FACT BOOK

FACT BOOK NON-LIFE INSURANCE IN JAPAN 1999-2000

NON-LIFE INSURANCE IN JAPAN

1999—2000

THE MARINE AND FIRE INSURANCE ASSOCIATION OF JAPAN, INC.

KEY FIGURES

GENERAL INFORMATION ABOUT JAPAN

	Fiscal 1998		Fiscal 1999
● Population:	125,860,006		126,071,305
(Percentage of People Aged 65 and Over)	(16.5%)		(17.0%)
● GDE (nominal) :	497,255.8 billion yen		493,818.4 billion yen
(real) :	480,165.2 billion yen		482,350.8 billion yen
● Percentage of Workers by Industrial Sector :	Primary Industries	5.3%	5.2%
	Secondary Industries	31.3%	31.1%
	Tertiary Industries	62.8%	63.1%
● No. of Registered Automobiles :	73,688,389		74,582,612

JAPANESE NON-LIFE INSURANCE COMPANIES

	Fiscal 1998	Fiscal 1999
● No. of Domestic Insurers	35	36
● No. of Employees : (Including Management)	96,114	93,424
● No. of Agents :	593,872	570,919
● Total Assets :	30,823.7 billion yen	31,364.5 billion yen
(Total Working Assets) :	(28,296.9 billion yen)	(27,594.5 billion yen)
● Direct Premiums Written :	9,622.9 billion yen	9,359.6 billion yen
(Maturity-Refund-Type Insurance Premiums) :	(2,474.8 billion yen)	(2,192.3 billion yen)
● Net Premiums Written :	6,915.0 billion yen	6,889.3 billion yen
● Net Claims Paid :	3,640.6 billion yen	3,749.0 billion yen
● Operating Expenses on Underwriting :	2,726.3 billion yen	2,666.7 billion yen

(Notes) (1) “GDE” stands for Gross Domestic Expenditure.
(2) “Domestic Insurers” means locally incorporated companies including foreign-capitalized insurers.
(3) “No. of Agents” includes the agents of foreign companies.

FOREWORD

We take pleasure in presenting the “Fact Book, Non-Life Insurance in Japan 1999-2000”, offering an outline of our non-life insurance industry and its activities during fiscal 1999.

With the 21st century just around the corner, the environment surrounding the non-life insurance business has been changing significantly.

Financial system reforms and a new stream of deregulation measures have been accelerating the entry of other industries into the non-life insurance industry and the trend towards consolidation and reorganization among insurance companies. The emergence of an internet market brought about by the Information Technology revolution has created unprecedented types of insurance transaction. Furthermore, the legal framework for consumer protection has been enhanced by the enactment of the Consumer Contract Law and the Law on Sales of Financial Products.

These changing circumstances require the non-life insurance industry to respond to consumer and public needs.

With the revision of the Law concerning Non-Life Insurance Rating Organizations in July 1998, the rating organization system was substantially reformed. Individual non-life insurance companies have since exercised their ingenuity in such areas as insurance products, services, and premium rates, thus enhancing the ability of non-life insurance companies to meet consumer expectations. Non-life insurance companies can now take full advantage of new technological channels for information services, communication, and distribution of insurance products and services.

With the progress of liberalization and deregulation, each non-life insurance company is striving to increase further the soundness and transparency of its management. At the same time, the Non-Life Insurance Policy-holders Protection Corporation has been established by the non-life insurance industry, thus ensuring the protection of policyholders.

These developments have increased consumer convenience, and are a step into the 21st century by the non-life insurance industry which will increasingly contribute to the well-being of society.

From the year 2001, non-life and life insurance companies will be allowed to enter the so-called “third sector”. We believe that this year will be the “year when we will be reborn bigger”, and are striving to develop insurance products and services by taking advantage of deregulation and responding to consumer needs arising from the advent of the aging society and the decrease in the birthrate. We have made up our mind to take a “firm step into the vigorous 21st century”.

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

December 2000

The Marine and Fire Insurance Association of Japan, Inc.

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(April 1, 1999 - March 31, 2000)

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PART I

GENERAL REVIEW OF FISCAL 1999

(April 1,1999-March 31,2000)

I. CURRENT SITUATION OF NON-LIFE INSURANCE INDUSTRY

1. Trends in National Economy and Non-Life Insurance

(1) 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) is affected by 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 1999, new fire insurance contracts reached a total amount insured of 685.6 trillion yen, up 4.8% over the preceding year, owing to an increase in housing starts of 4.0% to 1.23 million.

(2) 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. Automobile insurance contracts in force for fiscal 1998 registered 12.3 quadrillion yen, up 3.3% over the preceding year owing to the increase in the number of insured automobiles.

Gross Domestic Expenditure (Nominal)

(billion yen and %)

Item	Fiscal 1998			Fiscal 1999		
	Amount	Growth Rate	Share	Amount	Growth Rate	Share
Private Final Consumption Expenditure	305,403.5	0.4	61.4	307,057.4	0.5	62.2
Private Housing	19,617.2	-12.1	3.9	20,592.9	5.0	4.2
Private Plant and Equipment	72,923.4	-10.9	14.7	69,395.7	-4.8	14.1
Increase in Private Sector Inventory	-379.0	-116.3	-0.1	311.6	182.2	0.1
Government's Final Consumption Expenditure	50,910.9	1.8	10.2	50,667.5	-0.5	10.3
Public Fixed Capital Formation	39,086.0	-0.4	7.9	37,842.3	-3.2	7.7
Increase in Public Sector Inventory	-128.5	-182.3	0.0	-24.3	81.1	0.0
Net Exports of Goods & Services	9,822.4	31.9	2.0	7,975.3	-18.8	1.6
(Exports)	(53,745.9)	(-5.2)	(10.8)	(52,251.3)	(-2.8)	(10.6)
(Imports)	(43,923.5)	(-10.8)	(8.8)	(44,276.0)	(0.8)	(9.0)
Total	**497,255.8**	**-2.0**	**100.0**	**493,818.4**	**-0.7**	**100.0**

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

(3) Marine transport situation and marine insurance contracts

a. Marine Hull Insurance

Conventional-type vessels for coastwise and overseas services operated by the Japanese shipping companies are the mainstay of marine hull insurance contracts. In fiscal 1999, owing to the acceleration in the scrapping of vessels mainly for coastwise services, the number of conventional-type vessels decreased.

Against this background, the insured number of conventional-type vessels decreased in fiscal 1999. However, thanks to the construction of large ships such as containers, bulk carriers, and oil tankers, the total insured amount of marine hull insurance contracts in force reached 23.7 trillion yen (up 3.6%) in fiscal 1999.

b. Marine Cargo Insurance

As marine 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 marine cargo insurance contracts.

As a result of the strong yen, up 13.0% from the previous year, the total amount of exports, measured in Japanese yen terms, registered a decrease of 1.8% from the previous year, while imports increased by 3.1% in terms of customs clearance value. The increase in imports was also attributable to the increase in crude oil prices. Under these circumstances, new marine cargo insurance contracts in force for fiscal 1999 amounted to 102.5 trillion yen, down 3.0% over the previous year.

Gross Domestic Expenditure (Real)

(billion yen and %)

Item	Fiscal 1998			Fiscal 1999		
	Amount	Growth Rate	Share	Amount	Growth Rate	Share
Private Final Consumption Expenditure	283,019.9	0.6	58.9	286,307.4	1.2	59.4
Private Housing	18,080.0	-10.9	3.8	19,090.7	5.6	4.0
Private Plant and Equipment	81,392.9	-9.5	17.0	79,384.4	-2.5	16.5
Increase in Private Sector Inventory	-218.4	-107.9	0.0	350.6	260.5	0.1
Government's Final Consumption Expenditure	45,974.7	1.4	9.6	46,301.7	0.7	9.6
Public Fixed Capital Formation	39,813.9	1.5	8.3	39,470.9	-0.9	8.2
Increase in Public Sector Inventory	-100.1	-199.0	0.0	-29.9	70.1	0.0
Net Exports of Goods & Services	12,202.5	13.6	2.5	11,475.0	-6.0	2.4
(Exports)	(65,070.3)	(-3.8)	(13.6)	(68,935.8)	(5.9)	(14.3)
(Imports)	(52,867.8)	(-7.0)	(11.0)	(57,460.8)	(8.7)	(11.9)
Total	**480,165.2**	**-1.9**	**100.0**	**482,350.8**	**0.5**	**100.0**

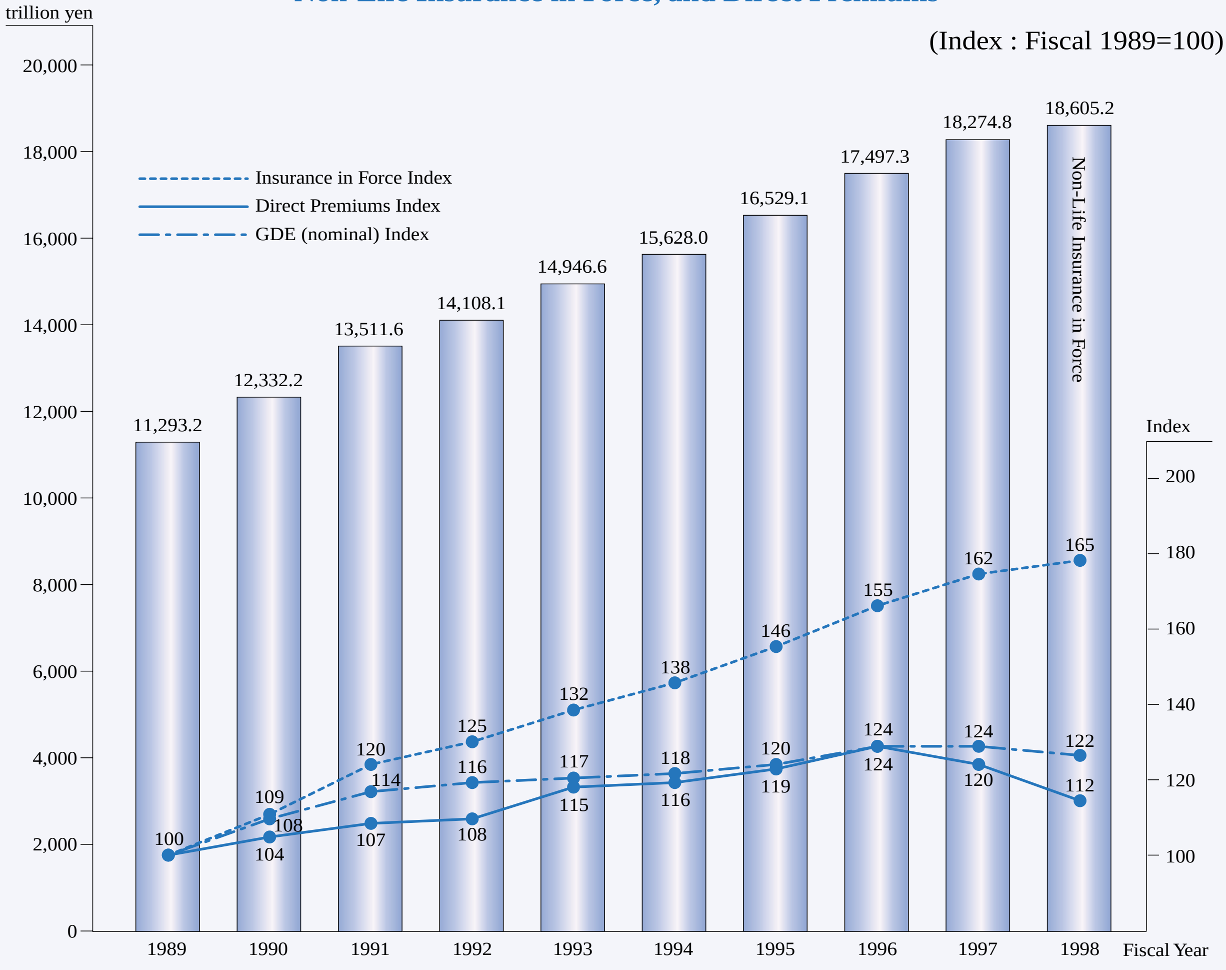
(Source) Same as Table 1

(4) Gross Domestic Expenditure and Non-Life Insurance in Force

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.

Compared with the growth in Gross Domestic Expenditure (GDE), the growth in the total insured amount of non-life insurance policies during the past 10 years curves in a steady ascent, exceeding GDE (nominal) growth level. Direct premiums had showed almost the same steady growth as GDE levels until fiscal 1996, but thereafter the trend has reversed, due to the competition of premium rates and prolonged economic inactivity.

Trends in Gross Domestic Expenditure, Non-Life Insurance in Force, and Direct Premiums



(Notes) 1. "Non-Life Insurance in Force" means the total sum of insured amounts of new policies issued domestically by Japanese non-life 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 for bodily injury liability, and the total insured amount was calculated by multiplying 0.2 billion yen by the number of insurance policies involved. In fiscal 1998, the insured amount per unlimited coverage policy for property damage liability is deemed to be 0.1 billion yen.

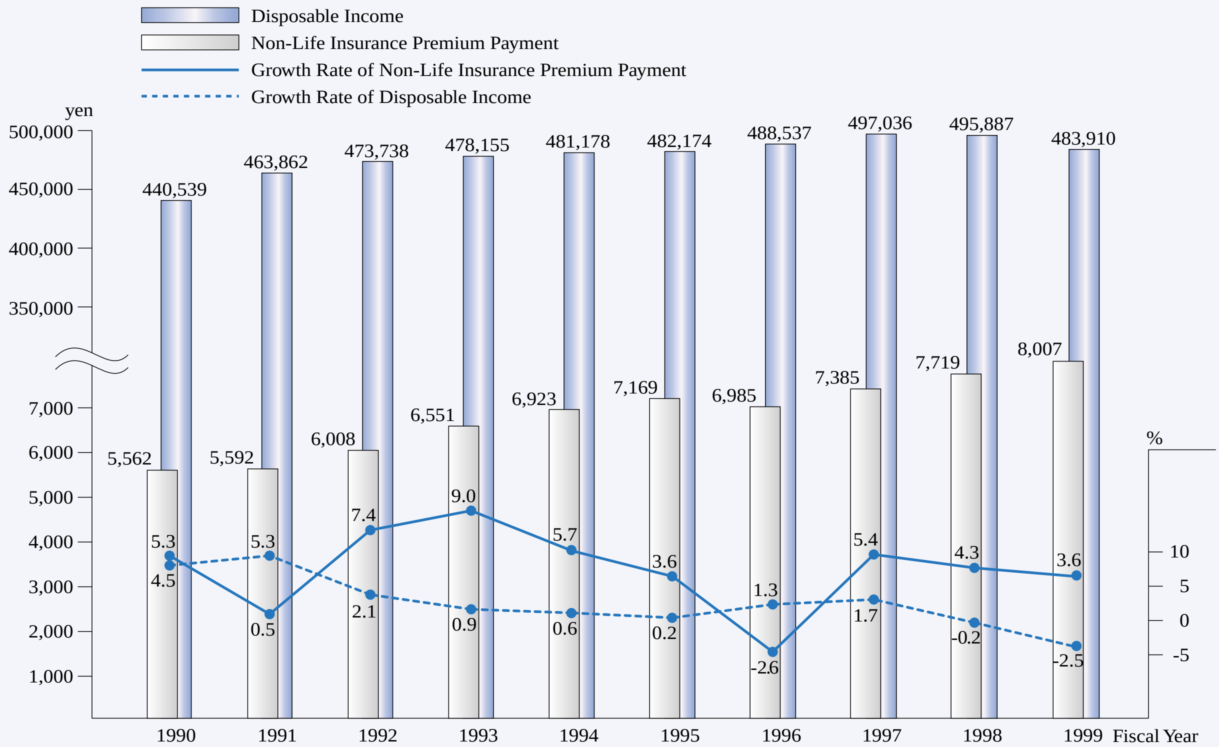
3. "Direct Premiums" include the savings portion of maturity-refund-type insurance premiums, but excluding various refunds other than maturity refunds.

2. Household Income and Non-Life Insurance

In most cases as shown in the following chart, the growth rate of non-life insurance premium payment exceeds that of disposal income.

According to the 1999 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 3.6% over the previous year to 8,007 yen, while disposable income decreased by 2.5% over the previous year.

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



(Notes) 1. Source : “Annual Survey on Household Expenses” issued by the Statistics Bureau of the Management and Coordination Agency.
2. In principle, the amount of non-life insurance premium payment excludes premiums of maturity-refund-type insurance policies.
3. The figures above show the national average for working households.

3. Ownership of Non-Life Insurance Policies

(1) Fire Insurance

The rate of ownership of fire insurance (i.e. the ratio of the number of contracts in force based on the data of our Association's member companies to the number of households based on the Basic Resident Registers) was 50.6% for dwellings and 24.6% for household properties as of the end of March 1999.

(Note) These figures involve fire insurance contracts for dwelling and general risks, and long-term comprehensive insurance contracts.

(2) Earthquake Insurance on Dwelling Risks

The rate of ownership of earthquake insurance on dwelling risks coverage (i.e. the ratio of the number of contracts in force based on the data of non-life insurance companies operating in Japan to the number of households based on the Basic Resident Registers) was 15.4% as of the end of March 2000, up 0.6 percentage points from the previous year.

(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 69.6% of registered automobiles were covered against liability for bodily injury, 69.1% against liability for property damage, 32.0% against physical damage (to the insured vehicle), and 67.9% against passengers' personal accident.

(Note) When the figures of mutual societies, such as the "Zenkyoren", the National Mutual Insurance Federation of Agricultural Cooperatives, are included, it is estimated that the ownership of coverage against liability for bodily injury amounts to around 85% of the total number of registered vehicles. However, the actual ownership rate seems to be higher since the total number of registered vehicles includes vehicles held by the government on which it is not necessary to take out an automobile insurance policy, and vehicles which are in the process of being distributed in the used-car market.

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	69.6	69.1	32.0	67.9

II. BUSINESS RESULTS IN FISCAL 1999

1. Results of Operating Balance

(1) Underwriting Balance

● ***Net Premiums Written***

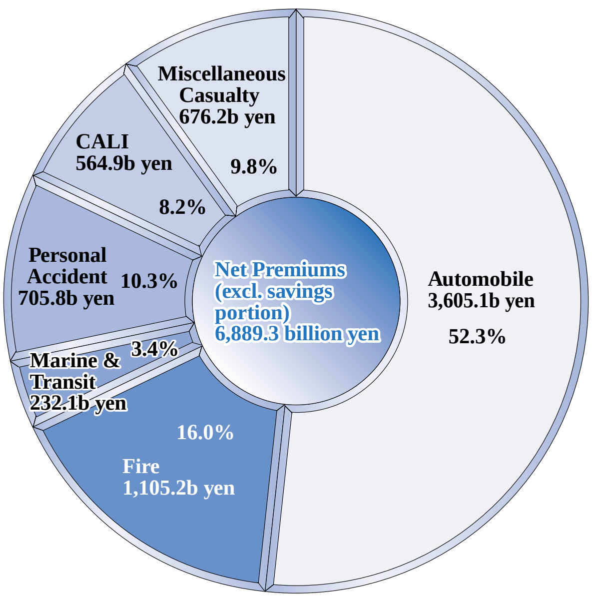
The total net premiums (direct premiums written(*1) + inward reinsurance net premiums – outward reinsurance net premiums – savings portion of maturity-refund-type insurance premiums) written by our 34 member non-life insurance companies(*2) in fiscal 1999 reached 6,889.3 billion yen, a decrease of 0.4% from the previous year. This third consecutive decrease was due to fierce competition 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) This number was as of the end of March 2000, excluding one company which had withdrawn from the Japanese non-life insurance market by this date.

Net premiums written from voluntary automobile insurance, which account for 52.3% of the total net premiums written, showed an increase of 0.8% from the previous year, owing to each company's sales efforts, etc. Premiums written from Compulsory Automobile Liability Insurance (CALI) also increased by 2.0% from the previous year, thanks to the increase in sales of new cars, etc.

Net Premiums by Line (Fiscal 1999)



Net premiums written from fire insurance decreased by 1.1% from the previous year, despite the sign of recovery in housing starts. Net premiums written from personal accident insurance decreased by 1.8% 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 1.7% over the previous year.

Net premiums written from marine cargo and marine hull insurance fell by 14.1%, and net premiums written from transit insurance also were down by 1.7%. Consequently, the marine and transit lines as a whole showed a decrease of 11.1% 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 1999 amounted to 3,749.0 billion yen, up 3.0% from the preceding year. Net claims paid on voluntary automobile insurance policies, which account for more than 50% of the total net claims paid, increased by 3.9% due to the expansion of coverage, and fire insurance increased by 4.8%, owing to the effect of natural disasters such as Typhoon No.18 (Bart) on September 24 and 25, 1999. Miscellaneous casualty insurance also increased by 3.8%, but personal accident insurance registered a decrease of 0.2% over the previous year.

The loss ratio (i.e. the ratio of claims paid plus loss adjustment expenses to net premiums written) was 59.2%, a 1.8 percentage point increase from the previous year, due to the increase in the loss ratios of major classes of insurance other than Compulsory Automobile Liability Insurance policy. The decrease of net premiums written which are the denominator of the loss ratio also affected the increase in 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 2,666.7 billion yen, down 2.2% 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.

Under these circumstances, the operating expense ratio stood at 38.7%, a 0.7 percentage point decrease from the previous year.

Overall Business Results

(billion yen & %)

	Item	Fiscal 1998	Fiscal 1999	
		Amount	Amount	Growth
Ordinary Income and Expenses	Underwriting Income	10,109	10,083	-0.2
	(Net Premiums Written)	(6,915)	(6,889)	(-0.4)
	(Savings Portion of Maturity-refund-type Insurance Premiums)	(2,217)	(1,957)	(-11.7)
	(Reversal of Outstanding Loss Reserves)	(20)	(1)	(-91.0)
	(Reversal of Liability Reserves)	(343)	(655)	(91.0)
	Underwriting Expenses	8,442	8,561	1.4
	(Net Claims Paid)	(3,640)	(3,749)	(3.0)
	(Loss Adjustment Expenses)	(326)	(327)	(0.3)
	(Agency Commissions and Brokerage)	(1,291)	(1,275)	(-1.2)
	(Maturity Refunds to Policyholders)	(3,049)	(3,044)	(-0.2)
	Investment Income	976	942	-3.5
	(Interest and Dividend Income)	(860)	(777)	(-9.7)
	(Profits on Sales of Securities)	(573)	(590)	(2.9)
	Investment Expenses	542	672	23.9
	(Losses on Sales of Securities)	(215)	(320)	(49.0)
	(Losses on Revaluation of Securities)	(254)	(261)	(3.0)
	Operating and General Administrative Expenses	1,526	1,488	-2.5
	(Operating and General Administrative Expenses on Underwriting)	(1,434)	(1,391)	(-3.0)
	Other Ordinary Expenses	-203	-85	–
	Ordinary Profits	371	218	-41.1
	(Underwriting Profits)	(240)	(128)	(-46.6)
Special Profits and Losses Balance		-94	-227	–
Corporate Income Taxes and Corporate Resident Taxes		184	130	-29.4
Adjustments in Corporate Income Taxes, etc.		–	-70	–
Net Profits for the Current Year		92	-67	-173.5
Retained Surplus brought forward from the Previous Year		23	-7	-129.6
Unappropriated Earned Surplus of the Current Year		116	326	181.5

● ***Outstanding Loss Reserves and Liability Reserves***

The total amount of outstanding loss reserves (including "Incurred But Not Reported") in fiscal 1999 decreased by 1.8 billion yen, down 91.0% from the previous year (20.5 billion yen).

The total amount of liability reserves (including unearned premium reserves, catastrophe reserves, and reserves for maturity refunds) in fiscal 1999 increased by 655.6 billion yen, up 91.0% from the previous year (343.3 billion yen).

Abridged Balance Sheet

<Assets>

(billion yen & %)

Item	Fiscal 1998		Fiscal 1999	
	Amount	Share	Amount	Share
Deposits	1,459.4	4.7	1,484.9	4.7
Call Loans	838.5	2.7	1,039.0	3.3
Monetary Receivables Bought	849.7	2.8	373.7	1.2
Money Trusts	672.7	2.2	551.4	1.8
Securities	16,388.3	53.2	16,865.2	53.8
(National Government Bonds)	(833.8)	(2.7)	(1,043.3)	(3.3)
(Local Government Bonds)	(1,230.7)	(4.0)	(1,326.2)	(4.2)
(Corporate Bonds)	(4,026.0)	(13.1)	(4,312.2)	(13.7)
(Stocks)	(5,594.3)	(18.2)	(5,630.5)	(18.0)
(Foreign Securities)	(4,108.6)	(13.3)	(3,907.2)	(12.5)
(Other Securities)	(403.8)	(1.3)	(484.5)	(1.5)
(Securities Loaned)	(191.0)	(0.6)	(161.1)	(0.5)
Loans	6,271.3	20.3	5,488.8	17.5
Real Estate	1,817.0	5.9	1,791.3	5.7
(Total Working Assets)	(28,296.9)	(91.8)	(27,594.5)	(88.0)
Other Assets	2,526.8	8.2	3,769.9	12.0
Total Assets	30,823.7	100.0	31,364.5	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. In fiscal 1999, "Miscellaneous" includes deferred tax assets which were recorded as a result of the introduction of tax effect accounting.

<Liabilities and Equities>

(billion yen & %)

Item	Fiscal 1998		Fiscal 1999	
	Amount	Share	Amount	Share
Underwriting Reserves	24,762.0	80.3	25,107.3	80.1
(Liability Reserves)	(22,621.5)	(73.4)	(22,969.0)	(73.2)
(Outstanding Loss Reserves)	(2,113.8)	(6.8)	(2,112.2)	(6.7)
(Others)	(26.7)	(0.1)	(26.1)	(0.1)
Other Liabilities	2,939.6	9.6	2,835.2	9.0
Total Liabilities	27,701.6	89.9	27,942.5	89.1
Capital	888.2	2.9	901.9	2.9
Legal Reserves	646.1	2.1	673.8	2.1
Surpluses	1,587.7	5.1	1,846.3	5.9
(Profits for the Current Year)	(92.2)	(0.3)	(326.8)	(1.0)
Total Equities	3,122.0	10.1	3,422.0	10.9
Total Liabilities and Equities	30,823.7	100.0	31,364.5	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 128.5 billion yen, down 46.6% 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

- ***Investment Income and Expenses***

In spite of insurance companies' investment strategies, their interest and dividends amounted to 777.8 billion yen, down 9.7% from the previous year, owing to lower bank interest rates. Accordingly, total investment income(*) including profits on sales or redemption of securities, etc., in fiscal 1999 amounted to 942.4 billion yen (down 3.5% from the previous year). On the other hand, investment expenses amounted to 672.4 billion yen, up 23.9% from the previous year. This was because of losses on the sales of securities which amounted to 320.5 billion yen, an increase of 105.4 billion yen 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 reserves for maturity-refund-type (or savings-type) insurance policies, etc.

- ***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 218.5 billion yen, down 41.1% from the previous year.

- ***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, corporate resident taxes, and adjustments in corporate income taxes, etc. which were recorded as a result of the introduction of tax effect accounting, totaled -67.8 billion yen, down 173.5% from the previous year. When the figures of the one insolvent non-life insurance company are excluded, however, net profits for the current year amount to 99.4 billion yen, up 8.4% from the previous year.

(2) 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 about a half 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 our 34 member non-life insurance companies at the end of fiscal 1999 reached 31,364.5 billion yen, up 1.8% over the previous year. This increase is mostly because deferred tax assets were newly recorded as a result of the introduction of tax effect accounting in fiscal 1999. The working assets used to earn investment income amounted to 27,594.5 billion yen, representing 88.0% of total assets. Assets related to maturity-refund-type insurance policies amounted to 14,220.2 billion yen, occupying 45.3% of total assets or a decrease of 3.1 percentage points over the preceding year. Securities headed the list of investments with 16,865.2 billion yen or 53.8% of total assets. By category, stocks led with 5,630.5 billion yen, followed by corporate bonds (4,312.2 billion yen), foreign securities (3,907.2 billion yen), local government bonds (1,326.2 billion yen), national government bonds (1,043.4 billion yen), and securities loaned (161.1 billion yen). Loans accounted for 17.5% of total assets at 5,488.8 billion yen, down 12.5% 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 and local government bonds (fire brigade bonds and traffic bonds), as detailed in the table below.

Financial Cooperation in Public Investment in Fiscal 1999

(billion yen)

National Government Bonds	51.5
Fire Brigade Bonds	1.3
Traffic Bonds	7.0
Investments and Loans to "Zaikei" Housing Loan System	3.7
Total	**63.5**

(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 our 34 member non-life insurance companies stood at 27,942.5 billion yen at the end of fiscal 1999. Underwriting reserves, consisting of liability reserves and outstanding loss reserves, accounted for 89.9% of the total at 25,107.3 billion yen.

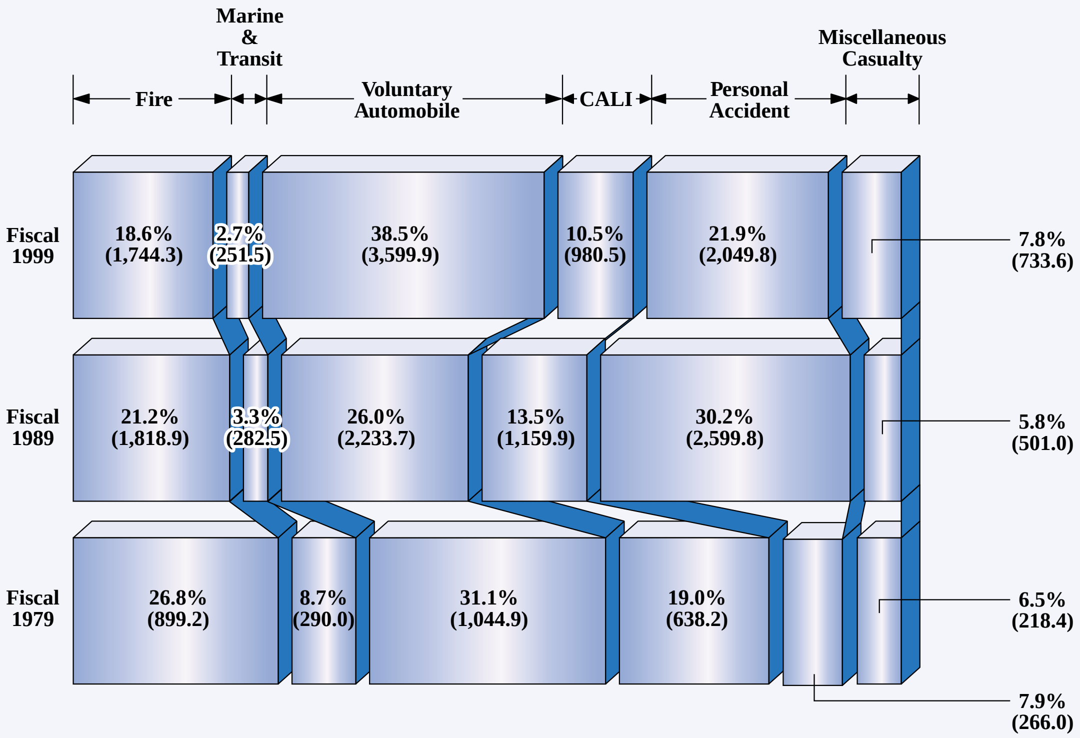
2. Direct Premiums Written

(1) Direct Premiums Written of All Lines of Non-Life Insurance and Each Line's Share

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 1999 reached 9,359.6 billion yen, down 2.7% over the previous year. Although total direct premiums have decreased for three consecutive years, recovery can be seen in the direct premiums from fire, personal accident, and miscellaneous casualty insurance, and from voluntary automobile insurance and CALI which showed positive growth in fiscal 1999.

The following chart 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.

Trends in Direct Premiums by Line



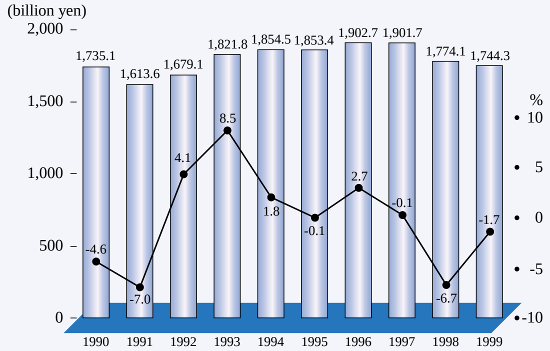
(Note) Figures in parentheses indicate the respective direct premiums in billion yen.

(2) Fire Insurance

Direct premiums written by fire insurance in fiscal 1999 amounted to 1,744.3 billion yen, a decrease of 29.8 billion yen (down 1.7%) from the previous year.

Of this total, conventional-type fire insurance premiums decreased by 0.5% and maturity-refund-type fire insurance policies registered negative growth of 4.3%.

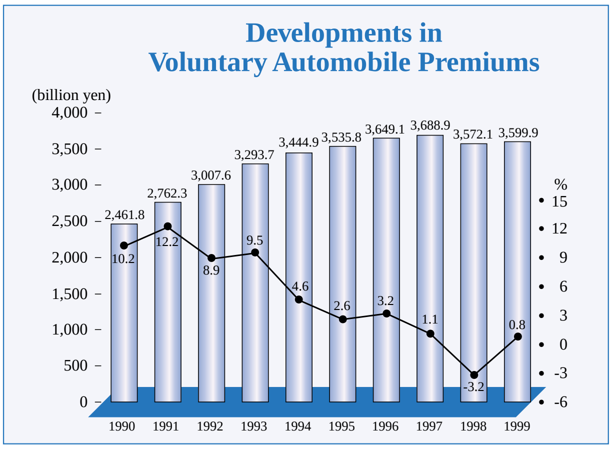
Developments in Fire Premiums



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

(3) Voluntary Automobile Insurance

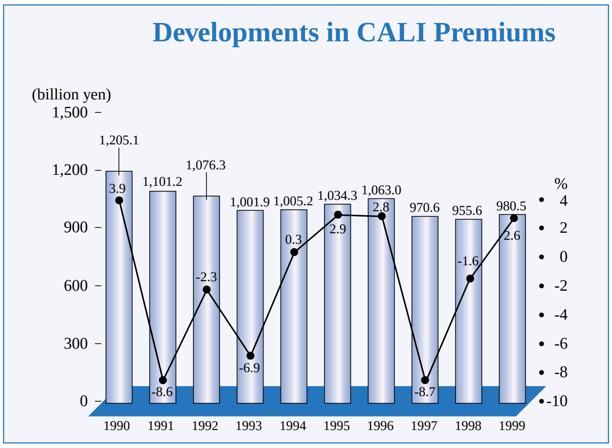
Since there was an increase in car ownership (up 1.2%) and the number of cars insured (up 1.3%), voluntary automobile insurance wrote direct premiums totaling 3,599.9 billion yen in fiscal 1999, an increase of 27.8 billion yen (up 0.8%) over the preceding year.



(4) 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.

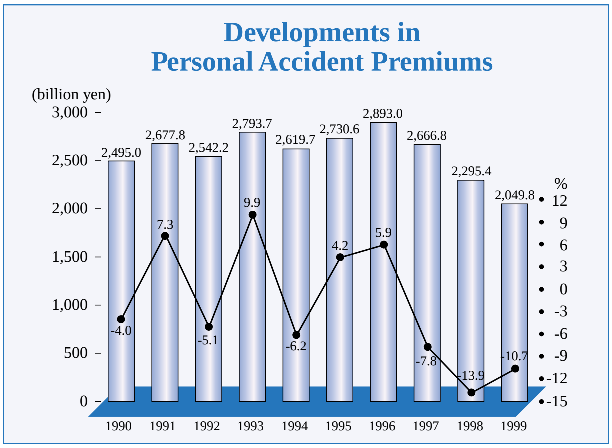
Direct premiums written by CALI during fiscal 1999 reached 980.5 billion yen, an increase of 24.9 billion yen (up 2.6%) over the previous year. This increase can be attributed to an increase in car ownership and the number of cars insured, and reversed the decreasing trend which had lasted for three consecutive years.



(Note) Premium rates were reduced in 1991, 1993, and 1997.

(5) Personal Accident Insurance

Direct premiums written by personal accident insurance during fiscal 1999 amounted to 2,049.8 billion yen, down 245.6 billion yen or -10.7% from the previous year. Of this total, maturity-refund-type personal accident insurance policies produced 1,430.6 billion yen, down 245.7 billion yen or -14.7% over the preceding year. Conventional-type personal accident insurance policies amounted to 619.3 billion yen, up 0.2 billion yen over the preceding year.

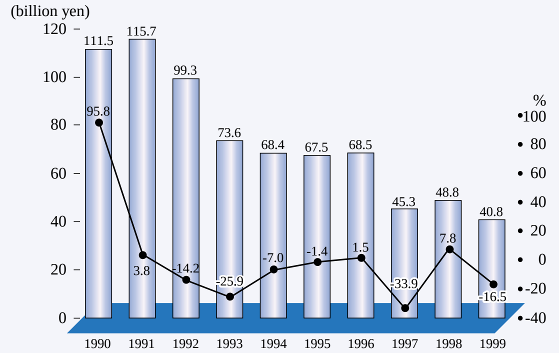


(Note) Premiums quoted include the savings portion of maturity-refund-type insurance premiums.

(6) Nursing Care Expenses Insurance

Direct premiums collected by nursing care expenses insurance during fiscal 1999 amounted to 40.8 billion yen, down 8.0 billion yen or -16.5%. Of this total, maturity-refund-type nursing care expenses insurance policies produced 16.9 billion yen, down 3.7 billion yen or -17.9% over the preceding year. Conventional-type nursing care expenses insurance policies amounted to 23.8 billion yen, down 4.4 billion yen or -15.5% from the previous year.

Developments in Nursing Care Expenses Premiums

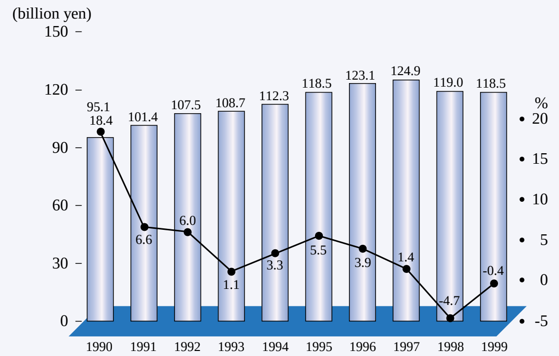


(Note) Premiums quoted include the savings portion of maturity-refund-type insurance premiums.

(7) Movables Comprehensive Insurance

Movables comprehensive insurance registered direct premium receipts of 118.5 billion yen, down 0.5 billion yen or -0.4% over the previous year. Movables comprehensive insurance with maturity refund policies accounted for 3.5 billion yen, down 0.4 billion yen or -9.3% over the previous year. Conventional-type movables comprehensive insurance policies amounted to 115.0 billion yen, down 0.1 billion yen or -0.1% over the preceding year.

Developments in Movables Comprehensive Premiums

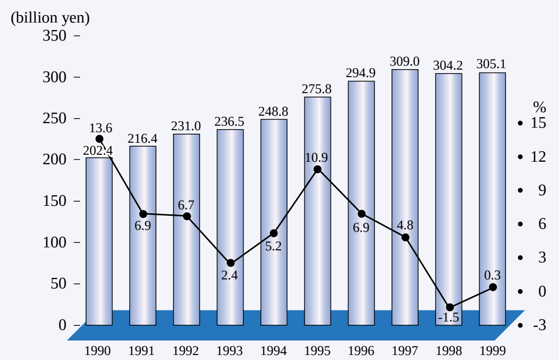


(Note) Premiums quoted include the savings portion of maturity-refund-type insurance premiums.

(8) General Liability Insurance

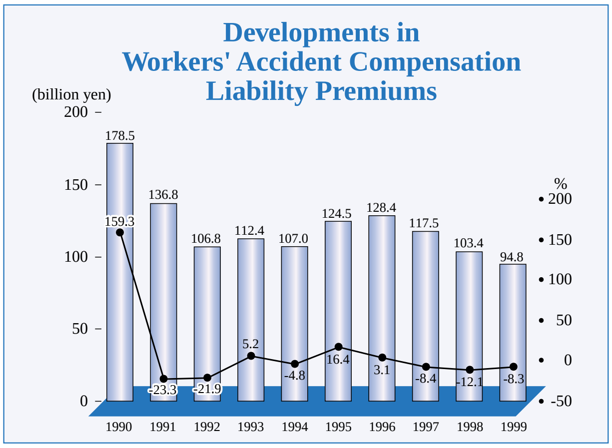
Direct premiums registered by general liability insurance during fiscal 1999 amounted to 305.1 billion yen, an increase of 0.9 billion yen or up 0.3% from the preceding year.

Developments in General Liability Premiums



(9) Workers' Accident Compensation Liability Insurance

Direct premiums collected from workers' accident compensation liability insurance during fiscal 1999 stood at 94.8 billion yen, down 8.6 billion yen or -8.3% over the previous year.



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

(10) Other Miscellaneous Casualty Insurance

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

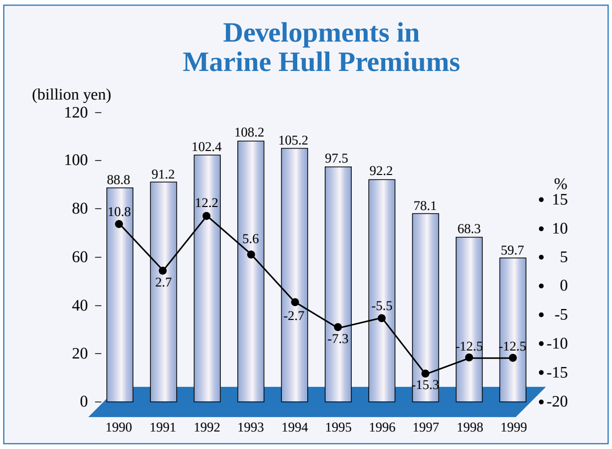
Other Miscellaneous Casualty Premiums by Line

(million yen & %)

Class of Business	Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Amount	Growth	Amount	Growth	Amount	Growth
Theft	26,806	7.2	28,422	6.0	27,610	-2.9
Glass	3,371	-3.3	2,984	-11.5	2,666	-10.7
Aviation	19,619	4.4	11,992	-38.9	13,696	14.2
Windstorm & Flood	173	-9.0	190	10.0	335	76.7
Guarantee	13,616	-6.8	14,242	4.6	14,432	1.3
Credit	7,948	-0.2	9,508	19.6	14,482	52.3
Boiler & Turbo-set	2,819	-2.5	2,836	0.6	2,697	-4.9
Livestock	2,938	18.4	2,824	-3.9	2,853	1.0
Machinery & Erection	42,468	5.5	39,799	-6.3	37,535	-5.7
Shipowners' Liability for Passengers' Personal Accident	1,182	2.2	1,126	-4.8	1,075	-4.5
Contractors' All Risks	38,769	-7.3	35,649	-8.0	35,511	-0.4
Atomic Energy	12,152	-0.8	11,456	-5.7	11,235	-1.9
Miscellaneous Pecuniary Loss	52,898	-30.6	58,442	10.5	51,158	-12.5

(11) Marine Hull Insurance

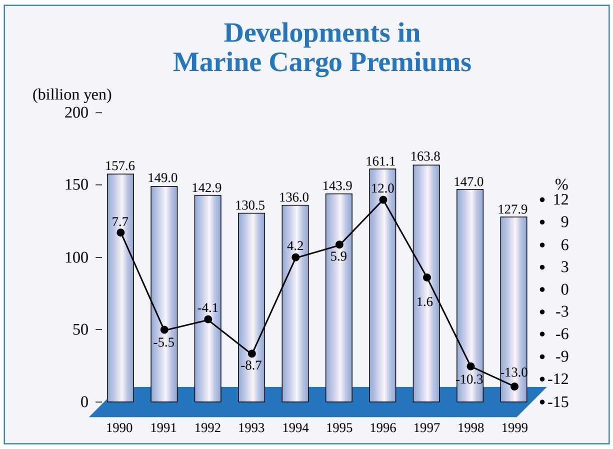
Direct premiums collected by marine hull insurance in fiscal 1999 amounted to 59.7 billion yen, down 8.6 billion yen or -12.5%, marking a downward trend for the sixth consecutive year. This was due to the continuous reduction of premium rates as a result of competition within the hull insurance business as well as the global downward trend in premium levels.



(12) Marine Cargo Insurance

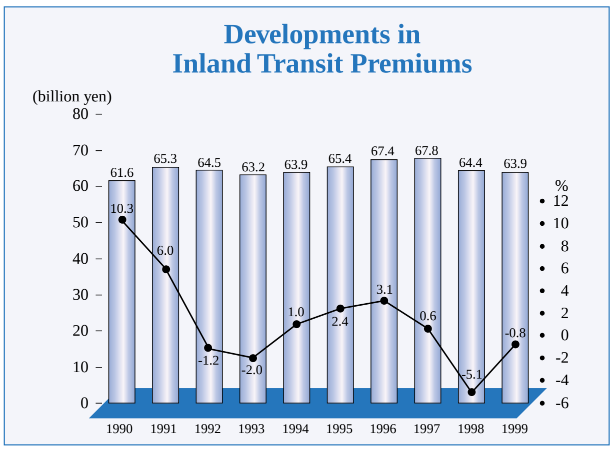
Direct premiums collected by marine cargo insurance in fiscal 1999 amounted to 127.9 billion yen, down 19.1 billion yen or -13.0% over the preceding year.

This was mainly attributable to the decrease in the number of ocean marine cargo insurance contracts, the mainstay of marine cargo premiums, and also to the effects of the increase in the value of the yen by about 13.0% over the previous year.



(13) Inland Transit Insurance

Inland transit insurance registered direct premiums of 63.9 billion yen during fiscal 1999, down 0.5 billion yen or -0.8% over the previous year due to the reduction of loading caused by the sluggish domestic economy.



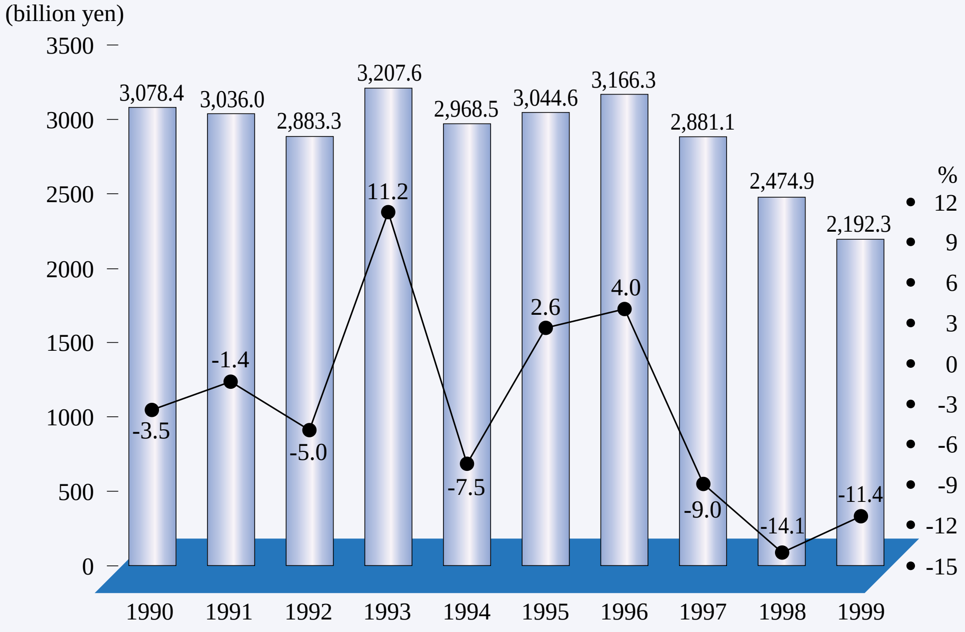
(14) Maturity-refund-type (or Savings-type) Insurance Policies

Maturity-refund-type (or savings-type) insurance policies, whose insurance terms continue from 2 to 60 years at maximum, 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 2,192.3 billion yen during fiscal 1999, down 282.6 billion yen or -11.4% over the preceding year.

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 1999, direct premiums from maturity-refund-type insurance policies accounted for around 25% of the total direct premiums. Non-life insurance companies 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.

Developments in Maturity-Refund-Type Insurance Premiums

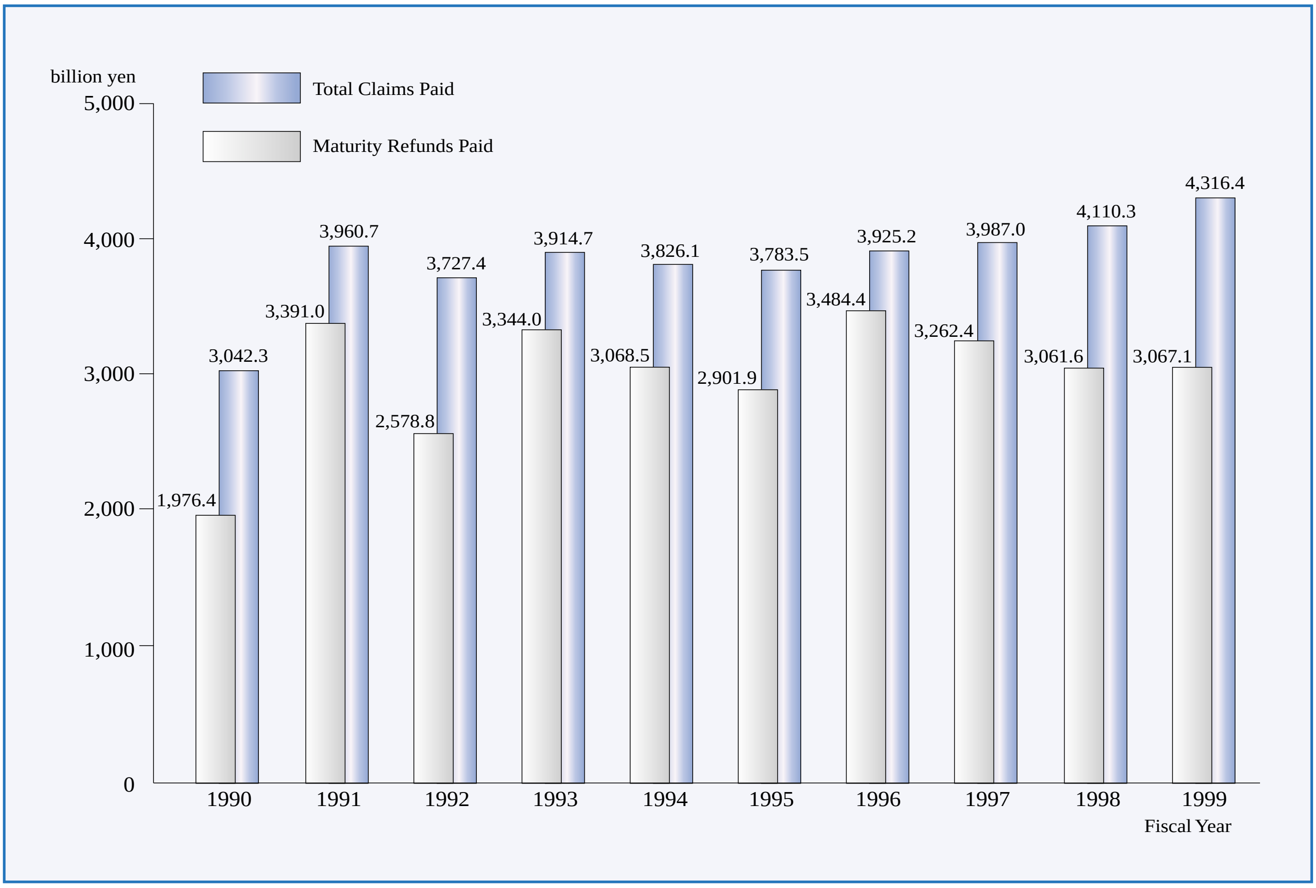


3. Direct Claims Paid

(1) Direct Claims Paid for All Lines of Non-Life Insurance and Maturity Refunds Paid

The aggregate total of direct claims paid under all lines of insurance during fiscal 1999 reached 4,316.4 billion yen, up 5.0% from the previous year, and the total sum of maturity refunds paid, including policyholders' dividends under maturity-refund-type insurance of different classes, amounted to 3,067.1 billion yen or an increase of 1.5% from the previous year. The claims by classes of business for the past ten years are shown in the chart below.

Direct Claims and Maturity Refunds Paid



(Note) "Total Claims Paid" means the aggregate amount of direct claims paid under all lines of insurance.

(2) Direct Claims Paid by Line

Direct claims paid for fire insurance in fiscal 1999 were 544.4 billion yen, up 21.6% from the previous year.

Direct claims paid under voluntary automobile policies during fiscal 1999 amounted to 2,083.4 billion yen, or an increase of 4.2% from the preceding year, and CALI direct claims paid were 871.2 billion yen, up 2.5% from the year before.

Direct claims paid for personal accident insurance in fiscal 1999 were 290.6 billion yen, up 0.2% from the preceding year.

A total of 45.6 billion yen (up 2.0% from the previous year) was paid for marine hull policies and 68.2 billion yen (down 11.5% over the previous year) for marine cargo policies in fiscal 1999.

(3) Claims Paid for Recent Catastrophe Losses

(million yen)

Class of Insurance		Torrential Downpour (June 23 to 30, 1999)	Typhoon No.18 (Bart) (September 21 to 25, 1999)	Hailstorm (May 24, 2000)
Fire	Number of Policies	5,597	242,344	30,059
	Claims Paid	4,363	269,848	21,889
Miscellaneous	Number of Policies	386	8,986	297
	Claims Paid	1,406	14,888	602
Automobile	Number of Policies	5,708	53,192	44,143
	Claims Paid	3,117	21,191	21,008
Marine Cargo	Number of Policies	–	1,690	13
	Claims Paid	–	6,574	2,187
Marine Hull	Number of Policies	–	147	–
	Claims Paid	–	2,240	–
Total	Number of Policies	11,691	306,359	74,512
	Claims Paid	8,885	314,742	45,685

4. Losses

(1) Fire

A total of 58,534 fires occurred during the year causing losses of 149.6 billion yen, killing 2,123 people and injuring 7,452, as shown in the following table.

On a daily average, about 160 fires (1 fire every 9 minutes) occurred with 5.8 people killed, 20.4 people injured, and about 410 million yen worth of property destroyed.

(2) Traffic Accidents

In 1999, the number of traffic accidents involving bodily injuries reached 850,363, with 9,006 people killed and 1,050,397 people injured. Per day, 2,330 traffic accidents occurred, killing 25 people and injuring 2,878.

Number of Fires, Losses, and Casualties

Year	Fires	Deaths	Injuries	Losses (billion yen)
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	54,514	2,062	7,309	146.0
1999	58,534	2,123	7,452	149.6

(Source) “General Review of Fires” issued by the Fire and Disaster Management Agency.

Number of Traffic Accidents and Casualties

Year	Accidents	Deaths	Injuries
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
1999	850,363	9,006	1,050,397

(Source) Statistical materials by the National Police Agency.

III. INTERNATIONAL RELATIONS

1. International Cooperative Relations

In order to develop mutual understanding and establish good relationships 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 29th 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 29th General Course of the ISJ was held from September 4 to 22, 2000, with 39 participants, under the main theme of “Fire Insurance”.

The General Course has produced 994 graduates over the last 29 years, and including the ISJ Advanced Course mentioned below, the total number of participants on ISJ courses has reached 1,180.

Number of ISJ General Course Graduates by Region (1972-2000)

Region	Number	
Bandar Seri Begawan (Brunei)	28	(6)
Bangkok	140	(28)
Beijing	33	(0)
Hanoi	19	(1)
Hong Kong	121	(17)
Jakarta	121	(8)
Kuala Lumpur	127	(21)
Macao	31	(10)
Manila	127	(15)
Phnom Penh	1	(0)
Seoul	112	(22)
Singapore	97	(8)
Taipei	36	(0)
Yangon (Myanmar)	1	(0)
Total	**994**	**(136)**

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

Number of ISJ Advanced Course Graduates by Region (1991-2000)

Region	Number	
Bandar Seri Begawan (Brunei)	6	(2)
Bangkok	19	(0)
Beijing	14	(0)
Hanoi	6	(0)
Hong Kong	18	(1)
Jakarta	19	(0)
Kuala Lumpur	19	(6)
Macao	8	(8)
Manila	18	(0)
Phnom Penh	0	(0)
Seoul	20	(0)
Singapore	20	(5)
Taipei	19	(0)
Yangon (Myanmar)	0	(0)
Total	**186**	**(22)**

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

Apart from the ISJ courses, individual Japanese non-life insurance companies also provide their own educational programs every year.

b) The 10th 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 10th 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 November 6 to 17, 2000, with 18 participants.

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 "Natural Disasters and Underwriting Capacity".

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 6th 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.

In 2000, we decided to put off holding the seminar in order to conduct a feasibility study for the next session.

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 is held annually in San Francisco where the Insurance Educational Association (IEA) arranges and coordinates a training program which includes both lectures and visits to the offices of insurance companies, brokers, and agents.

The ISP has produced 1,171 graduates, including 16 members of the 38th 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 41 groups (77 individuals) from overseas during the fiscal year 1999.

(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.

An initial development 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.

A further exchange of views and information was made with Mr. John Cooke, Head of International Relations of the ABI, who visited our Association on August 31, 1999, Mr. Kevin Cronin, President and Chief Executive Officer of the International Insurance Council (IIC) based in Washington, D. C., who visited us on January 14, 2000, and Mr. Jacques Léglu, Deputy Secretary General of the Comité Européen des Assurances (CEA), who visited us on

October 30, 2000.

With the establishment of these cooperative relationships 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 around 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 Fifth 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 fourth meeting in San Francisco, on December 7, 1999, the fifth annual meeting of the IMIA was held in Cape Town, South Africa, on October 9, 2000. Mr. Nobuo Hara, Director and General Manager of the International Department of our Association attended. The themes of this year's meeting were as follows: “IAIS Update and Review”, “Current Issues in Insurance Regulation”, “World Trade Issues”, “Trade Association Developments”, “E-Commerce”, “Arbitrations to Resolve Reinsurance Disputes”, and “Life Pension”.

b) The Seventh 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.

The seventh meeting of the IAIS was held from October 9 to 12, 2000 at the same venue as the fifth IMIA meeting mentioned above, with around 250 insurance supervisors and observers from 78 jurisdictions in attendance. Following the keynote speech by Mr. Andrew Crockett, Chair of the Financial Stability Forum, panel discussions were held on the following themes: “Reinsurance Regulation”, “Securitization”, “Convergence of Financial Sectors”, “Assessment of Observance of IAIS Core Principles”, “Insurance on the Internet”, “AIDS and Insurance”, “Agricultural Insurance in Emerging Markets / Development of Compulsory Insurance in Emerging Markets”, “Insurance Intermediaries”, and “Issues Proposed by Observers”.

During the course of the meeting on October 10, 2000, Mr. Akihiro Horioka, Deputy General Manager, Reinsurance Department of the Mitsui Marine and Fire Insurance Co., Ltd., participated in the panel discussion on "Reinsurance Regulation" as a panelist. Furthermore, on October 12, 2000, Mr. Yoshio Okubo, Deputy Commissioner for International Affairs of the Japanese Financial Services Agency, and Mr. N. Hara of our Association participated in the panel discussion on "Global Trade and National Supervision of Insurance and Reinsurance: Possible Role of IAIS within the WTO/GATS System" as panelists. The theme of this panel discussion was taken up as one of the "Issues Proposed by Observers", and the other two themes were "Best Practices of Industry Self Regulation" and "Alternative Measurements of Risk for Insurers". Next year's meeting will be held in September in Bonn, Germany.

In January 2000, our Association obtained an IAIS observership, a new member category which was made available to non-regulators in December 1999.

c) 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 set an international accounting standard on insurance, met in September 2000, and the members including one delegate from our non-life insurance industry began discussing comment letters received on an Issues Paper which was developed by the Committee, and published by the IASC early in December 1999.

d) The 65th Session of the Insurance Committee of the OECD

The 65th session of the Insurance Committee of the OECD (Organization for Economic Co-operation and Development) was held in Paris on June 29 and 30, 2000, and Mr. Nobuo Hara, Director and General Manager of the International Department of our Association, participated in the meeting.

The main topics on the agenda were as follows: "Mandate, Evaluation and Program of the Committee's Work", "Observerships", "Regulation of Investment", "Financial Convergence", "Basic Principles of Liberalization", "Private Health Insurance", and so forth.

The new text of the mandate of the Insurance Committee which expired on June 30, 2000, has already been approved by the Committee and transmitted to the Council for approval. The participants in the meeting discussed a 2001-2002 program of the work of the Insurance Committee. In addition, the Joint Working Party on Insurance Services of the CMIT (Capital Movements and Invisible Transactions) and the Insurance Committee, the Working Party of Governmental Experts on Insurance Solvency, and the Working Party on Private Pensions respectively reported on their activities. Other international organizations, such as the Comité Européen des Assurances, the European Commission, the International Association of Insurance Supervisors, and the European Conference of Insurance Supervisory Services, also reported on the progress of their current activities.

e) The Financial Leaders Working Group (FLWG)

The Financial Leaders Group (FLG), which consists of private financial industries mainly in Europe and the U.S., played an important role in the conclusion of the "World Trade Organization (WTO) Financial Services Agreement" in 1997. From November 1999, our Association has participated in its working group (FLWG) to represent the Japanese non-life insurance industry in the presentation of opinions and coordinate views with various organizations abroad, thus preparing for WTO negotiations.

Mr. Nobuo Hara, Director and General Manager of the International Department of our Association, attended the FLWG meetings held in Atlanta on November 1, 1999, in Geneva on June 14 and 15, 2000, and in Brussels on November 27, 2000.

f) 20th Conference of the East Asian Insurance Congress (EAIC)

The 20th EAIC Conference was held from October 15 to 20, 2000, at Philippine International Convention Center in Manila, Philippines, with around 1,200 delegates participating. The main theme of this year's conference was "Rebounding from the Asian Financial Crisis: Strategies for Continued Growth", and two plenary sessions, three non-life insurance sessions, and two life insurance sessions, etc., took place.

During the General Business Meeting of the EAIC held on October 19, the venue and date of the next 21st EAIC Conference in 2002 was put on the agenda. The members approved officially that the 21st EAIC Conference would be held in Tokyo from October 20 to 25, 2002, at the Tokyo International Forum. In addition, new executive board members of the EAIC, their terms of office starting from the finish of the Manila Conference in 2000 and running to the Tokyo Conference in 2002, were elected. Mr. Koukei Higuchi, President of the Tokio Marine and Fire Insurance Co., Ltd., was elected as Vice President of the EAIC Executive Board Meeting, and Mr. Ken Taki, Managing Director of the Toa Reinsurance Co., Ltd., was elected as Assistant Secretary-Treasurer.

In addition, the members approved that the next Executive Board Meeting be held on October 30, 2001, at the Imperial Hotel in Tokyo.

g) The 126th 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 126th general meeting of the IUMI was held in London, from September 10 to 14, 2000, and eleven delegates from our non-life insurance industry participated in the meeting.

h) The 60th 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 60th General Meeting of the IUAI was held in Dresden, Germany from May 29 to June 2, 2000, and seven delegates from our non-life insurance industry participated in the meeting.

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

During fiscal 1999, the 79th, 80th, and 81st Legal Committees of the IMO were held in London on April 19 to 23 and October 11 to 15, 1999, and March 27 to 31, 2000, respectively, and one delegate from our non-life insurance industry participated in these meetings. The delegate also attended the 82nd Legal Committee held in London from October 16 to 20, 2000.

j) 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. Response to WTO Services Negotiations

Through progress in international trade talks such as the Japan-US Insurance Talks in 1996 and the World Trade Organization (WTO) Financial Services Negotiations in 1997, cooperation between the government and the private sector as well as the role of the private sector has become increasingly important in Japan.

Currently, one of the key international issues in our industry is the WTO Services Negotiations. On November 19, 1999, prior to the 3rd Ministerial Conference of the WTO held in Seattle, Washington from November 30 to December 3, 1999, our Association issued a proposal for the WTO Services Negotiations.

The major points are as follows:

1) To ensure full implementation of commitments made under the WTO Financial Services Agreement in 1997 by each member country,
2) To abolish barriers preventing foreign insurers from conducting business in each member country, such as limitations on foreign investments in domestic insurers, citizenship requirement for executives and employees of insurers, etc.,
3) To ensure objective, transparent, and impartial regulations and criteria for licensing in each member country.

Though the launch of comprehensive new trade negotiations did not reach an agreement in Seattle, the special session of the Services Council of the WTO formally kicked-off the new negotiations on services on February 25, 2000. On May 25, 2000, the WTO Council on Trade in Services (CTS) established a “Road Map” for services negotiations, in which the process of the WTO Services Negotiations until March 2001 was indicated.

In the private sector, in response to the WTO Services Negotiations, the Japan Services Network (JSN) was set up by the “Keidanren” (the Japan Federation of Economic Organizations) on October 15, 1999. The JSN consists of representatives from major service industries in Japan, including our Association. The JSN is an organization equivalent to the Coalition of Service Industries (CSI) in the US and the European Services Forum (ESF) in Europe. On March 28, 2000, the JSN issued a proposal, including an insurance issue, for the WTO Services Negotiations entitled “Expectations on the WTO 2000 Round of the Services Negotiations and Requests for Liberalizing Trade in Services”. The JSN sent a mission to Geneva on November 24, 2000, to present the position of the Japanese services industries on the WTO Services Negotiations. They exchanged views and opinions with chairpersons of the WTO Services Council and its sub-organizations, government representatives from the WTO member countries and the secretariat of the WTO. The mission also participated in the international conference hosted by the ESF in Brussels on November 27, 2000.

Apart from the JSN, our Association has also participated in the Financial Leaders Working Group (FLWG) since November 1999. The FLWG represents the financial services sectors, including the insurance industry, in the US, Europe and other major countries, with the objective of promoting the WTO Services Negotiations.

In addition, our Association obtained observer membership of the International Association of Insurance Supervisors (IAIS) in January 2000. Our Association has also sent a delegate to the Insurance Steering Committee of the International Accounting Standards Committee (IASC) to exchange views and opinions.

Our Association’s Proposals for the WTO Services Negotiations issued on November 19, 1999

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 rating 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 the 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. Liberalization of the Third Sector

The entry of Japanese life and non-life insurance companies into the so-called third sector will be liberalized after January 2001, as scheduled. This was confirmed during a meeting between Mr. Masaharu Hino, Commissioner of the Financial Services Agency (FSA) and Ambassador Charlene Barshefsky, the United States Trade Representative (USTR) in July 2000.

The third sector is defined as the sector that can not be classified into either the first sector (life insurance sector) or the second sector (non-life insurance sector), and includes such insurance products as medical, cancer, and personal accident insurance. Based on an agreement entitled the "Supplementary Measures by the Government of

Japan and the Government of the US regarding Insurance" on December 24, 1996, life and non-life insurance companies have been prohibited from entering the third sector.

The entry of life and non-life insurance companies into the third sector will be allowed, on condition that the following two stages have been put into effect.

a) Subsidiaries of life and non-life insurance companies will be allowed to sell third sector insurance products from January 1, 2001, and
b) After rules to protect policyholders are established, sales of third sector life insurance products (e.g. cancer insurance) by non-life insurance companies in their own right, and sales of third sector non-life insurance products (e.g. personal accident insurance) by life insurance companies in their own right will be allowed in July 2001.

Regarding the entry of subsidiaries of life and non-life insurance companies into the third sector, for instance, third sector life insurance products, such as medical insurance, are already being distributed by some foreign life insurance companies. Therefore, certain rules to protect policyholders have already been introduced.

On the other hand, life and non-life insurance companies have so far operated under different rules to protect policyholders. Therefore, when life and non-life insurance companies are permitted to enter the third sector in their own right, there will need to be a common set of rules to protect policyholders.

With due regard to the above, the entry of life and non-life insurance companies themselves into the third sector was postponed for six months, as it would take time to establish rules to protect policyholders.

IV. INTERNATIONAL BUSINESS

1. Foreign Non-Life Insurers in Japan

Foreign non-life insurers operating in Japan are, in fact, classified according to the following five 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), (d) insurance or reinsurance brokers acting in Japan as registered insurance agents or insurance brokers, and (e) 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 2000, there were 27 foreign non-life insurers in Japan from the following countries: U.S.A. (7) ; U.K. (6) ; France (3) ; Switzerland (2) ; Sweden, India, Australia, Korea, the Philippines, Italy, Bermuda, Norway, and Germany (l each). Of these 27 companies, three confine their activities to reinsurance, three others offer only "Protection & Indemnity Insurance", while a further three are represented by Japanese non-life insurance companies as their agents.

Of these 27 foreign non-life insurers, 19 are members of the Property and Casualty Insurance Rating Organization of Japan, while 14 insurers are members of the Automobile Insurance Rating Organization of Japan. As of the end of March 2000, foreign non-life insurers' employees totaled 3,126, and agents 18,137.

[Direct Premiums Written by Foreign Non-Life Insurers]

In fiscal 1999 ending March 31, 2000, the total of direct premiums (including the savings portion of maturity-refund-type insurance premiums) of foreign non-life insurers amounted to about 313 billion yen, recording an increase of 5.9% over the previous year. Personal accident insurance maintained the biggest share of any line of business at 41.4%, followed by voluntary automobile insurance (31.4%), and miscellaneous casualty insurance (12.9%).

Direct Premiums of Foreign Non-Life Insurers (Fiscal 1999)

(million yen & %)

Class of Business	Premiums			Share of Japanese Insurers
	Amount	Growth Rate	Share	
Fire	30,643	-4.8	9.8	18.6
Voluntary Automobile	98,352	16.4	31.4	38.5
Personal Accident	129,608	0.1	41.4	21.9
Miscellaneous Casualty	40,323	16.0	12.9	7.8
Marine and Inland Transit	7,103	-7.6	2.3	2.7
Compulsory Automobile Liability	7,050	1.1	2.3	10.5
Total	**313,079**	**5.9**	**100.0**	**100.0**

The market share of foreign non-life insurers in Japan (including five foreign-capitalized non-life insurers operating in Japan) stood at 3.95%, up 0.28 of a percentage point from the previous year. When the savings portion of maturity-refund-type insurance premiums is excluded, this share increases to 4.82%, up 0.27 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, 2000, 12 Japanese non-life insurers wrote risks through their overseas branch offices and agents in 42 countries and regions. The total of their direct premiums abroad amounted to about 51.0 billion yen, a decrease of 17.8% from the previous year. (Direct premiums written by their overseas subsidiaries are not included in these figures.) This decrease was attributable to the upward tendency in the value of the yen, the fact that premium income from the United States and Canada showed a decrease from the previous year, etc.

Direct Premiums Written Abroad by Japanese Non-Life Insurers (Fiscal 1999)

(million yen & %)

Class of Business	Premiums	Growth Rate
Fire	11,720	-18.9
Automobile	10,925	-30.6
Marine Hull	114	-35.6
Marine Cargo	7,232	-14.4
Others	21,030	-20.0
Total	**51,023**	**-17.8**

The objectives of the overseas operations of Japanese insurers are as follows : to provide Japanese clients in the overseas markets 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 the table below.

The Total Number of Japanese Insurers’ Offices Abroad

Branches and Agents	123
Subsidiaries with 50% and over of Japanese capital	60
Subsidiaries with less than 50% of Japanese capital	58
Liaison Offices	246

(Note) 1. “Subsidiaries” means companies operating insurance business only, thus excluding asset investment, loss survey operations, etc.
2. Figures above are as of April 1, 2000.

3. International Reinsurance Business

The outward reinsurance balance had been unfavorable to the Japanese non-life insurance industry as a whole 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 1992, however, the balance became negative again due to a sharp increase in reinsurance premium rates by overseas reinsurers and has since remained unfavorable.

The inward reinsurance balance has been unfavorable to the Japanese non-life insurance industry as a whole for years. This is mainly attributable to payments for reinsurance claims from losses caused by frequent catastrophes abroad.

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

(Note) Since the figures for fiscal 1999 in the tables below do not include reinsurance commissions, a comparison with the figures from previous years is not possible.

Outward Reinsurance Balance

(billion yen)

FY	Premiums (paid)	Claims (received)	Balance
1995	233.3	119.7	-113.6
1996	228.1	124.5	-103.6
1997	250.8	130.3	-120.5
1998	238.0	172.6	-65.5
1999	227.4	189.1	-38.3

(Note) Claims (received) includes reinsurance commissions, etc. except for fiscal 1999.

Inward Reinsurance Balance

(billion yen)

FY	Premiums (received)	Claims (paid)	Balance
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
1999	170.9	138.4	32.5

(Note) Claims (paid) includes reinsurance commissions, etc. except for fiscal 1999.

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 1998 there were 88 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$891.1 billion (114,089.0 billion yen: US$=128.03 yen). The U.S.A. had a 43.44% share of the total non-life insurance premiums, followed by Japan (10.32%), Germany (8.78%), the U.K. (6.40%), and France (4.78%).

The ratio of gross direct premiums to Gross Domestic Product (GDP) is shown in the following table. Of countries not listed separately, New Zealand represents 4.76% (ranking 1st) and South Africa 3.49% (8th). Furthermore, reviewing non-life insurance premiums per capita on a Japanese currency basis, the U.S.A. held the leading position with 183,211 yen. Of countries not listed separately, Luxembourg totals 143,202 yen (3rd) and Norway 103,756 yen (8th).

International Comparison of Non-Life Insurance Premium Volume (1998)

Country	Gross Direct Premiums (billion yen)	Gross Direct Premiums Rank	Gross Direct Premiums Share(%)	Gross Direct Premiums / GDP (%)	Gross Direct Premiums / GDP Rank	Per Capita Premiums (yen)	Per Capita Premiums Rank
U.S.A.	49,557,852	1	43.44	4.55	2	183,211	1
Japan	11,777,440	2	10.32	2.38	27	93,167	11
Germany	10,021,164	3	8.78	3.59	5	120,553	5
U.K.	7,302,191	4	6.40	3.15	12	95,318	10
France	5,453,054	5	4.78	2.86	13	90,197	12
Italy	3,599,948	6	3.16	2.38	28	62,005	20
Canada	3,134,302	7	2.75	4.05	4	103,563	9
Netherlands	1,989,458	8	1.74	4.11	3	126,801	4
Spain	1,934,277	9	1.70	2.73	16	48,818	23
Brazil	1,756,316	10	1.54	1.77	46	10,857	41
Australia	1,659,653	11	1.45	3.56	6	88,354	14
Korea	1,572,977	12	1.38	3.55	7	33,877	27
Switzerland	1,163,025	13	1.02	3.47	10	163,802	2
Belgium	1,109,508	14	0.97	2.83	14	88,686	13
Austria	859,593	15	0.75	3.17	11	106,380	6
China	772,661	16	0.68	0.63	80	615	83
Taiwan	636,693	17	0.56	1.90	44	29,178	30
Sweden	616,208	18	0.54	2.04	38	69,610	19
Denmark	560,515	19	0.49	2.51	24	105,676	7
Argentina	530,172	20	0.46	1.39	54	14,685	36
Other Countries	8,081,894	—	7.09	—	—	—	—
Total (Average)	**114,089,069**	—	**100.0**	—	—	**(16,093)**	—

(Note) 1. Figures quoted are from "Sigma / Swiss Re No.7/1999".
2. The exchange rate used (U.S. $= 128.03 yen) is the average exchange rate for 1998.
3. Gross Direct Premiums include all premiums written by domestic and foreign companies within the country.
4. The figures for Japan include those of the "Zenkyoren", the National Mutual Insurance Federation of Agricultural Cooperatives.

V. MAJOR DEVELOPMENTS

1. 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 of indemnity are shown in the table below.

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

2. 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 supervisory authority shall order certain measures if the solvency margin ratio of an insurance company which shows its business conditions falls below a certain ratio. 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 supervisory authority 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 which was revised 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.

3. 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 Big Bang (Financial System Reforms), 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.

4. Revisions of the Claims Payment Standards for Compulsory Automobile Liability Insurance (CALI) (January 2000)

Effective from January 1, 2000, non-life insurance companies have revised claims payment standards for CALI, and changed the methods of calculating loss of income resulting from loss of life and permanent disability.

This aims at harmonizing the claims payment standards with the contents of a joint proposal by the three district courts of Tokyo, Osaka, and Nagoya that the three courts should have a unified approach in calculating loss of income concerning compensation for damage in the case of traffic accidents.

5. Revisions of the Law on Compensation for Nuclear Damage (January 2000)

In response to increasing public demands for help for the victims of nuclear damage, particularly after the criticality accident which occurred in Tokai Village, Ibaraki Prefecture on September 30, 1999, the Law on Compensation for Nuclear Damage has been revised effective from January 1, 2000. The main points of the revisions are as follows:

(1) The legal amount of liability which nuclear processing companies have to bear has been raised from 30 billion yen to 60 billion yen.

(2) The applicable period of the government's aid to nuclear damage compensation contracts and nuclear processing companies has been extended by 10 years from December 31, 1999 to December 31, 2009.

6. Revisions of the Guidelines for Personal Data Protection (March 2000)

Against the background of an increase in public interest in the protection of personal data, our non-life insurance industry compiled the "Guidelines for Personal Data Protection in the Non-Life Insurance Business" in March 1989, taking into consideration the specific characteristics of the non-life insurance business, based on the "Guidelines for Personal Data Protection in Financial Institutions, etc." which were drawn up by the Financial Information Systems Center (FISC). The industry has since taken pertinent measures on personal data protection issues on its own initiative.

In line with the subsequent overall revisions of the FISC Guidelines in April 1999, our non-life insurance industry also completely revised its Guidelines in March 2000, in order for non-life insurance companies, as part of the financial sector, to actively tackle personal data protection.

7. Daiichi Mutual Fire and Marine Insurance Company ordered to suspend Part of its Business Operation (May 2000)

On May 1, 2000, the Financial Services Agency (FSA) ordered the Daiichi Mutual Fire and Marine Insurance Company to suspend part of its business operation. At the same time, the FSA requested our Association, Mr. Yoshihiro Masago, a certified public accountant, and Mr. Ryota Yamagishi, a lawyer, to assume the role of insurance administrators for the company. The FSA also ordered the insurance administrators to draw up a plan for the transference of the insurance contracts concerned and set up a Research Committee to ascertain the liability of the company management.

8. The Consumer Contract Law and the Law on Sales of Financial Products approved by the Diet (May 2000)

In order to protect policyholders, and with the objective of contributing to the solution of contractual problems between consumers and companies as well as problems arising from sales of financial products, laws to establish a general rule covering all industries including the non-life insurance industry, (i.e. the Consumer Contract Law and the Law on Sales of Financial Products) were approved by the Diet in May 2000, effective from April 1, 2001.

9. Improvement of Disclosure Standards (May 1999 and May 2000)

Our Association seeks to improve the availability of wide-ranging information by regularly reviewing disclosure standards applied by individual companies, so that it can ensure the transparency of the non-life insurance business and meet the increasing requests from consumers for information.

In May 1999, our Association totally reviewed its disclosure standards in line with the revisions of the Enforcement Regulation of the Insurance Business Law. With the subsequent progress of liberalization, our Association also reviewed the disclosure standards in May 2000 in order to further promote the transparency of each company's business.

10. A Report prepared at the 7th General Meeting of the Financial System Council (June 2000)

At the 7th General Meeting of the Financial System Council held on June 27, 2000, a report entitled “New Financial Framework supporting 21st Century” was prepared, and submitted to the Finance Minister on the same day. The report proposes the establishment of an alternative dispute resolution system in the financial sector which will help ensure the effectiveness of the Law on Sales of Financial Products, thus ensuring legitimate financial transactions. In addition, it is proposed in the report that the scope of the business of banks and insurance companies should be reviewed to deal with the entry of new types of businesses into the banking and insurance business.

11. Review of the System for Compulsory Automobile Liability Insurance (CALI) (June 2000)

At the 105th meeting of the CALI Council on February 17, 2000, the Chairman of our Association proposed the “abolition of the CALI government reinsurance scheme” and the “streamlining of CALI administrative procedures”. At the 109th meeting of the CALI Council on April 12, 2000, the Commissioner of the Financial Services Agency (FSA) directed the CALI Council to deliberate on the future shape of the CALI system as a whole, and then the CALI Council submitted its report concerning the new direction for CALI to the Commissioner of the FSA at the 115th meeting of the CALI Council held on June 28, 2000.

Our non-life insurance industry has welcomed the CALI Council’s report, as it indicated the direction in which future deliberations should proceed on the CALI system as a whole, and it also showed a forward-looking direction concerning the abolition of the CALI government reinsurance scheme and the streamlining of CALI administrative procedures, which we have requested earnestly and strongly.

12. Inspection Manual relating to Insurance Companies published (June 2000)

The Financial Services Agency (FSA) published an inspection manual relating to insurance companies and decided to apply it to inspections to be carried out on and after July 1, 2000.

The Insurance Business Law provides that inspection of insurance companies by the supervisory authority should be conducted in order to ensure their sound and appropriate business operation and to protect policyholders, etc. The inspection manual was prepared and published in order to promote responsible self-management on the part of insurance companies and establish transparent financial administration, as well as further enhancing the FSA’s inspection and supervisory functions.

13. Expiry of Provisional Measures for the Revision of the Law concerning Non-Life Insurance Rating Organizations (June 2000)

The period of the provisional measures for the Law concerning Non-Life Insurance Rating Organizations which was revised in July 1998, expired at the end of June 2000, thus further promoting the liberalization of non-life insurance premium rates.

At the time of the revision in July 1998, a reference risk premium rate system, etc. was introduced and the obligation for member companies of the rating organizations to use premium rates calculated by the rating organizations was abolished. However, as part of the provisional measures, the member companies were allowed to continue to use the existing premium rates for the next two years.

14. Laws related to the Insolvency of Insurance Companies revised (June 2000)

From the viewpoint of protecting policyholders, the Insurance Business Law and the Special Law concerning Reorganization Proceedings of Financial Institutions have been revised, effective from June 30, 2000. The revisions were made so that insolvent insurance companies could be reorganized in an appropriate way, while maintaining the effectiveness of coverage of the insurance policies concerned.

The revisions enabled procedures for coping with insolvencies to begin at an early stage and to proceed rapidly. The revisions also ensured the addition of the schemes to cope with insolvencies as well as the expansion and strengthening of the activities of Policy-holders Protection Corporations (PPC).

To be exact, under the Special Law concerning Reorganization Proceedings of Financial Institutions, the following procedures are available:

- The supervisory authority can apply to the court for authorization to commence the rehabilitation process.
- The Court can authorize the PPC to commence the rehabilitation process. It is not necessary for the court to notify each policyholder, creditor, etc., in order to initiate the rehabilitation process.
- On behalf of policyholders, creditors, etc., the PPC is able to perform all acts falling within the rehabilitation process.
- A receiver who has been appointed by the court to carry out the rehabilitation process is prohibited from canceling the insurance contracts of an insolvent insurance company.
- Even though in the process of rehabilitation, claims to be compensated by the PPC will be payable to policyholders.
- In the rehabilitation plans, the following measures are available.
  a) To establish appropriate and reasonable differentiation among policyholders or insurance contracts.
  b) To set unfavorable terms and conditions on return premiums of policyholders who canceled insurance contracts.
  c) To separate insurance premiums paid by policyholders after the commencement of the rehabilitation process.

15. Financial Services Agency established (July 2000)

The Financial Services Agency (FSA) was established in July 2000 to take over the inspection and supervision of financial institutions which had formerly been taken charge of by the Financial Supervisory Agency, and to take over the planning and drafting of domestic financial systems which the Financial System Planning Bureau of the Ministry of Finance had been responsible for.

At present, the FSA is established under the Financial Reconstruction Commission, as an external organ of the Prime Minister’s Office. In January 2001 when the realignment of the central ministries will be implemented, the Financial Reconstruction Commission will be abolished, and in line with this, the FSA will be placed under the Prime Minister's Office which will be renamed the Cabinet Office.

16. Claims Payments for Recent Natural Disasters (June 1999 to August 2000)

(1) Torrential Downpour in Western Japan

Claim payments for the torrential downpour, which caused serious damage particularly to western Japan from June 23 to 30, 1999, totaled 8.9 billion yen (including estimates).

(2) Typhoon No. 18 (Bart)

According to the Fire and Disaster Management Agency, Typhoon No.18 (Bart), which struck mainly the Kyushu and Chugoku districts of western Japan from September 21 to 25, 1999, killed 30 people causing damage to 107,345 dwelling houses as of October 19, 1999. Total claim payments (including estimates) reached 314.7 billion yen, and this was the second largest claims payments ever recorded in the Japanese non-life insurance market after Typhoon No. 19 (Mireille) in September 1991 with 567.9 billion yen.

(3) Mt. Usu Eruption

On March 31, 2000, Mt. Usu in Hokkaido erupted after 23 years of inactivity, belching out cinders and volcanic ash and also causing damage through the mud flow. According to the Fire and Disaster Management Agency, the total number of dwelling houses totally destroyed was 27, half damaged 141, and partially damaged 82 as of August 11, 2000. Claim payments for the eruption amounted to 237.6 million yen as of the end of August 2000.

(4) Hailstorms in Ibaraki and Chiba Prefectures

Claim payments for the damage resulting from hailstorms, which occurred in the southern part of Ibaraki prefecture and the northwestern part of Chiba prefecture on May 24, 2000, amounted to 45.7 billion yen (including estimates).

(5) Earthquakes and Eruptions in Izu Islands

On June 26, 2000, the Disaster Relief Act was invoked in Miyake Village, Miyakejima (Miyake Island) of the Izu Islands which lie off Izu Peninsula in the western Pacific, because there was fear of an eruption. Miyakejima has since suffered frequent earthquakes and eruptions. After June 29, 2000, earthquakes with an intensity of less than 5 or 6 occurred successively in the Izu Islands, and the Disaster Relief Act was invoked in Kozushima Village on July 1, 2000, and in Niijima Village on July 15, 2000. Claims payments for the damage is not available as of December 15, 2000.

PART II
GENERAL INFORMATION

1. Insurance Supervision and Insurance-related Laws

(1) Financial Services Agency

a. The Financial Services Agency (FSA) is responsible for all aspects of financial administration, including the policy planning and coordination of financial systems, international affairs, supervision and inspection of such financial institutions as banks, securities companies, and insurance companies, and surveillance and investigation of securities and exchanges.

b. The FSA was established on July 1, 2000, with the integration of the Financial Supervisory Agency and the Financial System Planning Bureau of the Ministry of Finance. This was conducted as an integral part of the total revision of the financial supervisory structure which in the past had been the responsibility of the Ministry of Finance. The first step was the creation of the Financial Supervisory Agency in June 1998 under the Financial Reconstruction Commission (Note) of the Prime Minister's Office, and this agency took over the inspection and supervisory functions of the Ministry of Finance. At the same time, the Ministry of Finance was reorganized, and the Financial System Planning Bureau was set up to carry out such functions as policy planning, research and study relating to the overall financial system, and the introduction and repeal of financial related laws and regulations. Subsequently, prior to the realignment of the central ministries to be effected from January 2001, the Financial Supervisory Agency was reorganized again and the new supervisory agency, the FSA, came into existence on July 1, 2000, integrating the two functions mentioned above.

(Note) The Financial Reconstruction Commission has been established to facilitate the liquidation process of bankrupt financial institutions, to plan and research bankruptcy procedures, and to grant and revoke the licenses of financial institutions, etc.

c. The top management of the FSA consists of the Commissioner, the Senior Deputy Commissioner, and the Deputy Commissioner for International Affairs. The FSA is composed of four departments (i.e. the Planning and Coordination Department, the Supervisory Department, the Inspection Department, and the Securities & Exchange Surveillance Commission), subdivided into different divisions. The Insurance Business Division of the Supervisory Department is responsible for the supervision of 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. The FSA also functions as the secretariat of the advisory organs to the Commissioner, such as the Financial System Council and the Compulsory Automobile Liability Insurance Council.

d. In addition, to ensure the sound and proper management of the earthquake insurance system on dwelling risks, the FSA is responsible for earthquake reinsurance on dwelling risks and the audits of non-life insurance companies under the Law concerning Earthquake Insurance.

e. In January 2001 when the realignment of the central ministries as a whole will be implemented, the Financial Reconstruction Commission will be abolished. In line with this, the FSA will be placed under the Prime Minister's Office which will be renamed the Cabinet Office in January 2001, and some functions of the Financial Reconstruction Commission will be transferred to the FSA. In addition, the current three departments of the FSA will be elevated to bureaux, i.e., the Planning and Coordination Bureau, the Supervisory Bureau, and the Inspection Bureau. Furthermore, a Special Minister who will be responsible for the activities of the FSA is to be named by the Prime Minister.

f. In order to cope with financial system crises, the Cabinet Office will establish a Special Meeting in January 2001, in accordance with the provisions of the Law concerning the Establishment of the Cabinet Office. The Special Meeting, at the request of the Prime Minister, will discuss policy planning and other important matters concerning such financial crises as a substantial and chain reacting bankruptcy of financial institutions. The Special Meeting will be composed of the Prime Minister, as the Chairman, the Prime Minister's Secretariat, the Special Minister for the FSA, the Commissioner of the FSA, the Minister of Finance and the Governor of the Bank of Japan.

(2) Advisory Councils to the Commissioner

a. The Financial Services Agency (FSA) also calls for advisory councils to the Commissioner, such as the Financial System Council, the Compulsory Automobile Liability Insurance (CALI) Council, and the Corporate Accounting Council.

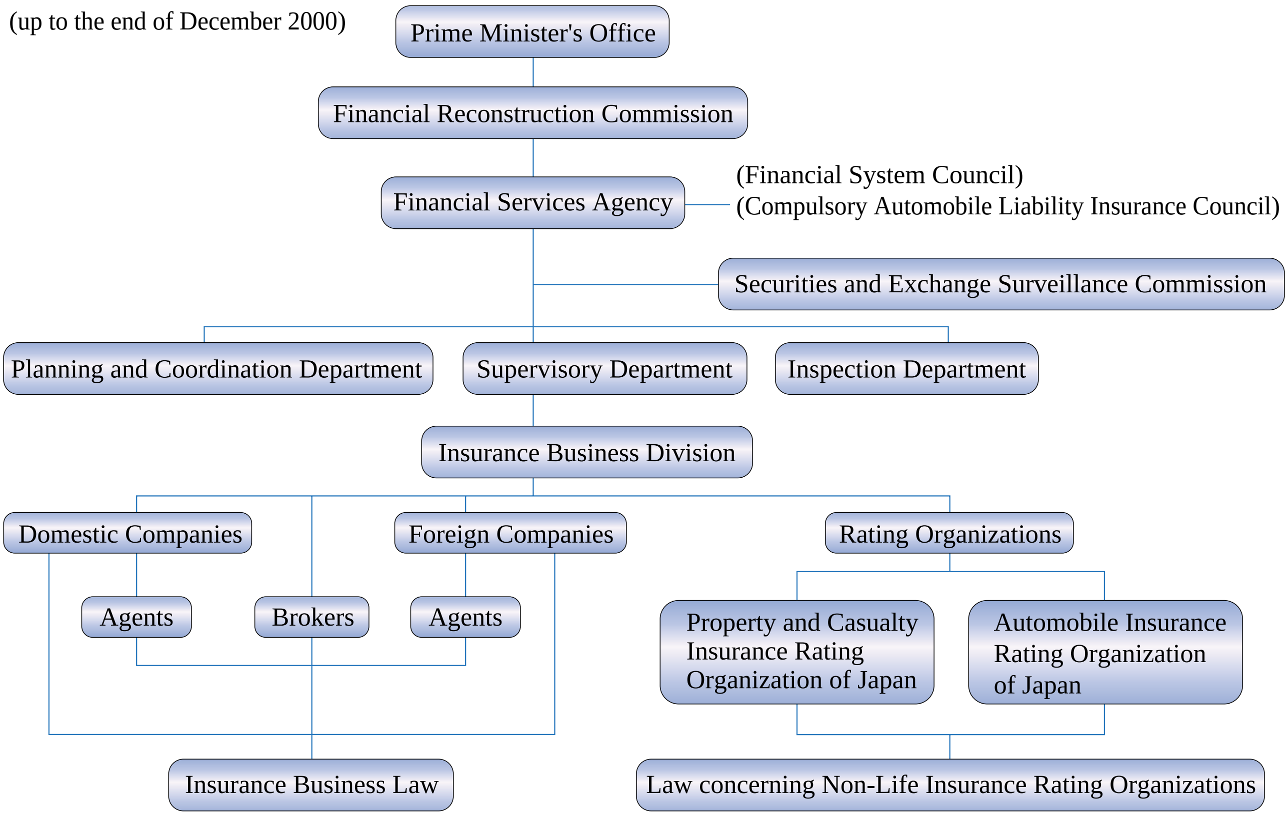
b. These Councils shall, at the request of the Commissioner of the FSA, etc., discuss possible ways and means to improve the financial and accounting system, including the business affairs, administration, and future direction of the financial system and matters related to CALI business. The members of each council are drawn from academic circles, the mass media, consumer groups, etc.

c. The Financial System Council was established in June 1998 by combining three former councils (the Financial System Research Council, the Insurance Council, and the Securities & Exchange Council). Though the Financial System Council was set up under the Ministry of Finance, it has been placed under the FSA since the latter's creation on July 1, 2000. The Financial System Council is currently composed of 17 members and two observers, and it can also appoint expert and temporary members to research particular themes. In addition, the Financial System Council can set up sub-committees and working groups whenever necessary. Currently, two sub-committees and one study group concerning fundamental issues of finance have been set up to discuss such issues as coordination of the provisions of the Banking Law, etc., in line with the entrance of other industries into the financial sector, protection and utilization of privacy data, and the future directions of the Japanese financial system, etc.

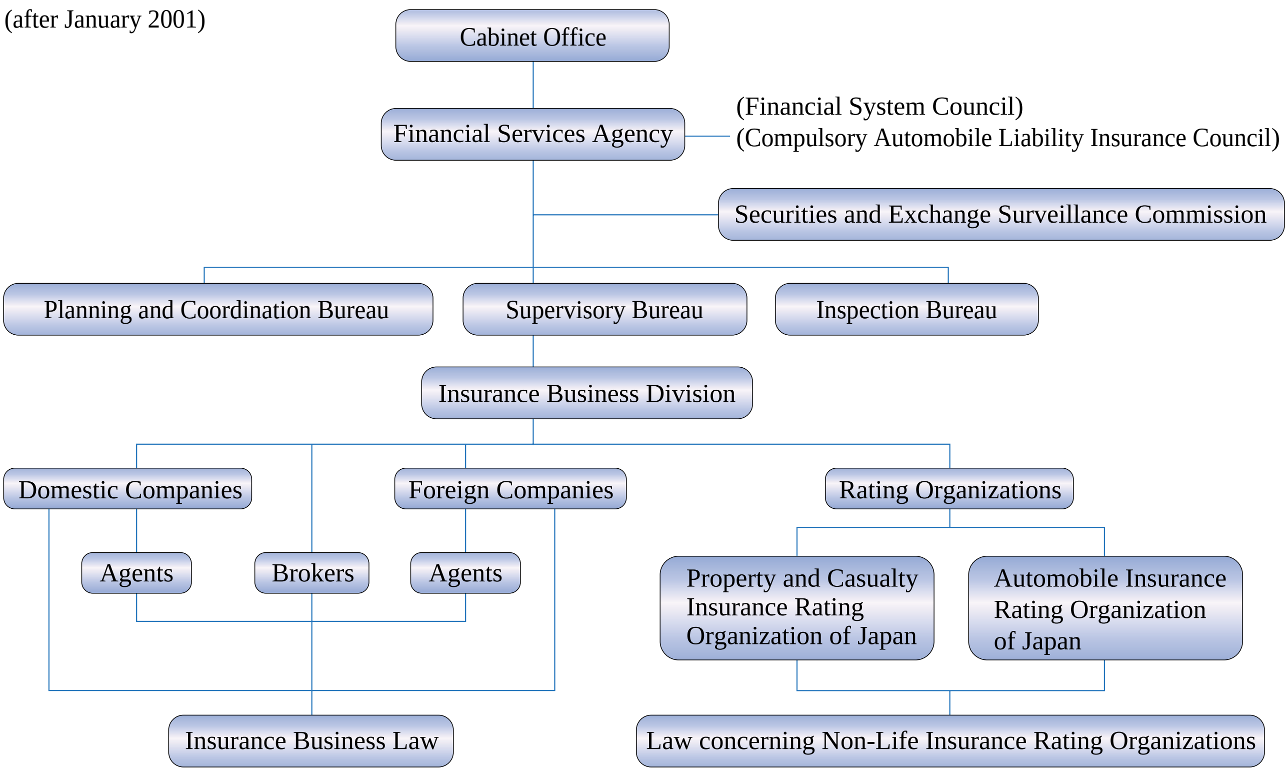
d. The CALI Council was established under the Automobile Liability Security Law introduced in 1955, and is currently composed of 13 members. It has met regularly since its creation, and at its 115th session held on June 28, 2000, it submitted a report to the Commissioner of the FSA concerning the new direction of the CALI system as a whole. This report showed a forward-looking direction concerning the abolition of the CALI government reinsurance scheme and the streamlining of CALI administrative procedures.

(3) Supervisory Structure of Insurance Industry

(up to the end of December 2000)



(after January 2001)



(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 the 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 (hereinafter called the "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) 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) 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 Commission 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 Services Agency, except for the granting or revocation of licenses to insurance companies, etc.

(5) Examination Criteria for a License

The Commission 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) Limitations on Engagement of Directors

No director or auditor of an insurance company may concurrently engage as a director or auditor, etc., of a bank, other financial institution, or a securities company which has a special relationship with the insurance company.

Unless approved by the Commission, the director of an insurance company must not engage in the business activities of any other company.

(8) 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 can request that certain matters 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. Regarding a mutual company, in order to facilitate its conversion into a stock company, the mutual company may decide the issuance of shares at the same time as or immediately after the conversion.

(9) 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 other businesses ancillary to its licensed insurance business : 1) agency business connected with the insurance operations of another insurance company, 2) giving of guarantees for debts, 3) dealing in government bonds, etc. or handling of their rotation, 4) acquisition or transfer of monetary obligations, and 5) 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 adversely affected.

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

f. An insurance company must take measures to ensure sound and appropriate business operations, including the full explanation of key points related to its business activities to customers.

g. 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.

h. The scope of exemption from the Anti-Monopoly Law is limited to concerted activities in the following four 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 any kinds of insurance, 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 Commission without the consent of the Fair Trade Commission.

(10) 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, 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 Commission.

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.

(11) Accounting

a. The business year for an insurance company commences on April 1 and ends on March 31 of the following year.

b. 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 Commission. 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.

c. 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.

d. 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 Commission.

(12) Supervision

a. In the case that an insurance company wishes to make an alteration in the particulars stated in 1) the statement showing the method of operations, 2) general policy conditions, and 3) the 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 are considered to be less detrimental to policyholders' interests), it must obtain approval thereof from the Commission.

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 Commission. Alterations notified shall be effective, in principle, after a 90-day examination by the Commission.

c. When the Commission considers it necessary to ensure the sound and proper operations of an insurance company and to protect policyholders, etc., the Commission may require the insurance company to submit a report concerning its business or assets. The Commission may also require any subsidiary of the insurance company to submit a report thereon when the Commission considers that there is a particular necessity.

d. When the Commission considers it necessary to ensure the sound and proper operations of an insurance company and to protect policyholders, etc., the Commission may order staff members to conduct an on-the-spot inspection.

e. In order to judge the management soundness of an insurance company, the Commission may establish an index, the so-called "solvency margin standard", by which the Commission judges the insurance company's ability to fulfil claims payments.

f. The Commission may require an insurance company to submit a business improvement plan or order an insurance company to suspend all or part of its business, when the Commission considers appropriate measures necessary, after examining the state of its assets and indices to determine the soundness of an insurance company's management.

(13) Portfolio Transfer, Dissolution, and 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 the dissolving, liquidation, etc. of an insurance company.

(14) 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 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 approved by the Commission.

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 i) 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, ii) the stipulated amount of deposit, and iii) 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 Commission thereof in advance.

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

(15) Special Measures to Protect Policyholders

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

b. When an insurance company judges that the continuation of its business operations will be difficult in light of the conditions of business operations and assets, the insurance company has to report immediately to the Commission.

c. An insurance administrator may investigate the accounts, documents, etc., of an insurance company under administration. If the management of the insurance company refuses the investigation, they shall be punished. The insurance administrator must take necessary civil and criminal measures to ascertain the role of the management in the failure of such an insurance company.

d. The Commission may order an insurance administrator to state its policy concerning the reorganization and rationalization of the business operations of a failed insurance company in the overall plan it sets out for the administration of the insurance company.

e. The terms and conditions of the insurance contracts of an insurance company under administration may be altered not only in the case of transference of insurance contracts and amalgamation with another insurance company, but also when a reliever insurance company, etc., acquires the shares of the insurance company under administration.

f. The Commission 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 Commission can conduct the necessary mediation after hearing both parties' opinions in advance.

g. In order to ensure the protection of policyholders, a Policy-holders Protection Corporation (hereinafter called the “Corporation”) should be created to give financial aid to a reliever insurance company in the event of an insurance company going bankrupt. The Corporation should also undertake the insurance contracts of a bankrupt insurance company, or establish a subsidiary (“bridging-insurance company”) funded by the Corporation to take over the insurance contracts of a bankrupt insurance company, even when a reliever insurance company does not appear.

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

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

(16) 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 Commission in advance.

b. An insurance holding company must obtain the permission of the Commission 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, and 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 Commission.

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.

(17) 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. Financial institutions, such as banks, etc., may engage in insurance distribution, on condition that they must be registered with the Commission. However, the range of insurance products distributed by financial institutions shall be limited to certain types where no problem arises in protecting the interests of policyholders. (to be effective from April 1, 2001)

c. A life insurance solicitor and a non-life insurance agent must be registered with the Commission.

d. 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.

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

f. An insurance broker must be registered with the Commission 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 Commission 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.

g. 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.

(18) 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, 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 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, 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 Commission 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 the 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 Commission of them. Notification is also required when notified rates are altered.

c. The Commission should examine the reference risk premium rates and then notify the rating organizations of its judgement within 30 days. As for standard premium rates, the Commission should notify the Fair Trade Commission of the 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 Commission considers it necessary to ensure the appropriate operations of the rating organizations, the Commission may require the rating organizations to report on their business and financial conditions, and order authorized staff members to conduct an 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 Commission may order the rating organizations to dismiss its director and auditor, suspend its business activities, or the Commission 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.).

(Note) At the 115th session of the CALI Council held on June 28, 2000, the Council submitted a report on the new direction of the CALI as a whole. The report stated that there is no necessity for part of the CALI risks to be reinsured with the government, with due regard to the fact that the financial ability of non-life insurance companies to pay claims has improved substantially. Therefore, the CALI Council recommended that a concrete plan should be formulated promptly concerning the abolition of the CALI government reinsurance scheme.

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. 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 :

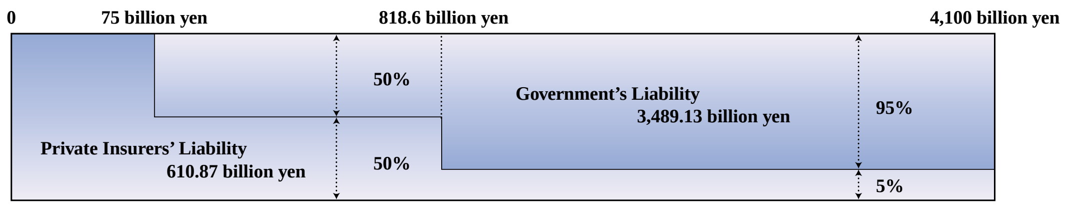
a. Reinsurance with JER :
All earthquake risks written by direct insurers are wholly reinsured with JER.

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 Law 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 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, the two governments reached on an agreement entitled “Supplementary 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.

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 Law.

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

- The Financial System Reform Law amended 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 Law 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 Law, 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 was independent and separated from the Ministry of Finance, and took 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 was 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 organizations was abolished.

- The rating organizations shall calculate a “reference risk premium rate” for fire, personal accident, nursing care, and voluntary automobile insurance. The rating organizations 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 or certain policyholders, etc.

- In line with the partial revision of the Insurance Business Law on June 30, 2000, the Corporation can now undertake the following additional activities.

① To establish a subsidiary (bridge-insurance company) of the Corporation to take over the insurance contracts of an insolvent non-life insurance company, when reliever non-life insurance companies do not appear.
② To become an insurance administrator.
③ To purchase policyholders' right on insurance claims filed with an insolvent non-life insurance company.

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 by which the supervisory authorities judge the management soundness of an insurance company.

August 13, 1999 The Notification System expanded.

- 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.

June 30, 2000 The Insurance Business Law, etc. partially revised.

- The revisions involved mainly the following points.
  ① Facilitation of the conversion of a mutual insurance company into a stock insurance company.
  ② The application of the "Special Law concerning Reorganization Proceedings of Financial Institutions" to insurance companies.
  ③ Permission for the distribution of certain types of insurance products by banks, etc.(to be effective from April 1, 2001.)
  ④ Expansion of business activities of the Policy-holders Protection Corporation.

July 1, 2000 Financial Services Agency established.

- With the integration of the Financial Supervisory Agency and the Financial System Planning Bureau of the Ministry of Finance, the Financial Services Agency (FSA) was established on July 1, 2000.

- The main functions of the FSA include policy-planning on financial systems as a whole, drawing-up new rules for financial systems, supervision and inspection for financial institutions.

August 8, 2000 Selling of another insurance company's products allowed.

- The Insurance Business Law stipulates that insurance companies can conduct business ancillary to their licensed insurance business, e.g., agency business connected with the insurance operations of another insurance company. The selling of another insurance company's products by insurance companies was also included in the range of an agency's business, on condition that insurance companies obtain approval from the FSA.

October 1, 2000 Ban on banks entering into insurance business completely lifted.

- The type of subsidiary insurance company which banks could hold had been limited to a bankrupt insurance company, in accordance with the Financial System Reform Law which took effect on December 1, 1998. However, with the issuance of the Governmental Ordinance on September 6, 2000, the ban on the entry of banks into the insurance business was completely lifted.

(The following measures are scheduled after January 2001.(as of December 15, 2000))

January 2001 The realignment of the central ministries as a whole will be implemented.

- With the abolition of the Financial Reconstruction Commission, the Financial Services Agency will be placed under the Prime Minister's Office which will be renamed as the Cabinet Office.

January 2001 Subsidiaries of life and non-life insurance companies will be allowed to sell third sector insurance products.

- Based on an agreement entitled "Supplementary Measures by the Government of Japan and the Government of the United States regarding Insurance" on December 24, 1996, Japanese life and non-life insurance companies have been prohibited from entering the third sector. However, the restrictions on entering the third sector will be removed after the following two stages have been put into effect.

① Subsidiaries of life and non-life insurance companies will be allowed to sell third sector insurance product from January 1, 2001, as scheduled, and
② After rules to protect policyholders are established, sales of third sector life insurance products (e.g. medical insurance) by non-life insurance companies in their own right, and sales of third sector non-life insurance products (e.g. personal accident insurance) by life insurance companies in their own right will be allowed in July 2001.

- Life and non-life insurance companies have so far operated under different rules to protect policyholders. Therefore, when life and non-life insurance companies are permitted to enter the third sector in their own right, there will need to be a common set of rules to protect policyholders. As it will take time to establish rules to protect policyholders, the entry of life and non-life insurance companies themselves into the third sector has been postponed for six months.

April 2001 The following measures will be put into effect.

- Financial institutions, such as banks, etc., will be allowed to sell certain types of insurance products to be stipulated in the Enforcement Regulation of the Insurance Business Law as those where no problem arises in protecting the interests of policyholders.

- The distribution of Compulsory Automobile Liability Insurance policies for motor-bikes by post offices will start.

- The non-life insurance agency system will be reviewed at the end of March 2001, i.e. the Administrative Guidelines concerning the personal qualifications and agency classifications, as well as the level of agency commissions which depends upon agency classifications, will be abolished. Subsequently, each non-life insurance company will have to take its own measures to promote further development of agency qualifications.

- The Consumer Contract Law and the Law on Sales of Financial Products will be enacted.

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:

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 amounts resulting from tax effect accounting.

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, and 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 Law 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 authority to urge insurance companies, including foreign insurers operating in Japan and one specific corporation (i.e. the Society of Lloyd's), to maintain their sound management in accordance with their solvency margin ratio.

The soundness of an insurance company will be considered to be safe if the solvency margin ratio is 200% or more. However, if the ratio of an insurance company falls below 200%, the supervisory authority 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 authority shall require an insurance company to submit a business improvement plan which the supervisory authority considers appropriate to ensure the management soundness of the insurance company involved, and then the supervisory authority 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 authority 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 life or non-life 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 authority considers 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 authority 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 to the category 2 or 3, and if the insurance company promptly submits a business improvement plan which the supervisory authority judges to be appropriate to restore the company's solvency margin ratio, the category of the order which the supervisory authority issues 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 authority 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 authority 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.

(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 enforcement of the Financial System Reform Law, 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. Furthermore, with the amendment of part of the Insurance Business Law, which took effect on June 3, 2000, the scope of the business operations of the Corporation, and the types and methods of its financial aid to a reliever insurance company have been expanded. 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. The Corporation may also establish its own subsidiary to take over the insurance contracts of an insolvent insurance company when reliever insurance companies do not appear. Thus, the Corporation protects policyholders, etc., and carries out its functions of ensuring the reliability of the non-life insurance business.

2) Membership

In accordance with the provisions of the 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 to join 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, the 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 the insurance contracts, when reliever non-life insurance companies do not appear.

c. To establish a subsidiary ("bridge-insurance company") of the Corporation to take over the insurance contracts of an insolvent non-life insurance company, when reliever non-life insurance companies do not appear. The Corporation shall administer the business operations of the bridge-insurance company.

d. 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.

e. 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 by the supervisory authority.

f. To become an insurance administrator.

g. To purchase policyholders' rights on insurance claims filed with an insolvent non-life insurance company.

h. To purchase the assets of an insolvent non-life insurance company.

(Note) When the Corporation or its subsidiary takes over the insurance contracts of an insolvent insurance company in accordance with the above-mentioned items of b. and c., and subsequently, when a reliever insurance company appears, the Corporation or its subsidiary shall transfer the insurance contracts of the insolvent insurance company to the reliever insurance company.

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, if an insolvent insurance company applies to the Corporation for financial aid, etc., before the end of March 2001, provisional measures shall be provided as follows :

a) 100% compensation for claims incurred from all types of insurance policies (excluding reinsurance). This shall be applicable only to the case where the accident involved occurs before 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. This shall be also applicable after April 2001. However, the provision concerning changes in expected interest rates also applies to this.

(Note) The Corporation does not compensate other types of insurance contracts of an insolvent insurance company. These include fire insurance (except for individuals and small sized enterprises), marine and inland transit insurance, credit insurance, aviation insurance, workers’ accident compensation liability insurance, general liability insurance, machinery and erection insurance, and movables comprehensive insurance, etc.

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 authority. 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 taking the measures, including requesting the authority 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 Financial Reconstruction Commission (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 1999, domestic direct premiums collected through agents amounted to 91.0% of all non-life insurance premiums, and the remainder, 8.9% 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 1,154,511 at the end of March 2000.

(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 Services Agency.

(1) Non-Life Insurance Agency System

The non-life insurance agency system will be reviewed at the end of March 2001, i.e. the Administrative Guidelines concerning the personal qualifications and agency classifications, as well as the level of agency commissions which depends upon agency classifications, will be abolished. Subsequently, each non-life insurance company will have to take its own measures to promote further development of agency qualifications.

(Note) The development of the non-life insurance agency system is as follows.

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, the provisions on the Non-Life Insurance Agency System were included in the Administrative Guidelines. Individual non-life insurance companies have since been managing their own Non-Life Insurance Agency System, based on the Administrative Guidelines, 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 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 Financial Reconstruction Commission. 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, for the time being, given by the Marine and Fire Insurance Association of Japan, based on the Administrative Guidelines issued by the Financial Services Agency. (The total number of successful candidates up to the first half of Fiscal 2000 amounted to 369.)

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”).

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’ notifications, or to receive insurance premiums.

Since insurance brokers are independent of 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, 2000, the number of “undergraduate” special trainees reported was 8,012 (incl. figures of foreign insurance companies.).

- ***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, 2000, the number of “chokuhan-shain” reported was 9,094. (incl. figures of foreign insurance companies.).

- ***Others***

Selling by advertising, magazines, TV, DM (Direct Mail), telemarketing, and internet-online-sales have been introduced as new direct distribution channels in the non-life insurance market. These types of distribution are mainly used by foreign non-life insurance companies and newly-established companies, especially in such areas as automobile and personal accident insurance.

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 of 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 Insurance Business 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 items:

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.
   foreign securities, such as government bonds, local government bonds, stocks, beneficiary certificates, or negotiable certificates of deposit, etc. of foreign countries
2) real estate
3) monetary claims
4) gold bullion
5) money loans
6) loans secured on the securities mentioned in 1) or 2) above
7) bank deposits or postal savings
8) money trust, monetary claims in trust, securities trust, or real estate in trust
9) 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
10) financial futures transactions stipulated in Paragraph 8 of Article 2 of the Financial Futures Exchange Law
11) trading in derivatives stipulated in Paragraph 1 (8) of Article 98 of the Insurance Business Law
12) foreign exchange futures transactions
13) any other sectors equivalent to those mentioned above

(2) Limits on Investment of Assets

Item 1 of Article 97-2 of the Insurance Business Law and Article 48 of the Enforcement Regulation provide that, in investing assets of an insurance company, the ratios of respective kinds of assets to the total assets or the assets equivalent to special accounts for maturity-refund-type insurance, etc., shall not exceed those stated below.

a. Assets other than those equivalent to special accounts for maturity-refund-type insurance, etc., are as follows.

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) investment of assets similar to the items stipulated in 1) to 8) mentioned above ; 3%

b. Assets equivalent to special accounts for maturity-refund-type insurance, etc., are as follows.

1) holding of Japanese stocks ; 30%
2) holding of assets in foreign currency ; 30%

However, if approved by the Commissioner of the Financial Services Agency, the above-mentioned ratios shall not apply.

In addition, Item 2 of Article 97-2 of the Insurance Business Law and Article 48-3 of the Enforcement Regulation provide that, in investing assets of an insurance company into one and the same person/group, the ratios of respective kinds of assets to the total assets or the assets equivalent to special accounts for maturity-refund-type insurance, etc., shall not exceed those stated below.

c. Regarding assets other than those equivalent to special accounts for maturity-refund-type insurance, etc., the aggregate of the following assets shall not exceed 10%.

1) holding of debentures and stocks
2) loans and lending securities to one and the same person/group
3) deposits with one and the same person/group
4) placing assets in trust of one and the same person/group
5) guarantee of obligation for one and the same person/group
6) trading in derivatives to one and the same person/group

d. Where loans and guarantee of obligation mentioned above are held concurrently to one and the same person/group, the aggregate limit of the two shall be 3% to the assets other than those equivalent to maturity-refund-type insurance, etc.

e. Regarding the assets equivalent to special accounts for maturity-refund-type insurance, etc., the same treatment as mentioned in the above c. 1) to 6) shall apply.

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 Services Agency, 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

Catastrophe reserves must be set aside by every class of non-life insurance, in accordance with a Notice in the Gazette No. 232 issued on June 8, 1998, except CALI and earthquake insurance on dwelling risks. The details of the catastrophe reserves are shown in the table on the following page.

(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 at the end of every fiscal year. 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 also 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, and other maturity-refund-type (or savings-type) insurance policies, any balance between the sum of

Catastrophe Reserves

Group of Business	Class of Business	Disposition of Reserves ①	Ratio of Balance ②
Marine Hull and Aviation	Marine Hull and Aviation	80%	50%
Fire, Marine Cargo, and Inland Transit	Fire	50%	35%
	Marine Cargo, Inland Transit, Windstorm & Flood, General Liability, Contractors' All Risks, and Movables Comprehensive		
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, Life Reinsurance, and Surety Bonds)	50%	15%
Nursing Care Expenses	Nursing Care Expenses	50%	15%
Surety Bonds	Surety Bonds	50%	15%
Atomic Energy	Atomic Energy	Full amount of net claims paid	—
Life Reinsurance	Life Reinsurance	100%	—

(Notes) ① "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.
② "Ratio of Balance" means catastrophe reserves as a percentage of net premiums

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 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, workers' accident compensation insurance, and life reinsurance. The details and the calculation method of the IBNR are stipulated in a Notice in the Gazette No. 234 issued on June 8, 1998.

(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 Financial Reconstruction Commission 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 on April 1, 1996 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 been 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 1999 to local municipalities, etc. included 41 fire trucks, 10 pumpers with tanks, and other standard fire engines.

b. Activities to promote public awareness of fire prevention

(a) Symposiums on fire prevention

Every year the Association holds symposiums on fire protection to heighten public awareness of loss prevention. In 1999 such symposiums were held on October 2, 1999, in Biei, Hokkaido with 400 participants, and on February 2, 2000, in Hiroshima with 1,300 participants.

(b) 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 conducted fire prevention activities in local communities in all regions of Japan on a volunteer basis.

(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 1999 these lectures, covering subjects such as measures against earthquakes and voluntary activities, were given at 40 locations, drawing audiences totaling 16,630 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), pamphlets and posters 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.

(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. In fiscal 1999, the Association conducted a crash test to show the risks involved in non-fastening or miss-usage of seat belts, and provided the results to the mass media, etc.

b. Educational activities

The Association has distributed the traffic safety educational video, entitled “The Child-Seat”, which uses crash test footage to show the importance of seat belt use for children.

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. 0.9 billion yen disbursed)

In 1999 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 1999 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.

(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

a. Publication of traffic safety information materials

In order to contribute to various kinds of traffic-safety-related activities, the Association issued a publication "Source file of traffic safety information" which includes the outline of research and study from publications, videos, and facilities thought to be useful for traffic safety.

Furthermore, 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. Study and analysis of claims data

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, Vol. 7".

c. Study and analysis of traffic accidents based on integrated data of the Police and the non-life insurance industry

With the integration of claims data mentioned in the above item b. and accident data of the Police, the Association issued a report entitled “Study on the relationship between the amount paid in bodily damages and the degree of seriousness of bodily injury resulting from traffic accidents”.

The main points of this report were as follows: a. Occurrence of traffic accidents and the amount paid in bodily damages, b. The characteristics of serious accidents caused by young drivers and aged drivers, and c. the degree of seriousness of bodily injuries resulting from traffic accidents while in car.

(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, traffic 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 1999, the report on the U. K. was updated, and a new report on worker's safety and health was issued. The findings, including pertinent information on safety management and loss prevention abroad, have been given to Japanese companies operating in overseas markets.

(3) Activities to prevent Insurance Fraud

The proliferation of cases of insurance fraud could badly affect public morale, and could lead to a deterioration in the loss ratios of insurance companies, thus harming the interests of their honest policyholders.

In this context, the non-life insurance industry is taking every step to prevent insurance fraud, in order to maintain public confidence in the non-life insurance business as well as to contribute to the safety and security of civil life.

a. Automobile Anti-Theft Measures

In recent years, automobile theft, mainly luxury and recreational vehicles, has been on the increase in the major urban areas of Japan, to such an extent that it has now emerged as a social problem. With the growing frequency of such crimes, claims payments under voluntary automobile insurance policies have increased year by year as losses caused by automobile theft are covered under voluntary automobile insurance contracts (physical damage coverage).

The Association has taken measures for the prevention of automobile theft, in cooperation with local police departments, such as in Osaka, where the frequency of automobile theft cases is high. In February 2000, the Association established an "Automobile Theft Project Team", and with the participation of a representative from the Foreign Non-Life Insurance Association of Japan, the Association has been positively conducting activities to prevent automobile theft nationwide. These activities include providing information to the related organizations, collecting data on stolen automobiles, and inspecting stolen vehicles to find out the methods of automobile theft.

b. Anti-Fraud Measures

The high frequency of undue and false insurance claims which abuse the insurance system will harm the interests of many honest policyholders, and could become a primary factor which prevents the appropriate management and sound development of the insurance system.

To combat such fraud, the non-life insurance industry has been actively involved in the following schemes.

1. Creation of "Non-Life Insurance Crime Prevention Councils"

"Non-Life Insurance Crime Prevention Councils", comprising representatives from the local police departments and non-life insurance companies, have been established in 47 urban and rural prefectures, and are promoting information exchange to eliminate insurance fraud, and help the police in their criminal investigations.

2. Information exchange on undue applications for insurance claims

Non-life insurance companies are exchanging information on undue applications, and this mutual cooperation has helped to prevent insurance fraud.

3. Cooperation with the police departments

In order to respond smoothly to inquiries from police investigations, insurance companies hold meetings periodically to exchange opinions on the prevention of insurance fraud.

4. Holding seminars on the prevention of undue and false applications for insurance claims

With the participation of lecturers such as experts or scholars on insurance fraud, the Association holds seminars which examine concrete instances of undue and false applications for insurance claims.

(4) 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. From fiscal 1995, the Association has conducted a survey on the response of individual non-life insurance companies to environmental issues, and gives the results to them, thus promoting their further response to environmental issues. In November 1996, the non-life insurance industry mapped out its position on environmental problems in the “Non-Life Insurance Industry Action Plan on the Environment”, in compliance with the “Keidanren Appeal on the Environment” declared by Keidanren, the Japan Federation of Economic Organizations.

Subsequently, the Association revised the Action Plan in October 1998, including a measure for promoting a reduction in the amount of paper used. In September 1999, at the request of Keidanren, we published follow-up data comparing the results of the surveys in 1995 with 1999.

In June 2000, the 6th survey was conducted among our 35 member companies as well as the Association. An outline of the survey's finding on our environmental activities is as follows.

a. Measures to help curb the Greenhouse Effect

As to be expected in this type of business, the non-life insurance industry uses paper 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. Regarding measures to save resoures other than paper and energy, 80% and more of our member companies have promoted activities related to environmental issues.

b. Recycling Activities

As one of the answers to this problem, 80% and more of our member companies have promoted the use of recycled paper. Most of our member companies have promoted the separation of recyclable wastepaper and the use of OA equipment at their offices.

c. Introduction of an Environmental Management System

4 of our member companies have introduced their own environmental management system. Furthermore, 3 companies have acquired and 3 other companies have decided to acquire the ISO14001 certification (as of December 2000).

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 protection issues.

e. Others

In addition to an environmental liability insurance policy, other insurance products and services which have been put in the market include a voluntary automobile insurance policy which discounts insurance premiums for fuel-efficient cars. As an integral part of loss prevention and risk management, non-life insurance companies have conducted such public relations activities as holding seminars, issuing publications, and ISO 14000 series.

(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, 1999, and again from June to July, 2000. 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, thus contributing to the protection of the environment.

The campaign was launched in 1989, pioneering the repair and recycling of damaged resin car bumpers. Subsequently, the priority list of repaired automobile parts involved in the campaign was expanded, and the benefits of the campaign have grown steadily.

(5) Promotion of NPO Activities

The Association established a “Preparatory Group for promoting Non-Profit Organizations (hereinafter refer to as the “NPO”) activities” in November 1999, to promote NPO activities, targeting such areas as safety measures, loss prevention, and the environment. This Group was renamed as the “NPO Promotion Group” in April 2000. In addition, in order to support NPO activities, we have also actively participated in various voluntary projects.

(A) Promotion of Voluntary Activities in our Member Companies and Ours

The Association has since held 7 seminars, including 5 practical workshops, for staff members of our member companies, inviting lecturers drawn from specialists or scholars. The Association also collects information on the recruitment of volunteers, volunteer events, etc., and provides them to our member companies.

Our branch offices have also actively promoted voluntary activities, and held seminars in Shizuoka and Nagoya prefectures. The Shizuoka branch office has also established an extramural class at an university for citizens in Shizuoka prefecture.

(B) Publication of a Guide to Voluntary Activities

The Association provides a brochure entitled "Let's start ! Voluntary Activities" (only available in Japanese) for customers and non-life insurance companies. This guide gives essential information on voluntary activities and advice on how to participate.

(6) Response to Year 2000 Issue

From the early stage, non-life insurance companies and the Association were active in raising consumers' and small and medium sized companies' awareness of Y2K, and established a contingency plan for our member companies. As a result, no serious problems related to Y2K within the non-life insurance industry have been reported by our member companies. The outline of the preparations of each non-life insurance company and the Association was as follows.

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

All our member companies gave priority to the Y2K issue in their management policy, and completed modifications and internal tests of core computer systems which could directly affect business operations if Y2K preparation was 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 were appropriate. Furthermore, the details of each non-life insurance company's preparations were published in its disclosure documents.

(B) Preparation of the Association

In January 1999, our Association prepared guidance concerning Y2K, in which the Association stressed 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 drew up its own contingency plan which specified risks and stipulated measures on how to cope should Y2K problems occur. In addition, the Association communicated between our member companies and the anthorities to ensure a prompt responce.

To raise small and medium sized companies' awareness of Y2K, the Association advertised in the mass media, printed pamphlets, and put information on our Homepage. The Association also responded to inquiries on Y2K issues from consumers.

(7) 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 May and December 1999.

(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 1999, 20 meetings with news media representatives, 32 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 1999 such meetings were held in 47 locations with a total audience of 2,093, in addition to two lectures on basic insurance given to consumer consultation staff in Tokyo and Osaka with a total andience of 138.

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. In fiscal 1999, 13,545 applications from 245 senior high schools took part in the essay contest.

(B) Seminar for teachers held

As a part of the training programs for teachers aimed at broadening their awareness of business life and which are provided by the Keizai Koho Center (Japan Institute for Social and Economic Affairs), the Association invited 10 teachers from July 24 to 26, 2000, and provided a seminar on the current situation of the non-life insurance industry, the roles of the Association, and non-life insurance in general, and a tour through related organizations.

(C) 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 1999, such meetings were held at 61 senior high schools with a total audience of 18,743.

In addition, the Association has also sent lecturers to meetings at universities, junior colleges and professional schools. In 1999, such meetings were held twice.

(D) 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. Following fiscal 1999, in fiscal 2000 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 binds 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, etc.

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.

The Association also issues a guide for consumers which provides information on the key points necessary to understand the general conditions of a non-life insurance contract.

(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 2001 Tax Reform

With the goal of improving and revising the current tax system governing the non-life insurance business, the Marine and Fire Insurance Association of Japan, Inc., approved the "Requests for Fiscal 2001 Tax Reform" at its Board Meeting held on September 21, 2000, and submitted it to the competent authorities and parties on the same day.

Our requests comprise eleven items which can be categorized into four 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, (3)To improve the tax system concerning Compulsory Automobile Liability Insurance, and (4)To cope with the future review of the tax system, etc.

Of the following requests, four items, i.e. 1.(1) and 2.(1), (2), and (3) are 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 earnestly as one of our core concerns, 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 2001 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 measures tax-exempt from the Special Corporate Tax Law to coincide with the introduction of a defined-contribution pension plan

To make tax-exempt the following from the Special Corporate Tax Law when a defined-contribution pension plan is introduced :

a. The contributions of employees to a company-type defined-contribution pension plan at the time of their contributions,

b. The contributions of individuals to an individual-type defined-contribution pension plan at the time of their contributions, and

c. Investment income arising from the above-mentioned two contributions.

These measures should be taken from the viewpoint of assisting people to ensure their income after retirement through sound development and diffusion of a defined-contribution pension system.

(3) Improvement of the tax system on the Zaikei Savings system

a. 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 the Zaikei Housing Savings, from 3.85 million yen to 7 million yen for the Zaikei Pension Savings, and from 5.5 million yen to 10 million yen for both combined.

b. To give flexibility to a retroactive taxation measure concerning the Zaikei Housing Savings.

(Note) Under the current Zaikei Housing Savings system, when an ineligible withdrawal (e.g. cancellation) occurs, the interest and dividends which were paid during the last five years shall be subject to retroactive taxation. Retroactive taxation is also applicable to the interest and dividends on an eligible withdrawal which preceded such ineligible withdrawal. This is against the objective of the Zaikei Housing Savings system.

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

(1) Improvement of the system for catastrophe reserves

a. To raise the present tax-exempt rate of catastrophe reserves from 3/100 to 5/100 of fire insurance net premiums, etc.

(Note) The present non-taxable rate (3/100) is a provisional measure until fiscal 2000, and after fiscal 2001 the non-taxable rate will decrease to 2/100. Therefore, our Association requests at least that the present non-taxable rate should be maintained in the future.

b. To raise the current tax-exempt rate of its balance to 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 of the fiscal year concerned 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.

c. To restore the relevant provisions concerning catastrophe reserves to the Corporate Tax Law, which, at present, are included in the Special Taxation Measures Law.

(2) 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 "third sector non-life insurance products" (e.g. personal accident insurance) on an equal footing with the limits applied to life insurance products, etc.

(Note) Current Premium Tax Deductible Limits for Non-Life Insurance are as follows.

a. 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 other short-term policies, and 15,000 yen for both combined.

b. 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 other short-term policies, and 10,000 yen for both combined.

(3) 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 increasing the diffusion of earthquake insurance policies.

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

To extend premium tax deduction under the Income Tax Law and the Local Tax Law to Compulsory Automobile Liability Insurance and voluntary automobile insurance, in line with the raising of the current non-life insurance premium tax deductible limits (see 2(2)).

3. To improve the tax system concerning Compulsory Automobile Liability Insurance (CALI)

To make tax-exempt the investment income arising from CALI premiums retained by non-life insurance companies, when the CALI government reinsurance system is abolished.

(Note) Under the current CALI system, CALI contracts have to be reinsured en bloc with the government on a 60% quota share basis, and investment income arising from such proportion of CALI premiums enjoys non-taxable status. On the other hand, the remaining 40% is retained by non-life insurance companies, and the investment income arising from this proportion of CALI premiums is taxable. Thus, different tax treatments exist.

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

(1) Extension of carry-over period of deficits, reintroduction of refunds by carry-back of deficits, and extension of period of refunds by carry-back of deficits

a. To extend the carry-over period of deficits caused by new business operations through subsidiaries, etc.

b. To reintroduce 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.

(2) Necessary arrangements for the taxation system governing corporate separation and amalgamation, and early introduction of a consolidated tax liability system

To make the necessary arrangements for the tax system governing corporate separation and amalgamation, in order to respond to the reorganization of a company. In addition, to introduce a consolidated tax liability system as early as possible. These measures are to avoid differences in tax advantages and disadvantages when companies choose their corporate form.

(3) Establishment of taxation measures concerning Special Purpose Company (SPC)

To establish taxation measures concerning SPC, in order to promote securitization of such assets as real estate and housing loans, etc. which SPC acquires, and to revitalize the real estate market.

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

A defined-contribution pension plan is a new one, under which the amount of benefits to be paid in the future will depend on the results of the investment choices made. It will be introduced from March 2001, as a new choice in addition to the current defined-benefit pension plans which supplement the public pension system.

In these circumstances, our Association submitted the following requests and proposals to the competent authorities and parties in July and October 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, and 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.

(3) 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. Regarding fiscal 2000, the Association submitted in August the following requests to the Ministry of Labor.

- To give flexibility to the requirements for the Zaikei Savings and the Zaikei Housing Savings system, such as raising the age eligibility to join these systems, extending the deferment period for Zaikei Savings.

- To improve the tax system on the Zaikei Savings system, i.e. to raise the present tax-exempt limits on the Zaikei Savings system, and to give flexibility to a retroactive taxation measure concerning Zaikei Housing Savings.

- To give flexibility concerning applications for tax-exempt measures.

(4) 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 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.

The Public Nursing Care Insurance Law took effect in April 2000, and our Association has continued to conduct activities of proposals and requests in order for the non-life insurance industry to play its roles more actively under the aging society.

During fiscal 2000, the Association submitted the following three requests to the Ministry of Health and Welfare.

- 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 on nursing care which are held by the Ministry of Health and Welfare, in light of promoting the development and 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 offices at the Association's headquarters and Yokohama/Osaka branches have produced a more consumer-friendly atmosphere for visitors such as the establishment of the "Non-Life Insurance Information Corner", where consumers can examine or take away freely pamphlets on major insurance products (personal line) distributed by our member 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 10 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 3,866.

(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.

Number of consultations accepted in fiscal 1999

Non-Life Insurance Counseling Offices	8,766
Automobile Insurance Claims Counseling Centers	70,709
CALI Claims Counseling Offices	1,540

10. Loss Survey System

(1) Claims Settlement Service Offices and Experts

In order to deal immediately with claims from accident victims, 32 of our member non-life insurance companies have established around 2,600 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, 2000, the number of registered adjusters was around 7,500.

(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, 2000, the number of property loss assessors registered with the Association was around 1,000.

11. Chronology

Year	Developments
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 was marketed.
1883	● Marine hull insurance was marketed.
1887	● The first fire insurance company in Japan was granted an operating license. ● Ordinary fire insurance was marketed.
1888	● The first fire insurance company in Japan started its operations.
1893	● Inland transit insurance was marketed.
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. ● The Insurance Division was established in the Commerce and Industry Bureau of the Ministry of Agriculture and Commerce to supervise insurance.
1904	● Credit insurance was marketed.
1907	● The Fire Insurance Association was formed with 5 member companies. A nationwide tariff agreement was enacted, but was subsequently abolished in 1912.
1910	● The first personal accident insurance company in Japan was licensed.

Year	Developments
1911	● Ordinary personal accident insurance was marketed.
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 was marketed.
1916	● The Fire Insurance Association was renamed the Dai-Nippon Fire Insurance Association. ● Theft insurance was marketed.
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.
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 was marketed.
1927	● The Hull Insurers' Union was established.
1933	● The Non-Life Insurance Institute of Japan was established.
1936	● Aviation insurance was marketed.
1938	● Windstorm and flood insurance was marketed.
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 former 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)

Year	Developments
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 established.
1947	● Fire insurance tariff rates were sharply raised.
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 Organizationof 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).
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 and performance guarantee insurance were marketed.
1952	● The fire prevention contribution scheme was started. ● The Fire Insurance Agency Classification System was started.
1953	● General liability insurance was marketed.
1955	● The Automobile Liability Security Law was published and enacted, and the CALI Council, an advisory organ to the Finance Minister, was established. ● Compulsory Automobile Liability Insurance (Limit of liability for death was 300 thousand yen) was marketed.
1956	● Compulsory Automobile Liability Insurance system started. ● The Union of Machinery Insurers of Japan was established. ● Machinery insurance and erection insurance were marketed.
1957	● Personal liability insurance was marketed.
1958	● Golfers insurance was marketed. ● Shipowners' liability insurance for passengers' personal accident was marketed.

Year	Developments
1959	● The Insurance Council was established.
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 was marketed. ● Atomic transport liability insurance was marketed. ● Contractors' all risks (building works) insurance was marketed. ● Householders comprehensive insurance was marketed.
1961	● Movables comprehensive insurance was marketed.
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 was marketed. ● Domestic travelers' personal accident insurance was marketed.
1963	● The Japanese Hull Insurers' Union was established. ● The Insurance School of the Pacific (ISP) was started.
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. ● Atomic material damage insurance was marketed.
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)
1966	● The Law concerning Earthquake Insurance (in respect to dwelling risks only) was published and enacted. ● Earthquake insurance on dwelling risks was marketed. (Limits of insured amount : 900 thousand yen for building and 600 thousand yen for contents) ● The CALI limit for death was raised from 1 million yen to 1.5 million yen. ● Motorbike owners were required to take out CALI.
1967	● The CALI limit for death was raised from 1.5 million yen to 3 million yen. ● Traffic personal accident insurance was marketed.

Year	Developments
1968	● Long-term comprehensive insurance was marketed. ● Apartment dwellers insurance was marketed. ● Fishing trip insurance was marketed.
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.
1970	● The International Insurance Seminar (IIS) was held in Tokyo. ● The International Union of Aviation Insurers Conference was held in Kyoto.
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.
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. ● Family traffic personal accident insurance was marketed. ● Contractors’ all risks (civil engineering works) insurance was marketed. ● Dwelling house fire insurance was marketed.
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) ● Income indemnity insurance was marketed. ● Surety bonds were marketed. ● Overseas travelers’ personal accident insurance was marketed. ● Family traffic personal accident insurance with maturity refund was marketed.
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. ● Yacht and motorboat comprehensive insurance was marketed. ● Computer comprehensive insurance was marketed.
1976	● The Conference of the International Machinery Insurers’ Association was held in Kyoto. ● The International Congress of Actuaries was held inTokyo.

Year	Developments
1977	● Maturity refund comprehensive insurance was marketed.
1978	● The CALI limit for death was raised from 15 million yen to 20 million yen.
1979	● The Insurance Council submitted its recommendations to the Finance Minister under the title of "Revisions of the Earthquake Insurance System". ● Workers' accident comprehensive insurance was marketed.
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. ● Bicycle comprehensive insurance was marketed.
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.
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. ● Students comprehensive insurance was marketed. ● Tennis players comprehensive insurance was marketed. ● Miscellaneous pecuniary loss insurance was marketed. ● Family personal accident insurance was marketed.
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 set up throughout the country. ● Ski and skate comprehensive insurance was marketed.
1984	● The National Life Council reported on the "Simplification of non-life insurance policy conditions". ● Movables comprehensive insurance with maturity refund was marketed.
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. ● Medical expenses insurance was marketed.
1986	● The Conference of the International Machinery Insurers Association was held in Tokyo. ● Non-Life Insurance Data Communications Network started operation. ● Ordinary personal accident insurance with maturity refund was marketed. ● Family personal accident insurance with maturity refund was marketed.

Year	Developments
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. ● Juvenile comprehensive insurance was marketed.
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 was marketed.
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. ● Nursing care expenses insurance was marketed. ● New ladies insurance with maturity refund was marketed. ● Comprehensive insurance for homeowners with maturity refund was marketed.
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. ● Nursing care expenses insurance with maturity refund was marketed.
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 was marketed. ● Comprehensive corporate expenses and profits insurance was marketed.
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. ● Individual annuity and accident insurance was marketed.

Year	Developments
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.
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.
1995	● The Great Hanshin-Awaji Earthquake occurred. ● The new Insurance Business Law was published. ● The International Union of Marine Insurance Tokyo Conference was held.
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.
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.
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.
1999	● Early warning measures were introduced. ● Mutual entry of banks, trust banks, and securities companies into each other's sectors through their subsidiaries was allowed. ● The International Congress of Actuaries was held in Tokyo. ● The Japanese insurance industry responded to Year 2000 issues. ● Voluntary automobile insurance with maturity refund was marketed.
2000	● Payment standards for Compulsory Automobile Liability Insurance policy were revised. ● Daiichi Mutual Fire and Marine Insurance Co. was ordered to suspend part of its business operation. ● Consumer Contract Law and the Law on Sales of Financial Products were approved at the Diet and published. ● The Financial System Council submitted its report entitled the "New Framework of Financial System to support the 21st Century" ● The Compulsory Automobile Liability Insurance Council submitted its report. ● The Financial Services Agency was established.

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 34 domestic and 19 foreign companies as its members.

  (Address : 31-19, Shiba 2-Chome, Minato-Ku, Tokyo 105-0014. Tel. : 03-5441-1230. 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 35 domestic and 14 foreign companies.

  (Address : Tokyo Tenrikyokan Bldg., 9, Kanda Nishikicho 1-Chome, Chiyoda-Ku, Tokyo 101-0054.
  Tel. : 03-3233- 4141. 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. 31 domestic and 10 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.)

- ***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. URL : http://www.sonposoken.or.jp/)

- ***The Foreign Non-Life Insurance Association of Japan (established in 1947)***

  This Association was established in 1947 to promote the sound development of the non-life insurance industry in general and the foreign non-life insurance industry in particular in Japan, and to maintain close liaison and build relationships among foreign non-life insurers operating in Japan. The membership presently stands at 24.

  (Address : #204 Azabudai Uni House, 1-1-20 Azabudai, Minato-Ku, Tokyo 106-0041.
  Tel. : 03-3224-0254. Fax : 03-3224-0326. URL : http://www.cps.ne.jp/fnlial)

- ***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, 2000.

13. Directory

(1) Licensed Domestic Companies
(36 Companies as of December 1, 2000)

- **ACE Insurance**
  Arco Tower, 1-8-1 Shimomeguro, Meguro-Ku, Tokyo 153-0064.
  Tel. : 03-5740-0600. Fax : 03-5740-0611. E-mail : corp.plan@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.
  URL : http://www.allianz.co.jp

- **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

- **The AXA Non-Life Insurance Co., Ltd.**
  Ariake Frontier Bldg. Tower A, 3-1-25 Ariake Koto-Ku, Tokyo 135-0063.
  Tel. : 03-3570-8989. Fax : 03-3570-8981.
  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.

- **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.co.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 : 03-5512-6681.
  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:// meiji-general.aaapc.co.jp/

- **Mitsui Direct General Insurance Co., Ltd.**
  1-4-27, Koraku Bunkyou-Ku, Tokyo, 112-0004
  Tel. : 03-5804-7711. Fax : 03-5804-7748
  URL : http://www.mitsui-direct.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.
  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.nichido.co.jp/

- **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.**
  3, Kanda-Surugadai 2-Chome, Chiyoda-Ku, Tokyo 101-8329.
  Tel. : 03-5282-5534. Fax : 03-5282-5582. E-mail : org.ri@nisshinfire.co.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.ins-saison.co.jp

- **Secom General Insurance Co., Ltd.**
  6-2, Hirakawa-cho 2-Chome, Chiyodao-Ku, Tokyo 102-8645.
  Tel. : 03-5216-6129. Fax : 03-5216-6147.
  URL : http://www.secom-sonpo.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. : 03-3222-3072. Fax : 03-3234-4073. E-mai : saiho@taiseikasai.co.jp
  URL : http://www.taiseikasai.co.jp/

- **Taiyo Fire & Marine Insurance Co., Ltd.**
  7-7, Nibancho, Chiyoda-Ku, Tokyo, 102-0084.
  Tel. : 03-5226-3117. Fax : 03-5226-3133.

- **The Toa 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. : 03-3212-6211. Fax : 03-5223-3100. 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.
  URL : http://www.unum.co.jp/

- **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.
  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 : 03-5352-8948. E-mail : uwdept@yasuda-general.co.jp

(2) Licensed Foreign Companies
(27 Companies as of December 1, 2000)

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

- **CARDIF-Assurances Risques Divers (France)**
  Bridgestone Tranomon Bldg. 6F, 25-2, Toranomon 3-Chome, Minato-Ku, Tokyo 105-0001.
  Tel. : 03-5776-6240. Fax : 03-5776-6246.

- **Compagnie Francaise d'Assurance pour le Commerce Exterieur (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.)**
  Kowa 35 Bldg., 14-14 Akasaka 1-Chome, Minato-Ku, Tokyo 107-0052.
  Tel. : 03-3568-1711. Fax : 03-3568-1721.

- **Federal Insurance Company (U.S.A.)**
  11F Kowa Nishi-shinbashi Bldg., 2-1-1, Nishi-shinbashi Minato-Ku, Tokyo 105-0003.
  Tel. : 03-3519-8130. Fax : 03-3519-8135.
  URL : http://www.chubbjapan.co.jp/corporate/

- **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. (Korea)**
  Yurakucho Denki Bldg., North Tower 8F, 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. E-mail : jp.info@libertyinternational.com

- **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 : uw@newindia.co.jp
  URL : http://www.newindia.co.jp

- **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, 10-2, Kanda-Tomiyamacho, Chiyoda-Ku, Tokyo 101-0043.
  Tel. : 03-5289-8821. Fax : 03-5289-8820. E-mail : info@qbe.co.jp
  URL : http://www.qbe.co.jp

- **Royal & Sun Alliance Insurance plc (U.K.)**
  New Pier Takeshiba North Tower 23F 1-11-1 Kaigan, Minato-Ku, Tokyo 105-0022.
  Tel. : 03-5777-8351. Fax : 03-3432-5484.

- **Royal Exchange Assurance (U.K.)**
  Ariake Frontier Bldg., Tower 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. : 03-5423-0603. 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.co.jp

- **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 : 03-3285-0347.

- **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 fire insurance business in Japan. 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, as a center of non-life insurance companies, by all the domestic non-life insurance companies. On May 1, 1948, it was reorganized as an incorporated body and is, as of December 1, 2000, composed of 35 non-life insurance 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, 2000)

Chairman

Mr. Takeo Inokuchi	Mitsui M & F	(President)

Vice Chairmen

Mr. Hiroyuki Uemura	Sumitomo M & F	(President)
Mr. Takashi Aihara	Nichido F & M	(President)
Mr. Ken Matsuzawa	Nippon F & M	(President)
Mr. Wataru Ozawa	Kyoei Mutual 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. Akira Seshimo	Dai-Tokyo F & M	(President)
Mr. Shuichiro Sudo	Dowa F & M	(President)
Mr. Yasuo Oda	Fuji F & M	(President)
Mr. Tsukasa Imura	JI Ac. & F	(President)
Mr. Mutsuharu Okamoto	Koa F & M	(President)
Mr. Takashi Kawahara	Mitsui M & F	(Executive Vice President)
Mr. Ryutaro Sato	Nissan F & M	(President)
Mr. Michio Noda	Nisshin F & M	(President)
Mr. Tomonori Kanai	SAISON A & F	(President)
Mr. Seiji Yamanaka	Secom General	(President)
Mr. Hideki Ishii	Sumi-Sei General	(President)
Mr. Mutsuo Hayashi	Sumitomo M & F	(Executive Vice President)
Mr. Ichiro Ozawa	Taisei F & M	(President)
Mr. Tsunaie Kanie	Taiyo F & M	(President)
Mr. Koukei Higuchi	Tokio M & F	(President)
Mr. Hiroshi Hirano	Yasuda F & M	(President)

Vice Chairman

Mr. Yoji Wakui	Association

Executive Director

Mr. Noboru Araki	Association

Managing Directors

Mr. Shiro Tsuchiya	Association
Mr. Kentaro Takenaka	Association

Ordinary Directors

Mr. Nobuo Hara	Association	(General Manager of International Dept.)
Mr. Terumasa Hasegawa	Association	(General Manager of Corporate Planning Dept.)

Ordinary Auditors

Mr. Shinya Yoshikoshi	Toa Re.	(President)
Mr. Kazumoto Adachi	Japan Earthquake Re.	(President)
Mr. Yoshihiro Masago	Certified Public Accountant	

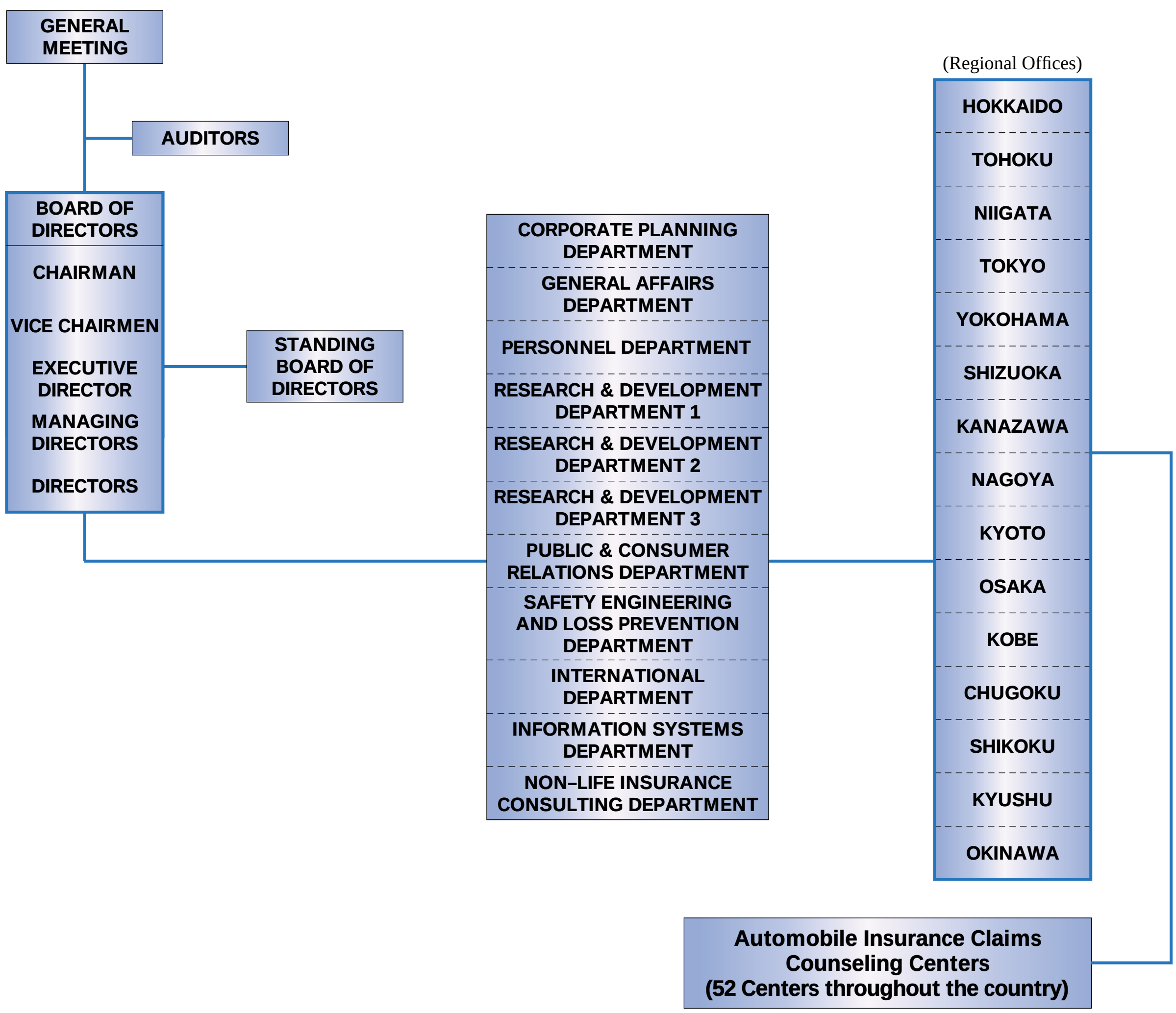
(Abbreviation)

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

5. Employees : Around 350

6. Organization

(As of December 15, 2000)



APPENDICES

1. Overall Business Results
2. Abridged Balance Sheet (Assets)
3. Abridged Balance Sheet (Liabilities and Equities)
4. Direct Premiums by Line
5. Net Premiums by Line
6. Direct Claims and Maturity Refunds Paid
7. Number of Agents by Class
8. Number of Agents by Type of Business
9. Major Catastrophe Losses (Since 1945)
10. Claims Paid for Natural Disasters
11. High-Amount Court Awards for Victims and Property Damage of Traffic Accidents

1. Overall Business Results

(billion yen & %)

Item	Fiscal 1990		Fiscal 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995	
	Amount	Ratio to Net Prem.	Amount	Ratio to Net Prem.	Amount	Ratio to Net Prem.	Amount	Ratio to Net Prem.	Amount	Ratio to Net Prem.	Amount	Ratio to Net Prem.
Net Premiums Written	5,628.7	100.0	5,991.7	100.0	6,229.0	100.0	6,551.5	100.0	6,765.3	100.0	6,959.3	100.0
Net Claims Paid	2,715.6	48.2	3,432.6	57.3	3,349.6	53.8	3,481.2	53.1	3,387.9	50.1	3,356.3	48.2
Net Operating Expenses	2,310.1	41.0	2,490.7	41.6	2,633.6	42.3	2,755.0	42.1	2,819.8	41.7	2,883.8	41.4
Business Balance	603.0	10.7	68.3	1.1	245.8	3.9	315.3	4.8	557.6	8.2	719.2	10.3
Savings Portion of Maturity-refund-type Insurance Premiums	2,737.7	48.6	2,723.5	45.5	2,563.2	41.1	2,847.1	43.5	2,626.7	38.8	2,702.2	38.8
Investment Income on Deposit Premiums	780.0	13.9	888.7	14.8	770.9	12.4	730.4	11.1	723.5	10.7	683.4	9.8
Maturity Refunds and Policyholder Dividends	1,976.3	35.1	3,391.0	56.6	2,578.8	41.4	3,344.0	51.0	3,068.5	45.4	2,900.2	41.7
Other Underwriting Income and Expenses	-67.4	-1.2	-92.7	-1.5	-97.9	-1.6	-84.0	-1.3	-86.3	-1.3	-14.9	-0.2
Provision for Outstanding Loss Reserves	77.7	1.4	110.7	1.8	25.4	0.4	30.7	0.5	52.2	0.8	94.0	1.4
Provision for Liability Reserves	2,002.9	35.6	171.1	2.9	885.5	14.2	357.5	5.5	401.9	5.9	738.2	10.6
Underwriting Profits	-3.6	-0.1	-85.1	-1.4	-7.7	-0.1	76.5	1.2	298.8	4.4	357.4	5.1
Non-underwriting Profits	430.6	7.7	379.1	6.3	320.3	5.1	198.6	3.0	61.6	0.9	-26.1	-0.4
Ordinary Profits	427.0	7.6	294.0	4.9	312.6	5.0	275.1	4.2	360.4	5.3	331.2	4.8
Special Profits	22.1	0.4	47.2	0.8	12.9	0.2	20.9	0.3	9.4	0.1	69.9	1.0
Corporate Income Taxes and Corporate Resident Taxes	282.1	5.0	197.0	3.3	188.3	3.0	177.8	2.7	264.0	3.9	295.8	4.3
Net Profits for the Current Year	166.9	3.0	144.2	2.4	137.2	2.2	118.2	1.8	105.9	1.6	105.4	1.5
Retained Surplus brought forward from the Previous Year	48.5	0.9	48.4	0.8	43.0	0.7	40.6	0.6	37.1	0.5	36.8	0.5
Unappropriated Earned Surplus of the Current Year	215.4	3.8	192.6	3.2	180.3	2.9	158.8	2.4	143.0	2.1	142.2	2.0

(billion yen & %)

Item		Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999	
		Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Ordinary Income and Expenses	Underwriting Income	10,813.9	4.2	10,590.1	-2.1	10,109.1	-4.5	10,083.9	-0.2
	(Net Premiums Written)	(7,228.2)	(3.9)	(7,215.4)	(-0.2)	(6,915.1)	(-4.2)	(6,889.3)	(-0.4)
	(Savings Portion of Maturity-refund-type Insurance Premiums)	(2,846.4)	(5.3)	(2,593.8)	(-8.9)	(2,217.5)	(-14.5)	(1,957.8)	(-11.7)
	(Reversal of Outstanding Loss Reserves)	(—)	(—)	(—)	(—)	(20.5)	(—)	(1.8)	(-91.0)
	(Reversal of Liability Reserves)	(—)	(—)	(—)	(—)	(343.3)	(—)	(655.6)	(91.0)
	Underwriting Expenses	9,138.9	5.0	8,860.8	-3.0	8,442.3	-4.7	8,561.7	1.4
	(Net Claims Paid)	(3,490.5)	(4.0)	(3,536.4)	(1.3)	(3,640.6)	(2.9)	(3,749.0)	(3.0)
	(Loss Adjustment Expenses)	(323.2)	(2.4)	(327.1)	(1.2)	(326.2)	(-0.3)	(327.0)	(0.3)
	(Agency Commissions and Brokerage)	(1,323.4)	(3.6)	(1,355.1)	(2.4)	(1,291.5)	(-4.7)	(1,275.4)	(-1.2)
	(Maturity Refunds to Policyholders)	(3,469.3)	(20.6)	(3,250.8)	(-6.3)	(3,049.4)	(-6.2)	(3,044.0)	(-0.2)
	(Provision for Outstanding Loss Reserves)	(96.0)	(2.1)	(37.0)	(-61.5)	(—)	(—)	(—)	(—)
	(Provision for Liability Reserves)	(336.5)	(-54.4)	(131.4)	(-61.0)	(—)	(—)	(—)	(—)
	Investment Income	671.4	-12.6	898.4	33.8	976.5	8.7	942.4	-3.5
	(Interest and Dividend Income)	(937.3)	(-6.4)	(922.2)	(-1.6)	(860.9)	(-6.6)	(777.8)	(-9.7)
	(Profits on Sales of Securities)	(342.4)	(-17.9)	(510.1)	(49.0)	(573.6)	(12.5)	(590.0)	(2.9)
	Investment Expenses	278.6	-7.2	577.9	107.4	542.8	-6.1	672.4	23.9
	(Losses on Sales of Securities)	(69.2)	(-69.8)	(157.9)	(128.0)	(215.1)	(36.3)	(320.5)	(49.0)
	(Losses on Revaluation of Securities)	(131.8)	(412.0)	(346.7)	(163.0)	(254.2)	(-26.7)	(261.8)	(3.0)
	Operating and General Administrative Expenses	1,592.4	2.2	1,567.2	-1.6	1,526.4	-2.6	1,488.4	-2.5
	(Operating and General Administrative Expenses on Underwriting)	(1,498.6)	(1.9)	(1,475.6)	(-1.5)	(1,434.8)	(-2.8)	(1,391.3)	(-3.0)
	Other Ordinary Expenses	-97.7	—	-106.4	—	-203.1	—	-85.2	—
	Ordinary Profits	377.6	-22.6	376.2	-0.4	371.1	-1.4	218.5	-41.1
	(Underwriting Profits)	(148.7)	(-16.7)	(259.0)	(74.2)	(240.7)	(-7.1)	(128.5)	(-46.6)
Special Profits and Losses Balance		-44.7	—	-11.5	—	-94.8	—	-227.1	—
Corporate Income Taxes and Corporate Resident Taxes		232.1	-21.5	253.4	9.2	184.1	-27.3	130.0	-29.4
Adjustments in Corporate Income Taxes, etc.		—	—	—	—	—	—	-70.7	—
Net Profits for the Current Year		100.8	-4.3	111.3	10.5	92.2	-17.2	-67.8	-173.5
Retained Surplus brought forward from the Previous Year		37.9	3.1	24.5	-35.5	23.8	-2.7	-7.1	-129.6
Unappropriated Earned Surplus of the Current Year		138.8	-2.4	135.9	-2.1	116.1	-14.5	326.8	181.5

2. Abridged Balance Sheet

<Assets> (billion yen & %)

Item	Fiscal 1990		Fiscal 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Deposits	2,490.1	9.5	2,371.7	8.9	2,065.5	7.5	1,968.9	7.1	1,812.9	6.4
Call Loans	415.2	1.6	522.6	2.0	703.6	2.6	832.9	3.0	822.9	2.9
Monetary Receivables Bought	190.9	0.7	199.2	0.8	222.4	0.8	228.6	0.8	288.9	1.0
Money Trusts	1,905.6	4.2	1,071.4	3.8	1,044.6	3.8	1,104.1	4.0	983.2	3.5
Securities	10,905.6	41.7	11,153.1	42.0	12,314.8	44.9	12,816.1	46.4	13,921.2	48.9
(National Government Bonds)	(520.2)	(2.0)	(524.0)	(2.0)	(817.4)	(3.0)	(910.6)	(3.3)	(843.5)	(3.0)
(Local Government Bonds)	(325.1)	(1.2)	(267.4)	(1.0)	(273.1)	(1.0)	(301.3)	(1.1)	(512.3)	(1.8)
(Corporate Bonds)	(1,821.0)	(7.0)	(2,070.3)	(7.8)	(2,317.3)	(8.4)	(2,461.7)	(8.9)	(2,776.4)	(9.8)
(Stocks)	(4,320.5)	(16.5)	(4,562.3)	(17.2)	(4,765.7)	(17.4)	(4,961.3)	(18.0)	(5,274.0)	(18.5)
(Foreign Securities)	(3,140.4)	(12.0)	(3,092.8)	(11.6)	(3,478.7)	(12.7)	(3,609.8)	(13.1)	(4,011.2)	(14.1)
(Other Securities)	(389.5)	(1.5)	(282.2)	(1.1)	(228.2)	(0.8)	(210.4)	(0.8)	(200.5)	(0.7)
(Securities Loaned)	(388.8)	(1.5)	(354.2)	(1.3)	(434.3)	(1.6)	(360.8)	(1.3)	(303.3)	(1.1)
Loans	7,628.6	29.1	7,557.0	28.4	7,219.6	26.3	6,737.5	24.4	6,574.9	23.1
Real Estate	1,255.6	4.8	1,403.7	5.3	1,568.7	5.7	1,631.2	5.9	1,822.0	6.4
(Total Working Assets)	(23,981.4)	(91.6)	(24,224.8)	(91.2)	(25,139.4)	(91.6)	(25,319.3)	(91.6)	(26,225.8)	(92.2)
Other Assets	2,199.2	8.4	2,341.3	8.8	2,305.0	8.4	2,319.2	8.4	2,233.8	7.8
Total Assets	26,180.8	100.0	26,566.2	100.0	27,444.5	100.0	27,638.7	100.0	28,459.8	100.0

Item	Fiscal 1995		Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Deposits	1,825.0	6.2	1,851.1	6.1	1,508.7	4.9	1,459.4	4.7	1,484.9	4.7
Call Loans	1,003.1	3.4	1,010.5	3.3	1,127.0	3.6	838.5	2.7	1,039.0	3.3
Monetary Receivables Bought	273.5	0.9	257.0	0.8	442.8	1.4	849.7	2.8	373.7	1.2
Money Trusts	972.0	3.3	957.5	3.2	816.7	2.6	672.7	2.2	551.4	1.8
Securities	14,811.1	50.3	15,597.7	51.4	16,151.8	51.9	16,388.3	53.2	16,865.2	53.8
(National Government Bonds)	(657.7)	(2.2)	(704.3)	(2.3)	(627.3)	(2.0)	(833.8)	(2.7)	(1,043.4)	(3.3)
(Local Government Bonds)	(853.4)	(2.9)	(1,034.6)	(3.4)	(1,239.3)	(4.0)	(1,230.7)	(4.0)	(1,326.2)	(4.2)
(Corporate Bonds)	(3,267.8)	(11.1)	(3,420.2)	(11.3)	(3,929.3)	(12.6)	(4,026.0)	(13.1)	(4,312.2)	(13.7)
(Stocks)	(5,373.4)	(18.2)	(5,496.6)	(18.1)	(5,428.1)	(17.4)	(5,594.3)	(18.2)	(5,630.5)	(18.0)
(Foreign Securities)	(4,160.6)	(14.1)	(4,394.7)	(14.5)	(4,344.1)	(14.0)	(4,108.6)	(13.3)	(3,907.2)	(12.5)
(Other Securities)	(319.6)	(1.1)	(451.9)	(1.5)	(407.6)	(1.3)	(403.8)	(1.3)	(484.5)	(1.5)
(Securities Loaned)	(178.6)	(0.6)	(95.3)	(0.3)	(176.1)	(0.6)	(191.0)	(0.6)	(161.1)	(0.5)
Loans	6,552.2	22.2	6,558.7	21.6	6,663.5	21.4	6,271.3	20.3	5,488.8	17.5
Real Estate	1,817.7	6.2	1,846.8	6.1	1,825.7	5.9	1,817.0	5.9	1,791.3	5.7
(Total Working Assets)	(27,254.7)	(92.5)	(28,079.2)	(92.5)	(28,536.2)	(91.7)	(28,296.9)	(91.8)	(27,594.5)	(88.0)
Other Assets	2,198.1	7.5	2,278.8	7.5	2,581.1	8.3	2,526.8	8.2	3,769.9	12.0
Total Assets	29,452.9	100.0	30,358.1	100.0	31,117.4	100.0	30,823.7	100.0	31,364.5	100.0

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

3. Abridged Balance Sheet

<Liabilities and Equities> (billion yen & %)

Item	Fiscal 1990		Fiscal 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Underwriting Reserves	21,629.3	82.6	21,918.5	82.5	22,830.8	83.2	23,214.9	84.0	23,659.9	83.1
(Liability Reserves)	(19,902.7)	(76.0)	(20,073.8)	(75.6)	(20,959.3)	(76.4)	(21,316.9)	(77.1)	(21,718.8)	(76.3)
(Outstanding Loss Reserves)	(1,679.3)	(6.4)	(1,790.0)	(6.7)	(1,815.4)	(6.6)	(1,846.2)	(6.7)	(1,898.3)	(6.7)
(Others)	(47.3)	(0.2)	(54.7)	(0.2)	(56.1)	(0.2)	(51.8)	(0.2)	(42.8)	(0.2)
Other Liabilities	2,300.8	8.9	2,316.3	8.7	2,212.1	8.0	1,964.3	7.1	2,285.4	8.0
Total Liabilities	23,930.2	91.4	24,234.9	91.2	25,043.0	91.2	25,179.3	91.1	25,945.4	91.2
Capital	613.5	2.3	621.3	2.4	621.5	2.3	622.3	2.3	625.6	2.2
Legal Reserves	427.1	1.6	435.3	1.6	443.1	1.6	451.9	1.6	459.2	1.6
Surpluses	1,209.9	4.6	1,274.6	4.8	1,336.9	4.9	1,385.2	5.0	1,429.6	5.0
(Profits for the Current Year)	(166.9)	(0.6)	(144.2)	(0.5)	(137.2)	(0.5)	(118.2)	(0.4)	(105.9)	(0.4)
Total Equities	2,250.5	8.6	2,331.1	8.8	2,401.5	8.8	2,459.4	8.9	2,514.4	8.8
Total Liabilities and Equities	26,180.8	100.0	26,566.2	100.0	27,444.5	100.0	27,638.7	100.0	28,459.8	100.0

(billion yen & %)

Item	Fiscal 1995		Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Underwriting Reserves	24,485.1	83.1	24,962.1	82.2	25,126.8	80.8	24,762.0	80.3	25,107.3	80.1
(Liability Reserves)	(22,457.0)	(76.2)	(22,833.6)	(75.2)	(22,965.0)	(73.8)	(22,621.5)	(73.4)	(22,969.0)	(73.2)
(Outstanding Loss Reserves)	(1,992.3)	(6.8)	(2,097.4)	(6.9)	(2,134.4)	(6.9)	(2,113.8)	(6.8)	(2,112.2)	(6.7)
(Others)	(35.7)	(0.1)	(31.0)	(0.1)	(27.4)	(0.1)	(26.7)	(0.1)	(26.1)	(0.1)
Other Liabilities	2,393.7	8.1	2,484.2	8.2	2,970.3	9.5	2,939.6	9.6	2,835.2	9.0
Total Liabilities	26,878.8	91.3	27,446.4	90.4	28,097.1	90.3	27,701.6	89.9	27,942.5	89.1
Capital	631.1	2.1	814.3	2.7	841.8	2.7	888.2	2.9	901.9	2.9
Legal Reserves	467.7	1.6	582.5	1.9	620.9	2.0	646.1	2.1	673.8	2.1
Surpluses	1,475.4	5.0	1,514.9	5.0	1,557.6	5.0	1,587.7	5.1	1,846.3	5.9
(Profits for the Current Year)	(105.4)	(0.4)	(100.8)	(0.3)	(111.3)	(0.4)	(92.2)	(0.3)	(326.8)	(1.0)
Total Equities	2,574.1	8.7	2,911.7	9.6	3,020.3	9.7	3,122.0	10.1	3,422.0	10.9
Total Liabilities and Equities	29,452.9	100.0	30,358.1	100.0	31,117.4	100.0	30,823.7	100.0	31,364.5	100.0

(Note) “Other Liabilities” consist of 1) Amounts due to other domestic insurance companies for reinsurance, 2) Accured taxes, 3) Convertible bonds, 4) Reserves for bad debts and for retirement allowance, 5) Acceptance and guarantee, and 6) Miscellaneous.

4. Direct Premiums by Line

(million yen & %)

Class of Business	Fiscal 1990		Fiscal 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,735,083	-4.6	1,613,575	-7.0	1,679,118	4.1	1,821,791	8.5	1,854,494	1.8
(Maturity-refund-type)	(989,761)	(-8.6)	(831,334)	(-16.0)	(843,804)	(1.5)	(942,060)	(11.6)	(894,388)	(-5.1)
Voluntary Automobile	2,461,758	10.2	2,762,325	12.2	3,007,564	8.9	3,293,655	9.5	3,444,927	4.6
Personal Accident	2,494,998	-4.0	2,677,805	7.3	2,542,171	-5.1	2,793,730	9.9	2,619,717	-6.2
(Maturity-refund-type)	(1,975,294)	(-5.8)	(2,117,139)	(7.2)	(1,980,646)	(-6.4)	(2,210,554)	(11.6)	(2,021,958)	(-8.5)
Miscellaneous Casualty	719,250	43.6	725,908	0.9	707,919	-2.5	694,303	-1.9	698,785	0.6
(Maturity-refund-type)	(113,320)	(942.4)	(87,517)	(-22.8)	(58,811)	(-32.8)	(55,002)	(-6.5)	(52,161)	(-5.2)
Marine Hull	88,832	10.8	91,246	2.7	102,393	12.2	108,157	5.6	105,242	-2.7
Marine Cargo	157,645	7.7	148,953	-5.5	142,896	-4.1	130,495	-8.7	135,959	4.2
Inland Transit	61,611	10.3	65,303	6.0	64,550	-1.2	63,229	-2.0	63,866	1.0
Sub-total	7,719,177	3.8	8,085,115	4.7	8,246,611	2.0	8,905,359	8.0	8,922,990	0.2
Compulsory Automobile Liability	1,205,090	3.9	1,101,209	-8.6	1,076,278	-2.3	1,001,857	-6.9	1,005,150	0.3
Grand total	**8,924,267**	**3.8**	**9,186,324**	**2.9**	**9,322,889**	**1.5**	**9,907,217**	**6.3**	**9,928,140**	**0.2**
(Maturity-refund-type)	(3,078,375)	(-3.5)	(3,035,990)	(-1.4)	(2,883,260)	(-5.0)	(3,207,616)	(11.2)	(2,968,507)	(-7.5)

(million yen & %)

Class of Business	Fiscal 1995		Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,853,364	-0.1	1,902,702	2.7	1,901,652	-0.1	1,774,122	-6.7	1,744,255	-1.7
(Maturity-refund-type)	(858,219)	(-4.0)	(844,488)	(-1.6)	(810,960)	(-4.0)	(754,434)	(-7.0)	(722,007)	(-4.3)
Voluntary Automobile	3,535,792	2.6	3,649,071	3.2	3,688,850	1.1	3,572,065	-3.2	3,599,908	0.8
Personal Accident	2,730,623	4.2	2,892,951	5.9	2,666,790	-7.8	2,295,419	-13.9	2,049,840	-10.7
(Maturity-refund-type)	(2,115,638)	(4.6)	(2,251,163)	(6.4)	(2,023,671)	(-10.1)	(1,676,318)	(-17.2)	(1,430,574)	(-14.7)
Miscellaneous Casualty	750,800	7.4	793,468	5.7	776,114	-2.2	746,046	-3.9	733,633	-1.7
(Maturity-refund-type)	(70,726)	(35.6)	(70,622)	(-0.1)	(46,460)	(-34.2)	(44,144)	(-5.0)	(39,739)	(-10.0)
Marine Hull	97,545	-7.3	92,209	-5.5	78,058	-15.3	68,290	-12.5	59,726	-12.5
Marine Cargo	143,930	5.9	161,147	12.0	163,782	1.6	146,988	-10.3	127,905	-13.0
Inland Transit	65,377	2.4	67,409	3.1	67,840	0.6	64,388	-5.1	63,873	-0.8
Sub-total	9,177,430	2.9	9,558,957	4.2	9,343,087	-2.3	8,667,318	-7.2	8,379,140	-3.3
Compulsory Automobile Liability	1,034,273	2.9	1,063,021	2.8	970,632	-8.7	955,582	-1.6	980,473	2.6
Grand total	**10,211,704**	**2.9**	**10,621,978**	**4.0**	**10,313,719**	**-2.9**	**9,622,900**	**-6.7**	**9,359,613**	**-2.7**
(Maturity-refund-type)	(3,044,584)	(2.6)	(3,166,273)	(4.0)	(2,881,091)	(-9.0)	(2,474,896)	(-14.1)	(2,192,320)	(-11.4)

(Note) 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)

5. Net Premiums by Line

(million yen & %)

Class of Business	Fiscal 1990		Fiscal 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	973,460	2.7	982,596	0.9	989,926	0.7	1,017,022	2.7	1,076,867	5.9
Voluntary Automobile	2,478,107	10.4	2,779,749	12.2	3,030,497	9.0	3,314,553	9.4	3,466,250	4.6
Personal Accident	666,962	0.9	693,565	4.0	700,806	1.0	756,686	8.0	760,049	0.4
Miscellaneous Casualty	601,411	25.5	625,362	4.0	629,197	0.6	615,959	-2.1	621,749	0.9
Marine Hull	79,799	8.4	80,331	0.7	81,012	0.8	81,744	0.9	79,657	-2.6
Marine Cargo	155,052	8.3	147,446	-4.9	139,876	-5.1	124,495	-11.0	130,387	4.7
Inland Transit	59,199	10.5	62,558	5.7	60,810	-2.8	59,136	-2.8	60,084	1.6
Sub-total	5,013,990	8.9	5,371,608	7.1	5,632,124	4.8	5,969,596	6.0	6,195,046	3.8
Compulsory Automobile Liability	614,696	3.1	620,094	0.9	596,903	-3.7	581,965	-2.5	570,226	-2.0
Grand total	**5,628,687**	**8.2**	**5,991,702**	**6.4**	**6,229,027**	**4.0**	**6,551,561**	**5.2**	**6,765,273**	**3.3**

(million yen & %)

Class of Business	Fiscal 1995		Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,105,961	2.7	1,175,180	6.3	1,186,054	0.9	1,117,182	-5.8	1,105,163	-1.1
Voluntary Automobile	3,555,270	2.6	3,666,582	3.1	3,697,444	0.8	3,575,870	-3.3	3,605,062	0.8
Personal Accident	782,749	3.0	797,101	1.8	765,795	-3.9	718,693	-6.2	705,765	-1.8
Miscellaneous Casualty	651,276	4.7	694,050	6.6	702,505	1.2	688,091	-2.1	676,203	-1.7
Marine Hull	74,055	-7.0	73,473	-0.8	63,582	-13.5	55,939	-12.0	59,697	6.7
Marine Cargo	137,473	5.4	155,885	13.4	159,574	2.4	143,440	-10.1	111,659	-22.2
Inland Transit	61,980	3.2	63,975	3.2	64,426	0.7	61,831	-4.0	60,754	-1.7
Sub-total	6,368,767	2.8	6,626,250	4.0	6,639,384	0.2	6,361,138	-4.2	6,324,405	-0.6
Compulsory Automobile Liability	590,508	3.6	601,908	1.9	576,014	-4.3	553,926	-3.8	564,942	2.0
Grand total	**6,959,275**	**2.9**	**7,228,158**	**3.9**	**7,215,398**	**-0.2**	**6,915,064**	**-4.2**	**6,889,347**	**-0.4**

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

6. Direct Claims and Maturity Refunds Paid

(billion yen)

Fiscal Year	Fire	Automobile		Personal Accident	Total Claims Paid	Maturity Refunds Paid
		Voluntary Automobile	CALI			
1990	260.5	1,390.3	736.1	228.5	3,042.3	1,976.4
1991	769.3	1,648.4	779.5	249.2	3,960.7	3,391.0
1992	323.7	1,809.2	808.0	270.2	3,727.4	2,578.8
1993	397.2	1,908.5	829.8	284.3	3,914.7	3,344.0
1994	363.8	1,866.1	832.0	298.6	3,826.1	3,068.5
1995	295.5	1,902.1	830.4	290.3	3,783.5	2,901.9
1996	336.7	1,955.3	835.8	296.5	3,925.2	3,484.4
1997	327.9	1,989.9	849.6	299.4	3,987.0	3,262.4
1998	447.6	1,998.7	850.2	290.1	4,110.3	3,061.6
1999	544.4	2,083.4	871.2	290.6	4,316.4	3,067.1

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

7. Number of Agents by Class

Class		1990	Portion	1991	Portion	1992	Portion	1993	Portion	1994	Portion
Classified Agents	Special (General & Factory)	105	0.0%	109	0.0%	112	0.0%	115	0.0%	115	0.0%
	Special (General)	821	0.2%	887	0.2%	960	0.2%	1,030	0.2%	1,098	0.2%
	Special (Factory)	33	0.0%	33	0.0%	33	0.0%	32	0.0%	33	0.0%
	Upper	70,802	15.4%	75,063	16.0%	79,115	16.8%	83,426	17.8%	88,028	18.7%
	Ordinary	204,319	44.6%	212,839	45.3%	219,978	46.8%	226,016	48.3%	230,986	49.1%
	Primary	39,607	8.6%	38,324	8.2%	37,595	8.0%	35,845	7.7%	36,118	7.7%
	Sub-total	315,687	68.9%	327,255	69.7%	337,793	71.8%	346,464	74.0%	356,378	75.7%
Non-Classified Agents		142,585	31.1%	142,354	30.3%	132,720	28.2%	121,569	26.0%	114,163	24.3%
Grand Total		**458,272**	**100.0%**	**469,609**	**100.0%**	**470,513**	**100.0%**	**468,033**	**100.0%**	**470,541**	**100.0%**

Class		1995	Portion	1996	Portion	1997	Portion	1998	Portion	1999	Portion
Classified Agents	Special (General & Factory)	119	0.0%	122	0.0%	128	0.0%	132	0.0%	132	0.0%
	Special (General)	1,198	0.3%	1,369	0.2%	1,546	0.3%	1,728	0.3%	1,900	0.3%
	Special (Factory)	33	0.0%	35	0.0%	35	0.0%	36	0.0%	36	0.0%
	Upper	92,593	19.4%	96,531	15.5%	95,723	16.2%	94,289	15.9%	91,882	16.1%
	Ordinary	236,245	49.6%	241,505	38.7%	283,292	47.8%	287,185	48.4%	281,386	49.3%
	Primary	39,534	8.3%	182,983	29.3%	123,564	20.9%	131,608	22.2%	123,308	21.6%
	Sub-total	369,722	77.6%	522,545	83.8%	504,288	85.2%	514,978	86.7%	498,644	87.3%
Non-Classified Agents		106,495	22.4%	101,196	16.2%	87,838	14.8%	78,894	13.3%	72,275	12.7%
Grand Total		**476,217**	**100.0%**	**623,741**	**100.0%**	**592,126**	**100.0%**	**593,872**	**100.0%**	**570,919**	**100.0%**

(Note) 1. The above figures stand for the total of domestic and foreign insurance companies.
2. “Special Class Agents” are, in principle, divided into two : “Special (General)” and “Special (Factory)”. However, “Special (General & Factory) Class Agents” above are qualified to deal with both “General” and “Factory” risks.

8. Number of Agents by Type of Business

Class \ Fiscal Year	1990	Portion	1991	Portion	1992	Portion	1993	Portion	1994	Portion
Exclusive	N/A	—	371,801	79.2%	370,136	78.7%	366,222	78.2%	367,538	78.1%
Multi-representative	N/A	—	97,808	20.8%	100,377	21.3%	101,811	21.8%	103,003	21.9%
Corporate	108,364	23.6%	115,909	24.7%	121,383	25.8%	125,778	26.9%	129,747	27.6%
Individual	349,908	76.4%	353,700	75.3%	349,130	74.2%	342,255	73.1%	340,794	72.4%
Full-time	89,924	19.6%	90,953	19.4%	91,917	19.5%	93,103	19.9%	93,602	19.9%
Part-time	368,348	80.4%	378,656	80.6%	378,596	80.5%	374,930	80.1%	376,939	80.1%
Total	**458,272**	**100.00%**	**469,609**	**100.00%**	**470,513**	**100.00%**	**468,033**	**100.00%**	**470,541**	**100.00%**

Class \ Fiscal Year	1995	Portion	1996	Portion	1997	Portion	1998	Portion	1999	Portion
Exclusive	372,061	78.1%	494,376	79.3%	465,402	78.6%	476,860	80.3	438,950	76.9
Multi-representative	104,156	21.9%	129,365	20.7%	126,724	21.4%	117,012	19.7	131,969	23.1
Corporate	133,152	28.0%	136,682	21.9%	135,529	22.9%	132,361	22.3	128,630	22.5
Individual	343,065	72.0%	487,059	78.1%	456,597	77.1%	461,511	77.7	442,289	77.5
Full-time	96,931	20.4%	90,567	14.5%	85,544	14.4%	79,126	13.3	73,353	12.8
Part-time	379,286	79.6%	533,174	85.5%	506,582	85.6%	514,746	86.7	497,566	87.2
Total	**476,217**	**100.00%**	**623,741**	**100.00%**	**592,126**	**100.00%**	**593,872**	**100.00%**	**570,919**	**100.00%**

(Note) 1. The above figures stand for the total of domestic and foreign insurance companies.
2. “Multi-representative” agents mean agents who have been commissioned to act as an agent of two or more non-life insurance companies.

9. 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
Typhoon No.18	Sept.	1999	30	89,344	18,001

● 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	–	–	–	–
Izuhanto-oki (Off Izu Peninsula)	May 9, 1974	6.9	30	134	240	–	–	–	5
Izuoshima Kinkai (Sea Near Izuoshima)	Jan. 14, 1978	7.0	25	96	616	–	–	–	–
Miyagiken-oki (Off Miyagi Prefecture)	June 12, 1978	7.4	28	1,183	5,574	–	–	–	–
Center of the Sea of Japan	May 26, 1983	7.7	104	934	2,115	3,258	52	–	–
Miyakejima Volcanic Eruption	Oct. 3, 1983	–	–	340	–	–	–	–	–
Naganoken Seibu (Western Nagano Prefecture)	Sept. 14, 1984	6.8	29	[*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.

10. Claims Paid for Natural Disasters

(1) Claims Paid for Typhoon or Windstorm

(billion yen)

	Name of Disaster	Place	Date	Claims Paid (incl. estimates)			
				Fire and Miscellaneous	Automobile	Marine	Total
1	Typhoon No. 19	Nationwide	Sep. 26 to 28, 1991	522.5	26.9	18.5	567.9
2	Typhoon No. 18	Kumamoto, Yamaguchi, Fukuoka, etc.	Sep. 21 to 25, 1999	284.7	21.2	8.8	314.7
3	Typhoon No. 7	Kinki	Sep. 22, 1998	151.4	6.1	2.5	160.0
4	Typhoon No. 13	Kyushu, Shikoku, and Chugoku	Sep. 3, 1993	93.3	3.5	0.9	97.7
5	Hailstorm	Chiba and Ibaraki	May 24, 2000	22.5	21.0	2.2	45.7
6	Typhoon No. 19	Nationwide	Sep. 17 to 20, 1990	32.4	2.1	2.0	36.5
7	Typhoon No. 17	Kyushu and Chugoku	Sep. 14 to 15, 1991	33.9	—	0.9	34.7
8	Typhoon Nos.12,13,14	Kyushu	Aug. 30 to Sep. 1, 1985	28.1	—	3.1	31.1
9	Typhoon No. 7	Kyushu	Aug. 10, 1993	23.2	6.2	0.3	29.7
10	Typhoon No. 26	Aichi, Mie, and Gifu	Sep. 29 to 30, 1994	24.5	0.7	1.8	27.0

(2) Claims Paid under Earthquake Insurance on Dwelling Risks

(million yen)

	Name of Earthquake	Place	Date	Claims Paid
1	Great Hanshin-Awaji	Southern Hyogo Prefecture	Jan. 17, 1995	78,268.2
2	Hokkaido Toho-oki	Off Eastern Hokkaido	Oct. 4, 1994	1,332.2
3	Mt. Unzen Volcanic Eruption	Eastern Nagasaki Prefecture	Fiscal 1991~1994	1,288.0
4	Sanriku Haruka-oki	Far-off Sanriku Coast	Dec. 28, 1994	1,229.1
5	Kushiro-oki	Off Kushiro	Jan. 15, 1993	989.6
6	Center of the Sea of Japan	Center of the Sea of Japan	May 26, 1983	650.7
7	Kagoshimaken Satsuma	Western Kagoshima Prefecture	Mar. 1997~Jan. 1998	530.3
8	Hokkaido Nansei-oki	Off Southwest Hokkaido	July 12, 1993	275.8
9	Miyagiken-oki	Off Miyagi Prefecture	June 12, 1978	262.0
10	Chibaken Toho-oki	Off Eastern Chiba Prefecture	Dec. 17, 1987	169.2

11-1. 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	Company Director	Permanent Disability
266	Osaka District Court	Nov. 30, 1998	Oct. 27, 1992	M/19	Cram School Student	- do. -
265	Tokyo District Court	Mar. 19, 1998	Feb. 8, 1993	M/20	University Student	- do. -
257	Fukuoka District Court	Apr. 27, 1999	Nov. 23, 1994	M/22	Self-defense Official	- 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. -
237	Hiroshima District Court	Feb. 25, 1999	June 3, 1994	M/24	Office Worker	- 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	Company 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	Company Representative	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. -
193	Tokyo District Court	July 29, 1999	Nov. 5, 1994	F/25	Housewife	- 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	Company Representative	- 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.

11-2. High-Amount Court Awards for Property Damage of Traffic Accidents

Court Awards (million yen)	Name of Court	Date of Judgement	Date of Accident	Damaged Property
261.3	Kobe District Court	July 19, 1994	May 29, 1985	Freight (Draperies and Clothes)
120.3	Fukuoka District Court	July 18, 1980	Mar. 1, 1975	Train and Residence
113.4	Chiba District Court	Oct. 26, 1998	Sep. 14, 1992	Train
27.9	Takamatsu District Court	Aug. 14, 1997	Oct. 5, 1994	Three Large Trucks
26.2	Nagoya District Court	Sep. 16, 1994	Mar. 20, 1991	Sightseeing Bus
23.8	Nagoya District Court	Oct. 28, 1992	Apr. 23, 1991	Trailer
20.8	Tokyo District Court	Nov. 14, 1995	Feb. 22, 1994	Sightseeing Bus
16.9	Osaka District Court	Apr. 25, 1997	Apr. 1, 1993	Large Truck
16.7	Hiroshima District Court	Sep. 17, 1997	Feb. 23, 1996	Large Truck
16.5	Yokohama District Court	May 24, 1994	May 9, 1992	Beauty Shop-cum-Residential House
15.8	Sapporo District Court	Nov. 27, 1996	Aug. 18, 1994	Sightseeing Bus
15.4	Osaka District Court	Nov. 17, 1994	July 4, 1993	Large Truck
13.9	Tokyo District Court	Mar. 25, 1997	Feb. 25, 1994	Tank Lorry
12.7	Tokyo District Court	Aug. 27, 1987	Apr. 26, 1984	Special Photographing Car
12.0	Nagoya District Court	June 27, 1997	Oct. 8, 1992	Foreign-manufactured Car
11.8	Nagoya District Court	Jan. 30, 1980	Sep. 17, 1977	Garbage Truck
11.6	Sendai District Court	Jan. 26, 1996	July 2, 1993	Large Truck
11.2	Osaka District Court	Oct. 26, 1994	Sep. 12, 1991	Large Truck
11.0	Osaka District Court	June 9, 1995	Aug. 7, 1991	Large Truck
11.0	Hiroshima District Court	Feb. 10, 1986	Nov. 24, 1982	Large Refrigerator Truck

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

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