FACT BOOK

NON-LIFE INSURANCE IN JAPAN

2000—2001

THE MARINE AND FIRE INSURANCE ASSOCIATION OF JAPAN, INC.

KEY FIGURES

GENERAL INFORMATION ABOUT JAPAN

	Fiscal 1999		Fiscal 2000
● Population:	126,686 thousand		126,920 thousand
(Percentage of People Aged 65 and Over)	(16.7%)		(17.5%)
● Gross Domestic Expenditure			
(nominal) :	513,682.2 billion yen		510,370.3 billion yen
(real) :	525,695.8 billion yen		530,312.8 billion yen
● Percentage of Workers by Industrial Sector :	Primary Industries	5.2%	5.1%
	Secondary Industries	31.1%	30.7%
	Tertiary Industries	63.1%	63.7%
● No. of Registered Automobiles :	74,582,612		75,524,973

JAPANESE NON-LIFE INSURANCE COMPANIES

	Fiscal 1999	Fiscal 2000
● No. of Domestic Insurers	36	33
● No. of Employees : (Including Management)	93,424	87,687
● No. of Agents :	570,919	509,619
● Total Assets :	30,218.4 billion yen	34,715.6 billion yen
(Total Working Assets) :	(26,430.2 billion yen)	(31,490.7 billion yen)
● Direct Premiums Written :	9,200.2 billion yen	9,061.7 billion yen
(Maturity-Refund-Type Insurance Premiums) :	(2,192.3 billion yen)	(1,854.3 billion yen)
● Net Premiums Written :	6,831.5 billion yen	6,874.1 billion yen
● Net Claims Paid :	3,725.1 billion yen	3,765.2 billion yen
● Operating Expenses on Underwriting :	2,639.6 billion yen	2,581.4 billion yen

(Notes) (1) "Domestic Insurers" means locally incorporated companies including foreign-capitalized insurers.
(2) "No. of Agents" includes the agents of foreign companies.

FOREWORD

We take pleasure in presenting the “Non-Life Insurance in Japan, Fact Book 2000-2001”, offering an outline of our non-life insurance industry and its activities during fiscal 2000.

We have finally greeted the 21st century. The environment surrounding the non-life insurance business has been significantly changing because of the progress of deregulation and liberalization.

Such deregulation and liberalization has progressed with the effect of the revision and enforcement of the Insurance Business Law in 1996, the financial system reform plan of the Japanese Big Bang, and the Japan-US Insurance Talks. Under the circumstances, each non-life insurance company has shown its ingenuity in the areas of insurance products, premium rates, and other services. Above all, the full-scale entry of non-life insurance companies into the third sector in their own right, which was realized in July 2001, allowed them to provide consumers with a wider range of insurance products such as medical insurance and cancer insurance, as well as personal accident insurance.

On the other hand, environmental changes resulting from the progress of deregulation and liberalization have accelerated the movement towards the establishment of a new business model. This has brought about a big change in the industry map, which is represented by merger among non-life insurance companies, affiliation with other businesses, and management consolidation.

In this situation, it is increasingly important for each non-life insurance company to take the steps to ensure and improve its “soundness” and “reliability”. While the legal system to protect consumers has been strengthened through the institution of the “Law on Sales of Financial Products” and the “Consumer Contract Law”, each non-life insurance company has made every effort to disclose its business activities and give counsel to consumers about non-life insurance promptly and appropriately, as well as taking all possible measures for legal compliance.

The current changes in the Japanese economy and society mean that the non-life insurance industry finds itself in a period of transition. However, with the start of the new century, the non-life insurance industry has resolved to continue to play a part in assuring the peace of mind of the society by making a prompt and flexible response to environmental changes resulting from the development of the Japanese economy and society.

We hope this “Fact Book 2000-2001” will help you to have a better understanding of the non-life insurance business in Japan.

December 2001

The Marine and Fire Insurance Association of Japan, Inc.

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(April 1, 2000 - March 31, 2001)

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PART I

GENERAL REVIEW OF FISCAL 2000

(April 1, 2000-March 31, 2001)

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 2000, new fire insurance contracts totaled an amount insured of 678.1 trillion yen, down 1.1% over the preceding year, owing to a decrease in housing starts of 1.1% to 1.21 million.

(2) Automobile holdings and automobile insurance contracts

Nationwide automobile holdings at the end of fiscal 1999 amounted to 74.6 million, up 1.2% over the previous year. Automobile insurance contracts in force for fiscal 1999 registered 13.8 quadrillion yen, up 7.8% over the preceding year owing to the increase in the number of insured automobiles.

Gross Domestic Expenditure (Nominal)

(billion yen and %)

Item	Fiscal 1999		Fiscal 2000	
	Amount	Growth Rate	Amount	Growth Rate
Private Final Consumption Expenditure	289,297.9	0.7	285,682.4	-1.2
Private Housing	20,532.2	4.7	20,100.6	-2.1
Private Plant and Equipment	75,086.1	-3.5	77,015.1	2.6
Increase in Private Sector Inventory	-869.5	-95.5	-84.4	90.3
Government's Final Consumption Expenditure	83,288.4	2.5	85,753.4	3.0
Public Fixed Capital Formation	38,441.7	-2.7	35,596.7	-7.4
Increase in Public Sector Inventory	76.9	434.5	101.9	32.5
Net Exports of Goods & Services	7,828.5	-18.2	6,204.6	-20.7
(Exports)	(52,151.4)	(-2.5)	(55,629.9)	(6.7)
(Imports)	(44,322.9)	(0.9)	(49,425.3)	(11.5)
Total	**513,682.2**	**-0.2**	**510,370.3**	**-0.6**

(Source) "Preliminary Quarterly Estimates of National Expenditure" published by the Cabinet Office

(3) Marine transport situation and marine insurance contracts

a. Marine Hull Insurance

Conventional-type vessels for coastwise and overseas services operated by Japanese shipping companies are the mainstay of marine hull insurance contracts. In fiscal 2000, owing to the acceleration in the scrapping of vessels mainly for coastwise services, the number of conventional-type vessels decreased, while the sum of gross tonnage of conventional-type vessels increased thanks to the construction of large ships such as containers, bulk carriers, and oil tankers. Under the circumstances, the total insured amount of marine hull insurance contracts in force reached 24.2 trillion yen (up 1.9%) in fiscal 2000.

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 increase in exports of electronic parts such as semiconductors as well as optical instruments, the total amount of exports, measured in Japanese yen terms, registered an increase of 7.2% from the previous year, and imports also increased by 16.4% in terms of customs clearance value. The increase in imports was attributable to the increase in crude oil prices. Under these circumstances, new marine cargo insurance contracts in force for fiscal 2000 amounted to 110.3 trillion yen, up 7.6% over the previous year.

Gross Domestic Expenditure (Real)

(billion yen and %)

Item	Fiscal 1999		Fiscal 2000	
	Amount	Growth Rate	Amount	Growth Rate
Private Final Consumption Expenditure	289,454.2	1.5	288,981.1	-0.2
Private Housing	20,504.0	5.1	20,109.8	-1.9
Private Plant and Equipment	81,102.3	-1.0	84,860.8	4.6
Increase in Private Sector Inventory	-698.9	-141.2	-133.3	80.9
Government's Final Consumption Expenditure	83,202.9	4.0	85,974.1	3.3
Public Fixed Capital Formation	40,421.8	-0.7	37,942.8	-6.1
Increase in Public Sector Inventory	87.3	28,158.3	95.8	9.7
Net Exports of Goods & Services	11,622.3	2.0	12,481.7	7.4
(Exports)	(54,605.7)	(5.3)	(59,662.2)	(9.3)
(Imports)	(42,983.4)	(6.2)	(47,180.5)	(9.8)
Total	**525,695.8**	**1.4**	**530,312.8**	**0.9**

(Source) Same as the table on the previous page.

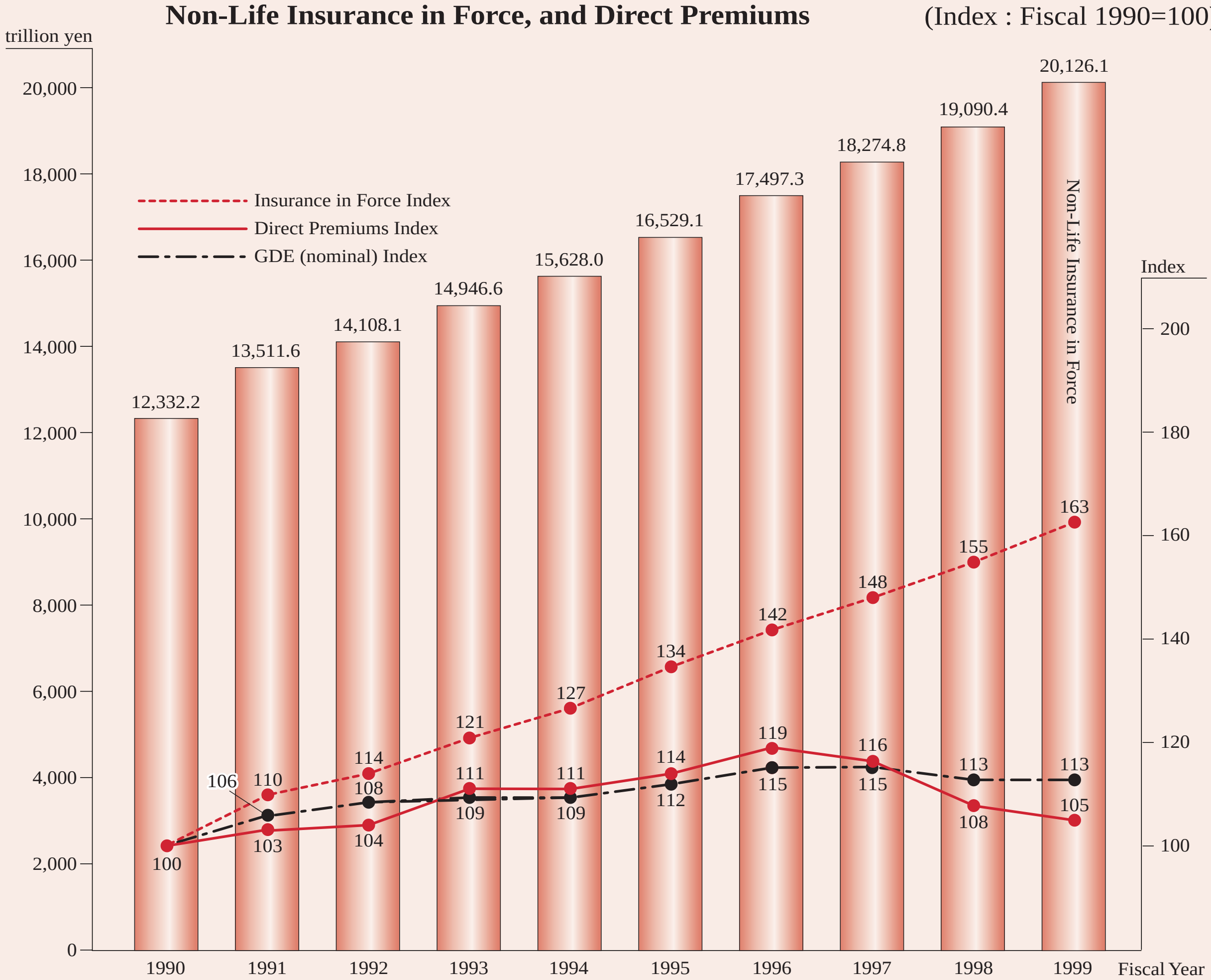
(4) Gross Domestic Expenditure and Non-Life Insurance in Force

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

(Index : Fiscal 1990=100)



(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. Since fiscal 1998, the insured amount per unlimited coverage policy for property damage liability has been deemed to be 0.1 billion yen.

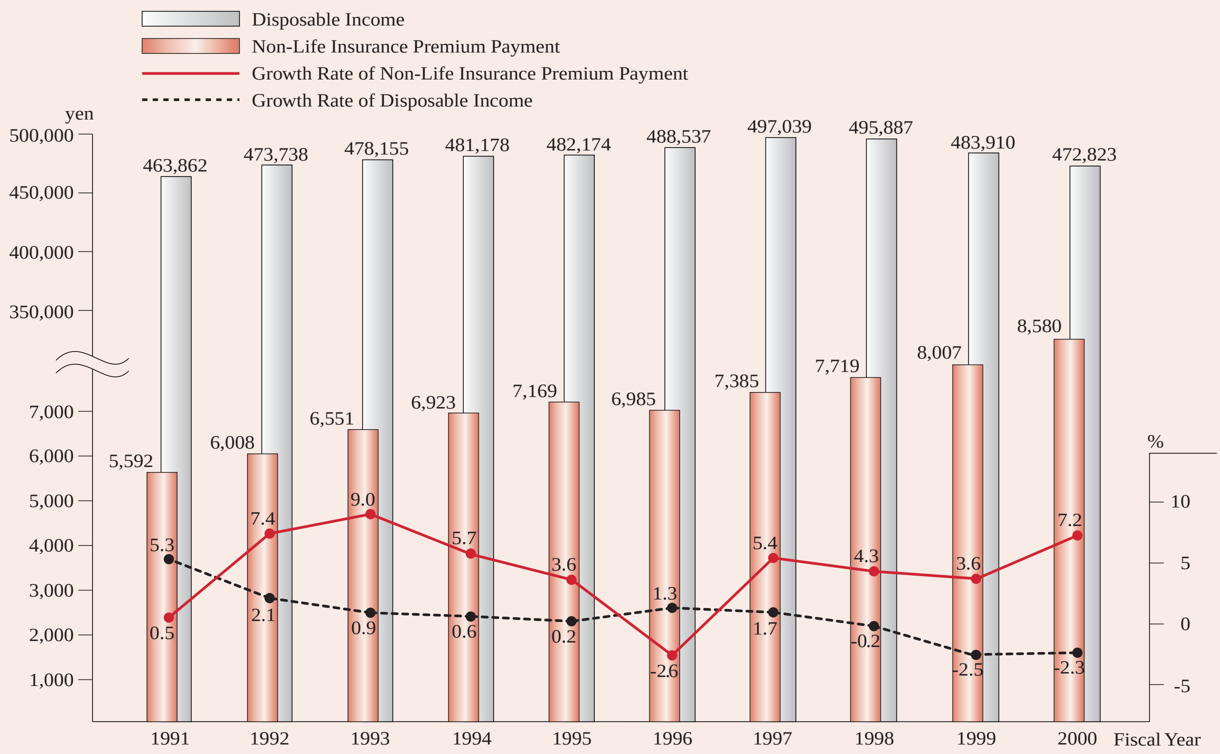
3. "Direct Premiums" include the savings portion of maturity-refund-type insurance premiums, but excluding various refunds other than maturity refunds.

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 disposable income.

According to the 2000 survey on household expenses conducted by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications, monthly non-life insurance premium payments per household increased by 7.2% over the previous year to 8,580 yen, while disposable income decreased by 2.3% 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 Ministry of Public Management, Home Affairs, Posts and Telecommunications.
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

According to the replies of the 3,112 households of the 4,000 randomly contacted by the Marine and Fire Insurance Association of Japan in a nationwide survey in November 2000, 49.2% were covered by fire insurance for dwellings and 35.4% for household properties.

(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 16.0% as of the end of March 2001, up 0.6 percentage points from the previous year.

(3) Personal Accident Insurance

According to the replies of the 3,112 households of the 4,000 randomly contacted by the Marine and Fire Insurance Association of Japan in a nationwide survey in November 2000, 61.3% were covered by personal accident insurance policies.

(4) Voluntary Automobile Insurance

The survey conducted at the end of March 2000 by the Automobile Insurance Rating Organization of Japan revealed that 70.4% of registered automobiles were covered against liability for bodily injury, 69.8% against liability for property damage, 33.0% against physical damage (to the insured vehicle), and 67.8% 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 84% 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
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
1999	74,583	70.4	69.8	33.0	67.8

II. BUSINESS RESULTS IN FISCAL 2000

* In this section, the growth rates for fiscal 2000 are calculated after deducting those premiums written by one company which went bankrupt in May 2000, from the amount of fiscal 1999.

1. Results of Operating Balance

(1) Underwriting Balance

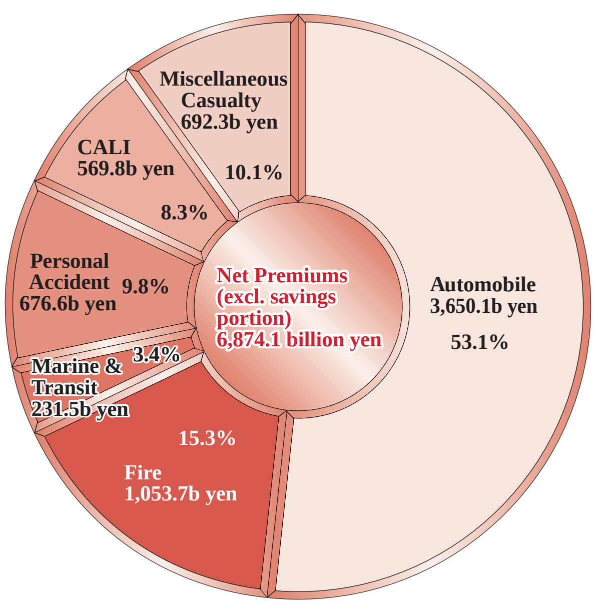
● ***Net Premiums Written***

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 30 member non-life insurance companies(*2) in fiscal 2000 reached 6,874.1 billion yen, an increase of 0.6% from the previous year. This reversed the decreasing trend which had lasted for four consecutive years. 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 that of our Association's member companies as of April 1, 2001.

Net Premiums by Line (Fiscal 2000)



Net premiums written from voluntary automobile insurance, which account for 53.1% of the total net premiums written, showed an increase of 1.7% from the previous year, owing to each company's sales efforts, etc. Premiums written from Compulsory Automobile Liability Insurance (CALI) also increased by 1.3% from the previous year, thanks to the increase in sales of new cars, etc.

Net premiums written from fire insurance decreased by 2.4% from the previous year, due to a fall in housing starts and the effect of liberalization. Net premiums written from personal accident insurance decreased by 2.6% 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 an increase of 2.9% over the previous year.

Net premiums written from marine cargo and marine hull insurance fell by 0.8%, while net premiums written from transit insurance were up by 1.8%. Consequently, the marine and transit lines as a whole showed a decrease of 0.1% 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 2000 amounted to 3,765.2 billion yen, up 1.1% 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 5.8% due to car theft, the losses from torrential downpours in and around the Tokai area, and the hailstorm in Chiba and Ibaraki prefectures, and CALI also increased by 4.0% because of a significant increase in the number of the injured in traffic accidents. On the other hand, net claims paid on fire insurance policies fell by 17.5%, thanks to an absence of major losses from such large scale typhoons as had occurred in the previous year. Personal accident insurance also decreased by 2.2%, but miscellaneous casualty insurance registered an increase of 0.7% over the previous year.

The loss ratio (i.e. the ratio of claims paid plus loss adjustment expenses to net premiums written) was 59.5%, an 0.2 percentage point increase from the previous year, due to the increase in the loss ratio of voluntary automobile insurance, although an improvement could be seen in fire insurance which registered a decreased amount of claims paid.

● *Operating Expenses on Underwriting*

Operating expenses on underwriting (agency commissions and brokerage plus operating and general administrative expenses on underwriting) amounted to 2,581.4 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 37.6%, a 1.0 percentage point decrease from the previous year.

Overall Business Results

(billion yen & %)

	Item	Fiscal 1999	Fiscal 2000	
		Amount	Amount	Growth
Ordinary Income and Expenses	Underwriting Income	9,805.0	9,703.4	-1.0
	(Net Premiums Written)	(6,831.5)	(6,874.1)	(0.6)
	(Savings Portion of Maturity-refund-type Insurance Premiums)	(1,860.6)	(1,675.9)	(-9.9)
	(Reversal of Outstanding Loss Reserves)	(2.5)	(–)	(-100.0)
	(Reversal of Liability Reserves)	(587.1)	(668.6)	(13.9)
	Underwriting Expenses	8,296.1	8,333.9	0.5
	(Net Claims Paid)	(3,725.1)	(3,765.2)	(1.1)
	(Loss Adjustment Expenses)	(324.2)	(328.3)	(1.3)
	(Agency Commissions and Brokerage)	(1,263.9)	(1,266.1)	(0.2)
	(Maturity Refunds to Policyholders)	(2,826.2)	(2,685.5)	(-5.0)
	(Provision for Outstanding Loss Reserves)	(–)	(157.6)	(–)
	(Provision for Liability Reserves)	(–)	(–)	(–)
	Investment Income	939.1	607.4	-35.3
	(Interest and Dividend Income)	(747.5)	(627.6)	(-16.0)
	(Profits on Sales of Securities)	(571.6)	(297.4)	(-48.0)
	Investment Expenses	604.5	199.4	-67.0
	(Losses on Sales of Securities)	(319.9)	(35.0)	(-89.1)
	(Losses on Revaluation of Securities)	(201.7)	(84.6)	(-58.0)
	Operating and General Administrative Expenses	1,470.0	1,409.8	-4.1
	(Operating and General Administrative Expenses on Underwriting)	(1,375.7)	(1,315.3)	(-4.4)
	Other Ordinary Expenses	-50.4	-31.6	–
	Ordinary Profits	323.0	336.1	4.0
	(Underwriting Profits)	(130.7)	(50.6)	(-61.2)
Special Profits and Losses Balance		-164.5	-164.1	–
Profits for the Current Year before Corporate Taxes		158.5	171.9	8.5
Corporate Income Taxes and Corporate Resident Taxes		129.9	66.1	-49.1
Adjustments in Corporate Income Taxes, etc.		-70.7	1.1	–
Net Profits for the Current Year		99.4	104.7	5.4
Retained Surplus brought forward from the Previous Year		-7.1	40.7	–
Unappropriated Earned Surplus of the Current Year		496.3	139.6	-71.9

Note: Figures for fiscal 1999 do not include those of one company which went bankrupt in May 2000.

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

The total amount of outstanding loss reserves (including “Incurred But Not Reported”) in fiscal 2000 increased by 157.6 billion yen.

The total amount of liability reserves (including unearned premium reserves, catastrophe reserves, and reserves for maturity refunds) in fiscal 2000 decreased by 668.6 billion yen.

Abridged Balance Sheet

<Assets>

(billion yen & %)

Item	Fiscal 1999		Fiscal 2000	
	Amount	Share	Amount	Share
Deposits	1,460.4	4.8	1,759.1	5.1
Call Loans	909.0	3.0	835.7	2.4
Receivables under Resales Agreements	–	–	10.0	0.0
Monetary Receivables Bought	329.7	1.1	491.9	1.4
Money Trusts	543.8	1.8	383.9	1.1
Securities	16,259.5	53.8	21,866.6	63.0
(National Government Bonds)	(1,037.1)	(3.4)	(1,408.0)	(4.1)
(Local Government Bonds)	(1,294.1)	(4.3)	(1,391.1)	(4.0)
(Corporate Bonds)	(4,179.7)	(13.8)	(4,581.8)	(13.2)
(Stocks)	(5,500.5)	(18.2)	(10,328.1)	(29.8)
(Foreign Securities)	(3,664.9)	(12.1)	(3,708.5)	(10.7)
(Other Securities)	(422.0)	(1.4)	(449.0)	(1.3)
(Securities Loaned)	(161.1)	(0.5)	(–)	(–)
Loans	5,164.0	17.1	4,452.2	12.8
Real Estate	1,763.7	5.9	1,691.3	4.9
(Total Working Assets)	(26,430.2)	(87.5)	(31,490.7)	(90.7)
Other Assets	3,788.1	12.5	3,224.9	9.3
Total Assets	**30,218.4**	**100.0**	**34,715.6**	**100.0**

(Notes) 1. “Other Assets” is composed of ①Cash in hand, ②Furniture and fixtures, ③Construction in progress, ④Amounts due from agency business, ⑤Amounts due from other domestic insurance companies for reinsurance, ⑥Customer’s liability for acceptance and guarantee, ⑦Deferred tax assets, and ⑧Miscellaneous.

2. The amount classed as "Securities Loaned" in fiscal 1999 is dispersed within the other categories of securities from fiscal 2000 in line with the introduction of an accounting standard of financial products.

3. Figures for fiscal 1999 do not include those of one company which went bankrupt in May 2000.

<Liabilities and Equities>

(billion yen & %)

Item	Fiscal 1999		Fiscal 2000	
	Amount	Share	Amount	Share
Underwriting Reserves	23,855.2	78.9	23,320.2	67.2
(Outstanding Loss Reserves)	(2,101.4)	(7.0)	(2,252.1)	(6.5)
(Liability Reserves)	21,753.0	(72.0)	(21,068.0)	(60.7)
(Others)	(0.9)	(0.0)	(0.1)	(0.0)
Other Liabilities	2,816.5	9.3	4,340.7	12.5
Total Liabilities	26,671.9	88.3	27,661.0	79.7
Capital	861.6	2.9	856.9	2.5
Legal Reserves	671.9	2.2	693.4	2.0
Surpluses	2,013.1	6.7	2,039.9	5.9
(Profits for the Current Year)	(99.4)	(0.3)	(104.7)	(0.3)
Total Equities	**3,546.5**	**11.7**	**7,054.6**	**20.3**
Total Liabilities and Equities	**30,218.4**	**100.0**	**34,715.6**	**100.0**

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

2. Figures for fiscal 1999 do not include those of one company which went bankrupt in May 2000.

- ***Underwriting Profits***

Underwriting profits (*) amounted to 50.6 billion yen, down 61.2% from the previous year.

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

- ***Investment Income and Expenses***

In spite of insurance companies' investment strategies, their interest and dividends amounted to 627.6 billion yen, down 16.0% from the previous year, owing to lower bank interest rates and the introduction of an accounting standard of financial products. Accordingly, total investment income(*) including profits on sales or redemption of securities, etc., in fiscal 2000 amounted to 607.4 billion yen (down 35.3% from the previous year). On the other hand, investment expenses amounted to 199.4 billion yen, down 67.0% from the previous year. This was because of losses on the sales of securities which fell to 35.0 billion yen, a decrease of 284.9 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 336.1 billion yen, up 4.0% 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 based on tax effect accounting, totaled 104.7 billion yen, up 5.4% 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, 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 30 member non-life insurance companies at the end of fiscal 2000 reached 34,715.6 billion yen, up 14.9% over the previous year. This increase is mostly because an accounting standard of financial products was newly introduced in fiscal 2000. The working assets used to earn investment income amounted to 31,490.7 billion yen, representing 90.7% of total assets. Assets related to maturity-refund-type insurance policies amounted to 12,396.2 billion yen, occupying 35.7% of total assets or a decrease of 7.6 percentage points over the preceding year. Securities headed the list of investments with 21,866.6 billion yen or 63.0% of total assets. By category, stocks led with 10,328.1 billion yen, followed by corporate bonds (4,581.8 billion yen), foreign securities (3,708.5 billion yen), national government bonds (1,408.0 billion yen), and local government bonds (1,391.1 billion yen). Loans accounted for 12.8% of total assets at 4,452.2 billion yen, down 13.8% from the preceding year.

The total liabilities of our 30 member non-life insurance companies stood at 27,661.0 billion yen at the end of fiscal 2000. Underwriting reserves, consisting of liability reserves and outstanding loss reserves, accounted for 84.3% of the total at 23,320.2 billion yen.

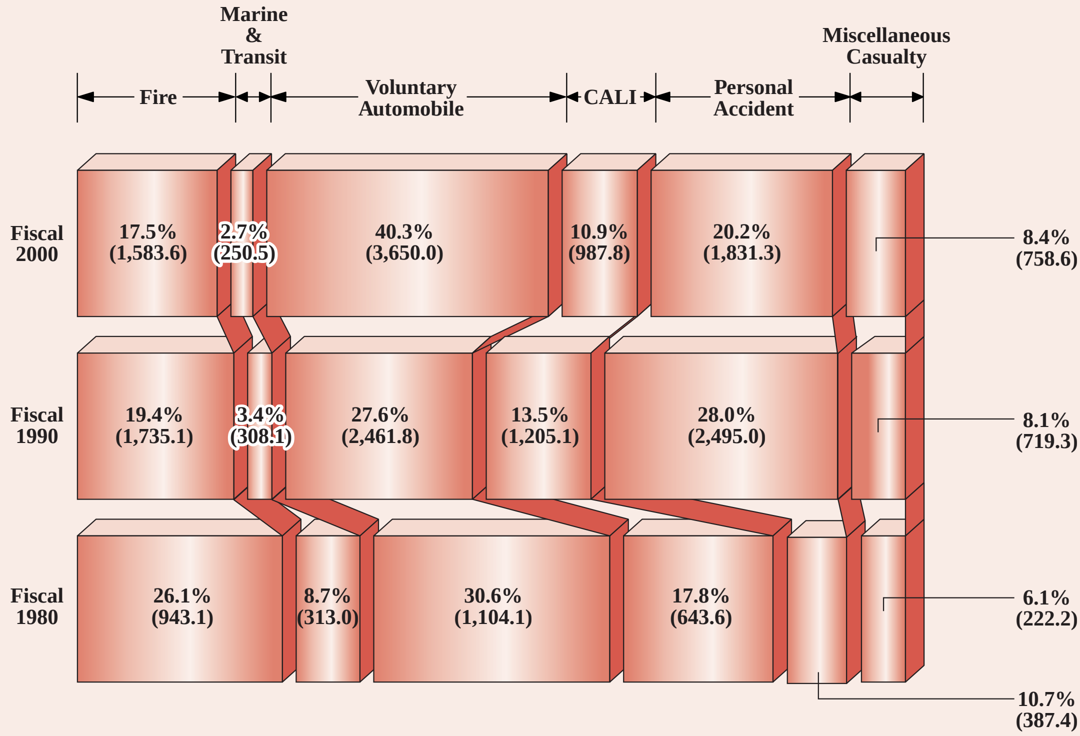
2. Direct Premiums Written

(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 2000 reached 9,061.7 billion yen, down 3.2% over the previous year, registering four straight years of decrease.

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

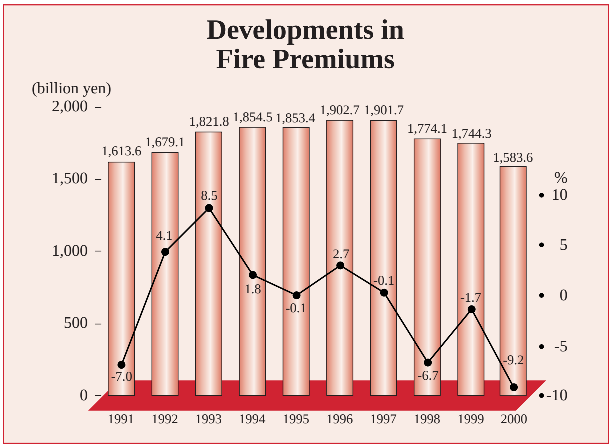


(Note) Figures in parentheses indicate the respective direct premiums in billion yen.

(2) Fire Insurance

Direct premiums written by fire insurance in fiscal 2000 amounted to 1,583.6 billion yen, a decrease of 160.7 billion yen (down 9.2%) from the previous year.

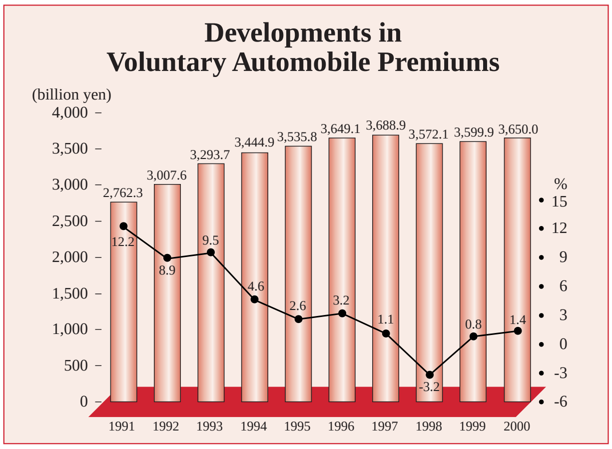
Of this total, conventional-type fire insurance premiums decreased by 0.5% and maturity-refund-type fire insurance policies registered negative growth of 21.6%.



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

(3) Voluntary Automobile Insurance

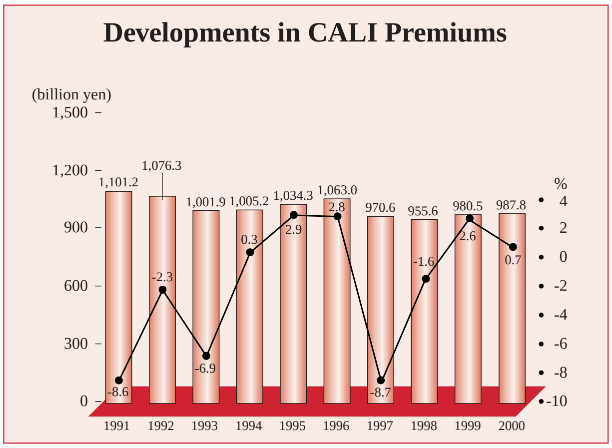
Since there was an increase in car ownership (up 1.3%) and the number of cars insured (up 0.3%), voluntary automobile insurance wrote direct premiums totaling 3,650.0 billion yen in fiscal 2000, an increase of 50.1 billion yen (up 1.4%) over the preceding year.



(4) Compulsory Automobile Liability Insurance (CALI)

Direct premiums written by CALI during fiscal 2000 reached 987.8 billion yen, an increase of 7.3 billion yen (up 0.7%) over the previous year.

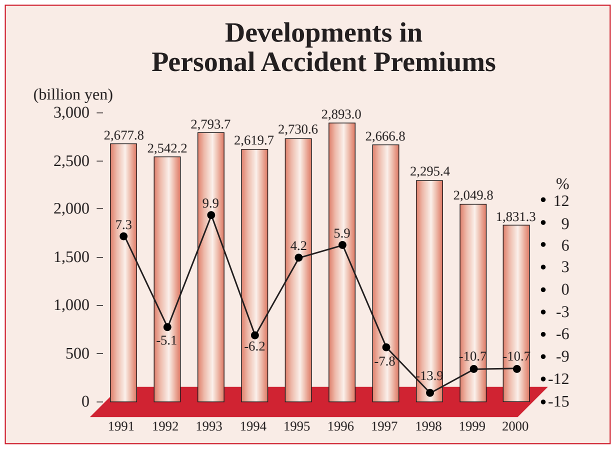
This insurance is compulsory for the owners of all vehicles (excl. motorcycles of 125 c.c. or less in size) who are required to obtain or renew policies at every mandatory automobile inspection. Consequently, the volume of direct premiums is closely linked to car holdings and the number of vehicles and/or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



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

(5) Personal Accident Insurance

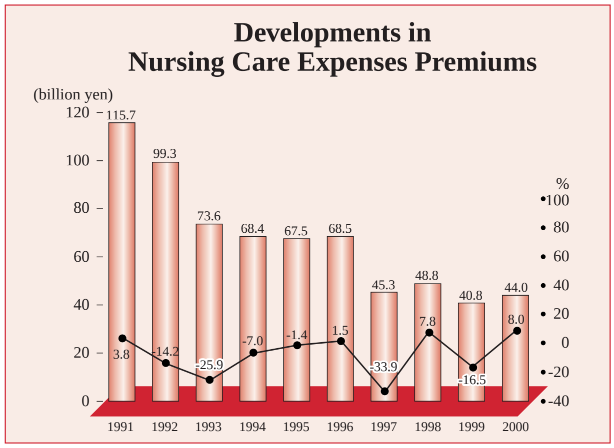
Direct premiums written by personal accident insurance during fiscal 2000 amounted to 1,831.3 billion yen, down 218.5 billion yen or -10.7% from the previous year. Of this total, maturity-refund-type personal accident insurance policies produced 1,227.0 billion yen, down 203.6 billion yen or -14.2% over the preceding year. Conventional-type personal accident insurance policies amounted to 604.3 billion yen, down 15.0 billion yen or -2.4% over the preceding year.



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

(6) Nursing Care Expenses Insurance

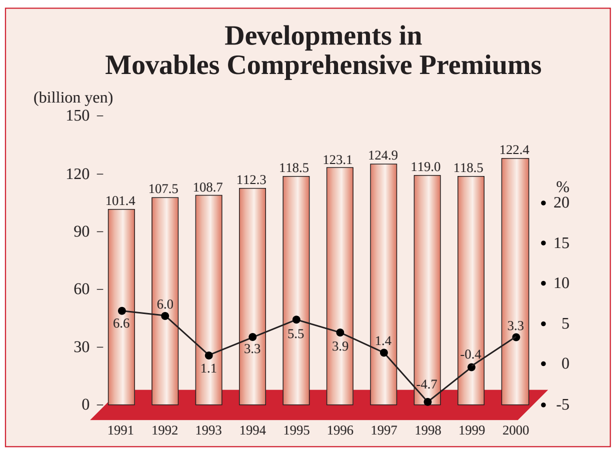
Direct premiums collected by nursing care expenses insurance during fiscal 2000 amounted to 44.0 billion yen, up 3.2 billion yen or 8.0%. Of this total, maturity-refund-type nursing care expenses insurance policies produced 21.0 billion yen, up 4.1 billion yen or 23.8% over the preceding year. Conventional-type nursing care expenses insurance policies amounted to 23.1 billion yen, down 0.7 billion yen or -3.2% from the previous year.



(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 122.4 billion yen, up 3.9 billion yen or 3.3% over the previous year. Movables comprehensive insurance with maturity refund policies accounted for 1.9 billion yen, down 1.6 billion yen or -44.8% over the previous year. Conventional-type movables comprehensive insurance policies amounted to 120.4 billion yen, up 5.4 billion yen or 4.7% over the preceding year.

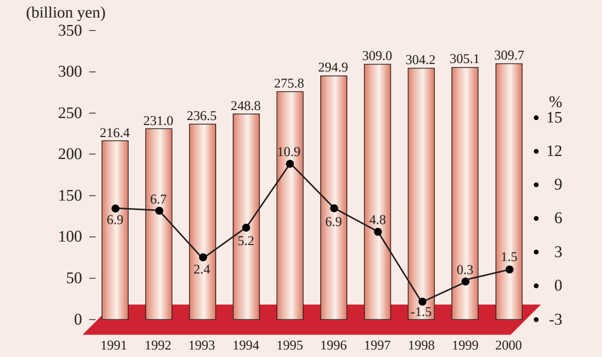


(Note) Premiums quoted include the savings portion of maturity-refund-type insurance premiums.

(8) General Liability Insurance

Direct premiums registered by general liability insurance during fiscal 2000 amounted to 309.7 billion yen, an increase of 4.6 billion yen or up 1.5% from the preceding year.

Developments in General Liability Premiums

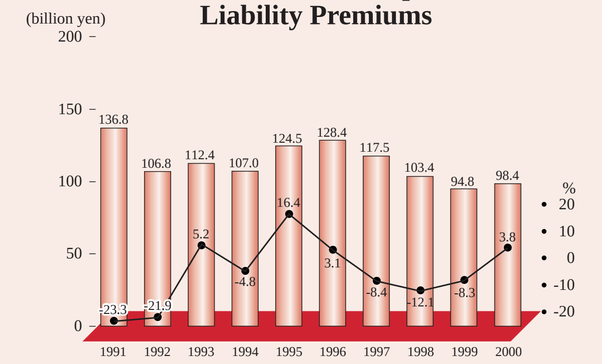


(9) Workers' Accident Compensation Liability Insurance

Direct premiums collected from workers' accident compensation liability insurance during fiscal 2000 stood at 98.4 billion yen, up 3.6 billion yen or 3.8% over the previous year.

Of this total, maturity-refund-type policies produced 24.5 billion yen, up 5.2 billion yen or 27.0% over the preceding year, while conventional-type policies amounted to 73.8 billion yen, down 1.7 billion yen or -2.1% from the previous year.

Developments in Workers' Accident Compensation Liability Premiums



(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.

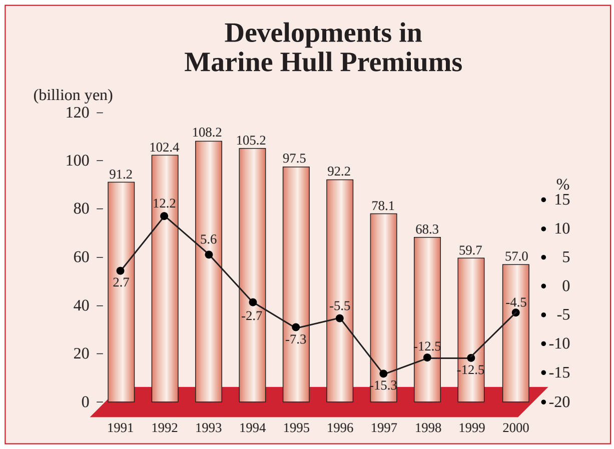
Other Miscellaneous Casualty Premiums by Line

(million yen & %)

Class of Business	Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Growth	Amount	Growth	Amount	Growth
Theft	28,422	6.0	27,610	-2.9	28,325	2.6
Glass	2,984	-11.5	2,666	-10.7	2,430	-8.8
Aviation	11,992	-38.9	13,696	14.2	14,625	6.8
Windstorm & Flood	190	10.0	335	76.7	329	-1.8
Guarantee	14,242	4.6	14,432	1.3	13,421	-7.0
Credit	9,508	19.6	14,482	52.3	20,051	38.5
Boiler & Turbo-set	2,836	0.6	2,697	-4.9	2,656	-1.5
Livestock	2,824	-3.9	2,853	1.0	2,883	1.0
Machinery & Erection	39,799	-6.3	37,535	-5.7	37,085	-1.2
Shipowners' Liability for Passengers' Personal Accident	1,126	-4.8	1,075	-4.5	997	-7.2
Contractors' All Risks	35,649	-8.0	35,511	-0.4	35,345	-0.5
Atomic Energy	11,456	-5.7	11,235	-1.9	11,023	-1.9
Miscellaneous Pecuniary Loss	58,442	10.5	51,158	-12.5	58,903	15.1

(11) Marine Hull Insurance

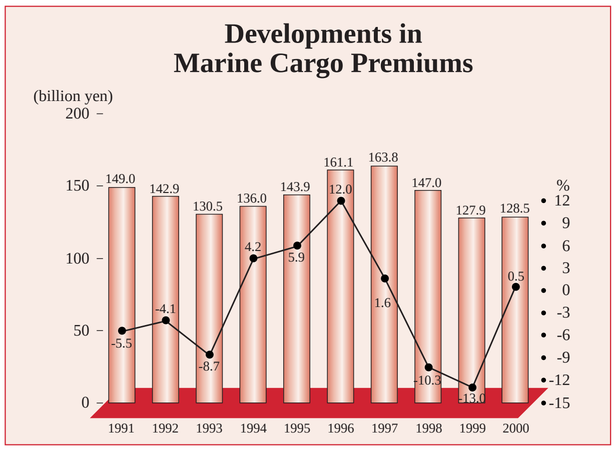
Direct premiums collected by marine hull insurance in fiscal 2000 amounted to 57.0 billion yen, down 2.7 billion yen or -4.5%, marking a downward trend for the seventh consecutive year. This was due to the continuous reduction of premium rates as a result of competition within the hull insurance business as well as the global downward trend in premium levels.



(12) Marine Cargo Insurance

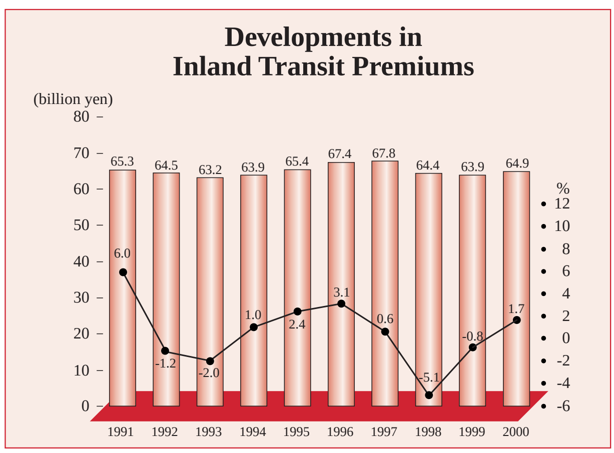
Direct premiums collected by marine cargo insurance in fiscal 2000 amounted to 128.5 billion yen, up 0.6 billion yen or 0.5% over the preceding year.

This was mainly attributable to the increase in the number of cargoes insured, which resulted from the increase in the total amount of exports and imports by 11.2% over the previous year.



(13) Inland Transit Insurance

Inland transit insurance registered direct premiums of 64.9 billion yen during fiscal 2000, up 1.0 billion yen or 1.7% over the previous year due to the increase of loading caused by the slow improvement of the domestic economy.

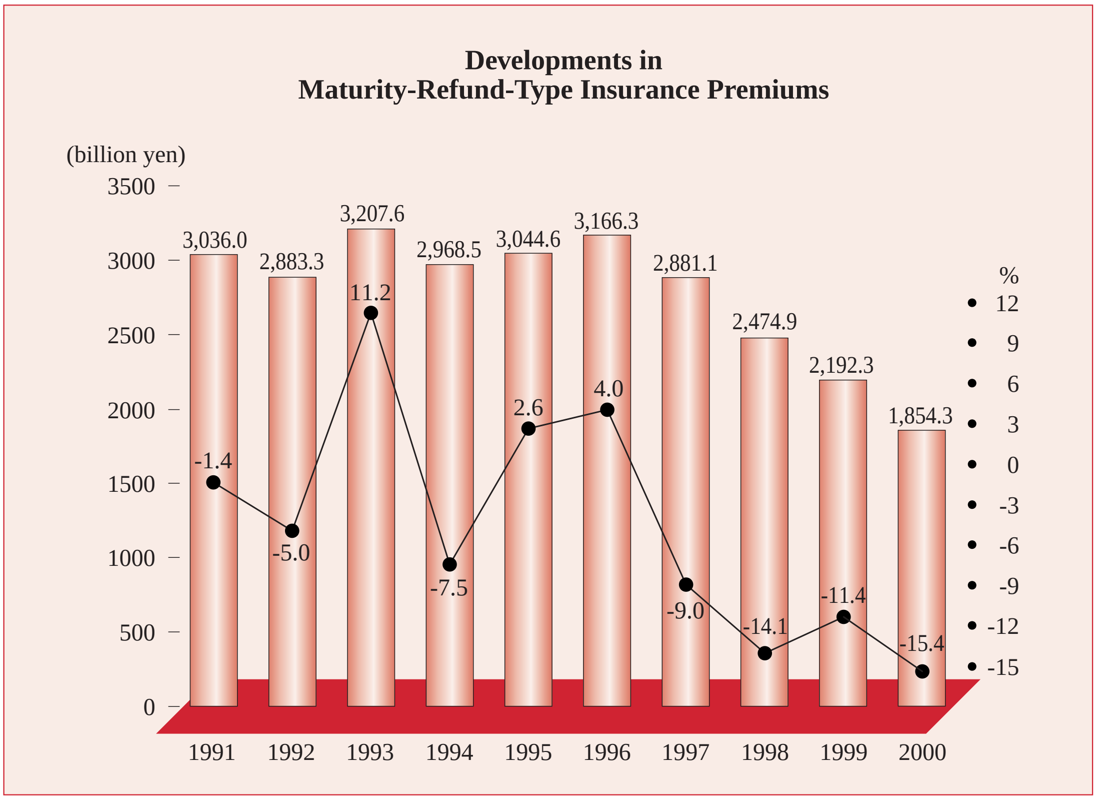


(14) Maturity-refund-type (or Savings-type) Insurance Policies

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 1,854.3 billion yen during fiscal 2000, down 338.0 billion yen or -15.4% 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 2000, direct premiums from maturity-refund-type insurance policies accounted for around 20% 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.

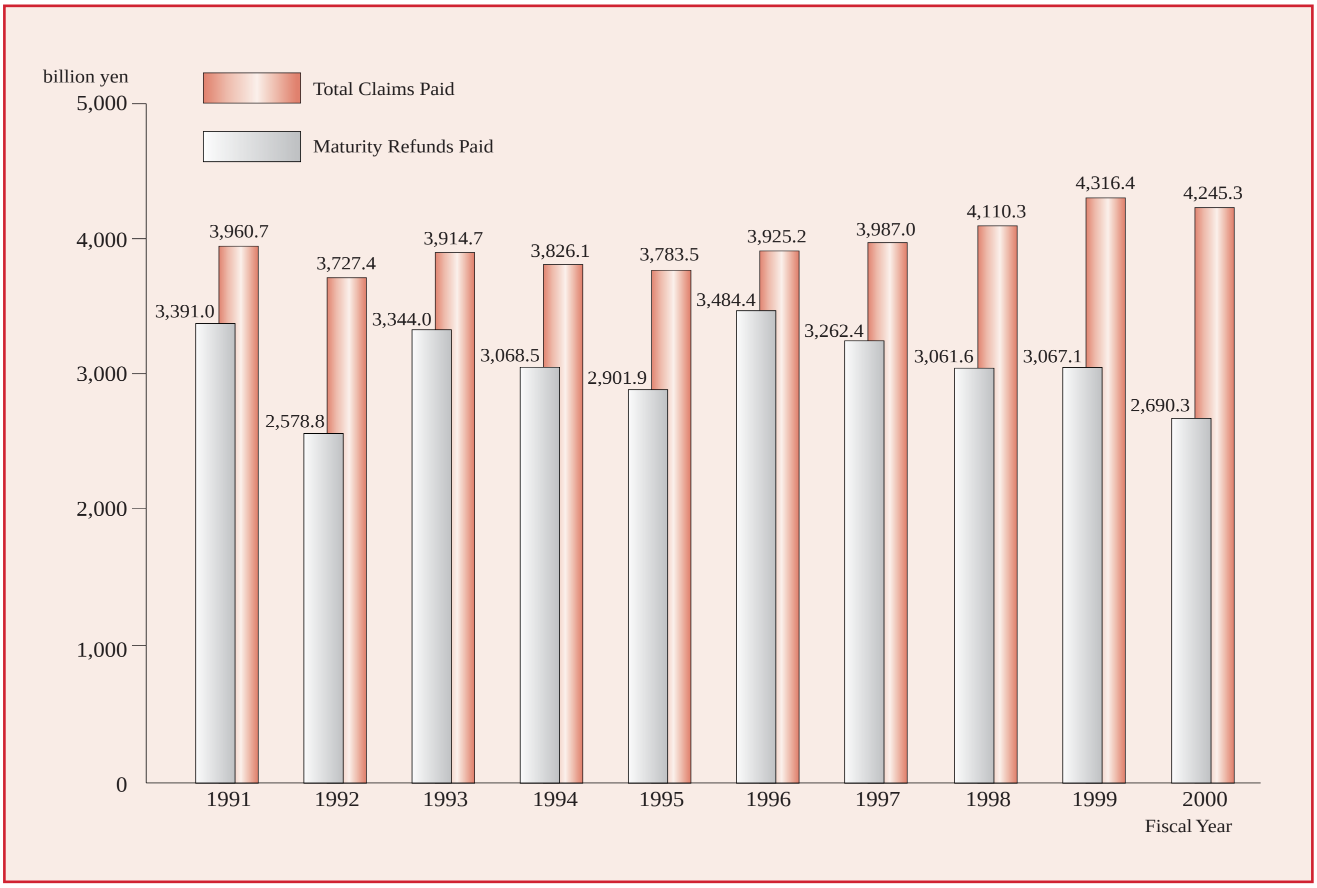


3. Direct Claims Paid

(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 2000 reached 4,245.3 billion yen, down 1.6% 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 2,690.3 billion yen or a decrease of 12.3% 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 2000 were 363.8 billion yen, down 33.2% from the previous year.

Direct claims paid under voluntary automobile policies during fiscal 2000 amounted to 2,190.3 billion yen, or an increase of 5.1% from the preceding year, and CALI direct claims paid were 888.2 billion yen, up 2.0% from the year before.

Direct claims paid for personal accident insurance in fiscal 2000 were 278.2 billion yen, down 4.3% from the preceding year.

A total of 38.1 billion yen (down 16.4% from the previous year) was paid for marine hull policies and 58.1 billion yen (down 14.7% over the previous year) for marine cargo policies in fiscal 2000.

(3) Claims Paid for Recent Catastrophe Losses

(million yen)

Class of Insurance		Hailstorm in Ibaraki and Chiba Prefectures (May 24, 2000)	Torrential Downpours in the Tokai Area (September 10 to 12, 2000)
Fire	Number of Policies	42,320	20,162
	Claims Paid	36,491	36,642
Miscellaneous	Number of Policies	660	4,564
	Claims Paid	723	8,023
Automobile	Number of Policies	54,477	57,967
	Claims Paid	30,343	54,469
Marine Cargo	Number of Policies	76	572
	Claims Paid	2,465	3,897
Marine Hull	Number of Policies	–	–
	Claims Paid	–	–
Total	Number of Policies	97,533	83,265
	Claims Paid	70,022	103,031

4. Losses

(1) Fire

A total of 62,418 fires occurred during 2000 causing losses of 147.3 billion yen, killing 2,040 people and injuring 8,136, as shown in the following table.

On a daily average, about 171 fires (1 fire every 8 minutes) occurred with 5.6 people killed, 22.2 people injured, and about 400 million yen worth of property destroyed.

(2) Traffic Accidents

In 2000, the number of traffic accidents involving bodily injuries reached 931,934, with 9,066 people killed and 1,155,697 people injured. Per day, 2,546 traffic accidents occurred, killing 25 people and injuring 3,158.

Number of Fires, Losses, and Casualties

Year	Fires	Deaths	Injuries	Losses (billion yen)
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	58,526	2,122	7,576	151.2
2000	62,418	2,040	8,136	147.3

(Source) Statistical materials by the Fire and Disaster Management Agency.

Number of Traffic Accidents and Casualties

Year	Accidents	Deaths	Injuries
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
2000	931,934	9,066	1,155,697

(Source) Statistical materials by the National Police Agency.

III. INTERNATIONAL RELATIONS

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.

(1) The 30th 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, workshops, and visits to insurance companies. The 30th General Course of the ISJ was held from September 25 to October 12, 2001, with 39 participants, under the main theme of “Underwriting of Commercial Risks”.

The General Course has produced 1,033 graduates over the last 30 years, and including the ISJ Advanced Course mentioned below, the total number of participants on ISJ courses has reached 1,240.

Number of ISJ General Course Graduates by Region (1972-2001)

Region	Number	
Bandar Seri Begawan (Brunei)	30	(6)
Bangkok	144	(29)
Beijing	35	(0)
Hanoi	21	(1)
Hong Kong	125	(18)
Jakarta	125	(8)
Kuala Lumpur	131	(22)
Macao	33	(10)
Manila	131	(15)
Phnom Penh	3	(2)
Seoul	116	(22)
Singapore	99	(9)
Taipei	39	(0)
Yangon (Myanmar)	1	(0)
Total	**1,033**	**(142)**

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

Number of ISJ Advanced Course Graduates by Region (1991-2001)

Region	Number	
Bandar Seri Begawan (Brunei)	7	(3)
Bangkok	21	(0)
Beijing	16	(0)
Hanoi	7	(0)
Hong Kong	19	(1)
Jakarta	21	(0)
Kuala Lumpur	21	(7)
Macao	9	(8)
Manila	20	(0)
Phnom Penh	0	(0)
Seoul	22	(0)
Singapore	22	(5)
Taipei	21	(0)
Yangon (Myanmar)	1	(0)
Total	**207**	**(24)**

(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.

(2) The 11th 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 11th session in Tokyo under the co-auspices of the Marine and Fire Insurance Association of Japan and the Non-Life Insurance Institute of Japan for about two weeks from May 14 to 25, 2001, with 21 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 "How to Secure the Profitability of Insurance Business in the Liberalization and Deregulation Era".

(3) The 8th Session of the Insurance School (Non-Life) of Japan Overseas Seminar

The eighth session of the Insurance School (Non-Life) of Japan (ISJ) Overseas Seminar was held under the main theme of "The Future of the Rating System and the Marketing of Non-Life Insurance Business" on November 6 and 9, 2001. The seminar was organized with the cooperation of the General Insurance Association (Thailand) (November 6th) and Persatuan Insuran Am Malaysia (November 9th) respectively, and attracted about 130 participants in Bangkok and about 90 participants in Kuala Lumpur.

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 have held a new-style of Session from 1999, dealing with carefully selected issues confronting the insurance industry.

The new concept of this seminar is to promote the mutual exchange of information and views on current topics in both Japan and foreign insurance markets and cement excellent relations among these regions.

(4) 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 has been 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.

In fiscal 2001, the ISP held its last (39th) session with 12 members, producing a total of 1,183 graduates in its history.

(5) 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 33 groups (83 individuals) from overseas during the fiscal year 2000.

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

It is more than ever essential for our non-life insurance industry, facing the advance of internationalization within the insurance market, to promote mutual understanding and exchange of views and information with overseas non-life insurance industries. As an integral part of its activities to establish good relationships with them, the Marine and Fire Insurance Association of Japan has actively pursued dialogue and exchange of views and information with overseas insurance associations.

From April 28 through May 7, 2001, Mr. Noboru Araki, the then Executive Director of the Association, and Mr. Nobuo Hara, Director and General Manager of the International Department, visited insurance associations in the U.K., France, and Germany, and strengthened and developed cooperative relationships with them.

Our Association has so far exchanged views and information with each insurance association about extensive areas such as WTO services negotiations, legislation to protect policyholders, personal data protection, and the best future direction for trade associations.

Dialogue and Exchange of Views and Information with Overseas Insurance Associations

1993	● Mr. Denis Kessler, President of Fédération Française des Sociétés d'Assurances (FFSA), visited the Marine and Fire Insurance Association of Japan (Association). (July)
1997	● Mr. Patrick Lefas, Director for European and International Affairs of the FFSA, and Mr. Philippe Brahin, Assistant Director, visited the Association, having a meeting with the top management of the Association and delivering a lecture. (May) ● Mr. Noboru Araki, the then Executive Director of the Association, and Mr. Nobuo Hara, Director and General Manager of the International Department, visited the Association of British Insurers (ABI), the FFSA, and Gesamtverband der Deutschen Versicherungs-wirtschaft e.V. (GDV). The formal signing of the memorandum concerning the cooperation framework was concluded between the FFSA and the Association. (October)
1999	● Mr. Mark Boléat, Director General of the ABI, visited the Association, having a meeting with the top management of the Association including the Chairman and delivering a lecture. (January) ● Dr. Bernd Michaels, President of the GDV, and Dr. Jörg Freiherr Frank von Fürstenwerth, Chief Executive Officer, visited the Association, having a meeting with the top management of the Association including the Chairman and delivering a lecture. (May) ● Mr. John Cooke, Head of International Relations of the ABI, visited the Association and exchanged views and information with the top management of the Association. (August)
2000	● Mr. Kevin Cronin, President and Chief Executive Officer of the International Insurance Council (IIC) based in Washington, D.C., visited the Association. (January) ● Mr. Jacques Léglu, Deputy Secretary General of the Comité Européen des Assurances (CEA), visited the Association. (October)
2001	● Mr. John Cooke, Head of International Relations of the ABI, visited the Association and exchanged views and information with the top management of the Association. (February) ● Mr. Noboru Araki, the then Executive Director of the Association, and Mr. Nobuo Hara, Director and General Manager of the International Department, visited the ABI, the FFSA, the CEA, and the GDV. The formal signing of the memorandum concerning the cooperation framework was concluded with the ABI and the GDV. (April and May) ● Mr. Nobuo Hara, Director and General Manager of the International Department of the Association, visited the FFSA. (June)

3. Participation in International Organizations and International Meetings

(1) Government-level

Various issues on insurance have been discussed in the following government-level international organizations.

A. International Association of Insurance Supervisors (IAIS)

The International Association of Insurance Supervisors (IAIS) is an international organization established with the objective of establishing international standards for insurance regulation and supervision, assisting each country to implement those standards, and promoting cooperative relationships among insurance supervisors and also with other international organizations. Currently, the member insurance supervisors of the IAIS, including the Financial Services Agency of Japan, are drawn from around 100 jurisdictions all over the world.

The Marine and Fire Insurance Association of Japan has been participating in the IAIS annual meetings as an observer since 1996. In January 2000, our Association obtained an IAIS observership, a new membership category which was made available to non-regulators in December 1999, and has since actively been participating in the annual meetings to offer its opinions about the establishment of international insurance supervisory standards.

The seventh meeting of the IAIS was held from October 10 to 12, 2000 in Cape Town, South Africa, and our Association attended as an observer. The following standards on insurance supervision were approved in the meeting: “Insurance Core Principles”, “Insurance Core Principles Methodology”, “Principles for the Supervision of Insurance Activities on the Internet”, “Supervisory Standard on Group Coordination”, and “Guidance Paper for Fit and Proper Principles and their Application”.

At the eighth annual meeting which was held from September 17 to 20, 2001 in Bonn, Germany, the following standards were listed on the agenda for approval: “Supervisory Standard on the Evaluation of the Reinsurance Cover of Primary Insurers and the Security of their Reinsurers”, “Supervisory Standard on the Exchange of Information”, “Principles on Capital Adequacy and Solvency”, “Guidance Paper on Public Disclosure by Insurers”, and “Anti-Money Laundering Guidance Notes for Insurance Supervisors and Insurance Entities”. However, the terrorist attacks on September 11, 2001 prevented many members from participating in the meeting, and the resolution stood over until the next session to be held in Tokyo in January 2002.

B. Organization for Economic Co-operation and Development (OECD)

The Organization for Economic Co-operation and Development (OECD), which consists of 30 developed countries, has an Insurance Committee which deliberates on various insurance issues, and has been conducting such activities as analysis of insurance supervisory systems of member countries, promotion of information exchange and liberalization, and technical assistance to non-member countries. The Insurance Committee has sub-committees such as 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”.

The Insurance Committee is held in Paris, France in June and November every year, and our Association has been participating in the Insurance Committee since November 1998. With the objective of supporting the developing countries, the Insurance Committee has held a seminar on insurance regulation and supervision in each country, i.e. in Oaxaca, Mexico from September 6 to 7, 2000, in Riga, Latvia from December 14 to 15, 2000, in Kuala Lumpur, Malaysia from January 17 to 18, 2001, and in Tianjin, China from July 9 to 10, 2001. Our non-life insurance industry has participated in each of these seminars except for Riga. In the Tianjin seminar, a representative from our Association made a presentation at the panel on the self-regulatory function of insurance industry associations.

C. World Trade Organization (WTO)

The World Trade Organization has dealt with the liberalization of trade in goods and services. As for financial services including insurance, as a result of negotiations which started from April 1997 in the Committee on Trade in Financial Services, the first permanent agreement was reached in December 1997 effective from March 1999, where WTO member countries 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. After that, in order to further liberalize the services sector, services negotiations have taken place in the Special Session of the Council for Trade in Services as a built-in agenda issue.

The WTO services negotiations are a key to the development of financial services in the 21st century. As the results of the negotiations have a significant effect on the non-life insurance industry which provides various kinds of non-life insurance services abroad and conducts international reinsurance transactions, the Marine and Fire Insurance Association of Japan issued its “Proposals for the WTO 2000 Services Negotiations” in November 1999 so that our non-life insurance industry can promote its fundamental views and so gain better understanding of its position from other countries. The proposals identified the following six objectives in the area of financial services:

a. Full implementation of commitments made under the Financial Services Agreement of 1997
b. Additional progress on market liberalization
c. Examination of the method of regulation
d. Reduction of MFN exemptions
e. Regulation of insurance sales on the Internet
f. Treatment of developing countries and the expansion of membership

In addition, our Association has taken every opportunity to collect information and express its views by participating in the Japan Services Network (JSN) which was set up by the Keidanren (the Japan Federation of Economic Organizations) and the Financial Leaders Working Group (FLWG).

From November 23 to 28, 2000, representatives from our Association participated in the mission of the JSN to Geneva, Switzerland, and visited the WTO headquarters where they exchanged views and information about services negotiations with Chairman of the Council for Trade in Services, Director of Services Division, and representatives from each country’s government.

Major Movements about WTO Services Negotiations

February 2000	General Council	It was decided that member countries would discuss how to proceed with services negotiations, which were a built-in issue, at the Special Session of the Council for Trade in Services.
May 2000	3rd Special Session of the Council for Trade in Services	(1)It was approved that member countries would submit proposals for negotiations about negotiation methods and the expansion of the membership among developing countries by the end of 2000. (2)It was approved that member countries would hold an evaluation meeting in March 2001 in order to examine the development of negotiations which had taken place and how to proceed with the negotiations after that.
December 2000	Submission of proposals for negotiations by the Japanese government	The Japanese government submitted its views about how to proceed with services negotiations and the issues of importance to each service sector.
March 2001	7th Special Session of the Council for Trade in Services	(1)Guidelines for negotiations were approved. (2)Positive evaluation was made about the negotiations which had taken place until then, and discussions were made about proposals for negotiations which were submitted by each country.
From May 2001	8th Special Session of the Council for Trade in Services and the subsequent sessions	Discussions have taken place about proposals for negotiations which were submitted by each country.
November 2001	4th Ministerial Conference (Qatar)	

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.

(2) Private-level

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.

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, and has been held every year since its establishment in 1996.

The fifth annual meeting of the IMIA was held in Cape Town, South Africa, on October 9, 2000, with representatives from 16 insurance associations of 9 countries, including a representative from the Marine and Fire Insurance Association of Japan. The themes of the fifth 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”.

Following a summer meeting held in Paris, France, in June 2001, the sixth annual meeting was held in Bonn, Germany, in September 2001. The topics listed on the agenda of the sixth meeting included; “IAIS Update and Review”, “Exchange of Information about Recent Developments on National Insurance Markets”, “Exchange of Information about Regulatory Developments on Reinsurance Supervision”, “Genetic Testing and Insurance”, etc.

B. 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 13, 2000 with around 530 members from 54 member associations all over the world, and five delegates from our non-life insurance industry participated in the meeting.

C. 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 with 131 representatives, and seven delegates from our non-life insurance industry participated in the meeting.

D. The International Accounting Standards Board (IASB)

The International Accounting Standards Board (IASB) was established to set and generalize the use of international accounting standards. In the insurance area, the “Insurance Steering Committee” was set up and the members including a representative from our Association have discussed the creation of an international accounting standard on insurance with the aim of achieving this by the end of fiscal 2003.

E. The Financial Leaders Working Group (FLWG)

The Financial Leaders Group (FLG), which consists of private financial industries in Europe and the U.S., was established in 1996. From November 1999, the Marine and Fire Insurance Association of Japan has participated in its working group (FLWG) to collect information, represent the Japanese non-life insurance industry in the presentation of opinions, and coordinate views with various organizations abroad. The FLWG is composed of the FLG member corporations and trade associations, who meet to put together the requests of the private sector and exchange information with each other, thus preparing for WTO negotiations.

Our Association participated in the FLWG meetings held in Geneva, Switzerland on June 14 and 15, 2000, and in Brussels, Belgium on November 27, 2000, to discuss the development of the WTO services negotiations, electronic commerce, domestic regulations, etc.

F. East Asian Insurance Congress (EAIC)

The 21st Conference of the East Asian Insurance Congress (EAIC) is to be held in Tokyo from October 20 to 25, 2002. As the 21st Conference is expected to be a major conference with about 1,300 participants from Japan and overseas, our Association, jointly with the Foreign Non-Life Insurance Association of Japan and the Life Insurance Association of Japan, set up an Organizing Committee in April 2001, making every effort for the successful operation of the Conference.

G. Others

A representative from our Association participated in the 83rd Legal Committee of the International Maritime Organization (IMO) in October 2001. Individual Japanese non-life insurance companies also participated in other international meetings. These included the annual seminar of the International Insurance Society (IIS), Monte Carlo Rendezvous, Baden-Baden Meeting, etc.

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 2001, there were 26 foreign non-life insurers in Japan from the following countries: U.S.A. (7) ; U.K. (6) ; France (3) ; Switzerland (2) ; India, Australia, Korea, the Philippines, Italy, Bermuda, Norway, and Germany (l each). Of these 26 companies, two 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 26 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 2001, foreign non-life insurers' employees totaled 3,323, and agents 16,591.

[Direct Premiums Written by Foreign Non-Life Insurers]

In fiscal 2000 ending March 31, 2001, the total of direct premiums (including the savings portion of maturity-refund-type insurance premiums) of foreign non-life insurers amounted to about 328.4 billion yen, recording an increase of 4.9% over the previous year. Personal accident insurance maintained the biggest share of any line of business at 41.5%, followed by voluntary automobile insurance (31.6%), and miscellaneous casualty insurance (13.4%).

Direct Premiums of Foreign Non-Life Insurers (Fiscal 2000)

(million yen & %)

Class of Business	Premiums			Share of Japanese Insurers
	Amount	Growth Rate	Share	
Fire	30,290	-1.2	9.2	17.5
Voluntary Automobile	104,013	5.8	31.6	40.3
Personal Accident	136,204	5.1	41.5	20.2
Miscellaneous Casualty	43,977	9.1	13.4	8.4
Marine and Inland Transit	7,358	3.6	2.2	2.8
Compulsory Automobile Liability	6,578	-6.7	2.0	10.9
Total	**328,420**	**4.9**	**100.0**	**100.0**

(Note) Figures above do not include those of foreign-capitalized non-life insurers and foreign non-life insurers which do not have membership in the Foreign Non-Life Insurance Association of Japan.

The market share of foreign non-life insurers in Japan (including five foreign-capitalized non-life insurers operating in Japan) stood at 4.24%, up 0.26 of a percentage point from the previous year. When the savings portion of maturity-refund-type insurance premiums is excluded, this share increases to 5.05%, up 0.19 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, 2001, 10 Japanese non-life insurers wrote risks through their overseas branch offices and agents in 55 countries and regions. The total of their direct premiums abroad amounted to about 58.8 billion yen, an increase of 15.2% from the previous year. (Direct premiums written by their overseas subsidiaries are not included in these figures.) This increase was attributable to the fact that premium income from the United States, Canada, Europe, the Near and Middle East, and Africa showed a significant increase from the previous year, reflecting those regions' good economic condition.

Direct Premiums Written Abroad by Japanese Non-Life Insurers (Fiscal 2000)

(million yen & %)

Class of Business	Premiums	Growth Rate
Fire	13,211	12.7
Automobile	11,502	5.3
Marine Hull	101	-11.4
Marine Cargo	8,142	12.6
Others	25,797	22.7
Total	**58,753**	**15.2**

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	122
Subsidiaries with 50% and over of Japanese capital	60
Subsidiaries with less than 50% of Japanese capital	57
Liaison Offices	224

(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, 2001.

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 l991 when the balance was reversed following a sharp increase of claims received for losses caused by a series of typhoons, including Typhoon No.19 (Mireille). In l992, however, the balance became negative again due to a sharp increase in reinsurance premium rates by overseas reinsurers and has since remained unfavorable.

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 and 2000 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
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
2000	213.9	135.6	-78.3

(Note) Claims (received) include reinsurance commissions until fiscal 1998.

Inward Reinsurance Balance

(billion yen)

FY	Premiums (received)	Claims (paid)	Balance
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
2000	164.3	178.8	-14.5

(Note) Claims (paid) include reinsurance commissions until fiscal 1998.

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 1999 there were 84 countries which each earned at least US$150 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$911.7 billion (101,641.9 billion yen: US$1=111.49 yen). The U.S.A. had a 44.03% share of the total non-life insurance premiums, followed by Japan (11.19%), Germany (8.35%), the U.K. (6.19%), and France (4.55%).

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 4.30% (ranking 3rd) and Israel 3.25% (8th). Furthermore, reviewing non-life insurance premiums per capita on a Japanese currency basis, Switzerland held the leading position with 192,733 yen. Of countries not listed separately, Luxembourg totals 117,633 yen (3rd) and Norway 92,537 yen (6th).

International Comparison of Non-Life Insurance Premium Volume (1999)

Country	Gross Direct Premiums (million yen)	Rank	Share(%)	Gross Direct Premiums / GDP (%)	Rank	Per Capita Premiums (yen)	Rank
U.S.A.	44,749,410	1	44.03	4.32	2	164,381	2
Japan	11,369,580	2	11.19	2.30	30	89,805	7
Germany	8,489,072	3	8.35	3.55	5	101,846	5
U.K.	6,290,043	4	6.19	3.05	10	82,670	11
France	4,621,706	5	4.55	2.82	15	76,772	14
Italy	3,200,543	6	3.15	2.44	23	55,176	20
Canada	2,378,862	7	2.34	3.31	7	78,110	13
Spain	1,799,226	8	1.77	2.71	17	45,666	22
Netherlands	1,776,482	9	1.75	4.05	4	112,516	4
Australia	1,490,956	10	1.47	3.39	6	78,467	12
Switzerland	1,380,023	11	1.36	4.78	1	192,733	1
Korea	1,370,324	12	1.35	2.89	14	29,244	27
Brazil	1,033,512	13	1.02	1.66	44	6,321	49
Belgium	940,084	14	0.92	2.91	13	74,921	15
Austria	716,435	15	0.70	3.09	9	88,646	8
China	701,830	16	0.69	0.61	73	557	80
Taiwan	669,943	17	0.66	2.08	32	30,515	25
Sweden	512,185	18	0.50	1.92	36	57,752	19
Argentina	471,826	19	0.46	1.50	50	12,899	33
Denmark	468,258	20	0.46	2.41	24	87,977	9
Other Countries	7,211,731	—	7.09	—	—	—	—
Total (Average)	**101,641,865**	—	**100.00**	—	—	**(16,935)**	—

(Note) 1. Figures quoted are from “Sigma/Swiss Re No.9/2000”.
2. The exchange rate used (US$1=111.49 yen) is the average exchange rate for 1999.
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. Daiichi Mutual Fire and Marine Insurance Company was ordered to suspend part of its Business Operation (May 2000) and have its Insurance Contracts transferred to the Non-Life Insurance Policyholders Protection Corporation (April 2001)

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, and two individuals, 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.

On April 1, 2001, the company, with the approval of the FSA, transferred its insurance contracts to the Non-Life Insurance Policyholders Protection Corporation. In line with the transference of the insurance contracts, policy terms and conditions were changed with the aim of reducing claims payments, altering expected interest rates, and applying early surrender charges. Subsequently, the company dissolved and went into liquidation.

2. 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 rules for financial services, 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 sector.

3. Inspection Manual relating to Insurance Companies published (June 2000) and revised (April and June 2001)

In 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 after July 2000. 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 to further enhance the FSA’s inspection and supervisory functions.

In April 2001, in order to urge financial institutions to establish effective internal and external auditing systems on a self-responsibility principle, the parts of the inspection manual related to internal and external auditing were revised. In June 2001, the inspection manual was also revised on such matters as emergency economic measures, introduction of a market-value-based accounting system, and internet transactions, and it was decided that the revision would apply to inspections to be carried out from July 2001 onward.

4. 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 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.

5. 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 Policyholders Protection Corporations.

6. Financial Services Agency established (July 2000 and January 2001)

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

In January 2001 when the realignment of the central ministries was implemented, the FSA was established as an external organ of the Cabinet Office, and in line with the abolishment of the Financial Reconstruction Commission, it has taken over the planning and drafting of a system to cope with bankruptcies, etc. The FSA has now taken charge of activities ranging from the planning and drafting of financial systems to the implementation of inspection, supervision, and monitoring, thus leading to the centralization of financial administration across the banking, insurance, and securities sectors.

7. Lifting of the Ban on Mutual Entry between Banks and Insurance Companies through Subsidiaries (October 2000)

In line with the passing of the Financial System Reform Bill in the Diet in June 1998, the Insurance Business Law was revised in December of the same year to enable mutual entry between insurance companies and other financial institutions (securities companies and banks) through subsidiaries. However, those subsidiaries were limited to bankrupt companies and banks.

In October 1999, insurance companies were allowed to have a bank other than a bankrupt one as a subsidiary, and in October 2000, banks were allowed to have an insurance company other than a bankrupt one as a subsidiary. Thus, a framework for mutual entry between insurance companies and other financial institutions was completed. Mutual entry between insurance companies and other financial institutions through holding companies has also been allowed.

8. Interim Results disclosed by Non-Life Insurance Companies (November 2000)

It was decided that those non-life insurance companies, which are in a position to do so, should voluntarily disclose their interim results for the first half of the year concerned, and for the first time ever 16 companies disclosed their interim results for the first half of fiscal 2000 (April to September 2000).

Whereas general business companies usually calculate “interim net profit”, non-life insurance companies have thus far disclosed “interim balance” in their interim financial statements. This is due to the fact that “interim net profit” cannot be calculated, mainly because overseas insurance companies do not have the practice of calculating their outstanding claims in the middle of the fiscal year, and therefore, calculation of provision and reversal of "outstanding loss reserves" and “liability reserves”, which are very important for the calculation of profit and loss of non-life insurance companies, are not available.

On the other hand, in consideration of changes in the social environment such as the expansion of the disclosure system, which includes obligatory preparation of consolidated financial statements, and an increase in the number of companies which have a non-life insurance company as their subsidiary or affiliated company, the non-life insurance industry resolved to comply with requests from investors for the disclosure of interim results and started to deliberate about two years ago on technical hurdles to be cleared for the full-scale disclosure of interim results including the calculation of interim net profit. After the non-life insurance industry succeeded in setting a certain method as an industry standard, and explained the details of the method to the Japanese Institute of Certified Public Accountants and the competent authorities, the 16 non-life insurance companies disclosed their interim results for the first time ever.

9. “Non-Life Insurance Industry’s Action Plan for the Preservation of the Environment” revised (December 2000)

In November 1996, the non-life insurance industry mapped out its position on environmental problems in the “Non-Life Insurance Industry’s Action Plan for the Preservation of the Environment”, in compliance with the “Keidanren Global Environment Charter” and the “Keidanren Appeal on Environment” declared by the Keidanren, the Japan Federation of Economic Organizations.

Non-life insurance companies have since promoted “measures to prevent global warming”, “establishment of an economic and social system where recycling is the norm”, “establishment of an environmental management system and its ongoing review” and “education and raising awareness of environmental issues” based on the Action Plan, and in October 1998, they expanded their environmental activities by adding to the Action Plan the following two items, i.e. “purchase of environmentally-friendly goods” and “development and dissemination of insurance products to respond to environmental issues”.

Furthermore, the non-life insurance industry set up the Environmental Committee, where it has made strenuous efforts to examine and publish each company’s response to environmental issues and has held study meetings and lectures, in order to raise the level of the non-life insurance industry’s response to environmental issues as a whole. In December 2000, the non-life insurance industry revised the Action Plan to further promote its response to environmental issues in light of the importance of the preservation of the environment as well as the efforts of the non-life insurance industry up to then.

The following are the two major revisions, i.e. “effective promotion of the non-life insurance industry’s response to environmental issues through non-life insurance products and services, education and raising awareness of environmental issues outside the company, and information dissemination" and "demonstration of the industry's concrete activities to respond to environmental issues with a new stress placed on education and raising awareness of environmental issues within the company in order to support the industry's response as a whole".

10. Response to the Law on Sales of Financial Products (December 2000)

Under the Law on Sales of Financial Products, which came into force in April 2001 in order to protect consumers, financial service providers are obliged to provide customers with important information on the financial products they sell, and to draw up and publicize a solicitation policy.

The Marine and Fire Insurance Association of Japan drew up and published a reference paper for each member company to have a better understanding of the Law and respond to consumers smoothly in line with the objective of the Law.

11. Mutual Entry of Non-Life and Life Insurance Companies into the Third Sector (January and July 2001)

Concerning the entry of non-life and life insurance companies into the third sector, which consists of medical, cancer, and personal accident insurance, necessary provisions were stipulated after the revision of the Insurance Business Law in 1995. However, the US government expressed its concern about the entry of non-life and life insurance companies into the third sector through subsidiaries at the Japan-US Insurance Talks. As a result of the subsequent negotiations between the Japanese and the US governments, both governments agreed in December 1996 that the entry of subsidiaries of non-life and life insurance companies into the third sector should be allowed from January 2001, on condition that deregulation would advance in the primary insurance sector.

After that, at the follow-up meetings of the Japan-US Insurance Talks held in June 1998 and April 1999, the US government argued that the deregulation was not sufficient. The Japanese government contested this US argument, asserting that the deregulation provided for in the agreement had been fully implemented, and therefore, the restrictions on entry into the third sector should be removed in 2001. In July 2000, it was officially confirmed during a meeting between Mr. Masaharu Hino, the former Commissioner of the Financial Services Agency and the then Ambassador Charlene Barshefsky, the United States Trade Representative, that the restrictions on the entry into the third sector should be removed on January 1, 2001.

Accordingly, mutual entry into the third sector through subsidiaries was implemented in January 2001, while the mutual entry of non-life and life insurance companies into the third sector in their own right was postponed for six months and implemented in July 2001 as there needed to be a common set of rules to protect policyholders for non-life and life insurance.

12. Revision of the Enforcement Regulation on "Agency Business" of the Insurance Business Law (March 2001)

The Insurance Business Law stipulates that an insurance company may act as agent for other insurance companies in their activities connected with insurance business, or provide services for such companies in administrative functions connected with insurance business. However, such activities had been restricted to those specified by Article 51 of the Enforcement Regulation of the Insurance Business Law until March 13, 2001 when the Enforcement Regulation was revised to expand the scope of such activities to include "agency for the conclusion of an insurance contract (including intermediation)”. As a result, subject to the approval of the Commissioner of the Financial Services Agency, a life or non-life insurance company has been allowed to act as a non-life insurance agent for other insurance companies and distribute the insurance products of such companies.

13. Expiration of the Period during which the Non-Life Insurance Policyholders Protection Corporation provides Full Compensation for Claims (March 2001)

If an insolvent non-life insurance company applied to the Non-Life Insurance Policyholders Protection Corporation for financial aid, etc., 100% compensation for claims incurred from all types of insurance policies was applicable to cases where the accident involved occurred before the end of March 2001.

As this provisional measure expired at the end of March 2001, claims from insured accidents, which occurred on or after April 1, 2001, have been compensated in accordance with the following ratios:

(1) 100% Compensation: Compulsory Automobile Liability Insurance and earthquake insurance on dwelling risks.

(2) 90% Compensation: voluntary automobile insurance, fire insurance on personal risks, personal accident insurance, medical expenses insurance, nursing care expenses insurance, overseas travelers' personal accident insurance, etc. (including their maturity-refund-type policies)

(3) Compensation based on the asset condition of an insolvent insurance company (no protection provided by the Corporation): Other classes of insurance than those listed above.

14. Enforcement of “Consumer Contract Law” and “Law on Sales of Financial Products” (April 2001)

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, the “Consumer Contract Law” and the “Law on Sales of Financial Products” were approved by the Diet in May 2000 as a general rule covering all industries including the non-life insurance industry, effective from April 1, 2001.

15. Lifting of the Ban on the over-the-counter sales of certain Insurance Products by Banks, etc. (April 2001)

Following the partial revisions of the Insurance Business Law which were made taking into account the results of deliberations in the Financial System Council, over-the-counter sales of insurance products by banks, etc. started from April 2001, with the following provisos:

(1) Insurance products which can be sold by banks, etc. are long-term fire insurance, long-term income indemnity insurance, and credit life insurance which are all associated with housing loans, and overseas travelers' personal accident insurance.

(2) Credit life insurance to be sold by banks is limited to that of their subsidiary and affiliated life insurance companies.

(3) Insurance sales resulting from the bank’s influence on its customers, such as tied-in-sales with insurance and

bank products, are prohibited.

16. Enforcement of a Law concerning the Soliciting of Compulsory Automobile Liability Insurance for Small-sized Motorcycles, etc. by Post Offices (April 2001)

In May 2000, a law concerning the soliciting of Compulsory Automobile Liability Insurance for small-sized motorcycles, etc. by post offices was promulgated effective from April 2001. This enabled post offices throughout the country to solicit Compulsory Automobile Liability Insurance for motorcycles of 125 c.c. or less in displacement and motorbikes which are not subject to inspection from October 1, 2001.

17. Liberalization of the Non-Life Insurance Agency System (April 2001)

The Non-Life Insurance Agency System, which was stipulated in the Administrative Guidelines of the Financial Services Agency, had contributed to the sound development of the non-life insurance business in line with the objective of the report of the Insurance Council, as well as improvement of quality of non-life insurance agents, protection of policyholders, and enrichment of services to policyholders. However, with the liberalization of insurance products and premium rates, the method of setting the level of agency commissions in accordance with agency qualifications, which was stipulated in the Administrative Guidelines, was reviewed and liberalized in March 2001.

18. Four New Companies launched by Merger (April and October 2001)

In April 2001, the following three companies were newly launched by merger: “Aioi Insurance Co., Ltd.” by merger of the Dai-Tokyo Fire and Marine Insurance Co., Ltd. and the Chiyoda Fire and Marine Insurance Co., Ltd., “Nissay Dowa General Insurance Co., Ltd.” by merger of the Dowa Fire and Marine Insurance Co., Ltd. and Nissay General Insurance Co., Ltd., and “NIPPONKOA Insurance Co., Ltd.” by merger of the Koa Fire and Marine Insurance Co., Ltd. and the Nippon Fire and Marine Insurance Co., Ltd. In October 2001, “Mitsui Sumitomo Insurance Co., Ltd.” was newly launched by merger of the Sumitomo Marine and Fire Insurance Co., Ltd. and Mitsui Marine and Fire Insurance Co., Ltd.

A merger between domestic non-life insurance companies had not taken place since 1971.

19. Revision of Disclosure Standards (May 2000 and May 2001)

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 2000, our industry reviewed its disclosure standards in line with the partial revisions of the Enforcement Regulation of the Insurance Business Law to add a new item to the standards, i.e. “disclosure of bad debts based on classification of debtors”. Our industry also reviewed the disclosure standards in May 2001 in order to cope with the liberalization of the Non-Life Insurance Agency System and the introduction of an accounting standard of financial products.

20. Revision of the Compulsory Automobile Liability Insurance System (June 2001)

A Bill to amend the Automobile Liability Security Law, which includes the abolition of the Compulsory Automobile Liability Insurance (CALI) government reinsurance scheme and the establishment of a CALI dispute settlement body, etc., was approved by the Diet on June 22, 2001. The Bill also clarifies measures to give further protection to traffic accident victims. The amended Law is to be implemented on April 1, 2002.

21. Bill on the Defined Contribution Pension Plan approved by the Diet (June 2001)

The Bill on the Defined Contribution Pension Plan was approved by the Diet on June 22, 2001 effective from October 1, 2001.

The defined contribution pension plan provides users with a new alternative to the current defined-benefit pension scheme used to complement the public pension system. Under the new plan, the amount of benefits to be paid in the future will vary in accordance with the yields of investment based on the beneficiary's own risk.

22. Implementation of a Registration System of Contract Terms of Personal Accident Insurance, etc. (June 2001)

The non-life insurance industry implemented a registration system of contract terms of personal accident insurance, etc. from June 2001, in order to ensure proper claims payments as well as to prevent the occurrence of accidents resulting from unfair contracts.

The outline of the system is as follows:

(1) Non-life insurance companies, when they underwrite such insurance policies (including maturity-refund-type ones) as indemnify loss of life or permanent disability and the risk of hospitalization or medical treatment without being hospitalized which would all result from bodily injury or sickness, are required to register the contract terms with the Marine and Fire Insurance Association of Japan, subject to the consent of the policyholders concerned.

(2) Non-life insurance companies are allowed to make use of information on contract terms registered with the Association by other non-life insurance companies for their judgment on claims payments and continuation of insurance contracts.

23. Claims Payments for Recent Natural Disasters (May 2000 to March 2001)

(1) Hailstorms in Ibaraki and Chiba Prefectures

Claims 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 about 70.0 billion yen as of March 31, 2001 (including estimates).

(2) Earthquakes and Eruptions in Izu Islands

On June 26, 2000, the Disaster Relief Act was invoked in Miyake Village, Miyakejima of the Izu Islands which lie off Izu Peninsula in the western Pacific, because there was fear of an eruption. As of September 2001, eruptions have somewhat subsided, but inhabitants have still been evacuated due to the occurrence of a large amount of volcanic gas.

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 resulting from an earthquake, whose epicenter was under the sea near Niijima and Kozushima, amounted to about 18 million yen as of March 31, 2001 (including estimates).

(3) Torrential Downpour in Tokai Area

Claims payments for the torrential downpour, which caused damage mainly to the Tokai area from September 8 to 12, 2000, totaled about 103.0 billion yen as of March 31, 2001 (including estimates), registering the highest ever claims payments of about 54.5 billion yen in automobile insurance.

(4) Earthquake in Western Tottori Prefecture

Claims payments for the earthquake, which hit wide areas of the Chugoku region in western Japan on October 6, 2000, badly affecting mainly Tottori prefecture, totaled about 3.1 billion yen as of March 31, 2001 (including estimates). According to the Fire and Disaster Management Agency, the total number of injured was 141, and the total number of dwelling houses damaged was 20,795 as of June 5, 2001.

(5) Geiyo Earthquake

Claims payments for the earthquake, which struck mainly the Chugoku and Shikoku regions in western Japan on March 24, 2001, causing extensive damage mainly to Hiroshima and Ehime prefectures, totaled about 16.0 billion yen as of May 18, 2001 (including estimates). This is the second largest payment for earthquake claims recorded in the Japanese non-life insurance market, following claims payment of about 78.3 billion yen for the Great Hanshin-Awaji Earthquake. According to a survey by the Fire and Disaster Management Agency on June 4, 2001, the total number of dead was 2 and there were 289 injured. The total number of dwelling houses damaged was about 42,000.

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 administrative structure, which in the past had been the responsibility of the Ministry of Finance. The first step towards integration was the creation of the Financial Supervisory Agency in June 1998, which was an extra-ministerial organ of the Prime Minister's Office. This agency took over the inspection and supervisory functions of the Ministry of Finance. However, such functions as policy planning, research and study relating to the overall financial system, and the introduction and repeal of laws and regulations related to financial systems were maintained in the Financial System Planning Bureau of the Ministry of Finance. Following the establishment of the Financial Reconstruction Commission (Note), the Financial Supervisory Agency came under the wing of the Commission in December 1998.

(Note) The Financial Reconstruction Commission was established in December 1998 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 second step was implemented by the reorganization of the Financial Supervisory Agency, and the FSA came into existence on July 1,2000, integrating the functions of the two organizations.

d. On January 6, 2001, when the realignment of the central ministries as a whole came into effect, the Financial Reconstruction Commission was abolished. In line with this, the FSA became an extra-ministerial organ of the Cabinet Office (renamed from the Prime Minister's), and took over such functions as administering the liquidation process of bankrupt financial institutions, etc. assumed by the Financial Reconstruction Commission. The Ministry of Finance maintains such functions as the administration of the reinsurance scheme shared by the government and the private insurers of earthquake insurance on dwelling risks, policy planning, research and study relating to the management of financial crises, and supervision of the Deposit Insurance Corporation, etc.

e. A Special Minister responsible for the activities of the FSA is appointed by the Prime Minister. The top management of the FSA is the Commissioner who is the head of the secretariat. The FSA is composed of four departments (i.e. the Planning and Coordination Bureau, the Supervisory Bureau, the Inspection Bureau, and the Securities & Exchange Surveillance Commission), subdivided into different divisions. The Insurance Business Division of the Supervisory Bureau is responsible for the supervision of life and non-life insurance companies, including foreign insurers, insurance holding companies, the Policyholders Protection Corporations, non-life insurance agents, life insurance solicitors, insurance brokers, and non-life insurance rating organizations. The Examination Office within the Insurance Business Division is responsible for the examination of the statement of life and non-life insurance business including the method of operations, general policy conditions, the basis of working out premiums and underwriting reserves. 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.

f. In order to cope with financial system crises, the Cabinet Office established 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, discusses policy planning and other important matters concerning the chain reaction caused by the bankruptcies of financial institutions. The Special Meeting is 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

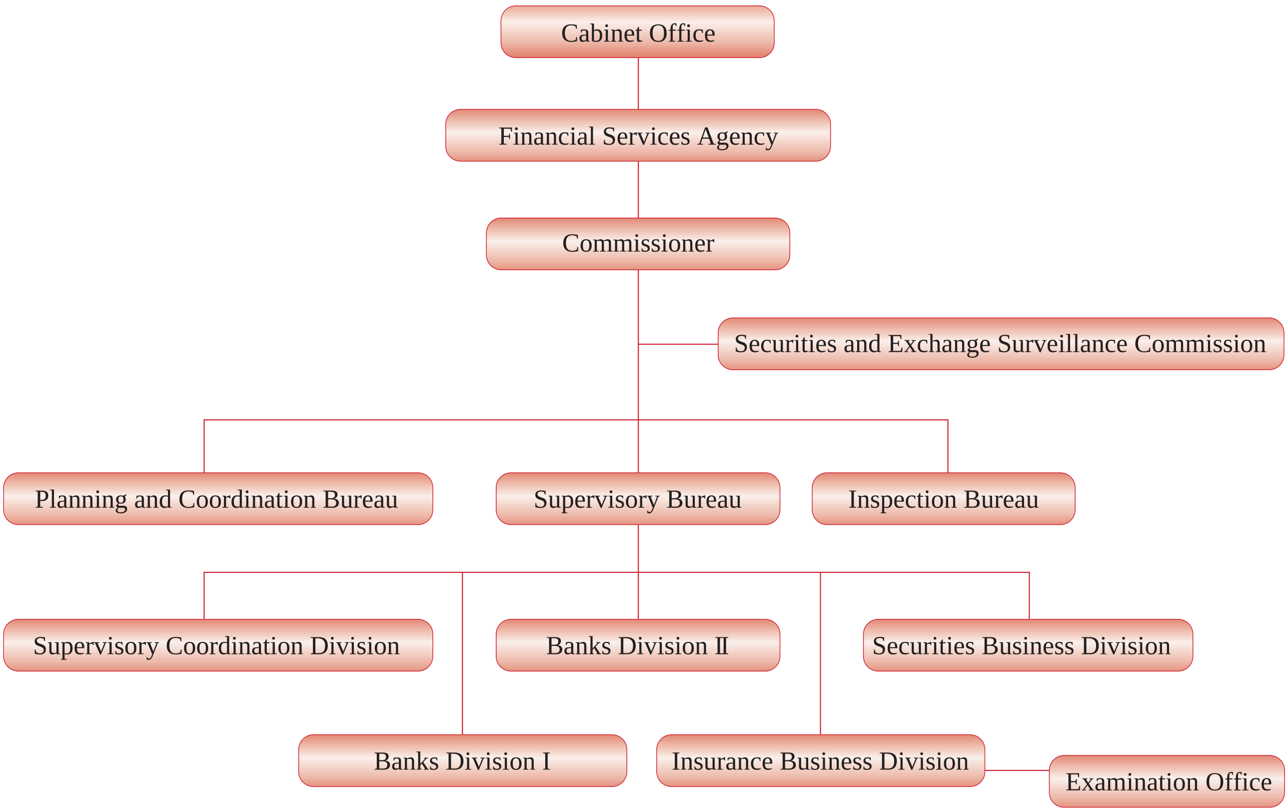
a. The Financial Services Agency (FSA) also calls for advisory councils to the Commissioner, such as the Financial System Council, the Compulsory Automobile Liability Insurance (CALI) Council, and the Business Accounting Council.

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.

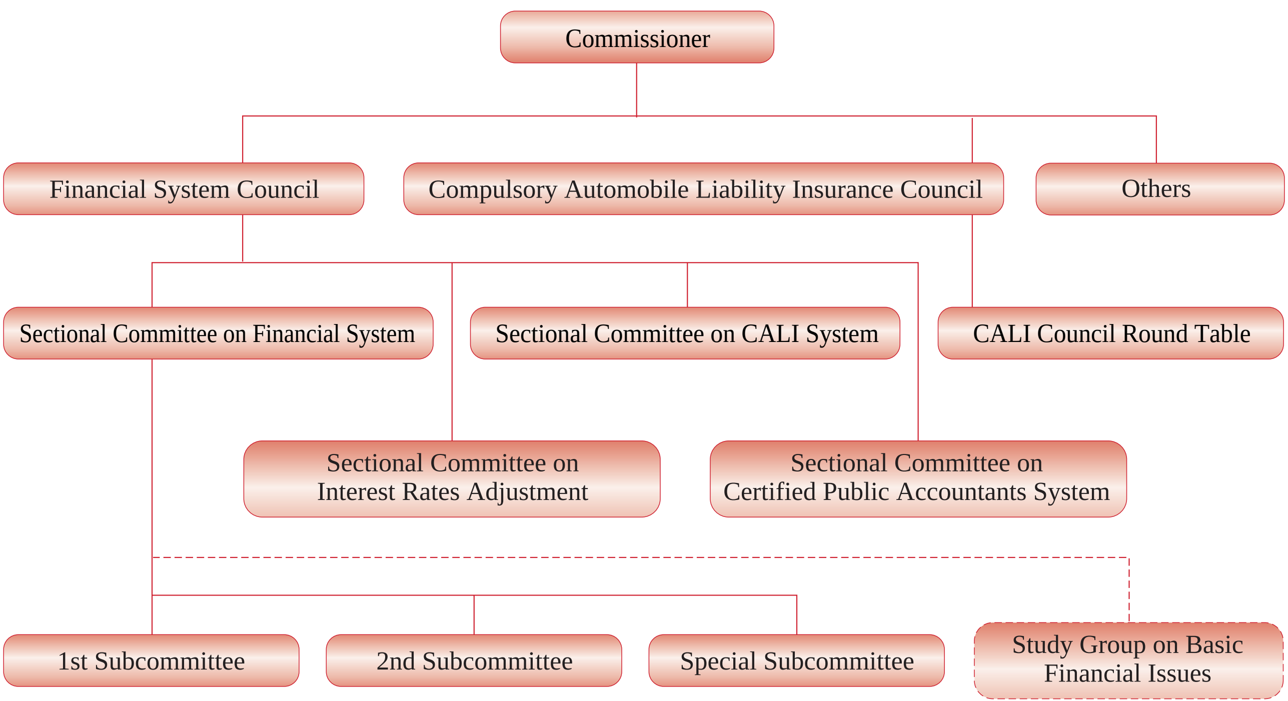
c. The Financial System Council was established in June 1998 by combining three former councils (the Financial System Research Council, the Insurance Council, and the Securities & Exchange Council). Though the Financial System Council was set up under the Ministry of Finance, it has been placed under the FSA since the latter's creation on July 1, 2000. The Financial System Council is currently composed of 25 members. Furthermore, because of the realignment of the central ministries effected from January 2001, the former council for interest rate adjustment has become the lower branch of the Financial System Council, and under the Council, 4 sectional committees and one study group have been set up, including the sectional committee on the financial system, the committee on interest rate adjustment, the committee on Compulsory Automobile Liability Insurance (CALI) system and the committee on the certified public accountants system.

d. The CALI Council was established under the Automobile Liability Security Law introduced in 1955, and is currently composed of 18 members. It has met regularly since its creation, and at its 115th session held in June 2000, it submitted a report to the Commissioner of the FSA concerning the new direction of the CALI system as a whole. This report took a forward-looking position on the abolition of the CALI government reinsurance scheme and the streamlining of CALI administrative procedures.

Structure of Financial Services Agency



Structure of Advisory Councils to the Commissioner



(3) 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 through 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, which gives due consideration to the public responsibilities of the insurance business, is to protect policyholder's 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 Prime Minister.
b. There are two types of license available, one for life insurance business and the other for non-life insurance business.
c. No person can hold licenses for both life and non-life insurance business concurrently.
d. The license for 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 Prime Minister 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 Prime Minister delegates 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 Prime Minister 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 Prime Minister, 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 by 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 Cabinet Office.

c. An insurance company can carry on the following other business 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 business 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 business other 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 Prime Minister 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 business to the parent insurance company (e.g. systems development, human resources), 6) Companies conducting finance 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 Prime Minister.

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 Prime Minister. 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 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 Prime Minister.

(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 Cabinet Office, which are considered to be less detrimental to policyholders' interests), it must obtain approval thereof from the Prime Minister.

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

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

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

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

f. The Prime Minister 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 Prime Minister considers appropriate measures necessary, after examining the state of its assets and indices to determine the soundness of the 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 agreement with the company concerned and with the approval of the Prime Minister.

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 Prime Minister. Concerning the licensing of foreign insurers, the same provisions as apply to domestic insurers are instituted.

b. A foreign insurer having no branch office, etc. in Japan is prohibited from concluding any insurance contract (excluding those stipulated in the Enforcement Ordinance and Regulation) on persons residing or property located in Japan, etc. except for insurance contracts approved by the Prime Minister.

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 Cabinet 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 Prime Minister thereof in advance.

f. Special provisions to allow a specific corporation (the “Society of Lloyd’s”) to obtain a license from the Prime Minister 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 Prime Minister considers that it is difficult for the company to continue its business, or that the continuation of its business is detrimental to policyholders, the Prime Minister can order the company to discuss the transfer of its portfolio or to take any other necessary measures. The Prime Minister 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 Prime Minister.

c. An insurance administrator can require the management and staff or those who used be the management or staff of an insurance company under administration to report the condition of business and assets of the company or examine its account books, documents, and other materials. 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. When the Prime Minister considers it necessary to maintain the contracts of a failed insurance company in order to protect policyholders, the Prime Minister may order an insurance administrator to draw up a plan to administer the business and assets of the failed company including the policy for the reorganization and rationalization of the business operation or the measures to merge the company with other insurance companies.

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 Prime Minister may designate an insurance company as the recipient of the portfolio or the partner of the merger and recommend that a company participate in discussions on the transfer of the portfolio or the merger with the failed insurance company. If no agreement is reached after such discussions, the Prime Minister can conduct the necessary mediation after hearing both parties' opinions in advance.

g. In order to ensure the protection of policyholders, a Policyholders 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, 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 Prime Minister 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) Shareholders

(The following provisions of this item were enacted by the amendment of the Insurance Business Law on November 9, 2001 and are due to be enforced within 6 months of the enactment.)

a. Any person or company who obtained more than 5% of the total shares of an insurance company or an insurance holding company (a "Large-Quantity Shareholder related to an insurance company"), is required to notify the Prime Minister within a certain period of doing so.

b. Any person or company wishing to obtain more than, in principle, 20 % of the total shares of an insurance company or an insurance holding company or wishing to establish a company or an insurance company which holds more than, in principle, 20 % of the total shares of an insurance company or an insurance holding company (a "Major Shareholder related to an insurance company"), is required to obtain approval thereof from the Prime Minister in advance.

c. In order to ensure the sound operation of an insurance company, the Prime Minister may take necessary measures such as requiring the submission of a business improvement plan for the insurance company from the Major Shareholders who hold more than 50% of the company's shares.

(17) Insurance Holding Companies

a. Any insurance company wishing to become an insurance holding company or wishing to establish an insurance holding company is required to obtain approval thereof from the Prime Minister in advance.

b. An insurance holding company must obtain the permission of the Prime Minister 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, or 6) a company providing incidental or ancillary business 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 Prime Minister.

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.

(18) 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 are registered with the Prime Minister. 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.

c. Life insurance solicitors and non-life insurance agents must be registered with the Prime Minister.

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 Prime Minister 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 Prime Minister 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.

(19) 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. where the 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 Prime Minister, establish a non-life insurance rating organization.

b. The kind of insurance for reference risk premium rates which can be calculated by the rating organizations shall be stipulated in the Enforcement Regulation issued by the Prime Minister, 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 Cabinet Office 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 are required to notify the Prime Minister. Notification is also required when notified rates are altered.

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

(5) Supervision

a. When the Prime Minister considers it necessary to ensure the appropriate operations of the rating organizations, the Prime Minister 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. Should a rating organization contravene this Law, its Enforcement Ordinances and Regulations, or commit any activities detrimental to the public interest, the Prime Minister may order the rating organizations to dismiss its director and auditor, suspend its business activities, or the Prime Minister 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 for 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). Small-sized 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”.

(Note) On June 22, 2001, a Bill to amend the Automobile Liability Security Law, which includes the abolition of the CALI government reinsurance scheme and the establishment of a CALI dispute settlement body*, etc., in order to reduce government intervention in the business of CALI and give further protection to victims of traffic accidents, was approved in the Upper House and the law is to be implemented on April 1, 2002.

* The Minister of Land, Infrastructure and Transport and the Prime Minister may designate as a qualified grievance organization, a body which shall be established to protect the victims of traffic accidents through fair and appropriate settlement of claims payment disputes and which shall be judged to meet the prescribed requirements. The Minister of Land, Infrastructure and Transport and the Prime Minister should supervise the organization by such means as laying down approval procedures for the selection of directors of the organization, submission of reports on its business activities, on-the-spot inspection, orders to suspend its business activities, etc.

(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 / she 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 something akin to the legal concept of “no-fault liability” 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.

(Note) At the joint conference of the 12th session of the CALI Council Round Table and the 2nd session of the Sectional Committee on CALI System of the Financial System Council held on November 8, 2001, the joint conference showed the direction to raise the limits of insurers’ liability for permanent disability from April 1, 2002. The limit for the victims who need nursing care at all times (1st grade) will be raised from 30 million yen to 40 million yen and that of the victims who need nursing care as the occasion demands (2nd grade) will be raised from 25.9 million yen to 30 million yen.

(3) Government Reinsurance and Insurers’ Pool Scheme

The premium portfolio of all CALI contracts except for policies for small-sized 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 in Japan.

(Note) The above scheme is to be abolished at the end of March. As a result, all CALI premium portfolios will be reinsured with the CALI Reinsurance Pool in which all insurers operating CALI business participate.

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 the 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. As a result of 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 described in 1) Scope and Amount of Coverage below.

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 is 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 is 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 is 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 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.

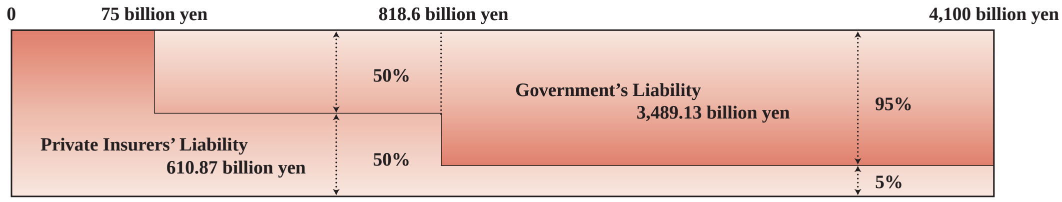
b. Retrocession with direct insurers:
JER cedes a certain portion of the portfolio back to the original direct insurers and also to the Toa Reinsurance Company by way of excess of loss reinsurance.

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



(A) Up to 75b yen : ························ Private Insurers Liable for 100%
(B) Over 75b yen up to 818.6b yen : ·········· Government Liable for 50% (409.4b yen)
Private Insurers Liable for 50% (409.45b yen)
(C) Over 818.6b yen up to 4,100b yen : ······· Government Liable for 95% (3,489.13b yen)
Private Insurers Liable for 5% (164.07b yen)

2. Deregulation and 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 in 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.
- Following 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 of 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 with certain restrictions of life and non-life insurance companies into the third sector.
  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 into 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 established by six life insurance companies and the eleven life insurance subsidiaries established by eleven 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" agreed by the two governments in October 1994. As a result of these consultations, the two governments reached an agreement which included the following points entitled "Supplementary Measures by the Government of Japan and the Government of the United States regarding Insurance", as an integral part of the "Measures".
  ① Deregulation of the primary sector
    a. Abolition of the obligation for members to use the premium rates calculated by the rating organizations.
    b. Approval of automobile insurance with differentiated premium rates.
    c. Expansion of the scope of the application of the advisory rate system for loading rates of commercial fire insurance.
    d. Expansion of the type of insurance applied to the notification system.
    e. Approval of insurance products with differentiated premium rates within 90 days of the standard examination period.
  ② Entry into the third sector by subsidiaries
    a. Restriction on sales of third sector insurance by life and non-life subsidiary companies, subject to measures to avoid radical change in the third sector for foreign insurers.
    b. Termination of the measures to avoid radical change, two and a half years after all the 5 criteria of the implementation of the deregulation of the primary sector described in ① above were satisfied.

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 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 the Administrative Reform

Council, submitted their respective reports which included 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 at defining rules concerning their protection in the event of an insurance company going bankrupt. This includes 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 Policyholders Protection Corporations
  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 that they registered with and obtained approval from the Commissioner of the Financial Supervisory Agency.

June 22,1998 Financial Supervisory Agency created.

- The Financial Supervisory Agency was an independent body, separate from the Ministry of Finance, which 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 Policyholders 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' rights on insurance claims filed with an insolvent non-life insurance company.

March 31, 1999 Early Warning Measure in Insurance Companies become 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 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 adverse 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. This means life insurance companies can sell non-life insurance products by tying up with non-life insurance companies, and vice versa.

October 1, 2001 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.

January 1, 2001 Subsidiaries of life and non-life insurance companies allowed to sell third sector insurance products.

- All the 5 criteria for the termination of the measures to avoid radical change in the third sector based on the “Supplementary Measures” agreed in the Japanese-US Insurance Talks in December 1996 had been satisfied by the implementation of the non-life rating organization system reform in July 1998. The restrictions on entering the third sector by subsidiaries of life and non-life insurance companies were lifted on January 1, 2001, two and a half years after the 5 criteria were met, as scheduled.

January 6, 2001 The total realignment of the central ministries implemented.

- With the abolition of the Financial Reconstruction Commission, the Financial Services Agency was placed under the Prime Minister’s Office which was renamed the Cabinet Office.

April 1, 2001 Ban on insurance sales by banks partially lifted, and the non-life agency system liberalized.

- Financial institutions, such as banks, etc., were allowed to sell insurance products within a certain range on April 1, 2001, based on the partial amendment of the Insurance Business Law, following the deliberation of the Financial System Council. The types of insurance products which banks are allowed to sell are long-term fire insurance related to housing loans, assistance insurance for paying off debts and credit life insurance.

- The non-life insurance agency system was liberalized from April 1, 2001 by the abolition of the Administrative Guidelines concerning the personal qualifications and agency classifications on March 31, 2001. This would bring the diversification of the level of agency commissions which depended upon agency classifications. Subsequently, each non-life insurance company has to promote the development of agency qualifications by itself.

April 1, 2001 The Consumer Contract Law and the Law on Sales of Financial Products enacted.

- In order to prevent trouble arising from contracts between consumers and businesses and in sales of financial products, and to protect consumers, the Consumer Contract Law and the Law on Sales of Financial Products were approved in May 2000 and enforced in April 1, 2001. The Consumer Contract Law defines the situations in which consumers will be allowed to rescind the contract, and the contract terms which should be void in all kinds of consumer contracts. The Law on Sales of Financial Products lays down an obligation on all financial service providers to give adequate explanations to customers, and makes them liable for damages which arise from the provider’s not fulfilling this obligation.

July 1, 2001 Mutual entry of life and non-life insurance companies into third sector in their own right permitted.

- Following the mutual entry of life and non-life subsidiaries into the third sector in January 2001, life and non-life insurance companies were allowed to sell each other's third sector insurance products in their own right on July 1, 2001. This six month period was needed in order to prepare a common set of rules to protect policyholders.

October 1, 2001 Sales of CALI for small-sized motorcycle started by post offices.

- In line with the enforcement of the Law concerning the Soliciting of Compulsory Automobile Liability Insurance for Small-sized Motorcycles, etc. by Post Offices on April 1, 2001, post offices started to sell Compulsory Automobile Liability Insurance (CALI) for small-sized motorcycles, etc. from October 1, 2001.

October 1, 2001 Defined Contribution Pension Plan started.

- The Law on Defined Contribution Pension Plan was approved on June 29, 2001. The plan provides two types of pension, i.e. a “company-contribution type” and “individual-contribution type”, as an alternative to the defined benefit pension scheme used to complement the public pension system. The former type was implemented from October 1, 2001, and the latter will start from January 1, 2002. Non-life insurance companies can be involved in the operation of both “company-contribution type” and “individual-contribution type” as “asset administrators” and “plan administrators” as well as “providers of investment products”.

(The following measure is scheduled after January 2002. (as of December 15, 2001)

April 2002 Abolition of CALI Government Reinsurance Scheme to be implemented.

- By the amendment of the Automobile Liability Security Law approved in June 2001, the Compulsory Automobile Liability Insurance (CALI) government reinsurance scheme, where CALI contracts are reinsured en bloc with the government on 60% of quota share basis, will be abolished in April 2002. As a result, all the CALI premium portfolio will be reinsured with the CALI Reinsurance Pool in which all insurers operating CALI business in Japan participate.

3. Outline of Measures for Early Warning and Policyholders' Protection in the Non-Life Insurance Business

As a scheme to protect policyholders' interests, the following measures have been introduced to the Japanese non-life insurance market: (1) an early warning measure based on the solvency margin ratio whereby the supervisory authority can require an ailing non-life insurance company to improve its business operations, and (2) the policyholders protection corporation to deal with the possible insolvency of a non-life insurance company.

(1) Early Warning Measure

An early warning measure was introduced in April, 1999, 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 measure was stipulated in Article 132 of the Insurance Business Law and the relevant Ordinance of the Cabinet Office and the Ministry of Finance, and has 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 (the Society of Lloyd's), to maintain sound management in accordance with their solvency margin ratio.

An insurance company will be considered in sound condition if the solvency margin ratio is 200% or more. However, if the ratio of an insurance company falls below 200%, the supervisory authority shall issue an early warning on the basis of the provisions of the Insurance Business Law and its enforcement ordinance. According to the enforcement ordinance, 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 below.

● **Category of the Early Warning Measure**

Category	Solvency Margin Ratio	Content of Measure
Non-category	200% and more	No action shall be taken.
Category 1	Less than 200%	The supervisory authority shall require the insurance company to submit a business improvement plan which the authority considers appropriate to ensure the management soundness of the insurance company involved, and then the authority shall order the implementation of the business improvement plan.
Category 2	Less than 100%	The supervisory authority shall choose from among the following measures which the authority considers 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 directors' 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 of certain methods of asset investment, or restraints on its amount.

Category 2	Less than 100%	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. (*) The item is not applicable to foreign insurers operating through branches and agents.
Category 3	Less than 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 ordinance 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 be applied to the category corresponding to the expected result of the implementation of the business improvement plan, however excluding classification within the “non-category”. But if the supervisory authority judges the plan is not appropriate, the category of the order shall correspond to the decreased solvency margin ratio.

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.

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. 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”, as calculated as below.

$$\text{Solvency Margin Ratio} = \frac{\text{Solvency Margin, i.e. the total amount of accumulations such as capital (fund), reserves, etc. prepared for risks which exceeds usual estimates}}{\text{Total of risks which exceeds usual estimates} \times 1/2} \times 100$$

The solvency margin ratio is one of the indices which the supervisory authority utilizes in order to judge the management soundness of a non-life insurance company. 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.

The formula of the calculation of the solvency margin ratio is as follows:

Solvency Margin Ratio =

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

* Solvency margin is calculated as follows:

1. Total Equities
2. Reserve for Fluctuation in Value of Investment
3. Reserve for Catastrophe Risk
4. Allowance for Bad Debts
5. 90% of Latent Profit of Stock
6. 85% of Latent Profit of Land
7. Reserve for Dividend to Policyholders of Mutual Insurance
8. Underwriting Reserve (excess amount)
9. Reserve for Loss of Commodity and Securities Transactions
10. The sum total of Deposit, Carried in Capital and Surplus.

+) 11. The Equivalent Amount of Tax Effect of Taxable Reserves

-) 12. Differed Assets

* The risks mentioned in the denominator are defined as follows:

1. Insurance Risk
   a. General insurance Risk: risk of occurrence of claims which exceeds underwriting reserve.
   b. Catastrophe Risk: risk of occurrence of catastrophe loss caused by natural disaster such as earthquake, storm, flood, etc.
2. Assumed Interest Rate Risk: risk of not being able to secure the assumed interest rate which forms the basis of calculation for underwriting reserve.
3. Asset Management Risk
   a. Risk of Fluctuation in Value, etc.: risk of occurrence of loss caused by excessive changes in the capital value or interest rate. (market value)
   b. Credit Risk: risk of occurrence of loss caused by bad debts or default. (market value)
   c. Risk of Related Company: risk of occurrence of loss caused by the failure of investment in a related company, etc.
   d. Off-Balance Transactions Risk: risk of occurrence of loss caused by transactions of futures and swap, etc.
   e. Reinsurance Risk & Recovery of Reinsurance Risk: risk of occurrence of loss caused by the lack of underwriting reserve or outstanding claims reserve and the recovery of reinsurance.
4. Business Administration Risk: risk of occurrence of loss beyond the anticipation in business administration.

(Note) In April 2001, the evaluation method of the solvency margin ratio was revised in order to show the financial condition of the insurance company more fully. Market value method has been introduced to evaluate risks and unrealized gains/losses of non-listed shares, domestic credits and foreign shares were included in the subjects of solvency margin.

(2) Non-Life Insurance Policyholders Protection Corporation

The "Non-Life Insurance Policyholders Protection Corporation of Japan" (hereinafter referred to as the "Corporation") was established in December 1998 by an amendment of the Insurance Business Law, in order to ensure the protection of policyholders. Before the establishment of the Corporation, a Policyholders' Protection Fund for Non-Life Insurance Companies was introduced in April 1996. The fund system could not come into effect unless reliever insurance companies appeared in the event of an insurance company becoming insolvent. In order to resolve these issues, the Policyholders Protection Corporation was created, and with the amendment of part of the Insurance Business Law, which took effect in June 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. In addition, by the amendment of the Law concerning Special Rules for Reorganization Procedures of Financial Institutions in June 2000, company reorganization procedures shall also be applicable to insurance companies, and the reorganization of failed insurance companies will proceed more smoothly.

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) 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.

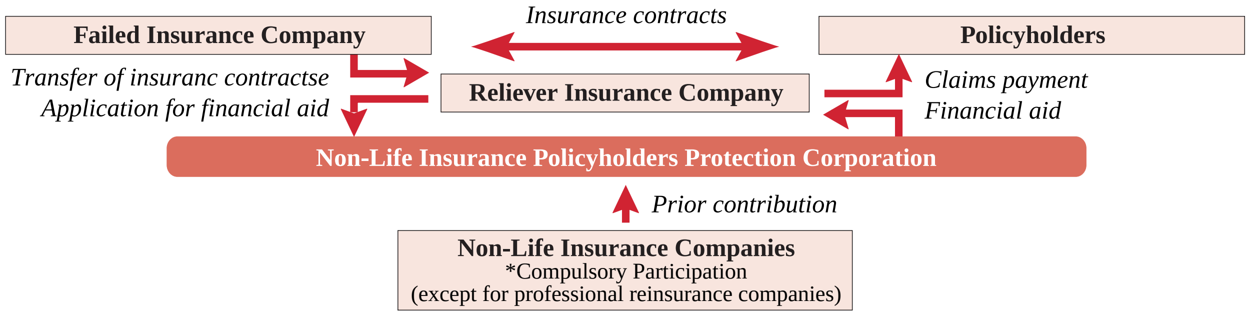
g. To purchase policyholders' rights on insurance claims filed with an insolvent non-life insurance company.

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

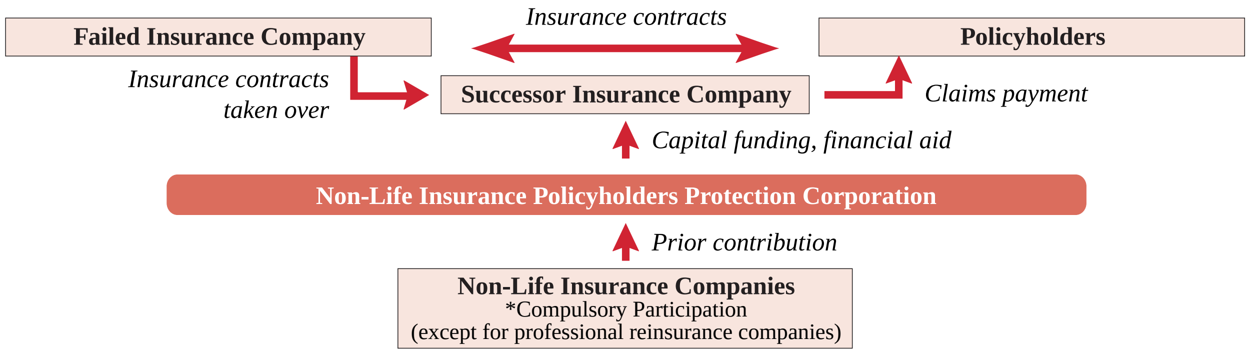
(Note) When the Corporation or its subsidiary takes over the insurance contracts of an insolvent insurance company in accordance with the above-mentioned items of b. and c., and subsequently, when a reliever insurance company appears, the Corporation or its subsidiary shall transfer the insurance contracts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

Non-Life Insurance Policyholders Protection Corporation System

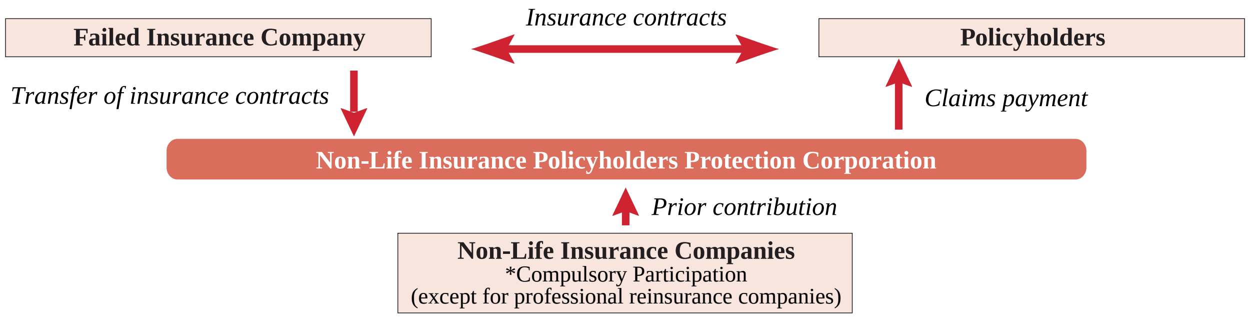
● In cases where a reliever insurance company takes over insurance contracts of a failed insurance company.



● In cases where a successor insurance company takes over insurance contracts of a failed insurance company.



● In cases where the Policyholders Protection Corporation takes over insurance contracts of a failed insurance company.



4) 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, the Corporation shall compensate 90% 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. 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 based on the Insurance Business Law, the compensation for the return premiums for cancellation and the maturity refunds involved may fall below 90%.

(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.

5) 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.

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.

d. In the case that the costs required for bankruptcy procedures exceed 50 billion yen, the Corporation shall consider taking 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 Prime Minister (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 2000, domestic direct premiums collected through agents amounted to 91.7% of all non-life insurance premiums including domestic and foreign non-life insurers, and the remainder, 8.2% 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 1,145,252 at the end of March 2001.

(Note) Under the Insurance Business Law, the Prime Minister delegates his authority concerning the registration of agents and brokers to the Commissioner of the Financial Services Agency.

Direct Premiums collected by Type of Distribution Channels

(million yen)

Fiscal Year	1998			1999			2000		
Type	Amount	Growth(%)	Portion(%)	Amount	Growth(%)	Portion(%)	Amount	Growth(%)	Portion(%)
Agents	8,922,303	-5.2	91.6	8,654,147	-3.0	91.0	8,536,361	-1.4	91.7
Brokers	11,057	141.6	0.1	11,230	1.6	0.1	12,483	11.2	0.1
Direct Distribution	810,259	-10.0	8.3	849,677	4.9	8.9	763,697	-10.1	8.2
Total	9,743,649	-5.5	100.0	9,515,063	-2.3	100.0	9,312,559	-2.1	100.0

Note: "Direct Distribution" includes sales through employed sales staff.

(1) Non-Life Insurance Agency System

The non-life insurance agency system was reviewed at the end of March 2001. The administrative guidelines concerning personal qualifications and agency classifications, as well as the level of agency commissions which depend upon agency classifications, were abolished. Subsequently, each non-life insurance company takes its own measures to promote further development of agency qualifications.

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 main business of non-life insurance agents are as follows:

- ***Giving consultations on insurance.***
- ***Soliciting (suggesting plans for) and concluding insurance contracts with customers.***
- ***Calculating insurance premiums, accepting application forms from customers and reporting contracts to the insurance company.***
- ***Receiving insurance premiums and issuing receipts to customers.***
- ***Keeping insurance premiums received from customers and adjusting those premiums and commissions with the insurance company.***

- ***Issuing insurance policies to customers.***
- ***Maintaining insurance contracts including the procedures for changing contract terms and cancellations.***
- ***Accepting notifications of claims from customers and reporting those claims to the insurance company, including collecting claims documents from customers.***

As insurance products are diversified and complicated, our non-life insurance industry has to make an effort to ensure the protection of policyholders and proper sales of insurance products as one of its priority issues.

Under these circumstances, the Association regards agency education as part of its social responsibility of the industry, and from April 2001 launched a new non-life insurance agency educational system common to the industry. Two kinds of examinations are available under the new educational system, one for people who wish to be engaged in non-life insurance distribution so that they can better equip themselves as non-life insurance agents, and the other for non-life insurance agents who have already been engaged in distributing non-life insurance products. The subjects of the latter examination consist of legal compliance, laws and regulations, and taxation business.

The Number of Non-Life Insurance Agents
(Domestic Companies and Foreign Companies)

1996	1997	1998	1999	2000
623,741	592,126	593,872	570,919	509,619

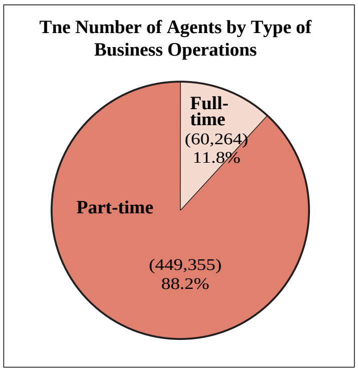
As at the end of each fiscal year

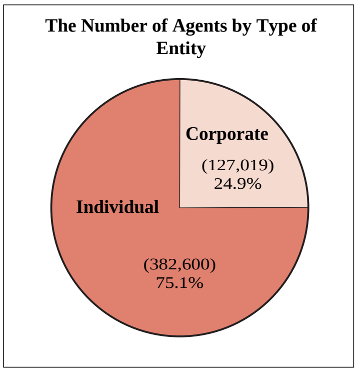
The Number of Sales Staff engaged in Non-Life Agency Business
(Domestic Companies and Foreign Companies)

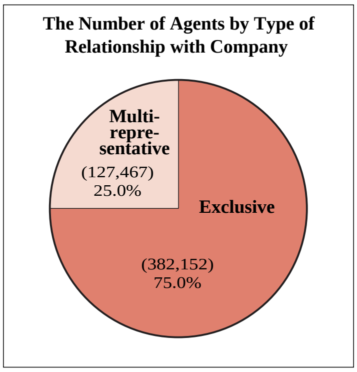
1996	1997	1998	1999	2000
1,181,865	1,170,497	1,180,744	1,154,511	1,145,252

As at the end of each fiscal year

The Number of Non-Life Insurance Agents by Types (as of the end of March 2001)







(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. Example of services that insurance brokers provide is as follows:

a. Risk Management business
- Accurately understanding, evaluating and handling risks.
- Giving advice on and administering risks retained by customers themselves.

b. Customer administration

c. Brokerage business
- Advising on the selection of insurance companies.
- Advising on the selection of appropriate insurance contracts.
- Conducting reinsurance brokerage business.

d. Claims handling business
- Assisting claims settlement for customers.

e. Loss prevention services

f. Other services
- Giving advice on fringe benefit plans.
- Consulting business management.
- Giving advice on global business programs.

Insurance brokers are not allowed to start their operations until they are registered with the Prime Minister. At the time of registration, insurance brokers must prove that they are adequately fit to conduct insurance distribution. Their ability is judged by means of an examination by the Insurance Brokers Association of Japan, based on the Administrative Guidelines issued by the Financial Services Agency. (The examination is, for the time being, delegated to the Marine and Fire Insurance Association of Japan by the Insurance Brokers Association of Japan.)

In order to clarify the roles or functions which insurance brokers take, the Insurance Business Law prohibits them from concurrently acting as non-life insurance agents or life insurance solicitors. 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' representations, or to receive insurance premiums.

Since insurance brokers are independent from insurance companies, they are liable for loss or damage to policyholders resulting from their insurance brokerage. (In the case of non-life insurance agents, the insurance companies concerned ultimately assume in principle the responsibility for such losses.) 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 intermediaries for the conclusion of insurance contracts on condition that they deal with the insurance products of insurance companies licensed in Japan. However, regarding 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 where officers or employees of non-life insurance companies distribute non-life insurance products directly is called “Direct Distribution” and includes the following different forms.

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, 2001, the number of “undergraduate” special trainees reported was 6,873 (incl. figures of foreign insurance companies.).

Chokuhan-Shain System

Direct distribution, known as the “chokuhan-shain” or “direct salesperson” approach is the method where staff members of non-life insurance companies are engaged directly in the distribution of non-life insurance products. As of March 31, 2001, the number of "chokuhan-shain" reported was 7,445 (incl. figures of foreign insurance companies.).

Others

Selling through newspapers, 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.

(4) Insurance Sales through Internet

Irrespective of the type of distribution system, insurance sales through the internet are categorized into the following two types.

a. Booking for insurance contracts on web-sites, and then meeting a sales person to conclude a contract, or requesting materials for insurance products on web-sites, and then returning the application form signed by the customer to the insurance companies to finalize a contract.
b. Applying for insurance contracts, as well as settling an account electronically for payment of premiums on web-sites.

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 (including call loans)
6) loans secured on the securities
7) investment related to union contract stipulated in Article 667 of the Civil Law or anonymous union contract stipulated in the Commercial Law
8) bank deposits or postal savings
9) money trust, monetary claims in trust, securities trust, or real estate in trust
10) over-the-counter trading in securities derivatives, transactions of securities index futures, securities options, or foreign market certificate futures stipulated in Paragraph 8 (3) - 2 and Paragraphs 18 through 20 of Article 2 of the Securities and Exchange Law
11) financial futures transactions stipulated in Paragraph 9 of Article 2 of the Financial Futures Exchange Law
12) trading in derivatives stipulated in Paragraph 1 (8) of Article 98 of the Insurance Business Law
13) foreign exchange futures transactions
14) any other sectors equivalent to those mentioned above

(2) Limits on Investment of Assets

Paragraph 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) Japanese stocks (including the item 7) mentioned in the above (1): 30%
2) real estate: 20%
3) assets in foreign currency: 30%

4) bonds, giving loans, and lending securities: 10%
5) assets invested similar to the items 1) to 9) mentioned in the above (1): 3%

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

1) Japanese stocks: 30%
2) 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, Paragraph 2 of Article 97-2 of the Insurance Business Law and Articles 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) debentures and stocks issued by one and the same person/group
2) loans and lending securities to one and the same person/group
3) deposits with one and the same person/group
4) guarantee of obligation for one and the same person/group
5) assets related to trading in derivatives with one and the same person/group

d. Additionally, where the above c. 2) and/or 4) are held concurrently by one and the same person/group, the aggregate limit of the two shall be 3% of the total assets other than those equivalent to special accounts for maturity-refund-type insurance, etc.

e. Regarding the assets equivalent to special accounts for maturity-refund-type insurance, etc., the aggregate of the same asset items as mentioned in the above c. 1) to 5) shall not exceed 10%.

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 an 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 Insurance and CALI

As earthquake insurance on dwelling risks and Compulsory Automobile Liability Insurance (CALI) have their social public nature, and are operated under so called a "no-loss, no-profit" rule, any underwriting surplus and investment income obtained from their businesses are set aside and reserved accumulatively.
The reserves for earthquake insurance on dwelling risks under the Law concerning Earthquake Insurance should be accumulated with the amount equal to net premiums minus net business expenses plus relevant investment income. When claims occur, the amount equal to net claims paid and outstanding loss reserves shall be withdrawn from these reserves.
Reserves for CALI are composed of obligatory reserves, adjustable reserves, reserves for investment income, and reserves for loading costs. Obligatory reserves means pure premiums plus assumed interest income arising from long term contracts minus claims paid and outstanding loss reserves. Adjustable reserves are accumulated with obligatory reserves which are carried over 5 years.

(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 Commissioner of Financial Services Agency to be exempted from reserving the total or a part of the amount.

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

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 the following accident and disaster prevention activities to help strengthen the fire fighting facilities of central and local governments, to promote accident and disaster prevention consciousness among the public and to protect traffic accident victims.

A. Strengthening of fire fighting facilities

Every year the Association donates fire fighting equipment to local municipalities. The donations made in fiscal 2000 to local municipalities, etc. included 38 fire trucks, 10 pumpers with tanks, and other standard fire engines.

B. Activities to promote public awareness of fire and disaster prevention

a. Symposiums on disaster prevention

Every year the Association holds symposiums on fire and disaster protection to heighten public awareness of loss prevention. In fiscal 2000, symposiums on earthquake preparations were held on August 22, 2000 in Tokyo with 800 participants, and on November 22, 2000, in Kyoto with 850 participants, with the support of the Fire and Disaster Management Agency, the Ministry of Land, Infrastructure and Transport and respective local governments.

b. Regional "Housewife Fire Prevention Experts" meetings

The 768 recipients of the "Housewife Fire Prevention Expert" award, given by the Fire and Disaster Management Agency and 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 and disaster 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 and disaster prevention for the public. In fiscal 2000, these lectures were given at 37 locations across Japan, drawing audiences totaling 14,211 people, in cooperation with municipalities and local fire defense agencies.

d. Publication of fire prevention materials and fire prevention slogan contest

The "Loss Prevention Journal" (Quarterly), pamphlets and posters for the general public distributed during a nationwide fire prevention campaign, and other fire prevention materials, such as films or videos, were made available.

The Association has conducted a fire prevention slogan contest, in cooperation with the Fire and Disaster Management Agency. In fiscal 2000, there were 36,263 responses to the contest, and the following slogan was chosen as the 2001 slogan used nationally.

"Be sure to put out the fire before making your next move."

C. Traffic Accident Prevention Activities

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 the national traffic safety campaigns.

In these campaigns the Association makes use of the mass media, such as newspapers, etc., to appeal for greater road safety. In fiscal 2000, the Association conducted surveys on the conditions, the knowledge and awareness of the public regarding the use of child-seatbelts. The Association gave the survey results to the mass media, etc. in order to warn people of the risks of not using child-seats and of their misuse.

b. Educational activities

The Association has distributed a traffic safety educational video, entitled "The Child-Seat", which uses crash test footage to show the importance of seatbelt use for children. The Association also issued a leaflet and a special issue explaining the content of the video, and distributed them to municipalities, traffic safety organizations, kindergartens and consumer centers in order to promote correct usage of child-seats.

c. Cooperation in traffic safety administration

The Association has cooperated with the Cabinet Office and the National Police Agency in making data, materials, movies, videos, etc. for traffic safety education available, in particular to pre-school children and driving schools. The Association also participates in public awareness promotion activities by the "Traffic Safety Fare" and the "Conference on promotion of seatbelts and child-seatbelts" sponsored by the Cabinet Office.

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

Since 1971 the Association has conducted 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. 260 million yen disbursed)

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

(b) Improvement of emergency medical services (appr. 860 million yen disbursed)

In financial 2000, 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. 910 million yen disbursed)

In financial 2000, 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. 250 million 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 small-sized 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

While internationalization and deregulation are taking place, household and enterprise risks continue to diversify. In this situation, people have requested different kinds of information on safety management and loss prevention from the non-life insurance industry. They also require the industry to make pertinent suggestions and develop countermeasures. To comply with these demands, the non-life insurance industry has conducted various studies and research activities on safety management and loss prevention measures.

A. Study and Research on Security and Loss Prevention

The Association implements the following study and research activities as its social contribution activities.

a. Study and research on risks

The Association conducts study and research in order to help prevent accidents and disasters and to raise public awareness by collecting case studies. The Association analyzes such risks as fire, explosion, automobile accident and liability risks as well as natural and environmental disasters. In fiscal 2000, the following results of the research work were published.

- Protection measures against factory fire
- Seismic technology for buildings
- Risk management for business entities
- Methods for the prevention and reduction of automobile accidents in businesses

b. Investigation into laws and regulations concerning safety management and loss prevention measures in other 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, Taiwan, Indonesia, Netherlands, China, and India). The reports of those investigations are widely used by business entities which plan to enter overseas markets to help them with the establishment of their safety measures. In fiscal 2000, the following reports were issued.

- The revised version of the report on laws and regulations regarding safety management in France
- The revised version of the report on laws and regulations regarding safety management in Germany
- The report on the EU regulations regarding assessment of environmental impact

c. Study and analysis of claims data

The Marine & Fire Insurance Association statistically analyzed losses in Japan arising from traffic accidents, using automobile claims data collected from non-life insurance companies. The results were released in the report entitled "The actual conditions of traffic accidents as shown by automobile insurance claims data, 2001". These statistical data provide a fuller picture of the impact of auto accidents by giving details of the economic costs involved as well as the number of bodily injuries and physical damage.

d. Analytical research on high-risk dates for traffic accidents

The Association analyzed every day conditions in the past 6 years by such categories as types of accident, ages of parties involved, situations and the purpose of driving, etc. from the traffic accident statistics collected by the Institute for Traffic Accident Research and Data Analysis. The Association verified statistically that there exist days when more accidents occur than usual. These findings are published as the "Diagnostic check on the level of traffic risks" on the Association's website in order to raise public awareness for safe driving.

e. Publication of traffic safety information materials

In order to publicize the results of all the studies and analyses mentioned above, the Association issues a publication "C&I (Crash & Insurance)" twice per year, and distributes it to the public. This publication is also used as an educational tool on traffic safety in schools.

B. Safety Promotion and Loss Prevention Activities by non-life insurance companies

Each non-life insurance company conducts different kinds of safety promotion and loss prevention activities. The following are examples of these.

a. Examples of safety promotion and loss prevention activities by non-life insurance companies

- Providing diagnostic checks of loss prevention by on-site inspection
- Giving proposals on loss prevention plans
- Holding seminars and providing various consultation services
- Providing information on safety promotion and loss prevention

b. Examples of traffic safety activities by non-life insurance companies

- Providing diagnostic checks of the aptitude for safe driving and advice
- Providing diagnostic checks of the ability of risk prediction in driving and advice
- Providing diagnostic checks of biorhythms for safe driving and advice
- Providing consulting services for safe driving management

- Giving proposals on measures to promote traffic safety
- Holding seminars on traffic safety and providing lecturers
- Planning accident zero campaign and supporting its implementation
- Holding automobile safety management seminars
- Providing video, materials and information on traffic safety

(3) Response to Environmental Issues

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

A. Response of Non-Life Insurance Companies to Environmental Issues

The non-life insurance industry has set itself tasks that relate specifically to environmental issues, and each non-life insurance company has dealt with these issues accordingly. From fiscal 1995, the Association has conducted a survey on the response of individual non-life insurance companies to environmental issues, and given the results back 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" issued by the 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, and added measures for the provision of non-life insurance products and services which are helpful for the preservation of the environment and measures to provide information and raise public awareness to the plan in December 2000. An outline of the current plan is as below.

Non-Life Insurance Industry's Action Plan for the Preservation of the Environment

The Japanese non-life industry formulated its first action plan in 1996, in response to the "Keidanren Global Environment Charter". This was subsequently amended in December 2000, and the outline of the current plan is as follows.

1. Understanding of Environmental Issues

A business corporation should get actively involved in environmental issues as a member of society. A healthy global environment is the basis for the continuity of its existence and a precondition for its lasting business activities. Each company in our non-life insurance industry shares this understanding and is implementing measures to help preserve the environment based on our industry's plan and the "Coordination with society" principle, one of the basic principles of the industry's Code of Conduct for its members.

2. Action Plan

(1) Activities through insurance business

- Promotion of the development and the dissemination of insurance products and services related to the environment;
- Activities to promote the recycling and the reduction of automobile waste such as the campaign for the promotion of the use of recycled automobile parts and the repair of damaged parts instead of installing new replacements.

(2) Spreading information amongst the general public
- The dissemination of information and know-how regarding environmental issues which the non-life insurance industry accumulates by holding seminars and open lectures, issuing publications and providing consulting services.

(3) Measures to prevent global warming
- Further promotion of measures to save paper;
- Promotion of measures to save energy resources such as electricity, gas, etc. in offices.

(4) Establishment of an efficient recycling system
- Improvement in the ratio of the use of recycled paper;
- Improvement in the ratio of the re-use of waste discharged from offices and in reducing final disposals;
- Promotion of the recycling of expendable supplies for office automated machines and the purchase of environmentally-friendly goods.

(5) Education and raising awareness within the company
- Further provision of education and training for employees regarding the preservation of the environment;
- Preparation of internal structures to support employees' participation in such activities as volunteering for environmental protection.

(6) Establishment of an environmental management system and its ongoing review
- Encouraging the use of the ISO environmental management system as a useful tool to promote all the above activities and make them effective.

In June 2001, the 7th survey was conducted among our 30 member companies as well as the Association. An outline of the survey's findings on our environmental activities is as follows.

An outline of the survey result in June 2001

1. Measures promoted in non-life insurance business

Member companies market insurance products, which help to promote environmental protection, such as automobile insurance with premium discount for environmentally-friendly automobiles (low emission vehicles), environmental impairment liability insurance.

2. Providing information outside the company

Member companies provide useful information for the preservation of the environment as part of their risk management services by publishing information magazines, holding seminars and providing consultation services on ISO 14001.

3. Measures to help curb the Greenhouse Effect

In consideration of the fact that abundant paper resources are consumed in the non-life insurance business, and the effect of this on the environment, every member company grapples with the problem of how to cut down its use of paper. Member companies also take measures to save resources other than paper (saving electricity and energy, etc).

4. Creation of recycling measures

Member companies promote the use of recycled paper, especially for copying and facsimile. They also promote the separation of wastepaper and the use of recyclable OA equipment at their offices.

5. Establishment of an environmental management system and assessment of measures taken for the preservation of the environment

6 companies have introduced their own environmental management system. 6 companies have obtained the ISO 14001 Certificate, and several companies have decided on or are considering acquiring the ISO 14001 Certificate.

6. Activities for raising awareness on environmental issues inside and outside the company, and providing education and raising awareness within the company

Member companies donate to environmental organizations, participate in activities for the preservation of the global environment, assist activities by volunteers and carry out activities aimed at educating and raising awareness on environmental protection issues.

B. Automobile Parts Recycling Campaign and Automobile Parts Repair Campaign

The Association conducted an “Automobile Parts Recycling Campaign” which promotes the recycling of sound automobile parts taken from automobiles beyond repair and an “Automobile Parts Repair Campaign” which is aimed at increasing the use of repaired automobile parts from June to July, 2000, and again from June to July, 2001. The campaign’s aim was to ensure the effective use of material resources and the reduction of industrial waste through reusing repairable automobile parts, thus contributing to the protection of the environment. These campaigns met the government’s objective of the promotion of recycling automobiles and were supported by the Ministry of Land, Infrastructure and Transport, the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

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.

C. The Association's acquisition of the ISO 14001 Certificate

On September 21, 2001, the Association became the first financial trade body in Japan to obtain the ISO 14001 Certificate in recognition of successfully achieving international standards for environmental management in its headquarters and the Tokyo branch office.

The Association started its full activities for the improvement of the environment by establishing the Environment Improvement Committee within the Association in January, 2000. The Association established the following environmental policy in April, 2001, and pushed forward the preparatory work for the assessment registration by implementing the operation of the environmental management system.

The Association will promote its activities to raise environmental awareness among the public, which are helpful for the preservation of the environment, such as holding symposiums and lectures, issuing publications related to environmental issues, and continue to implement measures to save natural resources and energy. We will also endeavor to publicize our activities for the preservation of the environment by using our publications and website.

An Outline of the Association's Environmental Policy
(released on April 2, 2001, and partially revised on July 2, 2001)

1. Fundamental Idea

The Marine and Fire Insurance Association of Japan shall actively address the preservation of global and community environments by establishing its environmental management system and continuing to improve it based on the "Non-Life Insurance Industry's Action Plan for the Preservation of the Environment". This Action Plan was drawn up taking into account the "Keidanren Global Environment Charter" and the "Keidanren Appeal on the Environment" which were prepared by the Keidanren, the Japan Federation of Economic Organizations.

2. Guidelines for Environmental Activities

Recent large scale natural disasters are said to have resulted from changes in the global environment. This fact seriously affects the non-life insurance business itself. Therefore, the Association shall promote the industry's efforts to cope with the improvement of the environment. We wish to tackle this issue by appealing to our society through the following activities.

(1) Promotion of environmental awareness activities inside and outside of the industry through lectures and publications, and broadly announcing the Association's activities for the preservation of the environment
(2) Promotion of activities to save electricity, gas, tap water, paper, etc., in terms of resources and energy, and to reduce and recycle wastes, thereby reducing the load on the environment and protecting against environmental pollution
(3) Compliance with laws, regulations and guidelines related to the preservation of the environment

(4) Promotion of NPO Activities

The Association has promoted Non-Profit Organizations (hereinafter refer to as “NPO”) activities, targeting such areas as safety measures, loss prevention and environmental protection by establishing the “NPO Promotion Group” within the Association in April, 2000. We have also actively participated in various voluntary projects to support NPO activities.

A. Encouragement of staff members of our Member Companies to participate in Voluntary Activities

The Association has planned and held various seminars to give staff of our member companies opportunities to take part in voluntary activities, in order to promote understanding and encourage them to participate in voluntary activities. In fiscal 2000, the Association carried out such activities as “Beach Cleaning-ups” where participants collected the garbage on the beach for the preservation of the environment, and sign language training courses to promote understanding of physically handicapped people.

B. Promotion of activities by NPO and Volunteer Organizations

a. Holding symposiums and lectures for NPO activities

The Association held the following symposiums on the environment and risks related to NPO activities, and we were able to promote and share with the general public and persons involved in NPOs a common understanding of the importance of the activities carried out by NPOs and other volunteer organizations.

- On February 24, 2001 held in Nagoya with about 150 participants.
- On May 15, 2001 held in Hamamatsu with about 160 participants.

b. Publishing guidebooks for NPO

The Association published various guidebooks for NPO activities and reports on our NPO symposiums. These publications were distributed to Social Welfare Councils and Volunteer Centers all over the Japan, as well as individuals involved in NPO in order to assist their activities. The following publications were issued.

- Guidebooks: “Let's start! Voluntary Activities”, “Risk Management for NPO”.
- Reports on symposiums: “Risks on NPO activities and the role of volunteers in disasters”, “Environment improvement promoted by the partnership of NPOs, citizens and businesses”.

c. Voluntary activities for collecting used telephone cards, etc.

The Association has collected used telephone cards, post cards, stamps etc. which are convertible to money and donated them to NPOs and other volunteer groups which carry out activities to assist refugees and people in need of help.

d. Providing display materials for promotion campaigns organized by NPOs and voluntary groups

The Association has supported promotion campaigns for NPO and voluntary activities by providing visual aids and holding quizzes at their festivals.

(5) Public Relations

To raise awareness of 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

In June 1991, the Association established a Non-Life Insurance Round Table as a forum for experts to exchange opinions on the future direction 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 the Association. In fiscal 2000, the Round Table was held in June and December 2000.

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 fiscal 2000, 24 meetings with news media representatives, 33 meetings with administrators of local consumer centers, and one meeting with leaders of consumer organizations were held.

c. Lectures for consumers

The Association sends non-life insurance lecturers to consumer study meetings held under the sponsorship of local consumer centers and gives presentations on such themes as dealing with domestic risks and the role of non-life insurance. In fiscal 2000, those meetings were held in 53 locations with a total audience of 3,012.

d. Training courses for consumer consultation staff

The Association holds training courses to provide consumer consultation staff with lectures on basic insurance. In fiscal 2000, such courses were held in Tokyo, Nagoya and Osaka with a total audience of 90.

e. Consumers’ Monitoring System

The Association has appointed consumer monitors invited from the public to get feedback on non-life insurance and the non-life insurance industry's activities. In fiscal 2000, the Association conducted 2 surveys on the level of satisfaction with responses given by non-life insurance companies and agents, the level of recognition and value of advertisements run by the Association, etc., and held 13 discussion meetings in Sapporo, Tokyo, Osaka and Fukuoka, with 150 monitors.

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 raising students' awareness of security and disaster protection as well as promoting an understanding of non-life insurance. In fiscal 2000, 11,785 applicants from 168 senior high schools took part in the 38th essay contest entitled "Safety and Security in Life".

b. Training program for teachers

As a part of the training programs for teachers aimed at broadening their awareness of business life provided by the Keizai Koho Center (the Japan Institute for Social and Economic Affairs), since 1999, the Association has accepted teachers from the Tokyo Metropolitan Board of Education and provided them with lectures 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 and facilities. In fiscal 2000, the training program was held from July 23 to 25, 2000, with 8 participants.

c. Lectures for senior high school students, teachers, etc.

In response to requests, 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 such themes as traffic accidents and compensation for damages. In fiscal 2000, those meetings were held at 54 senior high schools with a total audience of 19,691.

In addition, the Association has also sent lecturers to study meetings for senior high school teachers and provided them with a tour through relevant organizations and facilities, in cooperation with local educational study organizations. In fiscal 2000, such meetings were held in 11 locations.

d. Publication of "Senior High School Educational Material"

For proper guidance at senior high schools in understanding non-life insurance, the Association has issued a quarterly "Senior High School Educational Material" brochure and distributed copies to senior high schools throughout Japan. The Material contains information on trends in non-life insurance and relevant issues and is designed mainly for teachers on civic education, commerce and home economics as guidance materials for lessons or homerooms.

e. Lectures for college and professional school students

In response to requests, the Association has sent lecturers to meetings at universities, junior colleges and professional schools in order to provide basic information on non-life insurance. In fiscal 2000, such meetings were held twice.

C. Advertising

The non-life insurance industry has provided the public with various kinds of information on non-life insurance and the non-life insurance system, traffic safety, the prevention of disasters, etc, through the Association. Following fiscal 2000, in fiscal 2001 the industry implemented a campaign to provide the public with information on the revision of earthquake insurance on dwelling risks policies and to expand its ownership using the mass media.

D. Information Dissemination

a. 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 presents them to consumer centers all over Japan and to major consumer organizations.

b. Publication of P.R. booklet “Sonpo”

For the consumer administrative organizations and consumer groups, the Association issues the bimonthly “Sonpo” (Non-Life Insurance) publication which takes up topics to do with the non-life insurance business and related issues.

c. “Consumer Guidebook on Residence Insurance and Body Insurance”

The Association provides the consumer administrative organizations and consumer groups with a “Consumer Guidebook on Residence Insurance and Body Insurance” guide for consumers, which outlines insurance related to residence and the human body such as fire, personal accident and medical expenses insurance, and describes the key points necessary to understand the general conditions of those contracts.

d. Guide Book on Non-Life Insurance Products in Daily Life, etc.

In response to 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.

e. Provision of materials on non-life insurance

In response to requests from consumer administrative organizations and senior high schools, etc, the Association provides various kinds of pamphlets and booklets describing non-life insurance and lends videos and films to them.

f. Provision of a pamphlet on earthquake insurance

In order to promote an understanding and knowledge of earthquake insurance on dwelling risks, the Association provides a pamphlet, “Points you should not miss. Q & A on earthquake insurance”, for consumer centers all over Japan and major consumer organizations.

g. 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 have been 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 has been compiled and distributed to prefectural police departments.

h. Provision of information via Association Website

As demands for speedy and up-to-date information on the non-life insurance business increase, the Association has opened its own website on the internet to be used as the general information center of non-life insurance. This website 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 website 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. 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.

(1) Combating against Automobile Theft

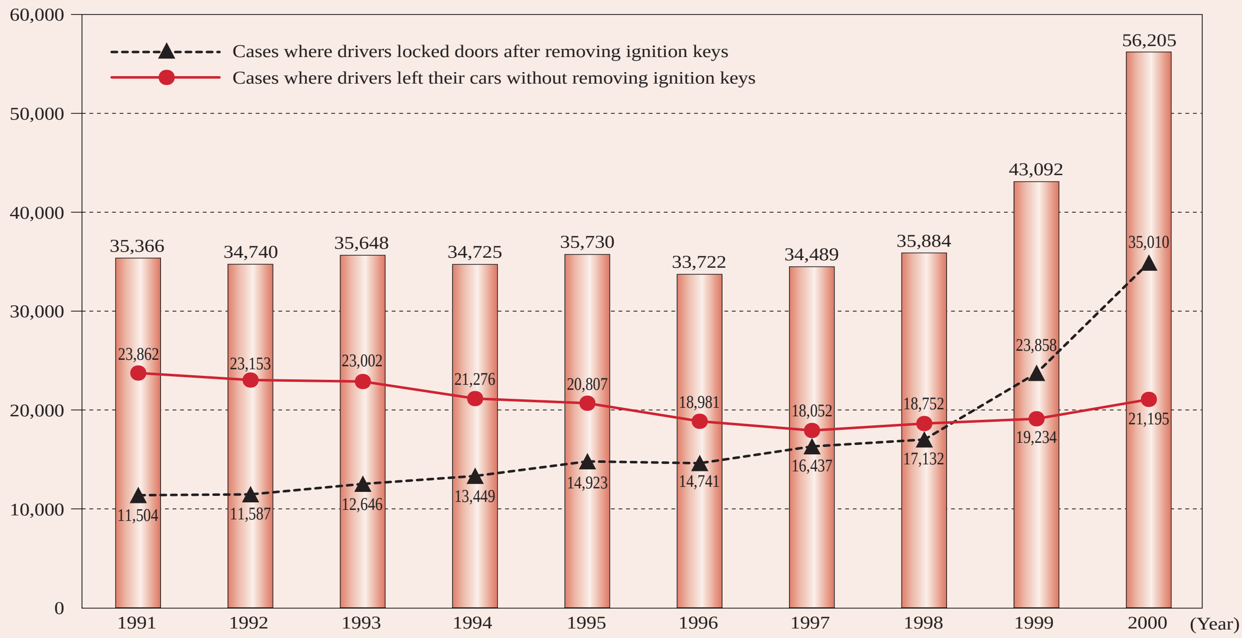
In recent years, automobile theft has been on the increase in the major urban areas of Japan. International organized crime syndicates are behind the theft of many cars with the profits from the export of stolen vehicles becoming a major source of income for criminal gangs. An additional problem is that stolen automobiles are often used in other criminal offences, and thus are instrumental in secondary crimes. These developments have transformed automobile theft into a serious social problem and the Association has implemented several measures to tackle this problem.

A. Situation of automobile theft in Japan

According to a survey conducted by the National Police Agency, the number of automobile thefts recorded hovered around 35,000 for several years, but it rose to 43,092 (20.1% up on the previous year) in 1999 and soared to 56,205 (30.4% up) in 2000. In 2001, for the 8 months from January to August, the number marked 42,432, a 19.4% increase compared with the same period last year.

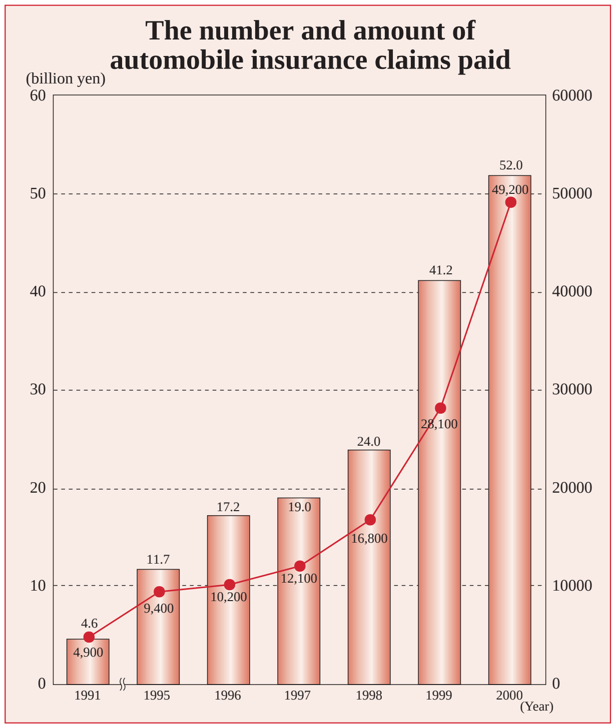
The breakdown of the numbers is as follows: Until 1998, the number of unlocked vehicles stolen exceeded the number of locked vehicles, but the situation was reversed in 1999. The number of locked vehicles accounted for more than 60% of the total number of recorded vehicle thefts in 2000. This implies automobile theft involving organized crime has increased.

Recorded automobile theft cases for the past 10 years



B. Loss caused by automobile theft

Both the number and amount of claims paid under the physical damage coverage of automobile insurance has been increasing in recent years. In 1999, the number of claims amounted to 28,100 (a 67.3% increase compared with the previous year), and the amount of claims paid reached 41.2 billion yen (a 71.7% increase). In 2000, the number of claims rose to 49,200 (75.1% up), and the amount of claims paid amounted to 52.0 billion yen (26.2% up).



C. Measures taken by the Association

The Association has carried out such activities as a public awareness campaigns 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. As the problem of automobile theft began to spread all over Japan, the Association established the Automobile Theft Prevention Project Team in its headquarters in February, 2000, and exchanged information and implemented various activities in cooperation with relevant government agencies including the National Police Agency and trade organizations including the Japan Automobile Manufacturers Organization. Furthermore, the Association set up the Automobile Theft Prevention Office as a special organization within the Association in April, 2001.

Measures the Association has implemented so far are as follows:

- Conducting surveys on the conditions under which automobiles were stolen in claims (March, 2000 and November, 2000)
- Holding study meetings on methods of automobile theft (August, 2000 and March, 2001)
- Providing automobile theft claims data to be matched with automobile export data in the process of counting the actual number of exported goods, in cooperation with the checkers industry (companies responsible for physically counting and checking exported goods). (Since January, 2001)
- Conducting study and research on the situation and measures taken on automobile theft in the U.K. (March, 2001)
- Informing the mass-media of the problem of automobile theft in Japan and raising public awareness

D. Joint Automobile Theft Prevention Project Team established

The Cabinet Office established the Promotion Headquarters Combating International Organized Crime with the Chief Cabinet Secretary at its Head, based on the Cabinet decision made on July 10, 2001. To ensure the security of the Japanese public, the Headquarters aims to deal with problems arising from the increase in several kinds of crime committed by international organized crime groups. The Headquarters chose the problems of automobile theft and illegal exports of stolen automobiles as one of the main problems to be tackled, and decided to create a Joint Automobile Theft Prevention Project Team comprising both government authorities and the private sector in August

2001. The Association has been participating in the Project Team since September 2001 and is actively involved in its activities.

The Association will further promote its activities to reduce the number of automobile thefts, in cooperation with relevant government authorities and industries.

(2) Anti-Fraud Measures promoted by the Association

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.

a. Promotion of activities by the "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.

b. Information exchange on undue applications for insurance claims

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

c. Cooperation with 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.

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

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

9. *Requests and Proposals*

(1) Requests for Fiscal 2002 Tax Reform

The Marine and Fire Insurance Association of Japan carries out activities to realize the non-life insurance industry's requests for tax reform every year. The industry's tax reform requests are aimed at realizing a secure and affluent society by promoting self-help through the dissemination of non-life insurance. In fiscal 2001, the Association submitted the "Requests for Fiscal 2002 Tax Reform" to the competent authorities and parties in order to properly respond to the structural reform of our economy and contribute to the achievement of economic growth and to a secure and stable society. An outline of the requests is as follows.

Outline of the Association's Requests for Fiscal 2002 Tax Reform

1. Response to the amendment of the Compulsory Automobile Liability Insurance (CALI) system

To allow all the accumulated liability reserves arising from investment income, etc. to be exempted from tax. This treatment should cover the portion of the increased liability reserves accumulated by non-life insurance companies, as a result of the abolition of the government reinsurance scheme from April 2002.

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

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

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

❍Exempting Defined-Contribution Pension Plans from Special Corporate Tax Law

To make the following tax-exempt from the Special Corporate Tax Law regarding the defined-contribution pension system implemented from October 2001:
a. The contributions of employers to a company-type defined-contribution pension,
b. The contributions of individuals to an individual-type defined-contribution pension plan, and,
c. Investment income arising from the two above-mentioned contributions.

❍Raising of tax-exempt limits on the Zaikei Savings system

To raise the present tax-exempt limits on the Zaikei Savings (i.e. assets formation) system from ¥5.5 million to ¥10 million for the Zaikei Housing Savings, from ¥3.85 million to ¥10 million for the Zaikei Pension Savings, and from ¥5.5 million to ¥10 million for both combined.

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

❍Creation of a premium tax deduction system for earthquake insurance on dwelling risks

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

❍ **Raising of the current non-life insurance premium tax deductible limits**

To raise the current tax deductible limits(*) on non-life insurance premiums for fire insurance, personal accident insurance, etc. to ¥50,000 for the Income Tax Law and ¥35,000 for the Local Tax Law respectively, thus promoting the self-help efforts of individuals to provide against the unexpected.

(*) Current premium tax deductible limits for non-life insurance

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

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

❍ **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(*).

❍ **Improvement of the system for catastrophe reserves**

a. To raise the present non-taxable rate of catastrophe reserves from 3/100 to 5/100 of the net premiums on fire insurance and others.
b. To raise the current tax-exempt rate of its balance to net premiums from 34/100 to 50/100.
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.

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

❍ **Introduction of a consolidated tax liability system in fiscal 2002**

To introduce a consolidated tax liability system from fiscal 2002.

❍ **Extension of carry-over period of deficits, reapplication 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 reapply refunds by carry-back of deficits, and to extend the period of refunds by carry-back of deficits, in order to prepare for huge catastrophic losses, etc.

(2) Association's Contribution to Keidanren's Regulatory Reform Requests

In response to the request from the Keidanren, the Japan Federation of Economic Organizations, for proposals to be submitted to the government as part of the "Keidanren's Regulatory Reform Requests for fiscal 2000", the Association put forward its requests for reform, 11 of which were included in the final document presented by the Keidanren to the government. The Keidanren's requests were its response to the Regulatory Reform Committee, which monitored the implementation of the items and promoted the new issues under the "3 Year Deregulation Promotion Plan" determined by the Cabinet in March 1998.

In March 2001, the new "3 Year Regulatory Reform Promotion Plan" was determined by the Cabinet, and the

Comprehensive Regulatory Reform Council was set up as a new council for the promotion of the Plan in the Cabinet Office. (The Regulatory Reform Committee was abolished at the end of March 2001.) The Keidanren surveyed its member corporations and organizations on the request for regulatory reform in order to urge the government to implement the items incorporated into the Plan and address the new issues. The Association responded to the survey and submitted its requests covering 37 items in 12 fields.

Association's Requests incorporated into the Keidanren's Regulatory Reform Requests for fiscal 2000

1. To exempt trust assets from the regulation on investments pertaining to the same entity or person by insurance companies.
2. To deregulate requirements for the qualification of nursing care support experts.
3. To review the method of local tax return and payment.
4. To allow stock companies to manage a Special Nursing Home for the Aged.
5. To ease the regulation for investment proportion limits.
6. To exclude the indirect ownership of shares of domestic companies through limited partnership in foreign countries from the 10% limitation on ownership of shares by insurance companies under the Insurance Business Law.
7. To permit the issuing of documents by electronic means on important matters.
8. To present the content and reason of administrative measures on approval and notification of insurance products in writing.
9. To shorten the examination period.
10. To make clear the approval criteria on the application of the Law on the Preservation of Electronic Account Books.
11. To deregulate the method of the preservation of account books.

(3) Requests for a Defined-Contribution Pension Plan

Under a defined-contribution pension plan, the amount of benefits to be paid in the future will depend on the results of the investment choices made. This new type of plan was introduced in October 2001, as a new alternative in addition to the current defined-benefit pension plans which supplement the public pension system.

The Association has submitted its requests on the plan to the competent authorities and parties in order for non-life insurance companies to play a role in the aged 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 through the provision of personal pension products (personal accident insurance with annuity, etc.).

● Outline of Association's Requests for a Defined-Contribution Pension Plan (DCPP) and their results

Request	Result
1. To allow non-life insurance companies to enter into the DCPP business as "asset administrators" who will administer contributions of companies and individuals to the plan separately from other assets, and as "plan administrators" who will conduct management, such as record-keeping, participant (beneficiaries) education, and advice to participants, etc., concerning investments of the contributions. (A request related to the Law on Defined-Contribution Pension Plans.)	❍ The request was approved and incorporated into the Law on DCPP.
2. To permit non-life insurance products as investment products whose principals are secured. (*) (A request related to the Law on DCPP.)	❍ The request was approved and incorporated into the enforcement ordinance of the Law on DCPP.

(*) The plan administrators are required to present participants with more than 3 investment products, one of which should be a product with secured principal.	
3. To allow non-life insurance companies to set up special accounts to provide variable insurance which is expected to be an efficient investment product for the DCPP. (A request related to the Insurance Business Law and the Corporate Tax Law.)	❍ The request was approved and incorporated into the revised enforcement ordinance of the Corporate Tax Law and the revised enforcement regulation of the Insurance Business Law.

(4) Requests for the Zaikei Savings (Workers' 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 Health, Labour and Welfare to improve the Zaikei Savings system every year. Regarding fiscal 2000, the Association submitted the following requests to the Ministry of Health, Labour and Welfare in August 2001.

Association's Requests for the Zaikei Savings (Workers' Assets Formation) System

1. Request related to the Law on Promotion of Workers' Assets Formation and its regulations

- To give flexibility to the requirements for the Zaikei Savings and the Zaikei Housing Savings system as follows:
  a. Raising the age eligibility to join these systems from under 55 to 60 and under for the Zaikei Savings and the Zaikei Housing Savings.
  b. Extending the deferment period from within 5 years to within 10 years for Zaikei Savings.
  c. Allowing more than 2 contracts for the Zaikei Savings and the Zaikei Housing Savings.
  d. Enabling partial repayment in the case where the balance carried forward is too much to succeed the account when changing occupation for the Zaikei Savings and the Zaikei Housing Savings.

2. Request related to taxation system

- To improve the tax system on the Zaikei Savings system, i.e. to raise the present tax-exempt limits (5.5 million yen for the Zaikei Housing Savings, 3.85 million yen for the Zaikei Savings and 5.5 million yen for both combined) to 10 million yen for each and for both combined.

3. Request related to procedures

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

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

In line with the increase in social discussions about the aging society, the Association has submitted the industry's requests and proposals to the Ministry of Health, Labour and Welfare several times since 1994.

The Public Nursing Care Insurance Law took effect in April 2000, and the Association submitted the following three requests to the Ministry of Health, Labour and Welfare in August 2001, in order to promote private nursing care insurance to supplement the public nursing care system. These promotion measures help prepare for the aged society and create a fully vital society.

In relation to this, the Association prepared in June 2000 a pamphlet which stresses the necessity of self-help efforts in the aged society as well as the deepening of public understanding of the Public Nursing Care Insurance

System. These copies were distributed to consumer centers around Japan and the various parties concerned.

Association's Requests for Measures to provide the Elderly with Care Services

1. Request for promoting private nursing care insurance

- 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 aged society.

2. Request for promoting better nursing care service provisions

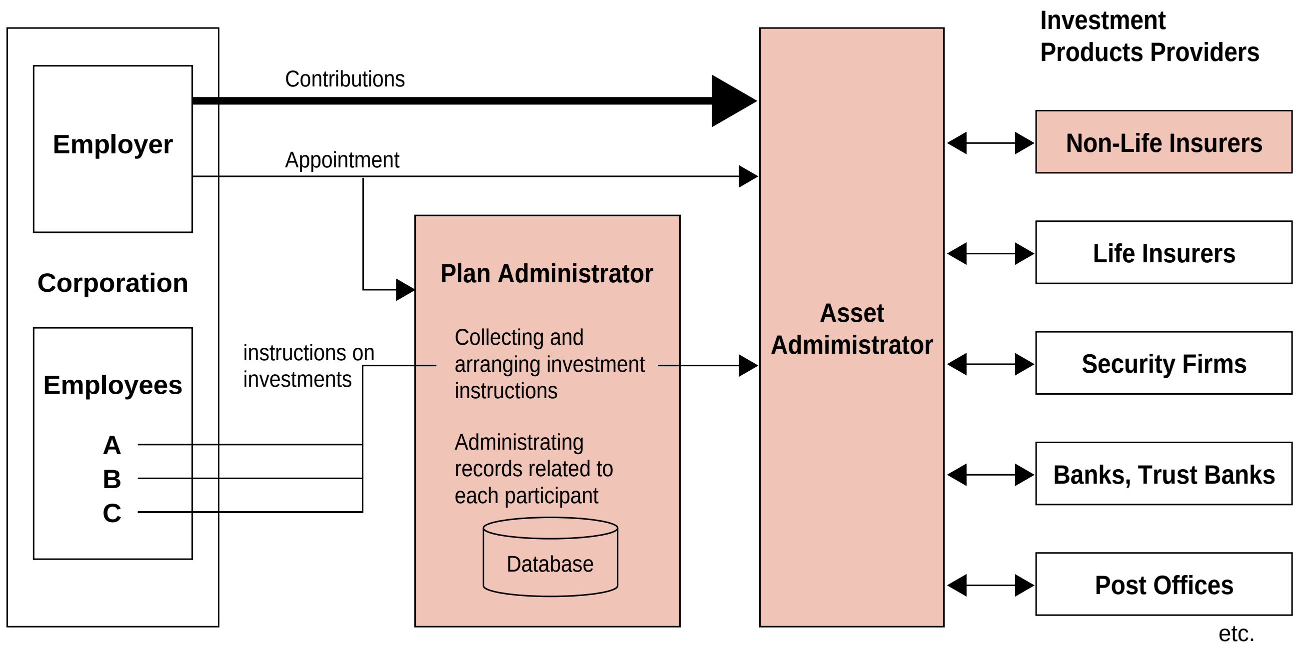
- To realize deregulation to increase the private service providers' participation in nursing care service business, by which non-life insurance companies will be able to enter the nursing care and welfare service business including the care management business, as a measure to prepare infrastructure.

3. Request for disclosing statistical data on nursing care

- To disclose statistical data on nursing care which are held by the Ministry of Health, Labor and Welfare.

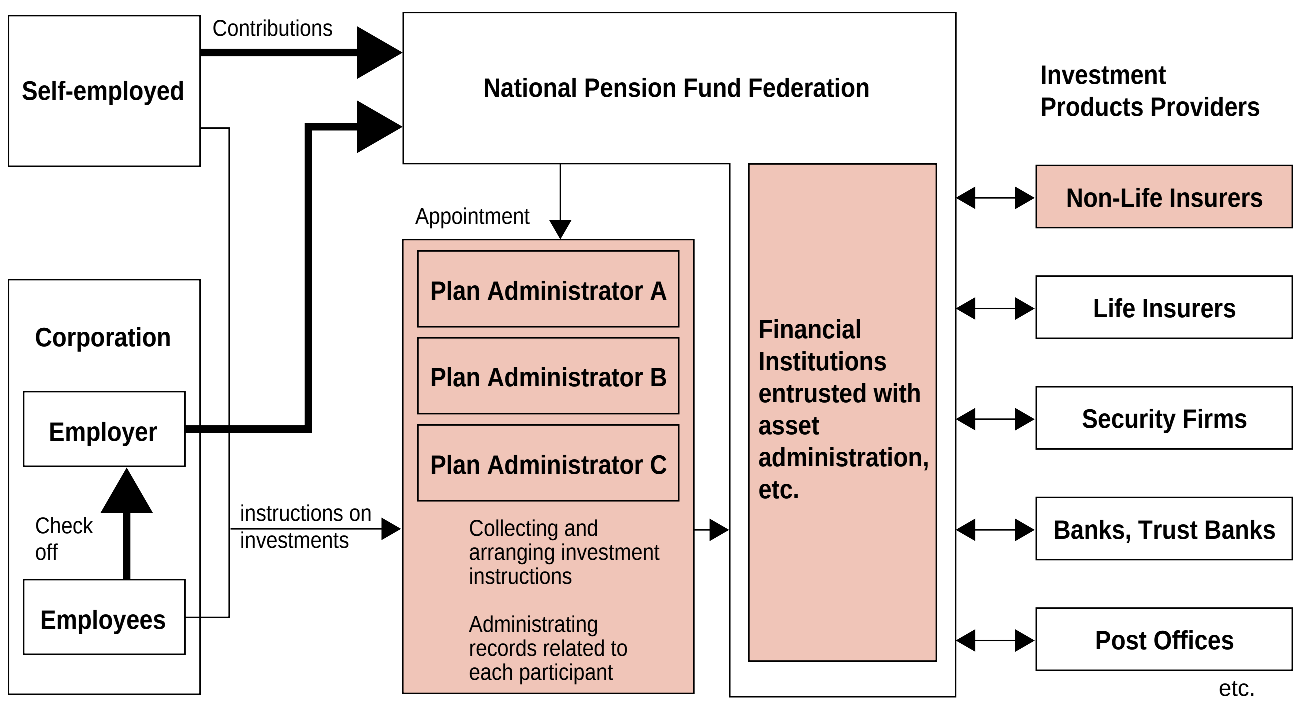
Conceptual Illustration of Defined-Contribution Pension Plans

Company-Contribution Type



Area of Non-Life Insurance Companies' involvement in the Defined-Contribution Pension Plan business

Individual-Contribution Type



10. Non-Life Insurance Counseling System

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

(1) 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 free 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. Each office also provides a free legal advice from a lawyer concerning automobile insurance.

(2) 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).

(3) 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., concerning Compulsory Automobile Liability Insurance (CALI).

(4) Individual Insurance Companies

All non-life insurance companies have sections at their headquarters and branch offices to offer information and advice on non-life insurance in general and to provide counseling services on traffic accidents. The latter counseling service offices total 4,121.

(5) 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.

The Number of Consultations accepted in fiscal 2000

Non-Life Insurance Counseling Offices	11,473
Automobile Insurance Calims Counseling Centers	75,550
CALI Claims Counseling Offices	995

11. Loss Survey System

(1) Claims Settlement Service Offices and Experts

In order to deal immediately with claims from accident victims, our member non-life insurance companies have established around 2,400 claims settlement service offices nationwide which are staffed with about 20,000 people with the necessary 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, 2001, the number of registered adjusters was around 7,600.

(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, 2001, the number of property loss assessors registered with the Association was around 1,100.

12. 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.
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.

Year	Developments
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 Policyholders 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. ● The ban on mutual entry between banks and insurance companies through subsidiaries was lifted. ● Non-life insurance companies disclosed their interim business results (April to September) for the first time ever.

Year	Developments
2001	● Restrictions on entry into the third sector were removed. ● The Automobile Liability Security Law was revised and promulgated. (The abolition of the government reinsurance scheme and the establishment of a dispute settlement body were approved.) ● The Consumer Contract Law and the Law on Sales of Financial Products were enforced. ● The insurance contracts of the Daiichi Mutual Fire and Marine Insurance Company were transferred to the Non-Life Insurance Policyholders Protection Corporation. ● The period during which the Non-Life Insurance Policyholders Protection Corporation had provided full compensation for claims expired. ● Over-the-counter sales of insurance products by banks started. ● The Non-Life Insurance Agency System was liberalized. ● The Bill on the Defined Contribution Pension Plan (the Japanese version of the 401K Plan) was approved by the Diet. ● Cancer insurance and medical insurance were put on the market. ● Post offices started to solicit Compulsory Automobile Liability Insurance for motorcycles, etc. ● A discount system based on the grade of earthquake-proofing of residential buildings was introduced to earthquake insurance on dwelling risks.

13. 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.

  (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.

  (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.

  (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.

  (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˜fnlia/)

- ***Non-Life Insurance Policyholders 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 Policyholders 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.

  (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 above information is as of December 15, 2001.

14. *Directory*

(1) Licensed Domestic Companies
(33 Companies as of December 1, 2001)

- **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

- **Aioi Insurance Co., Ltd.**
  28-1, Ebisu 1-Chome, Shibuya-Ku, Tokyo 150-8488.
  Tel. : 03-5424-0101. Fax : 03-5789-6685.

- **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.

- **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 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 Dai-ichi Property & Casualty Insurance Co., Ltd.**
  Hirakawacho, 1-2-10 Chiyoda-Ku, Tokyo 102-0093.
  Tel. : 03-5213-3124. Fax : 03-5213-3308.

- **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 Tsukasamachi 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. : 03-3237-2111. Fax : 03-3237-2250. E-mail : webmaster@jihoken.co.jp
  URL : http://www.jihoken.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 : nobuo.shimoda@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 Seimei General Insurance Co., Ltd.**
  1-1, Toranomon 2-Chome, Minato-Ku, Tokyo 105-0001.
  Tel. : 03-3224-2830. Fax : 03-3224-2677.

- **Mitsui Sumitomo Insurance Co., Ltd.**
  27-2, Shinkawa 2-Chome, Chuo-Ku, Tokyo 104-8252.
  Tel. : 03-3297-1111.
  URL : http://www.ms-ins.com/

- **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/

- **NIPPONKOA Insurance Co., Ltd.**
  7-3, 3-Chome, Kasumigaseki, Chiyoda-Ku, Tokyo 100-0013.
  Tel. : 03-3593-5154. Fax : 03-3593-5159.
  URL : http://www.nipponkoa.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 Dowa General Insurance Co., Ltd.**
15-10, Nishi-Tenma 4-Chome, Kita-Ku, Osaka 530-8555.
Tel. : 06-6363-1121. Fax : 06-6363-7519.
URL : http://www.nissaydowa.co.jp/

● **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 : 03-5360-6695.

● **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.
URL : http://www.toare.co.jp/

● **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. : 03-5276-9069. Fax : 03-5276-5962.
  URL : http://www.unum.co.jp/

- **Yasuda Direct General Insurance Co., Ltd.**
  Sunshine 60 Bldg. 44F, 1-1, Higashi-Ikebukuro 3-Chome, Toshima-Ku, Tokyo 170-6044.
  Tel. : 03-5957-0111. Fax : 03-5952-1960.

- **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

- **Yasuda Kasai Financial Guarantee Insurance Co., Ltd.**
  17th Floor, Otemachi Financial Center 5-4, Otemachi, 1Chome, Chiyoda-ku Tokyo, 100-0004.
  Tel. : 03-5219-1580. Fax : 03-5219-1581.

(2) Licensed Foreign Companies
(26 Companies as of December 1, 2001)

- **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.
  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.)**
  3-5-1 Shiba, Minato-ku, Tokyo 105-0014.
  Tel. : 03-3769-6791. Fax : 03-3769-6792.

- **CARDIF-Assurances Risques Divers (France)** ✻To move to the following address in February 2002.
  20-1 Sakuragi-cho Shibuya Infoss tower 9F, Shibuya-Ku, Tokyo 150-0031.
  Tel. : 03-5776-6240. Fax : 03-5776-6246.

- **Compagnie Francaise D'assurance Pour Le Commerce Exterieur (Coface Japan / 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 16 Bldg. South 3F, 1-9-20 Akasaka, 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

- **GAN Incendie Accidents (France)**
  [The Yasuda Fire & Marine Insurance Co., 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

- **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 : solutions@gerling.co.jp
  URL : http://www.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.)**
  Ryuen Bldg. 8F, 1-3-1 Shibakoen Minato-ku, Tokyo 105-0011.
  Tel. : 03-5408-7755. Fax : 03-5408-7733. URL : http://www.kemperinsurance.com

- **Malayan Insurance Company, Inc. (The Philippines)**
  [The Tokio Marine & Fire Insurance Co., Ltd.]
  Planning Group, International Department, 2-1, Marunouchi 1-Chome, Chiyoda-Ku,
  Tokyo 100-8050.
  Tel. : 03-3285-1901. Fax : 03-3285-0270.

- **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

- **QBE Insurance (International) Ltd. (Australia)**
  Assend Kanda Bldg., 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. URL : http://www.royalsun.co.jp

● **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 Travelers Indemnity Company (U.S.A.)**
[NIPPONKOA Insurance Co., Ltd.]
7-3, Kasumigaseki 3-Chome, Chiyoda-Ku, Tokyo 100-0013.
Tel. : 03-3593-5156. Fax : 03-3293-5159.

● **The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Ltd. (Bermuda)**
Jimbo-cho NK 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

15. 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, 2001, composed of 29 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 1, 2001)

Chairman

Mr. Hiroyuki Uemura	Mitsui Sumitomo	(President)

Vice Chairmen

Mr. Kunio Ishihara	Tokio M & F	(President)
Mr. Ryutaro Sato	Nissan F & M	(President)
Mr. Michio Noda	Nisshin F & M	(President)

Ordinary Directors

Mr. Akira Seshimo	Aioi	(President)
Mr. Kazuho Oya	Asahi F & M	(President)
Mr. Mineo Fukawa	AXA	(Executive Director)
Mr. Munemasa Ura	Daido F & M	(President)
Mr. Yasuo Oda	Fuji F & M	(President)
Mr. Mitsuhito Minamisawa	JI Ac. & F	(President)
Mr. Wataru Ozawa	Kyoei Mutual F & M	(President)
Mr. Seisuke Adachi	Meiji General	(President)
Mr. Masaaki Nobuoka	Mitsui Direct General	(President)
Mr. Takashi Kawahara	Mitsui Sumitomo	(Executive Vice President)
Mr. Tomio Higuchi	Nichido F & M	(President)
Mr. Ken Matsuzawa	NIPPONKOA	(President)
Mr. Shuichiro Sudo	Nissay Dowa General	(President)
Mr. Tomonori Kanai	SAISON A & F	(President)
Mr. Seiji Yamanaka	SECOM General	(President)
Mr. Shinichi Yamamoto	Sony Assurance	(President)
Mr. Tsunaie Kanie	Taiyo F & M	(President)
Mr. Hirotada Seyama	Tokio M & F	(Executive Vice-President)
Mr. Hiroshi Hirano	Yasuda F & M	(President)

Vice Chairman

Mr. Yoji Wakui	Association

Executive Director

Mr. Eiji Nishiura	Association

Managing Directors

Mr. Makoto Akutsu	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

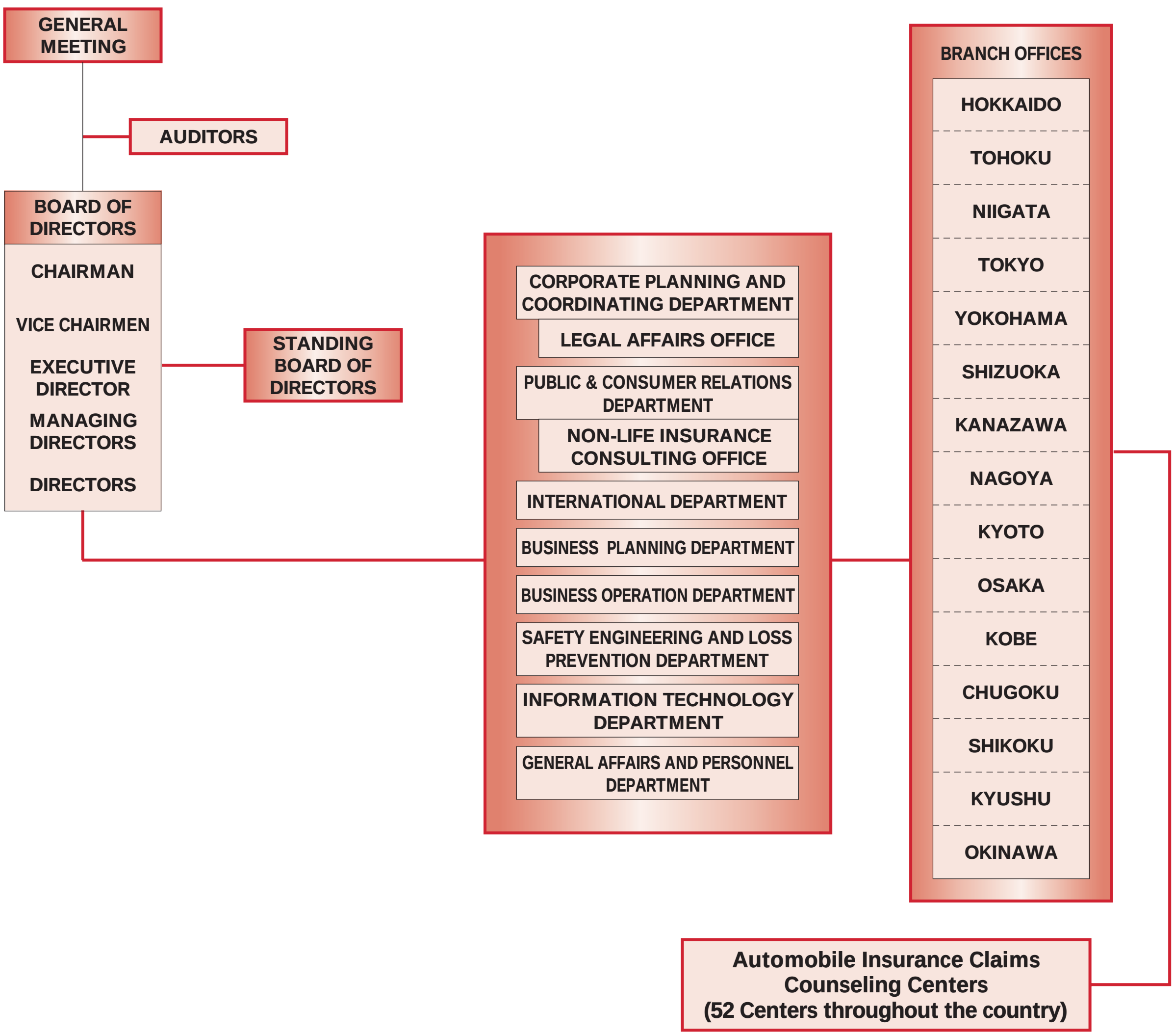
Mr. Shinya Yoshikoshi	Toa Re.	(President)
Mr. Kazumoto Adachi	Japan Earthquake Re.	(President)
Mr. Yoshihiro Masago	Certified Public Accountant	

(Abbreviation)

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

5. Organization

(As of December 1, 2001)



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1. Overall Business Results

(billion yen & %)

Item	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.
Net Premiums Written	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	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	2,490.7	41.6	2,633.6	42.3	2,755.0	42.1	2,819.8	41.7	2,883.8	41.4
Business Balance	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	2,723.5	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	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	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	-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	110.7	1.8	25.4	0.4	30.7	0.5	52.2	0.8	94.0	1.4
Provision for Liability Reserves	171.1	2.9	885.5	14.2	357.5	5.5	401.9	5.9	738.2	10.6
Underwriting Profits	-85.1	-1.4	-7.7	-0.1	76.5	1.2	298.8	4.4	357.4	5.1
Non-underwriting Profits	379.1	6.3	320.3	5.1	198.6	3.0	61.6	0.9	-26.1	-0.4
Ordinary Profits	294.0	4.9	312.6	5.0	275.1	4.2	360.4	5.3	331.2	4.8
Special Profits	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	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	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	48.4	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	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		Fiscal 2000	
Ordinary Income and Expenses	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Underwriting Income	10,813.9	4.2	10,590.1	-2.1	10,109.1	-4.5	9,805.0	-3.0	9,703.4	-1.0
(Net Premiums Written)	(7,228.2)	(3.9)	(7,215.4)	(-0.2)	(6,915.1)	(-4.2)	(6,831.5)	(-1.2)	(6,874.1)	(0.6)
(Savings Portion of Maturity-refund-type Insurance Premiums)	(2,846.4)	(5.3)	(2,593.8)	(-8.9)	(2,217.5)	(-14.5)	(1,860.6)	(-16.1)	(1,675.9)	(-9.9)
(Reversal of Outstanding Loss Reserves)	(—)	(—)	(—)	(—)	(20.5)	(—)	(2.5)	(-87.8)	(—)	(-100.0)
(Reversal of Liability Reserves)	(—)	(—)	(—)	(—)	(343.3)	(—)	(587.1)	(71.0)	(668.6)	(13.9)
Underwriting Expenses	9,138.9	5.0	8,860.8	-3.0	8,442.3	-4.7	8,296.1	-1.7	8,333.9	0.5
(Net Claims Paid)	(3,490.5)	(4.0)	(3,536.4)	(1.3)	(3,640.6)	(2.9)	(3,725.1)	(2.3)	(3,765.2)	(1.1)
(Loss Adjustment Expenses)	(323.2)	(2.4)	(327.1)	(1.2)	(326.2)	(-0.3)	(324.2)	(-0.6)	(328.3)	(1.3)
(Agency Commissions and Brokerage)	(1,323.4)	(3.6)	(1,355.1)	(2.4)	(1,291.5)	(-4.7)	(1,263.9)	(-2.1)	(1,266.1)	(0.2)
(Maturity Refunds to Policyholders)	(3,469.3)	(20.6)	(3,250.8)	(-6.3)	(3,049.4)	(-6.2)	(2,826.2)	(-7.3)	(2,685.5)	(-5.0)
(Provision for Outstanding Loss Reserves)	(96.0)	(2.1)	(37.0)	(-61.5)	(—)	(—)	(—)	(—)	(157.6)	(—)
(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	939.1	-3.8	607.4	-35.3
(Interest and Dividend Income)	(937.3)	(-6.4)	(922.2)	(-1.6)	(860.9)	(-6.6)	(747.5)	(-13.2)	(627.6)	(-16.0)
(Profits on Sales of Securities)	(342.4)	(-17.9)	(510.1)	(49.0)	(573.6)	(12.5)	(571.6)	(-0.3)	(297.4)	(-48.0)
Investment Expenses	278.6	-7.2	577.9	107.4	542.8	-6.1	604.5	11.4	199.4	-67.0
(Losses on Sales of Securities)	(69.2)	(-69.8)	(157.9)	(128.0)	(215.1)	(36.3)	(319.9)	(48.7)	(35.0)	(-89.1)
(Losses on Revaluation of Securities)	(131.8)	(412.0)	(346.7)	(163.0)	(254.2)	(-26.7)	(201.7)	(-20.7)	(84.6)	(-58.0)
Operating and General Administrative Expenses	1,592.4	2.2	1,567.2	-1.6	1,526.4	-2.6	1,470.0	-3.7	1,409.8	-4.1
(Operating and General Administrative Expenses on Underwriting)	(1,498.6)	(1.9)	(1,475.6)	(-1.5)	(1,434.8)	(-2.8)	(1,375.7)	(-4.1)	(1,315.3)	(-4.4)
Other Ordinary Expenses	-97.7	—	-106.4	—	-203.1	—	-50.4	—	-31.6	—
Ordinary Profits	377.6	-22.6	376.2	-0.4	371.1	-1.4	323.0	-13.0	336.1	4.0
(Underwriting Profits)	(148.7)	(-16.7)	(259.0)	(74.2)	(240.7)	(-7.1)	(130.7)	(-45.7)	(50.6)	(-61.2)
Special Profits and Losses Balance	-44.7	—	-11.5	—	-94.8	—	-164.5	—	-164.1	—
Profits for the Current Year before Corporate Taxes	—	—	—	—	—	—	158.5	—	171.9	8.5
Corporate Income Taxes and Corporate Resident Taxes	232.1	-21.5	253.4	9.2	184.1	-27.3	129.9	-29.4	66.1	-49.1
Adjustments in Corporate Income Taxes, etc.	—	—	—	—	—	—	-70.7	—	1.1	—
Net Profits for the Current Year	100.8	-4.3	111.3	10.5	92.2	-17.2	99.4	7.8	104.7	5.4
Retained Surplus brought forward from the Previous Year	37.9	3.1	24.5	-35.5	23.8	-2.7	-7.1	-129.8	40.7	—
Unappropriated Earned Surplus of the Current Year	138.8	-2.4	135.9	-2.1	116.1	-14.5	496.3	327.5	139.6	-71.9

(Note) Terminology, forms, and method of preparation of financial statements have been revised since fiscal 1996, in line with the revision of the Enforcement Regulation of the Insurance Business Law.

2. Abridged Balance Sheet

<Assets> (billion yen & %)

Item	Fiscal 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Deposits	2,371.7	8.9	2,065.5	7.5	1,968.9	7.1	1,812.9	6.4	1,825.0	6.2
Call Loans	522.6	2.0	703.6	2.6	832.9	3.0	822.9	2.9	1,003.1	3.4
Receivables under Resales Agreements	—	—	—	—	—	—	—	—	—	—
Monetary Receivables Bought	199.2	0.8	222.4	0.8	228.6	0.8	288.9	1.0	273.5	0.9
Money Trusts	1,071.4	3.8	1,044.6	3.8	1,104.1	4.0	983.2	3.5	972.0	3.3
Securities	11,153.1	42.0	12,314.8	44.9	12,816.1	46.4	13,921.2	48.9	14,811.1	50.3
(National Government Bonds)	(524.0)	(2.0)	(817.4)	(3.0)	(910.6)	(3.3)	(843.5)	(3.0)	(657.7)	(2.2)
(Local Government Bonds)	(267.4)	(1.0)	(273.1)	(1.0)	(301.3)	(1.1)	(512.3)	(1.8)	(853.4)	(2.9)
(Corporate Bonds)	(2,070.3)	(7.8)	(2,317.3)	(8.4)	(2,461.7)	(8.9)	(2,776.4)	(9.8)	(3,267.8)	(11.1)
(Stocks)	(4,562.3)	(17.2)	(4,765.7)	(17.4)	(4,961.3)	(18.0)	(5,274.0)	(18.5)	(5,373.4)	(18.2)
(Foreign Securities)	(3,092.8)	(11.6)	(3,478.7)	(12.7)	(3,609.8)	(13.1)	(4,011.2)	(14.1)	(4,160.6)	(14.1)
(Other Securities)	(282.2)	(1.1)	(228.2)	(0.8)	(210.4)	(0.8)	(200.5)	(0.7)	(319.6)	(1.1)
(Securities Loaned)	(354.2)	(1.3)	(434.3)	(1.6)	(360.8)	(1.3)	(303.3)	(1.1)	(178.6)	(0.6)
Loans	7,557.0	28.4	7,219.6	26.3	6,737.5	24.4	6,574.9	23.1	6,552.2	22.2
Real Estate	1,403.7	5.3	1,568.7	5.7	1,631.2	5.9	1,822.0	6.4	1,817.7	6.2
(Total Working Assets)	(24,224.8)	(91.2)	(25,139.4)	(91.6)	(25,319.3)	(91.6)	(26,225.8)	(92.2)	(27,254.7)	(92.5)
Other Assets	2,341.3	8.8	2,305.0	8.4	2,319.2	8.4	2,233.8	7.8	2,198.1	7.5
Total Assets	26,566.2	100.0	27,444.5	100.0	27,638.7	100.0	28,459.8	100.0	29,452.9	100.0

Item	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Deposits	1,851.1	6.1	1,508.7	4.9	1,459.4	4.7	1,460.4	4.8	1,759.1	5.1
Call Loans	1,010.5	3.3	1,127.0	3.6	838.5	2.7	909.0	3.0	835.7	2.4
Receivables under Resales Agreements	—	—	—	—	—	—	—	—	10.0	0.0
Monetary Receivables Bought	257.0	0.8	442.8	1.4	849.7	2.8	329.7	1.1	491.9	1.4
Money Trusts	957.5	3.2	816.7	2.6	672.7	2.2	543.8	1.8	383.9	1.1
Securities	15,597.7	51.4	16,151.8	51.9	16,388.3	53.2	16,259.5	53.8	21,866.6	63.0
(National Government Bonds)	(704.3)	(2.3)	(627.3)	(2.0)	(833.8)	(2.7)	(1,037.1)	(3.4)	(1,408.0)	(4.1)
(Local Government Bonds)	(1,034.6)	(3.4)	(1,239.3)	(4.0)	(1,230.7)	(4.0)	(1,294.1)	(4.3)	(1,391.1)	(4.0)
(Corporate Bonds)	(3,420.2)	(11.3)	(3,929.3)	(12.6)	(4,026.0)	(13.1)	(4,179.7)	(13.8)	(4,581.8)	(13.2)
(Stocks)	(5,496.6)	(18.1)	(5,428.1)	(17.4)	(5,594.3)	(18.2)	(5,500.5)	(18.2)	(10,328.1)	(29.8)
(Foreign Securities)	(4,394.7)	(14.5)	(4,344.1)	(14.0)	(4,108.6)	(13.3)	(3,664.9)	(12.1)	(3,708.5)	(10.7)
(Other Securities)	(451.9)	(1.5)	(407.6)	(1.3)	(403.8)	(1.3)	(422.0)	(1.4)	(449.0)	(1.3)
(Securities Loaned)	(95.3)	(0.3)	(176.1)	(0.6)	(191.0)	(0.6)	(161.1)	(0.5)	(—)	(—)
Loans	6,558.7	21.6	6,663.5	21.4	6,271.3	20.3	5,164.0	17.1	4,452.2	12.8
Real Estate	1,846.8	6.1	1,825.7	5.9	1,817.0	5.9	1,763.7	5.9	1,691.3	4.9
(Total Working Assets)	(28,079.2)	(92.5)	(28,536.2)	(91.7)	(28,296.9)	(91.8)	(26,430.2)	(87.5)	(31,490.7)	(90.7)
Other Assets	2,278.8	7.5	2,581.1	8.3	2,526.8	8.2	3,788.1	12.5	3,224.9	9.3
Total Assets	30,358.1	100.0	31,117.4	100.0	30,823.7	100.0	30,218.4	100.0	34,715.6	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, 7) Deferred tax assets, and 8) Miscellaneous.

3. Abridged Balance Sheet

<Liabilities and Equities>

(billion yen & %)

Item	Fiscal 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Underwriting Reserves	21,918.5	82.5	22,830.8	83.2	23,214.9	84.0	23,659.9	83.1	24,485.1	67.2
(Liability Reserves)	(20,073.8)	(75.6)	(20,959.3)	(76.4)	(21,316.9)	(77.1)	(21,718.8)	(76.3)	(22,457.0)	(76.2)
(Outstanding Loss Reserves)	(1,790.0)	(6.7)	(1,815.4)	(6.6)	(1,846.2)	(6.7)	(1,898.3)	(6.7)	(1,992.3)	(6.8)
(Others)	(54.7)	(0.2)	(56.1)	(0.2)	(51.8)	(0.2)	(42.8)	(0.2)	(35.7)	(0.1)
Other Liabilities	2,316.3	8.7	2,212.1	8.0	1,964.3	7.1	2,285.4	8.0	2,393.7	8.1
Total Liabilities	24,234.9	91.2	25,043.0	91.2	25,179.3	91.1	25,945.4	91.2	26,878.8	91.3
Capital	621.3	2.4	621.5	2.3	622.3	2.3	625.6	2.2	631.1	2.1
Legal Reserves	435.3	1.6	443.1	1.6	451.9	1.6	459.2	1.6	467.7	1.6
Surpluses	1,274.6	4.8	1,336.9	4.9	1,385.2	5.0	1,429.6	5.0	1,475.4	5.0
(Profits for the Current Year)	(144.2)	(0.5)	(137.2)	(0.5)	(118.2)	(0.4)	(105.9)	(0.4)	(105.4)	(0.4)
Total Equities	2,331.1	8.8	2,401.5	8.8	2,459.4	8.9	2,514.4	8.8	2,574.1	8.7
Total Liabilities and Equities	26,566.2	100.0	27,444.5	100.0	27,638.7	100.0	28,459.8	100.0	29,452.9	100.0

(billion yen & %)

Item	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Underwriting Reserves	24,962.1	82.2	25,126.8	80.8	24,762.0	80.3	23,855.2	78.9	23,320.2	67.2
(Liability Reserves)	(22,833.6)	(75.2)	(22,965.0)	(73.8)	(22,621.5)	(73.4)	(21,753.0)	(72.0)	(21,068.0)	(60.7)
(Outstanding Loss Reserves)	(2,097.4)	(6.9)	(2,134.4)	(6.9)	(2,113.8)	(6.8)	(2,101.4)	(7.0)	(2,252.1)	(6.5)
(Others)	(31.0)	(0.1)	(27.4)	(0.1)	(26.7)	(0.1)	(0.9)	(0.0)	(0.1)	(0.0)
Other Liabilities	2,484.2	8.2	2,970.3	9.5	2,939.6	9.6	2,816.5	9.3	4,340.7	12.5
Total Liabilities	27,446.4	90.4	28,097.1	90.3	27,701.6	89.9	26,671.9	88.3	27,661.0	79.7
Capital	814.3	2.7	841.8	2.7	888.2	2.9	861.6	2.9	856.9	2.5
Legal Reserves	582.5	1.9	620.9	2.0	646.1	2.1	671.9	2.2	693.4	2.0
Surpluses	1,514.9	5.0	1,557.6	5.0	1,587.7	5.1	2,013.1	6.7	2,039.9	5.9
(Profits for the Current Year)	(100.8)	(0.3)	(111.3)	(0.4)	(92.2)	(0.3)	(99.4)	(0.3)	(104.7)	(0.3)
Total Equities	2,911.7	9.6	3,020.3	9.7	3,122.0	10.1	3,546.5	11.7	7,054.6	20.3
Total Liabilities and Equities	30,358.1	100.0	31,117.4	100.0	30,823.7	100.0	30,218.4	100.0	34,715.6	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 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,613,575	-7.0	1,679,118	4.1	1,821,791	8.5	1,854,494	1.8	1,853,364	-0.1
(Maturity-refund-type)	(831,334)	(-16.0)	(843,804)	(1.5)	(942,060)	(11.6)	(894,388)	(-5.1)	(858,219)	(-4.0)
Voluntary Automobile	2,762,325	12.2	3,007,564	8.9	3,293,655	9.5	3,444,927	4.6	3,535,792	2.6
(Maturity-refund-type)	—	—	—	—	—	—	—	—	—	—
Personal Accident	2,677,805	7.3	2,542,171	-5.1	2,793,730	9.9	2,619,717	-6.2	2,730,623	4.2
(Maturity-refund-type)	(2,117,139)	(7.2)	(1,980,646)	(-6.4)	(2,210,554)	(11.6)	(2,021,958)	(-8.5)	(2,115,638)	(4.6)
Miscellaneous Casualty	725,908	0.9	707,919	-2.5	694,303	-1.9	698,785	0.6	750,800	7.4
(Maturity-refund-type)	(87,517)	(-22.8)	(58,811)	(-32.8)	(55,002)	(-6.5)	(52,161)	(-5.2)	(70,726)	(35.6)
Marine Hull	91,246	2.7	102,393	12.2	108,157	5.6	105,242	-2.7	97,545	-7.3
Marine Cargo	148,953	-5.5	142,896	-4.1	130,495	-8.7	135,959	4.2	143,930	5.9
Inland Transit	65,303	6.0	64,550	-1.2	63,229	-2.0	63,866	1.0	65,377	2.4
Sub-total	8,085,115	4.7	8,246,611	2.0	8,905,359	8.0	8,922,990	0.2	9,177,430	2.9
Compulsory Automobile Liability	1,101,209	-8.6	1,076,278	-2.3	1,001,857	-6.9	1,005,150	0.3	1,034,273	2.9
Grand total	**9,186,324**	**2.9**	**9,322,889**	**1.5**	**9,907,217**	**6.3**	**9,928,140**	**0.2**	**10,211,704**	**2.9**
(Maturity-refund-type)	(3,035,990)	(-1.4)	(2,883,260)	(-5.0)	(3,207,616)	(11.2)	(2,968,507)	(-7.5)	(3,044,584)	(2.6)

(million yen & %)

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,902,702	2.7	1,901,652	-0.1	1,774,122	-6.7	1,744,255	-1.7	1,583,618	-9.2
(Maturity-refund-type)	(844,488)	(-1.6)	(810,960)	(-4.0)	(754,434)	(-7.0)	(722,007)	(-4.3)	(566,342)	(-21.6)
Voluntary Automobile	3,649,071	3.2	3,688,850	1.1	3,572,065	-3.2	3,599,908	0.8	3,649,981	1.4
(Maturity-refund-type)	—	—	—	—	—	—	(3,023)	—	(13,536)	(347.8)
Personal Accident	2,892,951	5.9	2,666,790	-7.8	2,295,419	-13.9	2,049,840	-10.7	1,831,264	-10.7
(Maturity-refund-type)	(2,251,163)	(6.4)	(2,023,671)	(-10.1)	(1,676,318)	(-17.2)	(1,430,574)	(-14.7)	(1,226,983)	(-14.2)
Miscellaneous Casualty	793,468	5.7	776,114	-2.2	746,046	-3.9	733,633	-1.7	758,577	3.4
(Maturity-refund-type)	(70,622)	(-0.1)	(46,460)	(-34.2)	(44,144)	(-5.0)	(39,739)	(-10.0)	(47,422)	(19.3)
Marine Hull	92,209	-5.5	78,058	-15.3	68,290	-12.5	59,726	-12.5	57,034	-4.5
Marine Cargo	161,147	12.0	163,782	1.6	146,988	-10.3	127,905	-13.0	128,512	0.5
Inland Transit	67,409	3.1	67,840	0.6	64,388	-5.1	63,873	-0.8	64,930	1.7
Sub-total	9,558,957	4.2	9,343,087	-2.3	8,667,318	-7.2	8,379,140	-3.3	8,073,919	-3.6
Compulsory Automobile Liability	1,063,021	2.8	970,632	-8.7	955,582	-1.6	980,473	2.6	987,786	0.7
Grand total	**10,621,978**	**4.0**	**10,313,719**	**-2.9**	**9,622,900**	**-6.7**	**9,359,613**	**-2.7**	**9,061,705**	**-3.2**
(Maturity-refund-type)	(3,166,273)	(4.0)	(2,881,091)	(-9.0)	(2,474,896)	(-14.1)	(2,195,343)	(-11.3)	(1,854,284)	(-15.5)

(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 1991		Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	982,596	0.9	989,926	0.7	1,017,022	2.7	1,076,867	5.9	1,105,961	2.7
Voluntary Automobile	2,779,749	12.2	3,030,497	9.0	3,314,553	9.4	3,466,250	4.6	3,555,270	2.6
Personal Accident	693,565	4.0	700,806	1.0	756,686	8.0	760,049	0.4	782,749	3.0
Miscellaneous Casualty	625,362	4.0	629,197	0.6	615,959	-2.1	621,749	0.9	651,276	4.7
Marine and Inland Transit	290,336	-1.3	281,698	-3.0	265,375	-5.8	270,129	1.8	273,508	1.3
Sub-total	5,371,608	7.1	5,632,124	4.8	5,969,596	6.0	6,195,046	3.8	6,368,767	2.8
Compulsory Automobile Liability	620,094	0.9	596,903	-3.7	581,965	-2.5	570,226	-2.0	590,508	3.6
Grand total	**5,991,702**	**6.4**	**6,229,027**	**4.0**	**6,551,561**	**5.2**	**6,765,273**	**3.3**	**6,959,275**	**2.9**

(million yen & %)

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,175,180	6.3	1,186,054	0.9	1,117,182	-5.8	1,105,163	-1.1	1,053,735	-4.7
Voluntary Automobile	3,666,582	3.1	3,697,444	0.8	3,575,870	-3.3	3,605,062	0.8	3,650,119	1.2
Personal Accident	797,101	1.8	765,795	-3.9	718,693	-6.2	705,765	-1.8	676,576	-4.1
Miscellaneous Casualty	694,050	6.6	702,505	1.2	688,091	-2.1	676,203	-1.7	692,325	2.4
Marine and Inland Transit	293,335	7.2	287,583	-2.0	261,217	-9.2	232,122	-11.1	231,463	-0.3
Sub-total	6,626,250	4.0	6,639,384	0.2	6,361,138	-4.2	6,324,405	-0.6	6,304,301	-0.3
Compulsory Automobile Liability	601,908	1.9	576,014	-4.3	553,926	-3.8	564,942	2.0	569,835	0.9
Grand total	**7,228,158**	**3.9**	**7,215,398**	**-0.2**	**6,915,064**	**-4.2**	**6,889,347**	**-0.4**	**6,874,136**	**-0.2**

(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			
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
2000	363.8	2,190.3	888.2	278.2	4,245.3	2,690.3

(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 \ Fiscal Year		1991	Portion	1992	Portion	1993	Portion	1994	Portion	1995	Portion
Classified Agents	Special (General & Factory)	109	0.0%	112	0.0%	115	0.0%	115	0.0%	119	0.0%
	Special (General)	887	0.2%	960	0.2%	1,030	0.2%	1,098	0.2%	1,198	0.3%
	Special (Factory)	33	0.0%	33	0.0%	32	0.0%	33	0.0%	33	0.0%
	Upper	75,063	16.0%	79,115	16.8%	83,426	17.8%	88,028	18.7%	92,593	19.4%
	Ordinary	212,839	45.3%	219,978	46.8%	226,016	48.3%	230,986	49.1%	236,245	49.6%
	Primary	38,324	8.2%	37,595	8.0%	35,845	7.7%	36,118	7.7%	39,534	8.3%
	Sub-total	327,255	69.7%	337,793	71.8%	346,464	74.0%	356,378	75.7%	369,722	77.6%
Non-Classified Agents		142,354	30.3%	132,720	28.2%	121,569	26.0%	114,163	24.3%	106,495	22.4%
Grand Total		**469,609**	**100.0%**	**470,513**	**100.0%**	**468,033**	**100.0%**	**470,541**	**100.0%**	**476,217**	**100.0%**

Class \ Fiscal Year		1996	Portion	1997	Portion	1998	Portion	1999	Portion	2000	Portion
Classified Agents	Special (General & Factory)	122	0.0%	128	0.0%	132	0.0%	132	0.0%	135	0.0%
	Special (General)	1,369	0.2%	1,546	0.3%	1,728	0.3%	1,900	0.3%	2,182	0.4%
	Special (Factory)	35	0.0%	35	0.0%	36	0.0%	36	0.0%	35	0.0%
	Upper	96,531	15.5%	95,723	16.2%	94,289	15.9%	91,882	16.1%	88,991	17.5%
	Ordinary	241,505	38.7%	283,292	47.8%	287,185	48.4%	281,386	49.3%	249,818	49.0%
	Primary	182,983	29.3%	123,564	20.9%	131,608	22.2%	123,308	21.6%	98,783	19.4%
	Sub-total	522,545	83.8%	504,288	85.2%	514,978	86.7%	498,644	87.3%	439,944	86.3%
Non-Classified Agents		101,196	16.2%	87,838	14.8%	78,894	13.3%	72,275	12.7%	69,675	13.7%
Grand Total		**623,741**	**100.0%**	**592,126**	**100.0%**	**593,872**	**100.0%**	**570,919**	**100.0%**	**509,619**	**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	1991	Portion	1992	Portion	1993	Portion	1994	Portion	1995	Portion
Exclusive	371,801	79.2%	370,136	78.7%	366,222	78.2%	367,538	78.1%	372,061	78.1%
Multi-representative	97,808	20.8%	100,377	21.3%	101,811	21.8%	103,003	21.9%	104,156	21.9%
Corporate	115,909	24.7%	121,383	25.8%	125,778	26.9%	129,747	27.6%	133,152	28.0%
Individual	353,700	75.3%	349,130	74.2%	342,255	73.1%	340,794	72.4%	343,065	72.0%
Full-time	90,953	19.4%	91,917	19.5%	93,103	19.9%	93,602	19.9%	96,931	20.4%
Part-time	378,656	80.6%	378,596	80.5%	374,930	80.1%	376,939	80.1%	379,286	79.6%
Total	**469,609**	**100.0%**	**470,513**	**100.0%**	**468,033**	**100.0%**	**470,541**	**100.0%**	**476,217**	**100.0%**

Class \ Fiscal Year	1996	Portion	1997	Portion	1998	Portion	1999	Portion	2000	Portion
Exclusive	494,376	79.3%	465,402	78.6%	476,860	80.3	438,950	76.9	382,152	75.0
Multi-representative	129,365	20.7%	126,724	21.4%	117,012	19.7	131,969	23.1	127,467	25.0
Corporate	136,682	21.9%	135,529	22.9%	132,361	22.3	128,630	22.5	127,019	24.9
Individual	487,059	78.1%	456,597	77.1%	461,511	77.7	442,289	77.5	382,600	75.1
Full-time	90,567	14.5%	85,544	14.4%	79,126	13.3	73,353	12.8	60,264	11.8
Part-time	533,174	85.5%	506,582	85.6%	514,746	86.7	497,566	87.2	449,355	88.2
Total	**623,741**	**100.0%**	**592,126**	**100.0%**	**593,872**	**100.0%**	**570,919**	**100.0%**	**509,619**	**100.0%**

(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 and accompanying weather front	Sept.	1999	30	89,344	18,001
Hailstorm, May 2000	May	2000	0	24,691	43
Downpour, September 2000	Sept.	2000	10	312	71,291

● Major Earthquakes, etc.

Name of Earthquake, etc.	Date of Occurrence	M	Number of Casualties and Property Damage						
			Dead/ Missing	Houses totally destroyed	Houses half damaged	Houses partially damaged	Houses drifted away	Houses flooded	Houses burned down
Nankai	Dec. 21, 1946	8.0	1,330	11,591	23,487	–	1,451	–	2,598
Fukui	June 28, 1948	7.1	3,769	36,184	11,816	–	–	–	3,851
Tokachi-oki (Off Tokachi)	Mar. 4, 1952	8.2	33	815	1,324	–	91	–	–
Tsunami from Chili Earthquake	May 23, 1960	8.5	142	1,500	2,000	–	–	–	–
Miyagiken Hokubu (Northern Miyagi Prefecture)	Apr. 30, 1962	6.5	3	340	1,114	–	–	–	–
Niigata	June 16, 1964	7.5	26	1,960	6,640	–	–	15,298	–
Tokachi-oki (Off Tokachi)	May 16, 1968	7.9	52	673	3,004	–	–	–	–
lzuhanto-oki (Off Izu Peninsula)	May 9, 1974	6.9	30	134	240	–	–	–	5
Izuoshima Kinkai (Sea Near Izuoshima)	Jan. 14, 1978	7.0	25	96	616	–	–	–	–
Miyagiken-oki (Off Miyagi Prefecture)	June 12, 1978	7.4	28	1,183	5,574	–	–	–	–
Center of the Sea of Japan	May 26, 1983	7.7	104	934	2,115	3,258	52	–	–
Miyakejima Volcanic Eruption	Oct. 3, 1983	–	–	340	–	–	–	–	–
Naganoken Seibu (Western Nagano Prefecture)	Sept. 14, 1984	6.8	29	[*1] 14	73	565	–	–	–
Chibaken Toho-oki (Off Eastern Chiba Prefecture)	Dec. 17, 1987	6.7	2	10	–	60,000	–	–	–
Mt. Unzen Volcanic Eruption	June 3, 1991~	–	44	271 by pyroclastic flow 1,117 by debris flow 11 by cinders					
Kushiro-oki (Off Kushiro)	Jan. 15, 1993	7.8	2	12	73	3,389	–	–	–
Hokkaido Nansei-oki (Off Southwest Hokkaido)	July 12, 1993	7.8	230	601	408	5,490	–	455	[*2] 192
Hokkaido Toho-oki (Off Eastern Hokkaido)	Oct. 4, 1994	8.1	–	61	348	7,095	–	184	–
Sanriku Haruka-oki (Far-off Sanriku coast)	Dec. 28, 1994	7.5	3	72	429	9,021	–	–	–
Southern Hyogo Prefecture (Great Hanshin-Awaji)	Jan. 17, 1995	7.2	6,435	104,906	144,274	263,702	–	–	–
Mt. Usu Volcanic Eruption	Mar. 31, 2000	–	–	69	242	479	–	–	–
Miyakejima Volcanic Eruption	July 8, 2000	–	–	11	5	12	–	–	–
Tottoriken Seibu (Western Tottori Prefecture)	Oct. 6, 2000	7.3	–	431	3,068	17,296	–	–	–
Geiyo	Mar. 24, 2001	6.7	–	69	558	41,392	–	–	–

(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.

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	Downpour, September 2000	Aichi etc.	Sep. 10 to 12, 2000	44.7	54.5	3.9	103.0
5	Typhoon No. 13	Kyushu, Shikoku, and Chugoku	Sep. 3, 1993	93.3	3.5	0.9	97.7
6	Hailstorm	Chiba and Ibaraki	May 24, 2000	37.2	30.3	2.5	70.0
7	Typhoon No. 19	Nationwide	Sep. 17 to 20, 1990	32.4	2.1	2.0	36.5
8	Typhoon No. 17	Kyushu and Chugoku	Sep. 14 to 15, 1991	33.9	—	0.9	34.7
9	Typhoon Nos.12,13,14	Kyushu	Aug. 30 to Sep. 1, 1985	28.1	—	3.1	31.1
10	Typhoon No. 7	Kyushu	Aug. 10, 1993	23.2	6.2	0.3	29.7

(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	78,297.3
2	Geiyo	Chugoku and Shikoku	Mar. 23, 2001	15,970.9
3	Tottoriken Seibu	Western Tottori Prefecture	Oct. 6, 2000	3,114.0
4	Hokkaido Toho-oki	Off Eastern Hokkaido	Oct. 4, 1994	1,332.2
5	Mt. Unzen Volcanic Eruption	Eastern Nagasaki Prefecture	Fiscal 1991~1994	1,288.0
6	Sanriku Haruka-oki	Far-off Sanriku Coast	Dec. 28, 1994	1,237.5
7	Kushiro-oki	Off Kushiro	Jan. 15, 1993	989.6
8	Center of the Sea of Japan	Center of the Sea of Japan	May 26, 1983	650.7
9	Kagoshimaken Satsuma	Western Kagoshima Prefecture	Mar. 1997~Jan. 1998	530.6
10	Hokkaido Nansei-oki	Off Southwest Hokkaido	July 12, 1993	275.8

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
297.3	Tokyo District Court	Mar. 30, 1995	July 18, 1984	M/40	Company Director	Permanent Disability
265.6	Osaka District Court	Nov. 30, 1998	Oct. 27, 1992	M/19	Cram School Student	- do. -
265.4	Tokyo District Court	Mar. 19, 1998	Feb. 8, 1993	M/20	University Student	- do. -
257.2	Fukuoka District Court	Apr. 27, 1999	Nov. 23, 1994	M/22	Self-defense Official	- do. -
250.5	Tokyo High Court	Oct. 22, 1996	Oct. 7, 1990	M/20	Technical College Student	- do. -
243.5	Osaka District Court	July 24, 2000	Nov. 11, 1995	M/16	Senior High School Student	- do. -
236.9	Osaka District Court	Sep. 29, 1994	Dec. 4, 1989	M/17	Electorician	- do. -
236.8	Hiroshima District Court	Feb. 25, 1999	June 3, 1994	M/24	Office Worker	- do. -
233.7	Hiroshima District Court	Jan. 21, 1998	Sep. 2, 1990	M/18	University Student	- do. -
224.1	Tokyo District Court	Dec. 7, 1995	Aug. 2, 1990	M/17	Senior High School Student	- do. -
221.7	Osaka District Court	Sep. 19, 1996	Oct. 20, 1983	F/19	Waitress	- do. -
221.6	Kushiro District Court	Aug. 5, 1986	Mar. 3, 1984	M/39	Doctor	Death
215.9	Osaka District Court	Feb. 29, 2000	May 21, 1995	M/20	University Student	Permanent Disability
205.8	Tokyo District Court	June 24, 1999	Oct. 24, 1994	M/40	Company Director	- do. -
203.5	Yokohama District Court	Jan. 21, 2000	Apr. 20, 1993	F/6	School Child	- do. -
203.0	Supreme Court	Dec. 3, 1993	Nov. 20, 1987	M/11	- do. -	- do. -
202.0	Tokyo District Court	Jan. 26, 1995	Oct. 10, 1990	M/46	Company Representative	Death
200.8	Yokohama District Court	June 20, 2000	Mar. 31, 1994	M/20	University Student	Permanent Disability
200.4	Nagoya District Court	Oct. 30, 1996	May. 24, 1992	M/32	Plumber	Death
199.1	Tokyo District Court	Feb. 26, 1999	Apr. 22, 1990	F/27	Office Worker	Permanent Disability

(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	- do. -
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
14.4	Tokyo District Court	Feb. 5, 1999	Sep. 14, 1996	Passenger Cars, Sports Shop, Sporting Goods, etc.
14.3	Osaka District Court	Mar. 17, 1988	Dec. 25, 1986	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
11.7	Osaka District Court	Nov. 10, 1997	Mar. 9, 1994	Passenger Car
11.6	Sendai District Court	Jan. 26, 1996	July 2, 1993	Large 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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Printed in Japan, December 2001

ISO 14001

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