : Tokyo Tenrikyokan Bldg., 9, Kanda Nishikicho 1-Chome, Chiyoda-Ku, Tokyo 101-0054. Tel. : 03-3233- 4771. Fax : 03-3295-9296. URL:http://www.airo.or.jp/)

- ***Japan Atomic Energy Insurance Pool (established in 1960)***
  This Pool acts as a joint underwriting office and a reinsurance pool. 32 domestic and 11 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 22.
  (Address : #204 Azabudai Uni House, 1-1-20 Azabudai, Minato-Ku, Tokyo 106-0041. Tel. : 03-3224-0254. Fax : 03-3224-0326.)

- ***Non-Life Insurance Policy-holders Protection Corporation of Japan (established in 1998)***

  As an integral part of the financial system reform, and at the same time as the enforcement of the revised Insurance Business Law, the "Non-Life Insurance Policy-holders Protection Corporation of Japan" was established on December 1, 1998, to undertake the insurance contracts of an insolvent insurance company even when reliever insurance companies do not appear, as well as provide financial aid to a reliever insurance company, thereby ensuring further protection of policyholders. 34 domestic and 21 foreign companies are represented.

  (Address : Non-Life Insurance Bldg., 9 Kanda Awajicho 2-Chome, Chiyoda-Ku, Tokyo 101-8335. Tel.: 03-3255-1635. Fax : 03-3255-1257. URL:http://www.sonpohogo.or.jp/)

(Note) The figures above are as of December 15, 1999.

13. Directory

Licensed Domestic Companies
(36 Companies as of December 15, 1999)

- **ACE Insurance** Arco Tower, 1-8-1 Shimomeguro, Meguro-Ku, Tokyo 153-0064. Tel. : 03-5740-0600. Fax : 03-5740-0608. E-mail : ace@ace-insurance.co.jp
URL: http://www.ace-insurance.co.jp/

- **Allianz Fire & Marine Insurance Japan Ltd** MITA NN 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.** Hibiya Daibiru Bldg., 2F, 1-2-2 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. URL : http://www.axa-direct.co.jp/

- **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. URL : http://www.chiyoda-fire.co.jp/

- **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://www.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. Osaka head office : 15-10, Nishi-Tenma 4-Chome, Kita-Ku, Osaka 530-8555. Tel. : 06-6363-1121. Fax : 06-6363-7519. 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. : 06-6271-2741. Fax : 06-6266-7115.
  Tokyo head office : 12-1, Kanda Tsukasa-Cho 2-Chome, Chiyoda-Ku, Tokyo 101-0048. Tel. : 03-5295-7634. 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.

- **JI Accident & Fire Insurance Co., Ltd.** AI Bldg., 20-5, Ichibancho, Chiyoda-Ku, Tokyo 102-0082. Tel. : 03-3237-2045. Fax : 03-3237-2250. URL : http://www.jihoken.co.jp/

- **The Koa Fire & Marine Insurance Co., Ltd.** 7-3, 3-Chome, Kasumigaseki, Chiyoda-Ku, Tokyo 100-0013. Tel. : 03-3593-7711. 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 : T15065@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.mitsuimarine.co.jp/

- **Mitsui Seimei General Insurance Co., Ltd.** 1-1, Toranomon 2-Chome, Minato-Ku, Tokyo 105-0001. Tel. : 03-3224-2830. Fax : 03-3224-2677.

- **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@mu2.so-net.ne.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.nihonkasai.co.jp/

- **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 : n-ins@lares.dti.ne.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. : 03-5325-7932. Fax : 03-5325-8149.

- **The Nisshin Fire & Marine Insurance Co., Ltd.** Tokyo head office : 3, Kanda-Surugadai 2-Chome, Chiyoda-Ku, Tokyo 101-8329. Tel. : 03-5282-5534. Fax : 03-5282-5582.
  Urawa head office : 7-5, Kamikizaki 2-Chome, Urawa-Shi, Saitama 338-8511. Tel. : 048-834-2570. Fax : 048-834-1406. E-mail : nisshin@mb.infoweb.ne.jp URL : http://www.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.
  URL : http://www.saison.ne.jp/sonpo/

- **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. URL : http://www.secom-toyo.co.jp/

- **Sony Assurance Inc.** Aroma Square 11F, 5-37-1 Kamata Ota-Ku, Tokyo 144-8721. Tel. : 03-5744-0300. Fax : 03-5744-0480. URL : http://www.sonysonpo.co.jp/

- **The Sumi-Sei General Insurance Co., Ltd.** Sumitomo Life Yotsuya Bldg., 8-2 Honshio-Cho, Shinjuku-Ku, Tokyo 160-0003. Tel. : 03-5360-6229. 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. : 03-3222-3096. 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 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
(27 Companies as of December 15, 1999)

- **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 130-8562. Tel. : 03-5619-3200. Fax : 03-5619-3153.
E-mail : ahamaster@aig.co.jp URL : http://www.americanhome.co.jp

- **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 : info@generali.co.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.

- **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.

- **CGU International Insurance 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.

- **Compagnie Française d'Assurance pour le Commerce Extérieur (France)** Kioicho Bldg. 3F, 3-12, Kioi-cho, Chiyoda-Ku, Tokyo 102-0094. Tel. : 03-3556-6250. Fax : 03-3556-6255.

- **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

- **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. : 045-683-3800. Fax : 045-683-3819.

- **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.
URL : http://www.kemperinsurance.com

- **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)** Kasumigaseki Bldg. 7F, 2-5, Kasumigaseki 3-Chome, Chiyoda-Ku, Tokyo 100-6007. Tel. : 03-3591-8291. Fax : 03-3591-8294.

- **QBE Insurance (International) Ltd. (Australia)** Assend Kanda, 2F, 10-2, Kanda-Tomiyamacho, Chiyoda-Ku, Tokyo 101-0043. Tel. : 03-5289-8821. Fax : 03-5289-8820.
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.)** Ariake Frontier Bldg.-A, 8F, 3-1-25, Ariake, Koto-Ku, Tokyo 135-0063. Tel. : 03-3599-2771. Fax : 03-3529-2772.

- **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)** Sigma Jimbo-cho Bldg., 7-3, Kanda Jimbo-cho 2-Chome, 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 : taiji.ito@winterthur.com
URL : http://www.winterthur.co.jp

- **Zurich Insurance Company (Switzerland)** Shinanomachi Rengakan, 35 Shinanomachi, Shinjuku-Ku, Tokyo 160-8585. Tel. : 03-5361-2580. Fax : 03-5361-2581.
URL : http://www.zurich.com

- **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.ne.jp

14. 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, 1999, composed of 35 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, 1999)

Chairman

Mr. Hiroshi Hirano	Yasuda F & M	(President)

Vice Chairmen

Mr. Takeo Inokuchi	Mitsui M & F	(President)
Mr. Akira Seshimo	Dai-Tokyo F & M	(President)
Mr. Mutsuharu Okamoto	Koa F & M	(President)
Mr. Shuichiro Sudo	Dowa F & M	(President)

Ordinary Directors

Mr. Takashi Ohkawa	ACE	(Director and Chief Operating Officer)
Mr. Eiji Tanaka	Allianz F & M	(Executive Vice President)
Mr. Moriya Noguchi	Asahi F & M	(President)
Mr. Koji Fukuda	Chiyoda F & M	(President)
Mr. Munemasa Ura	Daido F & M	(President)
Mr. Kouichi Hirai	Daiichi Mutual F & M	(President)
Mr. Yasuo Oda	Fuji F & M	(President)
Mr. Tsukasa Imura	JI Ac. & F	(President)
Mr. Wataru Ozawa	Kyoei Mutual F & M	(President)
Mr. Takashi Kawahara	Mitsui M & F	(Executive Vice President)
Mr. Takashi Aihara	Nichido F & M	(President)
Mr. Ken Matsuzawa	Nippon F & M	(President)
Mr. Ryutaro Sato	Nissan F & M	(President)
Mr. Takayuki Kurotani	Nisshin F & M	(President)
Mr. Tomonori Kanai	SAISON A & F	(President)
Mr. Seiji Yamanaka	Secom Toyo General	(President)
Mr. Hideki Ishii	Sumi-Sei General	(President)
Mr. Hiroyuki Uemura	Sumitomo M & F	(President)
Mr. Ichiro Ozawa	Taisei F & M	(President)
Mr. Tsunaie Kanie	Taiyo F & M	(President)
Mr. Koukei Higuchi	Tokio M & F	(President)
Mr. Masao Miyakawa	Yasuda F & M	(Deputy President)

Vice Chairman

Mr. Yoji Wakui	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 Personnel Dept.)

Ordinary Auditors

Mr. Hiroshi Ohashi	Toa Re.	(President)
Mr. Tetsuro Murakami	Japan Earthquake Re.	(President)
Mr. Yoshihiro Masago	Certified Public Accountant	

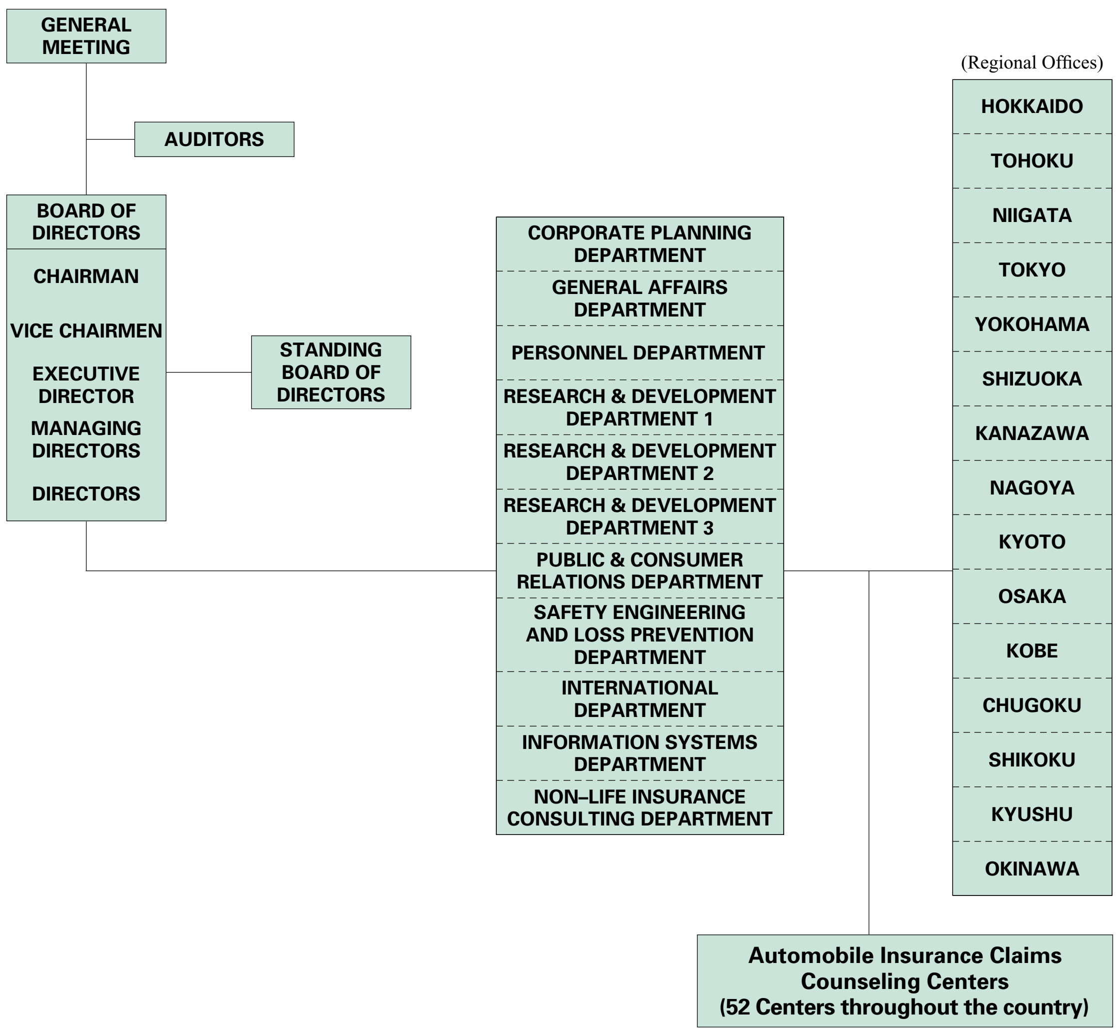
(Abbreviation)

M & F : Marine and Fire
F & M : Fire and Marine
A & F : Automobile and Fire
Ac. & F : Accident and Fire

5. Employees : Around 370

6. Organization

(As of December 15, 1999)



INTERNATIONAL DEPARTMENT AND INFORMATION SERVICE OFFICE
THE MARINE AND FIRE INSURANCE ASSOCIATION OF JAPAN, INC.
NON-LIFE INSURANCE BUILDING
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Printed in Japan, December 1999