

FACT BOOK

FACT BOOK 2002-2003

GENERAL INSURANCE IN JAPAN



THE GENERAL INSURANCE ASSOCIATION OF JAPAN

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PART I

BUSINESS RESULTS

I Key Figures of the General Insurance Business for Fiscal 2002

1 The Number of the General Insurance Companies

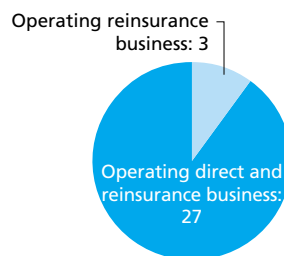
Total: **54**
 Domestic insurers: **30**
 Foreign insurers: **24**

A total of 30 domestic and 24 foreign insurers are operating.

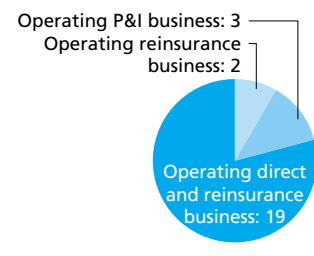
As of September 1, 2003, a total of fifty-four general insurance companies were operating in Japan; a total of thirty companies were licensed as domestic insurers, including five foreign capital domestic insurers, a total of twenty-four insurers were licensed as foreign insurers.

Domestic insurers: Licensed as domestic insurer
Domestic insurers with Foreign Capital: Licensed as domestic insurer which includes foreign capital of over 50%.
Foreign insurer: Licensed on a branch or agent basis

Domestic insurers



Foreign insurers



2 The Number of Agencies and Sales Staff of Agencies

The number of agencies
 (at the end of March 2003):
323,139

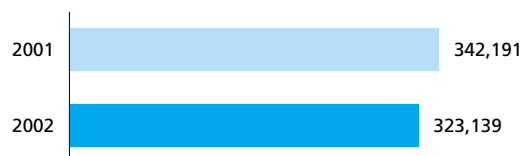
The number of sales staff
 in agencies (at the end of
 March 2003):
1,642,271

While the number of agencies decreased by about 6%, the number of sales staff increased by about 4%.

The number of general insurance agencies is about 320,000 and about 1.64 million sales staff are engaged in agency business.

These agencies shared 92.6% of written direct premiums in fiscal 2002.

The number of agencies



The number of sales staff in agencies



General insurance agency: A General insurance agency is commissioned by an insurance company and markets insurance products to customers.

3 Premiums

Direct premiums:

8,898.7 billion yen

Net premiums:

7,285.9 billion yen

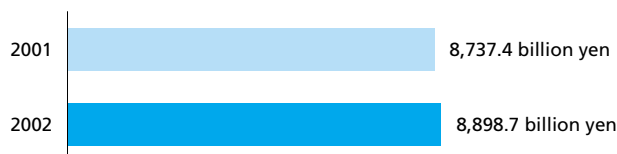
Direct premiums: gross direct premiums (including the savings portion of maturity-refund type insurance premiums)-various returns other than maturity refunds (including return premiums for cancellation, no-claim returns, and return premiums resulting from the decrease of insurable risks)

Net premiums: direct premiums written + inward reinsurance net premiums – outward reinsurance net premiums – savings portion of maturity-refund type insurance premiums

Direct premiums increased by about 2% and net premiums increased by about 7%.

The total of direct premiums written in fiscal 2002 was 8,898.7 billion yen, and the total of net premiums written was 7,285.9 billion yen. They have increased for 3 consecutive fiscal years.

■ Direct premiums



■ Net premiums



4 The Amount of Claims

Net claims paid:

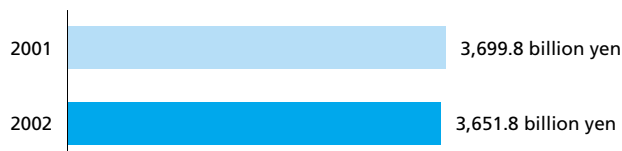
3,651.8 billion yen

Net claims: direct claims paid + inward reinsurance net claims paid – outward reinsurance received

The amount of net claims paid decreased by about 1%.

Net claims paid on all classes of insurance business during fiscal 2002 amounted to 3,651.8 billion yen, a decrease of about 48 billion yen compared with the previous term due to less claims for damages caused by natural disasters.

■ Net claims paid



5 Assets and Investment

Total Assets:

30,303.3 billion yen

Working Assets:

27,167.3 billion yen

Total assets decreased by about 9%, working assets decreased by about 7%.

Total assets amounted to 30,303.3 billion yen, down 8.5% from the previous year. Working assets decreased by 6.9 to 27,167.3 billion yen due to the influence of an inactive stock market and a reduction of long-term assets relating to maturity-refund type policies. (This figure was calculated based on the results of the GIA's member companies.)

Total Assets



Working Assets



Total Assets: Total assets are the total of working assets and other assets (See P9)

Working Assets: Working assets include deposits, call loans, monetary receivable bought, money trusts, securities, loans, real estate, etc.

6 Ordinary Profits and Net Profits for the Current Year

Ordinary profits/loss:

197.1 billion yen

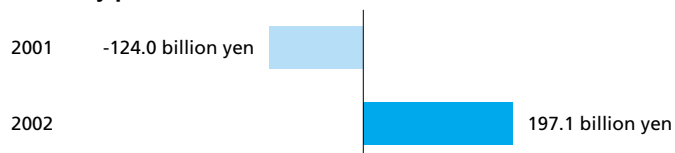
Net profits/loss:

79.9 billion yen

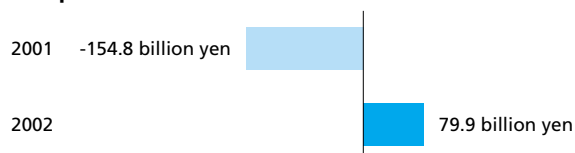
Ordinary profits and net profits for the current year entered into the black. They amounted to 197.1 billion yen and 79.9 billion yen respectively.

Ordinary profits for fiscal 2002 increased by 321.1 billion yen and amounted to 197.1 billion yen compared with an ordinary loss of 124.0 billion yen in the previous term. Net profit after tax registered 79.9 billion yen, an increase of 234.7 billion yen from 154.8 billion yen of net loss for 2001.

Ordinary profits/loss



Net profits/loss



Ordinary profit: The total of (underwriting income – expenses) + (investment income – expenses) – (other ordinary expenses)

Net profit: The total of ordinary profits including special profits or losses minus corporate income taxes, corporate resident taxes, etc.

7 Loss Ratio and Operating Expenses Ratio

Loss ratio:

54.7%

Operating expenses ratio:

34.5%

Loss ratio and operating expenses ratio improved by about 5 percentage points and about 3 percentage points respectively.

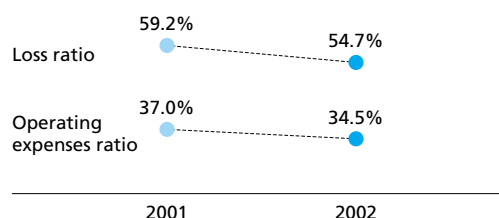
Loss ratio reduced to 54.7%, down 4.5 points from the previous year. This is owing to the growth of net premiums written and the reduction of net claims paid for the term.

As a result of making efforts to improve their efficiency and profitability of individual insurance companies, operating expenses ratio improved by 2.5 points over the previous year to reach 34.5%. (This figure was calculated based on the results of the GIA's member companies.)

Loss ratio: The ratio of claims paid plus loss adjustment expenses to net premiums written

Operating expenses ratio: The ratio of agency commissions and brokerage plus operating and general administrative expenses on underwriting to net premiums written

Loss ratio / Operating expenses ratio



8 Ownership of General Insurance Policies

Fire (building): **49.2%**

(surveyed in November 2000)

Earthquake: **16.4%**

(as of the end of March 2003)

Personal Accident: **61.3%**

(surveyed in November 2000)

Voluntary Automobile
(bodily injury liability):

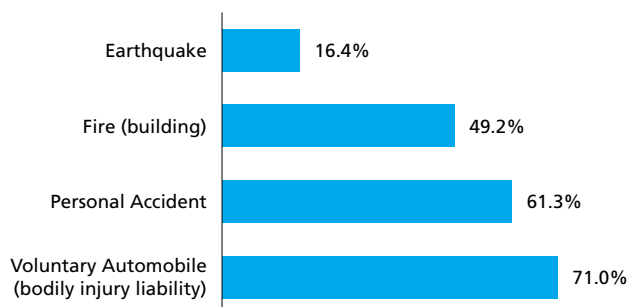
71.0%

(as of the end of March 2002)

Ownership of earthquake insurance on dwelling risks increased to 16.4%.

Ownership of general insurance policies by line is as follows.

Current survey



III Major Developments

	Legislation / Administrative Events	Accidents / Disasters	Industry Events
2002			
April	<p>1 Revised Automobile Liability Security Law enforced</p> <p>2 Law on Customer Identification enacted and enforced</p>		<p>3 GIA's Ethical Standard for Advertising drawn up</p> <p>4 Disclosure Standards revised</p> <p><input type="checkbox"/> NIPPONKOA merged Taiyo Fire</p> <p><input type="checkbox"/> Yasuda Fire merged Dai-ichi P&C</p> <p><input type="checkbox"/> Millea Holdings established (management of Tokio Marine and Nichido Fire integrated)</p>
May			<p>5 Planning Kit for classrooms given Excellency award</p>
June	<p>6 Inspection Manual relating to Insurance Companies revised</p> <p>7 Taisei Fire filed for Reorganization Procedures</p>		
July		<p><input type="checkbox"/> Typhoon No.6 hit Chubu and Tohoku districts</p>	<p>8 Non-Life Insurance Rating Organization of Japan established</p> <p><input type="checkbox"/> Sompo Japan founded (Consolidation of Yasuda Fire and Nissan Fire)</p>
August			
September		<p><input type="checkbox"/> Typhoon No.21 hit Kanto and Hokkaido districts</p>	<p>9 Sonpo Information Square opens</p> <p>10 Revision of the coordination rules for solving general insurance complaints and disputes</p>

1 Revised Automobile Liability Security Law enforced (April 2002)

Compulsory Automobile Liability Insurance (CALI) system, which indemnifies victims of traffic accidents, was revised by an amendment of the Automobile Liability Security Law. The following three points were revised: a. abolition of government reinsurance, b. establishment of an independent mediation organization, and c. a raise in the limit of indemnity for victims who suffer from serious permanent disability.

2 Law on Customer Identification enacted and enforced (April 2002)

Law on Customer Identification and Retention of Records on Transactions by Financial Institutions came into effect on January 6, 2003. This law obligates financial institutions to verify a customer's identification at the beginning of a transaction.

3 Association's Ethical Standard for advertising drawn up (April 2002)

With deregulation and liberalization advancing, insurance products and related services are increasingly individual and are more diversified. This requires general insurance companies to provide the general public 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 trust in the general insurance business.

4 Disclosure Standards revised (April 2002)

To ensure the transparency of the general insurance business and to meet the increasing requests from consumers for information, the general insurance industry regularly reviews disclosure standards and voluntarily widens the range of information disclosed by individual insurance companies besides information required by law.

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

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 at the "Commendation for Consumer Education Materials" of the Consumer Education Support Center, Inc.

6 Inspection Manual relating to Insurance Companies published (June 2000) and revised (June 2002)

The Finance Services Agency has additionally published an inspection manual for small financial institutions. This is to secure proper inspections by a better understanding of their business.

7 Taisei Fire & Marine Insurance Co. filed for Reorganization Procedures (June 2002)

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 to 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. The plan separates the company into a reorganized direct insurance company and a reinsurance company on October 1, 2002.

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

The Non-Life Insurance Rating Organization of Japan has been created and has 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).

9 Sonpo Information Square opens (September 2002)

The Association opened "Sonpo (General Insurance) Information Square" in the lobby of its headquarters. The Square functions as a gateway to the latest information on major insurance products and as a vehicle to receive customer feedback to improve future services.

10 Revision of the coordination rules for solving general insurance complaints and disputes (September 2002)

With an advancement of liberalization, the general insurance industry is required to enhance the protection of policyholders, the Association reviewed its rules to support solving complaints and disputes over general insurance. It is hoped that this will secure independency and transparency.

	Legislation / Administrative Events	Accidents / Disasters	Industry Events
October	<p>11 Types of insurance sold by banks expanded</p> <p>7 Taisei Fire separates into direct and reinsurance companies</p>		12 The 21st EAIC Tokyo Conference held
November	13 GIA participates in the Joint Meeting for Development and Dissemination of Anti-crime Building Components		
December	14 GIA participates in the Crime Prevention Conference for ATM Theft		<input type="checkbox"/> Sompo Japan merged Taisei Fire
2003 January	2 Law on Customer Identification by Financial Institutions enacted		
February			15 Tokai Earthquake Insurance Claims Settlement Plan revised
March	16 Report on revision of the safety net		
April			4 Disclosure Standard revised
May	17 Law on Protection of Personal Information enacted	<input type="checkbox"/> Sanriku Minami-oki Earthquake	18 Conclusion of Cooperation Memorandum with the Insurance Association of China
June			18 Conclusion of Cooperation Memorandum with the American Insurance Association

11 Types of insurance sold by banks expanded (October 2002)

Ban on over-the-counter sales of insurance by banks was partially lifted in April 2001. And several types of insurance were added to the lineup of policies in October 2002.

Products permitted in April 2001

Long-term fire insurance, long-term income indemnity insurance for dwelling houses, and credit life insurance for dwelling houses, and overseas travelers' personal accident insurance.

Products permitted in October 2002

Personal accident insurance with annuity, Zaikei (i.e. asset formation) savings personal accident insurance, long-term fire insurance for buildings-cum-stores and long-term income indemnity insurance for buildings-cum-stores

12 The 21st EAIC Tokyo Conference held (October 2002)

The 21st East Asian Insurance Congress (EAIC) Tokyo Conference, which is the biggest conference for both life and non-life insurers, was held with 1,126 participants from 29 regions.

13 GIA participates in the Joint Meeting for Development and Dissemination of Anti-crime Building Components (November 2002)

To cope with the increasing number of burglaries by picking locks, three ministries and fifteen private organizations have jointly established the Joint Meeting for Development and Dissemination of Anti-crime Building Components.

14 GIA participates in the Crime Prevention Conference for ATM Theft (February 2003)

To cope with an increase of ATM theft, three ministries and 9 private organizations have jointly established the Crime Prevention Conference for ATM Theft.

15 Tokai Earthquake Insurance Claims Settlement Plan revised (February 2003)

In accordance with the review of the potential disaster area caused by the expected Tokai Earthquake, the Association strengthened its Tokai Earthquake Insurance Claims Settlement Plan to secure proper and smooth claims services.

16 Report on revision of the safety net (March 2003)

The Association proposed to change the current policyholder protection scheme, which ensures the continuity of contracts, to secure 100% payment of claims when an insurance company becomes insolvent.

17 Law on Protection of Personal Information enacted (May 2003)

Law on Protection of Personal Information was enacted on May 30, 2003 to protect personal information.

18 Conclusion of Cooperation Memoranda with the Insurance Association of China and the American Insurance Association (May, June 2003)

The Association has been promoting international cooperation with insurance associations overseas. The Association concluded cooperation memoranda with the Insurance Association of China, and the American Insurance Association after concluding similar memoranda with French, British and German insurance associations.



Statistics —Fiscal 1993-2002—

1. Overall Business Results

(billion yen & %)

Item	Fiscal 1993		Fiscal 1994		Fiscal 1995	
	Amount	Ratio to Net Prem.	Amount	Ratio to Net Prem.	Amount	Ratio to Net Prem.
Net Premiums Written	6,551.5	100.0	6,765.3	100.0	6,959.3	100.0
Net Claims Paid	3,481.2	53.1	3,387.9	50.1	3,356.3	48.2
Net Operating Expenses	2,755.0	42.1	2,819.8	41.7	2,883.8	41.4
Business Balance	315.3	4.8	557.6	8.2	719.2	10.3
Savings Portion of Maturity-refund type Insurance Premiums	2,847.1	43.5	2,626.7	38.8	2,702.2	38.8
Investment Income on Deposit Premiums	730.4	11.1	723.5	10.7	683.4	9.8
Maturity Refunds and Policyholder Dividends	3,344.0	51.0	3,068.5	45.4	2,900.2	41.7
Other Underwriting Income and Expenses	-84.0	-1.3	-86.3	-1.3	-14.9	-0.2
Provision for Outstanding Loss Reserves	30.7	0.5	52.2	0.8	94.0	1.4
Provision for Underwriting Reserves	357.5	5.5	401.9	5.9	738.2	10.6
Underwriting Profits	76.5	1.2	298.8	4.4	357.4	5.1
Non-underwriting Profits	198.6	3.0	61.6	0.9	-26.1	-0.4
Ordinary Profits	275.1	4.2	360.4	5.3	331.2	4.8
Special Profits	20.9	0.3	9.4	0.1	69.9	1.0
Corporate Income Taxes and Corporate Resident Taxes	177.8	2.7	264.0	3.9	295.8	4.3
Net Profits for the Current Year	118.2	1.8	105.9	1.6	105.4	1.5
Retained Surplus brought forward from the Previous Year	40.6	0.6	37.1	0.5	36.8	0.5
Unappropriated Earned Surplus of the Current Year	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 ^(*)		Fiscal 2002	
	Amount	Growth	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	9,251.5	-1.1
(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)	(7,285.9)	(7.0)
(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)	(1,359.0)	(-3.1)
(Reversal of Outstanding Loss Reserves)	(—)	(—)	(—)	(—)	(20.5)	(—)	(1.8)	(-91.0)	(—)	(-100.0)	(—)	(—)	(—)	
(Reversal of Underwriting Reserves)	(—)	(—)	(—)	(—)	(343.3)	(—)	(655.6)	(91.0)	(668.6)	(13.9)	(628.8)	(-3.4)	(197.4)	(-68.6)
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	7,865.5	-4.5
(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)	(3,651.8)	(-1.3)
(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)	(331.9)	(0.1)
(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)	(1,279.3)	(1.2)
(Maturity Refunds to Policyholders)	(3,469.3)	(20.6)	(3,250.8)	(-6.3)	(3,049.4)	(-6.2)	(3,044.0)	(-0.2)	(2,685.5)	(-5.0)	(2,433.4)	(-7.5)	(2,420.0)	(-0.6)
(Provision for Outstanding Loss Reserves)	(96.0)	(2.1)	(37.0)	(-61.5)	(—)	(—)	(—)	(—)	(157.6)	(—)	(323.3)	(104.6)	(36.5)	(-88.7)
(Provision for Underwriting 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	567.9	-9.9
(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)	(506.9)	(-12.3)
(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)	(326.6)	(-0.8)
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	448.7	-8.4
(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)	(78.8)	(48.0)
(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)	(309.9)	(-14.9)
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	1,325.6	-1.6
(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)	(1,232.2)	(-2.1)
Other Ordinary Income and Expenses	-97.7	—	-106.4	—	-203.1	—	-85.2	—	-31.6	—	-30.6	—	17.4	—
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	197.1	—
(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)	(150.5)	(—)
Special Profits and Losses Balance	-44.7	—	-11.5	—	-94.8	—	-227.1	—	-164.1	—	-149.7	—	-55.1	—
Profits for the Current Year before Corporate Taxes	—	—	—	—	—	—	—	—	171.9	8.5	-273.7	-261.0	142.0	—
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	129.8	19.7
Adjustments in Corporate Income Taxes, etc.	—	—	—	—	—	—	-70.7	—	1.1	—	-227.3	-17,493.0	-67.8	—
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	79.9	—
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 2001		Fiscal 2002	
	Amount	Share	Amount	Share
Deposits	1,986.8	6.0	1,618.9	5.4
Call Loans	555.1	1.7	618.9	2.0
Receivables under Resales Agreements	1.0	0.0	32.0	0.1
Monetary Receivables Bought	276.0	0.8	236.5	0.8
Money Trusts	341.8	1.0	280.1	0.9
Securities	20,643.6	62.3	19,473.0	64.3
(National Government Bonds)	(1,800.8)	(5.4)	(2,825.6)	(9.3)
(Local Government Bonds)	(1,330.3)	(4.0)	(1,204.1)	(4.0)
(Corporate Bonds)	(4,432.0)	(13.4)	(4,248.0)	(14.0)
(Stocks)	(8,862.1)	(26.8)	(6,770.2)	(22.3)
(Foreign Securities)	(3,787.2)	(11.4)	(3,944.0)	(13.0)
(Other Securities)	(431.1)	(1.3)	(481.0)	(1.6)
(Securities Loaned)	(—)	(—)	(—)	(—)
Loans	3,833.0	11.6	3,411.4	11.3
Real Estate	1,542.9	4.7	1,496.5	4.9
(Total Working Assets)	(29,180.4)	(88.1)	(27,167.3)	(89.7)
Other Assets	3,940.1	11.9	3,136.0	10.3
Total Assets	33,120.5	100.0	30,303.3	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) Customer's liability for acceptance and guarantee, 7) Deferred tax assets, and 8) Miscellaneous.

2. Figures above exclude a company which went bankrupt in November 2001.

<Liabilities and Equities>

(billion yen & %)

Item	Fiscal 2001		Fiscal 2002	
	Amount	Share	Amount	Share
Underwriting Funds	22,673.3	68.5	22,617.5	74.6
(Outstanding Loss Reserves)	(2,550.8)	(7.7)	(2,607.3)	(8.6)
(Underwriting Reserves)	(20,122.4)	(60.8)	(20,010.1)	(66.0)
(Others)	(0.1)	(0.0)	(0.1)	(0.0)
Other Liabilities	4,417.6	13.3	2,757.5	9.1
Total Liabilities	27,090.9	81.8	25,375.1	83.7
Capital	842.8	2.5	807.4	2.7
Suspense Receipts on Capital Subscriptions	—	—	39.0	0.1
Additional Paid in Capital	435.2	1.3	416.4	1.4
Earned Surplus	1,992.0	6.0	1,964.1	6.5
(Profits for the Current Year)	(-154.8)	(-0.5)	(79.9)	(0.3)
Land Revaluation Excess	-4.4	-0.0	-4.8	-0.0
Unrealized gain on other Securities, Net of Income Taxes	2,778.0	8.4	1,749.7	5.8
Treasury Stock	-14.1	-0.0	-43.6	-0.1
Total Equities	6,029.6	18.2	4,928.2	16.3
Total Liabilities and Equities	33,120.5	100.0	30,303.3	100.0

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

2. Figures above exclude a company which went bankrupt in November 2001.

3. Direct Premiums by Line

Class of Business	Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,821,791	8.5	1,854,494	1.8	1,853,364	-0.1	1,902,702	2.7
(Maturity-refund type)	(942,060)	(11.6)	(894,388)	(-5.1)	(858,219)	(-4.0)	(844,488)	(-1.6)
Voluntary Automobile	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	2,793,730	9.9	2,619,717	-6.2	2,730,623	4.2	2,892,951	5.9
(Maturity-refund type)	(2,210,554)	(11.6)	(2,021,958)	(-8.5)	(2,115,638)	(4.6)	(2,251,163)	(6.4)
Miscellaneous Casualty	694,303	-1.9	698,785	0.6	750,800	7.4	793,468	5.7
(Maturity-refund type)	(55,002)	(-6.5)	(52,161)	(-5.2)	(70,726)	(35.6)	(70,622)	(-0.1)
Burglary	19,419	3.8	20,580	6.0	22,822	10.9	25,010	9.6
Glass	3,350	0.6	3,502	4.5	3,450	-1.5	3,487	1.1
Aviation	14,948	-19.5	15,818	5.8	16,797	6.2	18,799	11.9
Windstorm & Flood	205	43.1	194	-5.4	191	-1.4	190	-0.8
Guarantee	11,748	9.4	10,906	-7.2	9,296	-14.8	14,603	57.1
Credit	7,167	-14.0	7,189	0.3	7,470	3.9	7,962	6.6
Workers' Accident Compensation Liability	112,357	5.2	106,963	-4.8	124,495	16.4	128,367	3.1
(Maturity-refund type)	(21,780)	(54.3)	(21,383)	(-1.9)	(37,270)	(74.3)	(39,789)	(6.8)
Boiler & Turbo-set	2,601	2.3	2,795	7.5	2,721	-2.7	2,892	6.3
Livestock	2,824	-5.8	2,582	-8.6	2,551	-1.2	2,481	-2.8
General Liability	236,512	2.4	248,751	5.2	275,834	10.9	294,853	6.9
Machinery & Erection	39,108	8.3	38,309	-2.0	39,462	3.0	40,249	2.0
Shipowners' Liability for Passengers' Personal Accident	1,206	-2.8	1,184	-1.8	1,208	2.0	1,157	-4.2
Contractors' All Risks	40,142	-5.3	39,419	-1.8	38,286	-2.9	41,840	9.3
Atomic Energy	13,639	15.2	12,681	-7.0	12,311	-2.9	12,249	-0.5
Movables Comprehensive	108,706	1.1	112,328	3.3	118,505	5.5	123,132	3.9
(Maturity-refund type)	(11,262)	(0.2)	(10,178)	(-9.6)	(11,261)	(10.6)	(9,476)	(-15.8)
Miscellaneous Pecuniary Loss	80,370	-23.9	75,582	-6.0	75,399	-0.2	76,199	1.1
(Maturity-refund type)	(21,940)	(-34.4)	(20,600)	(-6.1)	(22,196)	(7.7)	(21,357)	(-3.8)
Marine and Inland Transit	301,881	-2.6	305,067	1.1	306,851	0.6	320,765	4.5
Marine Hull	108,157	5.6	105,242	-2.7	97,545	-7.3	92,209	-5.5
Marine Cargo	130,495	-8.7	135,959	4.2	143,930	5.9	161,147	12.0
Inland Transit	63,229	-2.0	63,866	1.0	65,377	2.4	67,409	3.1
Subtotal	8,905,359	8.0	8,922,990	0.2	9,177,430	2.9	9,558,957	4.2
Compulsory Automobile Liability	1,001,857	-6.9	1,005,150	0.3	1,034,273	2.9	1,063,021	2.8
Grand total	9,907,217	6.3	9,928,140	0.2	10,211,704	2.9	10,621,978	4.0
(Maturity-refund type)	(3,207,616)	(11.2)	(2,968,507)	(-7.5)	(3,044,584)	(2.6)	(3,166,273)	(4.0)

(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

(million yen & %)

Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001		Fiscal 2002	
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
1,901,652	-0.1	1,774,099	-6.7	1,744,255	-1.7	1,583,618	-9.2	1,507,526	-4.8	1,493,409	-0.9
(810,960)	(-4.0)	(754,434)	(-7.0)	(722,007)	(-4.3)	(566,342)	(-21.6)	(478,285)	(-15.5)	(452,097)	(-5.5)
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	3,605,362	-1.9
(—)	(—)	(—)	(—)	(—)	(—)	(13,536)	(—)	(14,757)	(9.0)	(12,942)	(-12.3)
2,666,790	-7.8	2,295,405	-13.9	2,049,840	-10.7	1,831,264	-10.7	1,625,266	-11.2	1,578,112	-2.9
(2,023,671)	(-10.1)	(1,676,318)	(-17.2)	(1,430,574)	(-14.7)	(1,226,984)	(-14.2)	(1,041,031)	(-15.2)	(994,982)	(-4.4)
776,114	-2.2	745,955	-3.9	733,633	-1.7	758,578	3.4	783,911	3.3	779,889	-0.5
(46,460)	(-34.2)	(44,144)	(-5.0)	(39,739)	(-10.0)	(47,422)	(19.3)	(27,874)	(-41.2)	(17,958)	(-35.6)
26,806	7.2	28,422	6.0	27,610	-2.9	28,325	2.6	26,288	-7.2	23,565	-10.4
3,371	-3.3	2,984	-11.5	2,666	-10.7	2,431	-8.8	2,178	-10.4	1,991	-8.6
19,619	4.4	11,992	-38.9	13,696	14.2	14,625	6.8	38,463	163.0	51,358	33.5
173	-9.0	190	10.0	335	76.7	329	-1.8	250	-24.2	247	-1.0
13,616	-6.8	14,242	4.6	14,432	1.3	13,422	-7.0	16,698	24.4	12,887	-22.8
7,948	-0.2	9,507	19.6	14,482	52.3	20,052	38.5	25,632	27.8	31,326	22.2
117,523	-8.4	103,353	-12.1	94,778	-8.3	98,371	3.8	85,157	-13.4	79,695	-6.4
(24,019)	(-39.6)	(19,672)	(-18.1)	(19,315)	(-1.8)	(24,530)	(27.0)	(13,853)	(-43.5)	(12,687)	(-8.4)
2,819	-2.5	2,836	0.6	2,697	-4.9	2,657	-1.5	2,602	-2.0	2,395	-8.0
2,938	18.4	2,824	-3.9	2,853	1.1	2,883	1.0	2,672	-7.3	3,047	14.0
308,965	4.8	304,189	-1.5	305,063	0.3	309,747	1.5	332,680	7.4	334,445	0.5
42,468	5.5	39,798	-6.3	37,535	-5.7	37,085	-1.2	36,181	-2.4	33,734	-6.8
1,182	2.2	1,126	-4.8	1,075	-4.5	998	-7.2	830	-16.8	842	1.5
38,769	-7.3	35,649	-8.0	35,511	-0.4	35,345	-0.5	35,322	-0.1	34,375	-2.7
12,152	-0.8	11,456	-5.7	11,235	-1.9	11,024	-1.9	10,318	-6.4	11,065	7.2
124,867	1.4	118,946	-4.7	118,508	-0.4	122,380	3.3	121,913	-0.4	120,005	-1.6
(7,325)	(-22.7)	(3,855)	(-47.4)	(3,495)	(-9.3)	(1,931)	(-44.8)	(949)	(-50.8)	(589)	(-37.9)
52,898	-30.6	58,442	10.5	51,158	-12.5	58,904	15.1	46,727	-20.7	38,912	-16.7
(15,116)	(-29.2)	(20,617)	(36.4)	(16,929)	(-17.9)	(20,962)	(23.8)	(13,071)	(-37.6)	(4,682)	(-64.2)
309,681	-3.5	279,661	-9.7	251,504	-10.1	250,478	-0.4	250,727	0.1	251,189	0.2
78,058	-15.3	68,290	-12.5	59,726	-12.5	57,035	-4.5	63,072	10.6	57,957	-8.1
163,782	1.6	146,983	-10.3	127,905	-13.0	128,512	0.5	124,143	-3.4	130,442	5.1
67,840	0.6	64,388	-5.1	63,873	-0.8	64,931	1.7	63,512	-2.2	62,790	-1.1
9,343,087	-2.3	8,667,184	-7.2	8,379,140	-3.3	8,073,919	-3.6	7,843,944	-2.8	7,707,962	-1.7
970,632	-8.7	955,582	-1.6	980,473	2.6	987,786	0.7	986,577	-0.1	1,190,710	20.7
10,313,719	-2.9	9,622,766	-6.7	9,359,613	-2.7	9,061,706	-3.2	8,830,521	-2.6	8,898,672	0.8
(2,881,091)	(-9.0)	(2,474,896)	(-14.1)	(2,192,320)	(-11.4)	(1,854,285)	(-15.4)	(1,561,947)	(-15.8)	(1,477,980)	(-5.4)

than Maturity Refunds (including return premiums for cancellation, no-claim returns, and return premiums resulting from the decrease of insurable risks)

4. Net Premiums by Line

(million yen & %)

Class of Business	Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996		Fiscal 1997	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,017,021	2.7	1,076,867	5.9	1,105,961	2.7	1,175,180	6.3	1,186,054	0.9
Voluntary Automobile	3,314,553	9.4	3,466,250	4.6	3,555,270	2.6	3,666,582	3.1	3,697,444	0.8
Personal Accident	756,686	8.0	760,049	0.4	782,749	3.0	797,101	1.8	765,795	-3.9
Miscellaneous Casualty	615,959	-2.1	621,749	0.9	651,276	4.7	694,050	6.6	702,505	1.2
Marine and Inland Transit	265,375	-5.8	270,129	1.8	273,508	1.3	293,335	7.2	287,583	-2.0
(Marine Hull)	(81,743)	(0.9)	(79,657)	(-2.6)	(74,055)	(-7.0)	(73,473)	(-0.8)	(63,582)	(-13.5)
(Marine Cargo)	(124,495)	(-11.0)	(130,387)	(4.7)	(137,473)	(5.4)	(155,885)	(13.4)	(159,574)	(2.4)
(Inland Transit)	(59,136)	(-2.8)	(60,084)	(1.6)	(61,980)	(3.2)	(63,975)	(3.2)	(64,426)	(0.7)
Subtotal	5,969,596	6.0	6,195,046	3.8	6,368,767	2.8	6,626,250	4.0	6,639,384	0.2
Compulsory Automobile Liability	581,964	-2.5	570,226	-2.0	590,508	3.6	601,908	1.9	576,014	-4.3
Grand total	6,551,561	5.2	6,765,273	3.3	6,959,275	2.9	7,228,158	3.9	7,215,398	-0.2

(million yen & %)

Class of Business	Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001		Fiscal 2002	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,117,182	-5.8	1,105,163	-1.1	1,053,735	-4.7	1,031,948	-2.1	1,030,541	-0.1
Voluntary Automobile	3,575,870	-3.3	3,605,062	0.8	3,650,119	1.2	3,674,497	0.7	3,612,464	-1.7
Personal Accident	718,693	-6.2	705,765	-1.8	676,576	-4.1	645,609	-4.6	636,727	-1.4
Miscellaneous Casualty	688,091	-2.1	676,203	-1.7	692,325	2.4	725,448	4.8	760,987	4.9
Marine and Inland Transit	261,217	-9.2	232,122	-11.1	231,463	-0.3	231,843	0.2	233,426	0.7
(Marine Hull)	(55,939)	(-12.0)	(59,697)	(6.7)	(44,901)	(-24.8)	(47,810)	(6.5)	(44,059)	(-7.8)
(Marine Cargo)	(143,440)	(-10.1)	(111,659)	(-22.2)	(124,864)	(11.8)	(123,963)	(-0.7)	(130,732)	(5.5)
(Inland Transit)	(61,831)	(-4.0)	(60,754)	(-1.7)	(61,684)	(1.5)	(60,059)	(-2.6)	(58,624)	(-2.4)
Subtotal	6,361,138	-4.2	6,324,405	-0.6	6,304,301	-0.3	6,309,424	0.1	6,274,207	-0.6
Compulsory Automobile Liability	553,926	-3.8	564,942	2.0	569,835	0.9	572,171	0.4	1,011,677	76.8
Grand total	6,915,064	-4.2	6,889,347	-0.4	6,874,136	-0.2	6,881,595	0.1	7,285,884	5.9

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

5. Direct Claims Paid

(million yen & %)

Class of Business	Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996		Fiscal 1997	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	397,175	22.7	363,798	-8.4	295,459	-18.8	336,672	13.9	327,867	-2.6
Voluntary Automobile	1,908,538	5.5	1,866,089	-2.2	1,902,113	1.9	1,955,264	2.8	1,989,857	1.8
CALI	829,841	2.7	832,039	0.3	830,411	-0.2	835,787	0.6	849,607	1.7
Personal Accident	284,310	5.2	298,563	5.0	290,274	-2.8	296,453	2.1	299,444	1.0
Miscellaneous Casualty	320,521	4.5	306,488	-4.4	305,628	-0.3	335,241	9.7	354,457	5.7
Marine and Inland Transit	174,278	-16.9	159,074	-8.7	159,607	0.3	165,776	3.9	165,717	0.0
Total	3,914,665	5.0	3,826,053	-2.3	3,783,495	-1.1	3,925,196	3.7	3,986,952	1.6

(million yen & %)

Class of Business	Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001		Fiscal 2002	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	447,610	36.5	544,388	21.6	363,808	-33.2	324,995	-10.7	291,620	-10.3
Voluntary Automobile	1,998,688	0.4	2,083,395	4.2	2,190,257	5.1	2,114,950	-3.4	2,042,634	-3.4
CALI	850,247	0.1	871,249	2.5	888,159	1.9	889,619	0.2	904,202	1.6
Personal Accident	290,078	-3.1	290,553	0.2	278,235	-4.2	265,529	-4.6	256,288	-3.5
Miscellaneous Casualty	365,261	3.0	379,275	3.8	388,678	2.5	431,699	11.1	420,327	-2.6
Marine and Inland Transit	158,394	-4.4	147,517	-6.9	136,131	-7.7	140,505	3.2	121,369	-13.6
Total	4,110,281	3.1	4,316,379	5.0	4,245,271	-1.6	4,167,300	-1.8	4,036,443	-3.1

(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.

6. Maturity Refunds Paid

(billion yen & %)

1993		1994		1995		1996		1997	
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
3,344.0	29.7	3,068.5	-8.2	2,901.9	-5.4	3,484.4	20.1	3,262.4	-6.4
1998		1999		2000		2001		2002	
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
3,061.6	-6.2	3,067.1	0.2	2,690.3	-12.3	2,483.2	-7.7	2,420.3	-2.5

7. Number of Sales Staff engaged in General Insurance Agency Business

1993	1994	1995	1996	1997
1,060,561	1,089,569	1,086,264	1,181,865	1,170,497
1998	1999	2000	2001	2002
1,180,784	1,154,511	1,145,252	1,575,195	1,642,271

(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

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total Number of Agents	468,033	470,541	476,217	623,741	592,126	593,872	570,919	509,619	342,191	323,139
Full-time (Share)	93,103 (19.9%)	93,602 (19.9%)	96,931 (20.4%)	90,567 (14.5%)	85,544 (14.4%)	79,126 (13.3%)	73,353 (12.8%)	60,264 (11.8%)	58,557 (17.1%)	55,438 (17.2%)
Part-time (Share)	374,930 (80.1%)	376,939 (80.1%)	379,286 (79.6%)	533,174 (85.5%)	506,582 (85.6%)	514,746 (86.7%)	497,566 (87.2%)	449,355 (88.2%)	283,634 (82.9%)	267,701 (82.8%)
Corporate (Share)	125,778 (26.9%)	129,747 (27.6%)	133,152 (28.0%)	136,682 (21.9%)	135,529 (22.9%)	132,361 (22.3%)	128,630 (22.5%)	127,019 (24.9%)	124,190 (36.3%)	121,190 (37.5%)
Individual (Share)	342,255 (73.1%)	340,794 (72.4%)	343,065 (72.0%)	487,059 (78.1%)	456,597 (77.1%)	461,511 (77.7%)	442,289 (77.5%)	382,600 (75.1%)	218,001 (63.7%)	201,949 (62.5%)
Exclusive (Share)	366,222 (78.2%)	367,538 (78.1%)	372,061 (78.1%)	494,376 (79.3%)	465,402 (78.6%)	476,860 (80.3%)	438,950 (76.9%)	382,152 (75.0%)	261,597 (76.4%)	254,255 (78.7%)
Multi-representative (Share)	101,811 (21.8%)	103,003 (21.9%)	104,156 (21.9%)	129,365 (20.7%)	126,724 (21.4%)	117,012 (19.7%)	131,969 (23.1%)	127,467 (25.0%)	80,594 (23.6%)	68,884 (21.3%)

(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 general insurance companies.

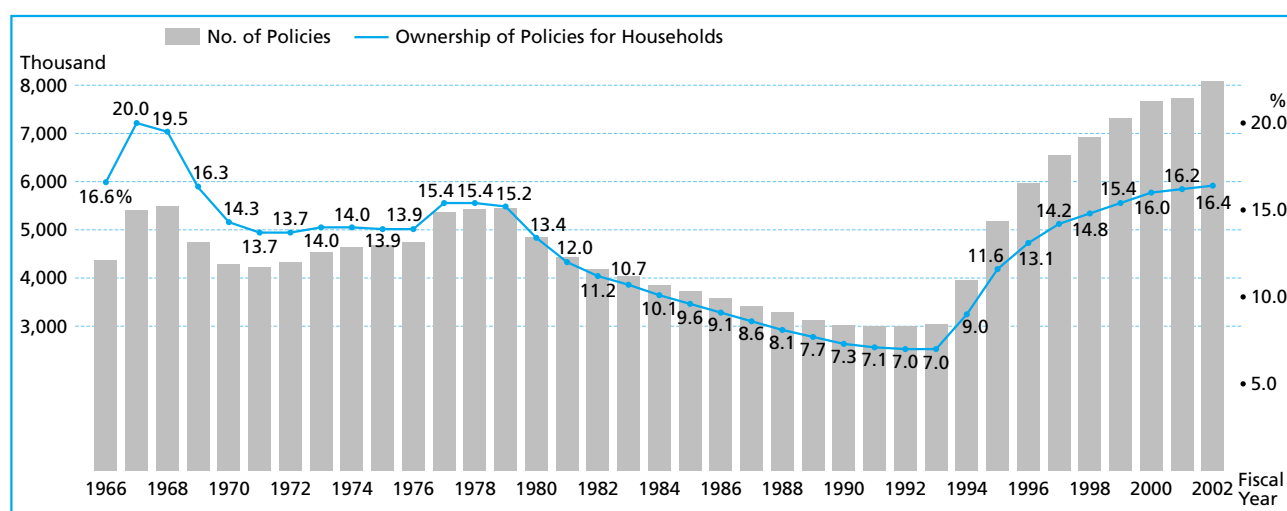
3. Figures above are as of the end of each Fiscal Year.

9. Ownership of Earthquake Insurance

1. 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.

2. 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.

3. 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	1,500 billion yen
Apr. 1, 1982				1,800 billion yen
Apr. 1, 1991	Total Loss/Half Loss/ Minor Loss	From 30% to 50% of the insured amount of fire insurance policy		3,100 billion yen
June 24, 1994				3,700 billion yen
Oct. 19, 1995				4,100 billion yen
Jan. 1, 1996				4,500 billion yen
Apr. 1, 1997				
Apr. 14, 1999				
Apr. 1, 2002				

10. Ownership of Voluntary Automobile Insurance

Fiscal Year	1992	1993	1994	1995	1996
Number of Registered Automobiles (thousand)	64,498	66,279	68,104	70,107	71,776
Bodily Injury Liability (%)	68.2	68.4	68.7	68.8	69.4
Property Damage Liability (%)	67.3	67.5	67.9	68.1	68.7
Passengers' Personal Accident (%)	65.7	66.0	66.6	66.9	67.5
Physical Damage (%)	28.4	28.9	29.2	29.8	30.7

Fiscal Year	1997	1998	1999	2000	2001
Number of Registered Automobiles (thousand)	72,857	73,688	74,583	75,525	76,271
Bodily Injury Liability (%)	69.9	69.6	70.4	70.9	71.0
Property Damage Liability (%)	69.2	69.1	69.8	70.4	70.5
Passengers' Personal Accident (%)	68.1	67.9	67.8	66.2	63.8
Physical Damage (%)	31.6	32.0	33.0	33.9	34.6

(Note) Figures are as of the end of each fiscal year.

PART II

***ACTIVITIES OF
THE ASSOCIATION***

Major Activities of the Association

Major Activities

Information Services

The Association has continued to raise public awareness and publicize information and lecture on general insurance.

Public Relations & Information Services

Cooperation with Schools

Lectures for Consumers

Communications & Dialogue

General Insurance Counseling System

Promotion of Disaster Prevention & Traffic Safety

The Association conducts disaster prevention, loss reduction and traffic safety promotion activities.

Disaster Prevention

Traffic Accident Prevention

Support for Traffic Accident Victims

Study & Research on Risks

Prevention of Social Problems

The Association carries out prevention activities for automobile theft and insurance fraud.

Automobile Theft Prevention

Insurance Fraud Prevention

Crime Prevention

International Activities

The Association promotes international cooperation among overseas insurance industries and is involved in setting up international supervisory standards and promoting deregulation.

Promotion of Communication with Overseas Insurance Associations

Participation in International Organizations & International Meetings

Insurance School (Non-Life) of Japan

Environmental Preservation & Support for NPO Activities

The Association promotes the preservation of the environment and NPO activities.

Activities for Environmental Preservation

Support for Activities of NPO & Volunteer Organizations

Activities for Development of Confidence

The Association conducts activities which help to gain consumer confidence.

Compliance with Laws & Regulations

Enhancement of Disclosure

Requests & Proposals

The Association carries out activities to realize the general insurance industry's concerns.

Requests for Tax Reform

Requests for Regulatory Reform

Submission of Public Comments

Requests for Defined-Contribution Pension Plan System

Requests for Zaikei Savings (Worker's Asset Formation) System

Requests for Elderly Nursing Care Policies

1 Public Relations and Information Services

■ Production and Provision of Publications and Brochures

The Association issues and provides publications and brochures to promote understanding of general insurance.

<Major Publications and Brochures>

- **Guidebook for General Insurance in Life**

This guidebook explains easily about fire insurance, automobile insurance, personal accident insurance.

- **Story of General Insurance**

This book is designed as a senior high school students' study aid and easily explains the function of insurance and the responsibility involved in a traffic accident.

- **Sonpo**

—information magazine for consumers—

This is a bimonthly publication which features current topics in the general insurance industry.

- **Guidebook for Insurance Company's Disclosure**

This is a side reader when a customer reads an insurance company's disclosure.

- **Earthquake Insurance Protects Your House**

This brochure explains the outline of the earthquake insurance on dwelling risks.

- **Guidebook for Victims of Traffic Accidents**

This guidebook is designed for victims of traffic accidents and shows the necessary procedures for claims settlement and the flow of procedures.

- **Knowledge of Indemnity**

This gives consumers a basic knowledge of indemnity involved in traffic accidents and others.



Brochures

■ Information Service through Web Site

The Association provides users with various types of information in English on the Web site. "News and Topics" gives the latest information on the market. "Market Information" includes descriptions on laws and regulations, an outline of insurance



<http://www.sonpo.or.jp/english/english.html>

supervision, basic statistics on general insurance business, etc. "Links" covers all licensed insurers, insurance related organizations and governmental bodies. "Publications" provides readers with back numbers of the Fact Book and the Newsletter in the format of PDF files.

■ Sonpo Information Square

Sonpo Information Square is an information service center where customers can get acquainted with general insurance and obtain necessary information in an emergency.

Major insurance products of all member companies are held in the Square and customers can take them out for free. It is useful for gathering information on general insurance. The staff of the Square will accept minor consultations when necessary.

Branches of the Association, except Shikoku and Okinawa, have similar information corners at their offices. Customers can see the brochures of the member companies.



Sonpo Information Square

Hours: 10:00-18:00, Monday through Friday
excluding national holidays

■ Advertising

In light of the social and public aspects of the Earthquake Insurance on Dwelling Risks and Compulsory Automobile Liability Insurance (CALI), the Association launches mass media campaigns to make customers well understand.

● Campaign for Earthquake Insurance

The purpose of the campaign is to make customers well understand the Earthquake Insurance and to expand the dissemination of the policy.



(TV)



(Poster)



(Newspaper)

Earthquake Insurance Campaign Advertisements

● Campaign for CALI

The purpose of this campaign is to make customers well aware of CALI and to reduce the number of uninsured motor bikes.

2 Cooperation with Schools

■ Essay Contest on General Insurance by Senior High School Students

Aiming at raising students' awareness of security

and disaster protection and promotion of understanding of general insurance, the Association held the 40th essay contest for senior high school students titled "Safety and Security in Life" in 2002.

Based on the winning essays, the Association published an easy to read illustrated magazine entitled “Safety and Security in Life” as a teaching aid for junior and senior high school students. The magazines are distributed to schools for free on request.



Winners of Essay Contest

■ Lectures for Senior High School Students, Teachers, etc.

In response to requests, the Association has sent lecturers to meetings at senior high schools for students, parents, and teachers in order to promote the mechanism and role of general insurance on such themes as traffic accidents and compensation for damages.

In addition, the Association sent lecturers to study meetings for senior high school teachers in cooperation with local educational study organizations.

■ 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 general insurance industry, the roles of the Associations, basics of general insurance, and a tour through related organizations and facilities.



Training Program for Teachers

■ Planning Kit for Junior and Senior High Schools

The Association rents the “Virtual Life Game” on request to junior and senior high schools. This game is a kind of 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.

This game won the Excellency Award in the section for experiment and practice at the 3rd “Commendation for Consumer Education Materials.”

3 Lectures for Consumers

The Association sends general insurance lecturers to consumer study meetings held under the sponsorship of local consumer centers and gives presenta-

tions on such themes as dealing with domestic risks and the role of general insurance.

4 Communications and Dialogue

■ Meetings

The Association holds meetings aimed at collecting a wide range of views and exchanging opinions on what general insurance should be, and utilizing these opinions for the future direction of the general insurance business.

<Major meetings>

- **General Insurance Round Table**
- **Meeting with news media**
- **Meeting with administrators of local consumer centers**



General Insurance Round Table

■ Consumers' Monitoring System

The Association has appointed about 450 monitors invited from the public as members of the "Monitor Club Sonpo" to get feedback on general insurance and the general insurance industry's activities.

5 General Insurance Counseling System

■ General Insurance Counseling Offices

The General Insurance Association of Japan has 13 counseling centers throughout Japan. These offices give explanations and advice to the public concerning insurance in general. The counseling offices at the Association's headquarters and Hokkaido /Tohoku /Yokohama /Shizuoka /Hokuriku /Nagoya /Kinki /Kobe /Chugoku /Kyushu branches have a "General Insurance Information Corner" where visitors can see or take away free pamphlets on major insurance products (personal line) distributed by our member companies. A toll free telephone line (0120-107808) is installed for policyholders in remote areas.

In addition, the Association opened the "Sonpo (general insurance) Information Square" in its headquarters on September 10, 2002, to furnish informa-

tion on general insurance. This office provides the very latest information on major insurance products, the disclosure materials of each member company and consultation services which will be of immediate benefit to potential customers.

Toll free telephone: 0120-107808

**Hours: 9:00-6:00, Monday through Friday
excluding national holidays**

**<Number of counseling accepted: 17,230 for
fiscal 2002>**

■ Automobile Insurance Claims Counseling Centers

The General Insurance Association of Japan has 48 counseling centers concerning voluntary automobile insurance and Compulsory Automobile Liability Insurance (CALI) throughout the country.

They also provide free legal advice about automobile insurance from a lawyer.

Hours: 9:00-12:00, 13:00-17:00 Monday through Friday excluding national holidays
<Number of counseling accepted: 76,913 for fiscal 2002>

■ General Insurance Arbitration Committee

This Committee, set up by the General Insurance

Association of Japan, is made up of five people, academics and lawyers to deal with problems not settled through mediation by the general insurance counseling offices mentioned above.

<Number of counseling accepted: 2 for fiscal 2002>

- Regarding assessment of permanent disability
- Regarding an insurance company's process of claim settlement

II Promotion of Disaster Prevention and Traffic Safety

1 Disaster Prevention

Lectures and Symposia to Promote Disaster Prevention

To promote disaster prevention, the Association held following lectures and symposia.

Date/Year	Place	Theme
August 30, 2002	Tokyo	Anti-inland earthquake measures in household and local community
January 25, 2003	Shizuoka	Providing for Tokai Earthquake
February 1, 2003	Nagano	Providing for Tokai Earthquake and Inatani Fault Zone Earthquake
February 1, 2003	Kochi	Providing for Nankai Earthquake —Towards Disaster Prevention in a New Century—



Disaster Prevention Symposium

Fire Prevention Slogan Contest

The Association conducted a fire prevention slogan contest in cooperation with the Fire and Disaster Management Agency to promote fire prevention awareness. The winning slogan was used in 2003 national Fire Prevention Poster



campaigns and was included on the fire prevention posters given by the Association to the Agency.

Publication of Fire Prevention Materials

The Association issued and distributed the “Loss Prevention Journal” to promote fire prevention awareness.

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 through lectures on first-aid treatment, evacuation drills, etc. in their region.

Contributions to enhance Fire Fighting Facilities

The Association has donated fire engines and fire fighting materials to local government as one of the social action programs.

Items	Notes
Fire engines	The Association has donated 2,510 fire engines to local government since 1952.
Fire fighting materials	The Association has donated fire engines to Tokyo Metropolitan Government since 1952.
Fire fighting materials	The Association has donated fire engines to isolated islands in Japan since 1982.

2 Traffic Accident Prevention

■ Promotion of Public Awareness of Traffic Accident Prevention

To promote public awareness of traffic accident prevention, the Association posts traffic accident analyses such as accident-prone date, intersection, etc. on its web site.

The Association has conducted a survey of car owners with booster seats and provided the survey results. It has also issued a leaflet using survey findings to promote the use of booster seats and raise public awareness on their misuse.

■ Social Action Program concerning Traffic Accident Prevention

The Association takes part in public awareness promotion activities such as the "Traffic Safety Symposium", the "Traffic Safety Fair" and the "Conference on Promotion of Seatbelts and Child-

seatbelts" sponsored by the Cabinet Office.

■ Lending Service of Traffic Safety Promotion Videos

The Association produces traffic safety promotion videos and lends them to those who are interested.



"The Child Booster Seat" (Video)

3 Support for Traffic Accident Victims

■ Activities for the Prevention of Traffic Accidents and Support for Traffic Accident Victims by utilizing Investment Income from Accumulated CALI Funds

The Association has conducted activities below by utilizing investment income from accumulated CALI(Compulsory Automobile Liability Insurance) funds.

The Association announced a 2.5 billion yen plan for fiscal 2003 which features mental care for victims' families, a promotion of short-stay services, and a supply of rehabilitation information to groups of victims' families, etc. This has grown out of a consideration for the increasing number of victims with permanent disability and reflects the principle of the Automobile Liability Security Law revised in April 2002.

<Major activities 2003>

- Assistance to prevent drunk-driving
- Donations of high-performance ambulance
- Assistance to hold emergency life-saving technician training sessions which are required for technicians as a consequence of legislative revisions to widen their permitted medical treatment.
- Assistance to provide free counseling services by the Japan Center for Settlement of Traffic Accident Disputes
- Assistance for scholarships by the Traffic Accident Orphans Foundation
- Research on mental care of victims' families and their support
- Promotion of mental care for victims and their families
- Donation of welfare-purpose cars

- Assistance to hold workshops on rehabilitation
- Support for medical research projects
- Support for medical training

■ Medical Education Institute

The Association established the Medical Education Institute in 1988 in response to the report of the CALI Council in 1985. The institute provides training seminars, about 30 times a year, with personal accident loss assessors to enhance their knowledge on medical treatment and to make appropriate loss assessment. The Institute also gives financial help

to medical practitioners engaging in medical treatment for traffic accidents' victims to improve the level of treatment.



Medical Education Institute

4 Study and Research on Risks

■ Study and Analysis of Claims Data for Automobile Insurance

The Association statistically analyzes losses in Japan arising from traffic accidents, using automobile insurance claims data collected from general insurance companies. The results are published in the report entitled the "Actual conditions of traffic accidents as shown by automobile insurance claims data". 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.

■ Study and Research on Safety Promotion and Loss Prevention Activities

The Association conducts study and research on the risks as fire, explosion, automobile accidents, liabilities, natural disasters and environmental disruption to promote public awareness about accident and disaster prevention. In 2002, the Association conducted study and research on making flood hazard maps. The Association will continuously ask local governments to make these maps.

■ 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 and require help with the establishment of their safety measures.



Study Reports

III

Prevention of Social Problems

1

Automobile Theft Prevention

■ Combat Automobile Theft

The number of automobile theft has increased rapidly all over the country since 1999.

The reasons of this increase are as follows:

- International organized crime syndicates are behind automobile theft. This theft becomes the source of funds for criminal gangs.
- Increase in the illegal export due to the deregulation of the export trade control order in 1995.

The Association sees this theft as a social problem to eliminate and is actively-engaged in loss prevention publicity.

■ Operation of the “Joint Automobile Theft Prevention Project Team”

The Association and National Police Agency has acted as a Secretariat of the “Joint Automobile Theft Prevention Project Team” which comprises both government authorities and the private sector to prevent automobile theft and illegal export of stolen cars. The project team compiled an Action Plan for the Prevention of Automobile Theft and promotes automobile theft prevention activities in cooperation with related organizations.



Automobile Theft Prevention Poster

■ Conducting a Survey on Automobile Theft and Survey of Automobile Drivers

The Association has conducted a survey on automobile theft and a survey of automobile drivers independently to take substantial measures against theft and provided the survey results to promote awareness of car protection.

■ Operation of the Stolen Car Search System

The Association operates a stolen car search system in cooperation with the All Nippon Checkers Corporation, The Japan Cargo Tally Corporation and the Nippon Auto Auction Association to find stolen cars.

■ Support for Automobile Theft Prevention Council

“Joint Automobile Theft Prevention Project Team” comprises both government authorities and the private sector to prevent automobile theft and illegal export of the stolen cars. The project team has compiled an Action Plan for the Prevention of Automobile Theft in which the team describes that they have targeted setting up an “Automobile Theft Prevention Council” in each prefecture. The Association will support the setting up of the Council and cooperate with the Council’s activities.



Automobile Theft Prevention Council

2 Insurance Fraud Prevention

■ 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 general insurance companies, have been established in 47 prefectures. The Councils are promoting information exchange to eliminate insurance fraud, and help the police in their criminal investigations.

■ Cooperation with National Police Agency

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

■ Holding Seminars on Prevention of False Applications for Insurance Claims

With the participation of lecturers such as acad-

emics or police experts on insurance fraud, the Association holds seminars which examine concrete instances of undue and false applications for insurance claims.



Seminars on Insurance Fraud

■ Registration System of Contract Terms

The general insurance industry has operated the registration system of contract terms of personal accident insurance. This is used as reference information for renewals of contracts or payments of claims by general insurance companies to prevent false applications for claims and ensure proper claim payments.

3 Crime Prevention

■ Activities for Crime Prevention

Recently, burglaries by picking locks, credit card thefts and arson has become a social problem. Tactics used by criminals are clever, bold and violent. These crimes can be prevented by easy anticipatory measures. The Association conducts anti-crime activities through its anti-crime web site.

■ Participation in the “Joint Taskforce regarding Building Components with High Anti-Burglary Protection”

The Association has decided to participate in the “Joint Taskforce for the Development and Dissemination of Building Components with High Anti-Burglary Protection” comprising of government agencies and the private sector.

The taskforce has studied measures for the development and dissemination of building components with a high performance against burglary. The taskforce aims to issue a catalogue of the high security building materials in March 2004.

■ **Participation in the “Joint Taskforce regarding Prevention of Burglary that Destroys Automatic Teller Machines” (ATMs)**

With burglary destroying ATMs, the Association

has decided to participate in the “Joint Taskforce regarding Prevention of Burglary that Destroys Automated Teller Machines” comprising of government agencies and the private sector. The taskforce has studied the key points for anti-burglary and reviewed anti-burglary standards.

IV *International Activities*

1 Promotion of Communication with Overseas Insurance Associations

The advance of internationalization in the insurance market is making it ever more essential for the general insurance industry to promote mutual understanding and exchange of views and information with overseas insurance industries. As an integral part of its activities to establish good relationships with them, the General Insurance Association of Japan has actively pursued dialogue and exchange of views and information with overseas insurance associations.

So far, the Association has concluded a Cooperation Memorandum with 5 associations. They

are Federation Francaise des Societes d'Assurances (FFSA) in October 1997, the Association of British Insurers (ABI) in April 2001, Gesamtverband der Deutschen Versicherungs-wirtschaft e. V. (GDV) in May 2001. In addition, the Association has concluded a Cooperation Memorandum with the Insurance Association of China on May 20, 2003 and with the American Insurance Association on June 10, 2003.

The General Insurance Association of Japan continuously strengthens the cooperation of the Association with the United States, Europe and Asia.

2 Participation in International Organizations and International Meetings

General insurance related issues are discussed in the various governmental-level and private sector-level insurance organizations and conferences. The General Insurance Association of Japan has participated in following organizations and conferences and expresses opinions representing the Japanese general insurance industry in cooperation with the world-wide general insurance industry.

■ Government-level

● **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 to assist each country to implement those standards, and to promote cooperation among insurance supervisors and also with other international organizations.

The General Insurance Association of Japan has been participating in the IAIS annual conferences as an observer since 1996.

● **Organization for Economic Co-operation and Development (OECD)**

The Organization for Economic Co-operation and Development (OECD) has an Insurance Committee which deliberates on various insurance issues, and has conducted 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 General Insurance Association of Japan has been a participant on an ad hoc basis since November 1998.

● **World Trade Organization (WTO)**

The World Trade Organization has dealt with the liberalization of trade in goods and services.

■ Private sector-level

● 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 IAS on insurance.

● 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.

● The International Union of Marine Insurance (IUMI)

The International Union of Marine Insurance (IUMI) is the longest-running international orga-

nization devoted to marine insurance, and was established in Berlin, Germany, in 1874.

● 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 develop international collaboration in all fields of insurance.

From October 20 to 25, 2002, the 21st Conference of the EAIC was held in Tokyo under the main theme of “Challenges and Opportunities for Insurance in the Changing World of Financial Services”. The Conference was jointly hosted by the Association, the Life Insurance Association of Japan and the Foreign Non-Life Insurance Association of Japan.



East Asian Insurance Congress (EAIC)

3 Insurance School (Non-Life) of Japan

The ISJ is a series of international insurance training programs that the General Insurance Association of Japan, jointly with the Non-Life Insurance Institute of Japan, has provided for the insurance industry in the East Asian regions since 1972, responding to the recommendation from UNCTAD (United Nations Conference on Trade and Development) and requests from the East Asian Insurance Congress.

The Association and the Institute have now operated 3 kinds of programs, the ISJ General Course, the original course program for practitioners, the Advanced Course for managerial level partici-

pants and the Overseas Seminar.

■ ISJ General Course (Started from 1972)

To exchange general 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.

■ ISJ Advanced Course (Started from 1991)

To accommodate an increased number of

requests from East Asian regions to organize an additional course at a higher level, the General Insurance Association of Japan decided in March 1990 to start the Advanced Course from May 1991.

The 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.

■ Overseas Seminar (Started from 1993)

The General Insurance Association of Japan, jointly with the Non-Life Insurance Institute of Japan, has held the ISJ Overseas Seminar annually since 1993. This is organized under the co-auspices of the relevant associations or organizations of each region concerned, and the seminars are held in different cities chosen in turn from among the ISJ regions.

With the dispatch of lecturers from the Japanese insurance market to ISJ regions, the Association and the Institute select the themes according to the particular insurance industry needs in the different cities.

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.



ISJ Overseas Seminar

V

Environmental Preservation and Support for NPO Activities

1

Activities for Environmental Preservation

■ Automobile Parts Recycling Campaign and Automobile Parts Repair Campaign

The Association conducts an “Automobile Parts Recycling Campaign” and an “Automobile Parts Repair Campaign” annually from June to July.

The aim of the “Automobile Parts Recycling Campaign” is to raise 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 repair damaged automobile parts such as resin car bumpers rather than replacing those parts.



Recycling Campaign Poster

■ Non-Life Insurance Industry Action Plan to Preserve the Environment

The general 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 general insurance company shares a common recognition of the importance of the preservation of the environment. Each company deals accordingly with such issues as reducing paper use, providing environ-

ment-friendly general insurance products and services and publicizing information and awareness.

- **Activities through insurance business**
- **Spreading information amongst the general public**
- **Measures to prevent global warming**
- **Establishment of an efficient recycling system**
- **Education and awareness raising within the company**
- **Establishment of an environmental management system and its ongoing review**

■ 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 management and 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 publicizes its environmental activities through its own publications and web site.

2

Support for Activities of NPO and Volunteer Organizations

The Association has supported for 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 general insurance companies to participate in voluntary activities to support those NPO activities.

■ Main activity

● Holding symposia and lectures for NPO activities

The Association held the symposia and lectures on the environment, rescue activities in disasters and risks related to NPO activities.

● Publishing guidebooks for NPO

The Association has published guidebooks about risks concerning NPO activities and its risk management and has produced a video on how to manage the risks.



Guide Books

● Planning and implementation of volunteer activities

To obtain an in-depth understanding of volunteer activities from employees of member companies and promote their participation of the activities, the Association planned and implemented various volunteer activities as cleaning up a beach, forestry preservation, etc.



Beach Clean-Ups

An outline of the Association's Environmental Policy

(released on April 2, 2001, and partially revised on July 2, 2001)

1. Fundamental Idea

The Marine and Fire Insurance Association of Japan (currently the General 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 busi-

ness 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 waste, 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

VI *Activities for Development of Confidence*

1 Compliance with Laws and Regulations

The Association has set the “Compliance Committee” to promote thorough compliance with laws and regulations at the general insurance industry level. The Association came up with “Compliance Program” to implement concrete action.

The Association works out industry guidelines and publicizes them, and also, holds seminars and meetings to exchange views on compliance.

<Guidelines of general insurance industry for compliance with law and regulation>

- **Code of conduct**
- **Guideline to comply with the Anti-Monopoly Law**
- **Guideline to comply with the Law on Sales of Financial Products**
- **Guideline to comply with the Law on Personal Data Protection**

2 Enhancement of Disclosure

The Association has drawn up disclosure standards which set a wider range of information to be disclosed than the statutory items and has been reviewed regularly, in order to ensure the transparen-

cy of general insurance business. Based on this standard, each member company compiles its own disclosure materials.

An outline of the Association’s Code of Conduct

Objectives

The general insurance business plays a role in giving benefits to the public, and is required to take into consideration the contribution of its business to the national economy and its further development. The industry is also required to be competitive for the benefit of customers and to maintain a sound business. In addition, it is also a crucial issue for a corporate entity to conduct its business paying due attention to ensure fairness and business transparency.

With the changes in business environment such as deregulation and liberalization, trends of higher regard for customer importance, and the need to think globally, Japanese corporate entities are now required to respond to new issues.

In these circumstances, this Code of Conduct has been established with the objective of bolstering public credibility in the general insurance business and to show its general basic principles and practical guidelines for the present. We assume that each company will respond to these issues based on self-responsibility.

Basic Principles

Those entities which engage in the general insurance business (hereafter general insurers) shall observe the following as basic principles in their conduct.

- **The principle of self-responsibility:** general insurers are required to conduct themselves with common sense based on the norms and ethics of society, following the self-responsibility principle.
- **The principle of fairness and impartiality:** general insurers are required to provide good socially efficient products and services, and attend to all customers in an impartial manner through fair competition and efficient business management.
- **The principle of harmonization with society:** general insurers should aim to make the “general insurance business understandable and familiar”, as well as endeavour to contribute to society.

Practical guidelines

Following the basic principles in the Code of Conduct, the following practical guidelines, which will be adopted whenever the need arises, have been defined.

- 1) **Guideline for fair competition**
 - General insurers shall promote fair competition to give genuine benefits to customers.
- 2) **Guideline for the reinforcement of an internal management system**
 - General insurers, as members of financial institutions, shall reinforce their internal management systems.
- 3) **Guideline for the investment of assets**
 - General insurers shall endeavour to operate their risk management meticulously and invest their assets responsibly, taking the social and public nature of their business into consideration.
- 4) **Guideline for public relations**
 - General insurers shall endeavour to strengthen their abilities in responding to consumers and to disseminate knowledge regarding general insurance amongst the public.
- 5) **Guideline to keep anti-social groups out of the non-life insurance business**
 - General insurers shall implement practical measures to prevent the encroachment of organized crime in their business and the disruption of stockholders’ general meetings by professional trouble makers.
- 6) **Guideline for the global environment**
 - General insurers shall study and implement measures taken by the industry to resolve global environmental problems.

VII *Requests and Proposals*

1 Requests for Tax Reform

Every year, the General Insurance Association of Japan carries out activities to realize the general 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 general insurance and the sound development of the general insurance business.

The Association submitted the "Requests for Fiscal 2004 Tax Reform" to the authorities and parties in order to respond appropriately to the structur-

al 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) Improvement of the system for catastrophe reserves, and
- (3) Creation of premium deduction systems which responds to changes in social needs

An Outline of Tax Reform Requests for Fiscal 2004

1. Elimination of double taxation on received dividends

- (1) To exempt interest arising from savings premiums accounts of general insurance companies from the deduction of interest on borrowed funds,* as the account assets are not invested in stocks.
- (2) 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. 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 to ensure claims payment for catastrophe losses.

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

- (1) To create a premium deduction system (for taxable income calculation) for medical expenses insurance, nursing care expenses insurance, individual annuities and accident insurance with tax deduction 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.
- (2) To create a premium deduction system for the 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.

(Note) Current premium deductible limits for general insurance

a. Treatment under the Income Tax Law:

The premium 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 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.

4. Extension of the current system of the corporate enterprise tax on general insurance business

To continue the current income based taxation (100% of pro forma standard taxation) system

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

6. Tax treatment on defined-contribution pension plan

(1) To abolish the Special Corporate Tax on contributions by employers, those by beneficiaries of an Individual-Type to defined-contribution pension plans, and investment yields arising from those contributions.

(2) To raise the limit of the amount of contributions to defined-contribution pension plans.

7. 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

2 Requests for Regulatory Reform

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 in April it also established a new organization, the Council for Regulatory Reform, to promote the plan.

Since then, the Cabinet revised the 3-Year Regulatory Reform Promotion Plan in March 2002 and 2003 and regulatory reform has advanced accordingly.

The Association supports further development of regulatory reform by collecting requests from members every year.

Following these moves, the Nippon Keidanren (Japan Business Federation) solicited requests for fiscal 2003 from its member corporations and organizations. The Association sent its requests to the Federation and also submitted 32 reform request items to the Council for Regulatory Reform in June 2003.

The General Insurance Industry's Regulatory Reform Requests for Fiscal 2003 (major points)

1. To expand the scope of the core business area of insurance companies.
2. Requests for the promotion of the rationalization and efficiency of business process in insurance companies.
3. To review the examination procedures to help insurance companies develop their products rapidly.
4. To deregulate the examination system for insurance products.
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 deregulate conditions to promote the use of electronics as a means of business for insurance companies. (in the field of information and communication)
11. To promote the deregulation of the defined contribution pension plan system in order to help its dissemination.(in the field of pension)
12. Requests for the promotion of taking countermeasures against automobile theft.
13. Requests for a safety net of insurance companies.

3 Submission of Public Comments

The Association is dedicated to promoting the soundness of the general insurance industry and to generating favorable legislative conditions by submitting its opinions as public comments on policies and legislation planned by the ministries.

Until fiscal 2001, the Association submitted its

public comments only to the Financial Services Agency regarding revisions of the Insurance Business Law. Since fiscal 2002, the Association has widened the targeted ministries and started submitting its opinions to the Cabinet Office and the Ministry of Justice.

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 5 request items on the plans to the Ministry of Health, Labour and Welfare in August 2003.

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 yen¹ and 216,000 yen² per year
- Individual-Contribution Type: 816,000 yen³ and 180,000 yen⁴ 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 is applied to 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 a 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

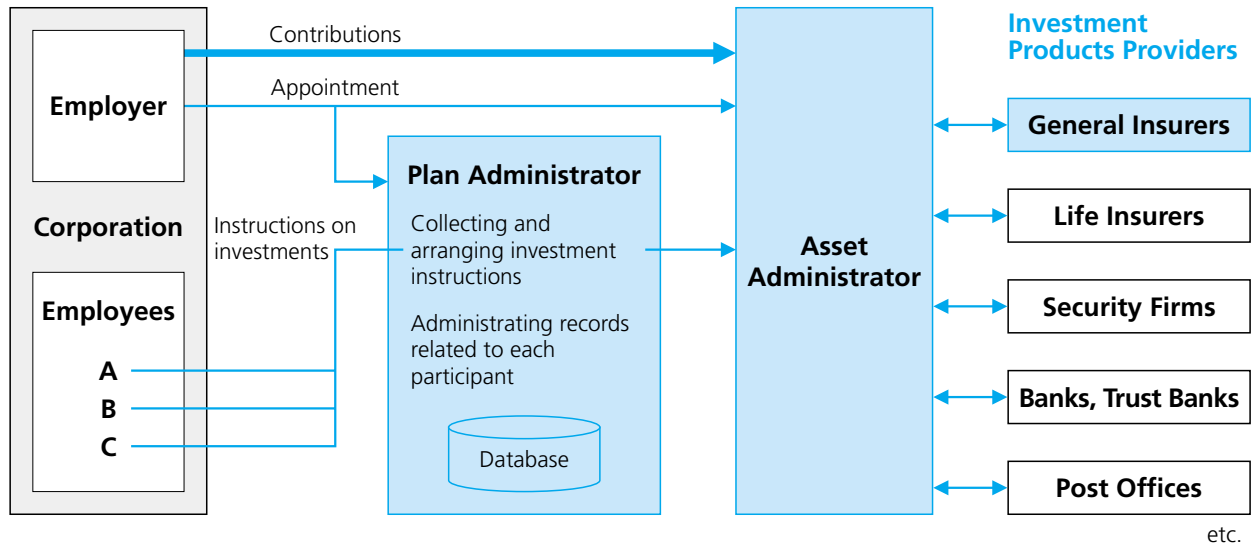
A request was made to permit households and public servants, etc. who are currently not eligible to become beneficiaries under the system.

5. To approve withdrawal of the pension fund in the case of hardship

A request was made to permit policyholders facing hardship to withdraw their pension funds after imposing a certain tax even if they are less than 60 years old.

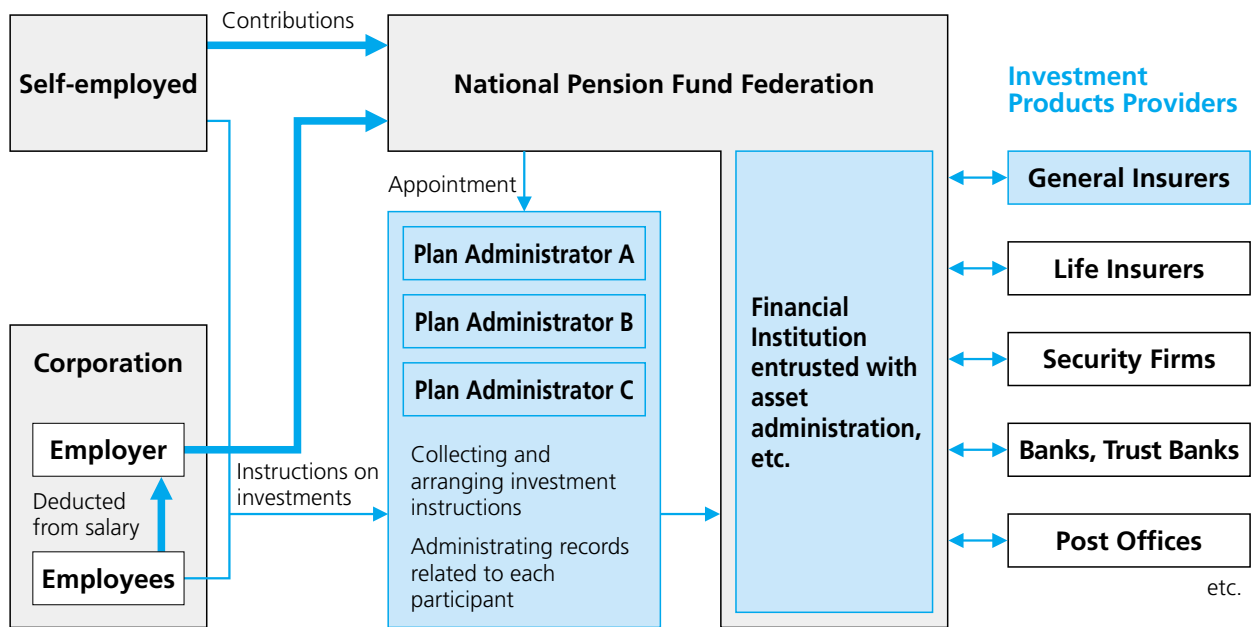
Conceptual Illustration of Defined-Contribution Pension Plans

Corporate-Contribution Type



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

Individual-Contribution Type



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

Since general 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 2003, the Association submitted the following 5 request items to the Ministry of Health, Labour and Welfare in August 2003.

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. 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.

6 Requests for Elderly Nursing Care Policies

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 2003, 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.



Brochure on Nursing Care Insurance

Association's Requests for Elderly Nursing Care Policies

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, general 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.



PART III

MARKET INFORMATION

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 general insurance companies, including foreign insurers, insurance holding companies, the Policyholders Protection Corporations, general 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 general 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.

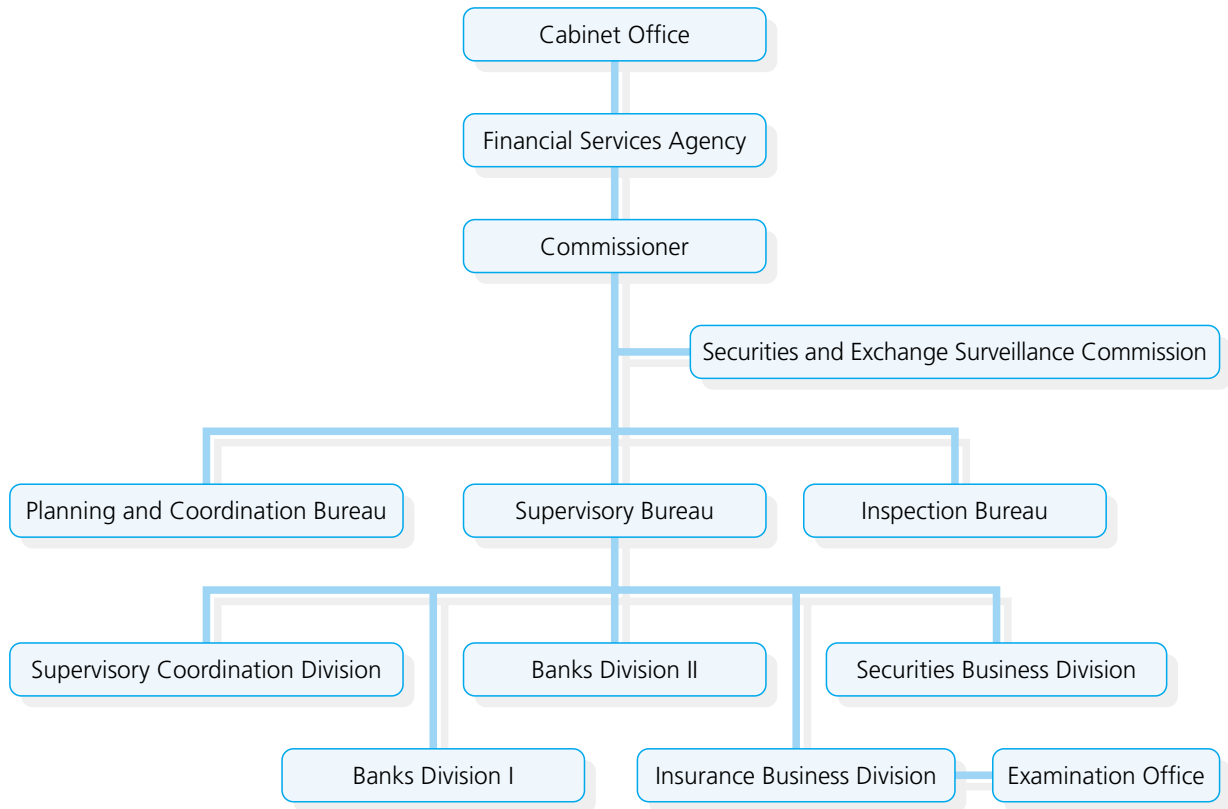
The Financial System Council was established in June 1998 by combining three former councils (the Financial System Research Council, the Insurance Council, and the Securities & Exchange Council). Though the Financial System Council was set up under the Ministry of Finance, it has been placed under the FSA since the latter's creation on July 1, 2000. The Financial System Council is currently composed of 24 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.

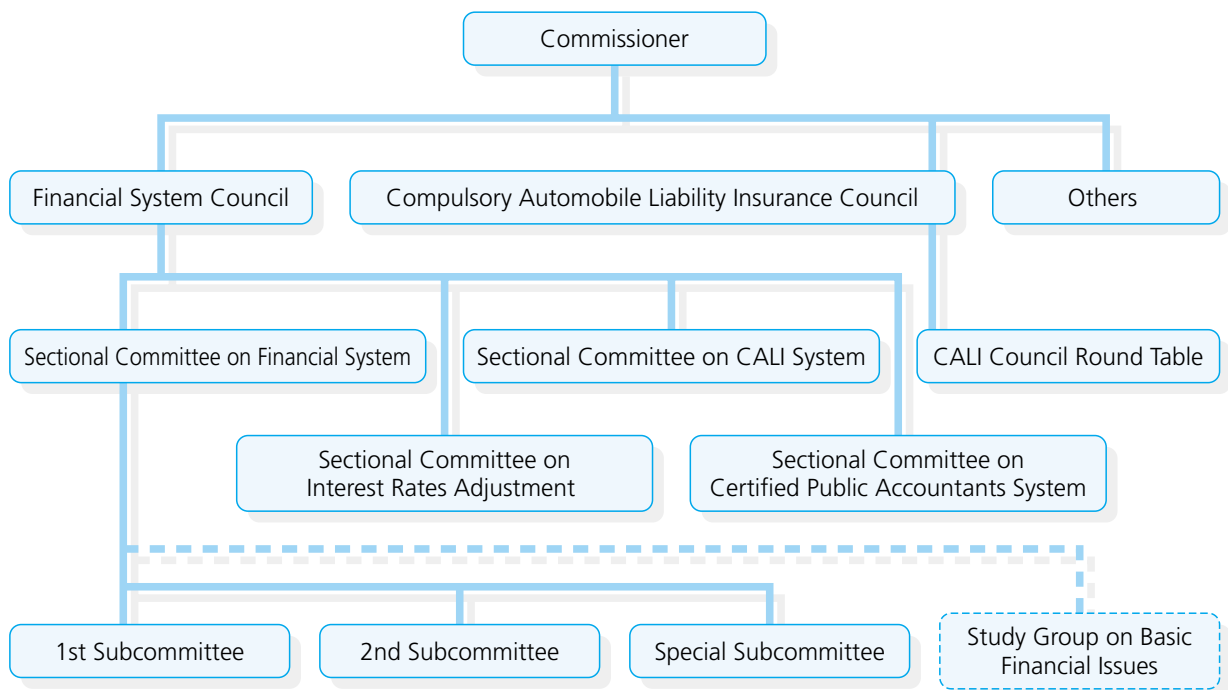
The CALI Council was established under the Automobile Liability Security Law introduced in 1955, and is currently composed of 19 members. It has met regularly since its creation, and at its 115th session held in June 2000, it submitted a report to the Commissioner of the FSA concerning the new direction 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.

- (*) 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.

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, general 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 general insurance business.
 - c. No person can hold licenses for both life and general 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 general 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 general 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 general 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 1) 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, 2) the stipulated amount of deposit, and 3) 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 general 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 general 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 general insurance company, registered life insurance solicitors or general 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 general 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 general 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, general 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 general 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 general insurance premium rates.

2 Establishment of Rating Organizations

- a. Two or more general 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 automo-

bile 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

General 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

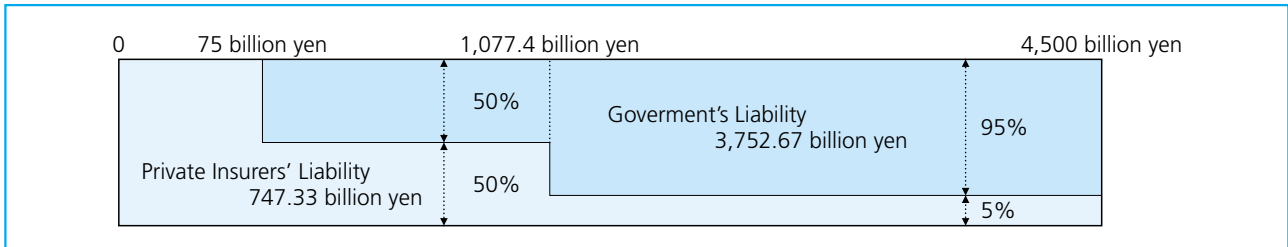
Since the likelihood of catastrophic losses following an earthquake is high, the aggregate limit of indemnity is shared among all private insurers and the government, who are liable under the excess of loss reinsurance cover arranged through the Japan Earthquake Reinsurance Company (hereinafter referred 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 bil-

lion yen. If the total amount of claims per quake exceeds the aggregate limit of indemnity, claims payable shall be reduced pro rata by the propor-

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

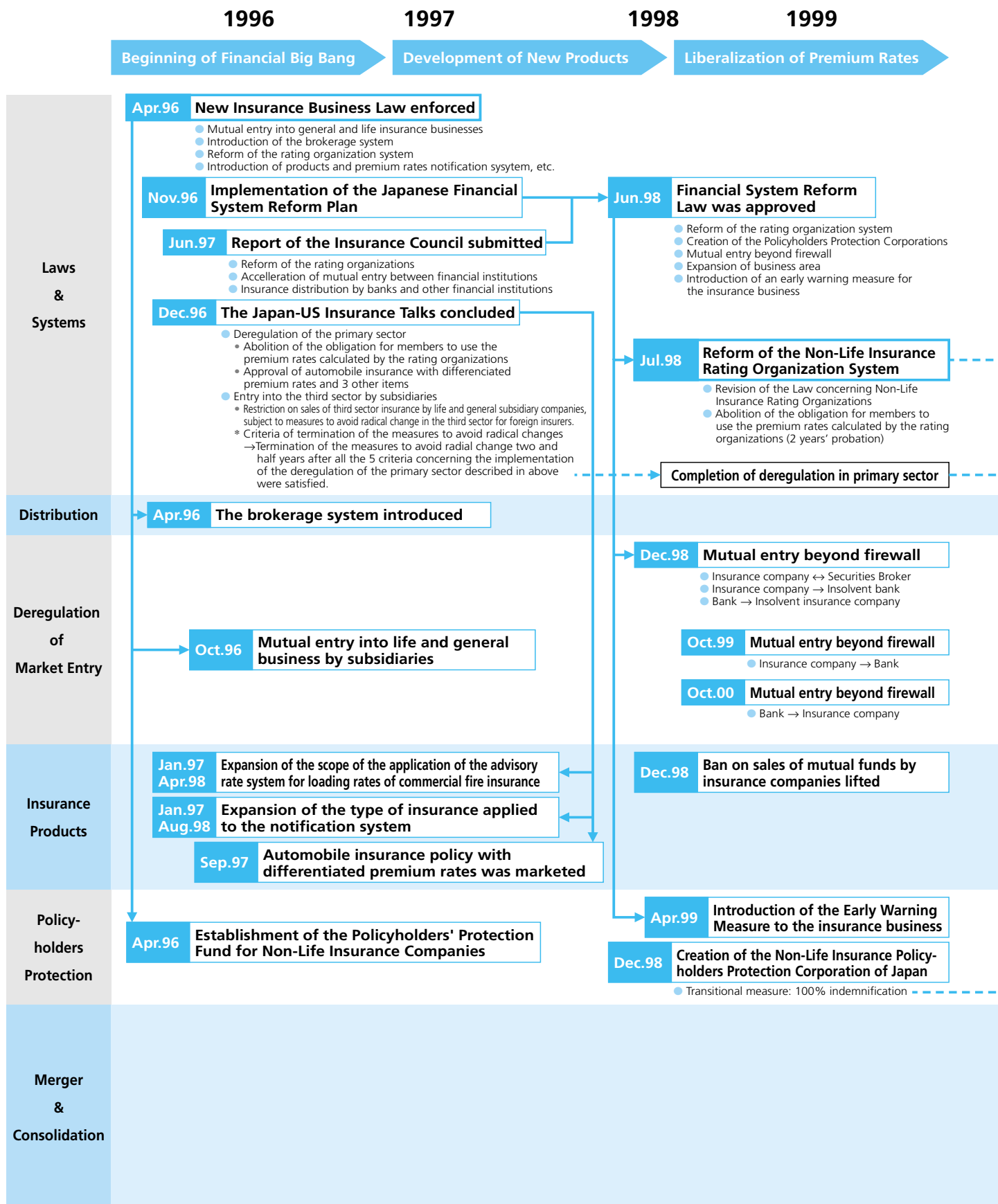
C. Liability Sharing Scheme between the Government and Private Insurers

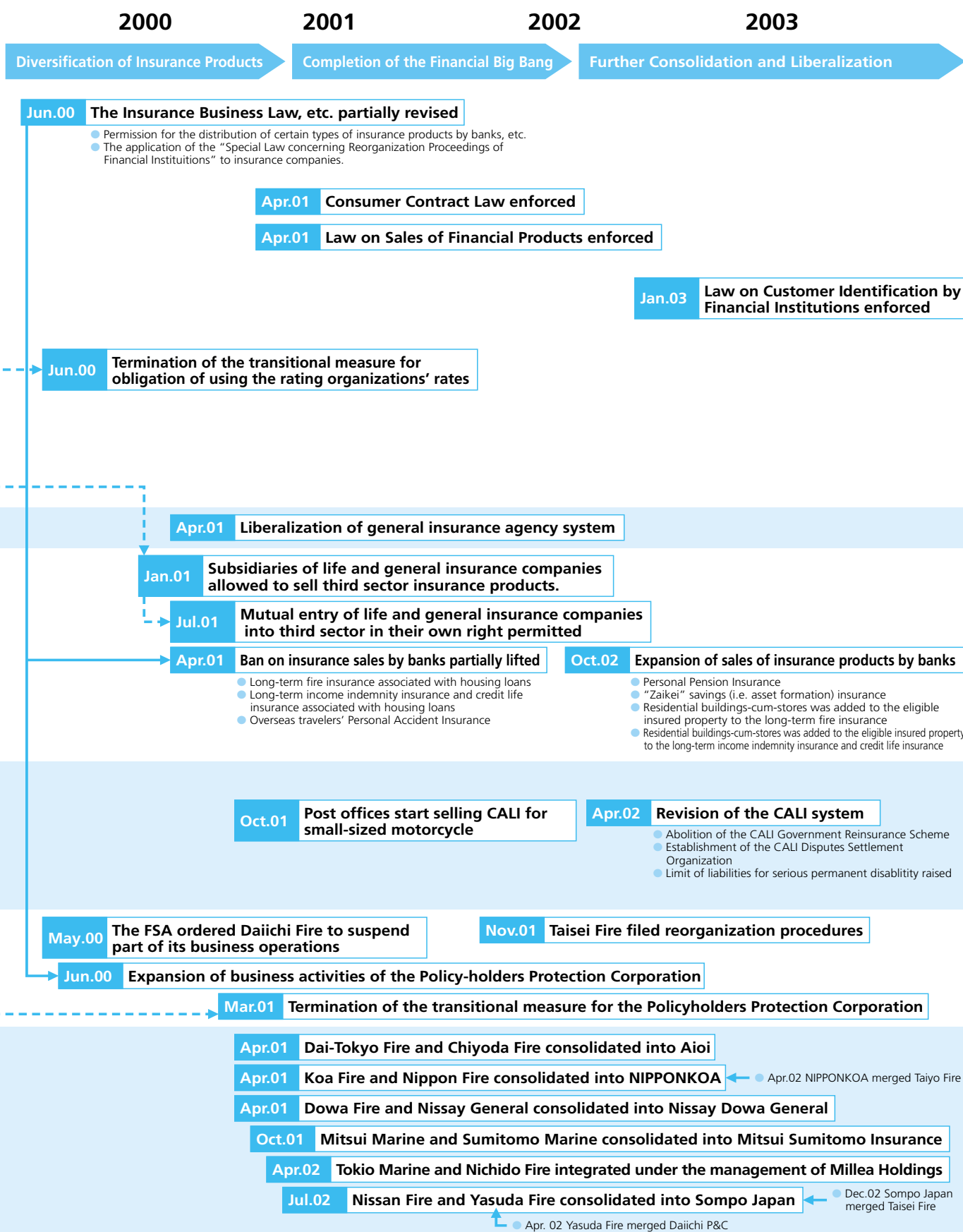


- (A) Up to 75b yen Private Insurers Liable for 100%
- (B) Over 75b yen up to 1,077.4b yen Government Liable for 50% (501.2b yen)
Private Insurers Liable for 50% (501.2b yen)
- (C) Over 1,077.4b yen up to 4,500b yen Government Liable for 95% (3,251.47b yen)
Private Insurers Liable for 5% (171.13b yen)

III

Deregulation and Liberalization of the Japanese General Insurance Market





The Japanese general 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 general 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 general 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 general insurance subsidiaries established by six life insurance companies and the eleven life insurance subsidiaries established by eleven general insurance companies began operations.

October 1, 1996

Measures for the future deregulation of the general 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 general 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 general 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, general insurance companies were allowed to distribute mutual funds 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 general 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 general 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 general insurance products to which the notification system applies was expanded effectively from August 13, 1999, and in principle, general 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 general insurance products by tying up with general 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 general 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 general 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 general 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 general 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 general 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 general insurance companies into third sector in their own right permitted.

- Following the mutual entry of life and general subsidiaries into the third sector in January 2001, life and general 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
Post offices start selling CALI for small-sized motorcycle.

- 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. General 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 general 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 general 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

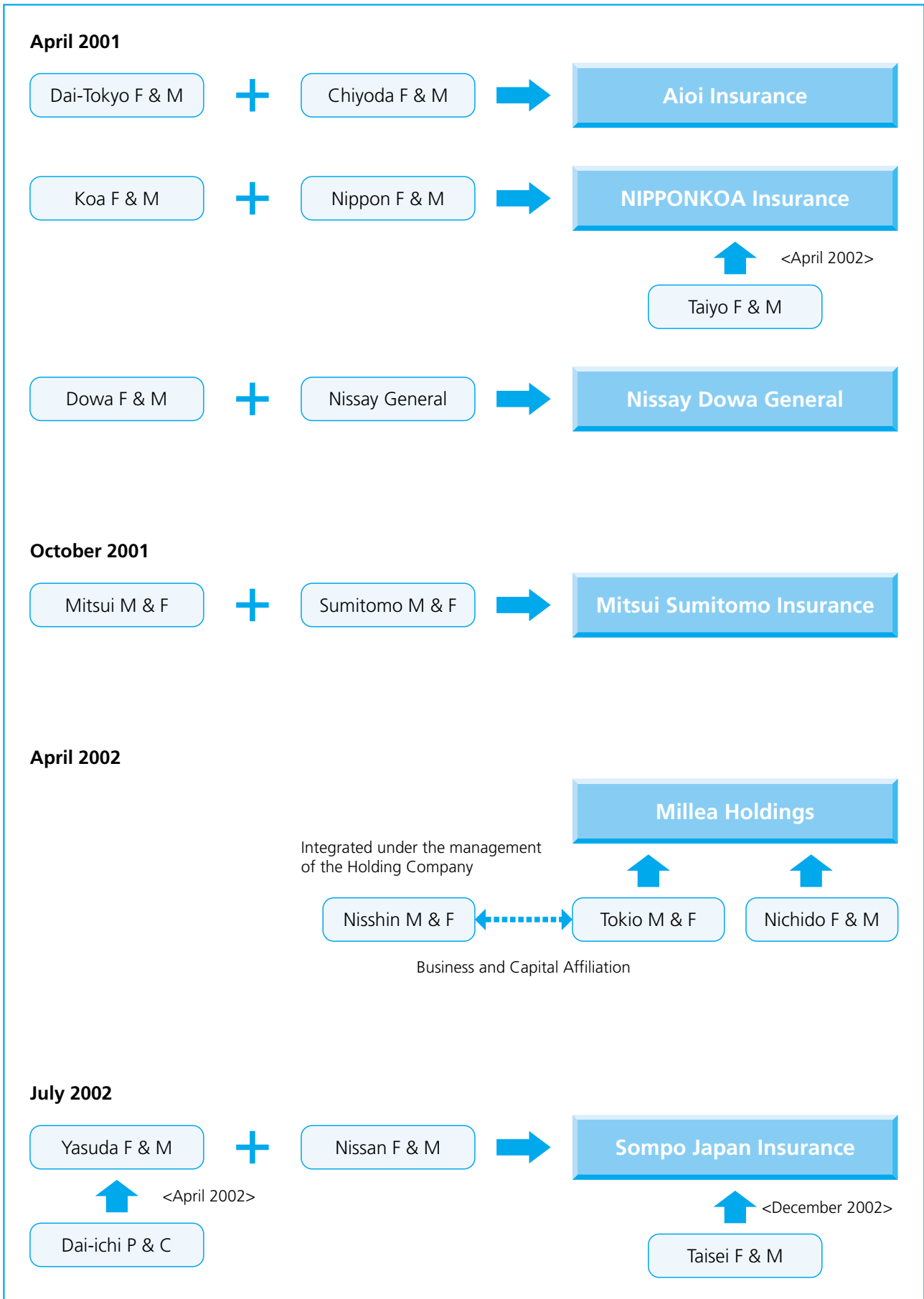
Expansion of sales of insurance products by banks.

- 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.

Development of Consolidations



IV *Early Warning System and Policyholders Protection Scheme*

As part of a scheme to protect policyholders' interests, the following measures have been introduced to the Japanese general insurance market: 1. An early warning system based on the solvency margin ratio, whereby the supervisory authority can require an ailing general insurance company to improve its business operation. 2. The setting up of the policyholders protection corporation to deal with the possible insolvency of a general insurance company.

1 Early Warning Systems

On August 22, 2003, the FSA revised its administrative guidelines and introduced off-site monitoring and early warning measures. An insurance company will be considered in sound condition if the solvency margin ratio is 200% or more. However, if the ratio falls below 200%, the supervisory authority shall take early remedial action on the basis of the provisions of the Insurance Business Law and its enforcement ordinance. Prior to the early remedial action, off-site monitoring and early warning measures will be taken when the Commissioner deems it necessary in order to improve the management of a company which still maintains its solvency margin ratio at more than 200%.

A. Off-Site Monitoring

Early detection and early remedy of managerial problems is the key to rehabilitating unhealthy insurance companies. The FSA has introduced off-site monitoring in order to grasp the insurance company's management condition by collecting a continuous flow of financial statements and risk information reports from insurance companies. The collected data is stored and analyzed quickly and effectively. Giving feedback on the results of the analysis and having interviews with the management of the company, the FSA urges the insurance company to carry out remedial plans independently.

B. Early Warning Measures

Early Remedial Action based on solvency margin ratio is provided in paragraph 2, Article 132 of the Insurance Business Law as a measure to secure

soundness of an insurance company's management. Even an insurance company which does not fall under the scope of Early Remedial Action shall be required to make continuous efforts to maintain and improve the soundness of its business. To that end, the FSA will take the following preventive measures to assure an early remedy of the management situation.

- a. Remedial Measure for Profitability
- b. Remedial Measure for Credit Risk
- c. Remedial Measure for Stability
- d. Remedial Measure for Cash Flow

The FSA, when necessary, may issue an administrative order for business improvement according to Article 132 of the Insurance Business Law, so that the company can surely carry out the above remedial action.

C. Early Remedial Action

Early remedial action 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 objective of early remedial action 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 to maintain sound management in accordance with their solvency margin ratios.

According to the enforcement ordinance, the early remedial action 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	Solvency Margin Ratio	Actions
Non-category	200% and more	No action shall be taken.
Category 1	Less than 200% and 100% or more	The Financial Services Agency shall issue a business improvement administrative order to the insurance company in question. The company submits a business improvement plan which the Agency considers appropriate to ensure sound management of the company. Then the Agency shall order the implementation of the plan.
Category 2	Less than 100% and 0% or more	The Financial Services Agency shall order measures among the following which the Agency considers appropriate: <ol style="list-style-type: none"> 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 the amount. 7. Reduction of business operations at part of the branch or office. 8. Closing of some of the branches or offices, excluding the main office or chief office. 9. Reduction of business operations at subsidiaries, etc. 10. Disposal of stock 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. <p>(*) The item is not applicable to foreign insurers operating through branches and agents.</p>
Category 3	Less than 0%	The Financial Services Agency shall order partial or total suspension of business 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 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 general 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 general 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 general insurance company. It is understood that problems concerning the management soundness of a general 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:

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

* Solvency margin is calculated as follows:

1. Total Equities
 2. 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.

2 Non-Life Insurance Policy-holders Protection Corporation

The “Non-life Insurance Policy-holders Protection Corporation of Japan” (hereafter the Corporation) was established in December 1998 for the protection of general 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 had been 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. To avoid possible problems arising from this, the policyholders protection corporation system was created.

The functions of the 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 the 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.

A. Objective

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

B. Membership

In accordance with the provisions of the Insurance Business Law, all the general 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 general insurance company to which the insurance contracts of an insolvent general insurance company are transferred.
- b. To undertake the insurance contracts of an insolvent general insurance company, and to administer and/or deal with the insurance contracts, when reliever general 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 general insurance company when reliver general insurance companies do not appear. The Corporation shall administer the business operations of the bridge-insurance company.

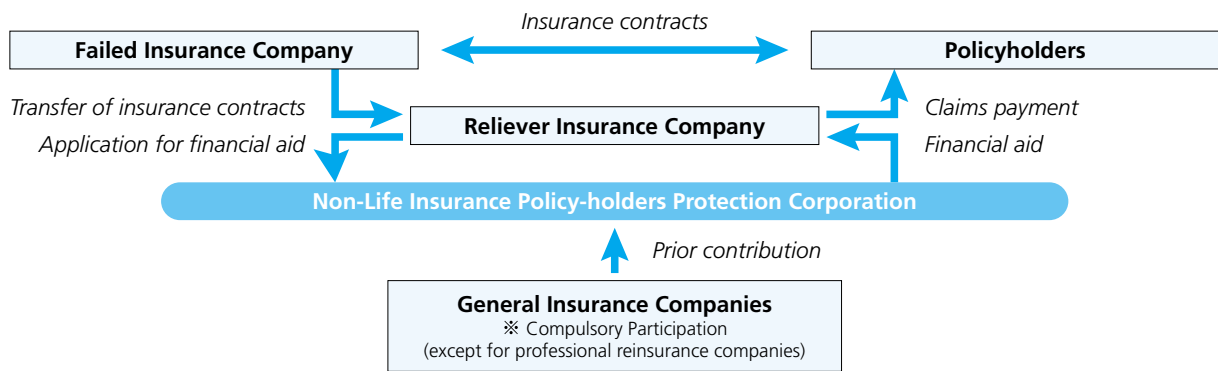
- d. To provide loans to the members of the Corporation in the event that they have to stop claims payment to their policyholders due to temporary cash-flow problems.
- e. To provide loans to certain policyholders, etc., of

an insolvent general insurance company within the amount equivalent to claims incurred. This is when the general insurance company has stopped claims payment due to the issuance of an order to suspend its business operations by the supervisory authority.

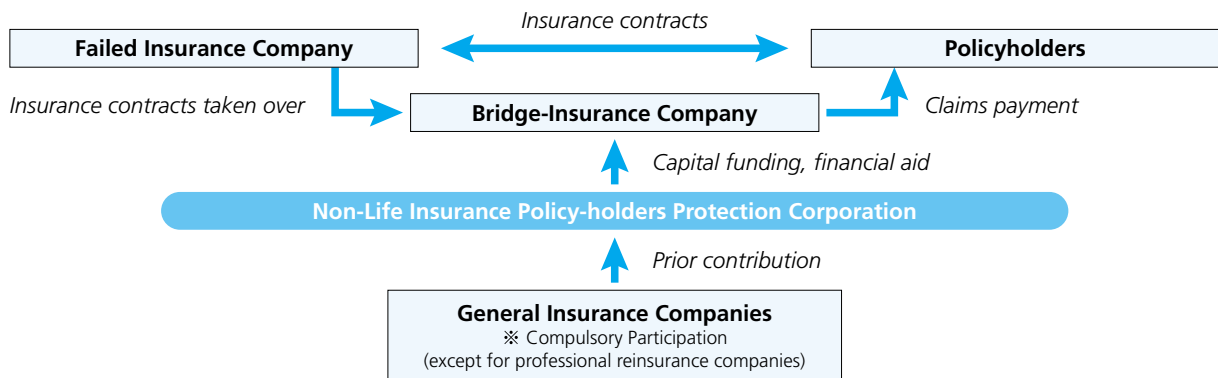
- f. To become an insurance administrator.
- g. To purchase policyholders' rights on insurance claims filed with an insolvent general insurance company.

Non-Life Insurance Policy-holders Protection Corporation System

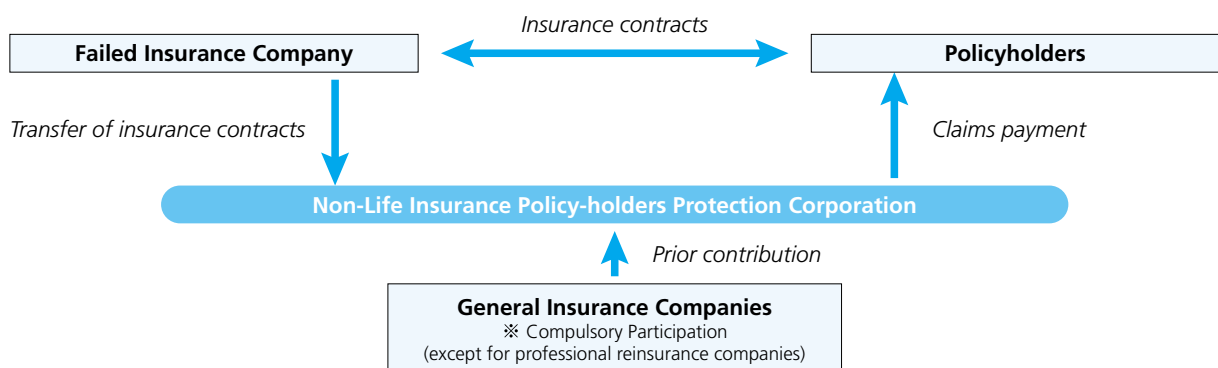
- In cases where a reliver insurance company takes over insurance contracts of a failed insurance company.



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



- In cases where the Policy-holders Protection Corporation takes over insurance contracts of a failed insurance company.



- h. To purchase the assets of an insolvent general 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. General Insurance Contracts to be compensated

The Non-Life Insurance Policy-holders 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, 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 administer 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

- 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.
- The amount of each member's annual contribution shall be decided with due regard to the amount of net premiums written and liability reserves accumulated.

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.

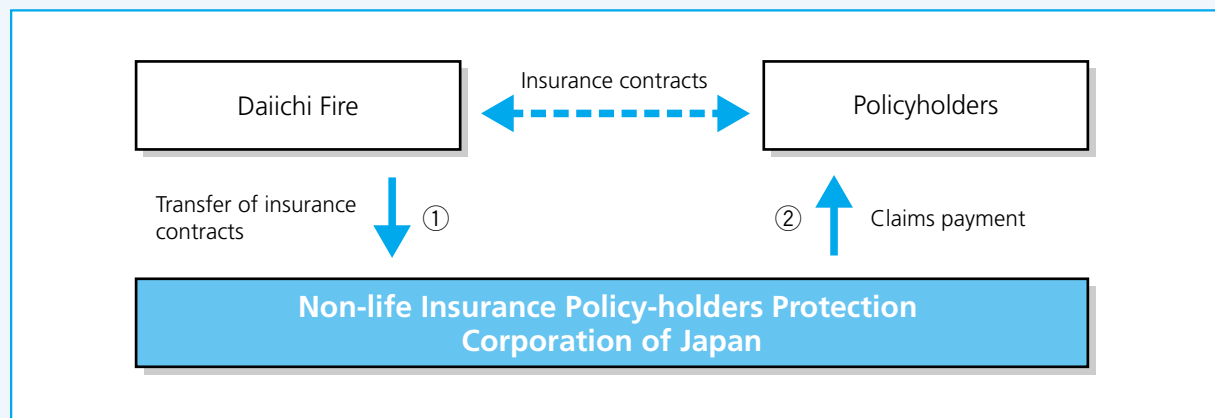
(* 2) Fire insurance contracts are limited to those for private individuals, small-sized enterprises and associations constituted from sectional owners of an apartment to administrate the building.

- 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 ask the government to take necessary 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.

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

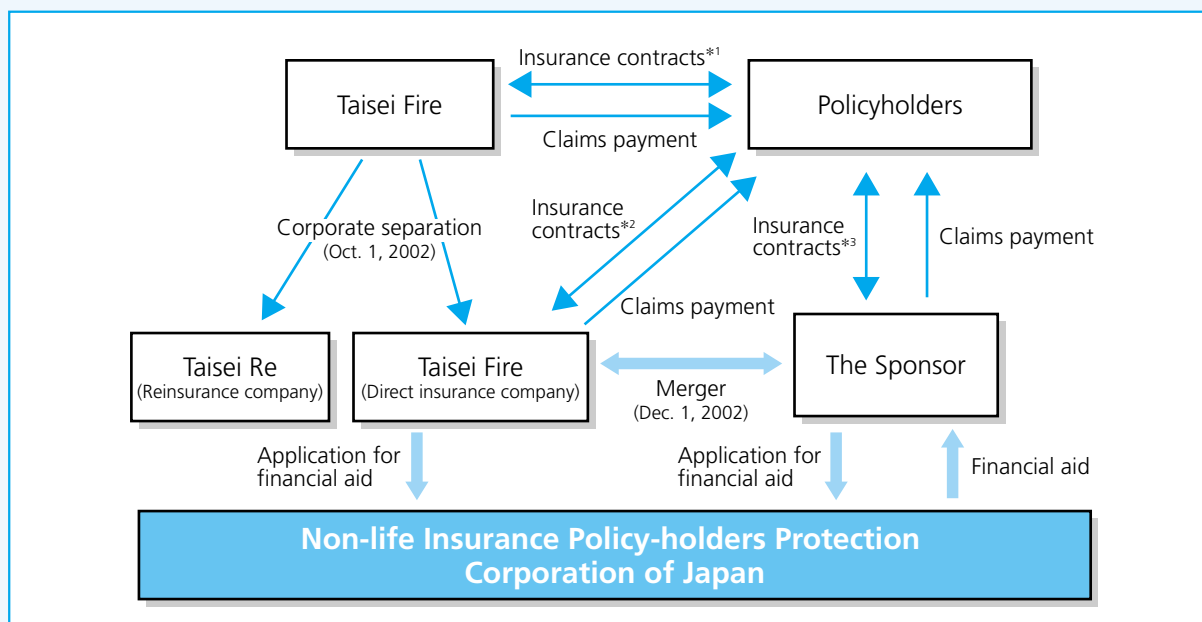
May 1, 2000	<ul style="list-style-type: none"> The Financial Services Agency (hereafter, FSA) ordered Daiichi Fire to suspend part of its business operations. The FSA appointed the Marine and Fire Insurance Association of Japan, Inc., a certified public accountant, and a lawyer, as insurance administrators for Daiichi Fire, and ordered them to take the following measures: <ol style="list-style-type: none"> To administer Daiichi Fire's business operations and assets; To set up a research committee to investigate the liability of the management in the failure of Daiichi Fire; and To draw up a plan for the transference of the insurance contracts of Daiichi Fire.
Jan. 17, 2001	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The insurance administrators applied to the FSA for approval of the transference of its insurance contracts to the Protection Corporation.
Apr. 1, 2001	<ul style="list-style-type: none"> Insurance contracts of Daiichi Fire were transferred to the Protection Corporation. Daiichi Fire was dissolved and went into liquidation procedures.

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. * These companies merged into Sompo Japan Insurance Inc. on July 1, 2002.
Dec. 21, 2001	• Taisei Fire concluded the agreement for financial aid for payment of insurance contracts to be secured with the 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. • The Protection Corporation delivered financial aid after the merger.

The general insurance distribution system in Japan is agency, brokerage and direct distribution by officers or employees of insurance companies.

Agents and brokers must be registered with the Prime Minister (note) in accordance with the Insurance Business Law (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, for example, from applicants who have been 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 2002, agents collected 92.6% of all general insurance premiums including domestic and foreign insurers. And the remainder, 7.2% 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 General Insurance Companies)

(million yen)

Fiscal Year	Agents	Brokers	Direct Distribution	Total
2001	8,028,645	16,619	747,080	8,792,360
	91.3%	0.2%	8.5%	100.0%
2002	8,612,348	15,264	672,688	9,300,317
	92.6%	0.2%	7.2%	100.0%

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

1 General Insurance Agency System

The agency is the main channel for general insurance distribution in Japan. The function of an agency is 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 general insurance agents registered as of the end of March 2003 stood at 323,139, and the total number of sales staff engaged in agency business in domestic and foreign general insurers amounted to 1,642,271. (See pages 13 and 14)

The general 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 general insurance company takes its own measures to pro-

mote further development of agency qualifications.

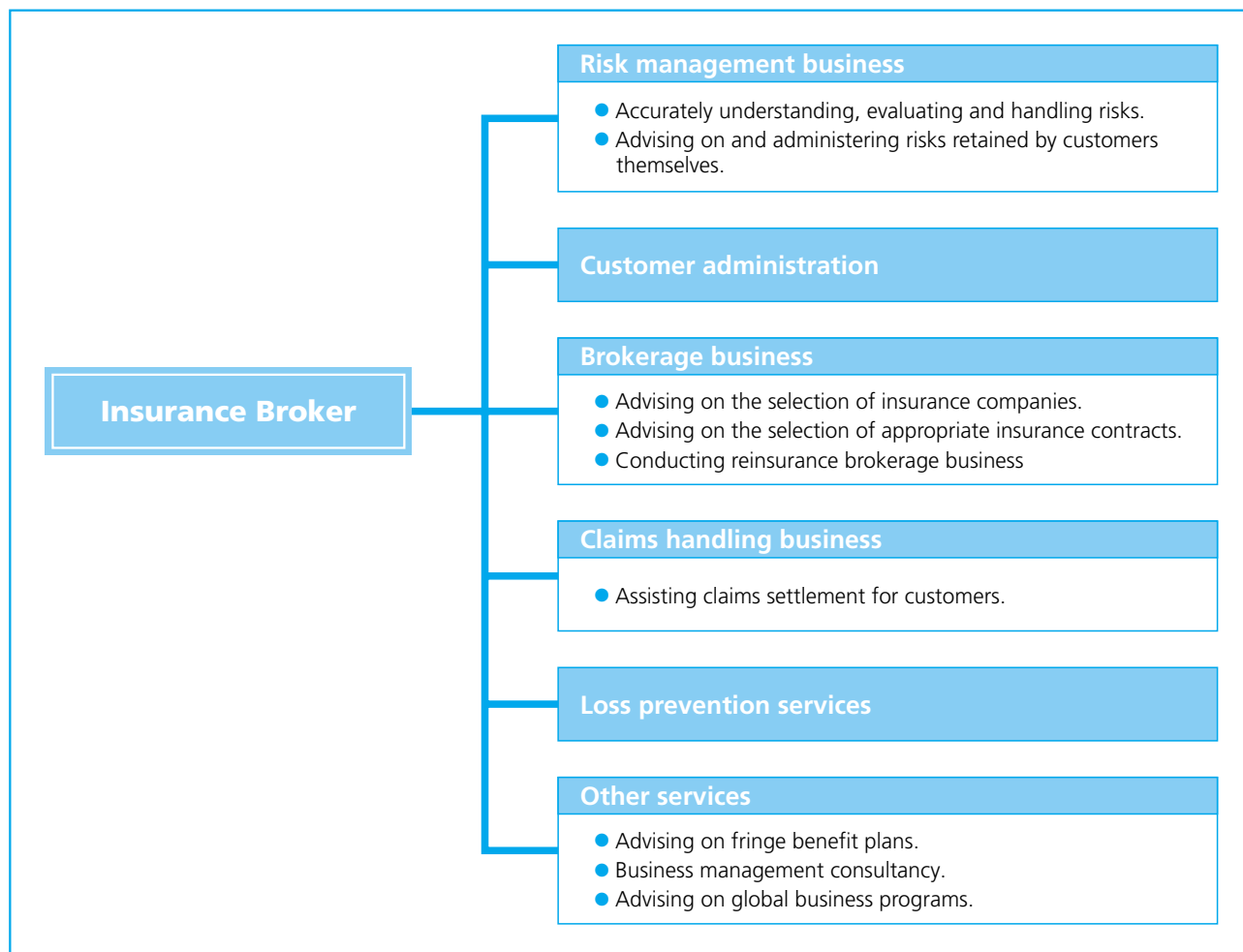
As the Association regards agency education as integral to the industry's social responsibility to ensure proper sales of insurance products and the protection of policyholders, it launched a new agency education system common to the industry in April 2001. Two kinds of examinations are available under the system, one for people who wish to be engaged in general insurance distribution so that they can better equip themselves as general insurance agents, and the other for general insurance agents who have already been engaged in distributing general insurance products. The subjects of the latter examination consist of legal compliance, laws and regulations, and taxation.

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. A total of 43 insurance brokers are registered as of August 1, 2003.

In order to clarify the roles or functions which insurance brokers take, the Insurance Business Law prohibits them from concurrently acting as general

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 general 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 general 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 interme-

diaries 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 general insurance companies distribute insurance products directly is called "Direct Distribution" and includes the following different forms.

a. Special Trainees System

To strengthen their distribution network, individual 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 general 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 2003, the number of "undergraduate" special trainees reported was

5,587 (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 general insurance companies are engaged directly in the distribution of general insurance products. As of the end of March 2003, the number of "chokuhan-shain" reported was 6,297 (incl. figures of foreign insurance companies.).

c. Others

Direct response markets insurance products through advertisements on mass media, direct mail, telephone and the Internet. Foreign insurers and newly established insurance companies adopt it as their distribution channel and use it to sell automobile and personal accident insurance policies.

Insurance Sales through the Internet

Insurance sales through the Internet are usually operated by either insurance companies or their agents. Irrespective of the operator, insurance sales through the Internet are categorized into the following two types.

a. Off-line transaction

Booking an insurance contract on a Web site, and then meeting a sales person from an insurance company or an agent to conclude a con-

tract, or requesting materials for insurance products on Web sites, and then returning the application form with his/her seal to the insurance company to finalize a contract.

b. On-line transaction

From application to premium payment, everything is electronically processed on the Web site. The premium payment is usually settled with a credit card.

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 Article 535 of 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) mentioned 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 fund for general insurance companies in Japan include underwriting 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 Underwriting Reserves

A. Ordinary Underwriting Reserves

For all lines of general insurance business except Earthquake Insurance on Dwelling Risks and Compulsory Automobile Liability Insurance (CALI), general 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 general insurance, in accordance with the Notice in the Gazette No. 232 issued on June 8, 1998, except Earthquake Insurance on Dwelling Risks and CALI. The details of the catastrophe reserves are shown in the table on the previous page.

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.

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 a so called “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. Underwriting Reserves for Reinsurance Contracts

As regards reinsurance premiums ceded to the following entities, general insurance companies can be exempted from establishing underwriting 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

General 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 policyholder’s 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.

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, general 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 general 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, general 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 *Loss Survey System*

In order to provide immediate claims services for policyholders, member companies of the GIA have established around 2,100 claims service offices nationwide staffed with about 20,000 people with the expertise and know-how to facilitate claims processing. To improve their expertise, individual insurance companies also conduct training courses.

1 Automobile Insurance Adjusters

Automobile insurance adjusters 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 vehicles adjusters" who adjust the repair costs

for damage to special purpose vehicles such as mobile cranes and diggers.

All adjusters of the GIA's member companies are required to complete training programs and examinations set by the GIA and obtain any one of the above qualifications. As of April 1, 2003, about 8,000 adjusters are registered with the Association.

2 Property Loss Assessors

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. There are three classes of property loss assessors graded by their expertise. They are required to pass the exami-

nations for their respective classes in order to be registered with the General Insurance Association of Japan. On July 1, 2003, the number of property loss assessors registered with the Association was around 1,370.

IX Chronology

Year	Developments
1859	<ul style="list-style-type: none"> ● General insurance business was started in Yokohama by a foreign insurance company.
1867	<ul style="list-style-type: none"> ● Yukichi Fukuzawa (scholar) introduced Western insurance practices to Japan through his book entitled "Guide to Western Countries".
1869	<ul style="list-style-type: none"> ● The customs office in Kanagawa undertook the indemnification of fire and other losses of bonded goods. (Origin of fire insurance in Japan)
1873	<ul style="list-style-type: none"> ● The Honin-sha, established for the development of Hokkaido, undertook cargo insurance. (Origin of marine insurance in Japan)
1877	<ul style="list-style-type: none"> ● Daiichi Nippon Bank started marine underwriting.
1878	<ul style="list-style-type: none"> ● The first marine insurance company in Japan was granted an operating license.
1879	<ul style="list-style-type: none"> ● The first marine insurance company in Japan started its operations. ● Marine cargo insurance was marketed.
1883	<ul style="list-style-type: none"> ● Marine hull insurance was marketed.
1887	<ul style="list-style-type: none"> ● The first fire insurance company in Japan was granted an operating license. ● Ordinary fire insurance was marketed.
1888	<ul style="list-style-type: none"> ● The first fire insurance company in Japan started its operations.
1893	<ul style="list-style-type: none"> ● Inland transit insurance was marketed.
1895	<ul style="list-style-type: none"> ● The Japanese Society of Insurance Science was formed.
1898	<ul style="list-style-type: none"> ● The Commercial Code was enacted. (The insurance industry was made subject to licensing. The basis of insurance supervision and administration was firmly established.)
1899	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Credit insurance was marketed.
1907	<ul style="list-style-type: none"> ● The Fire Insurance Association was formed with 5 member companies. A nationwide tariff agreement was enacted, but was subsequently abolished in 1912.
1910	<ul style="list-style-type: none"> ● The first personal accident insurance company in Japan was licensed.
1911	<ul style="list-style-type: none"> ● Ordinary personal accident insurance was marketed.
1914	<ul style="list-style-type: none"> ● The War-Time Marine Insurance Indemnification Law was published. (Abolished in September 1917) ● The Fire Insurance Association was reorganized with 16 members. ● Automobile insurance was marketed.
1916	<ul style="list-style-type: none"> ● The Fire Insurance Association was renamed the Dai-Nippon Fire Insurance Association. ● Theft insurance was marketed.

Year	Developments
1917	<ul style="list-style-type: none"> ● The Joint Fire Insurance Association of Japan was established, and nationwide fire tariff rates were introduced.
1920	<ul style="list-style-type: none"> ● The Japan Marine Underwriters' Association was established.
1923	<ul style="list-style-type: none"> ● The Great Kanto Earthquake occurred.
1925	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Glass insurance was marketed.
1927	<ul style="list-style-type: none"> ● The Hull Insurers' Union was established.
1933	<ul style="list-style-type: none"> ● The Non-Life Insurance Institute of Japan was established.
1936	<ul style="list-style-type: none"> ● Aviation insurance was marketed.
1938	<ul style="list-style-type: none"> ● Windstorm and flood insurance was marketed.
1939	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● The Insurance Business Law (Amended) was enacted. ● "State-Run Non-Life Reinsurance Law" was enacted. (Abolished in February 1945.)
1941	<ul style="list-style-type: none"> ● 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 promulgated. (Abolished in February 1944)
1942	<ul style="list-style-type: none"> ● The former Marine and Fire Insurance Association of Japan was dissolved and the Non-Life Insurance Control Association was founded.
1943	<ul style="list-style-type: none"> ● "Death and Bodily Injury by War Risks Insurance Law" was promulgated. (Abolished in December 1945)
1944	<ul style="list-style-type: none"> ● "War-Time Special Non-Life Insurance Law" was promulgated in place of "Expedient Measures Law for War Risk Insurance". (Abolished in December 1945)
1945	<ul style="list-style-type: none"> ● "The Central Association of Non-Life Insurance Law" was promulgated. ● 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	<ul style="list-style-type: none"> ● The Marine and Fire Insurance Association of Japan was established.
1947	<ul style="list-style-type: none"> ● Fire insurance tariff rates were sharply raised.
1948	<ul style="list-style-type: none"> ● The Marine and Fire Insurance Association of Japan was incorporated. ● The Law concerning the Control of Insurance Soliciting was enacted. ● The Law concerning Non-Life Insurance Rating Organizations was enacted. ● Property and Casualty Insurance Rating Organization of Japan was established.
1949	<ul style="list-style-type: none"> ● The Law concerning Foreign Insurers was enacted. ● Dwelling risks' rates were introduced in fire insurance tariffs. (20% lower than the general risks)

Year	Developments
1950	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Bid guarantee insurance and performance guarantee insurance were marketed.
1952	<ul style="list-style-type: none"> ● The fire prevention contribution scheme was started. ● The Fire Insurance Agency Classification System was started.
1953	<ul style="list-style-type: none"> ● General liability insurance was marketed.
1955	<ul style="list-style-type: none"> ● The Automobile Liability Security Law was 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	<ul style="list-style-type: none"> ● Compulsory Automobile Liability Insurance system started. ● The Union of Machinery Insurers of Japan was established. ● Machinery insurance and erection insurance were marketed.
1957	<ul style="list-style-type: none"> ● Personal liability insurance was marketed.
1958	<ul style="list-style-type: none"> ● Golfers insurance was marketed. ● Shipowners' liability insurance for passengers' personal accident was marketed.
1959	<ul style="list-style-type: none"> ● The Insurance Council was established.
1960	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Movable comprehensive insurance was marketed.
1962	<ul style="list-style-type: none"> ● 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 "Fire Insurance Month". (In 1965 the "Month of Fire Insurance" was renamed the "Non-Life Insurance Month".) ● Storekeepers comprehensive insurance was marketed. ● Domestic travelers' personal accident insurance was marketed.
1963	<ul style="list-style-type: none"> ● The Japanese Hull Insurers' Union was established. ● The Insurance School of the Pacific (ISP) was started.
1964	<ul style="list-style-type: none"> ● The Automobile Insurance Rating Organization was established. ● The CALI limit for death was raised from 500,000 yen to 1 million yen. ● The General 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	<ul style="list-style-type: none"> ● 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 General Insurance Premium Tax Deduction System was comprehensively introduced. (Limits on deductions : Long-term policy ; 10,000 yen, Short-term policy ; 2,000 yen)

Year	Developments
1966	<ul style="list-style-type: none"> ● The Law concerning Earthquake Insurance (in respect to dwelling risks only) was 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	<ul style="list-style-type: none"> ● The CALI limit for death was raised from 1.5 million yen to 3 million yen. ● Traffic personal accident insurance was marketed.
1968	<ul style="list-style-type: none"> ● Long-term comprehensive insurance was marketed. ● Apartment dwellers insurance was marketed. ● Fishing trip insurance was marketed.
1969	<ul style="list-style-type: none"> ● The general 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	<ul style="list-style-type: none"> ● The International Insurance Seminar (IIS) was held in Tokyo. ● The International Union of Aviation Insurers Conference was held in Kyoto.
1972	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● The 1st General Insurance Industry Representative Mission was sent to China. ● The Non-Marine Agency System was started. ● General insurance business was designated as the "100% captial 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	<ul style="list-style-type: none"> ● The General Insurance Premium Tax Deduction System was improved. (Limits of deductions : Long-term policy ; 15,000 yen, Short-term policy ; 3,000 yen.) ● Income indemnity insurance was marketed. ● Surety bonds were marketed. ● Overseas travelers' personal accident insurance was marketed. ● Family traffic personal accident insurance with maturity refund was marketed.
1975	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● The Conference of the International Machinery Insurers Association was held in Kyoto. ● The International Congress of Actuaries was held in Tokyo.
1977	<ul style="list-style-type: none"> ● Maturity refund comprehensive insurance was marketed.

Year	Developments
1978	<ul style="list-style-type: none"> ● The CALI limit for death was raised from 15 million yen to 20 million yen.
1979	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● The "Hull War Risks Reinsuranc 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	<ul style="list-style-type: none"> ● The 2nd General Insurance Industry Representative Mission was sent to China. ● 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	<ul style="list-style-type: none"> ● The Clauses Sub-committee, a working party of the Consumers Policy Committee of the National Life Council, reviewed various general insurance policy conditions. ● The crime prevention measures conferences composed of the police and general insurance industry were set up throughout the country. ● Ski and skate comprehensive insurance was marketed.
1984	<ul style="list-style-type: none"> ● The National Life Council reported on the "Simplification of general insurance policy conditions". ● Movable comprehensive insurance with maturity refund was marketed.
1985	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● The Conference of the International Machinery Insurers Association was held in Tokyo. ● General 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	<ul style="list-style-type: none"> ● 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 general insurance tax deductions. ● Juvenile comprehensive insurance was marketed.
1988	<ul style="list-style-type: none"> ● The Marine and Fire Insurance Association of Japan established Izu Training Center. ● General Insurance companies were designated to "Zaikei" savings handling financial institutions. ● Zaikai savings personal accident insurance was marketed.

Year	Developments
1989	<ul style="list-style-type: none"> ● General insurance companies started over-the-counter selling of government bonds. ● The Comprehensive Committee was set up under the Insurance Council. ● The 3rd General Insurance Industry Representative Mission was sent to China. ● 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	<ul style="list-style-type: none"> ● The General 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	<ul style="list-style-type: none"> ● Following revisions to the Law concerning Earthquake Insurance, the Earthquake Insurance System was modified. ● The CALI limit for death was raised from 25 million yen to 30 million yen. ● The Insurance School (Non-Life) of Japan Advanced Course was started. (In line with the establishment of this course, the existing course which started in 1972 was renamed "The Insurance School (Non-Life) of Japan General Course".) ● The Non-Life Insurance Round Table with membership drawn from academics and interest groups was organized. ● A "Code of Conduct" for the general insurance industry was devised. ● Building endowment comprehensive insurance was marketed. ● Comprehensive corporate expenses and profits insurance was marketed.
1992	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● The 1st session of the ISJ Overseas Seminar was held in Hong Kong and Bangkok. ● The International Insurance Society (IIS) held its annual session in Tokyo.
1994	<ul style="list-style-type: none"> ● The Insurance Council submitted its report "On the Amendments of Insurance-Related Laws" to the Minister of Finance. ● General 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	<ul style="list-style-type: none"> ● The Great Hanshin-Awaji Earthquake occurred. ● The new Insurance Business Law was promulgated. ● The International Union of Marine Insurance Tokyo Conference was held.
1996	<ul style="list-style-type: none"> ● 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 general insurance subsidiaries began. ● Supplementary Measures by the Government of Japan and the Government of the United States Regarding Insurance were concluded.

Year	Developments
1997	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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 were effected. ● 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. ● General insurance companies disclosed their interim business results (April to September) for the first time ever.
2001	<ul style="list-style-type: none"> ● Restrictions on entry into the third sector were removed. ● The Automobile Liability Security Law was revised and promulgated. (The abolition of the government reinsurance scheme and the establishment of a dispute settlement body were approved.) ● The Consumer Contract Law and the Law on Sales of Financial Products were enforced. ● The insurance contracts of the Daiichi Mutual Fire and Marine Insurance Co. were transferred to the Non-life Insurance Policy-holders Protection Corporation. ● The period during which the Non-life Insurance Policy-holders Protection Corporation 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. ● Post offices started to solicit Compulsory Automobile Liability Insurance for motorcycles, etc. ● A discount system based on the grade of earthquake-proofing of residential buildings was introduced to earthquake insurance on dwelling risks. ● Taisei Fire and Marine Insurance Co., Ltd. filed for the commencement of reorganization procedures.
2002	<ul style="list-style-type: none"> ● Revised Compulsory Automobile Liability Insurance (CALI) System was enforced. ● The CALI limit for permanent disability was raised from 30 million yen to 40 million yen. ● The CALI Disputes Settlement Organization started its operation based on the revised CALI system. ● Non-Life Insurance Rating Organization of Japan was established. ● The 21st Conference of the East Asian Insurance Congress was held in Tokyo.



Outline of the General Insurance Association of Japan

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 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.

On May 20, 2003, it changed its English name to the General Insurance Association of Japan and is currently composed of 23 member companies.

2 Objective

The objective of the Association is to promote the sound development and maintain the reliability of the general insurance business in Japan.

3 Major Activities

a. Promotion of a better understanding of general

insurance and supply of information about general 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 general insurance industry

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

c. Presentation of requests and proposals

Representing the general 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.

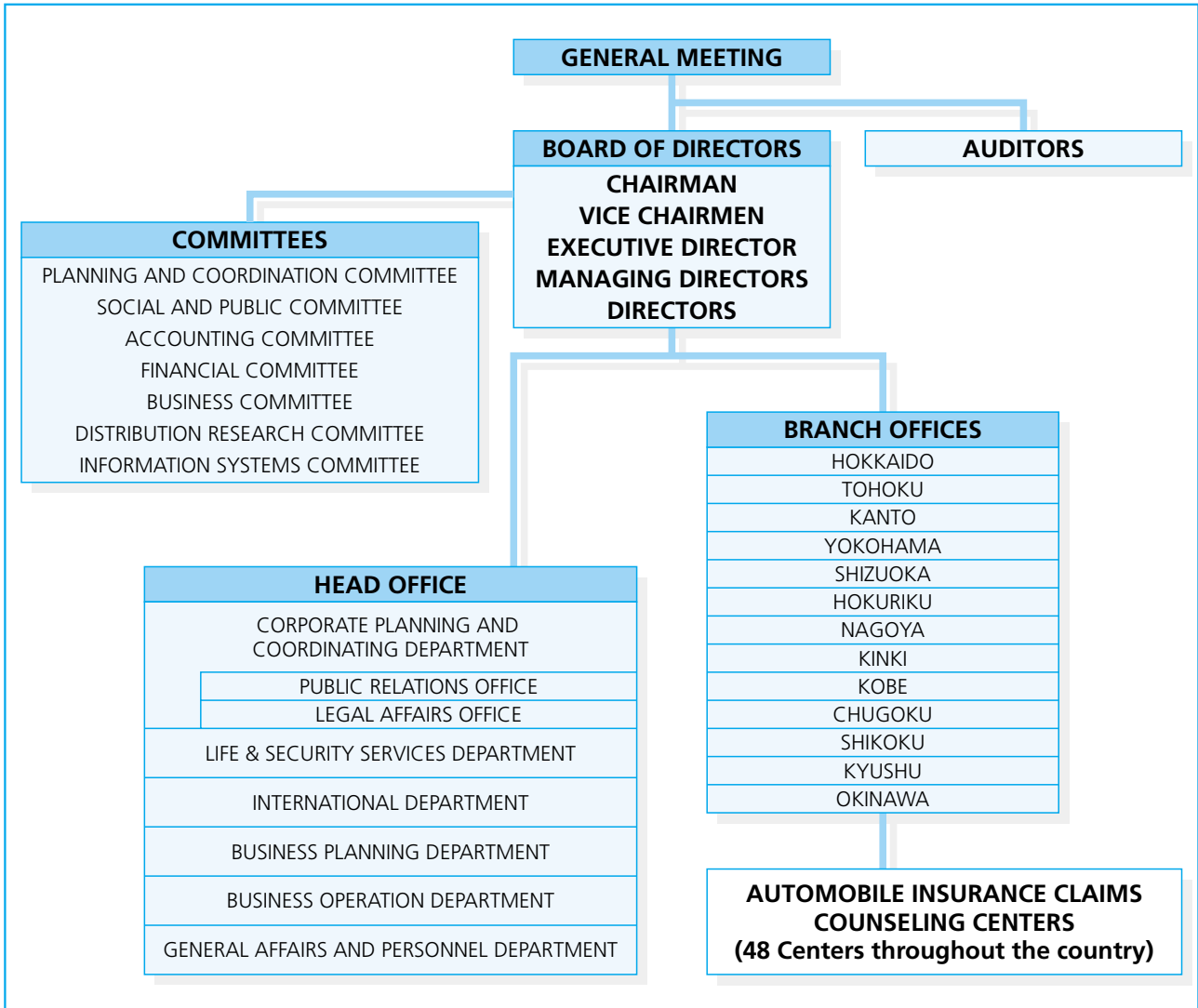
f. International activities

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 cam-

6 Organization (as of November 1, 2003)



1 Licensed Domestic Companies (29 Companies as of November 1, 2003)

- **ACE Insurance**
Arco Tower, 1-8-1 Shimomeguro, Meguro-Ku, Tokyo 153-0064.
Tel. +81-3-5740-0600. Fax +81-3-5740-0739.
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: 12-18, Ginza 2-Chome, Chuo-Ku, Tokyo 104-8122.
Tel. +81-3-5550-4087. Fax +81-3-5550-4092.
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>
- **Jl Accident & Fire Insurance Co., Ltd.**
Al Bldg., 20-5, Ichibancho, Chiyoda-Ku, Tokyo 102-0082.
Tel. +81-3-3237-2111. Fax +81-3-3237-2240.
URL <http://www.jihoken.co.jp>
- **The Kyoei Fire and Marine Insurance Co., Ltd.**
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. +81-3-3257-3141. 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 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. +81-3-5223-1543. Fax +81-3-5223-0401.
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, Chiyoda-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.
URL <http://www.taiseire.co.jp>
- **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 Sanban-cho, Chiyoda-ku,
Tokyo 102-0075.
Tel. +81-3-5276-1391. Fax +81-3-5276-0098.
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, 2-1-1,
Yoyogi, Shibuya-Ku, Tokyo 151-0053.
Tel. +81-3-5352-8129. Fax +81-3-5352-8948.

- **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-Shinbashi 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 (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.
- **EULER HERMES Kreditversicherungs-AG (Germany)**
8-7, Kyobashi 1-chome, Chuo-Ku, Tokyo 104-
0031.
Tel. +81-3-3538-5394. Fax +81-3-3538-5395.
- **Federal Insurance Company (U.S.A.)**
11F Kowa Nishi-shinbashi Bldg., 2-1-1, Nishi-shin-
bashi 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>
- **Hyundai Marine & Fire Insurance Company, Ltd. (Korea)**
Diwa Seimei Bldg., 11F, 1-7, Uchisaiwaicho 1-
Chome, Chiyoda-Ku, Tokyo 100-0011.
Tel. +81-3-5511-6565. Fax +81-3-5511-6566.
URL <http://www.hdinsurance.co.jp>
- **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)**
Room No. 901, Marunouchi Mitsui Bldg., 2-2, 2-
Chome, Marunouchi Chiyoda-Ku, Tokyo 100-0005.
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.)**
New Yurakucho Bldg., 3F, 12-1 Yurakucho, 1-Chome 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) * as of December 15, 2003**
Suzuyo Hamamatsu-cho Bldg. 8F, 2-1-16, Kaigan, Minato-ku, Tokyo 105-0022.
Tel. +81-3-5442-6110. Fax +81-3-5442-6111.
URL <http://www.ukpandi.com>
- **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>

3 General Insurance Organizations (as of November 1, 2003)

- **Non-Life Insurance Rating Organization of Japan (established in 1964)**
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)**
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)**
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)**
#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)**
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)**
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>

XII Statistics —Catastrophe Loss, etc.—

1. Major Catastrophe Losses (Since 1945)

Major Windstorms and Floods

Windstorm and Flood	Time of Occurrence	Number of Casualties and Property Damage		
		Dead/Missing	Buildings damaged	Buildings flooded
Typhoon Makurazaki	Sept. 1945	3,756	89,839	273,888
Typhoon Catherine	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
Downpour Nanki	July 1953	1,124	10,889	86,479
Typhoon No. 13	Sept. 1953	478	86,398	495,875
Typhoon Toyamaru	Sept. 1954	1,761	207,542	103,533
Downpour Isahaya	July 1957	992	6,811	72,565
Typhoon Kanogawa	Sept. 1958	1,269	16,743	521,715
Typhoon Isewan	Sept. 1959	5,098	833,965	363,611
2nd Typhoon Muroto	Sept. 1961	202	499,444	384,120
Typhoon No. 17 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 accompanying weather front	Aug. 1982	95	5,312	113,902
Typhoon No. 18 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 accompanying weather front	Sept. 1999	36	47,150	23,218
Hailstorm and Downpour, May 2000	May 2000	0	24,691	43
Downpour, September 2000	Sept. 2000	10	312	71,291

Major Earthquakes, etc.

Name of Earthquake, etc.	Date of Occurrence	M	Number of Casualties and Property Damage						
			Dead/ Missing	Houses totally destroyed	Houses half damaged	Houses partially damaged	Houses drifted away	Houses flooded	Houses burned down
Nankai	Dec. 21, 1946	8.0	1,330	11,591	23,487	—	1,451	—	2,598
Fukui	June 28, 1948	7.1	3,769	36,184	11,816	—	—	—	3,851
Tokachi-oki (Off Tokachi)	Mar. 4, 1952	8.2	33	815	1,324	—	91	—	—
Tsunami from Chili Earthquake	May 23, 1960	8.5	142	1,500	2,000	—	—	—	—
Miyagiken Hokubu (Northern Miyagi Prefecture)	Apr. 30, 1962	6.5	3	340	1,114	—	—	—	—
Niigata	June 16, 1964	7.5	26	1,960	6,640	—	—	15,298	—
Tokachi-oki (Off Tokachi)	May 16, 1968	7.9	52	673	3,004	—	—	—	—
Izuhanto-oki (Off Izu Peninsula)	May 9, 1974	6.9	30	134	240	—	—	—	5
Izuoshima Kinkai (Sea Near Izuoshima)	Jan. 14, 1978	7.0	25	96	616	—	—	—	—
Miyagiken-oki (Off Miyagi Prefecture)	June 12, 1978	7.4	28	1,183	5,574	—	—	—	—
Center of the Sea of Japan	May 26, 1983	7.7	104	934	2,115	3,258	52	—	—
Miyakejima Volcanic Eruption	Oct. 3, 1983	—	—	340	—	—	—	—	—
Naganoken Seibu (Western Nagano Prefecture)	Sept. 14, 1984	6.8	29	(*) 14	73	565	—	—	—
Chibaken Toho-oki (Off Eastern Chiba Prefecture)	Dec. 17, 1987	6.7	2	10	—	60,000	—	—	—
Mt. Unzen Volcanic Eruption	June 3, 1991	—	44	271 by pyroclastic flow 1,117 by debris flow 11 by cinders					
Kushiro-oki (Off Kushiro)	Jan. 15, 1993	7.8	2	12	73	3,389	—	—	—
Hokkaido Nansei-oki (Off Southwest Hokkaido)	July 12, 1993	7.8	230	601	408	5,490	—	455	(*) 192
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	7.3	6,436	104,906	144,274	263,702	—	—	—
Mt. Usu Volcanic Eruption	Mar. 31, 2000	—	—	119	355	376	—	—	—
Miyakejima Volcanic Eruption	July 8, 2000	—	—	11	5	12	—	—	—
Tottoriken Seibu (Western Tottori Prefecture)	Oct. 6, 2000	7.3	—	435	3,101	18,544	—	—	—
Geiyo	Mar. 24, 2001	6.7	2	70	774	49,223	—	—	—

(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.

2. Claims Paid for Natural Disasters

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

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	16,907.3
3	Tottoriken Seibu	Western Tottori Prefecture	Oct. 6, 2000	2,866.2
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	448.8

(Source) Statistical materials by The Japan Earthquake Reinsurance Co., Ltd.

3. High-Amount Court Awards

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. -
244.4	Osaka High Court	May 23, 2002	June. 25, 1994	M/7	School Child	- 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	Electrician	- 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
221.0	Kyoto District Court	Sep. 5, 2002	Nov. 30, 1997	F/19	Cram School Student	Permanent Disability
219.9	Osaka District Court	May 29, 2001	Apr. 23, 1996	M/30	Office Worker	- do. -
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. -

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

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
61.2	Okayama District Court	June 27, 2000	Sep. 26, 1996	Freight
30.5	Tokyo District Court	Aug. 28, 2001	May 16, 1999	Surf Shop
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	Jan. 29, 1999	Sep. 3, 1996	Large-sized Truck and Freight
17.4	Osaka District Court	Feb. 4, 1999	Oct. 4, 1994	Large-sized Tractor, Trailer and Freight
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
15.0	Nagoya District Court	July 6, 2001	Oct. 2, 1998	Fishing Gear Shop
14.8	Kobe District Court	June 22, 2001	June 22, 1999	Two-story Wooden Residential House
14.5	Tokyo District Court	Feb. 5, 1999	Sep. 14, 1996	Passenger Cars, Sports Shop, Sporting Goods, etc.

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

4. Direct Premiums of Foreign General Insurers

(million yen & %)

Class of Business	Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	30,948	7.7	34,591	11.8	37,259	7.7	32,537	8.6
Voluntary Automobile	88,535	8.0	89,990	1.6	90,716	0.8	73,450	3.6
Personal Accident	129,376	4.9	135,496	4.7	141,894	4.7	130,536	5.3
Miscellaneous Casualty	27,915	1.7	29,176	4.5	32,045	9.8	29,675	5.4
Marine and Inland Transit	8,115	-8.8	8,293	2.2	8,768	5.7	8,213	-6.3
Compulsory Automobile Liability	7,798	-11.9	8,480	8.7	9,370	10.5	7,360	6.8
Total	292,687	4.8	306,026	4.6	320,052	4.6	281,771	5.2

Class of Business	Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	33,285	2.3	32,203	-3.3	30,643	-4.8	30,290	-1.2
Voluntary Automobile	76,207	3.8	84,506	10.9	98,352	16.4	104,013	5.8
Personal Accident	133,999	2.7	129,490	-3.4	129,608	0.1	136,204	5.1
Miscellaneous Casualty	31,150	5.0	34,749	11.6	40,323	16.0	43,977	9.1
Marine and Inland Transit	8,671	5.6	7,686	-11.4	7,103	-7.6	7,358	3.6
Compulsory Automobile Liability	7,056	-4.1	6,972	-1.2	7,050	1.1	6,578	-6.7
Total	290,368	3.1	295,606	1.8	313,079	5.9	328,420	4.9

Class of Business	Fiscal 2001		Fiscal 2002		
	Amount	Growth	Amount	Growth	Share
Fire	30,560	0.9	33,133	8.4	9.3
Voluntary Automobile	110,405	6.1	113,364	2.7	31.8
Personal Accident	144,959	6.4	153,093	5.6	43.0
Miscellaneous Casualty	40,023	-9.0	41,162	2.8	11.6
Marine and Inland Transit	6,830	-7.2	7,470	9.4	2.1
Compulsory Automobile Liability	6,541	-0.6	7,786	19.0	2.2
Total	339,318	3.3	356,008	4.9	100.0

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

5. Condition of Japanese Insurers' Offices Abroad (as of April 1, each year)

Number of Japanese Insurers conducting business through their Overseas Offices (Note3)

Type of Office	1994	1995	1996
Subsidiaries (Note1)	15	15	15
Direct Insurance Subsidiaries with 50% or more of Japanese Capital (Note2)	15	15	15
Branches of Direct Insurance Subsidiaries	6	6	7
Agents of Direct Insurance Subsidiaries	8	8	7
Number of Insurance Companies Operating in Any One of the Above 3 Categories	15	15	15
Overseas Branches	2	3	4
Overseas Agents	13	13	12
Number of Insurance Companies Which Has Either Branch Offices or Agents Abroad	13	13	13
Number of Insurance Companies Operating in Any One of the Above Categories Abroad	16	16	16

Number of Countries/Regions (Note4)

Type of Office	1994	1995	1996
Subsidiaries (Note1)	22	22	21
Direct Insurance Subsidiaries with 50% or more of Japanese Capital (Note2)	13	14	14
Branches of Direct Insurance Subsidiaries	5	8	8
Agents of Direct Insurance Subsidiaries	11	12	11
Number of Regions Where Insurance Companies Operate in the Capacity of Any One of the Above 3 Categories	24	25	25
Overseas Branches	3	4	5
Overseas Agents	21	21	21
Number of Regions Where Insurance Companies Have Either Branch Offices or Agents Abroad	22	23	23
Number of Regions Where Insurance Companies Operate in Any One of the Above Categories Abroad	42	43	43

Number of Japanese Insurers' Offices Abroad

Type of Office	1994	1995	1996
Subsidiaries (Note1)	108	107	107
Reinsurance Subsidiaries and Direct Insurance Subsidiaries with less than 50% of Japanese Capital	48	47	47
Direct Insurance Subsidiaries with 50% or more of Japanese Capital (Note2)	60	60	60
Branches of Direct Insurance Subsidiaries	8	12	16
Agents of Direct Insurance Subsidiaries	44	40	34
Sub-total	160	159	157
Overseas Branches	3	4	5
Overseas Agents	80	77	75
Subtotal	83	81	80
Grand total	243	240	237

Liaison Offices

	1994	1995	1996
Number of Japanese Insurers establishing their Liaison Offices	16	16	16
Number of Countries / Regions	38	38	39
Number of Cities	66	66	67
Number of Offices	243	253	262

- (Notes) 1. "Subsidiaries" means companies operating insurance and/or reinsurance business only, thus excluding asset investment, loss survey operations, etc.
 2. Figures include cases where Japanese insurers have gained substantial control of a subsidiary by such means as taking the position of directorship
 3. Figures represent the number of Japanese insurers conducting their foreign business by type of overseas offices, and include cases where a Japanese
 4. Figures represent the number of countries or regions where Japanese insurers conduct their foreign business through their overseas offices.

1997	1998	1999	2000	2001	2002	2003
15	15	15	15	13	12	11
15	15	14	14	12	11	10
7	7	7	7	7	6	6
6	6	5	5	4	5	5
15	15	14	14	12	11	10
4	4	4	5	5	3	3
12	12	12	11	10	8	7
13	13	13	12	10	8	7
16	16	16	16	14	12	11

1997	1998	1999	2000	2001	2002	2003
24	25	25	23	25	25	24
13	13	14	20	20	15	15
8	9	9	9	9	16	11
10	10	11	11	11	14	12
25	25	26	28	28	27	26
4	4	5	14	6	5	6
19	19	19	18	18	17	17
21	21	21	22	22	21	22
46	45	47	48	50	46	47

1997	1998	1999	2000	2001	2002	2003
109	112	113	118	117	113	93
50	50	50	50	50	51	42
59	62	63	68	67	62	51
17	19	24	24	24	65	34
31	31	30	29	29	30	25
157	162	167	171	170	208	152
4	4	5	17	7	6	7
69	68	66	63	62	53	51
73	72	71	80	69	59	58
230	234	238	251	239	267	210

1997	1998	1999	2000	2001	2002	2003
16	16	16	16	14	12	11
40	41	42	43	44	46	46
71	75	77	79	82	81	82
268	266	254	246	224	193	178

without owning majority shares.

insurer conducts its business through both its overseas subsidiaries and branches/agents of its home country head office in the same region.

6. Direct Premiums Written Abroad by Japanese General Insurers

(million yen & %)

Class of Business	Fiscal 1993		Fiscal 1994		Fiscal 1995		Fiscal 1996		Fiscal 1997	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	13,547	-6.7	13,047	-3.7	13,962	7.0	16,030	14.8	20,710	29.2
Automobile	12,208	-15.3	11,138	-8.8	11,348	1.9	13,278	17.0	17,261	30.0
Marine Hull	684	-50.2	303	-55.8	228	-24.7	226	-0.8	213	-5.8
Marine Cargo	6,215	-15.8	6,863	10.4	8,211	19.6	9,535	16.1	9,007	-5.5
Others	27,851	-13.8	23,256	-16.5	22,756	-2.2	26,181	15.0	30,682	17.2
Total	60,505	-13.5	54,607	-9.8	56,505	3.5	65,249	15.5	77,873	19.3

(million yen & %)

Class of Business	Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001		Fiscal 2002	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	14,459	-30.2	11,720	-18.9	13,211	12.7	13,883	5.1	14,983	7.9
Automobile	12,745	-26.2	10,925	-30.6	11,502	5.3	12,573	9.3	13,030	3.6
Marine Hull	177	-16.9	114	-35.6	101	-11.4	134	32.7	33	-75.4
Marine Cargo	8,451	-6.2	7,232	-14.4	8,142	12.6	5,665	-30.4	5,896	4.1
Others	26,276	-14.4	21,030	-20.0	25,797	22.7	30,942	19.9	29,933	-3.3
Total	62,107	-20.2	51,023	-17.8	58,753	15.2	63,198	7.6	63,875	1.1

7. International Reinsurance Business

Outward Reinsurance Balance

(billion yen)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Premiums (paid)	254.2	246.7	233.3	228.1	250.8	238.0	227.4	213.9	251.6	264.1
Claims (received)	157.6	123.8	119.7	124.5	130.3	172.6	189.1	135.6	114.4	114.1
Balance	-96.6	-123.0	-113.6	-103.6	-120.5	-65.5	-38.3	-78.3	-137.2	-150.0

(Note) Claims (received) exclude reinsurance commissions in fiscal 1999.

Inward Reinsurance Balance

(billion yen)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Premiums (received)	209.5	192.2	178.3	194.5	190.3	181.4	170.9	164.3	202.5	250.4
Claims (paid)	241.0	197.7	182.7	201.0	201.5	200.8	138.4	178.8	236.4	244.3
Balance	-31.5	-5.5	-4.4	-6.5	-11.2	-19.4	32.5	-14.5	-33.9	6.1

(Note) Claims (paid) exclude reinsurance commissions in fiscal 1999.

8. International Comparison of General Insurance Premium Volume (2001)

Country	Gross Direct Premiums			Gross Direct Premiums GDP		Per Capita Premiums	
	(million yen)	Rank	Share (%)	(%)	Rank	(yen)	Rank
U. S. A.	57,617,455	1	47.53	4.57	3	208,162	1
Japan	11,147,270	2	9.20	2.21	32	87,701	13
Germany	8,512,500	3	7.02	3.60	8	101,310	6
U. K.	8,213,910	4	6.78	3.45	10	103,312	5
France	4,809,585	5	3.97	2.85	17	78,882	14
Italy	3,440,726	6	2.84	2.46	25	58,229	21
Canada	3,044,941	7	2.51	3.45	9	98,146	8
Spain	2,136,162	8	1.76	2.93	14	54,164	24
Netherlands	1,960,786	9	1.62	4.12	6	122,463	4
South Korea	1,769,398	10	1.46	3.38	12	37,114	27
Australia	1,539,983	11	1.27	3.44	11	78,557	15
Switzerland	1,473,685	12	1.22	4.76	2	203,546	2
China	1,241,894	13	1.02	0.86	72	976	78
Brazil	1,119,931	14	0.92	1.78	48	6,655	56
Belgium	1,063,390	15	0.88	2.75	20	76,668	16
Taiwan	913,032	16	0.75	2.60	23	40,979	26
Mexico	737,155	17	0.61	0.95	71	7,430	54
Austria	734,528	18	0.61	3.12	13	89,665	12
Russia	586,297	19	0.48	1.51	56	4,078	60
Argentina	552,648	20	0.46	1.64	51	14,798	36
Other Countries	8,606,192	—	7.09	—	—	—	—
Total/Average	121,221,467	—	100.00	3.15	—	19,789	—

(Notes) 1. Figures quoted are from "Sigma/Swiss Re No.6/2002".

2. The exchange rate used (US\$1=125.09 yen) is the average exchange rate for 2001.

3. The figures for Japan include those of the "Zenkyoren", the National Mutual Insurance Federation of Agricultural Cooperatives.

4. Gross Direct Premiums include all premiums written by domestic and foreign companies within the country.

5. Total (average) figures are those total (average) figures of 89 countries with general and life premium volumes in excess of USD 150 million in 2001.

– To preserve our irreplaceable environment and ensure safety –

The General Insurance Association of Japan has obtained the ISO 14001 Certificate.

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