NON-LIFE INSURANCE IN JAPAN

FACT BOOK

2001–2002

THE MARINE AND FIRE INSURANCE ASSOCIATION OF JAPAN, INC.

KEY FIGURES

GENERAL INFORMATION ABOUT JAPAN

	Fiscal 2000		Fiscal 2001	
● Population (Percentage of People Aged 65 and Over)	126,926 thousand (17.3%)		127,291 thousand (18.0%)	
● Gross Domestic Expenditure (nominal) (real)	 513,006.1 billion yen 535,690.3 billion yen		 500,216.5 billion yen 528,928.5 billion yen	
● Percentage of Workers by Industrial Sector	Primary Industries Secondary Industries Tertiary Industries	5.1% 30.7% 63.7%	Primary Industries Secondary Industries Tertiary Industries	4.9% 30.0% 64.4%
● No. of Registered Automobiles	75,524,973		76,270,813	

JAPANESE NON-LIFE INSURANCE COMPANIES

	Fiscal 2000	Fiscal 2001
● No. of Domestic Insurers(＊1)	38	33
● No. of Employees (Including Management)	87,687	84,163
● No. of Agents	509,619	342,191
● Total Assets (Total Working Assets)	34,715.6 billion yen (31,490.7 billion yen)	33,460.1 billion yen (29,467.5 billion yen)
● Direct Premiums Written (Maturity-Refund Type Insurance Premiums)	9,061.7 billion yen (1,854.3 billion yen)	8,830.5 billion yen (1,561.9 billion yen)
● Net Premiums Written	6,874.1 billion yen	6,881.6 billion yen
● Net Claims Paid(＊2)	3,765.2 billion yen	3,699.8 billion yen
● Operating Expenses on Underwriting(＊2)	2,581.4 billion yen	2,522.0 billion yen

(Notes) 1. "Domestic Insurers" means locally incorporated companies including foreign-capitalized insurers.
2. "No. of Agents" includes the agents of foreign companies.
(＊1) The latest number of "Domestic Insurers" is 30 as of December 1, 2002.
(＊2) Figures for fiscal 2000 and fiscal 2001 exclude those of two companies which went bankrupt in May 2000 and November 2001.

FOREWORD

We take pleasure in presenting the "NON-LIFE INSURANCE IN JAPAN, FACT BOOK 2001-2002", offering an outline of the Japanese non-life insurance business and the industry's activities during fiscal 2001.

Reflecting the recent development of deregulation and liberalization and the continually changing state of the economy, the non-life insurance business has been going through dramatic changes.

Deregulation and liberalization in the non-life insurance business has advanced along with the revision of the Insurance Business Law enforced in 1996, the Japanese version of the "Big Bang" initiative, and the Japan-US Insurance Talks. Consequently, various deregulatory measures have been realized. These include the full-scale entry of the main body of non-life insurance companies into the third sector in July 2001 and the abolition of the government reinsurance scheme for Compulsory Automobile Insurance in April 2002. Non-life insurance companies can now provide the public with a wide range of insurance products and services.

Changes in the environment surrounding the non-life insurance business have also accelerated moves to establish new business models for the non-life insurance business. These have altered the industry map and resulted in mergers, management consolidation and business affiliations.

In this situation, each non-life insurance company's effort to ensure and improve the soundness and trust of its business has become even more important. Each non-life insurance company has prepared a system to ensure legal compliance following the improvement of the legal system for consumer protection with the Law on Sales of Financial Products and the Consumer Contract Law. Each company has also made every effort to improve disclosure and to respond promptly and appropriately to customers' needs.

Over the past year, many events have raised our concerns about risk exposure. These range from the terrorist attacks on September 11 in the U.S.A. to concerns about the safety of food. The non-life insurance industry will continue to play a role in supporting the safety and security of people's lives and society in the future. We wish to respond promptly and flexibly to changes which affect society to follow the development of the social economy.

We hope this FACT BOOK 2001-2002 will play a part in helping you better understand the non-life insurance business in Japan.

December 2002

The Marine and Fire Insurance Association of Japan, Inc.

CONTENTS

Part I General Review of Fiscal 2001

(April 1, 2001 - March 31, 2002)

Part II General Information

APPENDICES

PART I
GENERAL REVIEW OF FISCAL 2001
(April 1, 2001-March 31, 2002)

I Current Situation of Non-Life Insurance Industry

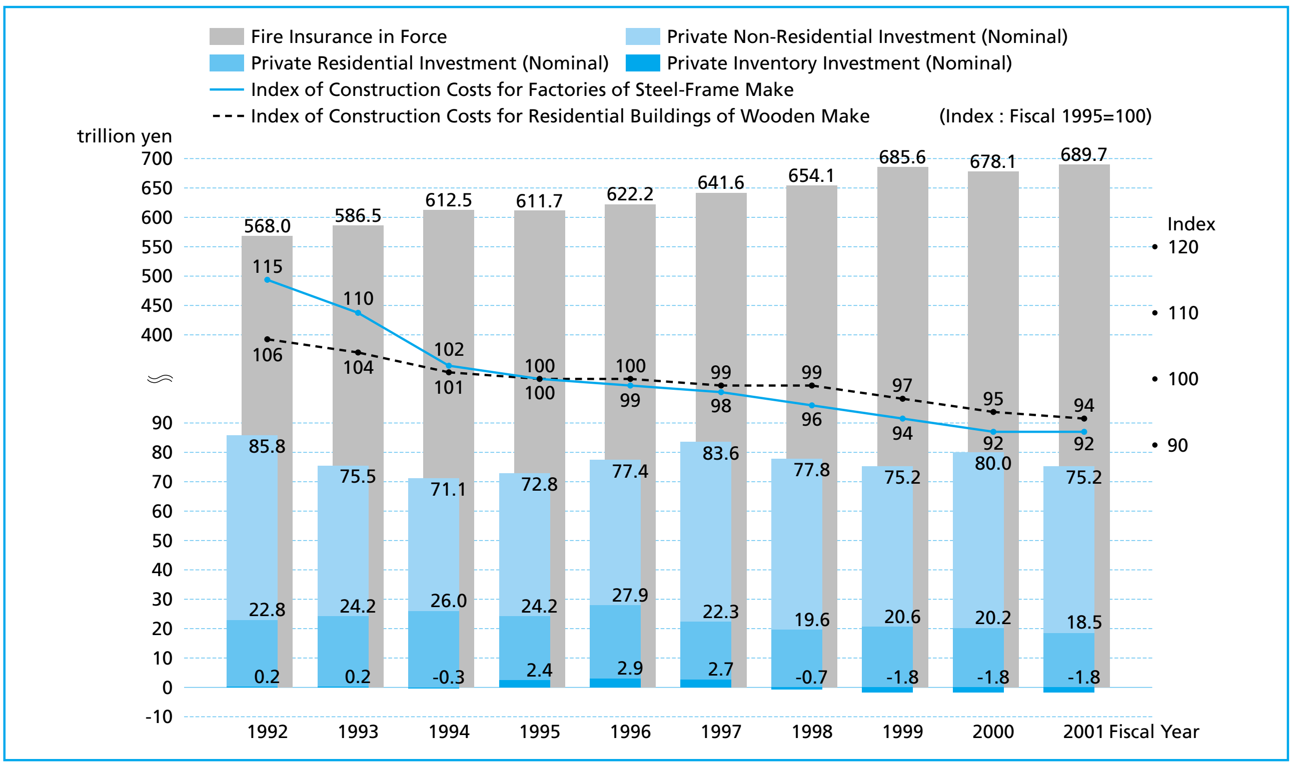
1 Trends in National Economy and Non-Life Insurance

1 Fire insurance contracts and private equipment investment

Since the subject-matter of fire insurance is buildings (i.e. houses, shops, factories, and ware-houses) 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 non-regidential investment, residential investment, inventory investment, and revaluation of buildings and contents due to fluctuations in price indices such as the construction cost of buildings.

In fiscal 2001, new fire insurance contracts totaled an amount insured of 689.7 trillion yen, up 1.7% over the preceding year, though housing starts decreased 3.3% to 1.17 million.

Trends in Private Non-Residential Investment, Residential Investment, Inventory Investment, Index of Construction Costs and Fire Insurance in Force



(Notes) 1. "Insurance in Force" means the total sum of insured amounts of new policies issued domestically by Japanese non-life Insurers during the above period, and it does not exclude those for alteration, cancellation and the portion ceded to reinsurers.

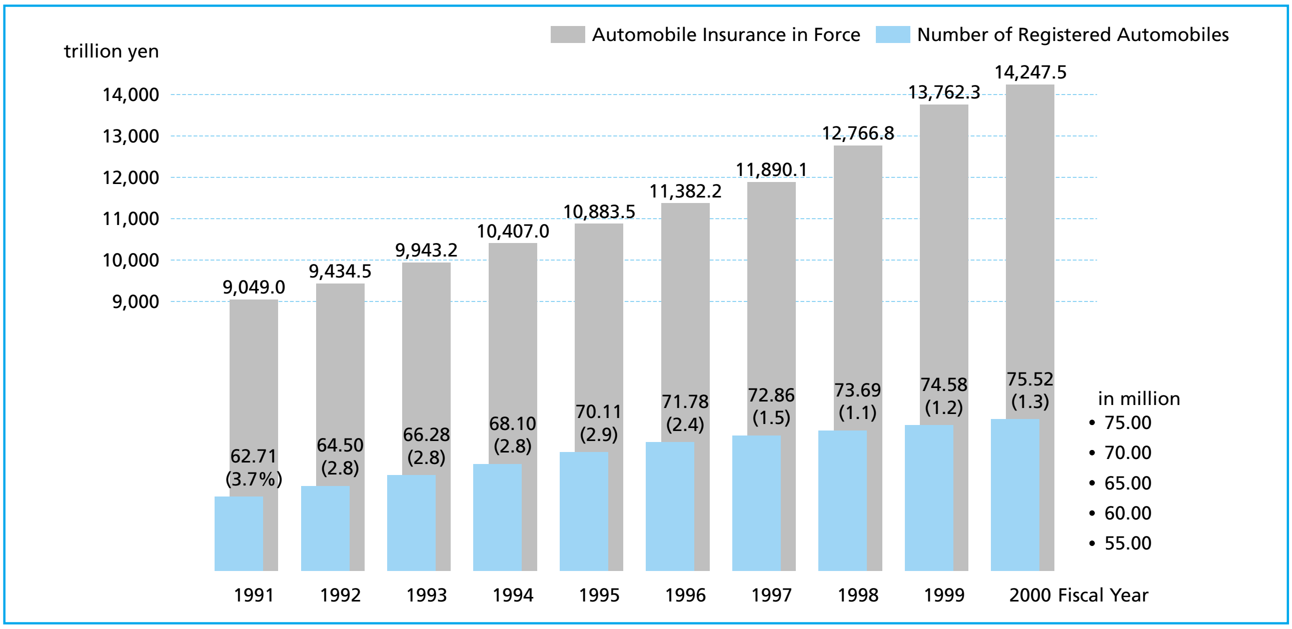
2. The index of construction costs was calculated with data using average construction costs in Tokyo on a calender year basis, based on statistics from the "Society of the Study for the Construction Industry Management".

3. Figures for private non-residential investments (nominal), private residential investments (nominal) and private inventory investments (nominal) are based on statistics for the GDE (GDP) of 1995 calender year (93SNA) basis from the Cabinet Office.

2 Automobile holdings and automobile insurance contracts

Nationwide automobile holdings at the end of fiscal 2000 amounted to 75.5 million, up 1.3% over the previous year. Automobile insurance contracts in force for fiscal 2000 registered 14.2 quadrillion yen, up 1.0% over the preceding year owing to the increase in the number of insured automobiles.

Trends in Number of Registered Automobiles and Automobile Insurance in Force



(Notes) 1. The number of registered automobiles as it is at the end of each fiscal year, is based on statistics from the Ministry of Land, Infrastructure and Transport. Figures in parenthesis are growth ratio compared to the previous year.
2. The insured amount per policy with unlimited coverage is deemed to be 0.2 billion yen for bodily injury liability and to be 0.1 billion yen for property damage liability respectively. The total insured amount was calculated by multiplying these amounts by the number of insurance policies involved.

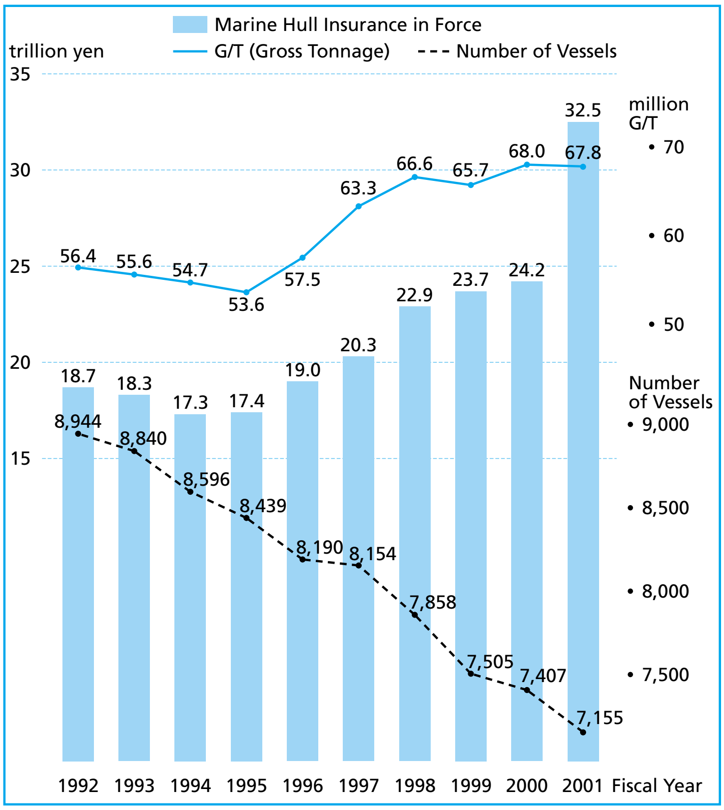
Gross Domestic Expenditure (Nominal)

(billion yen & %)

Item	Fiscal 2000		Fiscal 2001	
	Amount	Growth Rate	Amount	Growth Rate
Private Final Consumption Expenditure	286,850.0	-1.3	283,369.4	-1.2
Private Housing	20,198.0	-1.7	18,475.4	-8.5
Private Plant and Equipment	79,988.8	6.3	75,236.9	-5.9
Increase in Private Sector Inventory	-1,768.9	4.2	-1,789.8	-1.2
Government's Final Consumption Expenditure	86,691.7	3.8	88,909.4	2.6
Public Fixed Capital Formation	34,726.2	-9.3	32,158.6	-7.4
Increase in Public Sector Inventory	124.6	89.6	-33.1	-126.6
Net Exports of Goods & Services	6,195.8	-20.9	3,889.7	-37.2
(Exports)	55,632.4	6.7	52,242.4	-6.1
(Imports)	49,436.6	11.5	48,352.7	-2.2
Total	**513,006.1**	**-0.3**	**500,216.5**	**-2.5**

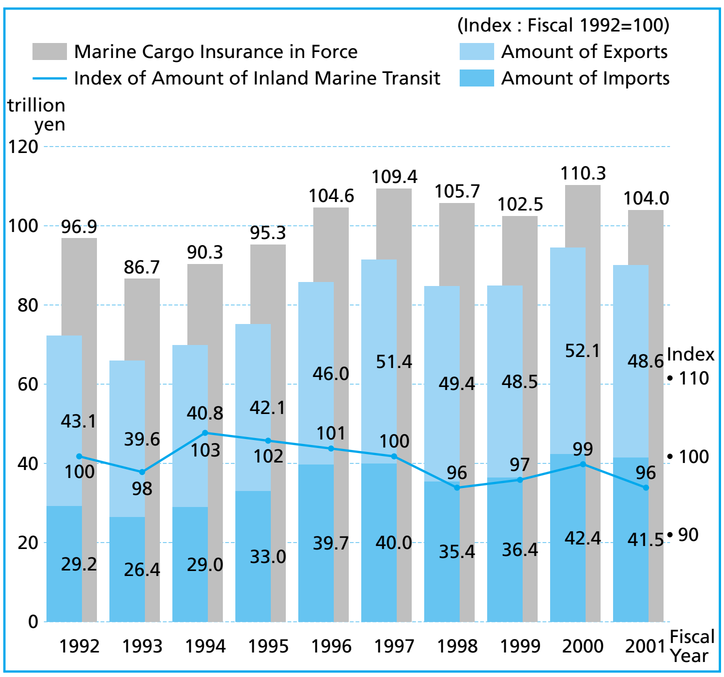
(Source) "Preliminary Quarterly Estimates of National Expenditure" published by the Cabinet Office.

Trends in Number and Amount of Gross Tonnage of Commercial Vessels, and Marine Hull Insurance in Force



(Note) Figures for the amount of gross tonnage and the number of vessels are based on statistics from the Non-Life Insurance Rating Organization of Japan.

Trends in Amount of Imports and Exports, Index of Amount of Inland Marine Transit, and Marine Cargo Insurance in Force



(Notes) 1. The index was calculated with figures based on statistics from the Ministry of Land, Infrastructure and Transport.
2. The amount of imports and exports is based on statistics from the Ministry of Finance.

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 2001, owing to the acceleration in the scrapping of vessels mainly for coastwise services, the number and the sum of gross tonnage of conventional type vessels decreased. However, the total insured amount of marine hull insurance contracts in force reached 32.5 trillion yen (up 34.6%) in fiscal 2001.

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.

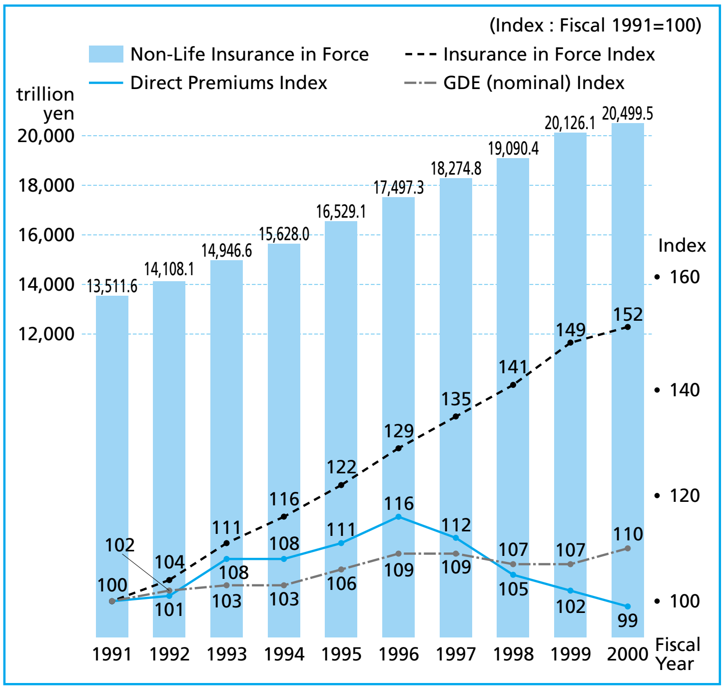
As a result of the decrease in exports of electronic parts such as semiconductors as well as optical instruments, the total amount of exports, measured in Japanese yen terms, registered a decrease of 6.6% from the previous year. The amount of imports also decreased by 2.3% in terms of customs clearance value. This decrease was attributable to the decrease in imports of electronic parts such as semiconductors as well as crude oil. Under these circumstances, new marine cargo insurance contracts in force for fiscal 2001 amounted to 104.0 trillion yen, down 5.7% over the previous year.

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 shown almost the same steady growth as GDE levels until fiscal 1996, but thereafter the trend reversed due to the competition in premium rates and prolonged economic sluggishness.

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



(Notes) 1. 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.
2. "Direct Premiums" include the savings portion of maturity-refund type insurance premiums, but excluding various refunds other than maturity refunds.

Gross Domestic Expenditure (Real)

(billion yen & %)

Item	Fiscal 2000		Fiscal 2001	
	Amount	Growth Rate	Amount	Growth Rate
Private Final Consumption Expenditure	290,138.7	-0.1	291,103.7	0.3
Private Housing	20,232.0	-1.5	18,511.2	-8.5
Private Plant and Equipment	89,300.0	9.3	85,971.8	-3.7
Increase in Private Sector Inventory	-1,790.1	-2.5	-2,090.4	-16.8
Government's Final Consumption Expenditure	87,497.0	4.4	89,955.5	2.8
Public Fixed Capital Formation	37,455.9	-7.4	35,300.6	-5.8
Increase in Public Sector Inventory	12.8	67.9	-7.5	-105.9
Net Exports of Goods & Services	12,728.8	8.7	10,183.6	-20.0
(Exports)	59,824.8	9.4	55,059.4	-8.0
(Imports)	47,096.0	9.6	44,875.8	-4.7
Total	**535,690.3**	**1.7**	**528,928.5**	**-1.3**

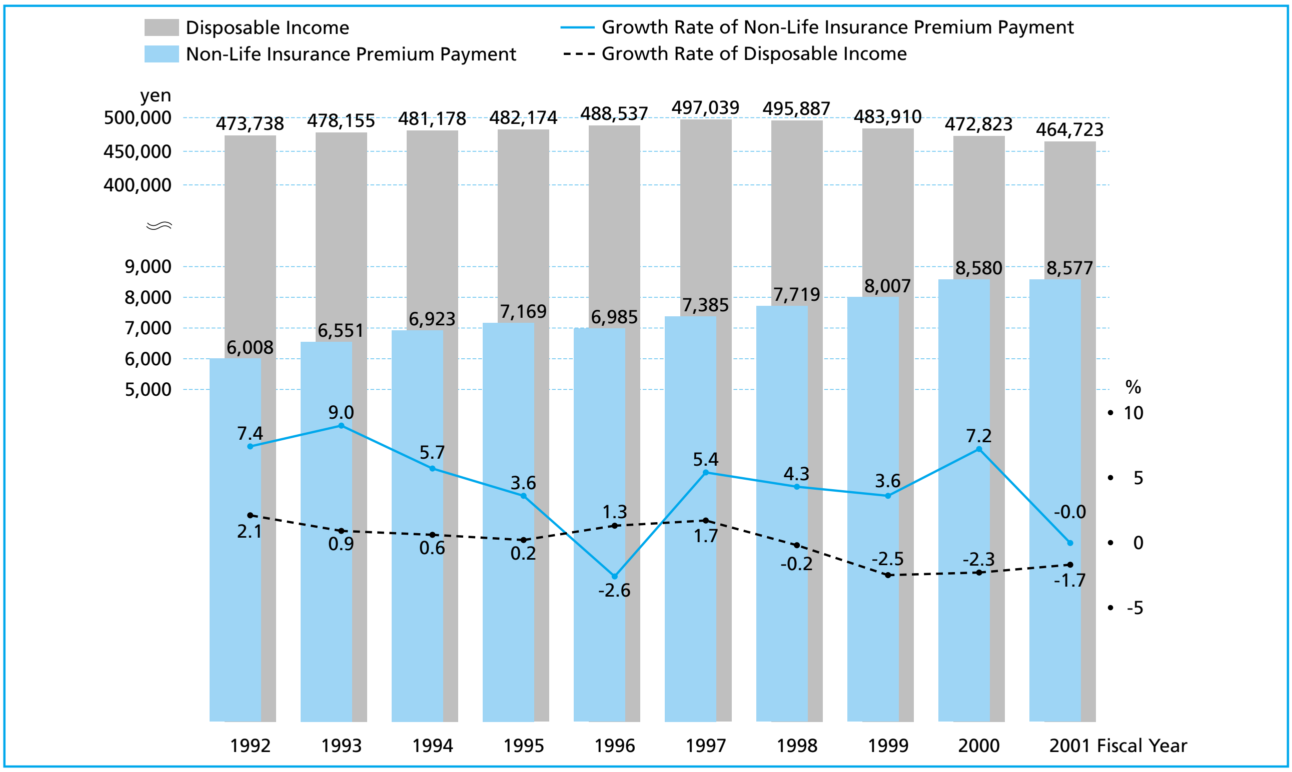
(Source) "Preliminary Quarterly Estimates of National Expenditure" published by the Cabinet Office.

2 Household Income and Non-Life Insurance

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

According to the 2001 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 were almost same as the previous year at 8,577 yen, while disposable income decreased by 1.7% 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.

II Business Results in Fiscal 2001

∗ The figures for both fiscal 2000 and 2001 in this section are calculated after deducting those premiums written by Taisei Fire & Marine Insurance Co., Ltd. which went bankrupt in November 2001.

1 Underwriting Balance

1 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 28 member non-life insurance companies(∗2) in fiscal 2001 reached 6,811.8 billion yen, an increase of 0.4%. 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 excluding Taisei Fire & Marine as of March 31, 2002.

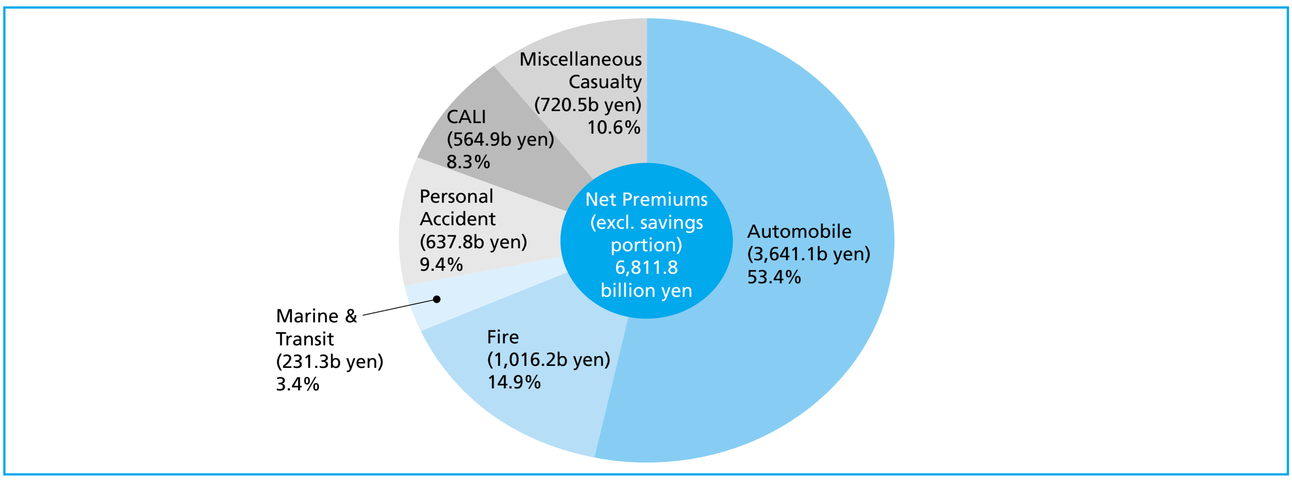
Net premiums written from voluntary automobile insurance, which account for 53.4% of the total net premiums written, showed an increase of 0.9% from the previous year, owing to each company's sales efforts, etc. Premiums written from Compulsory Automobile Liability Insurance (CALI) also increased by 0.6% from the previous year due to an increase in the number of registered automobiles, etc.

Net premiums written from fire insurance decreased by 1.6% from the previous year, mostly due to a fall in housing starts. Net premiums written from personal accident insurance decreased by 4.4% 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 5.2% over the previous year.

Net premiums written from marine cargo and marine hull insurance increased 1.3%, while net premiums written from inland transit insurance were down by 2.5%. Consequently, the marine and transit lines as a whole showed an increase of 0.3% over the previous year.

Net Premiums by Line (Fiscal 2001)



(Note) The above figures exclude those of Taisei Fire & Marine and are different from those described in the table "Net Premiums by Line" on Page 135.

2 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 2001 amounted to 3,699.8 billion yen, down 0.5% from the preceding year. Net claims paid on voluntary automobile insurance policies, which account for more than 50% of the total net claims paid, decreased by 3.1%, thanks to the decrease in heavy losses such as those caused by the large scale torrential downpours in and around the Tokai area, and the hailstorm in Chiba and Ibaraki prefectures in 2000. CALI also decreased by 1.5%. On the other hand, net claims paid for fire insurance policies increased 4.6%, due to the impact of the terrorist attacks on September 11 in the U.S.A. While claims paid for personal accident insurance decreased by 4.3%, those for miscellaneous casualty insurance registered an increase of 11.2% over the previous year.

The loss ratio (i.e. the ratio of claims paid plus loss adjustment expenses to net premiums written) was 59.2%, an 0.4 percentage point decrease from the previous year, mainly due to the decrease in the loss ratio of voluntary automobile insurance and CALI.

3 Operating Expenses on Underwriting

Operating expenses on underwriting (agency commissions and brokerage plus operating and general administrative expenses on underwriting) amounted to 2,522.0 billion yen, down 0.9% 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 37.0%, a 0.5 percentage point decrease from the previous year.

Overall Business Results

(billion yen & %)

Item		Fiscal 2000	Fiscal 2001	
		Amount	Amount	Growth
Ordinary Income and Expenses	Underwriting Income	9,557.8	9,352.9	-2.1
	(Net Premiums Written)	(6,785.3)	(6,811.8)	(0.4)
	(Savings Portion of Maturity-refund type Insurance Premiums)	(1,646.1)	(1,402.8)	(-14.8)
	(Reversal of Liability Reserves)	(650.6)	(628.8)	(-3.4)
	Underwriting Expenses	8,209.1	8,239.9	0.4
	(Net Claims Paid)	(3,719.6)	(3,699.8)	(-0.5)
	(Loss Adjustment Expenses)	(321.8)	(331.4)	(3.0)
	(Agency Commissions and Brokerage)	(1,248.3)	(1,263.9)	(1.3)
	(Maturity Refunds to Policyholders)	(2,632.0)	(2,433.4)	(-7.5)
	(Provision for Outstanding Loss Reserves)	(158.0)	(323.3)	(104.6)
	Investment Income	597.6	630.6	5.5
	(Interest and Dividend Income)	(619.3)	(577.7)	(-6.7)
	(Profits on Sales of Securities)	(290.6)	(329.4)	(13.3)
	Investment Expenses	195.9	489.6	150.0
	(Losses on Sales of Securities)	(34.3)	(53.2)	(55.4)
	(Losses on Devaluation of Securities)	(82.0)	(364.3)	(344.2)
	Operating and General Administrative Expenses	1,390.8	1,347.5	-3.1
	(Operating and General Administrative Expenses on Underwriting)	(1,297.8)	(1,258.0)	(-3.1)
	Other Ordinary Income and Expenses	-29.2	-30.6	—
	Ordinary Profits	330.4	-124.0	-137.5
	(Underwriting Profits)	(47.4)	(-149.2)	(-414.5)
Special Profits and Losses Balance		-160.4	-149.7	—
Profits for the Current Year before Corporate Taxes		170.0	-273.7	-261.0
Corporate Income Taxes and Corporate Resident Taxes		65.1	108.5	66.7
Adjustments in Corporate Income Taxes, etc.		1.3	-227.3	-17,493.0
Net Profits for the Current Year		103.6	-154.8	-249.4

4 Outstanding Loss Reserves and Liability Reserves

The total amount of outstanding loss reserves (including "Incurred But Not Reported") in fiscal 2001 increased by 323.3 billion yen, due to the impact of overseas reinsurance claims including those related to the terrorist attacks on September 11.

The total amount of liability reserves (including unearned premium reserves, catastrophe reserves, and reserves for maturity refunds) in fiscal 2001 decreased by 628.8 billion yen.

5 Underwriting Profits

Underwriting profits(*) amounted to minus 149.2 billion yen, down 414.5% 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

6 Investment Income and Expenses

Interest and dividends amounted to 577.7 billion yen, down 6.7% from the previous year, owing to lower bank interest rates. However, total investment income(*) including profits on sales or redemption of securities, etc., in fiscal 2001 amounted to 630.6 billion yen (up 5.5% from the previous year). On the other hand, investment expenses amounted to 489.6 billion yen, up 150.0% from the previous year. This was because of losses from devaluation of securities caused by a fall in the price of securities.

(*) 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.

7 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 minus 124.0 billion yen, down 137.5% from the previous year.

8 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 minus 154.8 billion yen, down 249.4% from the previous year.

Net losses were registered for the first time in 54 years since fiscal 1947. The losses were due to the following two reasons.

1. Increase in claims payment and the provision of outstanding loss reserves by the impact of overseas reinsurance losses including those related to the terrorist attacks on September 11.
2. Due to the large losses caused by the devaluation of the book value of securities due to a fall in stock prices.

2 Total Assets and Investment

1 Components of Assets

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

Abridged Balance Sheet

<Assets>

(billion yen & %)

Item	Fiscal 2000		Fiscal 2001	
	Amount	Share	Amount	Share
Deposits	1,752.2	5.1	1,986.8	6.0
Call Loans	824.4	2.4	555.1	1.7
Receivables under Resales Agreements	10.0	0.0	1.0	0.0
Monetary Receivables Bought	490.5	1.4	276.0	0.8
Money Trusts	380.7	1.1	341.8	1.0
Securities	21,643.0	63.1	20,643.6	62.3
(National Government Bonds)	(1,400.6)	(4.1)	(1,800.8)	(5.4)
(Local Government Bonds)	(1,387.4)	(4.0)	(1,330.3)	(4.0)
(Corporate Bonds)	(4,518.3)	(13.2)	(4,432.0)	(13.4)
(Stocks)	(10,246.6)	(29.9)	(8,862.1)	(26.8)
(Foreign Securities)	(3,657.6)	(10.7)	(3,787.2)	(11.4)
(Other Securities)	(432.4)	(1.3)	(431.1)	(1.3)
Loans	4,363.6	12.7	3,833.0	11.6
Real Estate	1,668.8	4.9	1,542.9	4.7
(Total Working Assets)	(31,133.3)	(90.8)	(29,180.4)	(88.1)
Other Assets	3,170.7	9.2	3,940.0	11.9
Total Assets	34,304.2	100.0	33,120.5	100.0

(Notes) 1. "Other Assets" is composed of 1) Cash in hand, 2) Furniture and fixtures, 3) Construction in progress, 4) Amounts due from agency business, 5) Amounts due from other domestic companies for reinsurance, 6) Custmer's liability for acceptance and guarantee, 7) Deferred tax assets, and 8) Miscellaneous.
2. The avobe figures do not include those of two companies which went bankrupt in May 2000 and November 2001.

<Liabilities and Equities>

(billion yen & %)

Item	Fiscal 2000		Fiscal 2001	
	Amount	Share	Amount	Share
Underwriting Reserves	22,985.5	67.0	22,673.3	68.5
(Outstanding Loss Reserves)	(2,231.1)	(6.5)	(2,550.8)	(7.7)
(Liability Reserves)	(20,754.2)	(60.5)	(20,122.4)	(60.8)
(Others)	(0.1)	(0.0)	(0.1)	(0.0)
Other Liabilities	4,310.6	12.6	4,417.6	13.3
Total Liabilities	27,296.1	79.6	27,090.9	81.8
Capital	846.9	2.5	842.1	2.5
Legal Reserves	685.9	2.0	631.8	1.9
Surpluses	2,023.3	5.9	1,796.1	5.4
(Profits for the Current Year)	(103.6)	(0.3)	(-154.8)	(-0.5)
Total Equities	7,008.1	20.4	6,029.6	18.2
Total Liabilities and Equities	34,304.2	100.0	33,120.5	100.0

(Notes) 1. "Other Liabilities" consists 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.
2. The avobe figures do not include those of two companies which went bankrupt in May 2000 and November 2001.

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.

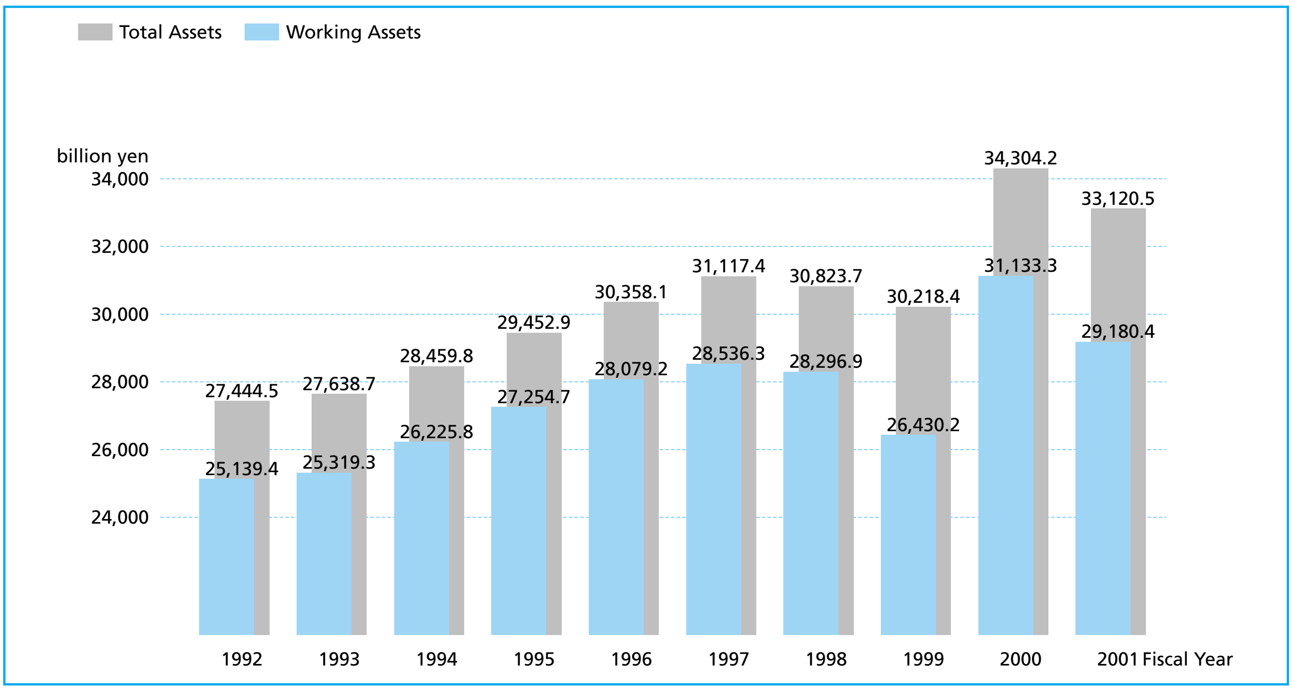
The total assets of our 28 member non-life insurance companies(*) at the end of fiscal 2001 reached 33,120.5 billion yen, down 3.5% over the previous year. This decrease can be explained by the cancellation of maturity-refund type insurance policy contracts and a decrease in the unrealized gains on securities caused by the lower stock market. The working assets used to earn investment income amounted to 29,180.4 billion yen, representing 88.1% of total assets. Assets related to maturity-refund type insurance policies amounted to 11,440.8 billion yen, occupying 34.5% of total assets or a decrease of 1.2 percentage points over the preceding year. Securities headed the list of investments with 20,643.6 billion yen or 62.3% of total assets, down 4.6% from the preceding year. By category, stocks led with 8,862.1 billion yen, followed by corporate bonds (4,432.0 billion yen), foreign securities (3,787.2 billion yen), national government bonds (1,800.8 billion yen), and local government bonds (1,330.3 billion yen). Loans accounted for 11.6% of total assets at 3,833.0 billion yen, down 12.2% from the preceding year.

2 Components of Liabilities

The total liabilities of our 28 member non-life insurance companies(*) stood at 27,090.9 billion yen at the end of fiscal 2001. Underwriting reserves, consisting of liability reserves and outstanding loss reserves, accounted for 83.7% of the total liabilities at 22,673.3 billion yen.

(*) This number was that of our Association's member companies excluding Taisei Fire & Marine as of March 31, 2002.

Developments in Total Assets and Working Assets



(Notes) 1. Figures are as of the end of each fiscal year.
2. Figures from fiscal 1999 to 2001 exclude those of failed non-life insurance companies.

III Situation of Lines of Business

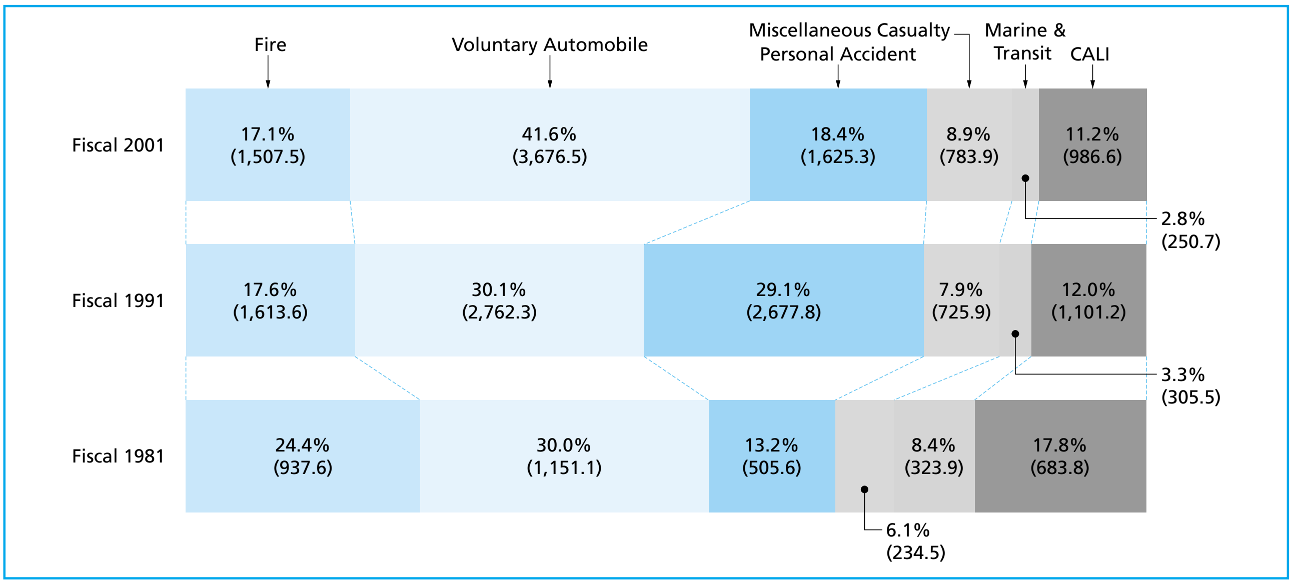
1 Direct Premiums Written

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 2001 reached 8,830.5 billion yen, down 2.6% over the previous year, registering five 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



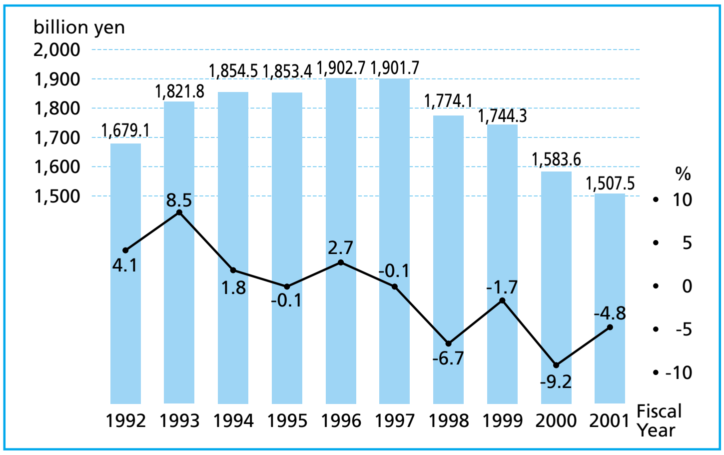
(Note) Figures in parentheses indicate the respective direct premiums in billion yen.

2 Fire Insurance

Direct premiums written by fire insurance in fiscal 2001 amounted to 1,507.5 billion yen, a decrease of 76.1 billion yen (down 4.8%) from the previous year.

Of this total, conventional type fire insurance premiums increased by 1.2% and maturity-refund type fire insurance policies registered negative growth of 15.5%.

Developments in Fire Premiums

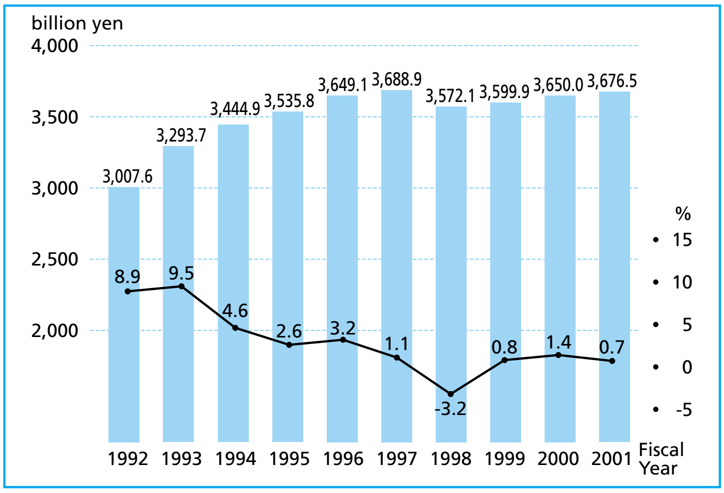


(Note) Premiums quoted include the savings portion of maturity-refund type insurance premiums.

3 Voluntary Automobile Insurance

Since there was an increase in car ownership (up 1.0%) and the number of cars insured (up 1.0%), voluntary automobile insurance wrote direct premiums totaling 3,676.5 billion yen in fiscal 2001, an increase of 26.5 billion yen (up 0.7%) over the preceding year.

Developments in Voluntary Automobile Premiums



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

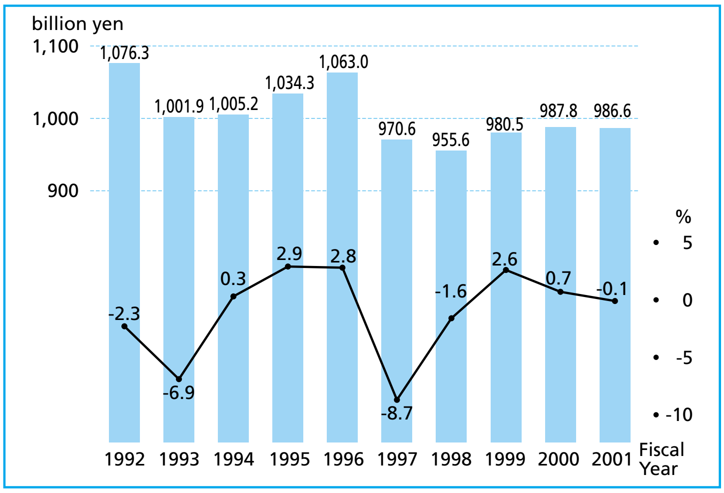
4 Compulsory Automobile Liability Insurance (CALI)

Direct premiums written by CALI during fiscal 2001 reached 986.6 billion yen, a decrease of 1.2 billion yen (down 0.1%) over the previous year.

This insurance is compulsory for the owners of all vehicles 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.

(*) Motorcycles of 250 c.c. or less are not subject to vehicle inspection.

Developments in CALI Premiums

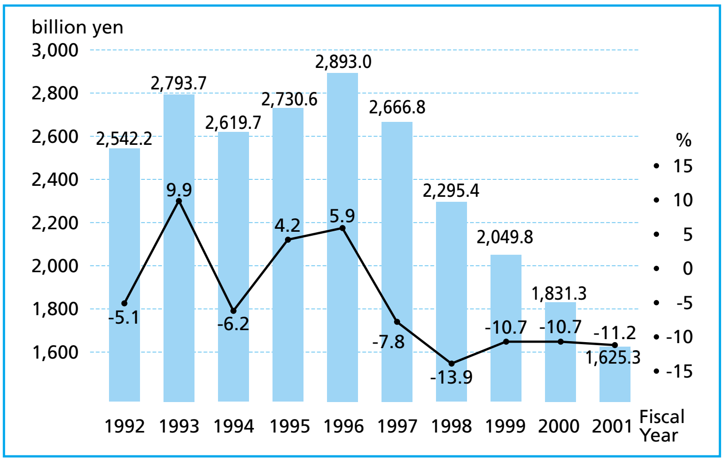


(Note) Premium rates were reduced in 1993, and 1997.

5 Personal Accident Insurance

Direct premiums written by personal accident insurance during fiscal 2001 amounted to 1,625.3 billion yen, down 206.0 billion yen or -11.2% from the previous year. Of this total, maturity-refund type personal accident insurance policies produced 1,041.0 billion yen, down 186.0 billion yen or -15.2% over the preceding year. Conventional type personal accident insurance policies amounted to 584.2 billion yen, down 20.1 billion yen or -3.3% over the preceding year.

Developments in Personal Accident Premiums

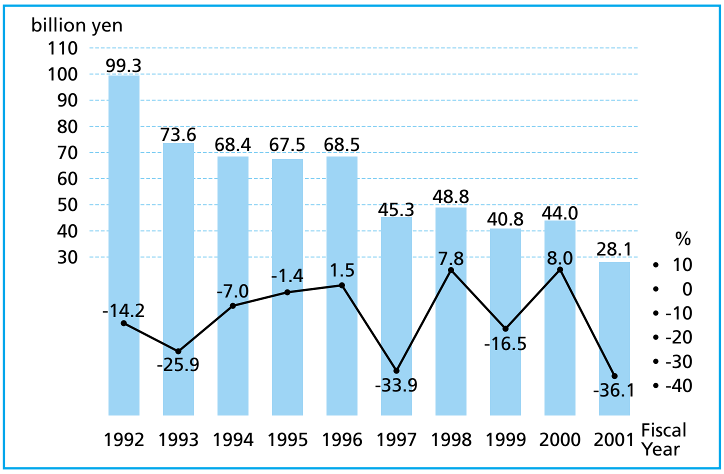


(Note) Premiums quoted include the savings portion of maturity-refund type insurance premiums.

6 Nursing Care Expenses Insurance

Direct premiums collected by nursing care expenses insurance during fiscal 2001 amounted to 28.1 billion yen, down 15.9 billion yen or -36.1%. Of this total, maturity-refund type nursing care expenses insurance policies produced 13.1 billion yen, down 7.9 billion yen or -37.6% over the preceding year. Conventional type nursing care expenses insurance policies amounted to 15.1 billion yen, down 8.0 billion yen or -34.7% from the previous year.

Developments in Nursing Care Expenses Premiums

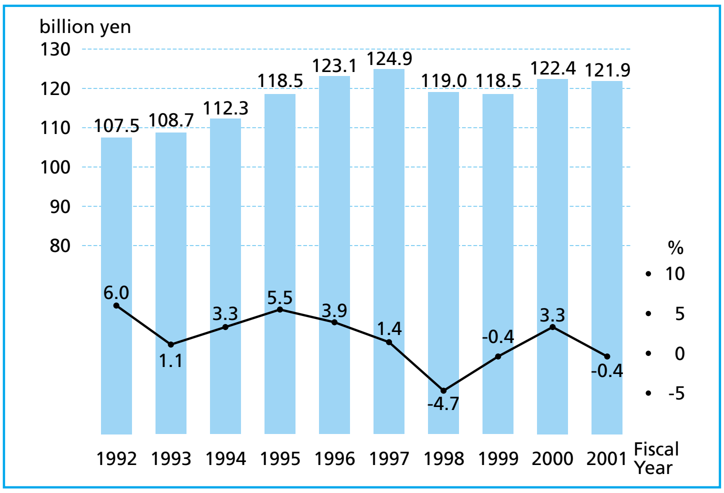


(Note) Premiums quoted include the savings portion of maturity-refund type insurance premiums.

7 Movables Comprehensive Insurance

Movables comprehensive insurance registered direct premium receipts of 121.9 billion yen, down 0.5 billion yen or -0.4% over the previous year. Movables comprehensive insurance with maturity refund policies accounted for 0.9 billion yen, down 1.0 billion yen or -50.8% over the previous year. Conventional type movables comprehensive insurance policies amounted to 121.0 billion yen, up 0.6 billion yen or +0.4% over the preceding year.

Developments in Movables Comprehensive Premiums



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

8 General Liability Insurance

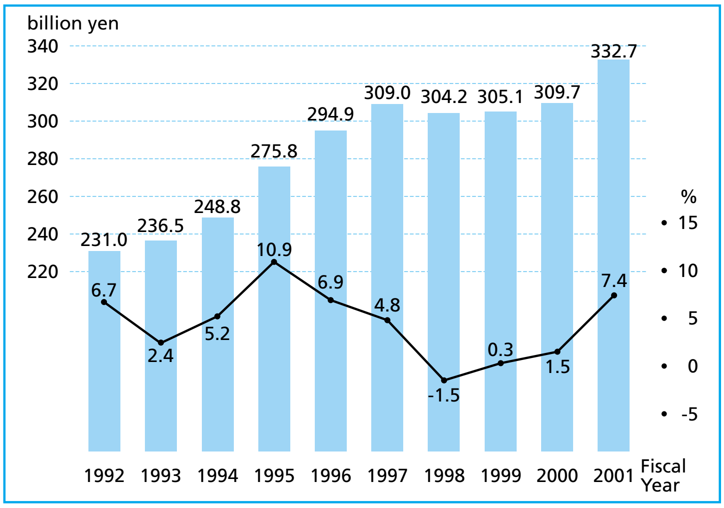
Direct premiums registered by general liability insurance during fiscal 2001 amounted to 332.7 billion yen, an increase of 23.0 billion yen or up 7.4% from the preceding year.

9 Workers' Accident Compensation Liability Insurance

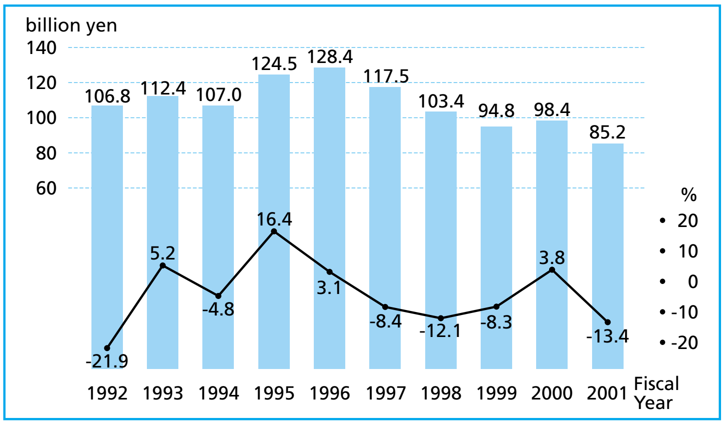
Direct premiums collected from workers' accident compensation liability insurance during fiscal 2001 stood at 85.2 billion yen, down 13.2 billion yen or -13.4% over the previous year.

Of this total, maturity-refund type policies produced 13.9 billion yen, down 10.6 billion yen or -43.5% over the preceding year, while conventional type policies amounted to 71.3 billion yen, down 2.5 billion yen or -3.4% from the previous year.

Developments in General Liability Premiums



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 five years are as shown below.

Other Miscellaneous Casualty Premiums by Line

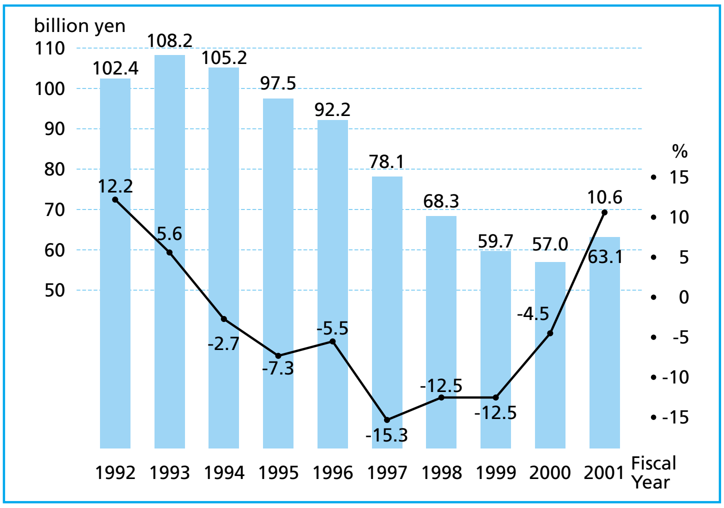
(million yen & %)

Class of Business	Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Burglary	26,806	7.2	28,422	6.0	27,610	-2.9	28,325	2.6	26,287	-7.2
Glass	3,371	-3.3	2,984	-11.5	2,666	-10.7	2,430	-8.8	2,177	-10.4
Aviation	19,619	4.4	11,992	-38.9	13,696	14.2	14,625	6.8	38,463	163.0
Windstorm & Flood	173	-9.0	190	10.0	335	76.7	329	-1.8	249	-24.2
Guarantee	13,616	-6.8	14,242	4.6	14,432	1.3	13,421	-7.0	16,698	24.4
Credit	7,948	-0.2	9,508	19.6	14,482	52.3	20,051	38.5	25,632	27.8
Boiler & Turbo-set	2,819	-2.5	2,836	0.6	2,697	-4.9	2,656	-1.5	2,602	-2.0
Livestock	2,938	18.4	2,824	-3.9	2,853	1.0	2,883	1.0	2,671	-7.3
Machinery & Erection	42,468	5.5	39,799	-6.3	37,535	-5.7	37,085	-1.2	36,181	-2.4
Shipowners' Liability for Passengers' Personal Accident	1,182	2.2	1,126	-4.8	1,075	-4.5	997	-7.2	829	-16.8
Contractors' All Risks	38,769	-7.3	35,649	-8.0	35,511	-0.4	35,345	-0.5	35,321	-0.1
Atomic Energy	12,152	-0.8	11,456	-5.7	11,235	-1.9	11,023	-1.9	10,318	-6.4
Miscellaneous Pecuniary Loss	52,898	-30.6	58,442	10.5	51,158	-12.5	58,903	15.1	46,726	-20.7

11 Marine Hull Insurance

Direct premiums collected by marine hull insurance in fiscal 2001 amounted to 63.1 billion yen, up 6.0 billion yen or +10.6%, marking an increase for the first time in 8 years. This was due to the end in the continuous reduction of premium rates which had started with the liberalization of the premium rates, the hardening of the foreign market, the rise in war risk rates caused by the terrorist attack of September 11, 2001, foreign exchange profits from insurance premiums denominated in foreign currency, etc.

Developments in Marine Hull Premiums

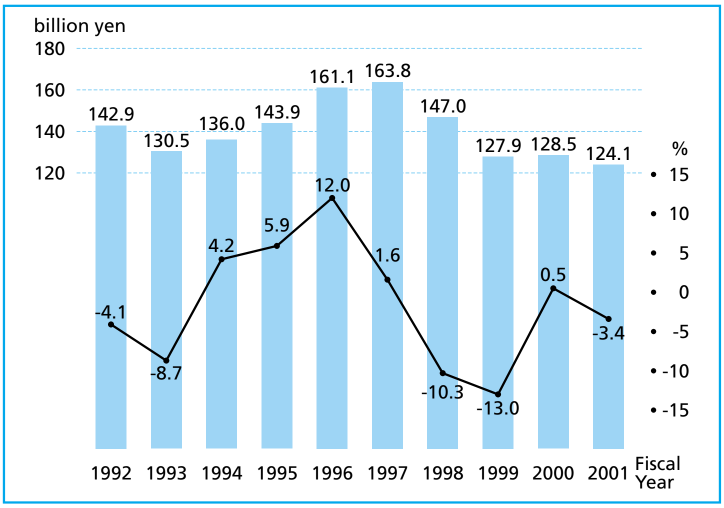


12 Marine Cargo Insurance

Direct premiums collected by marine cargo insurance in fiscal 2001 amounted to 124.1 billion yen, down 4.4 billion yen or -3.4% over the preceding year.

This was mainly attributable to the decrease in the total amount of exports (for the first time in 2 years) and imports (for the first time in 3 years) over the previous year.

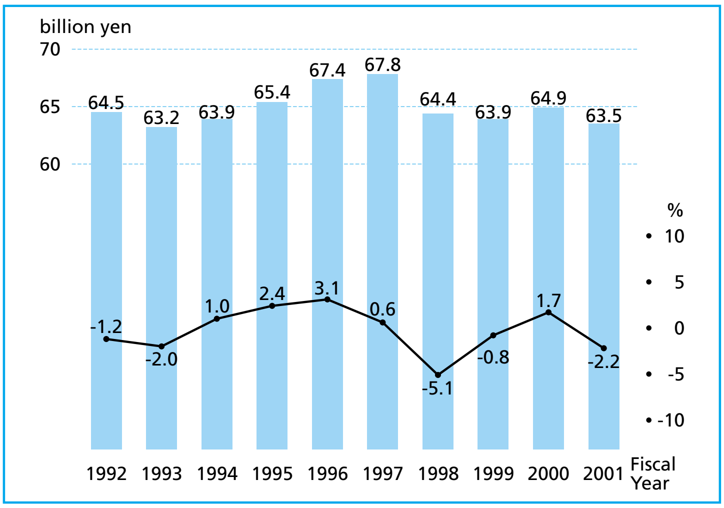
Developments in Marine Cargo Premiums



13 Inland Transit Insurance

Inland transit insurance registered direct premiums of 63.5 billion yen during fiscal 2001, down 1.4 billion yen or -2.2% over the previous year due to the reduction in loading caused by the sluggish domestic economy.

Developments in Inland Transit Premiums



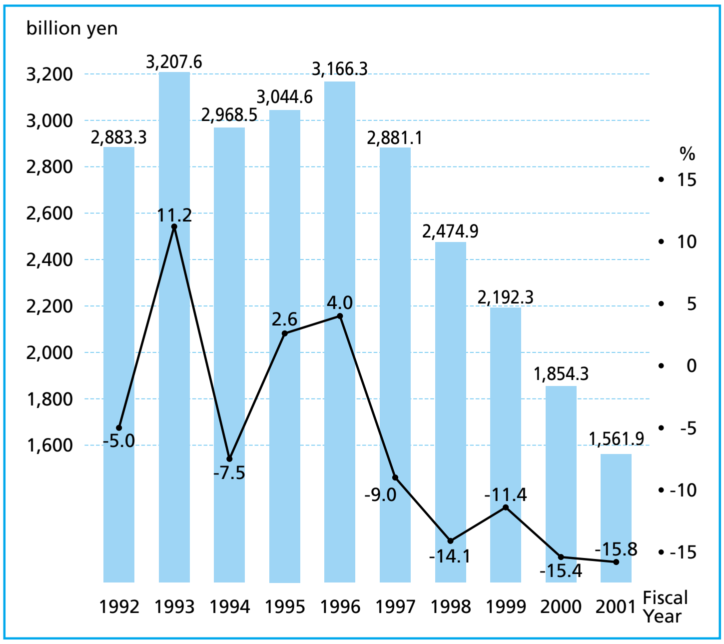
14 Maturity-refund type (or Savings type) Insurance Policies

Maturity-refund type (or savings type) insurance policies, whose insurance terms run 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 1,561.9 billion yen during fiscal 2001, down 292.4 billion yen or -15.8% over the preceding year. The decrease reflected recent unfavorable investment circumstances.

By including this 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 2001, 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.

Developments in Maturity-Refund Type Insurance Premiums



2 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 16.2% as of the end of March 2002, up 0.2 percentage points from the previous year and maintaining the continuous increase since 1994.

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 2001 by the Non-Life Insurance Rating Organization of Japan revealed that 70.9% of registered automobiles were covered against liability for bodily injury, 70.4% against liability for property damage, 33.9% against physical damage (to the insured vehicle), and 66.2% against passengers' personal accident.

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

Ownership of Voluntary Automobile Insurance

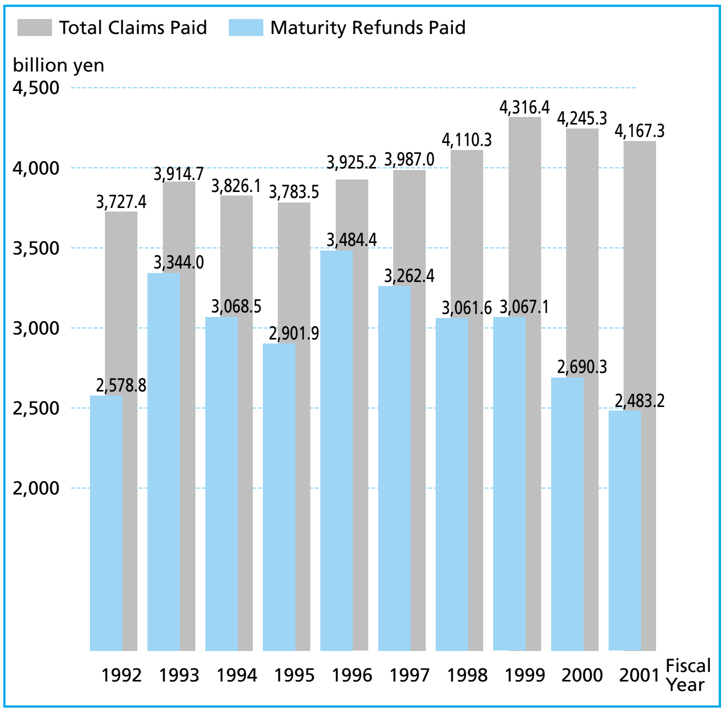
Fiscal Year	Number of Registered Automobiles (thousand)	Bodily Injury Liability (%)	Property Damage Liability (%)	Physical Damage (%)	Passengers' Personal Accident (%)
1991	62,713	67.2	66.3	26.6	64.6
1992	64,498	68.2	67.3	28.4	65.7
1993	66,279	68.4	67.5	28.9	66.0
1994	68,104	68.7	67.9	29.2	66.6
1995	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
2000	75,525	70.9	70.4	33.9	66.2

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 2001 reached 4,167.3 billion yen, down 1.8% 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 2,483.2 billion yen or a decrease of 7.7% from the previous year. The claims by classes of business for the past ten years are shown in the graph.

Direct Claims and Maturity Refunds Paid



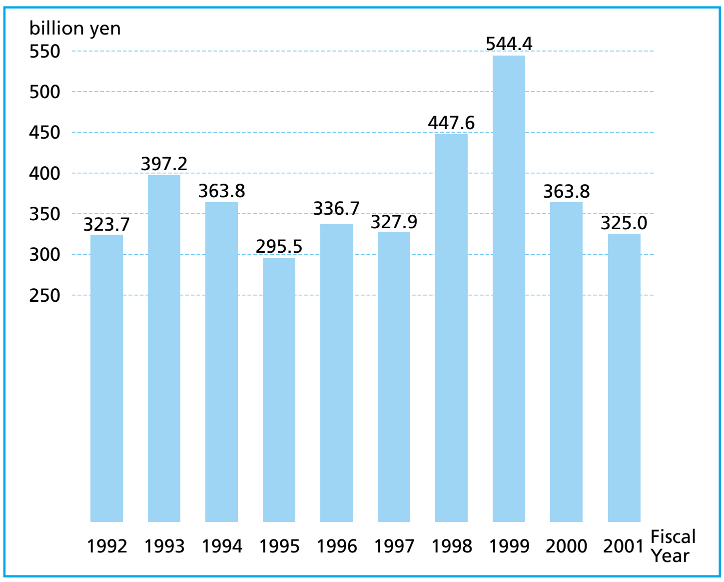
(Note) "Total Claims Paid" means the aggregate amount of direct claims paid under all lines of insurance.

2 Direct Claims Paid by Line

A. Fire Insurance

Direct claims paid for fire insurance in fiscal 2001 were 325.0 billion yen, down 10.7% from the previous year.

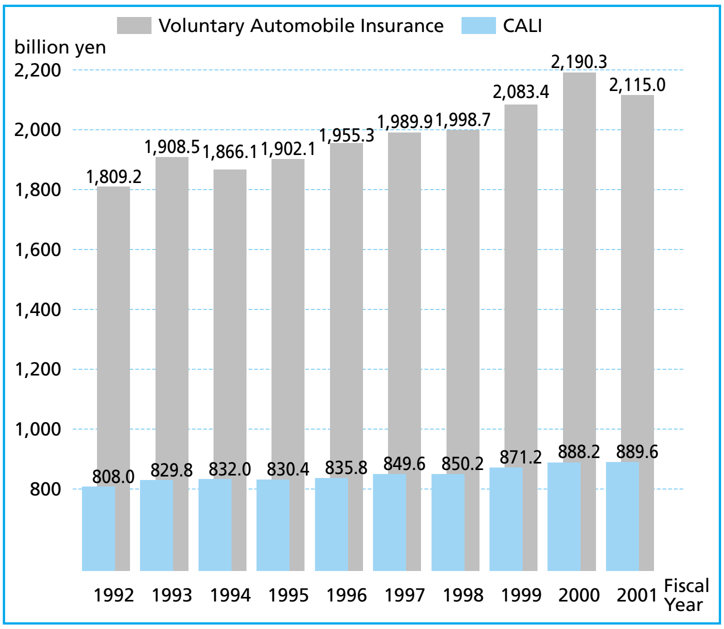
Direct Claims Paid for Fire Insurance



B. Automobile Insurance

Direct claims paid under voluntary automobile policies during fiscal 2001 amounted to 2,115.0 billion yen, or a decrease of 3.4% from the preceding year, and CALI direct claims paid were 889.6 billion yen, up 0.2% from the year before.

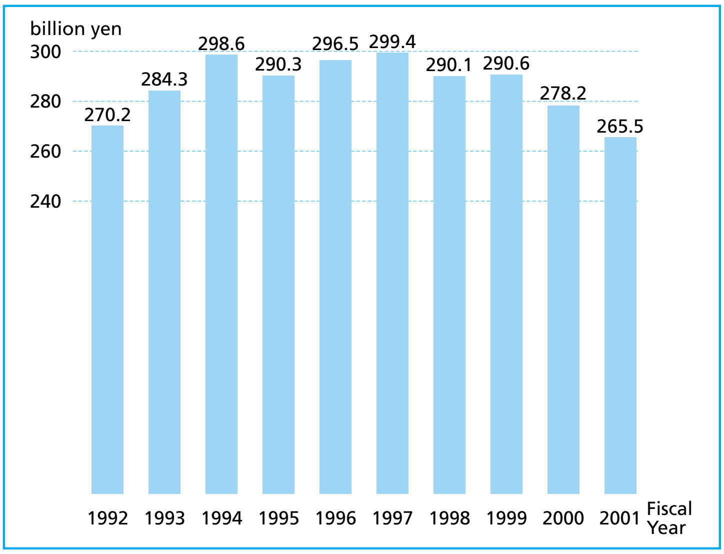
Direct Claims Paid for Voluntary Automobile Insurance and CALI



C. Personal Accident Insurance

Direct claims paid for personal accident insurance in fiscal 2001 were 265.5 billion yen, down 4.6% from the preceding year.

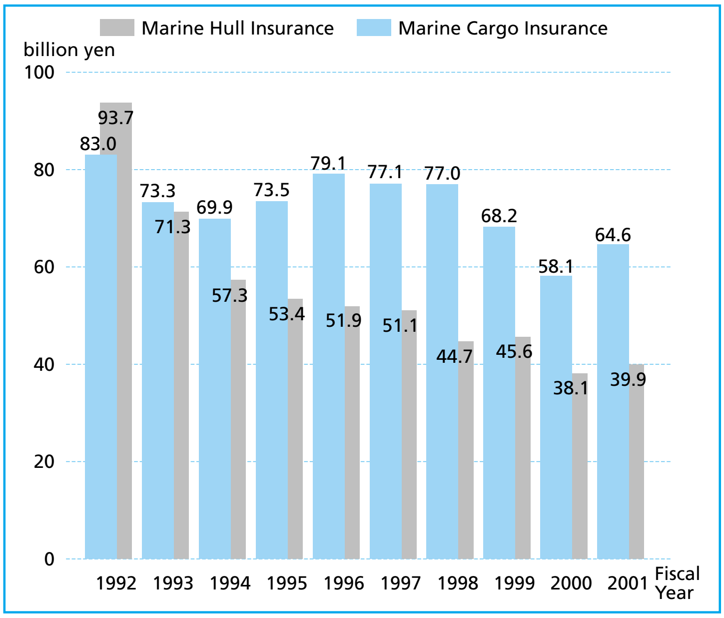
Direct Claims Paid for Personal Accident Insurance



D. Marine Hull & Marine Cargo Insurance

A total of 39.9 billion yen (up 4.7% from the previous year) was paid for marine hull policies and 64.6 billion yen (up 11.1% over the previous year) for marine cargo policies in fiscal 2001.

Direct Claims Paid for Marine Hull and Marine Cargo Insurance



3 Claims Paid for Recent Catastrophe Losses

Claims paid for major catastrophe losses which occurred during fiscal 2001 are shown in the following table.

Claims Paid for Catastrophe Losses in Fiscal 2001

(million Yen)

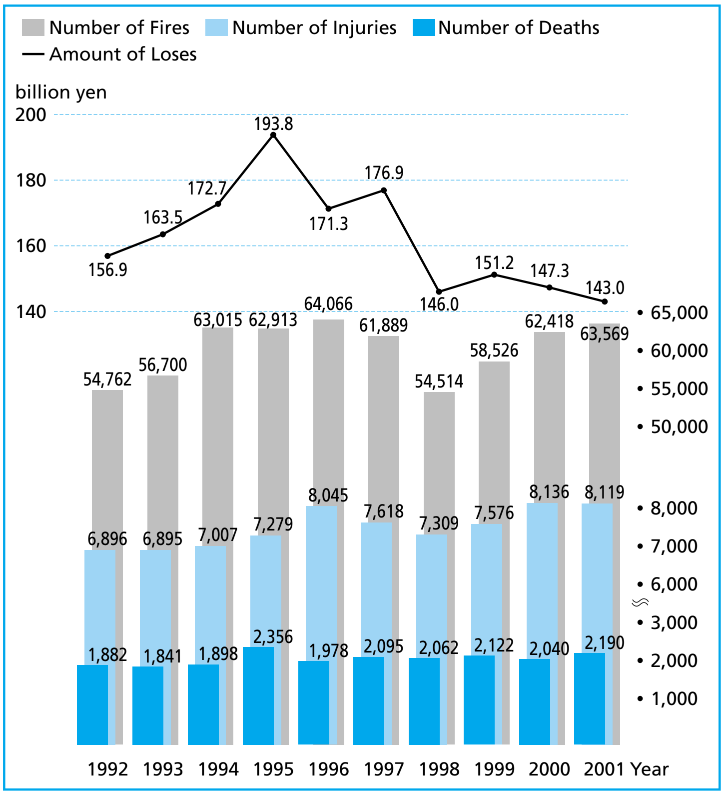
Class of Insurance	Name of Disaster	Typhoon No. 11	Downpours from Sep. 6	Typhoon No. 15	Typhoon No. 16
	Date	Aug. 21, 2001	from Sep. 6, 2001	Sep. 10, 2001	Sep 13, 2001
	Place	Saitama, Mie, Wakayama	Kouchi	Tokyo, Chiba, Kanagawa	Okinawa
Fire	No. of Policies	3,099	82	6,202	834
	Claims Paid	1,973	163	4,376	989
Miscellaneous	No. of Policies	226	12	508	200
	Claims Paid	444	8	1,398	128
Automobile	No. of Policies	1,090	66	850	267
	Claims Paid	505	51	366	153
Marine Hull	No. of Policies	20	2	31	1
	Claims Paid	40	57	86	1
Marine Cargo	No. of Policies	5	0	16	15
	Claims Paid	19	0	246	56
Total	No. of Policies	4,440	162	7,607	1,317
	Claims Paid	2,982	278	6,471	1,326

Fire Losses and Casualties

A total of 63,569 fires occurred during 2001. These caused losses of 143.0 billion yen, killing 2,190 people and injuring 8,119, as shown in the following table.

On a daily average, about 174 fires (1 fire every 8 minutes) occurred with 6.0 people killed, 22.2 people injured, and about 400 million yen worth of property destroyed.

Number of Fires, Losses, and Casualties

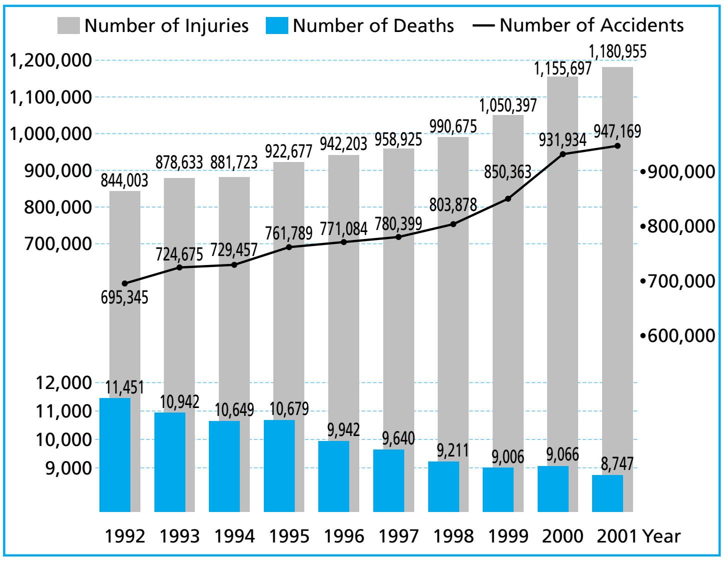


(Source) Statistical materials by the Fire and Disaster Management Agency.

Traffic Accidents and Casualties

In 2001, the number of traffic accidents involving bodily injuries reached 947,169, with 8,747 people killed and 1,180,955 people injured. Per day, 2,595 traffic accidents occurred, killing 24 people and injuring 3,235.

Number of Traffic Accidents and Casualties



(Source) Statistical materials by the National Police Agency.

IV 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 31st 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 for the East Asian insurance industries.

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 31st General Course of the ISJ was held from September 2 to September 18, 2002, with 27 participants, under the main theme of "Marine and Inland Transit Insurance".

The General Course has produced 1,060 graduates over the last 31 years, and including the ISJ Advanced Course mentioned below, the total number of participants on ISJ courses has reached 1,289.

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

Number of ISJ General Course Graduates by Region (1972-2002)

Region	Number	
Bandar Seri Begawan (Brunei)	32	(6)
Bangkok	147	(30)
Beijing	38	(0)
Hanoi	21	(1)
Hong Kong	125	(18)
Jakarta	128	(8)
Kuala Lumpur	134	(23)
Macao	34	(10)
Manila	133	(15)
Phnom Penh	4	(3)
Seoul	119	(22)
Singapore	102	(9)
Taipei	42	(0)
Yangon (Myanmar)	1	(0)
Total	**1,060**	**(145)**

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

Number of ISJ Advanced Course Graduates by Region (1991-2002)

Region	Number	
Bandar Seri Begawan (Brunei)	8	(3)
Bangkok	23	(0)
Beijing	18	(0)
Hanoi	7	(0)
Hong Kong	21	(2)
Jakarta	23	(0)
Kuala Lumpur	23	(8)
Macao	10	(8)
Manila	22	(0)
Phnom Penh	1	(1)
Seoul	25	(1)
Singapore	24	(5)
Taipei	23	(0)
Yangon (Myanmar)	1	(0)
Total	**229**	**(28)**

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

2 The 12th 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 12th 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 13 to 24, 2002, with 22 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 "Towards Optimal Cooperation between Public and Private Sectors in the Non-Life Insurance".

3 The 9th Session of the Insurance School (Non-Life) of Japan Overseas Seminar

The 9th session of the Insurance School (Non-Life) of Japan (ISJ) Overseas Seminar was held under the two main themes of "Impact of the terrorist attacks on September 11 on the world insurance market" and "The composite business operations of life and non-life in Japan" on July 2 and 5, 2002. The seminar was organized with the Insurance Association of China and Shanghai Insurance Association and attracted 126 participants in Beijing and 86 participants in Shanghai.

The 30th ISJ General Course

The Marine and Fire Insurance Association of Japan, jointly with the Non-Life Insurance Institute of Japan, has 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 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 35 groups (105 individuals) from overseas during the fiscal year 2001.

The 12th ISJ Advanced Course

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

The advance of internationalization in the insurance market is making it ever more essential for our non-life insurance industry to promote mutual understanding and exchange of views and information with the overseas 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.

To this end, Mr. Eiji Nishiura, the Executive Director of the Association, visited the Insurance Association of China on July 3, 2002, to talk about the future development of the cooperative relationship between the two Associations.

Mr. Eiji Nishiura visited the Insurance Association of China.
(Left: Mr. Dongsheng Li, General Secretary, IAC)

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, had a meeting with the top management of the Association and delivered a lecture. (May) ●Association delegates 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 Furstenwerth, 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) ●Association delegates 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)
2002	●Mr. Kevin Cronin, President and Chief Executive Officer of the IIC visited the Association. The formal signing of the memorandum concerning the cooperation framework was concluded. (January) ●Association delegates visited the ABI, the FFSA and the GDV. (April) ●Association delegates visited the Insurance Association of China. (July)

3 Participation in International Organizations and International Meetings

1 Government-level

The following government-level international organizations have taken up a wide variety of issues on insurance.

A. International Association of Insurance Supervisors (IAIS)

The International Association of Insurance Supervisors (IAIS) is an international organization set up with the objective of establishing international standards for insurance regulation and supervision, assisting each country to implement those standards, and promoting cooperation 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 conferences 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 involved in the discussions to offer its opinions about the establishment of international insurance supervisory standards.

From September 16 to 20, 2001, the 8th annual conference was held in Bonn, Germany, where the following standards were listed on the agenda for approval: "Principles on Capital Adequacy and Solvency", "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", "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 approval of the above standards was deferred until its continued General Meeting which was held separately in Tokyo in January 2002.

The 9th annual conference, where lively discussions took place on how to improve the financial integrity of the insurance business, etc., was held from October 9 to 11, 2002 in Santiago, Chile. In its General Meeting, "Principles on Minimum Requirements for Supervision of Reinsurers" was approved.

The next annual conference will be held in Singapore in October 2003.

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 "Working Party of Governmental Experts on Insurance Solvency" and the "Working Party on Private Pensions".

The Insurance Committee is held in Paris, France twice every year, and our Association has been a participant since November 1998. With the objective of supporting developing countries, the Insurance Committee has held seminars on insurance regulation and supervision in the following venues:

- Tianjin, China, from July 9 to 10, 2001
- Beijing, China, from October 25 to 26, 2001
- Lima, Peru, from November 5 to 7, 2001
- Tokyo, from January 10 to 11, 2002

- Tallinn, Estonia, from February 6 to 8, 2002
- Amman, Jordan, from April 25 to 26, 2002
- Suzhou, China, from June 3 to 4, 2002

The Japanese non-life insurance industry participated in the seminars held in Tianjin, Beijing, Lima, Tokyo and Suzhou. In the Tianjin, Tokyo and Suzhou seminars, a representative from the industry made a presentation as part of the panel.

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, with WTO member countries committing 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. In order to further liberalize the services sector, subsequent services negotiations have taken place in the Special Session of the Council for Trade in Services as a built-in agenda issue. In November 2001, the fourth session of the Ministerial Conference adopted the Ministerial Declaration which decided to launch the new multilateral trade negotiations (New Round) lasting 3 years and to finish by January 1, 2005.

The Declaration showed the following work program for the services sector including financial services:

- June 30 2002 : Submission of initial requests for specific commitments
- March 31 2003 : Submission of initial offers

In February 2002, the Association submitted its requests to the Japanese government so that barriers on the operation of foreign non-life insurance companies should be removed in each country.

Major Movements about WTO Services Negotiations

Feb. 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.
Dec. 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.
Mar. 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.
Nov. 2001	4th Ministerial Conference (Qatar)	
Jun. 30 2002	Deadline for the submission of initial requests	WTO Members hold meetings bilaterally to clarify contents of initial requests.
Mar. 31 2003	Submission of initial offers	WTO Members continue to negotiate bilaterally in order to improve initial offers.
Sep. 2003	5th Ministerial Conference (Mexico)	Interim review of the development of the whole WTO negotiations
Jan. 2005	Deadline for the whole WTO negotiations including services sector	

2 Private sector-level

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

A. The 6th 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 other insurance-related matters, the International Meeting of Insurance Associations (IMIA), brings together delegates from insurance associations of many countries, and meetings have been held every year since its establishment in 1996.

In September 2001, the 6th meeting was held in Bonn, Germany, although the terrorist attacks in the U.S. prevented many associations including the Marine and Fire Insurance Association of Japan from attending the meeting. The 7th meeting was held in Santiago, Chile in October 2002. The Association gave a presentation about its activities on the promotion of dialogue with consumers, the study of the future shape of the policyholders protection system and the prevention of automobile theft.

B. The 127th 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 127th General Meeting of the IUMI was held in Genoa, Italy, from September 16 to 19, 2001 with around 360 members from 53 member associations world-wide. The Japanese non-life insurance industry did not send participants as the meeting was immediately after the September 11 terrorist attack.

C. The 61st 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 61st General Meeting of the IUAI was held in Copenhagen, Denmark from May 28 to June 1, 2001, and the 62nd Meeting was held in Lisbon, Portugal from May 27 to 31, 2002. The non-life insurance industry of Japan sent seven and six delegates respectively.

D. The International Accounting Standards Board (IASB)

The International Accounting Standards Board (IASB) was established to set and promote the use of international accounting standards (IAS). In the insurance area, the Advisory Committee, a group of experts, was set up to give advice to the IASB for deliberations on an IAS on insurance. A representative from the Association participated in the first meeting of the Committee held in London in April 2002. The Exposure Draft is to be published around the beginning of 2003.

E. The Financial Leaders Working Group (FLWG)

The Financial Leaders Group (FLG) was established by private financial industries in Europe and the U.S., with the objective of helping promote WTO financial services negotiations in 1996. From November 1999, the Association 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 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.

In October 2001, FLWG made a "Proposed Model Schedule" which was recommended to be used as a reference text in scheduling commitments in insurance liberalization by WTO members. Furthermore, FLWG, in its meeting in London in April 2002, listed the barriers in the financial services sector of each country, and submitted the list to respective governments of the FLWG members in July 2002.

F. East Asian Insurance Congress (EAIC)

The East Asian Insurance Congress (EAIC) is the largest insurance congress in East Asia. The Congress was founded in 1962 to further and develop international collaboration in all fields of insurance. Conferences have been held biennially in one of the 11 member cities: Bandar Seri Begawan, Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Macau, Manila, Seoul, Singapore, Taipei and Tokyo.

From October 20 to 25, 2002, the 21st Conference of the EAIC was held in Tokyo, jointly hosted by the Association, the Life Insurance Association of Japan and the Foreign Non-Life Insurance Association of Japan. The Tokyo Conference gathered more than 1,100 participants from 29 markets including the above member cities as well as the U.S. and Europe. Under the main theme of "Challenges and Opportunities for Insurance in the Changing World of Financial Services", a lively exchange of views and information took place. On October 24, 2002, the EAIC issued the "EAIC Declaration 2002, Tokyo", which is the guiding principles for the East Asian insurance industry declared for the first time in its 40-year history.

The next Conference will be held in Bangkok in 2004.

G. Others

A representative from the Association participated in the 84th and 85th Legal Committees of the International Maritime Organization (IMO) in 2002. 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.

EAIC Declaration, 2002 Tokyo (extract)

Fully recognizing that:

1) the insurance industry is a critical component of the economy;
2) its sound development is extremely important to the smooth functioning of the economy and the social well-being of the people in the respective regions; and
3) the industry should be capable of adapting and responding pro-actively to the rapid domestic, regional and global changes.

We, the insurance industry in East Asia at the 21st General Meeting, hereby commit ourselves:

1) To rise to the challenges of meeting the changing and increasingly sophisticated consumer needs for insurance;
2) To do our best in further strengthening our financial solvency and profitability by improving business efficiency, underwriting skills and asset management capability;
3) To adopt and practice good corporate governance, risk management system and internal controls so as to strengthen our capability in serving the long-term socio-economic interest of our policyholders.

V International Business

1 Foreign Non-Life Insurers in Japan

Foreign non-life insurers operating in Japan are, 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 2002, there were 25 foreign non-life insurers in Japan from the following countries: U.S.A. (7) ; U.K. (5) ; France (2) ; Germany (2) ; Switzerland (2) ; India, Australia, Korea, the Philippines, Italy, Bermuda and Norway (l each). Of these 25 companies, two confine their activities to reinsurance, three others offer only "Protection & Indemnity Insurance", while a further two are represented by Japanese non-life insurance companies as their agents.

Of these 25 foreign non-life insurers, 16 are members of the Non-Life Insurance Rating Organization of Japan. As of the end of March 2002, foreign non-life insurers' employees totaled 3,325, and agents 17,904.

A. Direct Premiums Written by Foreign Non-Life Insurers

In fiscal 2001 ending March 31, 2002, the total of direct premiums (including the savings portion of maturity-refund type insurance premiums) of foreign non-life insurers amounted to about 339.3 billion yen, recording an increase of 3.3% over the previous year. Personal accident insurance maintained the biggest share of any line of business at 42.7%, followed by voluntary automobile insurance (32.5%).

Direct Premiums of Foreign Non-Life Insurers

(million yen & %)

Class of Business	Fiscal 1999		Fiscal 2000		Fiscal 2001			Share of Japanese Insurers
	Amount	Growth	Amount	Growth	Amount	Growth	Share	
Fire	30,643	-4.8	30,290	-1.2	30,560	0.9	9.0	17.1
Voluntary Automobile	98,352	16.4	104,013	5.8	110,405	6.1	32.5	41.6
Personal Accident	129,608	0.1	136,204	5.1	144,959	6.4	42.7	18.4
Miscellaneous Casualty	40,323	16.0	43,977	9.1	40,023	-9.0	11.8	8.9
Marine and Inland Transit	7,103	-7.6	7,358	3.6	6,830	-7.2	2.0	2.8
Compulsory Automobile Liability	7,050	1.1	6,578	-6.7	6,541	-0.6	1.9	11.2
Total	**313,079**	**5.9**	**328,420**	**4.9**	**339,318**	**3.3**	**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 the five foreign-capitalized non-life insurers operating in Japan) stood at 4.5%, up 0.3 of a percentage point from the previous year. When the savings portion of maturity-refund type insurance premiums is excluded, this share increases to 5.2%, up 0.2 of a percentage point from the previous year.

B. 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, 2002, eight Japanese non-life insurers write risks through their overseas branch offices and agents, and twelve Japanese non-life insurers have established overseas subsidiaries (including reinsurance devoted companies) to write risks. As for overseas operations in general (branches, agents, overseas subsidiaries and liaison offices), Japanese insurers operate in 57 countries and regions. On the one hand, due to the consolidation of the Japanese non-life insurers, some of the overseas branch offices, agents, etc. were withdrawn from their countries and regions. On the other hand, with the increase in Japanese companies which have made inroads into overseas markets and the deregulation of the overseas market, some non-life insurers have increased the number of their overseas subsidiaries.

The total direct premiums written by the aforesaid eight Japanese non-life insurers through their overseas branch offices and agents amounted to 63.2 billion yen, an increase of 7.6% from the previous year. (Direct premiums written by their overseas subsidiaries are not included in these figures.) This increase was attributable to foreign exchange profits from insurance premiums and the increase in premium income from Europe from the previous year.

Direct Premiums Written Abroad by Japanese Non-Life Insurers

(million yen & %)

Class of Business	Fiscal 1999		Fiscal 2000		Fiscal 2001	
	Premiums	Growth	Premiums	Growth	Premiums	Growth
Fire	11,720	-18.9	13,211	12.7	13,883	5.1
Automobile	10,925	-30.6	11,502	5.3	12,573	9.3
Marine Hull	114	-35.6	101	-11.4	134	32.7
Marine Cargo	7,232	-14.4	8,142	12.6	5,665	-30.4
Others	21,030	-20.0	25,797	22.7	30,942	19.9
Total	**51,023**	**-17.8**	**58,753**	**15.2**	**63,197**	**7.6**

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.

Conditions of Japanese Insurers' Offices Abroad (as of April 1, each year)

(Subsidiaries / Branches / Agents)

Type of Office	Number of Japanese Insurers conducting foreign business through their Overseas Offices(Note3)		Number of Countries / Regions(Note4)		Number of Japanese Insurers' Offices Abroad	
	Year 2001	Year 2002	Year 2001	Year 2002	Year 2001	Year 2002
Subsidiaries(Note1) (excl. their branches & agents)	13	12	29	25	117	113
Direct Insurance Subsidiaries with 50% or more of Japanese Capital(Note2)	12	11	20	15	67	62
Branches of Direct Insurance Subsidiaries	7	6	9	16	24	65
Agents of Direct Insurance Subsidiaries	4	5	11	14	29	30
Sub-total	12	11	28	27	120	157
Overseas Branches	5	3	7	5	8	6
Overseas Agents	10	8	18	17	62	53
Sub-total	10	8	22	21	70	59
Total	**14**	**12**	**50**	**46**	**240**	**267**

(Notes) 1. "Subsidiaries" means companies operating insurance and/or reinsurance business only, thus excluding asset investment, loss survey operations, etc. The numbers are calculated excluding their branches and agents.

2. Figures include cases where Japanese insurers have gained substantial control of a subsidiary by such means as taking the position of directorship without owning majority shares.

3. Figures represent the number of Japanese insurers conducting their foreign business by type of overseas offices, and include cases where a Japanese insurer conducts its business through both its overseas subsidiaries and branches/agents of its home country head office in the same region.

4. Figures represent the number of countries or regions where Japanese insurers conduct their foreign business through their overseas offices.

(Liaison Offices)

Year	Number of Japanese Insurers establishing their Liaison Offices	Number of Countries / Regions	Number of Cities	Number of Offices
2001	14	44	82	224
2002	12	45	81	194

3 International Reinsurance Business

The outward reinsurance balance had been unfavorable to the Japanese non-life insurance industry as a whole for years until fiscal year 1991 when the balance was reversed following a sharp increase in 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. Furthermore, in fiscal 2001, this unfavorable balance was worsened by the terrorist attack on September 11.

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

(Note) Since the figures for fiscal 1999, 2000 and 2001 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
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
2001	251.6	114.4	-137.2

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

Inward Reinsurance Balance

(billion yen)

FY	Premiums (received)	Claims (paid)	Balance
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
2001	202.5	236.4	-33.9

(Note) Claims (paid) include reinsurance commisions 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 2000 there were 88 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 US$922.4 billion (102,148.8 billion yen: US$1=110.74 yen). The U.S.A. had a 45.85% share of the total non-life insurance premiums, followed by Japan (11.11%), Germany (7.31%), the U.K. (6.20%), and France (4.03%).

The ratio of gross direct premiums to Gross Domestic Product (GDP) is shown in the following table. Of countries not listed separately, Barbados with 4.98% ranked 1st, the Bahamas ranked 3rd

(4.42%) and New Zealand ranked 4th (4.33%). Japan with 2.22% ranked 30th.

Furthermore, reviewing non-life insurance premiums per capita on a Japanese currency basis, Switzerland held the leading position with 173,928 yen. Japan ranked 8th with 89,500 yen. Of countries not listed separately, Luxembourg totals 103,597 yen (3rd) and Iceland 95,834 yen (5th) are in the higher rank.

International Comparison of Non-Life Insurance Premium Volume (2000)

Country	Gross Direct Premiums (million yen)	Rank	Share (%)	Gross Direct Premiums / GDP (%)	Rank	Per Capita Premiums (yen)	Rank
U.S.A.	46,837,926	1	45.85	4.28	5	170,617	2
Japan	11,353,343	2	11.11	2.22	30	89,500	8
Germany	7,471,074	3	7.31	3.55	8	89,533	7
U.K.	6,336,321	4	6.20	3.07	13	80,918	10
France	4,113,770	5	4.03	2.81	18	67,961	15
Italy	2,921,653	6	2.86	2.39	24	49,445	23
Canada	2,583,564	7	2.53	3.28	11	84,118	9
Spain	1,739,947	8	1.70	2.81	19	44,141	24
Netherlands	1,644,932	9	1.61	4.02	6	103,354	4
Korea	1,562,763	10	1.53	3.16	12	33,056	28
Australia	1,417,251	11	1.39	3.37	10	73,731	13
Switzerland	1,254,020	12	1.23	4.70	2	173,928	1
Brazil	1,153,025	13	1.13	1.75	46	6,943	53
Belgium	836,751	14	0.82	2.72	20	66,488	16
China	800,429	15	0.78	0.67	74	631	81
Taiwan	783,486	16	0.77	2.29	28	35,404	26
Austria	639,634	17	0.63	3.04	14	78,194	12
Mexico	543,733	18	0.53	0.85	70	5,581	54
Argentina	489,914	19	0.48	1.55	53	13,222	36
Sweden	484,377	20	0.47	1.93	36	54,573	18
Other Countries	7,180,878	—	7.03	—	—	—	—
Total (Average)	**102,148,791**	—	**100.00**	—	—	**16,113**	—

(Notes) 1. Figures quoted are from "Sigma/Swiss Re No.6/2001".
2. The exchange rate used (US$1=110.74 yen) is the average exchange rate for 2000.
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.

VI Major Developments

1 Daiichi Mutual Fire and Marine ordered to suspend part of its Business Operation (May 2000), and its Insurance Contracts transferred to 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 the 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 Policy-holders Protection Corporation of Japan. In line with the transference of the insurance contracts, policy terms and conditions were changed with the aim of reducing liability reserve, altering assumed interest rates, and applying the deduction of earlier cancellation. Subsequently, the company dissolved and went into liquidation.

2 Inspection Manual relating to Insurance Companies published (June 2000) and revised (April and June 2001, and June 2002)

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, establish transparent financial administration, and 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, 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. It was decided that the revision would apply to inspections to be carried out from July 2001 onward.

In June 2002, an inspection manual for small financial institutions was published additionally in order to secure proper inspections by understanding their business situations better. Some revisions were made to clarify the criteria for asset assessment and to respond to the modification of the Banking Law.

3 Consumer Contract Law and Law on Sales of Financial Products enforced (April 2001)

The Consumer Contract Law and the Law on Sales of Financial Products were approved by the Diet in May 2000, and came into force on April 1, 2001. The laws, designed to protect policyholders, are aimed at solving the contractual problems between consumers and business entities as well as problems arising from sales of financial products.

Prior to the enforcement of these laws, the Marine and Fire Insurance Association of Japan drew up in December 2000 a reference paper to which each member company referred to help establish a system within the company to comply with the Law on Sales of Financial Products.

4 Ban on Over-the-Counter Sales of Insurance Products by Banks partially lifted (April 2001 and October 2002)

Following the partial revisions of the Insurance Business Law, over-the-counter sales of insurance products by banks started from April 2001. The revisions were made after taking into account the results of deliberations by the Financial System Council. The provisos are as follows:

(1) Insurance products that can be sold by banks 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.

On March 19, 2002, the Financial Services Agency launched a plan to expand insurance sales by banks and to strengthen measures to protect consumers from any possible adverse impact. This policy, as shown below, aims at improving convenience for customers, promoting competition between respective sales channels and protecting policyholders.

(1) The following insurance products shall be added to the products sold over-the-counter by banks:
- Personal pension insurance (fixed amount type and variable amount type)
- Zaikei savings (i.e. asset formation) insurance
- Individual annuity and accident insurance
- Zaikei savings personal accident insurance

(2) Residential buildings-cum-stores shall be added to the eligible insured property (residential buildings) for long-term fire insurance, long-term income indemnity insurance and credit life insurance which are all associated with housing loans and are allowed to be sold by banks.

(3) Limitation of the range of insurance companies to the bank's subsidiary or affiliated life insurance companies for which credit life insurance can be sold by banks shall be abolished.

The above measures were implemented from October 1, 2002.

5 A Law concerning Soliciting of Compulsory Automobile Liability Insurance for Small-sized Motorcycles by Post Offices enforced (April and October 2001)

In May 2000, a law concerning the soliciting of Compulsory Automobile Liability Insurance for small-sized motorcycles 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 and motorbikes which are not subject to vehicle inspection from October 1, 2001.

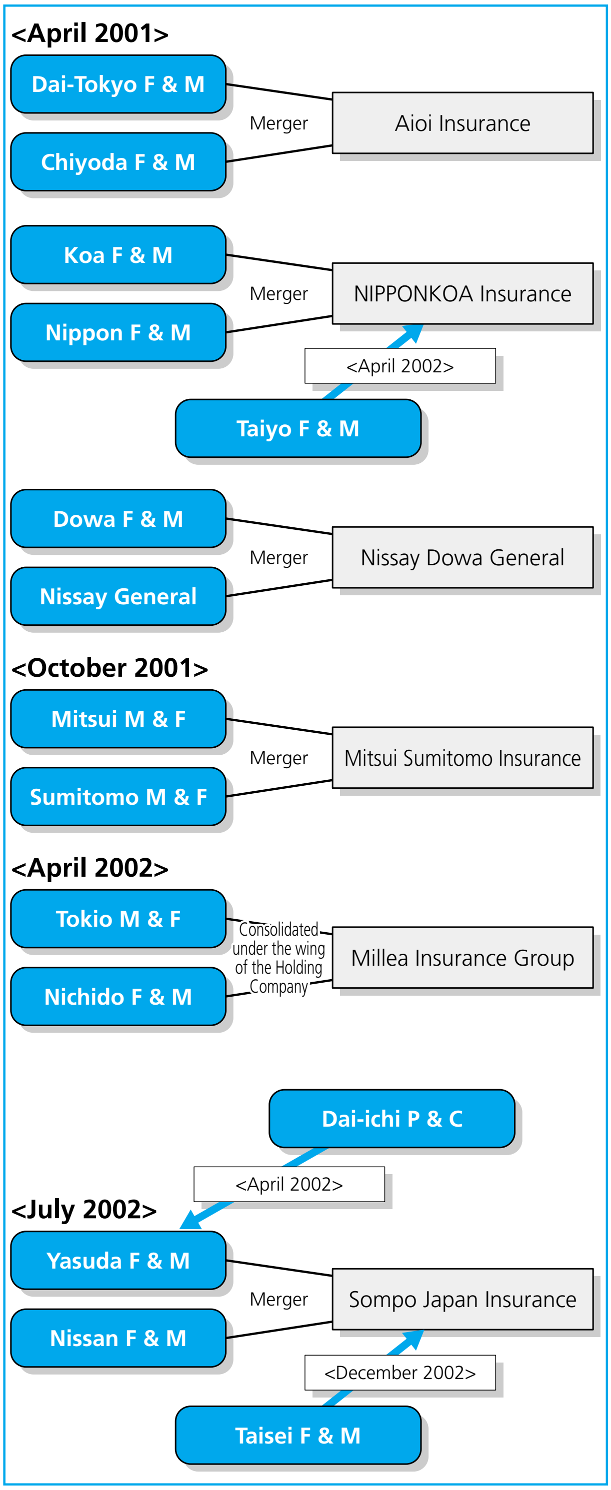
6 Liberalization of Non-Life Insurance Agency System (April 2001)

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

7 Developments in Non-Life Insurance Industry Consolidation

In April 2001, three new non-life insurance companies were founded as a result of mergers. This was the first time since 1971 that domestic non-life insurance companies were merged. With the accelerated movement of mergers, consolidation and affiliation, the non-life insurance industry has reached a peak in reorganization.

Developments of merger and integration after April 2001 are as follows:



8 Association participates in "Joint Automobile Theft Prevention Project Team" (September 2001 and January 2002)

On July 10, 2001, the "Promotion Headquarters Combating International Organized Crimes" was established by the Cabinet with the Chief Cabinet Secretary at its Head. The promotion aims at combating problems arising from the increase in several kinds of crimes committed by international organized crime and ensuring the security of the Japanese public. This will be done in close cooperation with the administrative agencies concerned.

Based on a decision by the above Headquarters, a "Joint Automobile Theft Prevention Project Team", which comprises both government authorities and the private sector, was established on September 18, 2001, in order to deliberate on comprehensive measures to prevent automobile thefts and exports of stolen automobiles.

The Association has been working as the secretariat of the Project Team together with the National Police Agency. The Team published a 5-year "Action Plan for the Prevention of Automobile Theft" which aims at stopping the increase in the number of automobile thefts within one or two years and then reversing the trend. The measures shown in the Plan are divided into four main areas: prevention of automobile theft, the crackdown on automobile theft, prevention of exports of stolen automobiles, and help in recouping losses on stolen automobiles found overseas.

In January 2002, the Association started an "Automobile Theft Prevention Campaign" throughout the country, in cooperation with government authorities and other private organizations. To attract public attention, Mr. Tatsuo Umemiya, a famous actor and himself the victim of automobile theft, was chosen to appear on the campaign posters and stickers, to help spread campaign messages through the mass media and poster, etc.

9 Revision of Disclosure Standards (May 2001 and April 2002)

The non-life insurance industry has endeavored 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 2001, the Association reviewed its disclosure standards applied from the closing of account for fiscal 2000, in response to the liberalization of the Non-Life Insurance Agency System and the introduction of an accounting standard of financial products. In addition, revisions were made in compliance with the modification of the Enforcement Regulation which changed the scope of working assets in a Balance Sheet and required each company to disclose a Statement of Cash Flows.

In April 2002, the following revisions were made, and the new standards were applied from the closing of account for fiscal 2001:

(1) With the amendment of the Enforcement Regulation, the indicators of the special accounts on assets and the items of liability reserves (ordinary liability reserves, catastrophe risk reserves, reserves for dividends to policyholders and reserves for refunds, etc.) by lines of business as well as the items of numerator and denominator of the solvency margin ratio shall be added as statutory items to be disclosed.

(2) Following the study report by the 2nd Subcommittee of the Sectional Committee on the Financial System of the Financial System Council, plain explanations for the major indicators of the business condition shall be described at the beginning of the disclosure materials.

(3) Yield ratio of investments and combined yield ratio in current value, the soliciting policy and the personal data protection policy shall be added as voluntary items disclosed, and the explanation on reinsurance shall be expanded.

10 Revision of Compulsory Automobile Liability Insurance (April 2002)

The Association submitted its proposal on the abolition of the government reinsurance scheme for Compulsory Automobile Liability Insurance (CALI) and the simplification of business procedure through its Chairman's presentation at the CALI Council on February 17, 1999 and at the CALI Council Round Table. At the 109th CALI Council on April 12, 2000, the Association also requested the CALI Council to discuss the whole CALI system, and the Commissioner of the Financial Services Agency asked the Council to discuss what the role of CALI system should be in the future. At the 115th Council meeting held on June 28, 2000, the Council concluded its recommendations on the content of the review of the CALI system, and submitted them to the Commissioner on the same day.

The recommendations suggested a positive direction on the abolition of the government reinsurance scheme and the simplification of business procedure, as the non-life insurance industry had requested, together with the direction of the review of the whole CALI system.

Taking that direction into account, parties including administrators, academia, representatives of traffic accident organizations and the non-life insurance industry discussed how to transform the direction into laws and regulations. The Bill on Partial Amendments of the Automobile Liability Security Law and the Law on the Special Account of the Compulsory Automobile Liability Reinsurance was determined by the Cabinet on March 2, 2001. This bill includes the abolition of the government reinsurance scheme and non-life insurance companies' obligation to provide accident victims and policyholders with claims procedure information. In the Diet, deliberations were made on such issues as how victims will be treated after the abolition of the government reinsurance scheme. The bill was approved by the Lower House on June 7, and by the Upper House on June 22, 2001. The new CALI system has been in force since April 2002.

11 Defined Contribution Pension System launched (June and October 2001)

Defined Contribution Pension Plans are new pension plans under which future benefits will be determined on the yields made by investing contributions. This system was expected to be an attractive alternative to the existing defined benefit pension scheme used to supplement the public pension system.

It took time for the Bill on Defined Contribution Pension Plans to be approved, as it was originally placed on the agenda for the ordinary session of the Diet in 2000, but was postponed. However, the Bill was passed on June 22, 2001 at the ordinary session of the Diet and enforced on October 1, in the same year.

Several non-life insurance companies participate in the operation of the Plans and contribute to the dissemination and development of the Plan system by providing savings type personal accident insurance specific to the Plans and by participating in the Plan and/or Assets administration business.

12 Registration System of Contract Terms of Personal Accident Insurance launched (June 2001)

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

An outline of the system is as follows:

(1) When each non-life insurance company undertakes insurance contracts covering death, permanent disability, and risks of hospitalization or medical treatment without being hospitalized, arising from bodily injury or sickness, the company shall register the contract terms with the Marine and Fire Insurance Association of Japan, after obtaining policyholders consent. Examples of types of insurance contracts to be registered are Ordinary Personal Accident Insurance, Family Personal Accident Insurance, Traffic Personal Accident Insurance and Student Comprehensive Insurance.

(2) Each non-life insurance company is allowed to use information on contract terms registered with the Association by other non-life insurance companies as a reference to judge the continuation of insurance contracts or claims payments.

13 Revision of the Rule of Procedures to deal with Complaints and Other Consultations about Non-Life Insurance (June 2001)

With the advance of liberalization in non-life insurance business, the Consumer Contract Law and the Law on Sales of Financial Products have been enforced since April 2001. The non-life insurance industry is also strongly expected to properly respond to the protection of policyholders. As requests for consultation of complaints and mediation from policyholders are expected to grow in the future, the Association has reviewed the rule of procedures to deal with complaints and other consultations about non-life insurance. This stipulates the rule for the Non-Life Insurance Mediation Committee (established in 1965). The review of the rule aims to strengthen the neutrality and impartiality of the Committee as well as to improve its mediation function.

14 Mutual Entry of Non-Life and Life Insurance Companies into the Third Sector (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 amount of deregulation was insufficient. 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 then 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.

15 Terrorist Attacks on September 11 in U.S.A. (September 2001)

The terrorist attacks of September 11, 2001, which included hijacked airplanes striking the World Trade Center in New York, caused heavy losses from the resultant collapse of the buildings. These losses by terrorism far exceeded the probable maximum loss that insurance companies had assumed. Consequently, private insurers have excluded risk of terrorism internationally, as they recognize that the probability of reoccurrence and assumed losses caused by terrorist acts cannot be measured. The impact of this has influenced the reinsurance market, and U.S. and European reinsurers have largely reduced the capacity for terrorism risk coverage.

There are several countries that have a terrorism risk pool (reinsurance scheme) with government financial support, as a scheme which compensates losses caused by terrorist acts. In addition, there are moves after the September 11 to improve the existing terrorism risk pool and also to discuss the establishment of a new risk pool. In Japan, the Marine and Fire Insurance Association of Japan has started a study on the creation of a similar terrorism risk pool system and has requested and persuaded the relevant parties for its creation.

16 Association's acquisition of the ISO 14001 Certificate (September 2001)

The Association obtained the ISO 14001 Certificate for its headquarters and Tokyo branch office on September 21, 2001.

Recent large-scale natural disasters are said to have resulted partly from destruction of the global environment. This fact seriously affects the non-life insurance business itself. In this situation, the non-life insurance industry has taken positive measures against environmental problems including the development of an action plan for the preservation of the environment. This is only the industry in the financial sector to have its own action plan. The acquisition of the ISO Certificate by individual non-life insurance companies has also been promoted.

The Association had carried out such activities as saving natural resources and energy, and raising awareness among its staff on the environment. As these activities produced positive results, the Association started its full activities for the improvement of the environment by establishing the Environment Improvement Committee within the Association in January 2000. This aimed at obtaining the ISO 14001 Certificate, which it subsequently achieved.

The assessment for the ISO 14001 Certificate highly valued the Association's management system regarding effective business activities for the environment, such activities included holding symposia and lectures, issuing publications, promoting NPOs' and voluntary activities related to environmental issues, and its promotion campaign for the use of repaired and recycled automobile parts.

The Association is the first financial trade body in Japan that has obtained the ISO 14001 Certificate.

17 Earthquake Insurance on Dwelling Risks System reviewed (October 2001)

The premium rate of Earthquake Insurance on Dwelling Risks for wooden residential buildings was raised by 17% on average, and the premium discount systems based on the efficiency of earthquake-proofing was introduced in October 2001.

There are two systems for premium discount: the discount based on the age of residential buildings and the discount based on the grade of earthquake-proofing of residential buildings. In cases where policyholders' residential buildings meet either of the following conditions, premium discount will be applied if policyholders submit a certain verification document.

(1) Discount based on the age of residential buildings

10% for residential buildings constructed on and after June 1, 1981.

(2) Discount based on the grade of earthquake-proofing of residential buildings

10% to 30% if the residential building concerned meets any of the grades set down in the Building Standards Law or any grade in the "Assessment Guideline for Earthquake-Proofing Grade by Earthquake-Proofing Diagnosis" set by the Ministry of Land, Infrastructure and Transport.

18 Taisei Fire & Marine Insurance Co. filed for Reorganization Procedures (November 2001 and June 2002)

On November 22, 2001, Taisei Fire and Marine Insurance Company Ltd. (hereafter, Taisei Fire & Marine) filed with the Tokyo District Court for the commencement of reorganization procedures, and the Court agreed to the commencement of procedures on November 30, 2001. In addition, the company concluded the sponsorship agreement with the Yasuda Fire and Marine Insurance Company Ltd. and the Nissan Fire and Marine Insurance Company Ltd. on November 30, 2001. It then applied to the Non-life Insurance Policy-holders Protection Corporation of Japan for financial aid to settle claims payments for the contracts to be secured by the Corporation.

After launching its reorganization procedures, Taisei Fire & Marine submitted its reorganization plan to the Tokyo District Court on June 28, 2002. The plan was drawn up based on the following three basic policies:

(1) To prevent the aggravation of the company's assets and draw up the reorganization plan promptly.

(2) To protect those who have rights for direct insurance contracts to be secured under the Policyholders Protection Corporation scheme.

(3) To separate insurance liabilities from the reinsurance business (to separate the company into a reorganized direct insurance company and a reinsurance company)

The schedule of the reorganization procedures was as follows:

- Meeting for relevant persons held on August 30, 2002.
- Separation of the company into a reorganized direct insurance company and a reinsurance company on October 1, 2002.
- The reorganized direct insurance company merged with the sponsor company on December 1, 2002.

19 Association's Ethical Standard for Advertising drawn up (April 2002)

With deregulation and liberalization advancing, insurance products and related services have increased individuality and been more diversified. This requires non-life insurance companies to provide society with a broad range of information that helps consumers select insurance products and services.

The Association has drawn up the "Ethical Standard for Advertising" as a self-imposed guideline for the advertising activities of its member companies. This is as an integral part of the Association's business to ensure the soundness and establish the trust of the non-life insurance business.

This Ethical Standard aims to respond to the trust of consumers and society, and shows certain universal basic principles and practical guidelines, as the member companies can freely advertise based on their own responsibility.

Non-life insurance companies are, of course, required to carry out their advertising activities properly with reference to relevant laws including the "Insurance Business Law", the "Consumer Contract Law", the "Law on Sales of Financial Products" and the "Law on Prevention of Unfair Free Gifts and False Indications". In addition to this, the Association will make every effort to ensure even more appropriate advertising activities by its member companies, and also to ensure the soundness and establish the trust of the non-life insurance business based on this standard.

20 Planning Kit for Classrooms, "Virtual Life Game" given Excellency Award (May 2002)

The Consumer Education Support Center, Inc. set up the "Commendation for Consumer Education Materials", which gives awards for excellent materials for the use of consumer education in schools by selecting materials made by corporations and industry organizations to raise public awareness.

At the 3rd "Commendation for Consumer Education Materials", 54 materials from 36 corporations and industry organizations applied for the commendation. A planning kit for classrooms at junior high schools or high schools, the "Virtual Life Game" developed by the Association was given the Excellency Award in the section for experiment and practice.

This planning kit is a card game, where players compete in maintaining home economy and life for two years while experiencing various accidents and disasters that may happen in daily life. This aims to provide junior high school students or high school students with opportunities to learn family financing and self-responsibility by enjoying virtual life through the game.

21 Non-Life Insurance Rating Organization of Japan established (July 2002)

The Non-Life Insurance Rating Organization of Japan has been created and started its operation, after the merger between the Property and Casualty Insurance Rating Organization of Japan (PCIRO) and the Automobile Insurance Rating Organization of Japan (AIRO). The merger of both organizations aims to respond promptly and flexibly to the rapid changes by providing their member companies with unified and comprehensive services covering all non-life insurance. The new organization also aims to improve its services and productivity through the synergistic effect of the merger.

The new organization calculates reference loss cost rates (advisory pure risk premium rates) for fire, personal accident, nursing care payments and voluntary automobile insurance, and standard full rates (advisory premium rates) for Compulsory Automobile Liability Insurance (CALI) and Earthquake Insurance on Dwelling Risks. It also investigates CALI claims, and conducts surveys and analysis on various risks.

PART II

GENERAL INFORMATION

I Insurance Supervision

1 Financial Services Agency

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.

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.

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.

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.

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.

2 Advisory Councils to the Commissioner

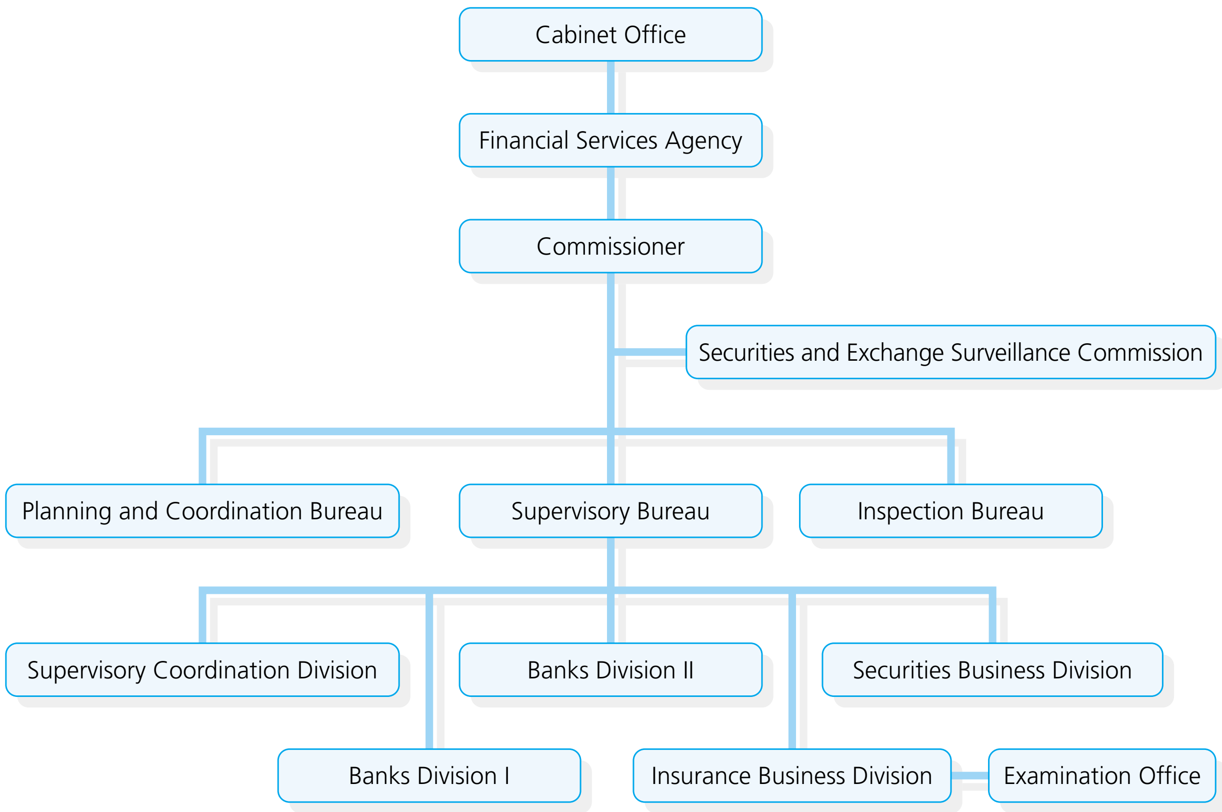
The Financial Services Agency (FSA) also calls for advisory councils to the Commissioner, such as the Financial System Council, the Compulsory Automobile Liability Insurance (CALI) Council, and the Business Accounting Council.

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.

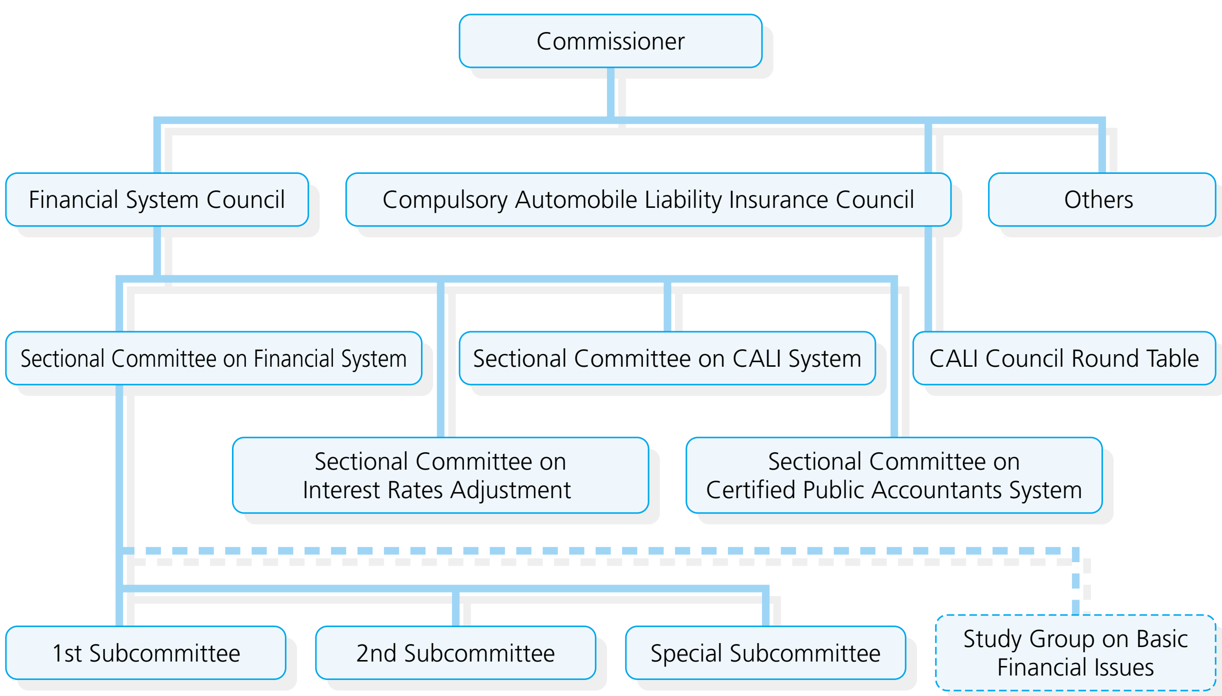
The Financial System Council was established in June 1998 by combining three former councils (the Financial System Research Council, the Insurance Council, and the Securities & Exchange Council). Though the Financial System Council was set up under the Ministry of Finance, it has been placed under the FSA since the latter's creation on July 1, 2000. The Financial System Council is currently composed of 22 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.

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



II Insurance-related Laws

The purpose of insurance law 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:

1. Insurance Business Law (effective 1996).
2. Law concerning Non-Life Insurance Rating Organizations (1948).
3. Automobile Liability Security Law (1955).
4. Law concerning Earthquake Insurance (1966).

1 Insurance Business Law

1 Objective (Article 1)

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 (Article 2 to 2-2)

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 (Article 3)

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 (Article 4)

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 (Article 5)

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 (Article 6)

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 (Article 8)

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 (Article 9 to 96)

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 (Article 97 to 105)

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 as 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 (Article 106 to 107)

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 (Article 109 to 122-2)

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 (Article 123 to 134)

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 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 fulfill 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. (Article 135 to 184)

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 (Article 185 to 240)

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 applied 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 (Article 241 to 271-2-4)

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 (Article 271-3 to 271-17,271-32 and 271-33)

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 (Article 271-18 to 271-33)

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 (Article 275 to 308)

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 (Article 309 to 338)

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.).(Article309)

2 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 (PCIRO) was established in November of that year, followed in 1964 by the Automobile Insurance Rating Organization of Japan (AIRO). Then PCIRO and AIRO merged, and the Non-Life Insurance Rating Organization of Japan, which has taken over the legal structure of AIRO, was established in July 1, 2002.

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 organization, the Prime Minister may require the rating organization 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.

3 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 one year, or in a fine of up to 500,000 yen (Law, Article 86-3). 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".

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.

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 (cases where victims do not need nursing care): 30 million yen (1st grade) ~ 0.75 million yen (14th grade); Permanent Disability (cases where victims need nursing care): 40 million yen (1st grade) ~ 30 million yen (2nd grade); and Bodily Injury: 1.2 million yen.

3 Claims Payment Standards

In order to ensure prompt and fair claims payments, claims payment standards for CALI is determined by the Minister of Land, Infrastructure and Transport and the Prime Minister, and shall be reviewed when needs arise. The standards provide the scope of compensation items and the method of the assessment of those compensation items, etc., which are used as far as fixed-form and fixed-amount methods of calculation of losses.

(*) The standards were introduced by the amendment of the Automobile Liability Security Law enforced on April 1, 2002.

4 Provision of Information on Claims Payments to Victims and Insured

Non-life insurance companies are required to provide the accident victims or the insured with the following information on claims payments by written notice so that they can judge if their claims have been assessed properly. Victims and the insured may also request additional information deemed necessary from the insurance companies.

a. Outline of claims payment standards, outline of claims payment procedures, outline of claims disputes settlement organization (when claims are filed).
b. Amount of claims paid, grades of permanent

disability and the reasons why such grades have been given, ratio of the reduction of the amount of claims paid and the reasons why (when claims are paid).

c. Reasons why claims have not been paid (when claims are not paid).

(∗) This treatment was introduced by the amendment of the Automobile Liability Security Law enforced on April 1, 2002.

5 CALI Disputes Settlement Organization

In order to deal with cases where policyholders appeal against the insurer's settlement of claims, the "CALI Claims Disputes Settlement Organization" has been established as a fair and neutral alternative dispute resolution body with expertise on claims disputes settlement. This organization provides a place where members of a mediation committee such as lawyers and doctors mediate between policyholders and insurance companies concerning disputes arising from CALI claims payments.

(∗) This CALI claims dispute settlement system was introduced by the amendment of the Automobile Liability Security Law enforced on April 1, 2002.

6 Insurers' Pool Scheme

All CALI premium portfolios shall 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.

(∗1) By the amendments of the Automobile Liability Security Law and the Law on Special Accounting for Compulsory Automobile Liability Reinsurance enforced on April 1, 2002, the government reinsurance scheme, where the premium portfolio of all CALI contracts except for policies for small-sized motorcycles of 125 c.c. or less was reinsured en bloc with the government on a 60% quota share basis, was abolished.

(∗2) 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.

4 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 earthquakes 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 A. Scope and Amount of Coverage below.

A. 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.

B. 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 , effective from April 1, 1999, to 4,100 billion yen, and effective from April 1, 2002, to 4,500 billion yen. The current arrangements for reinsurance and retrocessional transactions are as follows:

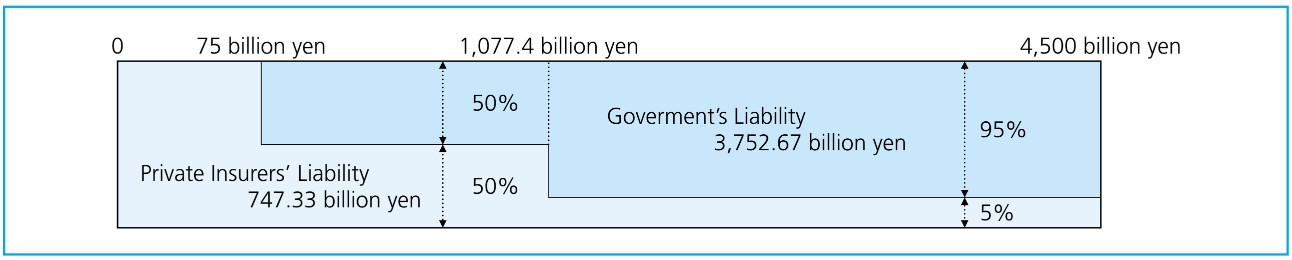
a. Reinsurance with JER:
All earthquake risks written by direct insurers are wholly reinsured with JER.

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 4,500 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 4,500 billion yen to the total amount of claims.

C. 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 1,077.4b yen: .... Government Liable for 50% (501.2b yen)
Private Insurers Liable for 50% (501.2b yen)
(C) Over 1,077.4b yen up to 4,500b yen: .... Government Liable for 95% (3,251.47b yen)
Private Insurers Liable for 5% (171.13b yen)

III Deregulation and Liberalization of the Japanese Non-Life Insurance Market

The Japanese non-life insurance market entered a new era with the new Insurance Business Law which took effect on April 1, 1996. 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 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.

- Three former 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 future deregulation of the non-life insurance business in Japan were 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 (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 concerning 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 the further improvement of insurance deregulation, the Fundamental Subjects Study Committee was established as the Insurance Council's working party.

- The Prime Minister's advisory councils, such as the Economic Council and 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. These included the issuance and withdrawal of licenses, approval of products/services, and issuance of orders to improve/suspend the business operations of financial institutions (incl. insurance companies).

- At the same time, the Ministry of Finance was reorganized.

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

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

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

December 1, 1998
Non-life Insurance Policy-holders Protection Corporation of Japan established.

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

- The Corporation shall carry out the following types of business activities.
  ① To provide financial aid to a reliever insurance company.
  ② To undertake the insurance contracts of an insolvent non-life insurance company which is a member of the Corporation, and to administer and/or deal with these insurance contracts.
  ③ To collect contributions from the member companies.
  ④ To provide loans to the member companies or certain policyholders, etc.

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

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

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 limited to 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.

- 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 contractual problems arising between consumers and businesses in both the financial and non-financial areas, and in order 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 consumers, and makes them liable for damages which arise from the provider 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 Plans started.

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

March 2002
Type of non-life insurance products to which the notification system applies expanded.

- By the amendment of the Enforcement Regulations of the Insurance Business Law, personal pension insurance (fixed-amount type and variable-amount type) and fire insurance on non-commercial risks to which the approval system had applied were included into the type of products to which the notification system applied. (Fire insurance on commercial risks has already moved from the types applied to the approval system to those applied to the notification system since August, 1999.)

March 2002
Examination period for non-life insurance products shortened.

- By the amendment of the Administrative Guideline, the examination period under the notification system for those products which are standardized and simple or substantially equivalent to existing ones were reduced from 90 days to 60 days.

April 1, 2002
Abolition of CALI Government Reinsurance Scheme implemented.

- By the amendment of the Automobile Liability Security Law and the Law on Special Accounting for Compulsory Liability Automobile Reinsurance promulgated on June 29, 2001, the Compulsory Automobile Liability Insurance (CALI) government reinsurance scheme, where CALI contracts were reinsured en bloc with the government on 60% of quota share basis, was abolished on April 1, 2002. As a result, all the CALI premium portfolio has been reinsured with the CALI Reinsurance Pool in which all insurers operating in CALI business in Japan participate.

October 1, 2002
Expansion of sales of insurance products by banks.

- By the partial amendment of the Insurance Business Law effective from October 1, 2002, the following insurance products were added to the products sold over-the-counter by banks.
  - Personal pension insurance (fixed-amount type and variable-amount type)*
  - "Zaikei" savings (i.e. asset formation) insurance
  - Individual annuity and accident insurance
  - "Zaikei" savings personal accident insurance

* Life Products

- In addition, residential buildings-cum-stores was added to the eligible insured property (formerly residential buildings only) and the limitation of the range of insurance companies to the bank's subsidiary or affiliated life insurance companies for which credit life insurance can be sold by banks was abolished.

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

As part of 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. 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 based on the solvency margin ratio was introduced in April 1999, as one of the key factors in the new insurance supervisory and regulatory framework. 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 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% and 100% or more	The Financial Services Agency shall require an insurance company to submit a business improvement plan which the Agency considers appropriate to ensure the management soundness of the insurance company involved. Then the Agency shall order the implementation of the business improvement plan.
Category 2	Less than 100% and 0% or more	The Financial Services Agency shall choose from among the following measures which the Agency 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. 7. Reduction of business operations at part of the branch or office.

Category 2	Less than 100% and 0% or more	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 Financial Services Agency shall issue an order to suspend part or all of the business operations for a specified period.

In addition to the measures mentioned above, the enforcement ordinance includes the following four items:

a. If an insurance company finds that its solvency margin ratio falls to category 2 or 3, and then if the insurance company promptly submits a business improvement plan that the supervisory authority judges to be appropriate to restore the company's solvency margin ratio, then the category of the order issued by the supervisory authority shall be applied to the category corresponding to the expected result of the implementation of the business improvement plan. However, if the supervisory authority does not deem the plan appropriate, the category of the order shall correspond to the decreased solvency margin ratio.

b. Even though an insurance company falls within category 3, the supervisory authority shall be able to issue an order that includes category 2 measures, when the difference between the assets and the liability of the insurance company shows a plus, or when it is obviously expected to become a plus.

c. Even though an insurance company does not fall within category 3, the supervisory authority shall be able to issue an order that includes category 3 measures, that is when the difference between the assets and the liability of the insurance company shows a minus or when it is obviously expected to become a minus.

d. 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 and 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.

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

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 understood 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:

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

＊ Solvency margin is calculated as follows:

1. Total Equities
2. Reserves for Fluctuation in Value of Investment
3. Reserves for Catastrophic Risk
4. Allowance for Bad Debts
5. 90% of Latent Profit on Stock (100% of Latent Loss on Stock)
6. 85% of Latent Profit on Land (100% of Latent Loss on Land)
7. Reserves for Dividend to Policyholders of Mutual Insurance
8. Underwriting Reserves (excess amount)
9. Reserves 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 exceed underwriting reserve.
   b. Catastrophic Risk: risk of loss caused by natural catastrophes 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 (evaluation based on market value).
   b. Credit Risk: risk of occurrence of loss caused by bad debts or default (evaluation based on market value).
   c. Risk arising in a Subsidiary Company, etc.: risk of occurrence of loss caused by the failure of investment in a subsidiary company or a related company.
   d. Derivative Transactions Risk: risk of occurrence of loss caused by transactions of futures, options 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 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. The 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 Policy-holders Protection Corporation of Japan" (hereafter the Corporation) was established in December 1998 for the protection of non-life insurance policyholders by an amendment of the Insurance Business Law. Before the establishment of the Corporation, the Policyholders' Protection Fund for Non-life Insurance Companies was introduced in April 1996. However, 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 possible problems arising from this, the policyholders protection corporation system has been created.

The functions of a Corporation are to give financial aid to the reliever insurance company which takes over a failed insurance company, and to undertake the insurance contracts of a failed insurance company when reliever insurance companies do not appear. With the partial amendment of the Insurance Business Law enforced in June 2000, the scope of a Corporation's business, and methods of its financial aid have been expanded. This includes the establishment of a subsidiary "bridge-insurance company" funded by the Corporation to take over the insurance contracts of a failed insurance company, and to provide loans to insurance companies that have to stop paying claims due to temporary cash-flow problems. In addition, by the amendment of the Law concerning Special Rules for Reorganization Procedures of Financial Institutions effective in June 2000, company reorganization procedures shall also be applicable to insurance companies, and the reorganization of failed insurance companies will proceed more smoothly.

(Note) Separate Policyholders Protection Corporations are established for the life and non-life insurance sectors.

A. Objective

The Corporation carries out its functions to protect policyholders thus ensuring the reliability of the non-life insurance business.

B. 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.

C. 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. This is 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.

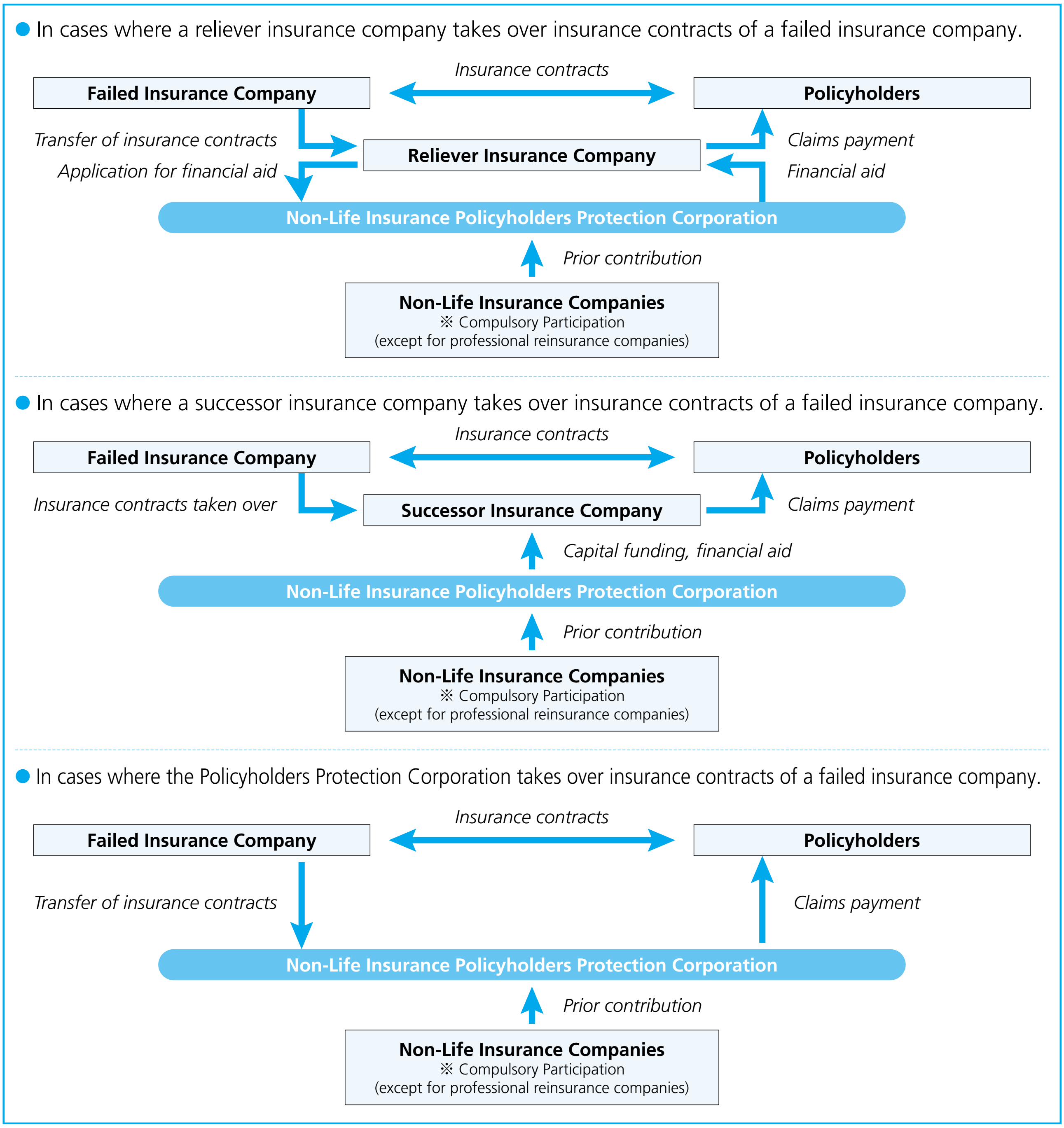
h. To purchase the assets of an insolvent non-life insurance company.

(Note) When a 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.

D. Non-Life Insurance Contracts to be compensated

The Non-Life Insurance Policyholders Protection Corporation compensates 100% of the claims for and the returned premiums for cancellation of Compulsory Automobile Liability Insurance (CALI) and Earthquake Insurance on Dwelling Risks. In addition, the Corporation shall compensate at 90% the claims incurred from voluntary automobile insurance,

Non-Life Insurance Policyholders Protection Corporation System



fire insurance for individuals and small sized enterprises, etc., personal accident insurance, medical expenses insurance, and nursing care expenses insurance. Furthermore, the returned premiums for cancellation of the above insurance policies, and maturity-refunds or the returned premiums of maturity-refund type (or savings type) insurance policies shall be compensated at 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, small-sized enterprises and associations constituted from sectional owners of an apartment to administrate the building), 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.

E. Finance of the Corporation

a. The members of the Corporation must 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. The amount of each members' annual contribution shall be decided with due regard to the amount of net premiums written and liability reserves accumulated.

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. When the costs required for bankruptcy procedures exceed 50 billion yen, the Corporation shall consider taking measures, 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.

Eligible contracts to be compensated by the Corporation

	Type of insurance policy	Compensation ratio
Eligible contracts	**Compulsory Automobile Liability Insurance (CALI)** **Earthquake Insurance on Dwelling Risks**	100%
	Automobile insurance (∗1) **Fire insurance (∗1, 2)** **Third sector insurance (∗1)** Personal accident insurance Medical expenses insurance Nursing care expenses insurance Overseas travelers' personal accident insurance, etc.	90%
Non-eligible contracts	**Other than the above policies** Marine cargo insurance Inland transit insurance Aviation insurance Workers' accident compensation liability insurance General liability insurance Movables comprehensive insurance Machinery & erection insurance Contractors' all risks insurance, etc.	Those contracts are not compensated by the Corporation. Claims of those policies may be paid less according to the financial condition of a failed insurance company.

(∗1) Including savings type of those contracts.

(∗2) Fire insurance contracts are limited to those for private individuals, small-sized enterprises and associations constituted from sectional owners of an apartment to administrate the building.

V 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 in accordance with the Insurance Business Law (Officers and employees of insurance companies are not required to be registered in order to solicit insurance contracts.). Therefore, only registered agents and brokers as well as staff members of insurance companies are authorized to engage in insurance distribution.

As part of the registration process, the supervisory authority must ascertain whether there are grounds for refusing an application, such as from applicants who were declared bankrupt and who have not yet been rehabilitated, who have been imprisoned in the preceding three years, or whose previous registration had been revoked within the preceding three years. Under the Insurance Business Law and its related regulations, agents and brokers are prohibited from such conduct as giving rebates or premium discounts, making false representations or failing to represent important matters regarding insurance contracts to their clients. If the registered agents or brokers violate relevant laws and regulations, the supervisory authority shall implement administrative penalties including the revocation of the registration and the suspension of business.

In fiscal 2001, domestic direct premiums collected through agents amounted to 91.3% of all non-life insurance premiums including domestic and foreign non-life insurers, and the remainder, 8.5% and 0.2%, was collected through direct distribution and brokerage respectively.

(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.

Portion of Direct Premiums collected by Type of Distribution Channel

(for Domestic and Foreign Non-Life Insurance Companies) (million yen)

Fiscal Year	Agents	Brokers	Direct Distribution	Total
2000	8,536,361	12,483	763,697	9,312,559
	91.7%	0.1%	8.2%	100.0%
2001	8,028,645	16,619	747,080	8,792,360
	91.3%	0.2%	8.5%	100.0%

(Note) "Direct Distribution" includes sales through employed sales staff.

1 Non-Life Insurance Agency System

Non-life insurance agents are the main channel for non-life insurance distribution in Japan. The main business of non-life insurance agents are as follows:

- Consulting for 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.
- Delivering 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.

The number of non-life insurance agents registered as of the end of March 2002 stood at 342,191, and the total number of sales staff engaged in agency business in domestic and foreign non-life insurers amounted to 1,575,195.

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.

As the Association regards agency education as integral to the industry's social responsibility to ensure proper sales of insurance products and the protection of policyholders, it launched a new non-life insurance agency education system common to the industry in April 2001. 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.

Developments in Number of Non-Life Insurance Agencies

(as of the end of each Fiscal Year)

1997	1998	1999	2000	2001
592,126	593,872	570,919	509,619	342,191

(Note) Figures are total of those for domestic and foreign non-life insurance companies.

Developments in Number of Sales Staff engaging in Agency Business

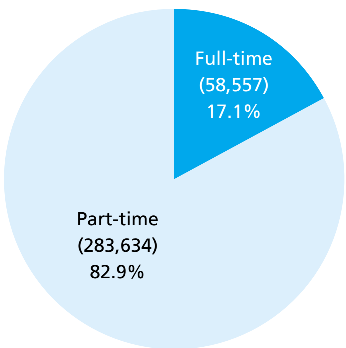
(as of the end of each Fiscal Year)

1997	1998	1999	2000	2001
1,170,497	1,180,784	1,154,511	1,145,252	1,575,195

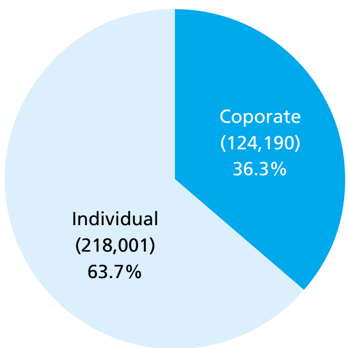
(Note) Figures are total of those for domestic and foreign non-life insurance companies.

Number of Different Types of Non-Life Insurance Agents (as of the end of March 2002)

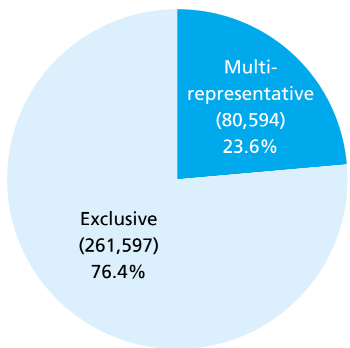
Number of Agents by Type of Business Operations



Number of Agents by Type of Entity



Number of Agents by Type of Relations with the Company

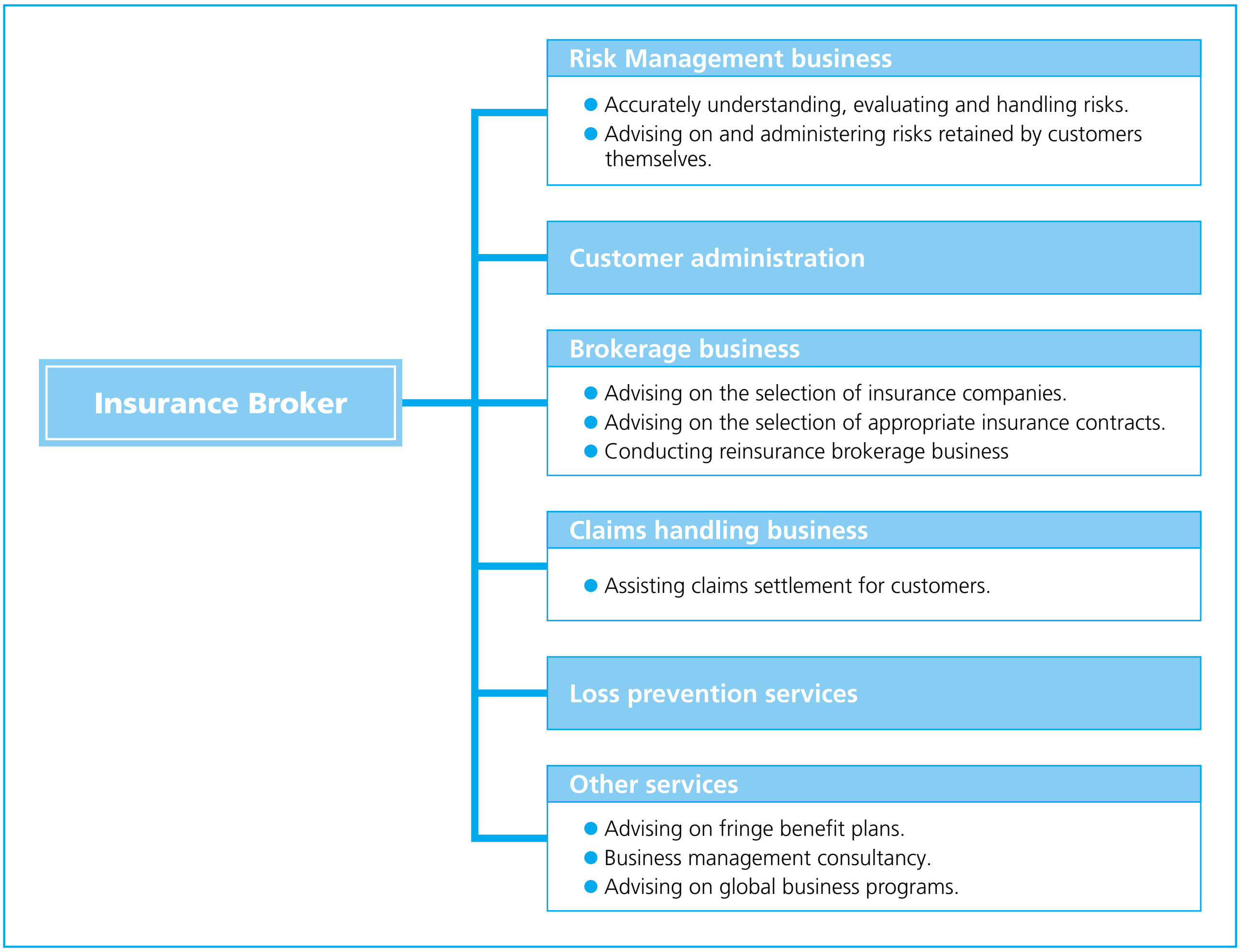


(Note) Figures are total of those for domestic and foreign non-life insurance companies.

2 Insurance Brokerage System

An insurance brokerage system was introduced to the Japanese insurance market in April 1996 by the enforcement of the new Insurance Business Law. Examples of services that insurance brokers may provide are as follows:

Example of services provided by Insurance Brokers



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 fit to conduct insurance distribution, their ability being 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 number of insurance brokers registered as of June 1, 2002 is 50.

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.

a. 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 the end of March 2002, the number of "undergraduate" special trainees reported was 6,053 (incl. figures of foreign insurance companies.).

b. 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 the end of March 2002, the number of "chokuhan-shain" reported was 6,818 (incl. figures of foreign insurance companies.).

c. Others

New direct distribution channels have been introduced in the non-life insurance market such as selling through newspapers, magazines, TV, DM (Direct Mail), telemarketing, and internet-online-sales. 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.

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 an insurance contract on a web-site, and then meeting a sales person from a non-life insurance company or a non-life insurance agent 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 company to finalize a contract.

b. Applying for insurance contracts, as well as settling an account electronically for payment of premiums on web-sites using credit card.

VI Investment Regulation

In order to ensure the sound operation of the 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 range:

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. and/or 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) short-term corporate bonds stipulated in Paragraph 2 of Article 2 of the Law concerning Book-Entry Transfer for Short-Term Corporate Bonds
5) gold bullion
6) money loans (including call loans)
7) loans secured on the securities
8) investment related to union contract stipulated in Article 667 of the Civil Law or anonymous union contract stipulated in the Commercial Law
9) bank deposits or postal savings
10) money trust, monetary claims in trust, securities trust, or real estate in trust
11) 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
12) financial futures transactions stipulated in Paragraph 9 of Article 2 of the Financial Futures Exchange Law
13) trading in derivatives stipulated in Paragraph 1 (8) of Article 98 of the Insurance Business Law
14) foreign exchange futures transactions
15) 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, when an insurance company invests its assets, the ratios of the 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 item 8) mentioned in the above: 30%
2) real estate: 20%
3) assets in foreign currency: 30%
4) bonds, giving loans, and lending securities: 10%
5) assets invested similar to items 1) to 10) men-

tioned in the above: 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 or the "Major Shareholders"(*), 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% of total assets. (The following item 2) and/or 4) shall not exceed 3% of total assets.)

   1) corporate bonds 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. 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% of the total of the special account assets.

e. In addition, as regards assets other than those equivalent to special accounts for maturity-refund type insurance, etc., the aggregate of the following assets shall not exceed 6% of total assets. (The following item 2) and/or 4) shall not exceed 2% of total assets.)

   1) corporate bonds and stocks issued by the "Major Shareholders" or one and the same "Major Shareholder"
   2) loans and lending securities to the "Major Shareholders" or one and the same "Major Shareholder"
   3) deposits with the "Major Shareholders" or one and the same "Major Shareholder"
   4) guarantee of obligation for the "Major Shareholders" or one and the same "Major Shareholder"
   5) assets related to trading in derivatives with the "Major Shareholders" or one and the same "Major Shareholder"

f. 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 e. 1) to 5) shall not exceed 6% the total of the special account assets.

(*) Any person or company that holds more than, in principle, 20% of the total shares of an insurance company or an insurance holding company.

VII 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 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

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, Marine Cargo, Inland Transit, Windstorm & Flood, General Liability, Contractors' All Risks, and Movables Comprehensive	50%	35%
Automobile, Personal Accident, and Miscellaneous Casualty	Automobile, Personal Accident, and Miscellaneous Casualty (except for 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 Bond	50%	15%
Atomic Energy	Atomic Energy	Full amount of net claims paid	—
Life Reinsurance	Life Reinsurance	100%	—

(∗1) "Disposition of Reserves" occurs when the loss ratio exceeds the specified level as a group of business, 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.

the 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 previous 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 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" principle, 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:

1) licensed domestic insurers in Japan, 2) licensed foreign insurers in Japan, 3) 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, 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.

VIII 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, the non-life insurance companies and the Marine and Fire Insurance Association of Japan have long been actively engaged in the following accident and disaster prevention activities. These aim 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.

1 Strengthening of Fire Fighting Facilities

The Association made the following donations of fire fighting equipment to local municipalities in fiscal 2001. (See Table 1 below.)

2 Activities to Promote Public Awareness of Fire and Disaster Prevention

A. Symposia on disaster prevention

The Association held the following two symposia in fiscal 2001 as follows. (See Table 2 below.)

(Table 1)

Contributions to Enhance for Fire Fighting Facilities

Items	Fiscal 2001	Notes	
Fire engines	34	Donated to: local governments	
		∗Aggregate number of fire engines contributed:	2,396
Vehicles for inspection and public relations use	5	∗Aggregate number of major items contributed:	
		• Vehicles for conveying staff	17
		• Vehicles for inspection and public relations use	46
A set of videos which show fire prevention activities	one complete set	• Vehicles for commanding and supervising purposes	37
		• Bicycles for inspection and survey use	893
		• Electrically-powered bicycles	23
		• Water tanks for fire extinguishing	139
		• Models of human body for training use	507
		• Portable wireless-telephone	1,800
		• Digital telephotographic system	one complete set
		• Geographic information system & personal computer	one complete set
Small-sized powered water pumps	10	Donated to: municipalities related to isolated islands	
		∗Aggregate number of items contributed:	446
Small-sized fire engines with automatic powered water pumps	8	Donated to: municipalities related to isolated islands	
		∗Aggregate number of items contributed:	91
Fire prevention posters	500,000	Given to: the Fire and Disaster Management Agency	
		∗Aggregate number of items contributed:	27,250,000

(Table 2)

Symposia on Disaster Prevention

Date	Place	Theme	No. of Participants
Jul. 5, 2001	Miyagi	"How would you act if a huge earthquake struck?"	800 participants
Aug. 30, 2001	Tokyo	"What happens should a huge earthquake hit Tokyo?"	2,500 participants

B. Support for disaster prevention activities promoted by housewives and organizations

The Fire and Disaster Management Agency and the Association have given the "Housewife Fire Prevention Expert" award to 777 housewives who are volunteer leaders in promoting fire and disaster prevention awareness in their region. In fiscal 2001, the Association supported housewives' activities in 192 regions involving 227,606 participants nationwide. It also supported activities promoted by 18 disaster prevention organizations.

C. Lectures on fire and disaster prevention

In conjunction with local governments and local fire departments, the Association held lectures by scholars and experts on fire and disaster prevention for the public at 37 locations across Japan in fiscal 2001. These lectures drew audiences totaling 10,665 people.

D. Fire prevention slogan contest

The Association conducted a fire prevention slogan contest in cooperation with the Fire and Disaster Management Agency which attracted 37,290 responses in fiscal 2001. The wining slogan was used in 2002 national campaigns and was included on the 500,000 fire prevention posters given by the Association to the Agency.

E. Publication of fire prevention materials

The Association issued and distributed the "Loss Prevention Journal" (Quarterly). It also lent disaster prevention videos to the public. These were loaned out 307 times and the total viewers amounted to 18,832 in fiscal 2001.

F. Leaders training seminars on promotion of disaster prevention

The Association held the "Leaders Training Seminar on Promotion of Regional Disaster Prevention Measures" in the following two cities in Shizuoka Prefecture to help promote measures in preparation for a Tokai earthquake.

Leaders Training Seminars on Disaster Prevention

Date & Schedule	Place	Participants
Sep. 19 - Nov. 28, 2001 (every Wednesday, 11 sessions in total)	Fuji	130 of the 162 initial participants receiving a certificate on their successful completion of the course.
Dec. 11, 2001 - Feb. 26, 2002 (every Tuesday, 11 sessions in total)	Yaizu	121 of the 145 initial participants receiving a certificate on their successful completion of the course.

3 Traffic Accident Prevention Activities

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

A. Promotion of public awareness of traffic accident prevention

In fiscal 2001, the Association conducted a survey on "Public awareness and use of child-seatbelts" and provided the survey results. It also issued a booklet using the survey findings to promote the use of child-seatbelts and raise public awareness on the prevention of their misuse. The booklet was given to the public through magazines for mothers.

B. Cooperation in traffic safety administration

The Association has supported the project of producing infant safety education literature in which the Cabinet Office takes a leading part. It has also participated in public awareness promotion activities by the "Traffic Safety Fair" and the "Conference on Promotion of Seatbelts and Child-seatbelts" sponsored by the Cabinet Office.

C. 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. These activities are examined and determined by the Committee for the Choice of the Expenditure of CALI Funds. This consists of experts commissioned by the Association Chairman and members of the CALI Council. Decisions are also reported to the CALI Council.

D. Public relations for CALI

In order to broaden the public's understanding of the CALI system and to increase ownership of CALI policies for small-sized motorbikes of 250 c.c. or less, public awareness campaigns have been conducted through the mass media since 1966. In fiscal 2001, the Association implemented public awareness promotion activities through newspaper and internet advertisements on the CALI system, promotion of the use of CALI and announcement of the amendment of the CALI system.

Contribution activities using CALI investment income for fiscal 2002

＊**Traffic accident prevention measures (about 250 million yen disbursed)**
- Contributions of traffic accident prevention equipment to prefectural police departments through the National Police Agency.

＊**Improvement of emergency medical services (about 830 million yen disbursed)**
- Contributions of facilities for emergency medical services to the Japanese Red Cross, etc. (660 million yen)
- Contributions of high specification ambulances to local governments through the Fire and Disaster Management Agency. (170 million yen)

＊**Protection of traffic accident victims (about 890 million yen disbursed)**
- Assistance for free counseling service business by the Japan Center for Settlement of Traffic Accident Disputes. (780 million yen)
- Assistance for scholarship business by the Traffic Accident Orphans Foundation (110 million yen)

＊**Measures for creating accurate permanent disability criteria (about 70 million yen disbursed)**
- Assistance for the study on permanent disability by Keio University and others.

＊**Measures for medical expenses rationalization (about 190 million yen disbursed)**
- Assistance for the educational program on the assessment of medical expenses by the Association and others.

2 Study and Research Activities on Safety Management and Loss Prevention

While internationalization and deregulation are taking place, household and business risks continue to diversify. In this situation, people expect the non-life insurance industry to be expert on risk assessment and well equipped to give pertinent suggestions, to develop countermeasures on loss prevention and to provide analysis on accidents and disaster information. In response to increasing public expectations, the non-life insurance industry has conducted studies and research activities on safety management and loss prevention measures.

1 Study and Research on Security and Loss Prevention

The Association implements the following study and research activities as a way of contributing to society.

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 which analyze such risks as fire, explosion, automobile accident and liability risks as well as natural and environmental disasters. In fiscal 2001, the following research results were published.

- Effective measures for traffic safety in businesses
- Measures for medical security in hospitals
- Methods for the prevention and reduction of loss caused by natural disasters (flood)

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/regions (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.

C. Study and analysis of claims data for automobile insurance

The Marine & Fire Insurance Association statistically analyzed losses in Japan arising from traffic accidents, using automobile insurance claims data collected from non-life insurance companies. The results were published in the report entitled the "Actual conditions of traffic accidents as shown by automobile insurance claims data, 2002". 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.

2 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

- Giving various consultation services on risk management
- Analyzing loss prevention measures 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 computerized diagnostic checks on the condition of accidents, 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 such issues. The non-life insurance industry has actively come to grips with environmental issues in order to ensure public safety and security.

1 Response of Non-Life Insurance Companies to Environmental Issues

A. Individual Non-Life Insurance Companies' Response

The non-life insurance industry has developed the "Non-Life Insurance Industry Action Plan for the Preservation of the Environment" in response to the "Keidanren Appeal on the Environment" issued by the Nippon Keidanren, the Japan Business Federation. In compliance with the Action Plan, each non-life insurance company shares the common recognition of the importance of the preservation of the environment. Each company deals accordingly with such issues as the reduction of the consumption of paper resources, the provision of environment-friendly non-life insurance products and services, activities to raise public awareness and providing information on the environment to society.

An outline of Non-life Insurance Industry's Action Plan for the Preservation of the Environment (December 2000)

The Japanese non-life industry formulated its first action plan in November 1996, in response to the "Keidanren Global Environment Charter" and the "Keidanren Appeal on the Environment". This was subsequently amended in December 2000, and an 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 ground for the continuity of a corporation's 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 action 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
- Promoting the development and the dissemination of insurance products and services related to the environment;
- Promoting 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
- Providing the public with information and know-how which the non-life insurance industry accumulates on environmental issues by holding seminars and open lectures, issuing publications and providing consulting services.

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

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

(5) Education and raising awareness within the company
- Providing further education and training for employees regarding the preservation of the environment;
- Preparing for 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.

B. Survey on Responses by Non-Life Insurance Companies

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.

The Association conducted a survey on the measures taken by non-life insurance companies and the Association in June 2002. An outline of the survey results is as follows:

- Each non-life insurance company has commonly recognized that measures taken against environmental problems have become more important than before and should be promoted further in the future.
- Although the current level of measures taken for the reduction of paper resources by each non-life insurance company is fairly advanced in its core business compared with other industries, each company makes every effort to raise the level of measures in its whole business area so that those measures can be established and improved by providing and exchanging information on the environment.

Individual non-life insurance companies' responses to the environmental issues based on the "Non-Life Insurance Industry Action Plan for the Preservation of the Environment"

1. Measures promoted in non-life insurance business

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

2. Providing information outside the company

Non-life insurance 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 against global warming (to help reduce the consumption of paper and energy resources)

In consideration of the nature of the non-life insurance business that consumes abundant paper resources, and the effect of this on the environment, all the Association's member non-life insurance companies take measures to reduce the consumption of paper. They also take measures to save resources other than paper (saving electricity and energy, etc).

4. Creation of recycling measures

Non-life insurance companies promote the use of recycled paper, especially for copying, facsimile and name cards. They also promote the separation of wastepaper and the use of recyclable OA equipment at their offices.

5. Providing education within the company and activities for raising public awareness on environmental protection

Non-life insurance companies participate in activities for the preservation of the global environment, assist activities by volunteer organizations and carry out activities aimed at educating and raising awareness on environmental protection issues.

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

Non-life insurance companies apply an environmental management system including that of the ISO to promote and make the actions taken as described above effective. 6 companies have obtained the ISO 14001 Certificate, and several companies are considering acquiring the ISO 14001 Certificate.

2 Automobile Parts Recycling Campaign and Automobile Parts Repair Campaign

The Association conducted an "Automobile Parts Recycling Campaign" and an "Automobile Parts Repair Campaign" from June to July 2001.

The aim of the "Automobile Parts Recycling Campaign" is to raise the awareness of automobile owners, and to promote the use by repair shops of recycled automobile parts (used parts and reclaimed parts). The aim of the latter "Automobile Parts Repair Campaign" is to encourage automobile owners and repair shops to promote the repair of damaged automobile parts such as resin car bumpers rather than the replacement of those parts. In the fiscal 2001 campaign, campaign posters were displayed in non-life insurance companies, automobile repair shops and gas-filling stations, etc., and leaflets were distributed to automobile drivers.

The original campaign was launched in 1989 to pioneer the repair and recycling of damaged resin car bumpers, and since then the campaign's targets have gradually expanded. In the 1994 campaign, three parts, hoods, front fenders and doors, which have a high damage frequency, were included into the priority list of repaired automobile parts. In 1995, the campaign aim was extended to the use of whole repaired automobile parts.

Following the establishment of the Law on Recycling of Automobiles, public interest in the use of recycled automobile parts has been promoted in line with the increase of public awareness in the environment. Through the above campaigns, the Association has aimed to contribute to the solution of environmental problems by promoting the effective use of material resources, and reducing industrial waste, while reducing automobile owners' cost in the repairing of automobiles. The Association initiated these campaigns with the support of the Ministry of Land, Infrastructure and Transport, the Ministry of the Environment, the Ministry of Economy, Trade and Industry, the Japan Automobile Service Promotion Association, the Japan Automobile Repair Union Federation and the Japan Automobile Dealers Association.

The Association also carried out these campaigns from June to July in 2002.

3 The Association's acquisition of the ISO 14001 Certificate

The Association has become the first financial trade body in Japan to obtain the ISO 14001 Certificate, the international standard on a management system of the environment. (The Association obtained the ISO 14001 Certificate for its headquarters and Tokyo branch office on September 21, 2001.)

In line with its Environmental Policy, the Association is furthering its activities to raise environmental awareness among the public. These activities include holding symposia and lectures and issuing publications related to environmental issues, and to reduce material resources including electricity, gas, tap water and paper. It also endeavors to publicize its activities for the preservation of the environment through its own publications and website.

An out line 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 Nippon Keidanren, the Japan Business Federation.

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) Promoting 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) Promoting 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) Complying with laws, regulations and guidelines related to the preservation of the environment

4 Promotion of NPO Activities

The Association has promoted Non-Profit Organization (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. It has also actively encouraged employees of non-life insurance companies to participate in voluntary activities to support those NPO activities.

1 Encouragement of Staff Members of Non-Life Insurance Companies to participate in Voluntary Activities

The Association has planned and held various seminars to give staff of non-life insurance companies opportunities to take part in voluntary activities, in order to promote understanding and encourage them to participate in voluntary activities. In fiscal 2001, the Association carried out such activities as "Beach Clean-ups" where participants collected the garbage on beaches. It also held a seminar titled "Eye Mate", where participants understand and get close to the work of seeing-eye dogs.

With the cooperation of its staff, the Association also provided hospital wards in national hospitals with 170 paper waste bags made from old newspapers and leaflets.

"Beach Clean-ups"

The seminar "Eye Mate"

2 Promotion of activities by NPO and Volunteer Organizations

A. Holding symposia and lectures for NPO activities

The Association held the following symposia and lectures on the environment, rescue activities in disasters and risks related to NPO activities. The Association was able to promote and share with the general public and people involved in NPOs, a common understanding of the importance of NPO activities and other volunteer organizations.

NPOs Symposia

Date	Place	Theme	No. of Participants
May 16, 2001	Hamamatsu	"Improvement of the environment promoted by the partnership of NPOs, citizen and businesses"	160 participants
Nov. 19, 2001	Tokyo	"Various risks surrounding NPOs and measures against those risks"	170 participants
Jun. 17, 2002	Tokyo	"Risks of NGOs who conduct relief operations overseas"	180 participants

NPO Lectures

Date	Place	Theme	No. of Participants
Jun. 4, 2001	Tokyo	"Coordinated actions in the field of environment affairs by businesses and NPOs"	50 participants
Oct. 13, 2001	Nagoya	"Risk management for NPOs"	20 participants
Dec. 1, 2001	Takamatsu	"What do you do in case of emergency? - Think about voluntary activities for the prevention of disasters."	300 participants
Apr. 17, 2002	Nagano	"Risk management for NPOs"	40 participants

B. Publishing guidebooks for NPO

The Association published guidebooks about NPO activities and reports on our NPO symposia. These publications were distributed to assist the activities of the Social Welfare Councils and Volunteer Centers (about 60 organizations) all over Japan. They were also distributed to individuals involved in NPOs. The following publications were issued.

- Guidebooks: "Let's start! Voluntary Activities", "Risk Management for NPO".
- Reports on symposia: "Risks on NPO activities and the role of volunteers in disasters", "Environment improvement promoted by the partnership of NPOs, citizens and businesses", "Various risks surrounding NPOs and measures against those risks", "Risks of NGOs who conduct relief operations overseas".

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

Since 1996, the Association has collected, with the cooperation of its staff, used telephone cards. These are exchanged for money, and donated them to NPOs and other volunteer groups which carry out activities to assist refugees and people in need of help. In fiscal 2001, the Association added used post cards and stamps to the collected items. These items were given to "JOICFP", an organization for international cooperation in family planning, and to "WWF Japan", a nature conservation organization.

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

The Association supported promotion campaigns for NPOs and voluntary activities by providing visual aids and holding quizzes at their festivals including the "10th National Volunteers Festival in Kanagawa" held in September 2001 and the "Volunteers Festival in Kagawa".

5 Public Relations

To raise awareness of the essential functions of non-life insurance, the Association has continued to provide 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.

1 Communications and Dialogue

A. Non-Life Insurance Round Table

The Association holds a Non-Life Insurance Round Table as a forum for experts drawn from every field of society. The aim of the Round Table is to collect a wide range of views and exchange opinions on what non-life insurance should be, and to utilize those opinions for the future direction of the non-life insurance business. In fiscal 2001, the Round Table was held in June 2001 and January 2002.

B. Meetings with opinion leaders

The Association holds regular meetings with opinion leaders from the news media, consumers, and other organizations all over Japan to listen to their views and advice on non-life insurance activities. In fiscal 2001, 19 meetings with news media representatives, 24 meetings with administrators of local consumer centers, and one meeting with leaders of 5 major 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 2001, those meetings were held in 57 locations with a total audience of 4,018.

D. Training courses for consumer consultation staff

The Association holds training courses to provide consumer consultation staff with lectures on basic insurance. In fiscal 2001, such courses were held in Gunma, the Metropolitan area, Yokohama, Osaka, Kobe, Fukuoka, Kumamoto, Kagoshima and Okinawa with a total audience of 158.

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 2001, the Association conducted 3 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 6 discussion meetings in Sapporo, Tokyo, Osaka and Fukuoka, with 150 monitors.

In fiscal 2002, the Association launched the reviewed monitoring system, the "Monitor Club Sonpo" with 450 monitors to collect frank opinions and consumer requests on non-life insurance and incorporate them into the future non-life insurance business.

2 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 Association held a non-life insurance essay contest with the aim of raising students' awareness of security and disaster protection and promoting an understanding of non-life insurance. In fiscal 2001, 11,087 applicants from 171 senior high schools took part in the 39th essay contest entitled "Safety and Security in Life".

B. Training program for teachers

Aimed at broadening teachers' awareness of business life, teacher training programs have been run 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, non-life insurance in general, and a tour through related organizations and facilities. In fiscal 2002, the training program was given from July 29 to 31, 2002, with 10 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 held for students, parents, and teachers to promote the mechanism and role of non-life insurance on such themes as traffic accidents and compensation for damages. In fiscal 2001, those meetings were held at 68 senior high schools with a total audience of 18,748.

In addition, the Association sent lecturers to study meetings for senior high school teachers in cooperation with local educational study organizations. In fiscal 2001, such meetings were held in 11 locations.

D. Publication of "Senior High School Educational Material"

For proper guidance in understanding non-life insurance at senior high schools, 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 of civic education, commerce and home economics as a guide 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 2001, such meetings were held at 3 colleges and schools.

3 Advertising

Through the mass media, the Association has provided the public with various kinds of information on non-life insurance, traffic safety and disaster prevention. In fiscal 2002, the Association started a TV, newspapers and poster campaign to provide the public with information on the revision of earthquake insurance on dwelling risks and to expand the number of earthquake insurance on dwelling risks policyholders.

4 Information Dissemination

A. Bound volumes of disclosure materials of each non-life insurance company

To provide customers with sufficient information on non-life insurance, the Association bound copies of disclosure materials of the Association's member non-life insurance companies in single volumes and presented them to consumer administrative organizations all over Japan and to major consumer groups. It also issued a booklet for the guidance of non-life insurance companies' disclosure materials, the "Guidance on the Disclosure Materials of Non-Life Insurance Companies", and distributed it to these organizations and groups.

B. Publication of PR booklet "Sonpo"

For the consumer administrative organizations and consumer groups, the Association issued the bimonthly "Sonpo" (Non-Life Insurance) publication which took up topics to do with the non-life insurance business and related issues, and distributed it to these organizations and groups.

C. "Consumer Guidebook on Automobile Insurance"

The Association provided the consumer administrative organizations and consumer groups with a "Consumer Guidebook on Automobile Insurance", and distributed it to consumer administrative organizations nationwide and to major consumer groups.

D. Provision of materials on non-life insurance

In response to requests from consumer administrative organizations and senior high schools, etc, the Association provided publications describing non-life insurance and loaned videos and films.

E. Provision of "Guide Book on Non-Life Insurance in Daily Life"

In response to every day insurance products such as fire, automobile, and personal accident insurance, the Association issued the "Guide Book on Non-Life Insurance in Daily Life", which outlined these kinds of insurance products, and gave key points to consider when taking out insurance contracts. The Guide Book was distributed to consumer administrative organizations nationwide, major consumer groups, and to participants in meetings held by those organizations.

F. Provision of a pamphlet on earthquake insurance

In order to promote an understanding and knowledge of earthquake insurance on dwelling risks, the Association provided a pamphlet, "Earthquake Insurance on Dwelling Risks which protect my home", for consumer centers all over Japan and major consumer organizations.

G. Publication of literature on compensation problems

The Association compiled a leaflet entitled "For Traffic Accident Victims" to give traffic accident victims pertinent advice on compensation problems. Copies of it have been distributed to Automobile Insurance Claims Counseling Centers in each prefecture and city. Likewise, complying with a request from the National Police Agency, a textbook, "Knowledge of Compensation for Damages", designed for driving safety managers training 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 a general information center of non-life insurance. The Association improved the contents in December 2001 to provide much useful basic information on non-life insurance, Frequently Asked Questions, information on traffic safety and loss prevention, and statistics, etc. The website is also 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". (The URL of our English page is "http://www.sonpo.or.jp/english/english.html".)

Japanese page "http://www.sonpo.or.jp"

"http://www.sonpo.or.jp/english/english.html"

IX Activities to prevent Insurance Fraud

The proliferation of cases of insurance fraud and rapidly increasing automobile thefts could badly affect the security of public life, 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 related crimes, 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.

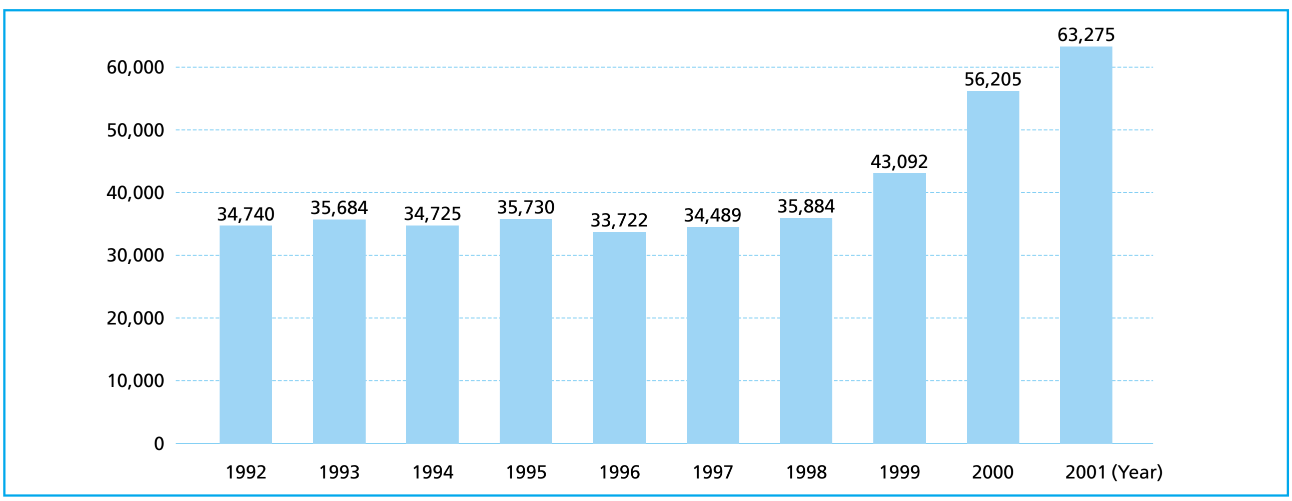
1 Combat against Automobile Theft

1 Situation of automobile theft in Japan

In recent years, automobile theft has been on the increase in the major urban areas of 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 then rose to 43,092 in 1999 before soaring to 63,275 in 2001. 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 secondary criminal offences. These developments have transformed automobile theft into a serious social problem.

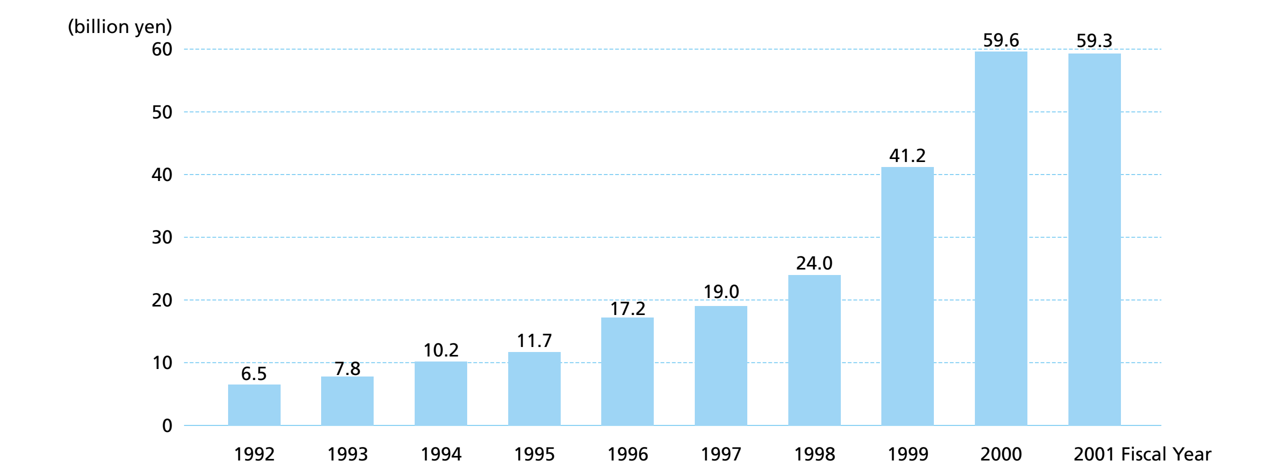
The amount of claims paid under the physical damage coverage of automobile insurance has increased in recent years. In fiscal 2001, the amount of claims paid reached 59.3 billion yen. Although the upward trend in both the number of automobiles stolen and the amount of claims paid for automobile theft has been halted, these levels are still high. If this situation continues, premiums for coverage of automobile theft may be raised or the scope of coverage narrowed down, thus adversely impacting honest policyholders.

Developments in number of stolen automobiles



Source: National Police Agency

Developments in amount of automobile claims paid



2 Measures taken by the Association

The Association has carried out various activities to prevent automobile theft, in cooperation with the relevant government authorities and industries.

Overview of automobile theft prevention measures taken by the non-life insurance industry

	Measures taken by the industry
1994	The Osaka branch office (the current Kinki branch office) of the Association started to take measures for the prevention of automobile theft on its own initiatives.
Feb. 2000	The head office of the Association became actively involved in the prevention of automobile theft. The "Automobile Theft Prevention Project Team" was established.
Jan. 2001	The Association implemented a checking system for the prevention of stolen automobile export in conjunction with cargo tally corporations engaged in tallying at ports.
Mar. 2001	Survey on condition of automobile theft in the U.K. was carried out.
Apr. 2001	The "Automobile Theft Prevention Office" was established within the Association.
Jun. 2001	The Association started its activities to promote awareness of the automobile theft problem through meetings with opinion leaders and mass media.
Jul. 2001	Non-life insurance companies introduced premium discount system for automobiles with immobilizers. (Twelve companies had introduced the premium discount system by July 2002)
Aug. 2001	The Association submitted its requests for measures to prevent automobile theft to the "Promotion Headquarters Combating International Organized Crime" of the government.
Sep. 2001	The Association announced its automobile theft prevention proposals. The Association participated in the "Joint Automobile Theft Prevention Project Team" formed jointly by the government and the private sector.
Nov. 2001	The Association published the following survey results in order to raise public awareness on automobile theft problems. ∗ Survey on awareness of automobile users ∗ Survey on condition of automobile theft claims
Jan. 2002	The "Joint Automobile Theft Prevention Project Team" developed its "Action Plan for the Prevention of Automobile Theft". The Association implemented its public awareness campaign for the prevention of automobile theft.
Apr. 2002	The Association participated in local automobile theft prevention councils established in each prefecture which deliberate suitable measures for each region to prevent automobile theft.

In 2002, the upward trend in automobile thefts was halted. The number of automobile thefts from January to September amounted to 45,799, 3.1% down from the previous year. This may be due to the effects of the cooperative measures taken by government and the private sector.

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. The Councils are promoting information exchange to eliminate insurance fraud, and help the police in their criminal investigations.

B. Information exchange on false applications for insurance claims

Non-life insurance companies are exchanging information on undue and false applications for insurance claims; this mutual cooperation has helped to prevent insurance fraud. In particular, the non-life insurance industry operates an industry-wide information exchange system for claims on personal accident insurance and automobile insurance. This system supplements the procedures for examining multiple claims applications to more than two insurance companies.

(Note) The non-life insurance industry has also operated the "Registration System of Contract Terms of Personal Accident Insurance" which is used as reference information for renewals of contracts or payments of claims by non-life insurance companies to prevent false applications for claims.

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 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.

X Requests and Proposals

1 Requests for Fiscal 2003 Tax Reform

Every year, the Marine and Fire Insurance Association of Japan carries out activities to realize the non-life insurance industry's requests for tax reform. 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 and the sound development of the non-life insurance business. In fiscal 2002, the Association submitted the "Requests for Fiscal 2003 Tax Reform" to the authorities and parties in order to respond appropriately to the structural reform of the economy and contribute to the achievement of economic growth and to a secure and stable society. The requests include: 1) Abolition of dual taxation on dividends, 2) Creation of a tax deduction system on premiums which responds to changes in social needs, and 3) Creation of tax exemption measures for CALI liability reserves of investments. An outline of the requests is as follows:

An Outline of Tax Reform requests for Fiscal 2003

1. Elimination of double taxation on received dividends

- To exempt interest arising from savings premiums accounts of non-life insurance companies from the deduction of interest on borrowed funds(*), as the account assets are not invested in stocks.

- To raise the exclusion rate from 50% to 100% for the exclusion of dividends from gross revenue.

(*) Under this system, interest on borrowed funds which are invested in stocks is excluded from the deduction of gross revenue which is subject to taxation.

2. Creation of premium tax deduction systems which respond to changes in society

- To create a premium tax deduction system to be applied to medical expenses insurance, nursing care expenses insurance, individual annuities and accident insurance, which will enjoy tax deductible limits of 100,000 yen under the Income Tax Law and of 70,000 yen under the Local Tax Law, thus promoting self-help efforts of individuals to supplement the social security system.

- To create a premium tax deduction system for Earthquake Insurance on Dwelling Risks with tax deduction limits of 50,000 yen under the Income Tax Law and of 35,000 yen under the Local Tax Law, thus promoting self-help efforts of individuals to prepare for an earthquake.

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

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

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

3. Creation of tax exemption measures for liability reserves which correspond to investment income from Compulsory Automobile Liability Insurance premiums

4. Improvement of the system for catastrophe reserves

- 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.

5. Introduction of tax measures for defined contribution pension plans

- To abolish the Special Corporation Tax on contributions by employers, those by beneficiaries of an Individual-Type to defined contribution pension plans, and investment yields arising from those contributions.
- To raise the limit of the amount of contributions to defined contribution pension plans.

6. Extension of carry-over period of deficits, re-application of refunds by carry-back of deficits, and extension of period of refunds by carry-back of deficits

7. Introduction of tax exemption measures to the Real Estate Acquisition Tax and the Special Landholding Tax applied to the transfer of assets from a failed insurance company to the reliever subsidiary insurance company of the Policyholders Protection Corporation

2 Regulatory Reform Requests

In order to promote comprehensive regulatory reform, the government decided at the Cabinet meeting in March 2001 to implement the new 3-Year Regulatory Reform Promotion Plan from April 2001, and it also established in April 2001 a new organization to promote the plan called the Council for Regulatory Reform. The Association submitted its 37 request items for regulatory reform covering 12 fields to the Nippon Keidanren, the Japan Business Federation in June 2001. This was in response to the Federation's solicitation of requests on regulatory reform which urge the government to cope with the new reform issues as well as to implement the reform items of the plan. In September 2001, the Association also submitted these requests to the government's Council for Regulatory Reform. The 11 items contained within the Association's requests were incorporated into the Federation's "Regulatory Reform Requests for Fiscal 2001" which was submitted to the government in October 2001.

In March 2002, the Cabinet approved the revised 3-Year Regulatory Reform Plan, which reflected the "First Recommendations on Promotion of Regulatory Reform" formulated by the Council and requests from various sectors including those from abroad. Then in July 2002, the Council drew up the interim report for the second set of recommendations to be included in the revision of the 3-Year Plan which will be decided in March 2003. The Council will continue to deliberate its recommendations in order to finalize them by December 2002. Following these moves, the Federation again solicited requests for fiscal 2002 from its member corporations and organizations. The Association submitted its 29 reform request items in July 2002.

The Non-Life Insurance Industry's Regulatory Reform Requests for Fiscal 2001 (covering 12 fields)

1. To expand the scope of the core business area of insurance companies.
2. To ease the outsourcing of insurance companies' business to help them rationalize and improve their efficiency.
3. To review the examination procedures to help insurance companies develop their products rapidly.
4. To deregulate the examination system for insurance products and to permit the standardization of general policy conditions.
5. To ease regulations on the solicitation of insurance products.
6. Requests for the promotion of the rationalization and efficiency of insurance solicitation channels.
7. To expand the scope of the business area for the subsidiary company and/or associate company of an insurance company.
8. To ease the regulations on the holding of stocks and on the income dependency of the subsidiary company and/or associated company of an insurance company.
9. To expand the scope of the ancillary business of insurance companies to help improve their services and strengthen their competitiveness.
10. To ease the regulations on the overseas subsidiary company of an insurance company so that it can strengthen its international competitiveness.
11. To review and deregulate conditions to promote the use of electronics as a means of business for insurance companies. (in the field of information and communication)
12. To promote the deregulation of the defined contribution pension plan system in order to help its dissemination.

3 Requests for Defined-Contribution Pension Plan System

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

Following the implementation of the system, the Association submitted the following 4 requests on the plans to the Ministry of Health, Labour and Welfare in August 2002.

Association's Requests for the Defined Contribution Pension Plan System

1. To raise the limit of the amount of contribution

A request was made to raise the following current limit of the amount of contribution:
- Corporate-Contribution Type: 432,000 yen(∗1) and 216,000 yen(∗2) per year
- Individual-Contribution Type: 816,000 yen(∗3) and 180,000 yen(∗4) per year

(∗1) Beneficiaries of a corporation that has not introduced its defined benefit corporate pension plan (so-called No. 2 Insured)
(∗2) Beneficiaries of a corporation that has already introduced its defined benefit corporate pension plan (so-called No. 2 Insured)
(∗3) Self-employed beneficiaries (so-called No. 1 Insured)
(∗4) Beneficiaries who have no opportunities to use a corporate defined benefit pension plan nor a Corporate-Type Defined Contribution Pension Plan (so-called No.2 Insured)

2. To abolish the Special Corporate Tax

A request was made to abolish the Special Corporate Tax which charges contributions by employers, those by beneficiaries of an Individual-Contribution Type, and investment yields arising from those contributions.

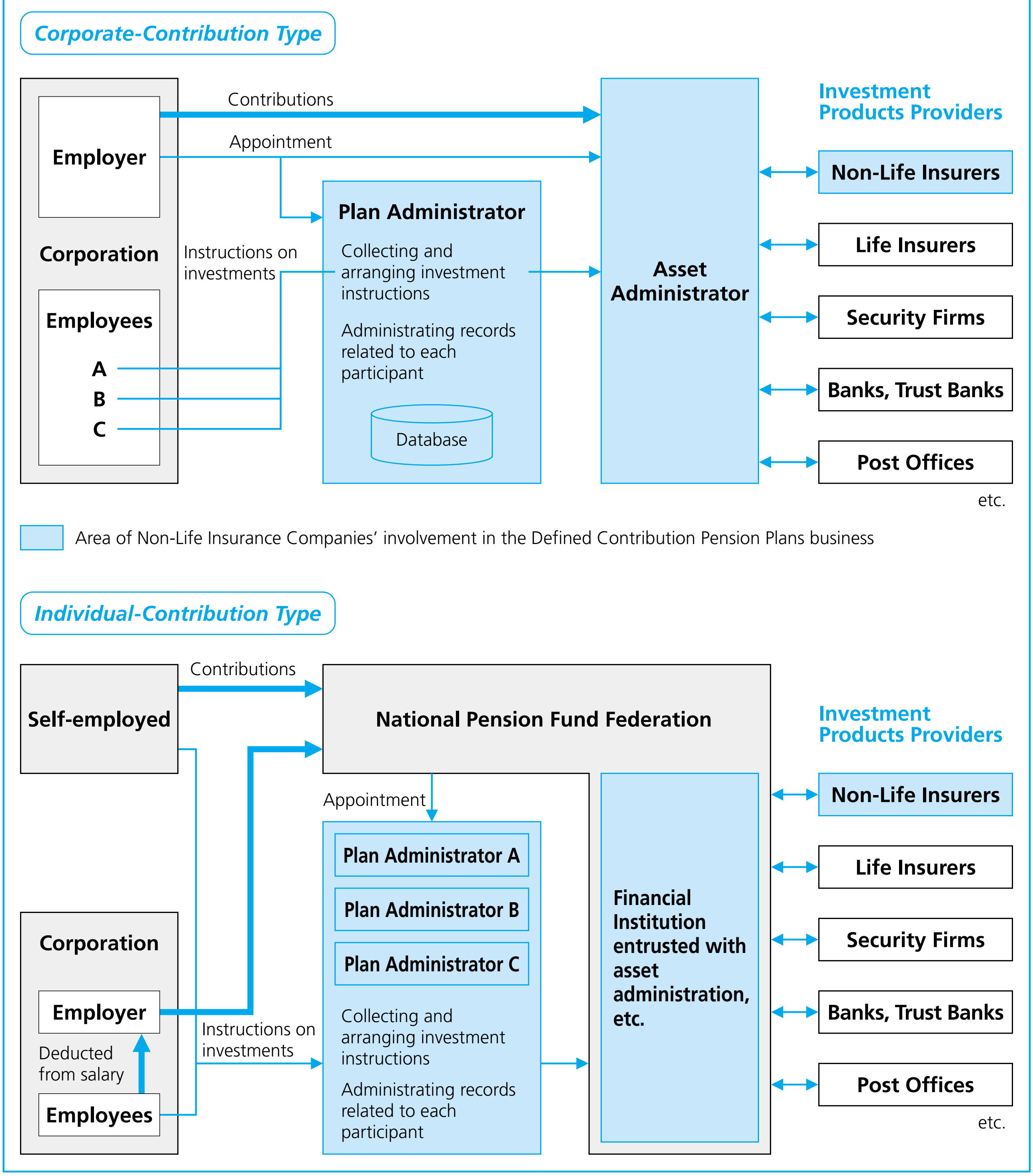
3. To introduce matching contributions

A request was made to introduce the system where additional contributions by individuals for a Corporate-Contribution Type and those by a corporation for an Individual-Contribution Type can be matched respectively with existing contributions.

4. To expand eligible beneficiaries

A request was made to permit households and public servants, etc. who are currently not eligible to become beneficiaries under the system.

Conceptual Illustration of Defined-Contribution Pension Plans



4 Requests for Zaikei Savings (Workers' Assets Formation) System

Since non-life insurance companies entered into the Zaikei Savings (i.e. workers' assets formation savings) system in 1988, the Association has requested the Ministry of Health, Labour and Welfare to improve the Zaikei Savings system every year. Regarding fiscal 2002, the Association submitted the following 6 request items to the Ministry of Health, Labour and Welfare in August 2002.

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 Annuity Savings and the Zaikei Housing Savings system as follows:
  a. Raising the age eligibility to join these systems from a ceiling of 55 to a ceiling of 60 for the Zaikei Annuity Savings and the Zaikei Housing Savings.
  b. Extending the deferment period from within 5 years to within 10 years for Zaikei Annuity Savings.
  c. Allowing more than 2 contracts for the Zaikei Annuity Savings and the Zaikei Housing Savings.
  d. Enabling partial repayment in the case where the balance carried forward is too much under the Zaikei Savings system when a person changes occupation and the amount is too large to cede the Zaikei Annuity Savings and/or the Zaikei Housing Savings account to that for the new occupation.

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 Annuity Savings and 5.5 million yen for both combined).

3. Request related to procedures

- To give application flexibility for the Zaikei tax-exempt measures, i.e. the requirement for filling "the names of an applicant's work place and its address" in the application form shall be eased to filling "the names of the head office or principal office of an applicant's work place and its address" in the form.

5 Proposals and Requests for 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 vital society.

In relation to this, the Association prepared in

June 2000 a pamphlet which stresses the necessity of self-help efforts in an aging society as well as the deepening of public understanding of the Public Nursing Care Insurance System. These copies were distributed to consumer centers, high schools nationwide and other concerned parties.

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

1. Request to promote private nursing care insurance

- To create a new tax deduction system for premiums of products which supplement the social security system, for example, private nursing care insurance.

2. Request to promote better nursing care service provisions

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

3. Request to disclose statistical data on nursing care

- To disclose statistical data on nursing care which are held by the government.

6 Proposals and Requests for Promotion of Automobile Theft Protection Measures

The Association submitted the following requests and proposals as part of Association's measures for the prevention of automobile theft.

1 Requests submitted to the Promotion Headquarters Combating International Organized Crime (August 22, 2001)

On July 10, 2001, the Association submitted its requests for the deliberation of the following two items to the "Promotion Headquarters Combating International Organized Crime" established in the Cabinet. These requests have taken into account the results of measures the Association has carried out so far.

As a result of deliberations taken by the Promotion Headquarters, the "Joint Automobile Theft Prevention Project Team" comprising of 4 government agencies and 9 private organizations was established on September 18, 2001 to discuss comprehensive measures to prevent automobile thefts and the export of stolen vehicles.

Association's Requests submitted to the Promotion Headquarters Combating International Organized Crime

1. Establishment of a checking system for prevention of automobile thefts by providing the customs office with stolen automobiles data possessed by police

In order to improve the checking system at ports jointly operated by the Association and cargo tally corporations(*), for the prevention of stolen automobile exports, the Association requests the following measures:

a. To provide the customs office with all stolen automobiles data collected by the police

b. To establish a system to check stolen automobiles in clearing procedures at all customs offices by matching inspection information with all data provided by the police.

(Note) The above requests were incorporated into the "Action Plan for the Prevention of Automobile Theft" developed by the Joint Automobile Theft Prevention Project Team in January 2002. In the Action Plan, the following measures are identified as part of the measures to prevent stolen automobile exports; The relevant agencies will study a practical method of providing customs offices with stolen automobiles data collected by the police and automobile registration data possessed by vehicle inspection offices. They will then strengthen the checking system for the prevention of stolen automobiles exports at customs clearance.

(*) The checking system jointly operated by the Association and cargo tally corporations
Under the system, the Association provides cargo tally corporations with stolen automobiles data reported to non-life insurance companies from policyholders, then the system identifies stolen automobiles by matching data of automobiles tallied at ports with stolen automobiles data provided by the Association.

2. Establishment of the joint team comprising of government and the private sector

The Association sent a research team and carried out a survey on the situation of automobile thefts and measures taken in the U.K., where stolen Japanese automobiles are exported most, and where various measures have been taken to reduce the number of automobiles stolen. One of the survey findings was the Vehicle Crime Reduction Action Team (VCRAT) jointly formed by the U.K. government and the private sector that had performed very effectively on the prevention of automobile theft. The Association now requests a joint team comprising of government and the private sector to be established here in Japan.

2 Proposal for Promotion of Automobile Theft Prevention Measures (September 20, 2001)

Following the Association's participation in the Joint Automobile Theft Prevention Project Team, the Association published its proposals for future measures to prevent automobile thefts.

An Outline of Association's Proposals on Promotion of Measures against Automobile Thefts

1. As the problem of automobile theft is too serious for the Association to solve alone, the Association thinks it crucial that the government and the private sector join forces in order to develop effective and comprehensive measures to solve this problem.

2. The Association will carry out its social responsibilities by promoting measures with the united effort of the non-life insurance industry in conjunction with other parties, and by making the most of the experience it has gained.

3. The Association will promote the following issues:

- Raising public awareness of the problem of the rapid increase of automobile theft and the necessity of self-protection.
- Information exchange with pertinent organizations and development of a new database on automobile theft
- Study on the assessment of the performance of anti-car-theft devices
- Conducting surveys and research on the situation and incorporating those findings into measures against automobile theft

4. The Association will carry out the following measures jointly with relevant parties:

<Measures to prevent automobile theft>
- Raising public awareness of the danger of automobile theft and the necessity of self-protection measures
- Promotion of anti-car-theft devices including immobilizers
- Strengthening the preparations to protect against automobile theft

<Measures to promptly detect stolen automobiles>
- Strengthening the inspection system for automobile exports
- Establishment of information exchange and development of a database on stolen automobiles

7 Requests for WTO Services Negotiations

The results of the WTO Services Negotiations will be a key to further development of financial services in the 21st century. This will have a great impact on the non-life insurance industry that is engaged in providing insurance services in other countries and doing international reinsurance business.

The Association has been actively involved in the WTO negotiations for liberalization in services. In particular, the Association published the "Proposals for the Upcoming WTO Services Negotiations" in November 1999, in order to promote the non-life insurance industry's views internationally.

The new round of negotiations was launched in line with the WTO Doha Ministerial Declaration published in November 2001. The Doha Declaration also scheduled the procedure for services negotiations, under which it was decided that each government should submit its initial requests by June 30, 2002.

In February 2002, the Association submitted the non-life insurance industry's requests to the

Government of Japan, in order to eliminate barriers which hamper overseas operations by Japanese non-life insurance companies.

(1) An outline of the non-life insurance industry's requests are as follows:

The non-life insurance industry of Japan requests those countries that have not accepted the Understanding on Commitments in Financial Services(*) to make their commitments based on that Understanding. In addition, the industry also requests the elimination of those items included in their commitments which are against the Understanding.

(2) The major items the industry wishes to be eliminated are as follows:

a. Limitations on foreign capital ratio
b. Prohibitions of and restrictions on establishment of foreign branches and/or subsidiaries
c. Obstacles to licensing, such as multiple and/or inconsistent regulations and periods
d. Citizenship and residence requirements for company executives and staff

The Association makes every effort to collect information and represent the industry's views through various opportunities including the activities of the Japan Services Network and the Financial Leaders Working Group.

(＊) **The Understanding on Commitments in Financial Services**
The Understanding defines the method of scheduling specific commitments based on the General Agreement on Trade in Services (GATS), where each country schedules its terms and conditions on market access and national treatment. It shows a certain level of liberalization on regulations specific to the financial service sector.

The Association's Proposals for the Upcoming WTO Services Negotiations (November 1999)

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

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 peri-

ods;

(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.

XI 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 14 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 Hokkaido/Tohoku/Niigata/Yokohama/Shizuoka/Kanazawa/Nagoya/Kinki/Kobe/Chugoku/Kyushu branches have produced a more consumer-friendly atmosphere for visitors. This can be seen in 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) is installed to receive complaints and questions from policyholders in remote areas.

In addition, the Association opened the "Sonpo (Non-Life Insurance) Information Square" in its headquarters on September 10, to furnish information on non-life insurance in more easily accessible ways. This office provides the very latest information on major non-life insurance products, the disclosure materials of each Association member company and consultation services which will be of immediate benefit to potential customers.

2 Automobile Insurance Claims Counseling Centers

The Marine and Fire Insurance Association of Japan has 50 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).

Each center also provides free legal advice from a lawyer concerning automobile insurance.

3 CALI Claims Counseling Offices

The Non-Life 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 2,952.

5 Non-Life Insurance Arbitration Committee

This Committee, set up by the Marine and Fire Insurance Association of Japan is made up of five people, academics and lawyers to deal with problems not settled through mediation by the non-life insurance counseling offices mentioned above.

Number of counsultations accepted in fiscal 2001

Non-Life Insurance Couseling Offices	12,926
Automobile Insurance Claims Counseling Centers	76,369
CALI Claims Couseling Offices	847

XII 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 2,300 claims settlement service offices nationwide 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 their expertise.

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 which is 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, 2002, the number of registered adjusters was around 7,700.

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 expertise, 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, 2002, the number of property loss assessors registered with the Association was around 1,300.

XIII 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.
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.

Year	Developments
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)
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.

Year	Developments
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. ● Property and Casualty Insurance Rating Organization of Japan was established.
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	● Big 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 300,000 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.
1959	● The Insurance Council was established.
1960	● The Japan Atomic Energy Insurance Pool was established. ● The CALI limit for death was raised from 300,000 yen to 500,000 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. (Held annually until 2001.)

Year	Developments
1964	● The Automobile Insurance Rating Organization was established. ● The CALI limit for death was raised from 500,000 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 : 900,000 yen for building and 600,000 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.
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 of (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% captail 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.

Year	Developments
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 in Tokyo.
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 Reinsurane 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.

Year	Developments
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.
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 for medical claims assessors. ● 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 Advanced Course of the Insurance School (Non-Life) of Japan (ISJ) was started. (In line with the establishment of this course, the existing course which started in 1972 was renamed "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 Policy-holders Protection Corporation of Japan was established.
1999	● Early warning measures were introduced. ● Mutual entry of banks, trust banks, and securities companies into each other's sectors through their subsidiaries was allowed. ● The International Congress of Actuaries was held in Tokyo. ● The Japanese insurance industry responded to Year 2000 issues. ● Voluntary automobile insurance with maturity refund was marketed.
2000	● Payment standards for Compulsory Automobile Liability Insurance policy were revised. ● Daiichi Mutual Fire and Marine Insurance Co. was ordered to suspend part of its business operation. ● Consumer Contract Law and the Law on Sales of Financial Products were approved at the Diet and published. ● The Financial System Council submitted its report entitled the "New Framework of Financial System to support the 21st Century". ● The Compulsory Automobile Liability Insurance Council submitted its report. ● The Financial Services Agency was established. ● 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.
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.

Year	Developments
2001	● The insurance contracts of the Daiichi Mutual Fire and Marine Insurance Co. were transferred to the Non-life Insurance Policy-holders Protection Corporation of Japan. ● The period during which the Non-life Insurance Policy-holders Protection Corporation of Japan had provided full compensation for claims expired. ● Over-the-counter sales of insurance products by banks was 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 by non-life insurance companies. ● Post offices started to solicit Compulsory Automobile Liability Insurance for small-sized motorcycles. ● A discount system based on the grade of earthquake-proofing of residential buildings was introduced to earthquake insurance on dwelling risks. ● Taisei Fire and Marine Insuranace Co., Ltd. filed for the commencement of reorganization procedures.
2002	● Revised Compulsory Automobile Liability Insurance (CALI) System was enforced. ● Non-Life Insurance Rating Organization of Japan was established. ● The 21st Conference of the East Asian Insurance Congress was held in Tokyo.

XIV Non-Life Insurance Organizations

● Non-Life Insurance Rating Organization of Japan (established in 1964)

Established under the Law concerning Non-Life Insurance Rating Organizations, this Organization started its operations in July 2002, after the merger between the Automobile Insurance Rating Organization of Japan (AIRO) established in 1964 and the Property and Casualty Insurance Rating Organization of Japan (PCIRO) established in 1948. This Organization, which has taken over the legal structure of AIRO, calculates reference loss cost rates (advisory pure risk premium rates) for fire, personal accident, nursing care payments and voluntary automobile insurance, and standard full rates (advisory premium rates) for Compulsory Automobile Liability Insurance (CALI) and earthquake insurance on dwelling risks, as well as conducting surveys and research on related matters. In order to investigate CALI claims, the Organization maintains the CALI Claims Survey Offices in major cities all over Japan. The results of these investigations are also put to effective use as important basic data in the calculation of CALI standard full rates.
(Address: Tokyo Tenrikyokan Bldg., 9, Kanda Nishikicho 1-Chome, Chiyoda-Ku, Tokyo 101-0054.
Tel: +81-3-3233-4771. FAX: +81-3-3295-9296. URL: http://www.nliro.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: +81-3-3255-1231. Fax: +81-3-3258-8689.)

● 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: +81-3-3255-5511. Fax: +81-3-3255-1449. 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: +81-3-3224-0254. Fax: +81-3-3224-0326. URL: http://www.fnlia.gr.jp/)

● Non-life Insurance Policy-holders Protection Corporation of Japan (established in 1998)

As an integral part of the financial system reform, and at the same time as the enforcement of the revised Insurance Business Law, the "Non-life Insurance Policy-holders Protection Corporation of Japan" was established on December 1, 1998, to undertake the insurance contracts of an insolvent insurance company even when reliever insurance companies do not appear, as well as provide financial aid to a reliever insurance company, thereby ensuring further protection of policyholders.
(Address: Non-Life Insurance Bldg., 9 Kanda Awajicho 2-Chome, Chiyoda-Ku, Tokyo 101-8335.
Tel: +81-3-3255-1635. Fax: +81-3-3255-1257. URL: http://www.sonpohogo.or.jp/)

● Independent Insurance Agents of Japan, Inc (established in 1948)

This Organization was founded to help professional agents establish and improve their professional status.
(Address: 321 3F New Yurakucho Bldg. 1-12-1 Yurakucho, Chiyoda-Ku, Tokyo 100-0006.
Tel: +81-3-3201-2745. Fax: +81-3-3201-4639. URL: http://www.nihondaikyo.or.jp/)

(Note) The above information is as of December 1, 2002.

XV Directory

1 Licensed Domestic Companies (30 Companies as of December 1, 2002)

● ACE Insurance

Arco Tower, 1-8-1 Shimomeguro, Meguro-Ku, Tokyo 153-0064.
Tel. : +81-3-5740-0600. Fax : +81-3-5740-0611.
URL : http://www.ace-insurance.co.jp/

● Aioi Insurance Co., Ltd.

28-1, Ebisu 1-Chome, Shibuya-Ku, Tokyo 150-8488.
Tel. : +81-3-5424-0101. Fax : +81-3-5789-6685.
URL : http://www.ioi-sonpo.co.jp/

● Allianz Fire & Marine Insurance Japan Ltd.

MITA NN Bldg. 4F, 1-23, Shiba 4-Chome, Minato-Ku, Tokyo 108-0014.
Tel. : +81-3-5442-6500. Fax : +81-3-5442-6509.
URL : http://www.allianz.co.jp

● The Asahi Fire & Marine Insurance Co., Ltd.

6-2, Kajicho 2-Chome, Chiyoda-Ku, Tokyo 101-8655.
Tel. : +81-3-3254-2211. Fax : +81-3-3254-2296.
URL : http://www.asahikasai.co.jp/

● AXA Non-Life Insurance Co., Ltd.

Ariake Frontier Bldg. Tower A, 3-1-25 Ariake Koto-Ku, Tokyo 135-8611.
Tel. : +81-3-3570-8900. Fax : +81-3-3570-8981.
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. : +81-98-867-1161. Fax : +81-98-862-8362.
Tokyo branch office : 2-7, Kanda Sudacho 1-Chome, Chiyoda-Ku, Tokyo 101-0041.
Tel. : +81-3-3254-7517. Fax : +81-3-3254-4174.
URL : http://www.daidokasai.co.jp/

● The Fuji Fire & Marine Insurance Co., Ltd.

Osaka head office : 18-11, Minamisenba 1-Chome, Chuo-Ku, Osaka 542-8567.
Tel. : +81-6-6271-2741. Fax : +81-6-6266-7115.
Tokyo head office : 12-1, Kanda Tsukasamachi 2-Chome, Chiyoda-Ku, Tokyo 101-0048.
Tel. : +81-3-5295-7634. Fax : +81-3-5295-7647. 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. : +81-3-3664-6107. Fax : +81-3-3664-6169.

URL : http://www.nihonjishin.co.jp/

● JI Accident & Fire Insurance Co., Ltd.

AI Bldg., 20-5, Ichibancho, Chiyoda-Ku, Tokyo 102-0082.

Tel. : +81-3-3237-2111. Fax : +81-3-3237-2250.

URL : http://www.jihoken.co.jp/

● The Kyoei Mutual Fire & Marine Insurance Co.

18-6, Shimbashi 1-Chome, Minato-Ku, Tokyo 105-8604.

Tel. : +81-3-3504-2335. Fax : +81-3-3508-7680.

URL : http://www.kyoeikasai.co.jp/

● Meiji General Insurance Co., Ltd.

11-1, Kanda Tsukasamachi 2-Chome, Chiyoda-Ku, Tokyo 101-0048.

Tel. : +81-3-3257-3149. Fax : +81-3-3257-3299. E-mail : uwredept@meiji-sonpo.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. : +81-3-5804-7711. Fax : +81-3-5804-7748.

URL : http://www.mitsui-direct.co.jp

● Mitsui Seimei General Insurance Co., Ltd.

2-3, Otemachi 1-Chome, Chiyoda-Ku, Tokyo 100-0004.

Tel. : +81-3-3213-0720. Fax : +81-3-3213-0763.

● Mitsui Sumitomo Insurance Co., Ltd.

27-2, Shinkawa 2-Chome, Chuo-Ku, Tokyo 104-8252.

Tel. : +81-3-3297-1111.

URL : http://www.ms-ins.com/

● The Nichido Fire & Marine Insurance Co., Ltd.

3-16, Ginza 5-Chome, Chuo-Ku, Tokyo 104-0061.

Tel. : +81-3-3289-1066. Fax : +81-3-3574-0646.

URL : http://www.nichido.co.jp/

● NIPPONKOA Insurance Co., Ltd.

7-3, 3-Chome, Kasumigaseki, Chiyoda-Ku, Tokyo 100-0013.

Tel. : +81-3-3593-5154. Fax : +81-3-3593-5159.

URL : http://www.nipponkoa.co.jp/

- **Nissay Dowa General Insurance Co., Ltd.**

  15-10, Nishi-Tenma 4-Chome, Kita-Ku, Osaka 530-8555.

  Tel. : +81-6-6363-1121. Fax : +81-6-6363-7519.

  URL : http://www.nissaydowa.co.jp/

- **The Nisshin Fire & Marine Insurance Co., Ltd.**

  3, Kanda-Surugadai 2-Chome, Chiyoda-Ku, Tokyo 101-8329.

  Tel. : +81-3-5282-5536. Fax : +81-3-5282-5582.

  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. : +81-3-3988-2572. Fax : +81-3-3980-7367.

  URL : http://www.ins-saison.co.jp

- **SECOM General Insurance Co., Ltd.**

  6-2, Hirakawa-cho 2-Chome, Chiyodao-Ku, Tokyo 102-8645.

  Tel. : +81-3-5216-6129. Fax : +81-3-5216-6147.

  URL : http://www.secom-sonpo.co.jp/

- **Sompo Japan Financial Guarantee Insurance Co., Ltd.**

  17th Floor, Otemachi Financial Center 5-4, Otemachi, 1-Chome, Chiyoda-Ku, Tokyo 100-0004.

  Tel. : +81-3-5219-1580. Fax : +81-3-5219-1581.

- **Sompo Japan Insurance Inc.**

  26-1, Nishi-Shinjuku 1-Chome, Shinjuku-Ku, Tokyo 160-8338.

  Tel. : +81-3-3349-3111. Fax : +81-3-5381-7406.

  URL : http://www.sompo-japan.co.jp

- **Sony Assurance Inc.**

  Aroma Square 11F, 5-37-1 Kamata Ota-Ku, Tokyo 144-8721.

  Tel. : +81-3-5744-0300. Fax : +81-3-5744-0480.

  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. : +81-3-5360-6229. Fax : +81-3-5360-6991.

  URL: http://www.sumisei-sonpo.com

- **The Taisei Reinsurance Co., Ltd.**

  18-8, Ginza 1-Chome, Chuo-Ku, Tokyo 104-0061.

  Tel. : +81-3-3562-1684. Fax : +81-3-3562-1683.

The Toa Reinsurance Co., Ltd.

6, Kanda-Surugadai 3-Chome, Chiyoda-Ku, Tokyo 101-8703.
Tel. : +81-3-3253-3171. Fax : +81-3-3253-1208.
URL : http://www.toare.co.jp/

The Tokio Marine & Fire Insurance Co., Ltd.

2-1, Marunouchi 1-Chome, Chiyoda-Ku, Tokyo 100-8050.
Tel. : +81-3-3212-6211. Fax : +81-3-5223-3100.
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. : +81-3-5276-9069. Fax : +81-3-5276-5962.
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. : +81-3-5957-0111. Fax : +81-3-5952-1960.
URL: http://www.directline.co.jp/

The Yasuda General Insurance Co., Ltd.

29th Floor, Shinjuku MAYNDS Tower, 1-1, Yoyogi, 2-Chome, Shibuya-Ku, Tokyo 151-0053.
Tel. : +81-3-5352-8129. Fax : +81-3-5352-8948.

2 Licensed Foreign Companies (25 Companies as of December 1, 2002)

- **AIU Insurance Company (U.S.A.)**

  AIG Tokyo Bldg., 1-3, Marunouchi 1-Chome, Chiyoda-Ku, Tokyo 100-8234.
  Tel. : +81-3-3216-6611.
  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.: +81-3-5619-3200. Fax : +81-3-5619-3153.
  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. : +81-3-5562-8691. Fax : +81-3-5562-8690. 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. : +81-3-3503-9291. Fax : +81-3-3503-9655.

- **The Britannia Steam Ship Insurance Association Ltd. (U.K.)**

  3-5-1 Shiba, Minato-Ku, Tokyo 105-0014.
  Tel. : +81-3-3769-6791. Fax : +81-3-3769-6792.

- **CARDIF-Assurances Risques Divers (France)**

  9F Infoss tower 20-1 Sakuragaoka-cho, Shibuya-Ku, Tokyo 150-0031.
  Tel. : +81-3-6415-6340.

- **Compagnie Francaise D'assurance Pour Le Commerce Exterieur (Coface Japan / France)**

  Kioicho Bldg. 3F, 3-12, Kioi-cho, Chiyoda-Ku, Tokyo 102-0094.
  Tel. : +81-3-3556-6250. Fax : +81-3-3556-6255.

- **Eagle Star Insurance Company Ltd. (U.K.)**

  Kowa 16 Bldg. South 3F, 1-9-20 Akasaka, Minato-Ku, Tokyo 107-0052
  Tel. : +81-3-3568-1711. Fax : +81-3-3568-1721.

- **Federal Insurance Company (U.S.A.)**

  11F Kowa Nishi-shinbashi Bldg., 2-1-1, Nishi-shinbashi Minato-Ku, Tokyo 105-0003.
  Tel. : +81-3-3519-8130. Fax : +81-3-3519-8135.
  URL : http://www.chubbjapan.co.jp

● Gerling Allgemeine Versicherungs-AG (Germany)

Sanbancho KS Bldg 7F, 2 Banchi, Sanbancho, Chiyoda-Ku, Tokyo 102-0075.
Tel. : +81-3-5214-1361. Fax : +81-3-5214-1365. E-mail : solutions@gerling.co.jp
URL : http://www.gerling.co.jp

● HERMES Kreditversicherungs-AG (Germany)

8-7, Kyobashi 1-Chome, Chuo-Ku, Tokyo 104-0031.
Tel. : +81-3-3538-5394. Fax : +81-3-3538-5395.

● Hyundai Marine & Fire Insurance Company, Ltd. (Korea)

Yurakucho Denki Bldg., North Tower 8F, 7-1, Yurakucho 1-Chome, Chiyoda-Ku, Tokyo 100-0006.
Tel. : +81-3-3215-3434. Fax : +81-3-3215-3436.

● Liberty Mutual Insurance Company (U.S.A.)

Kamiyacho Mori Bldg. 5F, 4-3-20 Toranomon, Minato-Ku, Tokyo 105-0001.
Tel. : +81-3-3431-5575. Fax : +81-3-3431-5533. 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. : +81-45-683-3800. Fax : +81-45-683-3819.

● Lumbermens Mutual Casualty Company (U.S.A.)

Ryuen Bldg. 8F, 1-3-1 Shibakoen Minato-ku, Tokyo 105-0011.
Tel. : +81-3-5408-7755. Fax : +81-3-5408-7733.
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. : +81-3-3285-1902. Fax : +81-3-3285-0270.

● The New India Assurance Company, Ltd. (India)

Hibiya Park Bldg., 8-1, Yurakucho 1-Chome, Chiyoda-Ku, Tokyo 100-0006.
Tel. : +81-3-3214-4711. Fax : +81-3-3201-8045. 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. : +81-3-5289-8821. Fax : +81-3-5289-8820. E-mail : info@qbe.co.jp
URL : http://www.qbe.com/asiapacific/

● Royal & Sun Alliance Insurance plc (U.K.)

New Pier Takeshiba North Tower 23F, 1-11-1 Kaigan, Minato-Ku, Tokyo 105-0022.
Tel. : +81-3-5777-8351. Fax : +81-3-3432-5484.
URL : http://www.royalsun.co.jp

● 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. : +81-3-3215-5291. Fax : +81-3-3215-5295.

● Transatlantic Reinsurance Company (U.S.A.)

Hibiya Park Bldg. 9F, 1-8-1 Yurakucho, Chiyoda-Ku, Tokyo 100-0006.
Tel. : +81-3-3212-6041. Fax : +81-3-3212-6046.
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. : +81-3-3593-5156. Fax : +81-3-3593-5159.

● 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. : +81-3-3263-8880. Fax : +81-3-3263-8885.
URL : http://www.ukpandi.com

● Winterthur Swiss Insurance Company (Switzerland)

10-2, Shirokanedai 2-Chome, Minato-Ku, Tokyo 108-0071.
Tel. : +81-3-5423-0603. Fax : +81-3-5423-0623. 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. : +81-3-5361-2580. Fax : +81-3-5361-2581.
URL : http://www.zurich.co.jp

XVI Outline of the Marine and Fire Insurance Association of Japan, Inc.

1 History

Prior to the present Association's establishment in 1946, its origin can be traced back to 1917, when the Joint Fire Insurance Association of Japan was founded by domestic and foreign insurance companies then operating in Japan. In 1939 the Joint Association was reorganized as the Dai-Nippon Fire Insurance Association. In 1941 it was amalgamated with several marine insurance organizations, such as the Japan Marine Underwriters' Association and the Hull Insurers' Union, established in 1920 and 1927 respectively, into the former Marine and Fire Insurance Association of Japan consisting of only domestic companies as regular members. The following year, in 1942, its name and functions were changed to the Non-Life Insurance Control Association assisting the government in the control of the industry during a chaotic economic period. Shortly after the hostilities ended, in September 1945, however, this Control Association was dissolved.

The present Marine and Fire Insurance Association of Japan was reestablished on April 1, 1946, by all the domestic non-life insurance companies. On May 1, 1948, it was reorganized as an incorporated body and is currently composed of 25 member 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

a. Promotion of a better understanding of non-life insurance and supply of information about non-life insurance amongst the public

Sending lecturers to consumer study meetings, giving consultation to the public, and conducting public relations activities through education at school, etc.

b. Promotion of sound development and maintenance of the reliability of the non-life insurance industry

Developing codes of conduct for member companies, strengthening non-life insurance companies' disclosure, developing compliance programs to observe laws and regulations, etc.

c. Presentation of requests and proposals

Representing the non-life insurance industry in the presentation of tax reform requests, regulatory reform requests, etc., and of opinions to insurance administration, etc.

d. Response to social issues

Combating automobile theft, taking measures to prevent insurance fraud, etc.

e. Loss prevention and traffic safety

Promoting public awareness of fire and disaster prevention, taking measures to prevent and reduce traffic accidents, etc.

f. International activities

Promoting dialogue and information exchange with overseas insurance associations, participating in international organizations' activities and international meetings, providing training programs for and promoting dialogue and information exchange with East Asian regions, etc.

g. Response to environmental issues and promotion of NPO activities

Promoting the automobile parts recycling campaign, promoting NPOs' and voluntary activities, etc.

h. Response to disasters

Practicing the earthquake insurance claims settlement seminar and drill, etc.

4 Member Companies (25 Companies as of December 1, 2002)

- Aioi Insurance Co., Ltd.
- The Asahi Fire & Marine Insurance Co., Ltd.
- AXA Non-Life Insurance Co., Ltd.
- The Daido Fire & Marine Insurance Co., Ltd.
- The Fuji Fire & Marine Insurance Co., Ltd.
- The Japan Earthquake Reinsurance Co., Ltd.
- JI Accident & Fire Insurance Co., Ltd.
- The Kyoei Mutual Fire & Marine Insurance Co.
- Meiji General Insurance Co., Ltd.
- Mitsui Direct General Insurance Co., Ltd.
- Mitsui Seimei General Insurance Co., Ltd.
- Mitsui Sumitomo Insurance Co., Ltd.
- The Nichido Fire & Marine Insurance Co., Ltd.
- NIPPONKOA Insurance Co., Ltd.
- Nissay Dowa General Insurance Co., Ltd.
- The Nisshin Fire & Marine Insurance Co., Ltd.
- SAISON Automobile and Fire Insurance Co., Ltd.
- SECOM General Insurance Co., Ltd.
- Sompo Japan Insurance Inc.
- Sony Assurance Inc.
- The Sumi-Sei General Insurance Co., Ltd.
- The Toa Reinsurance Co., Ltd.
- The Tokio Marine & Fire Insurance Co., Ltd.
- Yasuda Direct General Insurance Co., Ltd.
- The Yasuda General Insurance Co., Ltd.

5 Board Members (as of December 1, 2002)

Chairman

Mr. Kunio Ishihara	Tokio M & F	(President)

Vice Chairmen

Mr. Ken Matsuzawa	NIPPONKOA	(President)
Mr. Tetsuo Ishizuka	Fuji F & M	(Chairman & CEO)

Ordinary Directors

Mr. Akira Seshimo	Aioi	(President)
Mr. Kazuho Oya	Asahi F & M	(President)
Mr. Mineo Fukawa	AXA	(Executive Director)
Mr. Naoto Miyara	Daido 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. Hiroyuki Uemura	Mistui Sumitomo	(President)
Mr. Tomio Higuchi	Nichido F & M	(President)
Mr. Shuichiro Sudo	Nissay Dowa General	(President)
Mr. Michio Noda	Nisshin F & M	(President)
Mr. Kōshin Matsuzawa	SAISON A & F	(President)
Mr. Yasuyuki Yoshida	SECOM General	(President)
Mr. Hiroshi Hirano	Sompo Japan	(President)
Mr. Shinichi Yamamoto	Sony Assurance	(President)

Vice Chairman

Mr. Yoji Wakui	Association

Executive Director

Mr. Eiji Nishiura	Association

Managing Directors

Mr. Makoto Akutsu Association

Mr. Kentaro Takenaka Association

Ordinary Director

Mr. Terumasa Hasegawa Association

(General Manager of Corporate Planning Dept.)

Ordinary Auditors

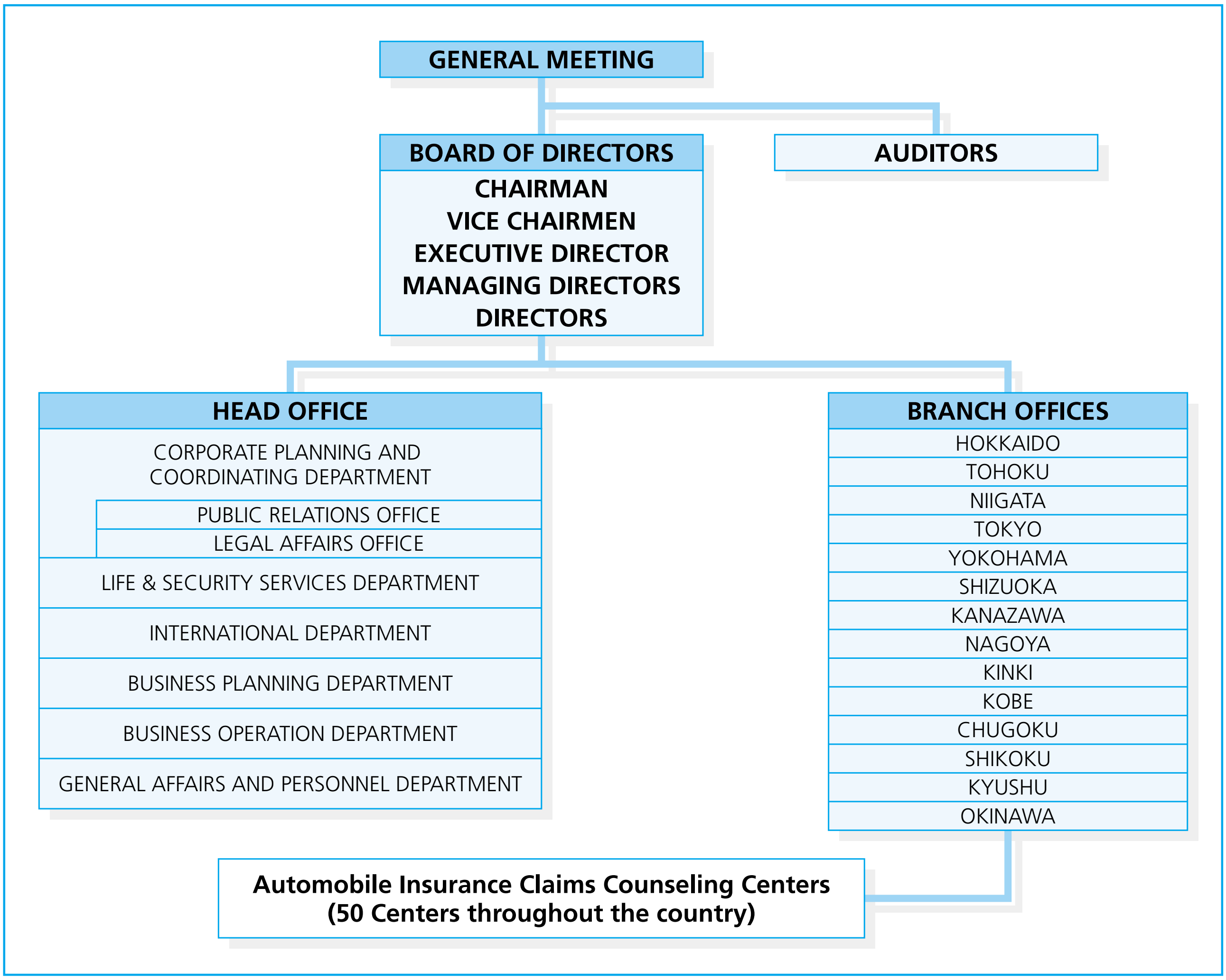
Mr. Shinya Yoshikoshi Toa Re. (President)

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

6 Organization (as of December 1, 2002)



APPENDICES

1. Overall Business Results
2. Abridged Balance Sheet <Assets>
3. Abridged Balance Sheet <Liabilities and Equities>
4. Direct Premiums by Line
5. Net Premiums by Line
6. Direct Claims and Maturity Refunds Paid
7. Number of Sales Staff engaged in Non-Life Agency Business
8. Number of Agents by Type of Business
9. Developments in Ownership of Earthquake Insurance on Dwelling Risks Policies and Transition of its System
10. Major Catastrophe Losses (Since 1945)
11. Claims Paid for Natural Disasters
12. Maritime Accidents by Ships (Ships of Japanese Registration)
13. High-Amount Court Awards for Victims and Property Damage of Traffic Accidents
14. Bankruptcy Procedures for the Daiichi Mutual Fire & Marine Insurance Company
15. Reorganization Procedures for the Taisei Fire & Marine Insurance Company, Ltd.

1. Overall Business Results

(billion yen & %)

Item	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.
Net Premiums Written	6,229.0	100.0	6,551.5	100.0	6,765.3	100.0	6,959.3	100.0
Net Claims Paid	3,349.6	53.8	3,481.2	53.1	3,387.9	50.1	3,356.3	48.2
Net Operating Expenses	2,633.6	42.3	2,755.0	42.1	2,819.8	41.7	2,883.8	41.4
Business Balance	245.8	3.9	315.3	4.8	557.6	8.2	719.2	10.3
Savings Portion of Maturity-refund type Insurance Premiums	2,563.2	41.1	2,847.1	43.5	2,626.7	38.8	2,702.2	38.8
Investment Income on Deposit Premiums	770.9	12.4	730.4	11.1	723.5	10.7	683.4	9.8
Maturity Refunds and Policyholder Dividends	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	-97.9	-1.6	-84.0	-1.3	-86.3	-1.3	-14.9	-0.2
Provision for Outstanding Loss Reserves	25.4	0.4	30.7	0.5	52.2	0.8	94.0	1.4
Provision for Liability Reserves	885.5	14.2	357.5	5.5	401.9	5.9	738.2	10.6
Underwriting Profits	-7.7	-0.1	76.5	1.2	298.8	4.4	357.4	5.1
Non-underwriting Profits	320.3	5.1	198.6	3.0	61.6	0.9	-26.1	-0.4
Ordinary Profits	312.6	5.0	275.1	4.2	360.4	5.3	331.2	4.8
Special Profits	12.9	0.2	20.9	0.3	9.4	0.1	69.9	1.0
Corporate Income Taxes and Corporate Resident Taxes	188.3	3.0	177.8	2.7	264.0	3.9	295.8	4.3
Net Profits for the Current Year	137.2	2.2	118.2	1.8	105.9	1.6	105.4	1.5
Retained Surplus brought forward from the Previous Year	43.0	0.7	40.6	0.6	37.1	0.5	36.8	0.5
Unappropriated Earned Surplus of the Current Year	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 (*)		Fiscal 2001 (*)	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Ordinary Income and Expenses												
Underwriting Income	10,813.9	4.2	10,590.1	-2.1	10,109.1	-4.5	10,083.9	-0.2	9,703.4	-1.0	9,352.9	-2.1
(Net Premiums Written)	(7,228.2)	(3.9)	(7,215.4)	(-0.2)	(6,915.1)	(-4.2)	(6,889.3)	(-0.4)	(6,874.1)	(0.6)	(6,811.8)	(0.4)
(Savings Portion of Maturity-refund type Insurance Premiums)	(2,846.4)	(5.3)	(2,593.8)	(-8.9)	(2,217.5)	(-14.5)	(1,957.8)	(-11.7)	(1,675.9)	(-9.9)	(1,402.8)	(-14.8)
(Reversal of Outstanding Loss Reserves)	(—)	(—)	(—)	(—)	(20.5)	(—)	(1.8)	(-91.0)	(—)	(-100.0)	(—)	(—)
(Reversal of Liability Reserves)	(—)	(—)	(—)	(—)	(343.3)	(—)	(655.6)	(91.0)	(668.6)	(13.9)	(628.8)	(-3.4)
Underwriting Expenses	9,138.9	5.0	8,860.8	-3.0	8,442.3	-4.7	8,561.7	1.4	8,333.9	0.5	8,239.9	0.4
(Net Claims Paid)	(3,490.5)	(4.0)	(3,536.4)	(1.3)	(3,640.6)	(2.9)	(3,749.0)	(3.0)	(3,765.2)	(1.1)	(3,699.8)	(-0.5)
(Loss Adjustment Expenses)	(323.2)	(2.4)	(327.1)	(1.2)	(326.2)	(-0.3)	(327.0)	(0.3)	(328.3)	(1.3)	(331.4)	(3.0)
(Agency Commissions and Brokerage)	(1,323.4)	(3.6)	(1,355.1)	(2.4)	(1,291.5)	(-4.7)	(1,275.4)	(-1.2)	(1,266.1)	(0.2)	(1,263.9)	(1.3)
(Maturity Refunds to Policyholders)	(3,469.3)	(20.6)	(3,250.8)	(-6.3)	(3,049.4)	(-6.2)	(3,044.0)	(-0.2)	(2,685.5)	(-5.0)	(2,433.4)	(-7.5)
(Provision for Outstanding Loss Reserves)	(96.0)	(2.1)	(37.0)	(-61.5)	(—)	(—)	(—)	(—)	(157.6)	(—)	(323.3)	(104.6)
(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	942.4	-3.5	607.4	-35.3	630.6	5.5
(Interest and Dividend Income)	(937.3)	(-6.4)	(922.2)	(-1.6)	(860.9)	(-6.6)	(777.8)	(-9.7)	(627.6)	(-16.0)	(577.7)	(-6.7)
(Profits on Sales of Securities)	(342.4)	(-17.9)	(510.1)	(49.0)	(573.6)	(12.5)	(590.0)	(2.9)	(297.4)	(-48.0)	(329.4)	(13.3)
Investment Expenses	278.6	-7.2	577.9	107.4	542.8	-6.1	672.4	23.9	199.4	-67.0	489.6	150.0
(Losses on Sales of Securities)	(69.2)	(-69.8)	(157.9)	(128.0)	(215.1)	(36.3)	(320.5)	(49.0)	(35.0)	(-89.1)	(53.2)	(55.4)
(Losses on Devaluation of Securities)	(131.8)	(412.0)	(346.7)	(163.0)	(254.2)	(-26.7)	(261.8)	(3.0)	(84.6)	(-58.0)	(364.3)	(344.2)
Operating and General Administrative Expenses	1,592.4	2.2	1,567.2	-1.6	1,526.4	-2.6	1,488.4	-2.5	1,409.8	-4.1	1,347.5	-3.1
(Operating and General Administrative Expenses on Underwriting)	(1,498.6)	(1.9)	(1,475.6)	(-1.5)	(1,434.8)	(-2.8)	(1,391.3)	(-3.0)	(1,315.3)	(-4.4)	(1,258.0)	(-3.1)
Other Ordinary Income and Expenses	-97.7	—	-106.4	—	-203.1	—	-85.2	—	-31.6	—	-30.6	—
Ordinary Profits	377.6	-22.6	376.2	-0.4	371.1	-1.4	218.5	-41.1	336.1	4.0	-124.0	-137.5
(Underwriting Profits)	(148.7)	(-16.7)	(259.0)	(74.2)	(240.7)	(-7.1)	(128.5)	(-46.6)	(50.6)	(-61.2)	(-149.2)	(-414.5)
Special Profits and Losses Balance	-44.7	—	-11.5	—	-94.8	—	-227.1	—	-164.1	—	-149.7	—
Profits for the Current Year before Corporate Taxes	—	—	—	—	—	—	—	—	171.9	8.5	-273.7	-261.0
Corporate Income Taxes and Corporate Resident Taxes	232.1	-21.5	253.4	9.2	184.1	-27.3	130.0	-29.4	66.1	-49.1	108.5	66.7
Adjustments in Corporate Income Taxes, etc.	—	—	—	—	—	—	-70.7	—	1.1	—	-227.3	-17,493.0
Net Profits for the Current Year	100.8	-4.3	111.3	10.5	92.2	-17.2	-67.8	-173.5	104.7	5.4	-154.8	-249.4
Retained Surplus brought forward from the Previous Year	37.9	3.1	24.5	-35.5	23.8	-2.7	-7.1	-129.6	40.7	—	—	—
Unappropriated Earned Surplus of the Current Year	138.8	-2.4	135.9	-2.1	116.1	-14.5	326.8	181.5	139.6	-71.9	—	—

(Note) Terminology, forms, and methods 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.

(*) Figures for fiscal 2000 and fiscal 2001 exclude those of two companies which went bankrupt in May 2000 and November 2001.

2. Abridged Balance Sheet <Assets>

(billion yen & %)

Item	Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Deposits	2,065.5	7.5	1,968.9	7.1	1,812.9	6.4	1,825.0	6.2	1,851.1	6.1
Call Loans	703.6	2.6	832.9	3.0	822.9	2.9	1,003.1	3.4	1,010.5	3.3
Receivables under Resales Agreements	—	—	—	—	—	—	—	—	—	—
Monetary Receivables Bought	222.4	0.8	228.6	0.8	288.9	1.0	273.5	0.9	257.0	0.8
Money Trusts	1,044.6	3.8	1,104.1	4.0	983.2	3.5	972.0	3.3	957.5	3.2
Securities	12,314.8	44.9	12,816.1	46.4	13,921.2	48.9	14,811.1	50.3	15,597.7	51.4
(National Government Bonds)	(817.4)	(3.0)	(910.6)	(3.3)	(843.5)	(3.0)	(657.7)	(2.2)	(704.3)	(2.3)
(Local Government Bonds)	(273.1)	(1.0)	(301.3)	(1.1)	(512.3)	(1.8)	(853.4)	(2.9)	(1,034.6)	(3.4)
(Corporate Bonds)	(2,317.3)	(8.4)	(2,461.7)	(8.9)	(2,776.4)	(9.8)	(3,267.8)	(11.1)	(3,420.2)	(11.3)
(Stocks)	(4,765.7)	(17.4)	(4,961.3)	(18.0)	(5,274.0)	(18.5)	(5,373.4)	(18.2)	(5,496.6)	(18.1)
(Foreign Securities)	(3,478.7)	(12.7)	(3,609.8)	(13.1)	(4,011.2)	(14.1)	(4,160.6)	(14.1)	(4,394.7)	(14.5)
(Other Securities)	(228.2)	(0.8)	(210.4)	(0.8)	(200.5)	(0.7)	(319.6)	(1.1)	(451.9)	(1.5)
(Securities Loaned)	(434.3)	(1.6)	(360.8)	(1.3)	(303.3)	(1.1)	(178.6)	(0.6)	(95.3)	(0.3)
Loans	7,219.6	26.3	6,737.5	24.4	6,574.9	23.1	6,552.2	22.2	6,558.7	21.6
Real Estate	1,568.7	5.7	1,631.2	5.9	1,822.0	6.4	1,817.7	6.2	1,846.8	6.1
(Total Working Assets)	(25,139.4)	(91.6)	(25,319.3)	(91.6)	(26,225.8)	(92.2)	(27,254.7)	(92.5)	(28,079.2)	(92.5)
Other Assets	2,305.0	8.4	2,319.2	8.4	2,233.8	7.8	2,198.1	7.5	2,278.8	7.5
Total Assets	27,444.5	100.0	27,638.7	100.0	28,459.8	100.0	29,452.9	100.0	30,358.1	100.0

(billion yen & %)

Item	Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000 (*)		Fiscal 2001 (*)	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Deposits	1,508.7	4.9	1,459.4	4.7	1,484.9	4.7	1,759.1	5.1	1,986.8	6.0
Call Loans	1,127.0	3.6	838.5	2.7	1,039.0	3.3	835.7	2.4	555.1	1.7
Receivables under Resales Agreements	—	—	—	—	—	—	10.0	0.0	1.0	0.0
Monetary Receivables Bought	442.8	1.4	849.7	2.8	373.7	1.2	491.9	1.4	276.0	0.8
Money Trusts	816.7	2.6	672.7	2.2	551.4	1.8	383.9	1.1	341.8	1.0
Securities	16,151.8	51.9	16,388.3	53.2	16,865.2	53.8	21,866.6	63.0	20,643.6	62.3
(National Government Bonds)	(627.3)	(2.0)	(833.8)	(2.7)	(1,043.4)	(3.3)	(1,408.0)	(4.1)	(1,800.8)	(5.4)
(Local Government Bonds)	(1,239.3)	(4.0)	(1,230.7)	(4.0)	(1,326.2)	(4.2)	(1,391.1)	(4.0)	(1,330.3)	(4.0)
(Corporate Bonds)	(3,929.3)	(12.6)	(4,026.0)	(13.1)	(4,312.2)	(13.7)	(4,581.8)	(13.2)	(4,432.0)	(13.4)
(Stocks)	(5,428.1)	(17.4)	(5,594.3)	(18.2)	(5,630.5)	(18.0)	(10,328.1)	(29.8)	(8,862.1)	(26.8)
(Foreign Securities)	(4,344.1)	(14.0)	(4,108.6)	(13.3)	(3,907.2)	(12.5)	(3,708.5)	(10.7)	(3,787.2)	(11.4)
(Other Securities)	(407.6)	(1.3)	(403.8)	(1.3)	(484.5)	(1.5)	(449.0)	(1.3)	(431.1)	(1.3)
(Securities Loaned)	(176.1)	(0.6)	(191.0)	(0.6)	(161.1)	(0.5)	(—)	(—)	(—)	(—)
Loans	6,663.5	21.4	6,271.3	20.3	5,488.8	17.5	4,452.2	12.8	3,833.0	11.6
Real Estate	1,825.7	5.9	1,817.0	5.9	1,791.3	5.7	1,691.3	4.9	1,542.9	4.7
(Total Working Assets)	(28,536.2)	(91.7)	(28,296.9)	(91.8)	(27,594.5)	(88.0)	(31,490.7)	(90.7)	(29,180.4)	(88.1)
Other Assets	2,581.1	8.3	2,526.8	8.2	3,769.9	12.0	3,224.9	9.3	3,940.0	11.9
Total Assets	31,117.4	100.0	30,823.7	100.0	31,364.5	100.0	34,715.6	100.0	33,120.5	100.0

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

(*) Figures for fiscal 2000 and fiscal 2001 exclude those of two companies which went bankrupt in May 2000 and November 2001.

3. Abridged Balance Sheet <Liabilities and Equities>

(billion yen & %)

Item	Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Underwriting Reserves	22,830.8	83.2	23,214.9	84.0	23,659.9	83.1	24,485.1	67.2	24,962.1	82.2
(Liability Reserves)	(20,959.3)	(76.4)	(21,316.9)	(77.1)	(21,718.8)	(76.3)	(22,457.0)	(76.2)	(22,833.6)	(75.2)
(Outstanding Loss Reserves)	(1,815.4)	(6.6)	(1,846.2)	(6.7)	(1,898.3)	(6.7)	(1,992.3)	(6.8)	(2,097.4)	(6.9)
(Others)	(56.1)	(0.2)	(51.8)	(0.2)	(42.8)	(0.2)	(35.7)	(0.1)	(31.0)	(0.1)
Other Liabilities	2,212.1	8.0	1,964.3	7.1	2,285.4	8.0	2,393.7	8.1	2,484.2	8.2
Total Liabilities	25,043.0	91.2	25,179.3	91.1	25,945.4	91.2	26,878.8	91.3	27,446.4	90.4
Capital	621.5	2.3	622.3	2.3	625.6	2.2	631.1	2.1	814.3	2.7
Legal Reserves	443.1	1.6	451.9	1.6	459.2	1.6	467.7	1.6	582.5	1.9
Surpluses	1,336.9	4.9	1,385.2	5.0	1,429.6	5.0	1,475.4	5.0	1,514.9	5.0
(Profits for the Current Year)	(137.2)	(0.5)	(118.2)	(0.4)	(105.9)	(0.4)	(105.4)	(0.4)	(100.8)	(0.3)
Total Equities	2,401.5	8.8	2,459.4	8.9	2,514.4	8.8	2,574.1	8.7	2,911.7	9.6
Total Liabilities and Equities	27,444.5	100.0	27,638.7	100.0	28,459.8	100.0	29,452.9	100.0	30,358.1	100.0

(billion yen & %)

Item	Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000 (*)		Fiscal 2001 (*)	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Underwriting Reserves	25,126.8	80.8	24,762.0	80.3	25,107.3	80.1	23,320.2	67.2	22,673.3	68.5
(Liability Reserves)	(22,965.0)	(73.8)	(22,621.5)	(73.4)	(22,969.0)	(73.2)	(21,068.0)	(60.7)	(20,122.4)	(60.8)
(Outstanding Loss Reserves)	(2,134.4)	(6.9)	(2,113.8)	(6.8)	(2,112.2)	(6.7)	(2,252.1)	(6.5)	(2,550.8)	(7.7)
(Others)	(27.4)	(0.1)	(26.7)	(0.1)	(26.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.0)
Other Liabilities	2,970.3	9.5	2,939.6	9.6	2,835.2	9.0	4,340.7	12.5	4,417.6	13.3
Total Liabilities	28,097.1	90.3	27,701.6	89.9	27,942.5	89.1	27,661.0	79.7	27,090.9	81.8
Capital	841.8	2.7	888.2	2.9	901.9	2.9	856.9	2.5	842.1	2.5
Legal Reserves	620.9	2.0	646.1	2.1	673.8	2.1	693.4	2.0	631.8	1.9
Surpluses	1,557.6	5.0	1,587.7	5.1	1,846.3	5.9	2,039.9	5.9	1,796.1	5.4
(Profits for the Current Year)	(111.3)	(0.4)	(92.2)	(0.3)	(326.8)	(1.0)	(104.7)	(0.3)	(-154.8)	(-0.5)
Total Equities	3,020.3	9.7	3,122.0	10.1	3,422.0	10.9	7,054.6	20.3	6,029.6	18.2
Total Liabilities and Equities	31,117.4	100.0	30,823.7	100.0	31,364.5	100.0	34,715.6	100.0	33,120.5	100.0

(Note) "Other Liabilities" consists 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.

(*) Figures for fiscal 2000 and fiscal 2001 exclude those of two companies which went bankrupt in May 2000 and November 2001.

4. Direct Premiums by Line

(million yen & %)

Class of Business	Fiscal 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,679,118	4.1	1,821,791	8.5	1,854,494	1.8	1,853,364	-0.1	1,902,702	2.7
(Maturity-refund type)	(843,804)	(1.5)	(942,060)	(11.6)	(894,388)	(-5.1)	(858,219)	(-4.0)	(844,488)	(-1.6)
Voluntary Automobile	3,007,564	8.9	3,293,655	9.5	3,444,927	4.6	3,535,792	2.6	3,649,071	3.2
(Maturity-refund type)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Personal Accident	2,542,171	-5.1	2,793,730	9.9	2,619,717	-6.2	2,730,623	4.2	2,892,951	5.9
(Maturity-refund type)	(1,980,646)	(-6.4)	(2,210,554)	(11.6)	(2,021,958)	(-8.5)	(2,115,638)	(4.6)	(2,251,163)	(6.4)
Miscellaneous Casualty	707,919	-2.5	694,303	-1.9	698,785	0.6	750,800	7.4	793,468	5.7
(Maturity-refund type)	(58,811)	(-32.8)	(55,002)	(-6.5)	(52,161)	(-5.2)	(70,726)	(35.6)	(70,622)	(-0.1)
Marine and Inland Transit	309,839	1.4	301,881	-2.6	305,067	1.1	306,851	0.6	320,765	4.5
Marine Hull	102,393	12.2	108,157	5.6	105,242	-2.7	97,545	-7.3	92,209	-5.5
Marine Cargo	142,896	-4.1	130,495	-8.7	135,959	4.2	143,930	5.9	161,147	12.0
Inland Transit	64,550	-1.2	63,229	-2.0	63,866	1.0	65,377	2.4	67,409	3.1
Sub-total	8,246,611	2.0	8,905,359	8.0	8,922,990	0.2	9,177,430	2.9	9,558,957	4.2
Compulsory Automobile Liability	1,076,278	-2.3	1,001,857	-6.9	1,005,150	0.3	1,034,273	2.9	1,063,021	2.8
Grand total	**9,322,889**	**1.5**	**9,907,217**	**6.3**	**9,928,140**	**0.2**	**10,211,704**	**2.9**	**10,621,978**	**4.0**
(Maturity-refund type)	(2,883,260)	(-5.0)	(3,207,616)	(11.2)	(2,968,507)	(-7.5)	(3,044,584)	(2.6)	(3,166,273)	(4.0)

(million yen & %)

Class of Business	Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,901,652	-0.1	1,774,122	-6.7	1,744,255	-1.7	1,583,618	-9.2	1,507,526	-4.8
(Maturity-refund type)	(810,960)	(-4.0)	(754,434)	(-7.0)	(722,007)	(-4.3)	(566,342)	(-21.6)	(478,285)	(-15.5)
Voluntary Automobile	3,688,850	1.1	3,572,065	-3.2	3,599,908	0.8	3,649,981	1.4	3,676,513	0.7
(Maturity-refund type)	(—)	(—)	(—)	(—)	(3,023)	(—)	(13,536)	(347.8)	(14,756)	(9.0)
Personal Accident	2,666,790	-7.8	2,295,419	-13.9	2,049,840	-10.7	1,831,264	-10.7	1,625,265	-11.2
(Maturity-refund type)	(2,023,671)	(-10.1)	(1,676,318)	(-17.2)	(1,430,574)	(-14.7)	(1,226,983)	(-14.2)	(1,041,031)	(-15.2)
Miscellaneous Casualty	776,114	-2.2	746,046	-3.9	733,633	-1.7	758,577	3.4	783,911	3.3
(Maturity-refund type)	(46,460)	(-34.2)	(44,144)	(-5.0)	(39,739)	(-10.0)	(47,422)	(19.3)	(27,873)	(-41.2)
Marine and Inland Transit	309,681	-3.5	279,666	-9.7	251,504	-10.1	250,477	-0.4	250,727	0.1
Marine Hull	78,058	-15.3	68,290	-12.5	59,726	-12.5	57,034	-4.5	63,072	10.6
Marine Cargo	163,782	1.6	146,988	-10.3	127,905	-13.0	128,512	0.5	124,142	-3.4
Inland Transit	67,840	0.6	64,388	-5.1	63,873	-0.8	64,930	1.7	63,511	-2.2
Sub-total	9,343,087	-2.3	8,667,318	-7.2	8,379,140	-3.3	8,073,919	-3.6	7,843,943	-2.8
Compulsory Automobile Liability	970,632	-8.7	955,582	-1.6	980,473	2.6	987,786	0.7	986,576	-0.1
Grand total	**10,313,719**	**-2.9**	**9,622,900**	**-6.7**	**9,359,613**	**-2.7**	**9,061,705**	**-3.2**	**8,830,520**	**-2.6**
(Maturity-refund type)	(2,881,091)	(-9.0)	(2,474,896)	(-14.1)	(2,195,343)	(-11.3)	(1,854,284)	(-15.5)	(1,561,946)	(-15.8)

(Notes) 1. Figures include direct premiums written abroad.
2. 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 1992		Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	989,926	0.7	1,017,022	2.7	1,076,867	5.9	1,105,961	2.7	1,175,180	6.3
Voluntary Automobile	3,030,497	9.0	3,314,553	9.4	3,466,250	4.6	3,555,270	2.6	3,666,582	3.1
Personal Accident	700,806	1.0	756,686	8.0	760,049	0.4	782,749	3.0	797,101	1.8
Miscellaneous Casualty	629,197	0.6	615,959	-2.1	621,749	0.9	651,276	4.7	694,050	6.6
Marine and Inland Transit	281,698	-3.0	265,375	-5.8	270,129	1.8	273,508	1.3	293,335	7.2
(Marine Hull)	(81,012)	(0.8)	(81,744)	(0.9)	(79,657)	(-2.6)	(74,055)	(-7.0)	(73,473)	(-0.8)
(Marine Cargo)	(139,876)	(-5.1)	(124,495)	(-11.0)	(130,387)	(4.7)	(137,473)	(5.4)	(155,885)	(13.4)
(Inland Transit)	(60,810)	(-2.8)	(59,136)	(-2.8)	(60,084)	(1.6)	(61,980)	(3.2)	(63,975)	(3.2)
Sub-total	5,632,124	4.8	5,969,596	6.0	6,195,046	3.8	6,368,767	2.8	6,626,250	4.0
Compulsory Automobile Liability	596,903	-3.7	581,965	-2.5	570,226	-2.0	590,508	3.6	601,908	1.9
Grand total	**6,229,027**	**4.0**	**6,551,561**	**5.2**	**6,765,273**	**3.3**	**6,959,275**	**2.9**	**7,228,158**	**3.9**

(million yen & %)

Class of Business	Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,186,054	0.9	1,117,182	-5.8	1,105,163	-1.1	1,053,735	-4.7	1,031,948	-2.1
Voluntary Automobile	3,697,444	0.8	3,575,870	-3.3	3,605,062	0.8	3,650,119	1.2	3,674,497	0.7
Personal Accident	765,795	-3.9	718,693	-6.2	705,765	-1.8	676,576	-4.1	645,609	-4.6
Miscellaneous Casualty	702,505	1.2	688,091	-2.1	676,203	-1.7	692,325	2.4	725,448	4.8
Marine and Inland Transit	287,583	-2.0	261,217	-9.2	232,122	-11.1	231,463	-0.3	231,843	0.2
(Marine Hull)	(63,582)	(-13.5)	(55,939)	(-12.0)	(59,697)	(6.7)	(44,901)	(-24.8)	(47,810)	(6.5)
(Marine Cargo)	(159,574)	(2.4)	(143,440)	(-10.1)	(111,659)	(-22.2)	(124,864)	(11.8)	(123,963)	(-0.7)
(Inland Transit)	(64,426)	(0.7)	(61,831)	(-4.0)	(60,754)	(-1.7)	(61,684)	(1.5)	(60,056)	(-2.6)
Sub-total	6,639,384	0.2	6,361,138	-4.2	6,324,405	-0.6	6,304,301	-0.3	6,309,424	0.1
Compulsory Automobile Liability	576,014	-4.3	553,926	-3.8	564,942	2.0	569,835	0.9	572,171	0.4
Grand total	**7,215,398**	**-0.2**	**6,915,064**	**-4.2**	**6,889,347**	**-0.4**	**6,874,136**	**-0.2**	**6,881,595**	**0.1**

(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	Marine Hull	Marine Cargo	Total Claims Paid	Maturity Refunds Paid
		Voluntary Automobile	CALI					
1992	323.7	1,809.2	808.0	270.2	93.7	83.0	3,727.4	2,578.8
1993	397.2	1,908.5	829.8	284.3	71.3	73.3	3,914.7	3,344.0
1994	363.8	1,866.1	832.0	298.6	57.3	69.9	3,826.1	3,068.5
1995	295.5	1,902.1	830.4	290.3	53.4	73.5	3,783.5	2,901.9
1996	336.7	1,955.3	835.8	296.5	51.9	79.1	3,925.2	3,484.4
1997	327.9	1,989.9	849.6	299.4	51.1	77.1	3,978.0	3,262.4
1998	447.6	1,998.7	850.2	290.1	44.7	77.0	4,110.3	3,061.6
1999	544.4	2,083.4	871.2	290.6	45.6	68.2	4,316.4	3,067.1
2000	363.8	2,190.3	888.2	278.2	38.1	58.1	4,245.3	2,690.3
2001	325.0	2,115.0	889.6	265.5	39.9	64.6	4,167.3	2,483.2

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

7. Number of Sales Staff engaged in Non-Life Agency Business

1992	1993	1994	1995	1996
1,127,383	1,060,561	1,089,569	1,086,264	1,181,865
1997	**1998**	**1999**	**2000**	**2001**
1,170,497	1,180,784	1,154,511	1,145,252	1,575,195

(Notes) 1. The above figures stand for the total of domestic and foreign insurance companies.
2. Figures above are as of the end of each fiscal year.

8. Number of Agents by Type of Business

Type \ Fiscal Year	1992	Portion (%)	1993	Portion (%)	1994	Portion (%)	1995	Portion (%)	1996	Portion (%)
Exclusive	370,136	78.7	366,222	78.2	367,538	78.1	372,061	78.1	494,376	79.3
Multi-representative	100,377	21.3	101,811	21.8	103,003	21.9	104,156	21.9	129,365	20.7
Corporate	121,383	25.8	125,778	26.9	129,747	27.6	133,152	28.0	136,682	21.9
Individual	349,130	74.2	342,255	73.1	340,794	72.4	343,065	72.0	487,059	78.1
Full-time	91,917	19.5	93,103	19.9	93,602	19.9	96,931	20.4	90,567	14.5
Part-time	378,596	80.5	374,930	80.1	376,939	80.1	379,286	79.6	533,174	85.5
Total	**470,513**	**100.0**	**468,033**	**100.0**	**470,541**	**100.0**	**476,217**	**100.0**	**623,741**	**100.0**

Type \ Fiscal Year	1997	Portion (%)	1998	Portion (%)	1999	Portion (%)	2000	Portion (%)	2001	Portion (%)
Exclusive	465,402	78.6	476,860	80.3	438,950	76.9	382,152	75.0	261,597	76.4
Multi-representative	126,724	21.4	117,012	19.7	131,969	23.1	127,467	25.0	80,594	23.6
Corporate	135,529	22.9	132,361	22.3	128,630	22.5	127,019	24.9	124,190	36.3
Individual	456,597	77.1	461,511	77.7	442,289	77.5	382,600	75.1	218,001	63.7
Full-time	85,544	14.4	79,126	13.3	73,353	12.8	60,264	11.8	58,557	17.1
Part-time	506,582	85.6	514,746	86.7	497,566	87.2	449,355	88.2	283,634	82.9
Total	**592,126**	**100.0**	**593,872**	**100.0**	**570,919**	**100.0**	**509,619**	**100.0**	**342,191**	**100.0**

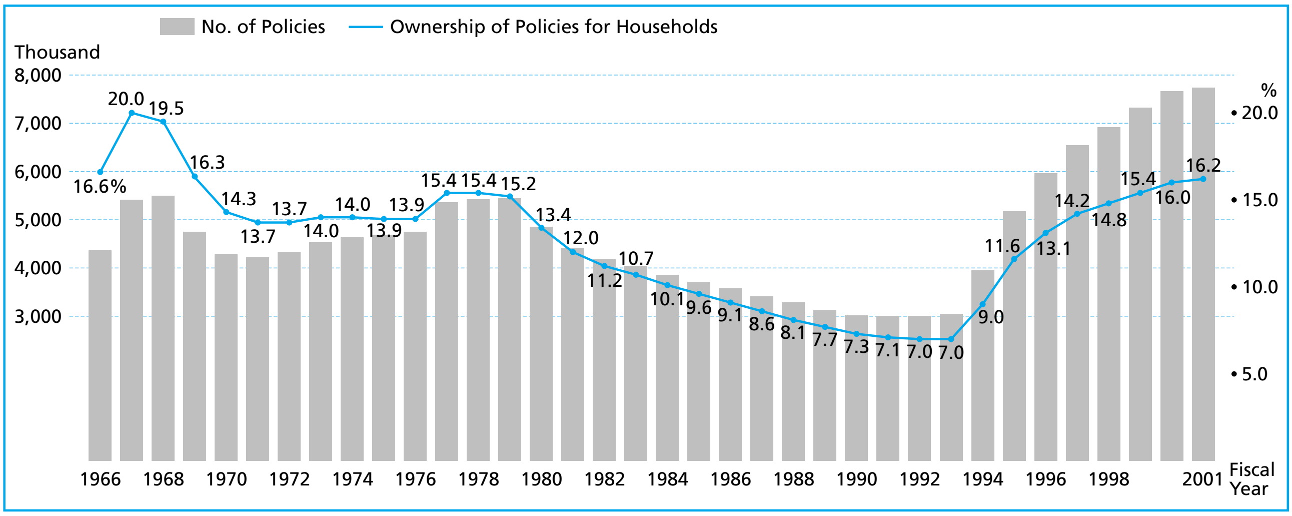
(Notes) 1. The above figures stand for the total of domestic and foreign insurance companies.
2. "Multi-representative" agents mean agents who have been commissioned to act as an agent of two or more non-life insurance companies.
3. Figures above are as of the end of each fiscal year.

9. Developments in Ownership of Earthquake Insurance on Dwelling Risks Policies and Transition of its System

■ What is Earthquake Insurance on Dwelling Risks

Earthquake Insurance on Dwelling Risks will pay claims for losses of buildings or contents caused by fire, destruction, burying or washing-away following earthquake, volcanic eruption, or tsunami following earthquake or volcanic eruption. The subject for Earthquake Insurance on Dwelling Risks is dwelling houses (houses used as residence exclusively or partially) and household goods (movables for domestic living) and is undertaken with fire insurance policies. The insured amount of Earthquake Insurance on Dwelling Risks is set between 30% and 50% of the insured amount of fire insurance, and the upper limits are 50 million yen for dwelling houses and 10 million yen for household goods.

■ Developments in Ownership of Earthquake Insurance on Dwelling Risks Policies



(Notes) 1. The number of policies is that of Earthquake Insurance on Dwelling Risks policies in force as of the end of each fiscal year. (Source: Survey conducted by Non-Life Insurance Rating Organization of Japan)
2. The number of households is the figure at the end of each fiscal year based on the Residents Basic Register.

■ Transition in Revisions of Earthquake Insurance on Dwelling Risks System

Effective Date	The Extent of Loss to be indemnified	Insurable Proportion	Limit of Cover	Aggregate Limit of Indemnity per one event
June 1, 1966 (Established)	Total Loss only	30% of the insured amount of fire insurance policy	Building: 0.9 million yen Contents: 0.6 million yen	300 billion yen
May 1, 1972			Building: 1.5 million yen Contents: 1.2 million yen	400 billion yen
Apr. 1, 1975			Building: 2.4 million yen Contents: 1.5 million yen	800 billion yen
Apr. 1, 1978				1,200 billion yen
July 1, 1980	Total Loss/Half Loss	From 30% to 50% of the insured amount of fire insurance policy	Building: 10.0 million yen Contents: 5.0 million yen	
Apr. 1, 1982				1,500 billion yen
Apr. 1, 1991	Total Loss/Half Loss/ Minor Loss			
June 24, 1994				1,800 billion yen
Oct. 19, 1995				3,100 billion yen
Jan. 1, 1996			Building: 50.0 million yen Contents: 10.0 million yen	
Apr. 1, 1997				3,700 billion yen
Apr. 14, 1999				4,100 billion yen
Apr. 1, 2002				4,500 billion yen

10. Major Catastrophe Losses (Since 1945)

10-1. 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	36	47,150	23,218
Hailstorm, May 2000	May 2000	0	24,691	43
Downpour, September 2000	Sept. 2000	10	312	71,291

10-2. 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	—	—	—	—
Izuhanto-oki (Off Izu Peninsula)	May 9, 1974	6.9	30	134	240	—	—	—	5
Izuoshima Kinkai (Sea Near Izuoshima)	Jan. 14, 1978	7.0	25	96	616	—	—	—	—
Miyagiken-oki (Off Miyagi Prefecture)	June 12, 1978	7.4	28	1,183	5,574	—	—	—	—
Center of the Sea of Japan	May 26, 1983	7.7	104	934	2,115	3,258	52	—	—
Miyakejima Volcanic Eruption	Oct. 3, 1983	—	—	340	—	—	—	—	—
Naganoken Seibu (Western Nagano Prefecture)	Sept. 14, 1984	6.8	29	(∗1) 14	73	565	—	—	—
Chibaken Toho-oki (Off Eastern Chiba Prefecture)	Dec. 17, 1987	6.7	2	10	—	60,000	—	—	—
Mt. Unzen Volcanic Eruption	June 3, 1991	—	44	271 by pyroclastic flow 1,117 by debris flow 11 by cinders					
Kushiro-oki (Off Kushiro)	Jan. 15, 1993	7.8	2	12	73	3,389	—	—	—
Hokkaido Nansei-oki (Off Southwest Hokkaido)	July 12, 1993	7.8	230	601	408	5,490	—	455	(∗2) 192
Hokkaido Toho-oki (Off Eastern Hokkaido)	Oct. 4, 1994	8.1	—	61	348	7,095	—	184	—
Sanriku Haruka-oki (Far-off Sanriku coast)	Dec. 28, 1994	7.5	3	72	429	9,021	—	—	—
Southern Hyogo Prefecture (Great Hanshin-Awaji)	Jan. 17, 1995	7.2	6,435	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	—	434	3,098	18,635	—	—	—
Geiyo	Mar. 24, 2001	6.7	—	69	749	48,602	—	—	—

(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.

11. Claims Paid for Natural Disasters

11-1. 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. 26-28, 1991	522.5	26.9	18.5	567.9
2	Typhoon No. 18	Kumamoto, Yamaguchi, Fukuoka, etc.	Sep. 21-25, 1999	284.7	21.2	8.8	314.7
3	Typhoon No. 7	Kinki	Sep. 22, 1998	151.4	6.1	2.4	160.0
4	Downpour, Sep. 2000	Aichi, etc.	Sep. 10-12, 2000	44.7	54.5	3.9	103.0
5	Typhoon No. 13	Kyushu, Shikoku, and Chugoku	Sep. 3, 1993	93.3	3.5	1.0	97.7
6	Hailstorm	Chiba and Ibaraki	May 24, 2000	37.2	30.3	2.5	70.0
7	Typhoon No. 19	Nationwide	Sep. 17-20, 1990	32.4	2.1	2.0	36.5
8	Typhoon No. 17	Kyushu and Chugoku	Sep. 14-15, 1991	33.9	—	0.9	34.7
9	Typhoon Nos.12,13,14	Kyushu	Aug. 29-Sep. 2, 1985	28.1	—	3.1	31.1
10	Typhoon No. 7	Kyushu	Aug. 10, 1993	23.2	6.2	0.3	29.7

11-2. 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	78,347.0
2	Geiyo	Chugoku and Shikoku	Mar. 24, 2001	16,688.4
3	Tottoriken Seibu	Western Tottori Prefecture	Oct. 6, 2000	2,848.4
4	Hokkaido Toho-oki	Off Eastern Hokkaido	Oct. 4, 1994	1,333.1
5	Mt. Unzen Volcanic Eruption	Eastern Nagasaki Prefecture	June 3, 1991	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	650.8
9	Kagoshimaken Satsuma	Western Kagoshima Prefecture	Mar. 26, 1997	530.6
10	Mt. Usu Volcanic Eruption	Southern Hokkaido	Mar. 31, 2000	419.7

12. Maritime Accidents by Ships (Ships of Japanese Registration)

Maritime Accidents by Ships (Ships of Japanese Registration)

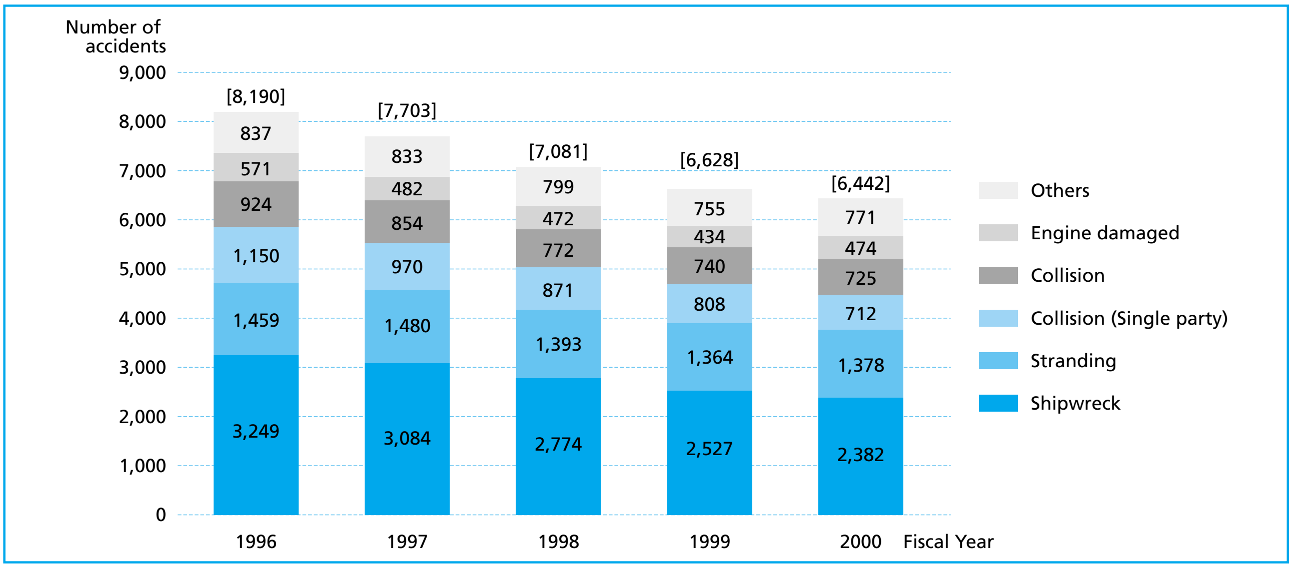
	1996	1997	1998	1999	2000
No. of accidents	8,190	7,703	7,081	6,628	6,442
No. of Vessels involved	9,436	8,881	8,144	7,743	7,599

Source: Figures from the Marine Accidents Inquiry Agency

(Notes) 1. Figures include those accidents caused by ships of foreign registration which occurred within the territorial waters of Japan.

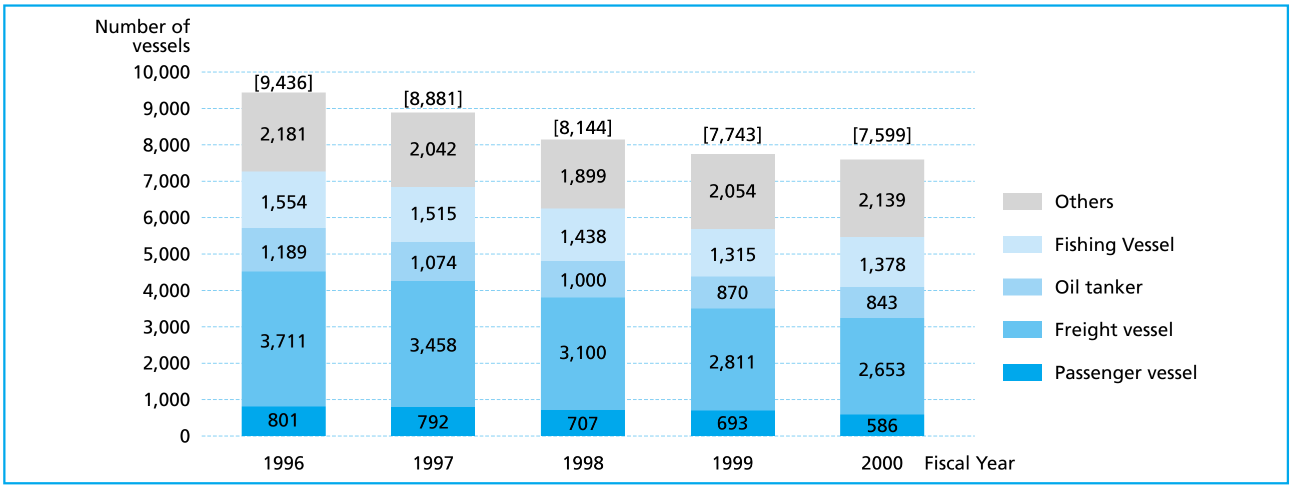
2. As there are cases where more than two vessels were involved in one accident, the number of vessels involved exceeds the number of accidents.

Number of Maritime Accidents by Type of Accident



(Note) "Others" includes "deaths and casualties", "sinking and capsizing", and "fire and explosion".

Number of Vessels involved in Maritime Accidents by Type of Vessel



13. High-Amount Court Awards for Victims and Property Damage of Traffic Accidents

13-1. 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
297.4	Tokyo District Court	Mar. 30, 1995	July 18, 1984	M/40	Company Director	Permanent Disability
296.9	Hachioji Branch office Tokyo District Court	Nov. 28, 2000	Aug. 3, 1995	M/20	Technical College Student	- do. -
265.6	Osaka District Court	Nov. 30, 1998	Oct. 27, 1992	M/19	Cram School Student	- do. -
265.5	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. -
243.6	Osaka District Court	July 24, 2000	Nov. 11, 1995	M/16	Senior High School Student	- do. -
237.0	Osaka District Court	Sep. 29, 1994	Dec. 4, 1989	M/17	Electorician	- do. -
236.9	Hiroshima District Court	Feb. 25, 1999	June 3, 1994	M/24	Office Worker	- do. -
236.4	Yokohama District Court	Sep. 14, 2001	July 25, 1995	F/30	University Lecturer	- do. -
233.8	Hiroshima District Court	Jan. 21, 1998	Sep. 2, 1990	M/18	University Student	- do. -
224.2	Tokyo District Court	Dec. 7, 1995	Aug. 2, 1990	M/17	Senior High School Student	- do. -
221.8	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
219.9	Osaka District Court	May 29, 2001	Apr. 23, 1996	M/30	Office Worker	Permanent Disability
218.2	Tokyo District Court	July 31, 2001	Dec. 10, 1998	M/24	University Student	- do. -
215.9	Osaka District Court	Feb. 29, 2000	May 21, 1995	M/20	- do. -	- do. -
205.9	Tokyo District Court	June 24, 1999	Oct. 24, 1994	M/40	Company Director	- do. -
203.6	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. -

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

13-2. High-Amount Court Awards for Property Damage of Traffic Accidents

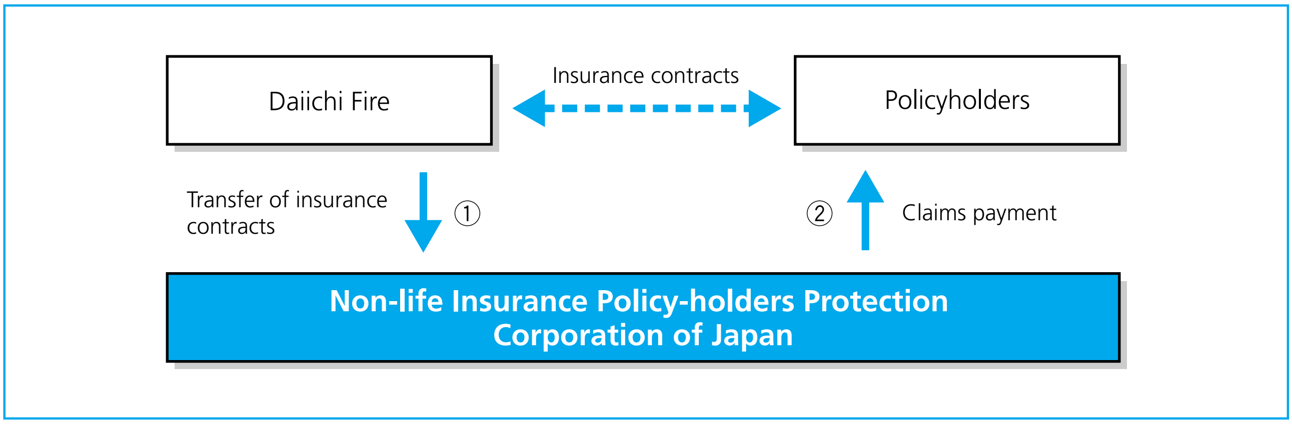
Court Awards (million yen)	Name of Court	Date of Judgement	Date of Accident	Damaged Property
261.4	Kobe District Court	July 19, 1994	May 29, 1985	Freight (Draperies and Clothes)
120.4	Fukuoka District Court	July 18, 1980	Mar. 1, 1975	Train, Railway and Residence
113.5	Chiba District Court	Oct. 26, 1998	Sep. 14, 1992	Train
28.0	Takamatsu District Court	Aug. 14, 1997	Oct. 5, 1994	Three Large-sized Trucks and Freight
26.3	Nagoya District Court	Sep. 16, 1994	Mar. 20, 1991	Sightseeing Bus
23.9	Nagoya District Court	Oct. 28, 1992	Apr. 23, 1991	Trailer and Freight
20.8	Tokyo District Court	Nov. 14, 1995	Feb. 22, 1994	Sightseeing Bus
19.7	Fukuoka District Court	June 28, 2000	Oct. 8, 1997	Trailer and Freight
19.3	Ashikaga Branch Office Utsunomiya District Court	Jun. 29. 1999	Sep. 3, 1996	Large-sized Truck and Freight
17.4	Osaka District Court	Feb. 4, 1999	Oct. 4, 1994	Large-sized Trailer
17.0	Osaka District Court	Apr. 25, 1997	Apr. 1, 1993	Large-sized Truck and Freight
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
15.5	Osaka District Court	Nov. 17, 1994	July 4, 1993	Large-sized Truck
14.5	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-sized Truck and Freight
14.0	Tokyo District Court	Mar. 25, 1997	Feb. 25, 1994	Tank Truck
13.8	Osaka District Court	Sep. 28, 1998	Aug. 8, 1995	Dump Truck, Coffee Shop, etc.
12.7	Tokyo District Court	Aug. 27, 1987	Apr. 26, 1984	Crack-damaged Road and Special Photographing Car

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

14. Bankruptcy Procedures for the Daiichi Mutual Fire & Marine Insurance Company

The Daiichi Mutual Fire & Marine Insurance Company (hereafter, Daiichi Fire), which went bankrupt on May 1, 2000, transferred its insurance contracts to the Non-life Insurance Policy-holders Protection Corporation of Japan (hereafter the Protection Corporation) on April 1, 2001. By this transfer, Daiichi Fire became the liquidation company.

An outline of the Scheme of Bankruptcy procedures of Daiichi Fire



The outline of process of bankruptcy procedures for Daiichi Fire

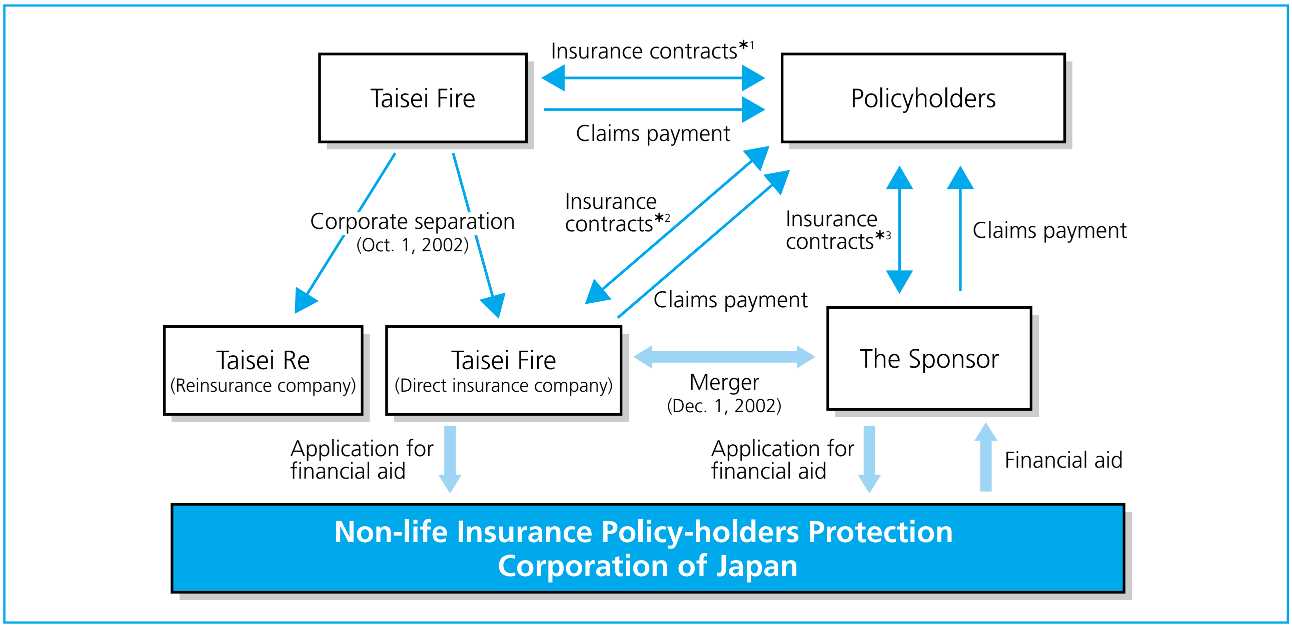
May 1, 2000	• The Financial Services Agency (hereafter, FSA) ordered Daiichi Fire to suspend part of its business operations. • The FSA appointed the Marine and Fire Insurance Association of Japan, Inc., a certified public accountant, and a lawyer, as insurance administrators for Daiichi Fire, and ordered them to take the following measures: a. To administer Daiichi Fire's business operations and assets; b. To set up a research committee to investigate the liability of the management in the failure of Daiichi Fire; and c. To draw up a plan for the transference of the insurance contracts of Daiichi Fire.
Jan. 17, 2001	• The insurance administrators drew up a plan for the transference of Daiichi Fire's insurance contracts to the Protection Corporation, and applied for approval to the Commissioner of the FSA.
Feb. 15, 2001	• At the extraordinary general meeting for policyholders of Daiichi Fire, it was resolved that their insurance contracts should be transferred to the Protection Corporation.
Mar. 23, 2001	• The insurance administrators applied to the FSA for approval of the transference of its insurance contracts to the Protection Corporation.
Apr. 1, 2001	• Insurance contracts of Daiichi Fire were transferred to the Protection Corporation. • Daiichi Fire was dissolved and went into liquidation procedures.

15. Reorganization Procedures for the Taisei Fire & Marine Insurance Company, Ltd.

The Taisei Fire & Marine Insurance Company, Ltd. (hereafter, Taisei Fire), which had filed with the Tokyo District Court on November 22, 2001, was issued the commencement order for reorganization procedures on November 30, 2001.

The Taisei Fire merged with the sponsor company (Sompo Japan Insurance Inc., hereinafter, the Sponsor) on December 1, 2002 based on the reorganization plan which was approved by the Court on August 31, 2002.

■ An outline of the scheme of reorganization procedures of Taisei Fire



*1. Insurance contracts: until September 30, 2002.
*2. Insurance contracts: from October 1,2002 to November 30,2002.
*3. Insurance contracts: December 1, 2002 and after.

■ An outline of process of reorganization procedures for Taisei Fire

Nov. 22, 2001	• Taisei Fire filed with the Tokyo District Court for the commencement of reorganization procedures.
Nov. 30, 2001	• Taisei Fire entered into the "Basic Sponsorship Agreement" with the Yasuda Fire & Marine Insurance Co., Ltd. and the Nissan Fire & Marine Insurance Co., Ltd. (hereafter, the Sponsor)* The Court issued the commencement order of reorganization procedures to Taisei Fire and appointed a lawyer and two other persons appointed by the sponsor as trustees. Taisei Fire applied to the Protection Corporation for financial aid for the payment of the protected insurance contracts. * These companies merged into Sompo Japan Insurance Inc. on July 1, 2002.
Dec. 4, 2001	• The trustees established the Management Responsibility Investigation Committee to investigate management responsibility.
Dec. 21, 2001	• Taisei Fire concluded the agreement for financial aid for payment of insurance contracts to be secured with Protection Corporation.
June 28, 2002	• The trustees submitted the draft of the reorganization plan to the Court.
Aug. 30, 2002	• The meetings of concerned parties were held and the proposed reorganization plan was resolved.
Aug. 31, 2002	• The Court approved the reorganization plan.
Sep. 30, 2002	• Taisei Fire and the Sponsor concluded an agreement for financial aid with respect to the merger of Taisei Fire and the Sponsor.
Oct. 1, 2002	• Taisei Fire was separated based on the reorganization plan into the direct insurance company (Taisei Fire) and the reinsurance company (Taisei Reinsurance Co., Ltd.).
Dec. 1, 2002	• Taisei Fire merged with the Sponsor.

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