

FACT BOOK

FACT BOOK 2005-2006

# 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 2005

## 1 The Number of General Insurance Companies

Total: **48**  
 Domestic insurers: **26**  
 Foreign insurers: **22**

A total of 26 domestic and 22 foreign insurers are operating.

As of December 1, 2006, a total of 48 general insurance companies were operating in Japan; a total of 26 companies were licensed as domestic insurers, including 4 foreign capital domestic insurers, while 22 companies were licensed as foreign insurers.

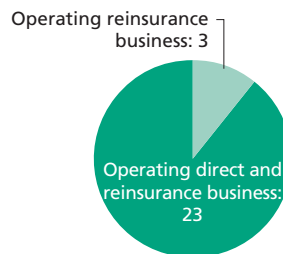
The number of people working in general insurance companies, including management, sales staff and temporary staff, was 84,008 as of April 1, 2006.

**Domestic insurers:** Licensed as domestic insurer

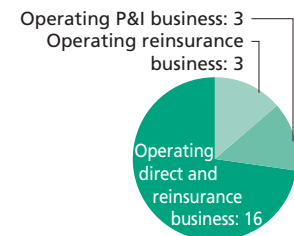
**Domestic insurers with foreign capital:** Licensed as domestic insurer which includes foreign capital of over 50%.

**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 2006):  
**266,753**

The number of sales staff  
 in agencies (at the end of  
 March 2006):  
**1,873,485**

While the number of agencies decreased by about 7%, the number of sales staff increased by about 4%.

There are 266,753 general insurance agencies of domestic and foreign general insurers and 1,873,485 sales staff are engaged in the agency business.

These agencies shared 92.8% of the written direct premiums in fiscal 2005.

### 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:

**8,591.4** billion yen

Net premiums:

**7,485.4** 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 decreased by about 1%, while net premiums increased by about 1%.

The total of direct premiums, including the savings portion thereof, written in fiscal 2005 was 8,591.4 billion yen, down 1.1%, while the total of net premiums written was 7,485.4 billion yen, up 1.0%. (The figures are the totals for GIAJ member companies.)

#### ■ Direct premiums



#### ■ Net premiums



### 4 The Amount of Claims Paid

Net claims paid:

**4,210.9** billion yen

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

The amount of net claims paid decreased by about 4%.

Net claims paid on all classes of insurance business during fiscal 2005 amounted to 4,210.9 billion yen, a decrease of about 180.8 billion yen compared with the previous term due to a decrease in claims for natural disasters (The figures are the totals for GIAJ member companies.)

#### ■ Net claims paid





## 5 Assets and Investment

Total assets:

**36,609.7** billion yen

Working assets:

**34,473.5** billion yen

**Total assets:** Total assets are the total of working assets and other assets (such as amounts due from the agency business, amounts due from other domestic insurance companies for reinsurance, etc.)

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

Total assets increased by about 13%, and working assets also increased by about 15%.

The total assets increased to 36,609.7 billion yen, up 12.5%. Working assets also increased to 34,473.5 billion yen, up 14.5% (The figures are the totals for GIAJ member companies.).

### Total assets



### Working assets



## 6 Ordinary Profits and Net Profits for the Current Year

Ordinary profits:

**483.6** billion yen

Net profits:

**306.3** billion yen

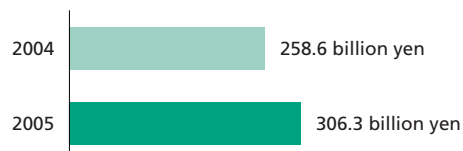
Both ordinary profits and net profits for the current year showed an increase and amounted to 483.6 billion yen and 306.3 billion yen respectively.

Ordinary profits for fiscal 2005 increased by 74.5 billion yen and amounted to 483.6 billion yen compared with ordinary profits of 409.1 billion yen in the previous term, due to a decrease in claims for natural disasters in the said year. Net profit after tax registered 306.3 billion yen, an increase of 47.7 billion yen from 258.6 billion yen in the previous term (The figures are the totals for GIAJ member companies.).

### Ordinary profits



### Net profits



**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:

**60.6%**

Operating expenses ratio:

**32.1%**

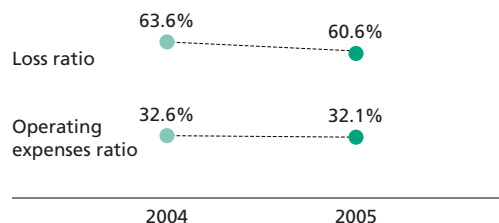
The loss ratio decreased by about 3.0 percentage points, and the operating expenses ratio improved by about 0.5 percentage point.

The loss ratio decreased by 3.0 percentage points to 60.6% due to the decrease in the amount of net claims paid for natural disasters. The operating expenses ratio improved by 0.5 percentage point to 32.1% reflecting the belt-tightening efforts of member companies to achieve further rationalization of their operations (The figures are the totals for GIAJ member companies.).

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

**Operating expenses ratio:** The ratio of agency commission 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): **53.5%**  
(surveyed in December 2002)

Personal Accident: **53.0%**  
(surveyed in December 2002)

Voluntary Automobile  
(bodily injury liability):

**71.0%**  
(as of the end of March 2005)

Ownership of Earthquake Insurance on Dwelling Risks, which represents the ratio of the number of earthquake insurance policies to the number of fire insurance policies effected, increased to 40.3% in fiscal 2005.

Ownership of general insurance policies by line are as follows:

### ■ Ownership by line



# II Major Events

	Legislation / Administrative Events	Industry Events	Accidents and Disasters
2005 April	<ul style="list-style-type: none"> <li>1 Full implementation of the "Personal Information Protection Law"</li> <li>2 Partial revision of the "Enforcement Ordinance of the Law concerning Earthquake Insurance" (Aggregate limit of indemnity raised to 5,000 billion yen)</li> </ul>	<ul style="list-style-type: none"> <li>1 "Guidelines for Personal Information Protection in General Insurance Companies" drawn up by the GIAJ</li> <li>1 The GIAJ designated as a Personal Information Protection Body by the FSA</li> </ul>	
May			
June			
July	<ul style="list-style-type: none"> <li><input type="checkbox"/> Interim report on an accountability rule published by the FSA's Study Team on Insurance Product Sales and Solicitations</li> </ul>		
August	<ul style="list-style-type: none"> <li><input type="checkbox"/> Comprehensive Guidelines for Supervision of Insurance Companies enforced</li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Miyagiken-oki Earthquake</li> </ul>
September		<ul style="list-style-type: none"> <li>3 Publication of a "Corporate Social Responsibility Report"</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Typhoon No. 14 (Miyazaki, Kagoshima, Tokyo, etc.)</li> </ul>
October		<ul style="list-style-type: none"> <li><input type="checkbox"/> The Month for Automobile Theft Kickout</li> <li>4 Theft Prevention Day</li> </ul>	
November			
December	<ul style="list-style-type: none"> <li><input type="checkbox"/> Partial revision of the "Enforcement Regulation of the Insurance Business Law" (Obligation of accountability by written notice concerning a cooling-off system for a single premium payment insurance contract)</li> </ul>		<ul style="list-style-type: none"> <li>5 The highest ever claims payment registered for heavy snow damage after December 2005</li> </ul>

## 1 Full implementation of the "Personal Information Protection Law"

In line with the full implementation of the "Personal Information Protection Law", the GIAJ totally revised its former guidelines for the handling of personal information, and drew up a new set of "Guidelines for Personal Information Protection in General Insurance Companies". The GIAJ, designated by the FSA as a Personal Information Protection Body under the Law, has been conducting activities to ensure the proper handling of personal information by its member companies.

## 2 Partial revision of the "Enforcement Ordinance of the Law concerning Earthquake Insurance" (Aggregate limit of indemnity raised to 5,000 billion yen)

The amount of the aggregate limit of indemnity per occurrence has been raised from 4,500 billion yen to 5,000 billion yen.

## 3 Publication of a "Corporate Social Responsibility Report"

The GIAJ published a "Corporate Social Responsibility Report" which put together information on its social activities, such as activities to prevent disasters and crimes, as well as its activities aimed at protecting the environment.

## 4 Theft Prevention Day

The GIAJ began tackling the ever-increasing number of automobile thefts and burglaries by setting October 7 as "Theft Prevention Day" in fiscal 2003. In fiscal 2005, about 2,200 people from the general insurance industry stressed the importance of anti-theft measures at 47 prefectures all over the country.

## 5 The highest ever claims payment registered for heavy snow damage after December 2005

The claims payment for loss or damage caused by heavy snow after December 2005 amounted to about 22.4 billion yen as at the end of April 2006, representing the highest ever amount registered as claims payment for snow damage.

## 6 "General Insurance Buyers' Guide" published by the GIAJ

The GIAJ published a General Insurance Buyer's Guide to provide key information about insurance contracts in order to help avoid misunderstandings.

	Legislation / Administrative Events	Industry Events	Accidents and Disasters
2006 January		<b>6</b> “General Insurance Buyers’ Guide” published by the GIAJ	
February		<b>7</b> The 3rd National Anti-crime Award for Local Anti-crime Activities	
March	<input type="checkbox"/> Interim report on a suitability rule published by the FSA’s Study Team on Insurance Product Sales and Solicitations	<b>8</b> “Guidelines for the Policy Overview and the Warning Information” published by the GIAJ	
April	<input type="checkbox"/> Partial revision of the “Enforcement Regulation of the Insurance Business Law” (Simplification of the FSA’s examination of loading premium rates) <b>9</b> Partial revision of the Insurance Business Law (Revision of the safety net system and the introduction of supervision of small-amount and short-term insurers)	<b>10</b> “General Insurance Consumers’ Guide” published by the GIAJ	
May	<input type="checkbox"/> Partial revision of the “Enforcement Regulation of the Insurance Business Law” (Revision related to the introduction of the Corporate Law)	<b>11</b> The Non-Life Insurance Rating Organization of Japan notified the FSA of the revision of standard premium rates for Earthquake Insurance on Dwelling Risks	
June	<input type="checkbox"/> Final report on a rule on comparative information published by the FSA’s Study Team on Insurance Product Sales and Solicitations		
July			

#### **7 The 3rd National Anti-crime Award for Local Anti-crime Activities**

In response to the increase in the number of crimes, which have recently become a social problem in Japan, since fiscal 2003, the GIAJ has been soliciting for local anti-crime activities to be conducted by local merchants’ associations, local residents’ associations, volunteer groups, etc., and have commended those organizations which achieved excellent results. This is based on the idea that close links with local residents are important to make local anti-crime activities more effective.

#### **8 “Guidelines for the Policy Overview and the Warning Information” published by the GIAJ**

Based on the Guidelines, GIAJ member companies are making efforts to ensure that customers better understand their insurance products at the time of insurance sales and solicitation.

#### **9 Partial revision of the Insurance Business Law (Revision of the safety net system and the introduction of supervision of small-amount and short-term insurers)**

The revised safety net system guarantees 100% of claims payment for 3 months after an insurance company has gone bankrupt.

Also, as a result of this revision, a small-amount and short-term insurer, whose business is restricted to those with a policy period of less than 2 years and an insured amount of less than 10 million yen, falls under the supervision of the Insurance Business Law.

#### **10 “General Insurance Consumers’ Guide” published by the GIAJ**

The GIAJ published a consumers’ guide which provides the public with a general picture of general insurance and information on precautions at the time of taking out insurance contracts.

#### **11 The Non-Life Insurance Rating Organization of Japan notified the FSA of the revision of standard premium rates for Earthquake Insurance on Dwelling Risks**

The Non-Life Insurance Rating Organization of Japan totally revised the method of calculating premium rates. As a result of this revision, standard premium rates will be reduced by a national average of 7.7%.

## 1. Income Statement

(in billions of yen & %)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Growth	Amount	Growth
<b>Ordinary Profit and Loss</b>				
<b>Underwriting Income</b>	9,123.8	0.7	8,916.8	-2.3
Net Premiums Written	7,412.0	-0.3	7,485.4	1.0
Savings Portion of Maturity-refund type Insurance Premiums	1,153.6	-4.5	1,010.3	-12.4
<b>Underwriting Expenses</b>	8,011.5	5.5	7,753.9	-3.2
Net Claims Paid	4,391.7	16.1	4,210.9	-4.1
Loss Adjustment Expenses	322.1	-3.2	322.5	0.1
Agency Commissions and Brokerage	1,243.6	-0.8	1,259.5	1.3
Maturity Refunds to Policyholders	1,760.3	-12.0	1,596.2	-9.3
Net Provision for / Net Reversal of Outstanding Loss Reserves	252.8	—	141.8	-43.9
Net Provision for / Net Reversal of Underwriting Reserves	-244.2	-477.3	82.0	—
<b>Investment Income</b>	651.5	-2.6	640.8	-1.6
Interest and Dividend Income	493.8	5.0	560.7	13.6
Profits on Sales of Securities	384.4	0.1	281.0	-26.9
<b>Investment Expenses</b>	120.3	-34.6	111.4	-7.4
Losses on Sales of Securities	55.5	-49.8	41.9	-24.5
Losses on Devaluation of Securities	16.6	-45.3	20.0	20.1
<b>Operating and General Administrative Expenses</b>	1,262.3	-3.4	1,234.2	-2.2
Operating and General Administrative Expenses on Underwriting	1,171.8	-3.5	1,142.6	-2.5
<b>Other Ordinary Profits and Losses</b>	27.9	57.9	25.5	-8.6
<b>Ordinary Profits</b>	409.1	-38.0	483.6	18.2
Underwriting Profits	-64.0	-126.1	15.9	—
<b>Special Profits and Losses Balance</b>	-3.2	—	-24.8	—
<b>Profits for the Current Year before Corporate Taxes</b>	405.9	-20.0	458.8	13.0
<b>Corporate Income Taxes and Corporate Resident Taxes</b>	71.0	-23.8	134.7	89.7
<b>Adjustments in Corporate Income Taxes, etc.</b>	76.3	-14.0	17.8	-76.6
<b>Net Profits for the Current Year</b>	258.6	-20.6	306.3	18.4

## 2. Abridged Balance Sheet

### <Assets>

(in billions of yen & %)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Share	Amount	Share
Deposits	1,148.8	3.5	1,064.6	2.9
Call Loans	328.7	1.0	284.5	0.8
Receivables under Resales Agreements	5.0	0.0	20.0	0.1
Monetary Receivables Bought	634.7	2.0	884.2	2.4
Money Trusts	232.3	0.7	289.0	0.8
Securities	23,657.8	72.7	28,008.3	76.5
National Government Bonds	4,609.2	14.2	4,792.8	13.1
Local Government Bonds	823.6	2.5	732.1	2.0
Corporate Bonds	3,953.7	12.1	4,084.8	11.2
Stocks	9,100.2	28.0	12,714.6	34.7
Foreign Securities	4,496.3	13.8	4,852.4	13.3
Other Securities	674.7	2.1	831.7	2.3
Loans	2,853.9	8.8	2,723.8	7.4
Real Estate	1,255.9	3.9	1,199.0	3.3
Total Working Assets	30,117.2	92.6	34,473.5	94.2
Other Assets	2,418.9	7.4	2,136.2	5.8
<b>Total Assets</b>	<b>32,536.1</b>	<b>100.0</b>	<b>36,609.7</b>	<b>100.0</b>

(Notes) "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.

### <Liabilities and Equities>

(in billions of yen & %)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Share	Amount	Share
Underwriting Reserves	22,714.5	69.8	22,971.5	62.7
Outstanding Loss Reserves	2,844.6	8.7	2,992.6	8.2
Underwriting Reserves	19,869.9	61.1	19,978.8	54.6
Others	—	—	—	—
Other Liabilities	3,232.0	9.9	4,566.9	12.5
Total Liabilities	25,946.6	79.7	27,538.4	75.2
Capital	811.5	2.5	816.3	2.2
Suspense Receipts on Capital Subscriptions	—	—	—	—
Additional Paid in Capital	466.0	1.4	470.7	1.3
Earned Surplus	2,071.7	6.4	2,192.0	6.0
Profits for the Current Year	258.6	0.8	306.3	0.8
Land Revaluation Excess	-2.6	-0.0	-13.0	-0.0
Unrealized gain on Securities, Net of Income Taxes	3,351.4	10.3	5,736.7	15.7
Treasury Stock	-108.4	-0.3	-131.4	-0.4
Total Equities	6,589.5	20.3	9,071.3	24.8
<b>Total Liabilities and Equities</b>	<b>32,536.1</b>	<b>100.0</b>	<b>36,609.7</b>	<b>100.0</b>

(Notes) "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.

### 3. Direct Premiums by Line

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
<b>Fire</b>	1,902,702	2.7	1,901,652	-0.1	1,774,099	-6.7	1,744,255	-1.7
Maturity-refund type	844,488	-1.6	810,960	-4.0	754,434	-7.0	722,007	-4.3
<b>Voluntary Automobile</b>	3,649,071	3.2	3,688,850	1.1	3,572,065	-3.2	3,599,908	0.8
Maturity-refund type	—	—	—	—	—	—	3,023	—
<b>Personal Accident</b>	2,892,951	5.9	2,666,790	-7.8	2,295,405	-13.9	2,049,840	-10.7
Maturity-refund type	2,251,163	6.4	2,023,671	-10.1	1,676,318	-17.2	1,430,574	-14.7
<b>Miscellaneous Casualty</b>	793,468	5.7	776,114	-2.2	745,955	-3.9	733,633	-1.7
Maturity-refund type	70,622	-0.1	46,460	-34.2	44,144	-5.0	39,739	-10.0
Burglary	25,010	9.6	26,806	7.2	28,422	6.0	27,610	-2.9
Glass	3,487	1.1	3,371	-3.3	2,984	-11.5	2,666	-10.7
Aviation	18,799	11.9	19,619	4.4	11,992	-38.9	13,696	14.2
Windstorm & Flood	190	-0.8	173	-9.0	190	10.0	335	76.7
Guarantee	14,603	57.1	13,616	-6.8	14,242	4.6	14,432	1.3
Credit	7,962	6.6	7,948	-0.2	9,507	19.6	14,482	52.3
Workers' Accident Compensation Liability	128,367	3.1	117,523	-8.4	103,353	-12.1	94,778	-8.3
Maturity-refund type	39,789	6.8	24,019	-39.6	19,672	-18.1	19,315	-1.8
Boiler & Turbo-set	2,892	6.3	2,819	-2.5	2,836	0.6	2,697	-4.9
Livestock	2,481	-2.8	2,938	18.4	2,824	-3.9	2,853	1.1
General Liability	294,853	6.9	308,965	4.8	304,189	-1.5	305,063	0.3
Machinery & Erection	40,249	2.0	42,468	5.5	39,798	-6.3	37,535	-5.7
Shipowners' Liability for Passengers' Personal Accident	1,157	-4.2	1,182	2.2	1,126	-4.8	1,075	-4.5
Contractors' All Risks	41,840	9.3	38,769	-7.3	35,649	-8.0	35,511	-0.4
Atomic Energy	12,249	-0.5	12,152	-0.8	11,456	-5.7	11,235	-1.9
Movables Comprehensive	123,132	3.9	124,867	1.4	118,946	-4.7	118,508	-0.4
Maturity-refund type	9,476	-15.8	7,325	-22.7	3,855	-47.4	3,495	-9.3
Miscellaneous Pecuniary Loss	76,199	1.1	52,898	-30.6	58,442	10.5	51,158	-12.5
Maturity-refund type	21,357	-3.8	15,116	-29.2	20,617	36.4	16,929	-17.9
<b>Marine and Inland Transit</b>	320,765	4.5	309,681	-3.5	279,661	-9.7	251,504	-10.1
Marine Hull	92,209	-5.5	78,058	-15.3	68,290	-12.5	59,726	-12.5
Marine Cargo	161,147	12.0	163,782	1.6	146,983	-10.3	127,905	-13.0
Inland Transit	67,409	3.1	67,840	0.6	64,388	-5.1	63,873	-0.8
<b>Subtotal</b>	<b>9,558,957</b>	<b>4.2</b>	<b>9,343,087</b>	<b>-2.3</b>	<b>8,667,184</b>	<b>-7.2</b>	<b>8,379,140</b>	<b>-3.3</b>
<b>Compulsory Automobile Liability</b>	<b>1,063,021</b>	<b>2.8</b>	<b>970,632</b>	<b>-8.7</b>	<b>955,582</b>	<b>-1.6</b>	<b>980,473</b>	<b>2.6</b>
<b>Grand total</b>	<b>10,621,978</b>	<b>4.0</b>	<b>10,313,719</b>	<b>-2.9</b>	<b>9,622,766</b>	<b>-6.7</b>	<b>9,359,613</b>	<b>-2.7</b>
Maturity-refund type	3,166,273	4.0	2,881,091	-9.0	2,474,896	-14.1	2,195,343	-11.3

(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

(in millions of yen &amp; %)

Fiscal 2000		Fiscal 2001		Fiscal 2002		Fiscal 2003		Fiscal 2004		Fiscal 2005	
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
1,583,618	-9.2	1,507,526	-4.8	1,493,409	-0.9	1,471,055	-1.5	1,463,668	-0.5	1,486,268	1.5
566,342	-21.6	478,285	-15.5	452,097	-5.5	390,256	-13.7	363,916	-6.7	334,870	-8.0
3,649,981	1.4	3,676,513	0.7	3,605,362	-1.9	3,553,918	-1.4	3,503,607	-1.4	3,501,836	-0.1
13,536	347.8	14,757	9.0	12,942	-12.3	10,183	-21.3	8,180	-19.7	7,433	-9.1
1,831,264	-10.7	1,625,266	-11.2	1,578,112	-2.9	1,485,479	-5.9	1,478,874	-0.4	1,377,460	-6.9
1,226,984	-14.2	1,041,031	-15.2	994,982	-4.4	900,915	-9.5	864,428	-4.0	737,305	-14.7
758,578	3.4	783,911	3.3	779,889	-0.5	776,931	-0.4	784,793	1.0	796,556	1.5
47,422	19.3	27,874	-41.2	17,958	-35.6	12,279	-31.6	8,628	-29.7	9,448	9.5
28,325	2.6	26,288	-7.2	23,565	-10.4	20,343	-13.7	18,784	-7.7	17,875	-4.8
2,431	-8.8	2,178	-10.4	1,991	-8.6	1,838	-7.7	1,692	-7.9	1,504	-11.1
14,625	6.8	38,463	163.0	51,358	33.5	48,103	-6.3	35,738	-25.7	32,321	-9.6
329	-1.8	250	-24.2	247	-1.0	252	2.1	366	45.1	411	12.3
13,422	-7.0	16,698	24.4	12,887	-22.8	11,026	-14.4	10,430	-5.4	10,713	2.7
20,052	38.5	25,632	27.8	31,326	22.2	30,568	-2.4	30,263	-1.0	30,102	-0.5
98,371	3.8	85,157	-13.4	79,695	-6.4	75,685	-5.0	70,090	-7.4	69,549	-0.8
24,530	27.0	13,853	-43.5	12,687	-8.4	10,746	-15.3	6,471	-39.8	8,190	26.6
2,657	-1.5	2,602	-2.0	2,395	-8.0	2,528	5.6	2,412	-4.6	2,357	-2.3
2,883	1.0	2,672	-7.3	3,047	14.0	3,007	-1.3	3,204	6.6	3,182	-0.7
309,747	1.5	332,680	7.4	334,445	0.5	356,603	6.6	382,224	7.2	401,330	5.0
37,085	-1.2	36,181	-2.4	33,734	-6.8	32,261	-4.4	32,665	1.3	34,583	5.9
998	-7.2	830	-16.8	842	1.5	814	-3.3	759	-6.7	781	2.9
35,345	-0.5	35,322	-0.1	34,375	-2.7	34,450	0.2	36,404	5.7	36,993	1.6
11,024	-1.9	10,318	-6.4	11,065	7.2	10,874	-1.7	10,426	-4.1	11,252	7.9
122,380	3.3	121,913	-0.4	120,005	-1.6	113,212	-5.7	107,732	-4.8	103,934	-3.5
1,931	-44.8	949	-50.8	589	-37.9	305	-48.2	155	-48.9	41	-73.2
58,904	15.1	46,727	-20.7	38,912	-16.7	35,367	-9.1	41,596	17.6	39,663	-4.6
20,962	23.8	13,071	-37.6	4,682	-64.2	1,228	-73.8	2,001	62.9	1,215	-39.2
250,478	-0.4	250,727	0.1	251,189	0.2	258,862	3.1	269,166	4.0	284,759	5.8
57,035	-4.5	63,072	10.6	57,957	-8.1	59,136	2.0	58,680	-0.8	62,747	6.9
128,512	0.5	124,143	-3.4	130,442	5.1	134,959	3.5	143,754	6.5	154,022	7.1
64,931	1.7	63,512	-2.2	62,790	-1.1	64,767	3.1	66,731	3.0	67,989	1.9
8,073,919	-3.6	7,843,944	-2.8	7,707,962	-1.7	7,546,244	-2.1	7,500,110	-1.1	7,446,881	-0.7
987,786	0.7	986,577	-0.1	1,190,710	20.7	1,201,820	0.9	1,189,010	-1.1	1,144,548	-3.7
<b>9,061,706</b>	<b>-3.2</b>	<b>8,830,521</b>	<b>-2.6</b>	<b>8,898,672</b>	<b>0.8</b>	<b>8,748,064</b>	<b>-1.7</b>	<b>8,689,120</b>	<b>-0.7</b>	<b>8,591,430</b>	<b>-1.1</b>
1,854,285	-15.5	1,561,947	-15.8	1,477,980	-5.4	1,313,633	-11.1	1,245,154	-5.2	1,089,058	-12.5

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

(in millions of yen & %)

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,175,180	6.3	1,186,054	0.9	1,117,182	-5.8	1,105,163	-1.1	1,053,735	-4.7
Voluntary Automobile	3,666,582	3.1	3,697,444	0.8	3,575,870	-3.3	3,605,062	0.8	3,650,119	1.2
Personal Accident	797,101	1.8	765,795	-3.9	718,693	-6.2	705,765	-1.8	676,576	-4.1
Miscellaneous Casualty	694,050	6.6	702,505	1.2	688,091	-2.1	676,203	-1.7	692,325	2.4
Marine and Inland Transit	293,335	7.2	287,583	-2.0	261,217	-9.2	232,122	-11.1	231,463	-0.3
Marine Hull	73,473	-0.8	63,582	-13.5	55,939	-12.0	59,697	6.7	44,901	-24.8
Marine Cargo	155,885	13.4	159,574	2.4	143,440	-10.1	111,659	-22.2	124,864	11.8
Inland Transit	63,975	3.2	64,426	0.7	61,831	-4.0	60,754	-1.7	61,684	1.5
Subtotal	6,626,250	4.0	6,639,384	0.2	6,361,138	-4.2	6,324,405	-0.6	6,304,301	-0.3
Compulsory Automobile Liability	601,908	1.9	576,014	-4.3	553,926	-3.8	564,942	2.0	569,835	0.9
<b>Grand total</b>	<b>7,228,158</b>	<b>3.9</b>	<b>7,215,398</b>	<b>-0.2</b>	<b>6,915,064</b>	<b>-4.2</b>	<b>6,889,347</b>	<b>-0.4</b>	<b>6,874,136</b>	<b>-0.2</b>

(in millions of yen & %)

Class of Business	Fiscal 2001		Fiscal 2002		Fiscal 2003		Fiscal 2004		Fiscal 2005	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,031,948	-2.1	1,030,541	-0.1	1,044,867	1.4	1,030,154	-1.4	1,080,722	4.9
Voluntary Automobile	3,674,497	0.7	3,612,464	-1.7	3,558,174	-1.5	3,507,923	-1.4	3,507,502	-0.0
Personal Accident	645,609	-4.6	636,727	-1.4	631,012	-0.9	649,832	3.0	666,360	2.5
Miscellaneous Casualty	725,448	4.8	760,987	4.9	766,194	0.7	779,402	1.7	803,847	3.1
Marine and Inland Transit	231,843	0.2	233,426	0.7	241,279	3.4	252,668	4.7	270,257	7.0
Marine Hull	47,810	6.5	44,059	-7.8	44,709	1.5	44,504	-0.5	47,909	7.7
Marine Cargo	123,963	-0.7	130,732	5.5	136,367	4.3	146,003	7.1	158,657	8.7
Inland Transit	60,059	-2.6	58,624	-2.4	60,190	2.7	62,151	3.3	63,685	2.5
Subtotal	6,309,424	0.1	6,274,207	-0.6	6,241,589	-0.5	6,220,035	-0.3	6,328,735	1.7
Compulsory Automobile Liability	572,171	0.4	1,011,677	76.8	1,195,639	18.2	1,191,923	-0.3	1,156,706	-3.0
<b>Grand total</b>	<b>6,881,595</b>	<b>0.1</b>	<b>7,285,884</b>	<b>5.9</b>	<b>7,437,228</b>	<b>2.1</b>	<b>7,411,958</b>	<b>-0.3</b>	<b>7,485,441</b>	<b>1.0</b>

(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 by Line

(in millions of yen & %)

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	336,672	13.9	327,867	-2.6	447,610	36.5	544,388	21.6	363,808	-33.2
Voluntary Automobile	1,955,264	2.8	1,989,857	1.8	1,998,688	0.4	2,083,395	4.2	2,190,257	5.1
Compulsory Automobile Liability	835,787	0.6	849,607	1.7	850,247	0.1	871,249	2.5	888,159	1.9
Personal Accident	296,453	2.1	299,444	1.0	290,078	-3.1	290,553	0.2	278,235	-4.2
Miscellaneous Casualty	335,241	9.7	354,457	5.7	365,261	3.0	379,275	3.8	388,678	2.5
Marine and Inland Transit	165,776	3.9	165,717	0.0	158,394	-4.4	147,517	-6.9	136,131	-7.7
<b>Total</b>	<b>3,925,196</b>	<b>3.7</b>	<b>3,986,952</b>	<b>1.6</b>	<b>4,110,281</b>	<b>3.1</b>	<b>4,316,379</b>	<b>5.0</b>	<b>4,245,271</b>	<b>-1.6</b>

(in millions of yen & %)

Class of Business	Fiscal 2001		Fiscal 2002		Fiscal 2003		Fiscal 2004		Fiscal 2005	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	324,995	-10.7	291,620	-10.3	310,507	6.5	853,409	174.8	476,474	-44.2
Voluntary Automobile	2,114,950	-3.4	2,042,634	-3.4	2,017,372	-1.2	2,092,717	3.7	2,079,897	-0.6
Compulsory Automobile Liability	889,619	0.2	904,202	1.6	915,683	1.3	879,610	-3.9	856,479	-2.6
Personal Accident	265,529	-4.6	256,288	-3.5	250,299	-2.3	243,492	-2.7	259,012	6.4
Miscellaneous Casualty	431,699	11.1	420,327	-2.6	417,692	-0.6	457,285	9.5	408,078	-10.8
Marine and Inland Transit	140,505	3.2	121,369	-13.6	143,435	18.2	129,314	-9.8	131,799	1.9
<b>Total</b>	<b>4,167,300</b>	<b>-1.8</b>	<b>4,036,443</b>	<b>-3.1</b>	<b>4,054,991</b>	<b>0.5</b>	<b>4,655,831</b>	<b>14.8</b>	<b>4,211,742</b>	<b>-9.5</b>

(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. Ownership of Voluntary Automobile Insurance

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of Registered Automobiles (thousand)	70,107	71,776	72,857	73,688	74,583	75,525	76,271	76,893	77,390	78,279
Bodily Injury Liability	68.8%	69.4%	69.9%	69.6%	70.4%	70.9%	71.0%	70.9%	71.1%	71.0%
Property Damage Liability	68.1%	68.7%	69.2%	69.1%	69.8%	70.4%	70.5%	70.4%	70.7%	70.8%
Passengers' Personal Accident	66.9%	67.5%	68.1%	67.9%	67.8%	66.2%	63.8%	62.2%	61.2%	59.6%
Physical Damage	29.8%	30.7%	31.6%	32.0%	33.0%	33.9%	34.6%	35.0%	35.7%	36.3%

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

## 7. Ownership of Earthquake Insurance

### 1. What is Earthquake Insurance on Dwelling Risks?

With an implementation of Law concerning Earthquake Insurance in 1966, earthquake insurance on dwelling risks was introduced to the market. (cf. II. Insurance-related Laws in PART III)

The policy provides coverage for losses of or damage to residential buildings or household effects caused by fire, destruction, burying or washing-away following an earthquake, volcanic eruption, or a tsunami following an earthquake or volcanic eruption. The subject for Earthquake Insurance on Dwelling Risks is dwelling houses (houses used as residence exclusively or partially) and household effects (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 effects.

### 2. Ownership of Earthquake Insurance on Dwelling Risks Policies

Due to a spate of earthquakes in the past few years in the nation and abroad, people's awareness against earthquake risks has been growing. According to the Non-Life Insurance Rating Organization, 40.3% of the fire insurance policyholders, who took out the policy including renewal contracts in fiscal 2005, obtained Earthquake Insurance on Dwelling Risks policy.

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
National average	33.5%	33.3%	34.9%	37.4%	40.3%

Source: The Non-Life Insurance Rating Organization of Japan.

## ***PART II***

# ***ACTIVITIES OF THE GIAJ***

**For ensuring consumer confidence in the general insurance industry  
- with consistent and intensified focus on consumers' views and voices -**

As competition intensifies in the market, insurance products and services have been diversifying significantly, and this has led to some consumers not really understanding what they are purchasing. In response to this situation, the General Insurance Association of Japan (GIAJ) has been placing more emphasis on consumer services as shown in the following pages, in recognition that clear explanations of products and services to consumers is the most important thing.

# I *Consumer Services*

The GIAJ promotes consumer response, consumers' understanding of insurance, and the presence of the general insurance industry in society.

## 1 Counseling Services

### ■ General Insurance Counseling Offices

The GIAJ has 11 counseling centers throughout Japan. These offices give explanations and advice to the public concerning general insurance in general. The counseling offices at the GIAJ's headquarters and its branches have a "General Insurance Information Corner" where visitors can browse or take away free pamphlets on major insurance products (personal line only) distributed by our member companies. A toll free telephone line is in place for customers in remote areas.

<Number of counseling cases handled: 25,023 for fiscal 2005>

### ■ Automobile Insurance Claims Counseling Centers

The GIAJ has 48 counseling centers throughout the country specializing in voluntary automobile insurance and Compulsory Automobile Liability Insurance (CALI).

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

<Number of counseling cases handled: 64,760 for fiscal 2005>

### ■ General Insurance Arbitration Committee

This Committee, set up by the GIAJ, is made up of five academics and lawyers to deal with problems not settled through mediation by the general insurance counseling offices mentioned above.

<Number of counseling cases handled: 12 for fiscal 2005>

### ■ Earthquake Insurance Arbitration Center

This Center is set up on an ad hoc basis according to the size of an earthquake disaster to deal with problems not settled by insurance companies.

## 2 Information Services

### ■ Enhancement of Disclosure

The GIAJ has drawn up disclosure standards which provide for a wider range of information to be disclosed than the statutory items. These standards have been reviewed regularly in order to ensure the transparency of the general insurance business.

Based on the standards, each member company compiles its own disclosure materials.

### ■ Publications and Brochures

The GIAJ produces various publications and brochures to promote understanding of general

insurance.

## <Major Publications and Brochures>

### ● **Sonpo**

—information magazine for consumers—

This is a quarterly publication which features articles of interest on the general insurance industry.

### ● **Senior High School Educational Material**

This book is designed as a study aid for senior high school students and simply explains the function of insurance and the responsibilities of those involved in a traffic accident.

### ● **Guidebook for Earthquake Insurance**

This guidebook outlines features of Earthquake Insurance on Dwelling Risks.

### ● **Guidebook for General Insurance in Life**

This guidebook explains about fire insurance, automobile insurance and personal accident insurance in simple terms.

### ● **Guidebook for Victims of Traffic Accidents**

This guidebook is designed for victims of traffic accidents and outlines the necessary procedures for claims settlement and the steps in each procedure. This also gives an overview of Compulsory Automobile Liability Insurance (CALI) and voluntary automobile insurance.

### ● **General Insurance in Japan, FACT BOOK**

This is an annual report of the GIAJ including statistics and topics in the market.

### ● **General Insurance Buyers' Guide**

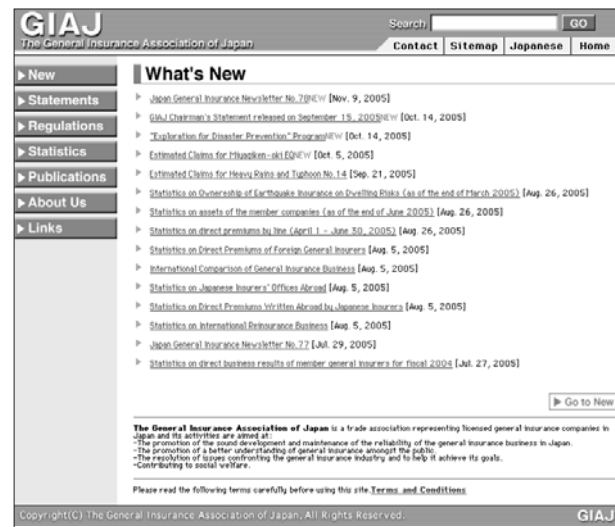
This guide provides potential customers with key information on insurance contracts, written in clear and concise language.

### ● **Policyholders' Guide for Filing Claims with General Insurers**

This guide is drawn up so that policyholders can use it when they file claims with general insurers.

## ■ Web Site

The GIAJ provides users with information in English on its web site. Users can access the latest market information from the home page. The "Regulations" section includes descriptions of laws and regulations, an outline of insurance supervision, the solvency margin scheme, and other market mechanisms. A "Links" page covers all licensed insurers, insurance related organizations and governmental bodies. And finally, the "Publications" section provides readers with back issues of the Fact Book and the Newsletter in PDF format.



<http://www.sonpo.or.jp/e/index.html>

## ■ Sonpo Information Square

Sonpo Information Square is an information service center where customers can find out about general insurance and get hold of information in an emergency. Information about the major insurance products of all member companies is held in the Information Square and customers can take this away for free. The staff of the Information Square can hold minor consultations when necessary.

Branches of the GIAJ have similar information corners at their offices, where customers can browse brochures for the member companies.



Sonpo Information Square

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

## 3 Communication with Consumer Groups

### ■ Dialogue with Consumer Groups

The GIAJ holds meetings with consumer groups aimed at collecting information on various problems policyholders and consumer consultants are facing. The voices of consumers and consultants provide feedback to the GIAJ's member companies to help them improve their customer relations.

### ■ Dispatch of Lecturers to Consumers' Meetings

The GIAJ sends general insurance lecturers to consumer study meetings held under the sponsorship of local consumer centers and gives presentations on such themes as dealing with domestic risks and the role of general insurance.

### ■ Lectures for Consumer Consultants

The GIAJ sends general insurance lecturers to workshops for those engaging in consumer consultation to provide information and knowledge for such consultation.

## 4 Cooperation with Schools

### ■ Lectures for Schools

In response to requests, the GIAJ has sent lecturers to students', parents' and teachers' meetings at senior high schools to promote understanding of the

mechanism and role of general insurance by discussing such themes as traffic accidents and compensation for damages.

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

## 5 Public Relations

### ■ Response to Mass Media

The GIAJ provides the media with news releases to express its viewpoint and to provide information on hot topics which are of current concern to the public. The Chairman of the GIAJ holds a series of press conferences and discussion meetings aiming at better communication with society.

### ■ Advertising

In light of the social and public aspects of the Earthquake Insurance on Dwelling Risks and Compulsory Automobile Liability Insurance (CALI), the GIAJ launches mass media campaigns to facilitate customers understanding.

#### ● Campaign for Earthquake Insurance

The purpose of the campaign is to promote understanding of Earthquake Insurance on Dwelling Risks among consumers and to expand the dissemination of the policy.



Earthquake Insurance Campaign Poster

#### ● 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.

### ■ Dialogue with Opinion Leaders

The GIAJ holds meetings aimed at collecting a wide range of views and opinions on what general insurance should be, and utilizing these opinions for the future direction of the general insurance business. Experts from academia, critics, the media, administrators, etc. are all invited to these meetings.

#### <Major meetings>

- Advisory Panel to Listen to Consumers' Voice
- General Insurance Round Table
- Meeting with news media
- Meeting with administrators of local consumer centers



Advisory Panel to Listen to Consumers' Voice



# III Social Responsibility

The GIAJ is constantly striving to fulfill its corporate social responsibilities, through such activities as preventing crime, mitigating the effect of natural disasters, promoting compliance with laws and regulations, and protecting the natural environment.

## 1 Automobile Theft Prevention

### ■ Combating Automobile Theft

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

The reasons for this increase are as follows:

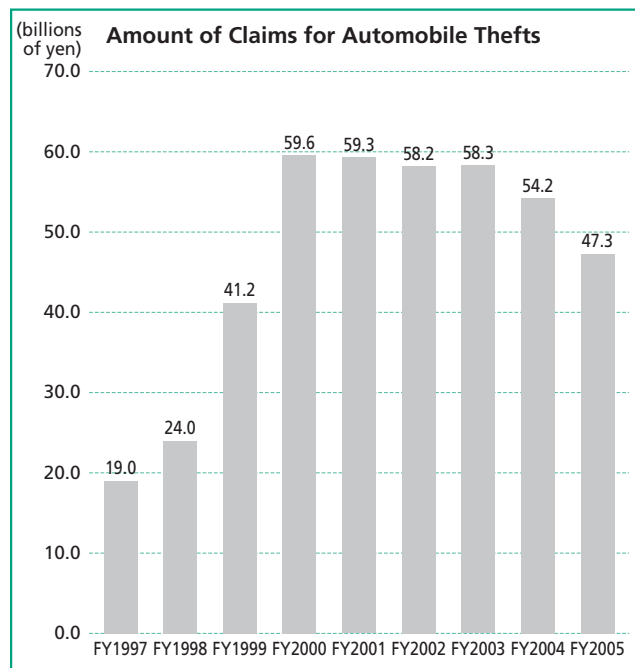
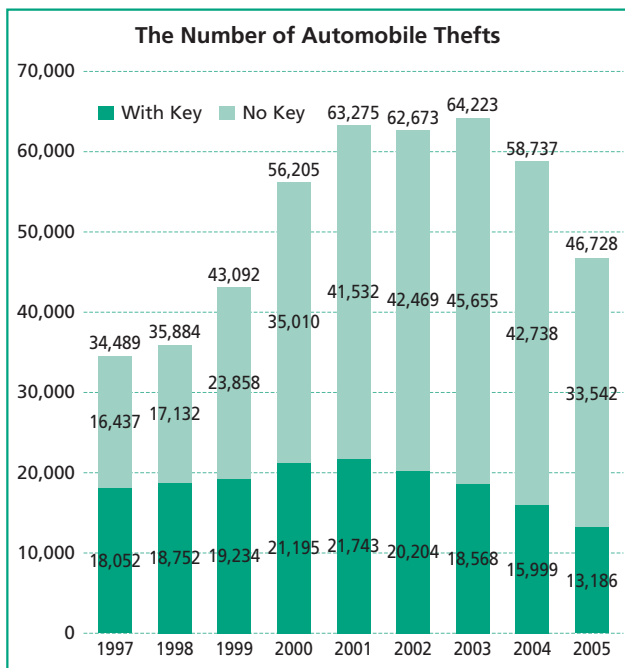
- Many international organized crime syndicates

are behind automobile theft. This theft becomes the source of funds for criminal gangs.

- Illegal exports have increased due to the deregulation of the export trade control regime in 1995.

The GIAJ sees this theft as a social problem to be eliminated and is actively engaged in loss prevention publicity campaigns.

Automobile Thefts in Japan (1997–2005)



### ■ Nationwide Anti-Theft Campaign on October 7

The rapid increase in the number of automobile thefts and burglaries by picking locks has become a

serious social problem in Japan. The GIAJ set October 7 as "Theft Prevention Day" and launched an anti-theft campaign all over the nation in order to raise public awareness of these crimes.

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

The GIAJ and the National Police Agency have acted as Secretariat of the “Joint Automobile Theft Prevention Project Team” which comprises both government authorities and the private sector working together to prevent automobile theft and the illegal export of stolen cars. The project team has 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

## ■ Support for the Automobile Theft Prevention Council

The “Automobile Theft Prevention Action Plan”, drawn up by the Joint Automobile Theft Prevention Project Team, proposed that an “Automobile Theft Prevention Council” be established in each prefecture to enhance anti-theft activities at a local level. This Council comprises local police departments and the local private sector relating to automotive business.

## 2 Crime Prevention

### ■ National Local Community Crime Prevention Activity Award

The GIAJ sends awards to local communities or volunteer groups that carry out unique and /or particularly effective activities aimed at crime prevention.



Crime Prevention Poster

### ■ Crime Prevention Chart for Life

The GIAJ published and widely distributed a booklet entitled “Crime Prevention Chart for Life”, which provides useful tips to prevent people from falling victim to crime in their daily life.

### ■ Activities to raise people’s awareness of crimes

The GIAJ produces and distributes posters to warn people about burglaries and thefts. It also provides useful information on crime prevention, particularly billing fraud, on its web site.

### ■ Participation in various conferences

The GIAJ has participated in various conferences on crime prevention jointly organized by government-

tal agencies and the private sector such as;

- the "Joint Conference on ATM Theft Prevention"
- the "Joint Conference on Development and Dissemination of Anti-crime Building Components" and

- the "Joint Automobile Theft Prevention Project Team"

(Note) "ATM" is the acronym for "Automatic Teller Machines".

### 3 Response to Fraudulent Claims

#### ■ Promotion Activities by the "Non-Life Insurance Crime Prevention Councils"

"Non-Life Insurance Crime Prevention Councils", comprising representatives from local police departments and general insurance companies, have been established in 47 prefectures. The Councils promote information exchange to eliminate insurance fraud and help the police in their criminal investigations.

#### ■ Cooperation with the 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 Insurance Claims

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

### 4 Natural Disaster Prevention

#### ■ Fire Prevention Slogan Contest

The GIAJ held 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 national campaigns in 2005 and was included on the fire prevention posters given



Fire Prevention Poster

by the GIAJ to the agency.

#### ■ Publication of Fire Prevention Materials

The GIAJ issued and distributed the "Loss Prevention Journal" to promote fire prevention awareness.

#### ■ "Exploration for Disaster Prevention" program

In 2003, the GIAJ and a Kobe based NPO\* jointly developed an educational program named "Exploration for Disaster Prevention" for elementary school children. This program places emphasis on the students having fun while they walk through their towns, seeing and thinking for themselves, and discovering facilities related to disaster and crime pre-

vention such as the police box, fire station, hospital, storehouse for emergency supplies, etc. After the town exploration, the students create their own disaster prevention maps and make presentations in their classrooms.



Town Exploration

(Note) The Nippon Volunteer Network Active in Disaster

### ■ Support for Disaster Prevention Activities Promoted by Housewives and Organizations

The GIAJ has promoted and supported disaster prevention activities conducted by “Housewife Fire Prevention Experts”; volunteer leaders in promoting fire and disaster prevention awareness through lectures on first-aid treatment, evacuation drills, etc. in local communities.

## 5 Compliance

### ■ Compliance with Laws and Regulations

The GIAJ has set up a “Compliance Committee” to promote full compliance with laws and regulations at the general insurance industry level. The GIAJ came up with the “Compliance Program” as a means of implementing concrete action.

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

### <Guidelines for the general insurance industry on compliance with laws and regulations>

- **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**
- **Guidelines for the Policy Overview and the Warning Information**
- **Self-Imposed Guideline on Payment for Insurance Claims**

### An Outline of the GIAJ's Code of Conduct

(Established: October 17, 1991, Revised: March 17, 2005)

The creation of a secure and safe society and smooth operation of the mutual aid system aimed at achieving stability and improvement in the economy and the life of the nation is an integral part of the mission of the general insurance business.

Furthermore, corporations and organizations should exist as entities broadly useful to society.

Accordingly, the General Insurance Association of Japan (hereafter, GIAJ) shall establish the following basic principles and action guidelines in conducting its business activities for the purpose of contributing to the sustainable development of a secure and safe society while striving to ensure the sound development of the gener-

al insurance business. The Member Companies shall pay due attention to these principles and guidelines and put them into practice in accordance with their individual management policies under the leadership of the top management.

### **1. Basic Principles**

The Member Companies shall comply with the following principles in the conduct of their business and shall also make efforts to have these principles observed by their officers and employees in performing their activities.

- **The principle of respecting human dignity**

The Member Companies shall act in a sincere manner toward all the parties related to their business based on the basic spirit of respect for human dignity.

- **The principle of compliance**

The Member Companies shall faithfully observe the relevant laws and rules with due understanding of the purpose of their establishment so as to respond to the expectations of society.

- **The principle of active social participation**

The Member Companies shall make approaches beneficial to society in a positive and proactive manner while exchanging communications with the parties concerned in pursuit of easily comprehensible and user-friendly general insurance services and also in order to further enhance the raison d'être of the general insurance business.

### **2. Action Guidelines**

To conform with the above "Basic Principles," the following action guidelines shall be established:

- 1) Guidelines concerning products and services
- 2) Guidelines concerning customer relationship activities
- 3) Guidelines concerning handling of personal information, etc.
- 4) Guidelines concerning communications with stakeholders
- 5) Guidelines concerning employment and the work environment
- 6) Guidelines concerning the global environment
- 7) Guidelines concerning the creation of a safe society
- 8) Guidelines concerning social contributions
- 9) Guidelines concerning asset management
- 10) Guidelines concerning reinforcement of the internal control system
- 11) Guidelines concerning international business activities
- 12) Guidelines concerning emergency response

### **3. Implementation of the Action Guidelines**

The GIAJ shall prepare specific code of conduct, manuals, etc. as required for the implementation of these Action Guidelines.

## 6 Study and Research on Risks

### ■ Study and Analysis of Claims Data for Automobile Insurance

The GIAJ 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”. This statistical data provides 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 claims.

### ■ Study and Research into Safety Promotion and Loss Prevention

The GIAJ conducts study and research into risks such as fire, explosion, automobile accidents, liabilities, natural disasters and environmental disruption to promote public awareness about accident and disaster prevention. In 2002, the GIAJ conducted study and research into making the first flood hazard maps, and in 2005, it compiled the second collection of flood hazard maps. The GIAJ will continue to recommend local governments to produce these maps.

## 7 Activities on Environment Protection

### ■ Automobile Parts Recycling Campaign and Automobile Parts Repair Campaign

The GIAJ conducts an “Automobile Parts Recycling Campaign” and an “Automobile Parts Repair Campaign” annually.

The aim of the “Automobile Parts Recycling Campaign” is to raise the awareness of automobile owners, and to promote the use by repair shops of recycled automobile parts (used parts and reclaimed parts). The aim of the “Automobile Parts Repair Campaign” is to encourage automobile owners and repair shops to repair rather than replace damaged automobile parts such as resin car bumpers.



Recycling Campaign Poster

### ■ Non-Life Insurance Industry Action Plan to Protect 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 Nippon Keidanren, the Japan Business Federation. In compliance with the Action Plan which includes the following measures, each general insurance company shares a common recognition of the importance of protecting the environment. Each company deals accordingly with such issues as reducing paper consumption, providing eco-friendly general insurance products and services and publicizing information and awareness.

- Disseminating 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

## ■ Acquisition of the ISO 14001 Certificate

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

In line with its Environmental Policy, the GIAJ is furthering its activities to raise environmental awareness among the public. These activities include holding symposia and lectures and publishing material related to environmental issues such as the reduction of the use of material resources including electricity, gas, tap water and paper. It also publicizes its environmental activities through its own publications and web site.

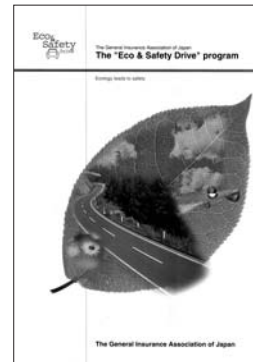
## ■ Eco-Safe Driving

The GIAJ promotes “Eco-Safe-Driving” techniques since they are effective in improving road safety in addition to fuel efficiency and reduction of CO<sub>2</sub> emissions. A survey conducted by the GIAJ verified that the Eco-Safe Driving techniques were effective

in reducing the risk of traffic accidents. The results showed that a total of ten forwarding companies participating in the survey succeeded in reducing the number of accidents by 48.8% for all of the commercial vehicles operated by them after introducing Eco-Safe Driving techniques.

## Five Tips for the Implementation of Eco-Safe Driving

- No sudden starts and no sudden acceleration
- Leave the car in gear when decelerating
- Maintain a steady speed according to the traffic flow
- Keep adequate space between cars
- Pre-driving vehicle checkup



Eco-Safe Driving Brochure

## The Environmental Policy of the GIAJ

### 1. Fundamental Policy

The General Insurance Association of Japan (hereafter, GIAJ) shall actively address the protection of the global and local environment by establishing and continuing to improve its environmental management system based on its “Code of Conduct” and “Non-Life Insurance Industry’s Action Plan for the Preservation of the Environment”.

### 2. Guidelines for Environmental Activities

Recent large-scale natural disasters are said to have resulted from changes in the global environment, something which seriously affects the general insurance business itself. The general insurance business, however, can contribute to the protection of the natural environment directly or indirectly, by providing insurance products and services. The GIAJ, as a trade association, pays due attention to our activities taking into consideration the protection of the global environment, along with recognition that environmental protection is a part of all our social responsibilities.

Therefore, the GIAJ shall promote the industry’s

efforts to tackle environmental issues. It wishes to do this by appealing to the community through the following activities.

- (1) Promoting environmental awareness activities inside and outside of the industry through lectures and publications and broadly publicizing the GIAJ’s activities aimed at protecting 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 burden on the environment and protecting against environmental pollution
- (3) Complying with laws, regulations and guidelines relating to the protection of the environment

Regarding the above activities, by setting up environmental objectives and goals, and through periodic reviews, the GIAJ continuously makes efforts to improve its environmental activities and the quality of its environmental management system.



## 8 Donation and Contribution

### ■ Contributions to Enhance Fire Fighting Facilities

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

- 24 fire engines to local governments
- 17 water pumps to isolated islands in Japan

### ■ Support for Traffic Accident Victims

The GIAJ has conducted the activities below by utilizing investment income from accumulated CALI (Compulsory Automobile Liability Insurance) funds. A total of 2.5 billion yen has been earmarked for the following activities which support victims of traffic accidents in fiscal 2006.

#### - Promotion of emergency medical systems

- Donations of high-performance ambulances
- Subsidies to emergency medical care centers for the purchase of emergency medical equipment
- Support for deployment of medical doctor

helicopters

#### - Provision of grants for research

- Research project on the head injury database
- Research into in-home nursing care for victims suffering from serious permanent disability
- Research on promotion of guardianship for adults

#### - Promotion of aid for victims of traffic accidents

- Promotion of mental care for victims and their families
- Provision of free legal consultation at the Japan Center for the Settlement of Traffic Accident Disputes
- Donation of specially-adapted cars
- Assistance for scholarships from the Traffic Accident Orphans Foundation
- Assistance for holding workshops on rehabilitation

#### - Development of traffic accident prevention measures

- Assistance to prevent drunk-driving
- Donation of equipment for traffic accident prevention
- Research into safe driving for elderly people

## 9 CSR Report

The GIAJ publishes its own Corporate Social Responsibility Report outlining its various activities aimed at disaster prevention, crime prevention, consumer relations and environmental protection.



CSR Report



# III *Requests and Proposals*

The GIAJ carries out activities to realize the establishment and revision of laws and regulations beneficial to the general insurance industry and society by making requests and proposals to the related parties.

## 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 GIAJ submitted the "Requests for Fiscal 2007 Tax Reform" to the authorities and parties in order to respond appropriately to the structural

reform of the economy and contribute to the achievement of economic growth as well as to a secure and stable society.

The requests include:

- (1) Improvement of the system for catastrophe reserves,
- (2) Creation of new premium tax deduction systems which respond to changes in social needs, and
- (3) To raise the exclusion rate for the exclusion of dividends from gross revenue.

### Priority Issues in the Tax Reform Requests for Fiscal 2007

#### 1. Improvement of the system for catastrophe reserves

- (1) To raise the present non-taxable rate of catastrophe reserves from 4/100 to 5/100 of the net premiums on fire insurance and others to ensure claims payment for catastrophe losses.
- (2) To raise the limit of the tax-exempt portion of the accumulated catastrophe reserves from 30/100 to 50/100 to enrich catastrophe reserves, in addition to raising the present non-taxable rate (=annual upper limit of catastrophe reserves).

#### 2. Creation of new premium tax deduction systems which respond to changes in social needs

To create a premium tax 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.

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

To raise the exclusion rate from 50% to 100% for the exclusion of dividends from gross revenue to eliminate double taxation on received dividends.

## 2 Requests for Regulatory Reform

In March 2006 the Cabinet revised the Three-Year Program for Promoting Regulatory Reform and Opening Business to the Private Sector which was approved by the Cabinet in March 2004. Under such circumstances, the GIAJ collects requests from members and submits them to the government to support further development of regulatory reform every year.

As a result of the requests by the GIAJ in fiscal 2005, deregulation of representation of banks by

insurance companies was adopted, while many items in the requests are now listed on the agenda for future discussions by responsible government ministries and agencies.

In fiscal 2006, the GIAJ has raised reform request items and encourages the government and Nippon Keidanren (Japanese Business Federation) to have our requests adopted.

### The GIAJ's Regulatory Reform Request items for Fiscal 2006 (Summary)

1. The expansion of the scope of the core business of insurance companies.
2. The expansion of the scope of the core business of subsidiaries of insurance companies.
3. The deregulation of asset management of insurance companies.
4. The promotion of rationalization and efficiency of the approval and notification process in insurance companies.
5. The promotion of rationalization and efficiency of business processes in insurance companies.
6. The promotion of rationalization and relaxation of regulations on CALI practices.
7. The dissemination of the defined-contribution pension plan system.
8. The enhancement of taking countermeasures against automobile theft.

## 3 Requests for a Defined-Contribution Pension Plan System

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

public pension system.

In order to promote the system, the GIAJ submitted the following 6 request items on the plans to the Ministry of Health, Labour and Welfare in August 2006.

### GIAJ's Requests for the Defined-Contribution Pension Plan System

#### 1. To raise the limit of the amount of contributions

A request was made to raise the following current limit of the amount of contributions:

- **Corporate-Contribution Type**

- 552,000 yen/year for beneficiaries of a corporation that has not introduced its defined benefit corporate pension plan (so-called Category 2 Insured)
- 276,000 yen/year for beneficiaries of a corporation that has already introduced its defined benefit corporate

pension plan (so-called Category 2 Insured)

- **Individual-Contribution Type**

- 816,000 yen/year for self-employed beneficiaries (so-called Category 1 Insured)

- 216,000 yen/year for beneficiaries who have opportunities to use neither a corporate defined benefit pension plan nor a Corporate-Type Defined Contribution Pension Plan (so-called Category 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 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.

## **4. To ease the requirements for midterm withdrawal**

A request was made to ensure that beneficiaries of a defined-contribution pension plan, who retire earlier, can receive lump-sum benefits as retirement income. The GIAJ also requested that the requirements for payment of lump-sum benefits for withdrawal be relaxed, and that midterm withdrawal of such benefits become available subject to taxation.

## **5. To enable the use of an individual-contribution type pension plan by beneficiaries of a corporation that has introduced its own corporate pension plan**

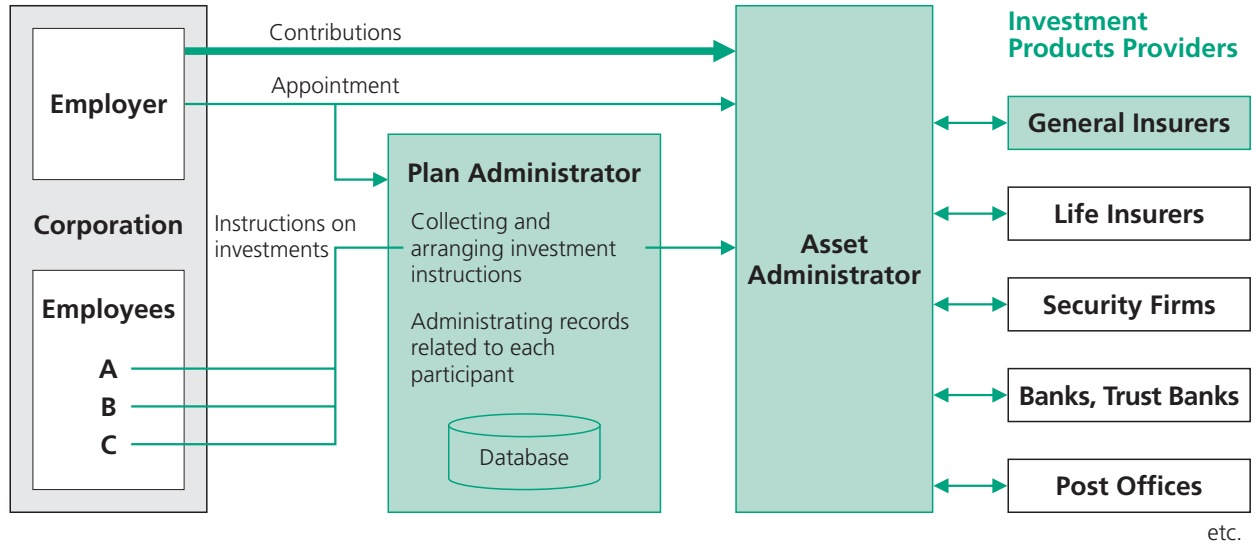
A request was made to ensure that beneficiaries of a corporation that has introduced its own corporate pension plan (including a corporate-contribution type) can also use an individual-contribution type pension plan.

## **6. To allow for the transfer from the Smaller Enterprise Retirement Allowance Mutual Aid System**

A request was made to allow the assets of the Smaller Enterprise Retirement Allowance Mutual Aid System to be transferred to a defined-contribution pension plan (a corporate-contribution type).

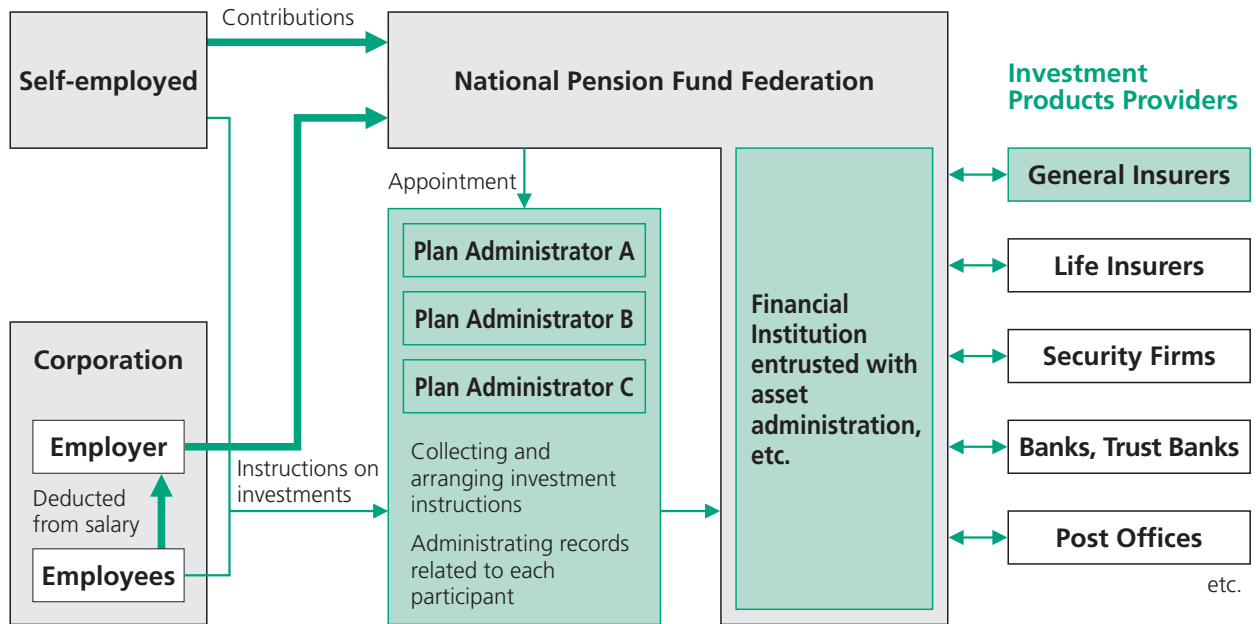
## Conceptual Illustration of Defined-Contribution Pension Plans

### Corporate-Contribution Type



Area of general insurance companies' involvement in the Defined-Contribution Pension Plans business

### Individual-Contribution Type



## 4 Requests for Elderly Nursing Care Policies

The GIAJ has submitted the industry's requests and proposals to the Ministry of Health, Labour and Welfare several times since 1994.

The GIAJ submitted the following two requests to the Ministry of Health, Labour and Welfare in

August 2006, 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.

### GIAJ'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 disclose statistical data on nursing care

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

## 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 GIAJ has requested the Ministry of Health, Labour and Welfare to improve

the Zaikei Savings system every year. Regarding fiscal 2006, the GIAJ submitted the following 3 request items to the Ministry of Health, Labour and Welfare in August 2006.

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

1. To raise 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.

2. To extend the deferment period from within 5 years to within 10 years for Zaikei Annuity Savings.

3. To enable partial repayment in cases 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.

## 6 Opinions to Public Consultation

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

While submitting its viewpoint to the Financial Services Agency regarding revisions of the Insurance Business Law, the GIAJ has also submitted its position to the Cabinet Office and the Ministry of Justice.

# IV Contribution to Global Community

The GIAJ participates in discussions on international policy making procedures and promotes international cooperation.

## 1 Cooperation with 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 GIAJ has actively pursued dialogue and exchanges of views and information with overseas insurance associations.

So far, the GIAJ has concluded a Cooperation Memorandum with 6 associations.

They are;

- Fédération Française des Sociétés d'Assurances (FFSA) in October 1997,
- the Association of British Insurers (ABI) in April 2001,
- Gesamtverband der Deutschen Versicherungswirtschaft e. V. (GDV) in May 2001,
- Insurance Association of China (IAC) in May 2003,
- American Insurance Association (AIA) in June 2003, and
- General Insurance Association of Korea (GIAK) in November 2003.

## 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 GIAJ has participated in the following organizations and conferences and expresses opinions representing the Japanese general insurance industry in cooperation with the worldwide general insurance industry.

### ■ Government-level

#### ● International Association of Insurance Supervisors

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 GIAJ has been participating in the IAIS annual conferences as an observer since 1996.

#### ● Organization for Economic Co-operation and Development

The Organization for Economic Co-operation and Development (OECD) has an Insurance and Private Pension Committee which deliberates on various insurance and pension related 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 GIAJ has been a participant on an ad hoc basis since November 1998.

#### ● World Trade Organization

The World Trade Organization (WTO) has dealt with the liberalization of trade in goods and ser-

vices. The GIAJ has submitted its requests to the Japanese government so that barriers on the operation of foreign general insurance companies should be removed in each country.

### ■ Private sector-level

#### ● The International Accounting Standards Board

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

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

The International Union of Marine Insurance (IUMI) is the longest-running international organization devoted to marine insurance, and was established in Berlin, Germany, in 1874.

The GIAJ hosted the Conference held in Tokyo from September 17 through 21, 2006.

#### ● East Asian Insurance Congress

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 July 30 to August 2, 2006, the 23rd Conference of the EAIC was held in Bandar Seri Begawan under the main theme of "East Asian Insurance at the Crossroads of Growth and Profitability".

## 3 Insurance School (Non-Life) of Japan

The Insurance School (Non-Life) of Japan (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 United Nations Conference on Trade and Development (UNCTAD) and requests from the East Asian Insurance Congress (EAIC).

The GIAJ 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 participants 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 GIAJ 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)

Since 1993, The ISJ Overseas Seminar has been annually held in selected cities chosen in turn from among the ISJ regions under the co-auspices of the relevant associations or organizations of each region concerned.

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

# V *Development of the Business Environment*

The GIAJ supports the operation of various insurance related systems and mechanisms instrumental to insurance companies.

## 1 Research and Development

The GIAJ participated in research and development in the following fields.

- **Compulsory Automobile Liability Insurance**
- **Earthquake Insurance on Dwelling Risks**
- **Distribution Channels**
- **Study and Research on Insurance Systems**

## 2 Medical Training for Adjusters

The GIAJ established the Medical Education Institute in Izu Peninsula in 1988 in response to the report of the CALI Council in 1985. The institute provides training seminars, approximately 30 times a year for personal accident loss assessors to enhance their knowledge of medical treatment and to make appropriate loss assessments. The institute also gives financial help to medical practitioners providing medical treatment to victims of traffic accidents to help improve the quality of treatment.



Medical Training Center

## 3 System Development

The GIAJ develops information systems which support the business operations of insurance companies. In fiscal 2004, the GIAJ studied the develop-

ment of security systems to cope with the implementation of the Personal Information Protection Law which came into effect on April 1, 2005.

## 4 Examinations

The GIAJ manages the following insurance related examinations.

- Examination for general insurance agents
- Examination for general insurance adjusters
- Examination for general insurance loss assessors
- Examination for small-amount and short-term insurance agents

## 5 Information Exchange

Aiming at the sound development of the insurance market and rationalization of business operation, the GIAJ provides the member companies with a data exchange platform: for example,

- to avoid inappropriate or fraudulent insurance

contracts

- to identify and reject fraudulent claims
- to realize no-claim-bonus discounts for automobile insurance contracts and
- to prevent illegal export of stolen automobiles



***PART III***

***MARKET INFORMATION***

# I Insurance Supervision

## 1 Financial Services Agency

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

The FSA was established on July 1, 2000, with the integration of the Financial Supervisory Agency and the Financial System Planning Bureau of the Ministry of Finance. This was conducted as an integral part of the total revision of the financial administrative structure, which in the past had been the responsibility of the Ministry of Finance.

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

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 (the new name of the Prime Minister's office), 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 also the head of the secretariat. The FSA is composed of five departments (i.e. the Planning and Coordination Bureau, the Supervisory Bureau, the Inspection Bureau, the Securities & Exchange Surveillance Commission and Certified Public Accountants and Auditing Oversight Board), 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 a non-life insurance rating organization. Specifically, the Insurance Business Division is also responsible for the examination of statements of life and general insurance businesses including the *modus operandi*, general policy conditions, statement showing the basis of calculating 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.

(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.

## 2 Advisory Councils to the Commissioner

The Financial Services Agency (FSA) also convenes 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 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.

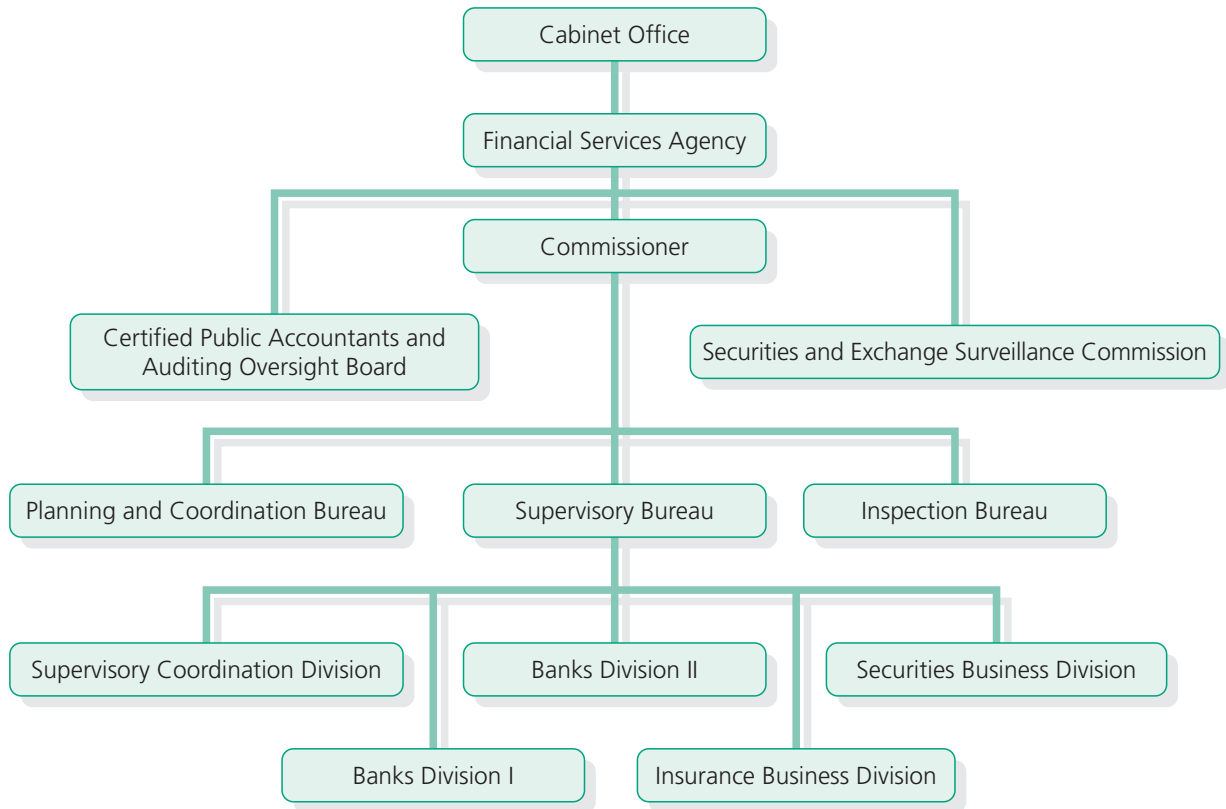
The Financial System Council was established in June 1998 by combining three former councils (the Financial System Research Council, the Insurance Council, and the Securities & Exchange Council). Though the Financial System Council was set up under the Ministry of Finance, it has been placed under the FSA since the latter's creation on July 1, 2000. 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, 2 sectional commit-

tees have been set up, including the sectional committee on financial system and the sectional committee on interest rates adjustment. Under the sectional committee on financial system, 3 subcommittees have been set up, and the subcommittee on Compulsory Automobile Liability Insurance (CALI) system and the subcommittee on certified public accountants system report to the Financial System Council directly.

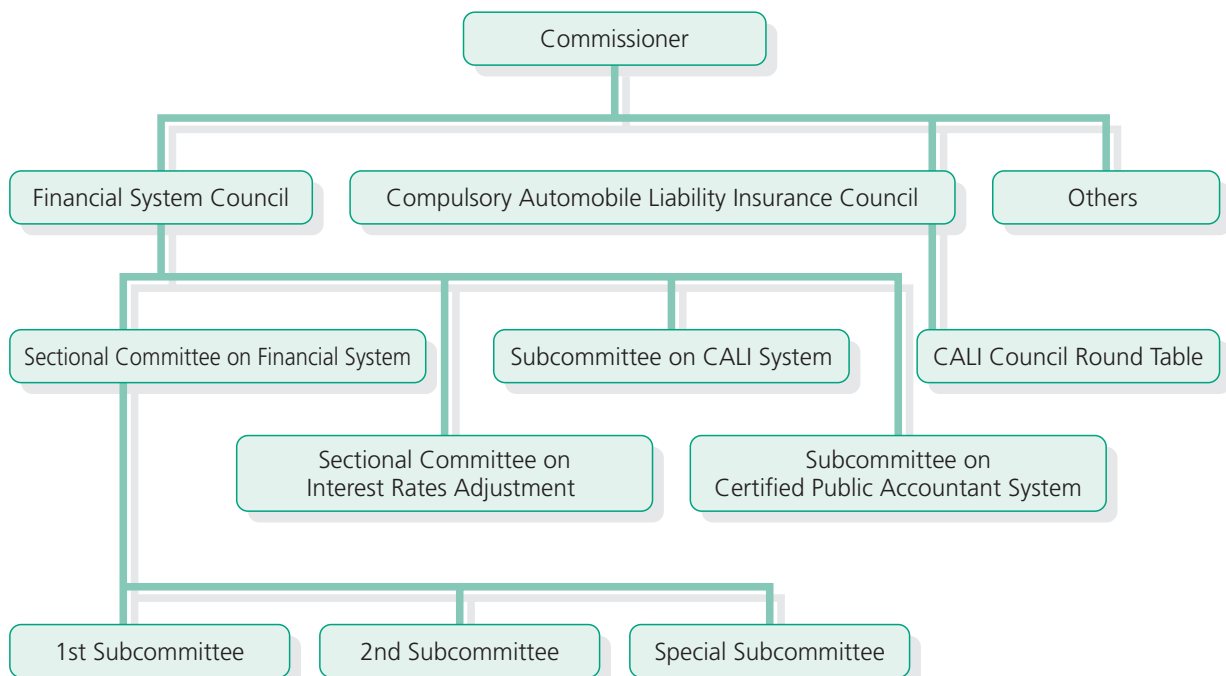
The CALI Council was established under the Automobile Liability Security Law introduced in 1955. It has met regularly since its creation, and at its 115th session held in June 2000, it submitted a report to the Commissioner of the FSA concerning the new direction of the CALI system as a whole. This report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

(Note) With 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

The objective of this Law, which gives due consideration to the public responsibilities of the insurance business, is to protect policyholder's interests by ensuring the sound management of insurance companies and the fairness of insurance soliciting activities, thereby contributing to the stability of people's lives and the sound development of the national economy.

### 2 Definition

In order to make insurance-related terminology more precise, such words as insurance business, insurance company, foreign insurer, subsidiary, insurance holding company, life insurance solicitor, general insurance agent, and insurance broker are defined individually.

### 3 License

- a. No person can conduct 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

Any person wishing to obtain a license must submit to the Prime Minister an application together with the so-called "Fundamental Documents". These consist of 1) the articles of incorporation, 2) a statement showing the method of operations, 3) general policy conditions, and 4) a statement showing the basis of working out premiums and underwriting reserves.

(Note) Under this Law, the Prime Minister delegates authority to the Commissioner of the Financial Services Agency, except for the granting or revocation of licenses to insurance companies, etc.

## 5 Examination Criteria for a License

The Prime Minister must examine whether the applicants for a license meet the following criteria:

- a. The applicant possesses sufficient assets to carry out 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 calculating premiums and underwriting reserves satisfy certain specified criteria.

## 6 Amount of Capital or Foundation Fund

An insurance company must be a stock or mutual company with a capital or foundation fund of not less than one billion yen, as stipulated in the Enforcement Ordinance.

## 7 Limitations on Engagement of Directors

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

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

## 8 A Stock or Mutual Company carrying out Insurance Business

- a. The provisions of the Corporate Law apply mutatis mutand 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 on the issuance of shares at the same time as or immediately after the conversion.

## 9 Insurance Business

- a. An insurance company is able to underwrite risks according to the type of license it obtains.

- b. An insurance company must invest insurance premiums or any other assets in the manner stipulated in the Enforcement Regulation of the Insurance Business Law.
- c. An insurance company can carry out 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

- 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

- 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.
- b. In the event that an insurance company wishes to make an alteration to 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. Should the Prime Minister consider it necessary to ensure the sound and proper operations of an insurance company and to protect policyholders, etc., he / she 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 if he / she considers that there is a particular necessity.
- d. Should the Prime Minister consider it necessary to ensure the sound and proper operation of an insurance company and to protect policyholders, etc., he / she may order authorized staff of the FSA 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 he / she shall judge 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 if he / she considers appropriate measures necessary after examining the state of its assets and indices to determine the soundness of the company's management.

## **12** Supervision

- a. In the event that an insurance company wishes to make an alteration to the particulars stated in 1) the statement showing the method of operations, 2) general policy conditions, and 3) the statement showing the basis of calculating premiums and underwriting reserves (excluding the particulars stipulated in the Enforcement Regulation of the Insurance Business Law, which are considered to be less detrimental to policyholders' interests), it must obtain approval thereof from the Prime Minister.

## **13** Portfolio Transfer, Dissolution, and Liquidation, etc.

- a. An insurance company is able to transfer its insurance portfolio to another insurance company under agreement with the company concerned and with the approval of the Prime Minister.

- b. Necessary provisions are instituted with regard to the portfolio transfer, such as a resolution of the transfer, public notification on it and the raising of objections to it, and then the public announcement of the transfer and its notification to the policyholders.
- c. Necessary provisions are also instituted with regard to the dissolving, liquidation, etc. of an insurance company.

## 14 Foreign Insurers

- a. A foreign insurer is not allowed to carry out insurance business unless it establishes a 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) with 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 of the Insurance Business Law, 2) the stipulated amount of deposit, and 3) the amount stipulated in the Regulation as 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 the insurance business, etc. must notify the Prime Minister thereof in advance.
- f. Special provisions to allow a specific corporation (the "Society of Lloyd's") to obtain a license from the Prime Minister for its underwriting members to conduct insurance business in Japan are instituted.

## 15 Special Measures to Protect Policyholders

- a. When, in view of the conditions of business or assets of an insurance company, the Prime Minister considers that it is difficult for the company to continue its business, or that the continuation of its business is detrimental to policyholders, the Prime Minister can order the company to discuss the transfer of its portfolio or to take any other necessary measures. The Prime Minister can also order one or more insurance administrator(s) to take over the administration of the company's business and assets.
- b. When an insurance company judges that the continuation of its business operations will be difficult in light of the conditions of business operations and assets, the insurance company must report immediately to the Prime Minister.
- c. An insurance administrator can require the management and staff or those who used to be the management or staff of an insurance company under administration to report the condition of the 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 identify the role of the management in the event of 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, he / she may order an insurance administrator to draw up a plan to administer the business and assets of the failed company including a policy for the reorganization and rationalization of the business operation or 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.
- 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 ("bridge-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

- a. Any person or company who obtained more than 5% of the total shares of an insurance company or an insurance holding company (a "large-quantity shareholder related to an insurance company"), is required to notify the Prime Minister within a certain period of doing so.
- b. Any person or company wishing to obtain more than, in principle, 20 % of the total shares of an insurance company or an insurance holding company or wishing to establish a company or an insurance company which holds more than, in principle, 20 % of the total shares of an insurance company or an insurance holding company (a "major shareholder related to an insurance company"), is required to obtain approval thereof from the Prime Minister in advance.
- c. In order to ensure the sound operation of an insurance company, the Prime Minister may take necessary measures such as requiring the submission of a business improvement plan for the insurance company from the major shareholders who hold more than 50% of the company's shares.

## 17 Insurance Holding Companies

- a. Any insurance company wishing to become an insurance holding company or wishing to establish an insurance holding company is required to obtain approval thereof from the Prime Minister in advance.
- b. An insurance holding company must obtain the permission of the Prime Minister in advance when it wishes to hold such types of subsidiaries as 1) a life insurance company, 2) a 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

- 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. In case insurance products should cause problems in protecting the interests of policyholders, such products shall be out of the range.
- 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, where no problem arises with respect to 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 misconducts such as making misrepresentations to policyholders, causing them to apply for a new insurance contract by way of unjust termination of an existing insurance contract in force, offering them a discount or rebate on premiums or any other special benefit, etc.

## 19 Miscellaneous

An applicant for an insurance contract may use the cancellation option (“cooling-off”) clause to withdraw from or cancel the application by giving written notice, except in certain cases (e.g. where the insurance period is less than one year.).



## 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 on July 1, 2002.

The outline of the current Law concerning Non-Life Insurance Rating Organizations is as follows:

### 1 Objective

The objective of this Law is to promote the sound development of the non-life insurance business and to protect policyholders' interests by ensuring the appropriate business operations of non-life insurance rating organizations when calculating "reference risk premium rates" and "standard premium rates".

### 2 Establishment of a Rating Organization

- a. Two or more non-life insurance companies may, upon obtaining the approval of the Prime Minister, establish a non-life insurance rating organization.
- b. The kind of insurance for reference risk premium rates which can be calculated by the rating organizations shall be stipulated in the Enforcement Regulation issued by the Cabinet Office i.e. fire, personal accident, nursing care, voluntary automobile insurance, etc.
- c. The kind of insurance for standard premium rates which can be calculated by the rating organizations shall be Compulsory Automobile

Liability Insurance and earthquake insurance on dwelling risks.

- d. The rating organizations must notify the Prime Minister 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 Ordinance and Regulation, or commit any activities detrimental to the public interest, the Prime Minister may order the rating organization 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 125c.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 assessment of those compensation items, etc., which in turn prescribes the method of loss calculation by type of compensation item.

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

## ④ Provision of Information on Claims Payments to Victims and Insured

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

- a. Outline of claims payment standards, outline of claims payment procedures, outline of claims disputes settlement organization (when claims are filed).
- b. Amount of claims paid, grades of permanent disability and the reasons why such grades have been given, ratio of the reduction of the amount of claims paid and the reasons why (when claims are paid).
- c. Reasons why claims have not been paid (when claims are not paid).

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

## ⑤ CALI Disputes Settlement Organization

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

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

## 6 Insurers' Pool Scheme

All CALI premium portfolios shall be reinsured with the CALI Reinsurance Pool in which all insurers operating CALI business participate. Since the acceptance of all CALI risks is obligatory, the purpose of this pooling arrangement is to prevent the possible deterioration in the operating results of specific 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 kind 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.

### 2 Earthquake Insurance on Dwelling Risks

Under the Law concerning Earthquake Insurance, earthquake risks on dwelling houses and contents included 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 pol-

icy. 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 part of the residential building reach 3% or more, but is less than 20%, of the current value of the building, or damage by flood is over floor level or over 45 cm above the ground directly or indirectly caused by the earthquake even if the damage to the property would be less than the partial loss. In the case of “partial loss” and flood mentioned above, 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**

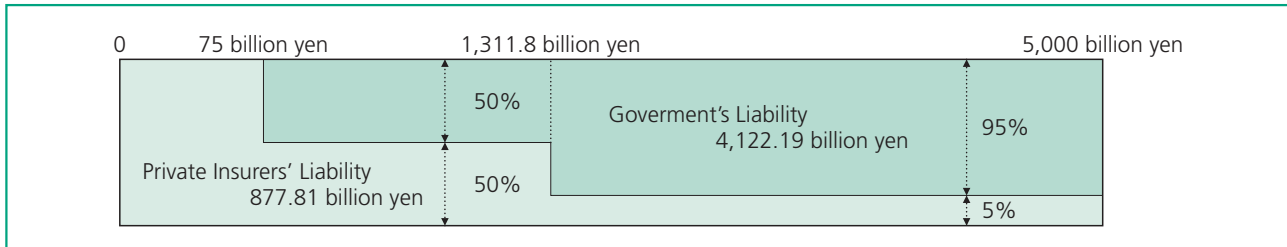
Since the likelihood of catastrophic losses following an earthquake is high, the aggregate limit of indemnity is shared among all private insurers and the government, who are liable under the excess of loss reinsurance cover arranged through the Japan Earthquake Reinsurance Company (hereafter referred to as JRE). 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 17, 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, effective from April 1, 2002, to 4,500 billion yen and effective from April 1, 2005, to 5,000 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 stand at 5,000 billion yen. If the total amount of claims per quake exceeds the aggregate limit of indemnity, claims

payable shall be reduced pro rata by the proportion of 5,000 billion yen to the total amount of claims.

### C. Liability Sharing Scheme between the Government and Private Insurers



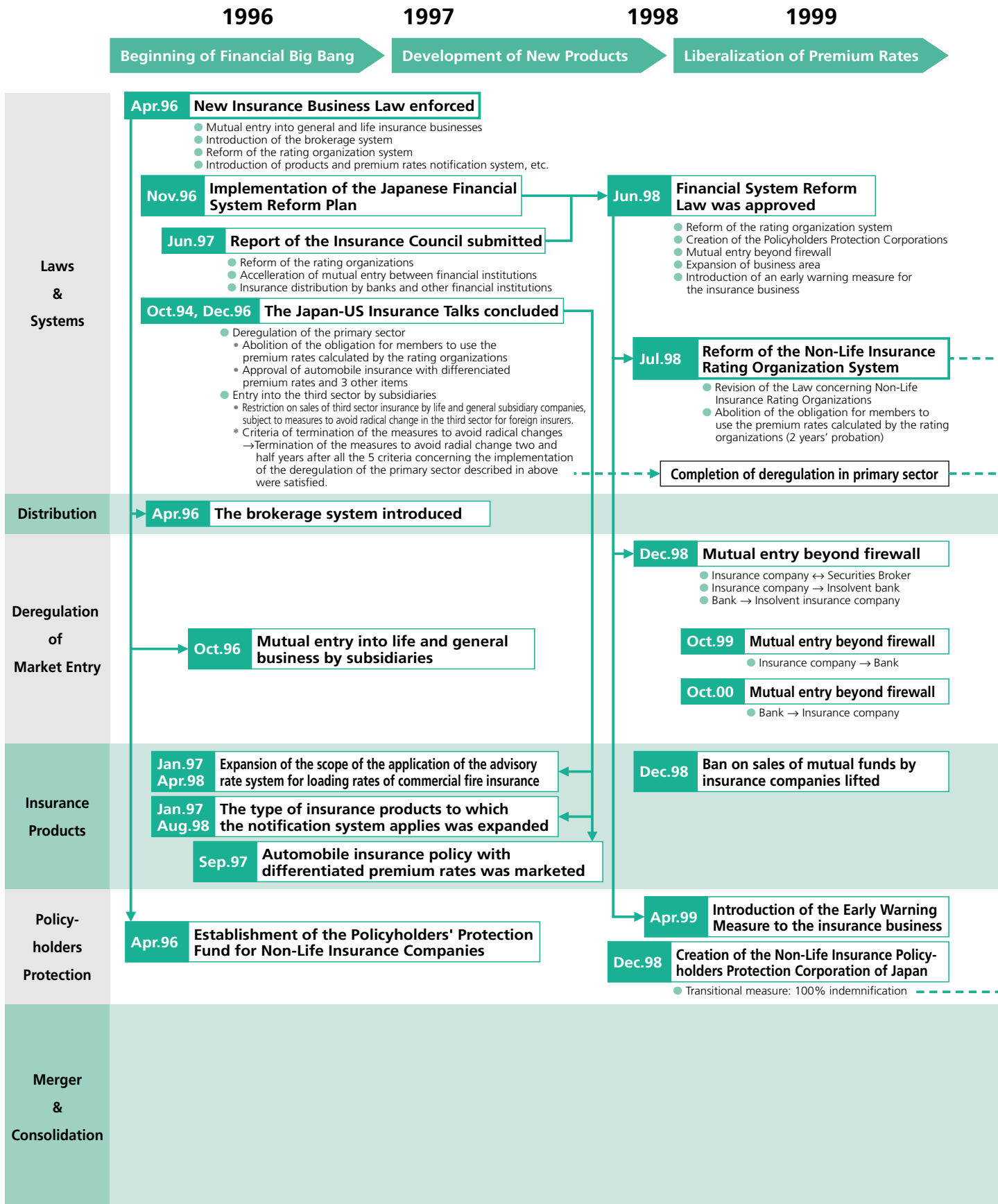
- (A) Up to 75 billion yen ..... Private Insurers Liable for 100%
- (B) Over 75 billion yen to 1,311.8 billion yen ..... Government Liability for 50% (618.4 billion yen)  
Private Insurers Liable for 50% (618.4 billion yen)
- (C) Over 1,311.8 billion yen up to 5,000 billion yen ... Government Liable for 95% (3,503.79 billion yen)  
Private Insurers Liable for 5% (184.41 billion yen)

### D. 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		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 Partial loss	From 30% to 50% of the insured amount of fire insurance policy	Building: 50.0 million yen Contents: 10.0 million yen	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				4,500 billion yen
Apr. 14, 1999				4,500 billion yen
Apr. 1, 2002				4,500 billion yen
Apr. 1, 2005				5,000 billion yen

# III

## Deregulation and Liberalization of the Japanese General Insurance Market



2000

2001

2002

2006

Diversification of Insurance Products

Completion of the Financial Big Bang

Further Consolidation and Liberalization

Jun.00 The Insurance Business Law, etc. partially revised

- Permission for the distribution of certain types of insurance products by banks, etc.
- The application of the "Special Law concerning Reorganization Proceedings of Financial Institutions" to insurance companies.

Apr.06 The Insurance Business Law partially revised

- Revision of the safety net system
- Introduction of supervision of small-amount and short-term insurers

Apr.01 Consumer Contract Law enforced

Apr.05 Personal Information Protection Law fully enforced

Apr.01 Law on Sales of Financial Products enforced

Jan.03 Law on Customer Identification by Financial Institutions enforced

Jun.00 Termination of the transitional measure for obligation of using the rating organizations' rates

Apr.01 Liberalization of general insurance agency system

Apr.06 Introduction of a system for the small-amount and short-term insurance business

Jan.01 Subsidiaries of life and general insurance companies allowed to sell third sector insurance products

Dec.05 Expansion of sales of insurance products by banks

- Non-group personal general insurance other than automobile insurance, and maturity-refund type personal general insurance other than automobile insurance
- Personal Accident Insurance with Maturity Refund

Jul.01 Mutual entry of life and general insurance companies into third sector in their own right permitted

Apr.01 Ban on insurance sales by banks partially lifted

- Long-term fire insurance associated with housing loans
- Long-term income indemnity insurance and credit life insurance associated with housing loans
- Overseas Travelers' Personal Accident Insurance

Oct.02 Expansion of sales of insurance products by banks

- Personal Pension Insurance
- "Zaikai" savings (i.e. asset formation) insurance
- Residential buildings-cum-stores were added to the eligible insured property to the long-term fire insurance
- Residential buildings-cum-stores were added to the eligible insured property to the long-term income indemnity insurance and credit life insurance

Oct.01 Post offices start selling CALI for small-sized motorcycle

Apr.02 Revision of the CALI system

- Abolition of the CALI Government Reinsurance Scheme
- Establishment of the CALI Disputes Settlement Organization
- Limit of liabilities for serious permanent disability raised

May.00 The FSA ordered Daiichi Fire to suspend part of its business operations

Nov.01 Taisei Fire filed reorganization procedures

Apr.06 Revision of the safety net system

- Expansion of the insurance products to be compensated
- 100% of claims payment guaranteed for 3 months after an insurance company has gone bankrupt

Jun.00 Expansion of business activities of the Policy-holders Protection Corporation

Mar.01 Termination of the transitional measure for the Policy-holders Protection Corporation

Apr.01 Dai-Tokyo Fire and Chiyoda Fire consolidated into Aioi

Apr.01 Koa Fire and Nippon Fire consolidated into NIPPONKOA ← Apr.02 NIPPONKOA merged Taiyo Fire

Apr.01 Dowa Fire and Nissay General consolidated into Nissay Dowa General

Oct.01 Mitsui Marine and Sumitomo Marine consolidated into Mitsui Sumitomo Insurance

Apr.02 Tokio Marine and Nichido Fire integrated under the management of Millea Holdings

Jul.02 Nissan Fire and Yasuda Fire consolidated into Sampo Japan ← Dec.02 Sampo Japan merged Taisei Fire

← Apr. 02 Yasuda Fire merged Daiichi P&C

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 non-life insurance companies into the third sector.
  - ② Introduction of a notification system.
  - ③ Expansion of the scope of the file and use system.

- ④ Expansion of benchmark rates and free rates.
- ⑤ Introduction of a brokerage system.

**April 1, 1996**

**New Insurance Business Law enforced.**

- Three former laws, i.e. the Insurance Business Law, the Law concerning the Control of Insurance Soliciting, and the Law concerning Foreign Insurers were amended and consolidated into the new Insurance Business Law.
- A risk based solvency margin scheme was introduced to measure insurance company's financial soundness against future claims payment, etc. An insurance company with solvency margin ratio at 200% or more is deemed to meet the minimum requirement.
- 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.

**October 1, 1996**

**Measures for the future deregulation of the non-life insurance business in Japan were announced by the Ministry of Finance.**

- Major measures were as follows:
  - ① Introduction of the direct selling system in voluntary automobile insurance.
  - ② Expansion of the advisory rating scheme for loading premium rates of commercial fire insurance.
  - ③ Expansion of the notification system.



**November 11, 1996**

**Japanese Financial System Reform Plan (Japanese “Big Bang”) put forward.**

- Mr. Ryutaro Hashimoto, then Prime Minister of Japan, instructed the Minister of Finance and the Minister of Justice to discuss financial deregulation measures to be implemented by 2001.

**December 24, 1996**

**The Japan-US Insurance Talks concluded.**

- Representatives of the Japanese and the U.S. governments met from December 1995 through December 1996 regarding the interpretation and application of the “Measures” agreed by the two governments in October 1994. As a result of these consultations, the two governments reached an agreement which included the following points entitled “Supplementary Measures by the Government of Japan and the Government of the United States regarding Insurance”, as an integral part of the “Measures”.

- ① Deregulation of the primary sector
  - a. Abolition of the obligation for members to use the premium rates calculated by the rating organizations.
  - b. Approval of automobile insurance with differentiated premium rates.
  - c. Expansion of the scope of the application of the advisory rate system for loading rates of commercial fire insurance.
  - d. Expansion of the type of insurance applied to the notification system.
  - e. Approval of insurance products with differentiated premium rates within 90 days of the standard examination period.
- ② Entry into the third sector by subsidiaries
  - a. Deregulation of sales of third sector insurance by life and non-life subsidiary companies, subject to measures to avoid radical change in the third sector for foreign insurers.
  - b. Termination of the measures to avoid radical

change, two and a half years after all the 5 criteria concerning the implementation of the deregulation of the primary sector described in ① above were satisfied.

**December 20, 1996**

**Fundamental Subjects Study Committee of the Insurance Council established.**

- To respond to the Japanese “Big Bang”, and with the founding objective of deliberating fully on the further improvement of insurance deregulation, the Fundamental Subjects Study Committee was established as the Insurance Council’s working party.
- The Prime Minister’s advisory councils, such as the Economic Council and the Administrative Reform Council, submitted their respective reports which included deregulation measures in the non-life insurance sector in December 1996.

**June 13, 1997**

**Insurance Council’s report on the “Review of the Directions of the Insurance Business - as an integral part of the Financial System Reform” submitted to the Minister of Finance.**

- The main subjects of the Insurance Council’s report were as follows:
  - ① Liberalization measures, including the reform of rating organizations.
  - ② Acceleration of mutual entry between financial institutions.
  - ③ Introduction of the holding company system.
  - ④ Insurance distribution by banks and other financial institutions.
  - ⑤ Application of the market value method to trading accounts.
- In addition, a study group on the payment guarantee system, which was organized by the Ministry of Finance, submitted its interim report



on June 13, 1997. Its final report was compiled on December 5, 1997.

- Automobile insurance policy with differentiated premium rates was marketed on September 3, 1997.

**December 5, 1997**  
**Report concerning the Payment Guarantee System submitted to the Insurance Council.**

- The introduction of the Payment Guarantee System is aimed at ensuring the protection of policyholders and at defining rules concerning their protection in the event of an insurance company going bankrupt. This includes cases where reliever insurance companies do not appear.
- Following the discussions at the Insurance Council, a draft bill concerning the payment guarantee system was drawn up and included in the Financial System Reform Law.

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

- The Financial System Reform Law amended en bloc 24 financial related laws, such as the Insurance Business Law, the Law concerning Non-Life Insurance Rating Organizations, the Banking Law, and the Securities & Exchange Law.
- Some of the key issues related to insurance system reform laid out in the Law were as follows:
  - ① Creation of Policyholders Protection Corporations
  - ② Introduction of an early warning measure for the insurance business
  - ③ Reform of the rating organization system
  - ④ Holding of subsidiaries by insurance companies, etc.

- The revisions of the Insurance Business Law took effect on December 1, 1998, while the revisions of the Law concerning Non-Life Insurance Rating Organizations came into effect on July 1, 1998.

- With the approval of the Financial System Reform Law, non-life insurance companies were allowed to distribute 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 non-life insurance company becoming insolvent. In addition, it was necessary to define rules concerning the protection of policyholders.
- The Corporation shall carry out the following types of business activities.
  - ① To provide financial aid to a reliever insurance company.
  - ② To undertake the insurance contracts of an insolvent non-life insurance company which is a member of the Corporation, and to administer and/or deal with these insurance contracts.
  - ③ To collect contributions from the member companies.
  - ④ To provide loans to the member companies or certain policyholders, etc.

**March 31, 1999**

**Early Warning Measures in Insurance Companies became effective.**

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

**August 13, 1999**

**The Notification System expanded.**

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

**October 29, 1999**

**Firewall Regulation concerning the Entry of Insurance Companies to Banking Business through their Subsidiaries introduced.**

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

**June 30, 2000**

**The Insurance Business Law, etc. partially revised.**

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

**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 of new rules for financial systems, supervising and inspecting financial institutions.

**August 8, 2000**

**Selling of another insurance company's products allowed.**

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

**October 1, 2000**

**Ban on banks entering into insurance business completely lifted.**

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

**January 1, 2001**

**Subsidiaries of life and non-life insurance companies allowed to sell third sector insurance products.**

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

**January 6, 2001**

**The total realignment of the central ministries implemented.**

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

**April 1, 2001**

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

- Financial institutions, such as banks, etc., were allowed to sell insurance products within a certain range on April 1, 2001, based on the partial amendment of the Insurance Business Law, following the deliberation of the Financial System Council. The types of insurance products which banks are allowed to sell are limited to long-term fire insurance, long-term income indemnity insurance and credit life insurance which are all associated with housing loans, and overseas travelers' personal accident insurance.

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

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

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

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

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

**October 1, 2001**  
**Post offices start selling CALI for small-sized motorcycles.**

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

**October 1, 2001**  
**Defined Contribution Pension Plans started.**

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

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

- With the amendment of the Enforcement Regulation 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 in the type of products to which the notification system applied. (Fire insurance on commercial risks has already applied to the notification system since

August, 1999.)

**March 2002**

**Examination period for non-life insurance products shortened.**

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

**April 1, 2002**

**Abolition of CALI Government Reinsurance Scheme implemented.**

- With 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, the entire CALI premium portfolio has been reinsured with the CALI Reinsurance Pool, in which all insurers operating in the CALI business in Japan participate.

**October 1, 2002**

**Expansion of sales of insurance products by banks.**

- With 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 were added to the eligible insured property list (formerly residential buildings only) and the rule limiting the credit life insurance products that could be sold by banks to those of their own subsidiaries or affiliated life insurance companies was abolished.

**January 6, 2003**

**Law on Customer Identification and Records on Transactions by Financial Institutions enforced.**

- The law obliges financial institutions to verify a customer's identification at the beginning of a transaction.

**April 1, 2005**

**Full implementation of the Personal Information Protection Law.**

- The purpose of the law is to protect the rights and interests of individuals, in view of the remarkable increase in the use of personal information as a result of the development of the advanced information and communications society. The law sets out the duties to be observed by entities handling personal information, etc., regarding the proper handling of personal information.

**December 1, 2005**

**Partial revision of the Insurance Business Law**

- With the revision of the Cabinet Ordinance effective from December 22, 2005, the following insurance products were added to the products sold over-the-counter by banks.
  - Non-group personal general insurance other than automobile insurance, and maturity-refund type personal general insurance other than automobile insurance

- Personal Accident Insurance with Maturity Refund
- After about 2 years of a monitoring period from December 2005, the ban on sales of insurance products by banks will be totally lifted.

**April 1, 2006**

**Partial revision of the Insurance Business Law**

- The revised safety net system guarantees 100% of claims payment for 3 months after an insurance company has gone bankrupt.
- A small-amount and short-term insurer, whose business is restricted to those with a policy period of less than 2 years and an insured amount of less than 10 million yen, has come under the supervision of the Insurance Business Law.

# 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. Early warning systems based on the solvency margin ratio, whereby the supervisory authority can require an ailing general insurance company to improve its business operation and 2. The setting up of a 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 in addition to the early remedial actions introduced in April 1999. 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 an ailing company which still maintains its solvency margin ratio at more than 200%.

### A. Off-Site Monitoring

Early detection and early remedy of managerial problems are 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 the 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.

- 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 be guaranteed to carry out the above remedial measures.

### 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 with regard to their solvency margin ratios.

The Enforcement Ordinance requests that early remedial action be divided into 3 categories in accordance with the level of the solvency margin ratio. An



### Category of the Early Warning Measures

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"> <li>1. Submission of plans considered as appropriate to increase the capability of paying claims, etc., and the implementation of these plans.</li> <li>2. Prohibition of payment of stock dividends or Directors' bonuses, or restraints on the amount of these.</li> <li>3. Prohibition on distribution of dividends or surpluses to policyholders, or restraints on the amount of these. (*)</li> <li>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.</li> <li>5. Restraint on operating expenses.</li> <li>6. Prohibition of certain methods of asset investment, or restraints on the amount.</li> <li>7. Reduction of business operations at part of the branch or office.</li> <li>8. Closing of some of the branches or offices, excluding the main office or chief office.</li> <li>9. Reduction of business operations at subsidiaries, etc.</li> <li>10. Disposal of stock or equities of subsidiaries, etc. (*)</li> <li>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.</li> <li>12. Other measures which the supervisory authority considers necessary.</li> </ol> <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.

outline of each category and actions are shown in the table above.

In addition to the actions mentioned above, the Enforcement Ordinance includes the following measures:

- 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 when 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 positive amount, or when it is obviously expected to become a positive amount.
- 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; when the difference between the assets and the liability of the insurance company shows a negative amount or when it is obviously expected to become a negative amount.
- 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 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 detailed 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

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- ) 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: This risk means the total of the following risks:
  - 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 was introduced in April 1996. However, the fund system could not come into effect unless reliever insurance companies appeared in the event of an insurance company becoming insolvent. In order to resolve possible problems arising from this, the policyholders protection corporation system has been created.

The functions of 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 a Corporation’s business, and methods of its financial aid have been expanded. This includes the establishment of a subsidiary “bridge-insurance company” funded by the Corporation to take over the insurance contracts of a failed insurance company, and to provide loans to insurance companies that have to stop paying claims due to temporary cash-flow problems. In addition, by the amendment of the Law concerning Special Rules for Reorganization Procedures of Financial Institutions effective in June 2000, company reorganization procedures shall also be applicable to

insurance companies, and the reorganization of failed insurance companies will proceed more smoothly.

### 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

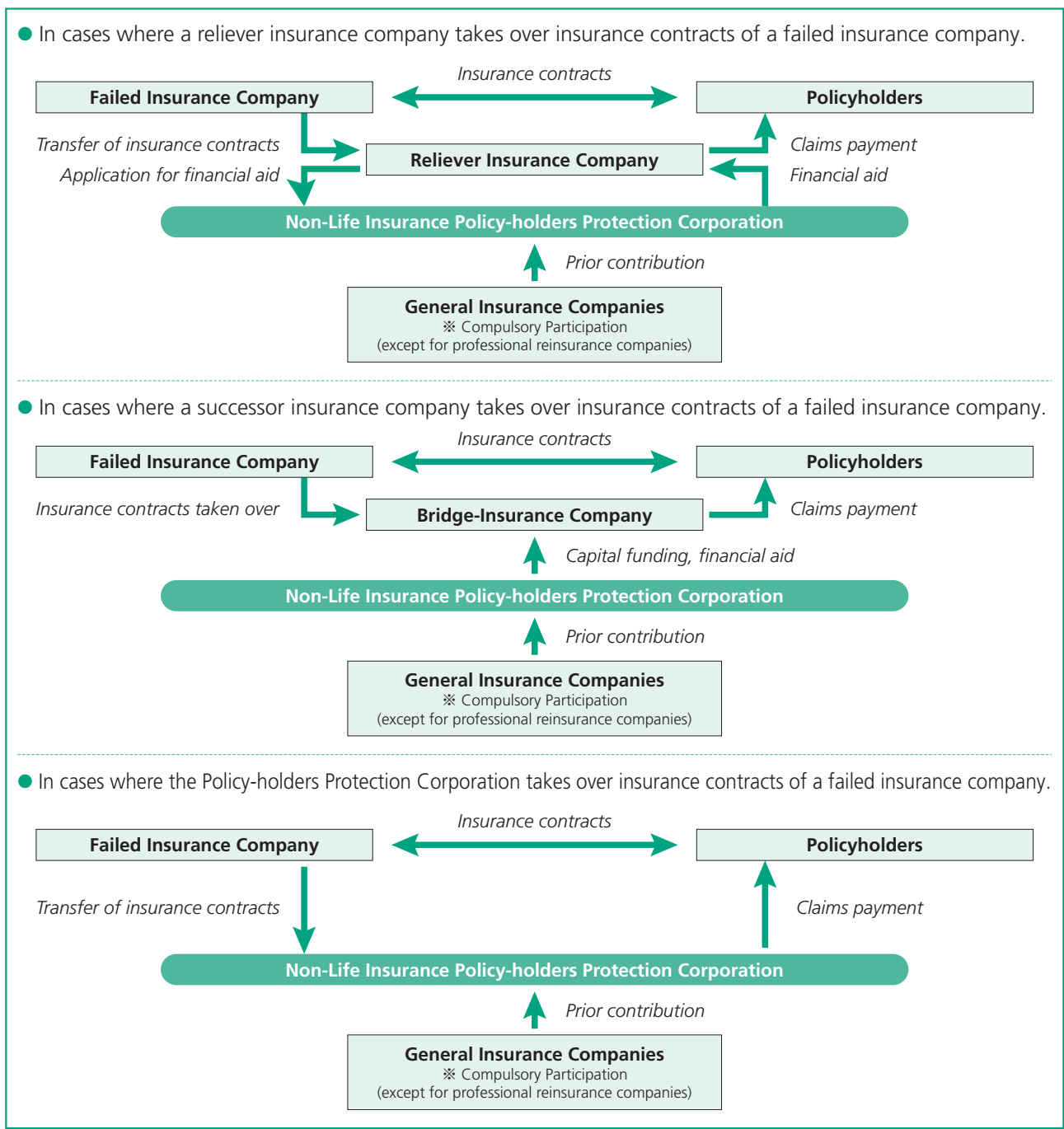
insurance company, when reliver general insurance companies do not appear. The Corporation shall administer the business operations of the bridge-insurance company.

- 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



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

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

## D. General Insurance Contracts to be Compensated

With the revision of the Insurance Business Law effective from April 1, 2006, the new compensation scheme has been implemented for general insurance contracts. An outline of the scheme is shown in the table below.

The concept of the policyholders' protection scheme in life and general insurance has been basically the same, and 90% of underwriting reserves has formerly been guaranteed in the case of an insurance company becoming insolvent. Considering the

characteristics of life and general insurance policies, the revised Insurance Business Law has provided a new type of scheme applicable to general insurance policies which are taken out by individuals.

The new scheme guarantees 100% of payment of claims which have occurred within 3 months after an insurance company has gone bankrupt. In case an insurance company goes bankrupt, individual policyholders are encouraged to replace their contracts with other insurance companies since the amount of claims payment will be reduced to 80% of underwriting reserves after that period. The new system has widened the types of policyholders who will be covered, and has provided protection for small- and medium-sized companies and condominium associations organized by the residents in addition to individual policyholders.

## E. Finance of the Corporation

- a. The members of the Corporation must make a contribution to the Corporation in order to sus-

**Eligible Contracts to be compensated by the Corporation**

	Types of Insurance	Compensation Ratio	
		Claims Payment	Maturity Refunds and Return Premiums for Cancellation
General Insurance	<ul style="list-style-type: none"> <li>• Compulsory Automobile Liability Insurance</li> <li>• Earthquake Insurance on Dwelling Risks</li> </ul>	100%	
	• Voluntary automobile insurance	100% of claims payment for 3 months after an insurance company going bankrupt (80% of claims payment after 3 months of an insurance company going bankrupt)	80%
	• Fire insurance		
	• Other types of general insurance (Note 1)		
Sickness and Personal Accident Insurance	<ul style="list-style-type: none"> <li>• Short-term personal accident insurance (Note 2)</li> <li>• Overseas Travelers' Personal Accident Insurance</li> </ul>	90% (Note 5)	90% (Note 5)
	<ul style="list-style-type: none"> <li>• Individual Annuity and Accident Insurance</li> <li>• Zaikei Savings Personal Accident Insurance (Note 3)</li> <li>• Defined Contribution Pension Personal Accident Insurance</li> </ul>		
	• Other types of sickness and personal accident insurance (Note 4)		90% (80% for maturity-refund type policies) (Note 5)

- (Notes) 1. Other types of general insurance include general liability insurance, movables comprehensive insurance, marine insurance, inland transit insurance, credit insurance, workers' accident compensation liability insurance, etc.  
 2. Short-term personal accident insurance means a personal accident insurance whose policy period is less than 1 year.  
 3. Zaikei means an asset formation program for workers.  
 4. Other types of sickness and personal accident insurance are income indemnity insurance, medical expenses insurance, nursing care expenses insurance, etc.  
 5. Percentages may change according to contract conditions.

tain the policyholders' protection funds and to meet the expenses of the Corporation. The ceiling on the total funds of the Corporation shall be 50 billion yen, i.e. ten times the total annual contributions of the members.

- b. The amount of each member's annual contribution shall be decided with due regard to the amount of net premiums written and liability reserves accumulated.
- c. In order to give financial aid to a reliever insurance company, the Corporation shall be allowed to borrow money from financial institutions, subject to the approval of the supervisory

authority. However, a ceiling on such borrowing has been established, i.e. the total sum of the funds accumulated and the money borrowed cannot exceed 50 billion yen.

- d. When the costs required for bankruptcy procedures exceed 50 billion yen, the Corporation shall 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.

# V Distribution System

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\* in accordance with the Japanese 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 2005, agents collected 92.8% of all general insurance premiums including domestic and foreign insurers. The remainder, 7.0% 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.

## Direct Premiums by Distribution Channel

(in millions of yen & %)

	Fiscal 2004		Fiscal 2005	
	Premium	Share	Premium	Share
Agents	8,477,339	92.9%	8,405,468	92.8%
Brokers	17,268	0.2%	20,543	0.2%
Direct Distribution	630,635	6.9%	631,377	7.0%
<b>Total</b>	<b>9,125,256</b>	<b>100.0%</b>	<b>9,057,409</b>	<b>100.0%</b>

(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 regis-

tered as of the end of March 2006 stood at 266,753, and the total number of sales staff engaged in agency business in domestic and foreign general insurers amounted to 1,873,485.

### Number of Agency and Sales Staff

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of Agency	623,741	592,126	593,872	570,919	509,619	342,191	323,139	305,836	286,576	266,753
Number of Agency Sales Staff	1,181,865	1,170,497	1,180,784	1,154,511	1,145,252	1,575,195	1,642,271	1,716,006	1,797,510	1,873,485

(Note) The above figures stand for the total of domestic and foreign insurance companies.

### Number of Agents by Type of Business

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Full-time	90,567	85,544	79,126	73,353	60,264	58,557	55,438	51,283	47,436	43,467
Share (%)	(14.5)	(14.4)	(13.3)	(12.8)	(11.8)	(17.1)	(17.2)	(16.8)	(16.6)	(16.3)
Part-time	533,174	506,582	514,746	497,566	449,355	283,634	267,701	254,553	239,140	223,286
Share (%)	(85.5)	(85.6)	(86.7)	(87.2)	(88.2)	(82.9)	(82.8)	(83.2)	(83.4)	(83.7)
Corporate	136,682	135,529	132,361	128,630	127,019	124,190	121,190	119,042	116,969	117,262
Share (%)	(21.9)	(22.9)	(22.3)	(22.5)	(24.9)	(36.3)	(37.5)	(38.9)	(40.8)	(44.0)
Individual	487,059	456,597	461,511	442,289	382,600	218,001	201,949	186,794	169,607	149,491
Share (%)	(78.1)	(77.1)	(77.7)	(77.5)	(75.1)	(63.7)	(62.5)	(61.1)	(59.2)	(56.0)
Exclusive	494,376	465,402	476,860	438,950	382,152	261,597	254,255	240,952	226,947	208,597
Share (%)	(79.3)	(78.6)	(80.3)	(76.9)	(75.0)	(76.4)	(78.7)	(78.8)	(79.2)	(78.2)
Multi-representative	129,365	126,724	117,012	131,969	127,467	80,594	68,884	64,884	59,629	58,156
Share (%)	(20.7)	(21.4)	(19.7)	(23.1)	(25.0)	(23.6)	(21.3)	(21.2)	(20.8)	(21.8)

(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.

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 promote further development of agency qualifications.

As the GIAJ regards agency education as integral to the industry's social responsibility to ensure proper sales of insurance products and the protection of pol-

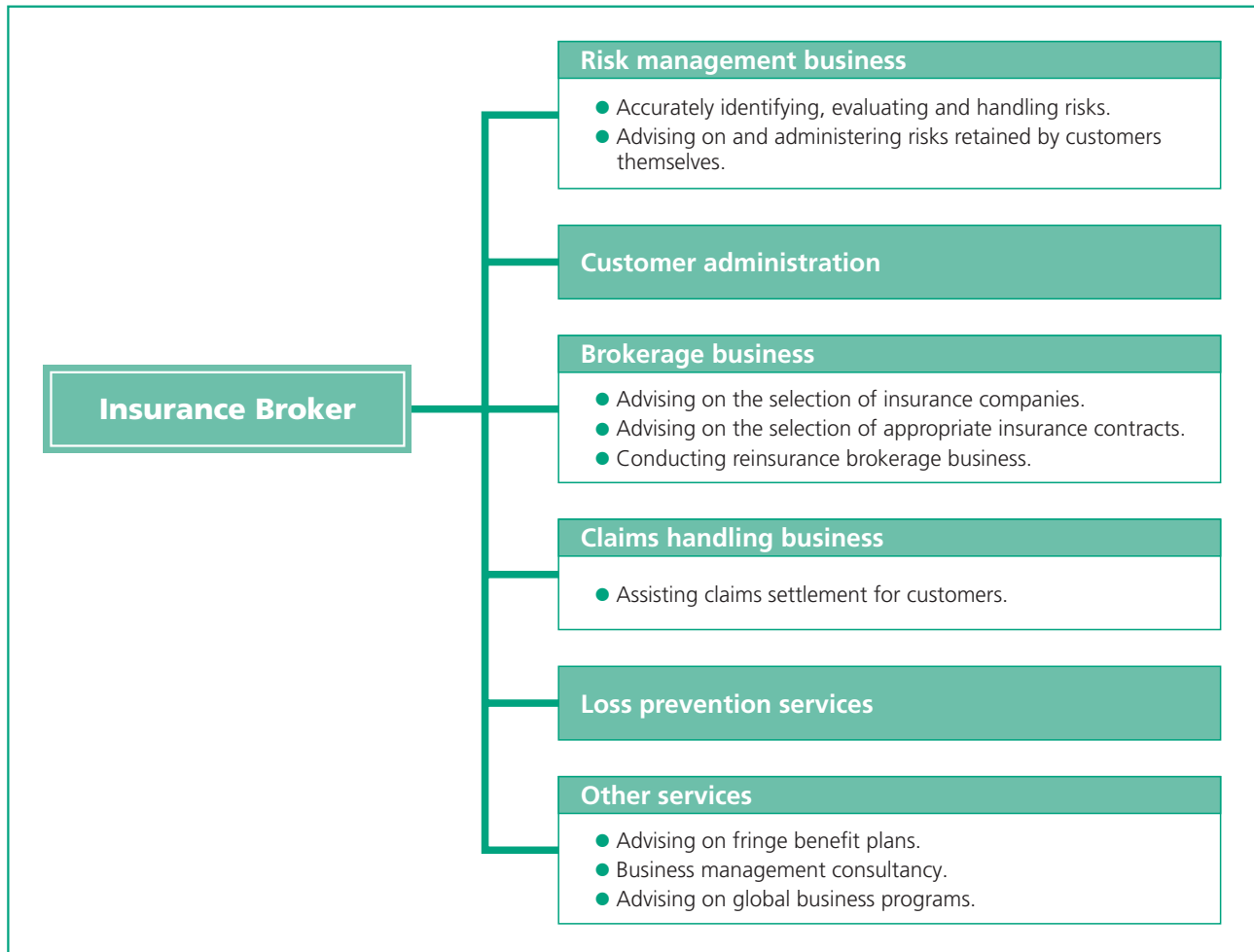
icyholders, it launched a new agency education system common to the industry in April 2001. Two kinds of examinations are available under the system; one for people who wish to be engaged in general insurance distribution so that they can better equip themselves as general insurance agents, and the other 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 Comprehensive Guidelines for Supervision of Insurance Companies issued by the Financial Services Agency.

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 activities. Whereas in the case of general insurance agents, the insurance companies concerned ultimately assume, in principle, the responsibility for such losses.



Therefore, from the viewpoint of protecting policyholders, 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.

#### b. "Chokuhan-Shain" System

Direct distribution, known as the "chokuhan-shain" or the "direct salesperson" approach, is the method where staff members of general insurance companies are engaged directly in the distribution of general insurance products.

#### c. Others

Direct response markets insurance products through advertisements on mass media, direct mail, telephone and the Internet. Some 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.

# VI Investment Regulation

In order to ensure the sound operation of the insurance business and to protect policyholders' interests, asset investment by insurance companies is regulated under the Insurance Business Law. The Enforcement Regulation of the Insurance Business Law stipulates the kinds of investable assets and their scope of investment as follows:

## ① Scope of Investment

Paragraph 2 of Article 97 of the Insurance Business Law and Article 47 of the Enforcement Regulation provide that an insurance company should invest money received as premiums or any other assets within the following range:

- 1) Japanese securities, such as government bonds, local government bonds, bonds issued by juridical persons organized under special laws or ordinances, debentures, stocks, investment trusts, or commercial paper (CP), etc. and/or foreign securities, such as government bonds, local government bonds, stocks, beneficiary certificates, or negotiable certificates of deposit, etc. of foreign countries
- 2) real estate
- 3) monetary claims
- 4) short-term corporate bonds stipulated in Paragraph 2 of Article 2 of the Law concerning Book-Entry Transfer for Short-Term Corporate Bonds
- 5) gold bullion
- 6) money loans (including call loans)
- 7) loans secured on securities
- 8) investment related to union contract stipulated in Article 667 of the Civil Code or anonymous union contract stipulated in Article 535 of the Commercial Code
- 9) bank deposits or postal savings
- 10) money trusts, 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 21 through 23 of Article 2 of the Securities and Exchange Law

- 12) financial futures transactions stipulated in Paragraph 11 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 methods 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 the 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% of 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 funds for general insurance companies in Japan includes 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, the Enforcement Regulation of the Law concerning Earthquake Insurance, Notices in the Gazette, the Comprehensive Guidelines for Supervision of Insurance Companies 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.

As from fiscal 2005, regarding natural catastrophe related risks retained by general insurance com-

panies, they must set aside an amount equivalent to an estimated unearned premiums calculated based on the amount of claims and the probability of such catastrophic event quantified.

(Note) 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.

In order to ensure proper risk management of insurance companies and to facilitate their accumulation of premium reserves for future claims payment, the FSA has introduced a new rule for the accumulation of reserves for third sector insurance policies

#### Catastrophe Reserves

Group of Business	Accumulation Rate (A)	Accumulation Rate (B)	Ratio of Balance	Maximum Accumulation Rate	Disposition of Reserves
Marine Hull and Aviation	3.0%	3.0%	50%	250%	80%
Fire, Marine Cargo, and Inland Transit	3.8% or 2.0%	3.0%	35%	160%	50%
Automobile, Personal Accident, and Miscellaneous Casualty	3.2%	–	15%	160%	50%
Nursing Care Expenses	3.2%	–	15%	160%	50%
Surety Bonds	3.2%	–	15%	160%	50%
Atomic Energy	50%	50%	–	–	Full amount of net claims paid
Life Reinsurance	24%	–	–	24%	100%

- (Notes) 1. Accumulation Rate (A) means the minimum percentage of net premiums stipulated under a statement showing the basis of working out premiums and underwriting reserves.  
 2. Accumulation Rate (B) means the maximum percentage of net premiums allowed under the Special Taxation Measures Law.  
 3. Insurers are legally required to accumulate either of the percentages or more, i.e. Accumulation (A) or Accumulation (B) of net premiums as catastrophe reserves, depending on which is greater. They are allowed to accumulate an extra amount subject to notification to the FSA, but if the Ratio of Balance comes under the specified level mentioned in the table, they can accumulate an extra amount without such notification within the limit of 150%.  
 4. Disposition of Reserves occurs when the loss ratio exceeds the specified level as a Group of Business, and the excess portion of the claims can be withdrawn from the catastrophe reserves.  
 5. Accumulation Rate (A) of Fire, Marine Cargo, and Inland Transit Group is 3.8% for fire insurance, and 2.0% for marine cargo, inland transit, general liability, contractors' all risks, movables comprehensive, and windstorm & flood.

effective from May 1, 2006, so that insurance companies take the following measures:

1. Ensure that premium reserves are sufficiently accumulated based on a timely and accurate ex post facto examination
2. Verify whether technical reserves are sufficiently accumulated by applying stress tests
3. Disclose the results of the above tests

## 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.

As regards natural catastrophe related risks covered by fire insurance policies, from fiscal 2005, general insurance companies must establish a rational catastrophe reserve plan and build up their reserves until the amount reaches the estimated loss caused by a natural disaster which occurs once in 70 years (i.e. typhoon Vera in 1959).

## 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 have formerly been required for automobile insurance, personal accident insurance, general liability insurance, workers' accident compensation insurance, and life reinsurance, based on a Notice in Gazette No. 234, issued on June 8, 1998. The FSA has introduced a statistical evaluation method to estimate IBNR reserves effective from May 1, 2006. Consequently, the lines of insurance products for which general

insurance companies are required to accumulate IBNR reserves have been expanded to include all lines of insurance products except for earthquake insurance and Compulsory Automobile Liability Insurance. Furthermore, general insurance companies have been required to carry out screening and calculate the IBNR reserves for those long-tail insurance contracts based on a statistical evaluation method, when they are material.

## ③ Price Fluctuation Reserves

With regard to stocks and other assets designated under the Enforcement Regulation of the Insurance Business Law as those which may bring about losses due to price fluctuations, 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*

The primary function of general insurance companies is to pay claims properly and promptly in the case of accident. The general insurance companies must be prepared for appropriate, prompt and fair claims payment.

## 1 Claim Services Centers of the Member Companies

In order to provide immediate claims services for policyholders, member companies of the GIAJ have around 1,700 claims service offices nationwide, staffed with approximately 22,000 people who pos-

sess the skills and expertise to facilitate claims processing. To improve their expertise, individual insurance companies also conducts training courses.

## 2 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 GIAJ's member companies are required to complete training programs and examinations set by the GIAJ to obtain any one of the above qualifications. As of April 1, 2006, 8,060 adjusters are registered with the GIAJ.

## 3 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 examinations for their respective classes in order to be registered with the GIAJ. On July 1, 2006, the number of property loss assessors registered with the GIAJ was 1,828.



# IX Chronology

Year	Developments
1859	<ul style="list-style-type: none"> <li>● General insurance business was started in Yokohama by a foreign insurance company.</li> </ul>
1867	<ul style="list-style-type: none"> <li>● Yukichi Fukuzawa (scholar) introduced Western insurance practices to Japan through his book entitled "Guide to Western Countries".</li> </ul>
1869	<ul style="list-style-type: none"> <li>● The customs office in Kanagawa undertook the indemnification of fire and other losses of bonded goods. (Origin of fire insurance in Japan)</li> </ul>
1873	<ul style="list-style-type: none"> <li>● The Honin-sha, established for the development of Hokkaido, undertook cargo insurance. (Origin of marine insurance in Japan)</li> </ul>
1877	<ul style="list-style-type: none"> <li>● Daiichi Nippon Bank started marine underwriting.</li> </ul>
1878	<ul style="list-style-type: none"> <li>● The first marine insurance company in Japan was granted an operating license.</li> </ul>
1879	<ul style="list-style-type: none"> <li>● The first marine insurance company in Japan started its operations.</li> <li>● Marine cargo insurance was marketed.</li> </ul>
1883	<ul style="list-style-type: none"> <li>● Marine hull insurance was marketed.</li> </ul>
1887	<ul style="list-style-type: none"> <li>● The first fire insurance company in Japan was granted an operating license.</li> <li>● Ordinary fire insurance was marketed.</li> </ul>
1888	<ul style="list-style-type: none"> <li>● The first fire insurance company in Japan started its operations.</li> </ul>
1893	<ul style="list-style-type: none"> <li>● Inland transit insurance was marketed.</li> </ul>
1895	<ul style="list-style-type: none"> <li>● The Japanese Society of Insurance Science was formed.</li> </ul>
1898	<ul style="list-style-type: none"> <li>● The Commercial Code was enacted. (The insurance industry was made subject to licensing. The basis of insurance supervision and administration was firmly established.)</li> </ul>
1899	<ul style="list-style-type: none"> <li>● The Commercial Code including the Insurance Contract Law was reenacted, and the Enforcement Law of Commercial Code including the Insurance Supervisory Law was enacted.</li> </ul>
1900	<ul style="list-style-type: none"> <li>● The Insurance Business Law was published and enacted.</li> <li>● The Insurance Division was established in the Commerce and Industry Bureau of the Ministry of Agriculture and Commerce to supervise insurance.</li> </ul>
1904	<ul style="list-style-type: none"> <li>● Credit insurance was marketed.</li> </ul>
1907	<ul style="list-style-type: none"> <li>● The Fire Insurance Association was formed with 5 member companies. A nationwide tariff agreement was enacted, but was subsequently abolished in 1912.</li> </ul>
1910	<ul style="list-style-type: none"> <li>● The first personal accident insurance company in Japan was licensed.</li> </ul>
1911	<ul style="list-style-type: none"> <li>● Ordinary personal accident insurance was marketed.</li> </ul>
1914	<ul style="list-style-type: none"> <li>● The War-Time Marine Insurance Indemnification Law was published. (Abolished in September 1917)</li> <li>● The Fire Insurance Association was reorganized with 16 members.</li> <li>● Automobile insurance was marketed.</li> </ul>
1916	<ul style="list-style-type: none"> <li>● The Fire Insurance Association was renamed the Dai-Nippon Fire Insurance Association.</li> <li>● Theft insurance was marketed.</li> </ul>
1917	<ul style="list-style-type: none"> <li>● The Joint Fire Insurance Association of Japan was established, and nationwide fire tariff rates were introduced.</li> </ul>
1920	<ul style="list-style-type: none"> <li>● The Japan Marine Underwriters' Association was established.</li> </ul>



Year	Developments
1923	<ul style="list-style-type: none"> <li>● The Great Kanto Earthquake occurred.</li> </ul>
1925	<ul style="list-style-type: none"> <li>● 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.</li> </ul>
1926	<ul style="list-style-type: none"> <li>● Glass insurance was marketed.</li> </ul>
1927	<ul style="list-style-type: none"> <li>● The Hull Insurers' Union was established.</li> </ul>
1933	<ul style="list-style-type: none"> <li>● The Non-Life Insurance Institute of Japan was established.</li> </ul>
1936	<ul style="list-style-type: none"> <li>● Aviation insurance was marketed.</li> </ul>
1938	<ul style="list-style-type: none"> <li>● Windstorm and flood insurance was marketed.</li> </ul>
1939	<ul style="list-style-type: none"> <li>● The Insurance Business Law (Amended) was published.</li> <li>● The Joint Fire Insurance Association of Japan was reorganized as the Dai-Nippon Fire Insurance Association (2nd).</li> </ul>
1940	<ul style="list-style-type: none"> <li>● The Insurance Business Law (Amended) was enacted.</li> <li>● "State-Run Non-Life Reinsurance Law" was enacted. (Abolished in February 1945.)</li> </ul>
1941	<ul style="list-style-type: none"> <li>● The former Marine and Fire Insurance Association of Japan was established, amalgamating the Dai-Nippon Fire Insurance Association and several marine insurance organizations.</li> <li>● Supervisory jurisdiction was transferred from the Ministry of Commerce and Industry to the Ministry of Finance.</li> <li>● "Expedient Measures Law for War Risk Insurance" was promulgated. (Abolished in February 1944)</li> </ul>
1942	<ul style="list-style-type: none"> <li>● The former Marine and Fire Insurance Association of Japan was dissolved and the Non-Life Insurance Control Association was founded.</li> </ul>
1943	<ul style="list-style-type: none"> <li>● "Death and Bodily Injury by War Risks Insurance Law" was promulgated. (Abolished in December 1945)</li> </ul>
1944	<ul style="list-style-type: none"> <li>● "War-Time Special Non-Life Insurance Law" was promulgated in place of "Expedient Measures Law for War Risk Insurance". (Abolished in December 1945)</li> </ul>
1945	<ul style="list-style-type: none"> <li>● "The Central Association of Non-Life Insurance Law" was promulgated.</li> <li>● The Central Association of Non-Life Insurance was founded. (Terminated in September 1947)</li> <li>● The "Non-Life Insurance Control Association" was dissolved and the "Central Association" took over its business.</li> </ul>
1946	<ul style="list-style-type: none"> <li>● The Marine and Fire Insurance Association of Japan was established.</li> </ul>
1947	<ul style="list-style-type: none"> <li>● Fire insurance tariff rates were sharply raised.</li> </ul>
1948	<ul style="list-style-type: none"> <li>● The Marine and Fire Insurance Association of Japan was incorporated.</li> <li>● The Law concerning the Control of Insurance Soliciting was enacted.</li> <li>● The Law concerning Non-Life Insurance Rating Organizations was enacted.</li> <li>● Property and Casualty Insurance Rating Organization of Japan was established.</li> </ul>
1949	<ul style="list-style-type: none"> <li>● The Law concerning Foreign Insurers was enacted.</li> <li>● Dwelling risks' rates were introduced in fire insurance tariffs. (20% lower than the general risks)</li> </ul>
1950	<ul style="list-style-type: none"> <li>● The Federation of All Japanese Non-Life Insurance Agency Associations was founded.</li> <li>● The Marine and Fire Insurance Association of Japan was admitted as a member of the International Union of Marine Insurance.</li> </ul>
1951	<ul style="list-style-type: none"> <li>● Bid guarantee insurance and performance guarantee insurance were marketed.</li> </ul>

Year	Developments
1952	<ul style="list-style-type: none"> <li>● The fire prevention contribution scheme was started.</li> <li>● The Fire Insurance Agency Classification System was started.</li> </ul>
1953	<ul style="list-style-type: none"> <li>● General liability insurance was marketed.</li> </ul>
1955	<ul style="list-style-type: none"> <li>● The Automobile Liability Security Law was enacted, and the CALI Council, an advisory organ to the Finance Minister, was established.</li> <li>● Compulsory Automobile Liability Insurance (Limit of liability for death was 300,000 yen) was marketed.</li> </ul>
1956	<ul style="list-style-type: none"> <li>● Compulsory Automobile Liability Insurance system started.</li> <li>● The Union of Machinery Insurers of Japan was established.</li> <li>● Machinery insurance and erection insurance were marketed.</li> </ul>
1957	<ul style="list-style-type: none"> <li>● Personal liability insurance was marketed.</li> </ul>
1958	<ul style="list-style-type: none"> <li>● Golfers insurance was marketed.</li> <li>● Shipowners' liability insurance for passengers' personal accident was marketed.</li> </ul>
1959	<ul style="list-style-type: none"> <li>● The Insurance Council was established.</li> </ul>
1960	<ul style="list-style-type: none"> <li>● The Japan Atomic Energy Insurance Pool was established.</li> <li>● The CALI limit for death was raised from 300,000 yen to 500,000 yen.</li> <li>● Atomic site liability insurance was marketed.</li> <li>● Atomic transport liability insurance was marketed.</li> <li>● Contractors' all risks (building works) insurance was marketed.</li> <li>● Householders comprehensive insurance was marketed.</li> </ul>
1961	<ul style="list-style-type: none"> <li>● Movables comprehensive insurance was marketed.</li> </ul>
1962	<ul style="list-style-type: none"> <li>● The 1st Conference of the East Asian Insurance Congress was held in Tokyo.</li> <li>● 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".)</li> <li>● Storekeepers comprehensive insurance was marketed.</li> <li>● Domestic travelers' personal accident insurance was marketed.</li> </ul>
1963	<ul style="list-style-type: none"> <li>● The Japanese Hull Insurers' Union was established.</li> <li>● The Insurance School of the Pacific (ISP) was started.</li> </ul>
1964	<ul style="list-style-type: none"> <li>● The Automobile Insurance Rating Organization was established.</li> <li>● The CALI limit for death was raised from 500,000 yen to 1 million yen.</li> <li>● 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)</li> <li>● The traffic accident prevention fund scheme was started.</li> <li>● The Federation of All Japanese Non-Life Insurance Agency Associations was incorporated.</li> <li>● Atomic material damage insurance was marketed.</li> </ul>
1965	<ul style="list-style-type: none"> <li>● 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.)</li> <li>● 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)</li> </ul>
1966	<ul style="list-style-type: none"> <li>● The Law concerning Earthquake Insurance (in respect to dwelling risks only) was enacted.</li> <li>● Earthquake insurance on dwelling risks was marketed. (Limits of insured amount : 900,000 yen for building and 600,000 yen for contents)</li> <li>● The CALI limit for death was raised from 1 million yen to 1.5 million yen.</li> <li>● Motorbike owners were required to take out CALI.</li> </ul>

Year	Developments
1967	<ul style="list-style-type: none"> <li>● The CALI limit for death was raised from 1.5 million yen to 3 million yen.</li> <li>● Traffic personal accident insurance was marketed.</li> </ul>
1968	<ul style="list-style-type: none"> <li>● Long-term comprehensive insurance was marketed.</li> <li>● Apartment dwellers insurance was marketed.</li> <li>● Fishing trip insurance was marketed.</li> </ul>
1969	<ul style="list-style-type: none"> <li>● The general insurance business was designated as the “1st class capital investment liberalized business” under the government economic policy.</li> <li>● 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”.</li> <li>● The CALI limit for death was raised from 3 million yen to 5 million yen.</li> </ul>
1970	<ul style="list-style-type: none"> <li>● The International Insurance Seminar (IIS) was held in Tokyo.</li> <li>● The International Union of Aviation Insurers Conference was held in Kyoto.</li> </ul>
1972	<ul style="list-style-type: none"> <li>● In place of the traffic accident prevention fund scheme, the traffic accident prevention contribution scheme was established.</li> <li>● 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.</li> <li>● The Insurance School of (Non-Life) of Japan (ISJ) was started.</li> </ul>
1973	<ul style="list-style-type: none"> <li>● The 1st General Insurance Industry Representative Mission was sent to China.</li> <li>● The Non-Marine Agency System was started.</li> <li>● General insurance business was designated as the “100% captial investment liberalized business”.</li> <li>● The CALI limit for death was raised from 5 million yen to 10 million yen.</li> <li>● Family traffic personal accident insurance was marketed.</li> <li>● Contractors’ all risks (civil engineering works) insurance was marketed.</li> <li>● Dwelling house fire insurance was marketed.</li> </ul>
1974	<ul style="list-style-type: none"> <li>● The General Insurance Premium Tax Deduction System was improved. (Limits of deductions : Long-term policy ; 15,000 yen, Short-term policy ; 3,000 yen.)</li> <li>● Income indemnity insurance was marketed.</li> <li>● Surety bonds were marketed.</li> <li>● Overseas travelers’ personal accident insurance was marketed.</li> <li>● Family traffic personal accident insurance with maturity refund was marketed.</li> </ul>
1975	<ul style="list-style-type: none"> <li>● The Marine and Fire Insurance Association of Japan began traffic accident prevention and victims protection campaign.</li> <li>● 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.</li> <li>● The Insurance Council submitted to the Minister of Finance the recommendations entitled “What the insurance business should be in the future”.</li> <li>● The CALI limit for death was raised from 10 million yen to 15 million yen.</li> <li>● The International Union of Marine Insurance Tokyo Conference was held.</li> <li>● Yacht and motorboat comprehensive insurance was marketed.</li> <li>● Computer comprehensive insurance was marketed.</li> </ul>
1976	<ul style="list-style-type: none"> <li>● The Conference of the International Machinery Insurers Association was held in Kyoto.</li> <li>● The International Congress of Actuaries was held in Tokyo.</li> </ul>
1977	<ul style="list-style-type: none"> <li>● Maturity refund comprehensive insurance was marketed.</li> </ul>
1978	<ul style="list-style-type: none"> <li>● The CALI limit for death was raised from 15 million yen to 20 million yen.</li> </ul>
1979	<ul style="list-style-type: none"> <li>● The Insurance Council submitted its recommendations to the Finance Minister under the title of “Revisions of the Earthquake Insurance System”.</li> <li>● Workers’ accident comprehensive insurance was marketed.</li> </ul>

Year	Developments
1980	<ul style="list-style-type: none"> <li>● The Federation of All Japanese Non-Life Insurance Agency Associations was reorganized to become the “Independent Insurance Agents of Japan, Inc.”.</li> <li>● 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.)</li> <li>● The New Non-Marine Agency System was introduced.</li> <li>● Bicycle comprehensive insurance was marketed.</li> </ul>
1981	<ul style="list-style-type: none"> <li>● The “Hull War Risks Reinsurane Pool” was established.</li> <li>● The Insurance Council submitted to the Finance Minister its recommendations on “What the non-life insurance business should be in the future”.</li> <li>● The 1st Non-Life Insurance Convention was held. (Held annually until 1997)</li> <li>● The International Union of Aviation Insurers Tokyo Conference was held.</li> <li>● 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.</li> </ul>
1982	<ul style="list-style-type: none"> <li>● The 2nd General Insurance Industry Representative Mission was sent to China.</li> <li>● The Japan-Foreign Insurance Committee (JAFIC) was set up.</li> <li>● The 11th Conference of the East Asian Insurance Congress was held in Tokyo.</li> <li>● Students comprehensive insurance was marketed.</li> <li>● Tennis players comprehensive insurance was marketed.</li> <li>● Miscellaneous pecuniary loss insurance was marketed.</li> <li>● Family personal accident insurance was marketed.</li> </ul>
1983	<ul style="list-style-type: none"> <li>● The Clauses Sub-committee, a working party of the Consumers Policy Committee of the National Life Council, reviewed various general insurance policy conditions.</li> <li>● The crime prevention measures conferences composed of the police and general insurance industry were set up throughout the country.</li> <li>● Ski and skate comprehensive insurance was marketed.</li> </ul>
1984	<ul style="list-style-type: none"> <li>● The National Life Council reported on the “Simplification of general insurance policy conditions”.</li> <li>● Movables comprehensive insurance with maturity refund was marketed.</li> </ul>
1985	<ul style="list-style-type: none"> <li>● The CALI limit for death was raised from 20 million yen to 25 million yen.</li> <li>● The International Union of Marine Insurance Tokyo Conference was held.</li> <li>● Medical expenses insurance was marketed.</li> </ul>
1986	<ul style="list-style-type: none"> <li>● The Conference of the International Machinery Insurers Association was held in Tokyo.</li> <li>● General Insurance Data Communications Network started operation.</li> <li>● Ordinary personal accident insurance with maturity refund was marketed.</li> <li>● Family personal accident insurance with maturity refund was marketed.</li> </ul>
1987	<ul style="list-style-type: none"> <li>● 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”.</li> <li>● Personal accident insurance and medical expenses insurance were newly added to the subject of general insurance tax deductions.</li> <li>● Juvenile comprehensive insurance was marketed.</li> </ul>
1988	<ul style="list-style-type: none"> <li>● The Marine and Fire Insurance Association of Japan established Izu Training Center.</li> <li>● General Insurance companies were designated to “Zaikai” savings handling financial institutions.</li> <li>● Zaikai savings personal accident insurance was marketed.</li> </ul>
1989	<ul style="list-style-type: none"> <li>● General insurance companies started over-the-counter selling of government bonds.</li> <li>● The Comprehensive Committee was set up under the Insurance Council.</li> <li>● The 3rd General Insurance Industry Representative Mission was sent to China.</li> <li>● Agreement was made with the Japan Medical Association on the standards for payment of medical expenses under CALI.</li> <li>● Nursing care expenses insurance was marketed.</li> <li>● New ladies insurance with maturity refund was marketed.</li> <li>● Comprehensive insurance for homeowners with maturity refund was marketed.</li> </ul>

Year	Developments
1990	<ul style="list-style-type: none"> <li>● 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.)</li> <li>● The Marine and Fire Insurance Association of Japan sent market research missions to the United States and European countries.</li> <li>● The Comprehensive Committee of the Insurance Council made an interim report entitled "Role of the Insurance Industry".</li> <li>● The Non-Life Insurance Institute of Japan was reorganized.</li> <li>● Nursing care expenses insurance with maturity refund was marketed.</li> </ul>
1991	<ul style="list-style-type: none"> <li>● Following revisions to the Law concerning Earthquake Insurance, the Earthquake Insurance System was modified.</li> <li>● The CALI limit for death was raised from 25 million yen to 30 million yen.</li> <li>● 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".)</li> <li>● The Non-Life Insurance Round Table with membership drawn from academics and interest groups was organized.</li> <li>● A "Code of Conduct" for the general insurance industry was devised.</li> <li>● Building endowment comprehensive insurance was marketed.</li> <li>● Comprehensive corporate expenses and profits insurance was marketed.</li> </ul>
1992	<ul style="list-style-type: none"> <li>● The Insurance Council submitted its recommendations to the Minister of Finance under the title of "The New Course of Insurance Business".</li> <li>● The International Union of Aviation Insurers Kyoto Conference was held.</li> <li>● Individual annuity and accident insurance was marketed.</li> </ul>
1993	<ul style="list-style-type: none"> <li>● The 1st session of the ISJ Overseas Seminar was held in Hong Kong and Bangkok.</li> <li>● The International Insurance Society (IIS) held its annual session in Tokyo.</li> </ul>
1994	<ul style="list-style-type: none"> <li>● The Insurance Council submitted its report "On the Amendments of Insurance-Related Laws" to the Minister of Finance.</li> <li>● General insurance companies joined the Japan Securities Dealers Association.</li> <li>● Agreement on "Measures by the Government of Japan and the Government of the United States Regarding Insurance" was reached.</li> </ul>
1995	<ul style="list-style-type: none"> <li>● The Great Hanshin-Awaji Earthquake occurred.</li> <li>● The new Insurance Business Law was promulgated.</li> <li>● The International Union of Marine Insurance Tokyo Conference was held.</li> </ul>
1996	<ul style="list-style-type: none"> <li>● 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.)</li> <li>● The new Insurance Business Law was enacted.</li> <li>● The Non-Life Insurance Agency System was started.</li> <li>● The Policyholders' Protection Fund for Non-Life Insurance Companies was established.</li> <li>● Training programs and qualification examinations for insurance brokers were held.</li> <li>● Mutual entry of life and the general insurance subsidiaries began.</li> <li>● Supplementary Measures by the Government of Japan and the Government of the United States Regarding Insurance were concluded.</li> </ul>
1997	<ul style="list-style-type: none"> <li>● The Japanese Hull Insurers' Union was dissolved.</li> <li>● The Insurance Council submitted its report "On the Review of the Directions of the Insurance Business".</li> <li>● The Union of Machinery Insurers of Japan was dissolved.</li> </ul>
1998	<ul style="list-style-type: none"> <li>● The structures and the roles of the Marine and Fire Insurance Association of Japan were reviewed.</li> <li>● Financial Supervisory Agency was established.</li> <li>● The Insurance Business Law was revised and enacted.</li> <li>● The Law concerning Non-Life Insurance Rating Organizations was revised and enacted.</li> <li>● Non-life Insurance Policy-holders Protection Corporation of Japan was established.</li> </ul>

Year	Developments
1999	<ul style="list-style-type: none"> <li>● Early warning measures were introduced.</li> <li>● Mutual entry of banks, trust banks, and securities companies into each other's sectors through their subsidiaries was allowed.</li> <li>● The International Congress of Actuaries was held in Tokyo.</li> <li>● The Japanese insurance industry responded to Year 2000 issues.</li> <li>● Voluntary automobile insurance with maturity refund was marketed.</li> </ul>
2000	<ul style="list-style-type: none"> <li>● Payment standards for Compulsory Automobile Liability Insurance policy were revised.</li> <li>● Daiichi Mutual Fire and Marine Insurance Co. was ordered to suspend part of its business operation.</li> <li>● Consumer Contract Law and the Law on Sales of Financial Products were approved at the Diet and were effected.</li> <li>● The Financial System Council submitted its report entitled the "New Framework of Financial System to support the 21st Century".</li> <li>● The Compulsory Automobile Liability Insurance Council submitted its report.</li> <li>● The Financial Services Agency was established.</li> <li>● The ban on mutual entry between banks and insurance companies through subsidiaries was lifted.</li> <li>● General insurance companies disclosed their interim business results (April to September) for the first time ever.</li> </ul>
2001	<ul style="list-style-type: none"> <li>● Restrictions on entry into the third sector were removed.</li> <li>● 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.)</li> <li>● The Consumer Contract Law and the Law on Sales of Financial Products were enforced.</li> <li>● The insurance contracts of the Daiichi Mutual Fire and Marine Insurance Co. were transferred to the Non-life Insurance Policy-holders Protection Corporation.</li> <li>● The period during which the Non-life Insurance Policy-holders Protection Corporation had provided full compensation for claims expired.</li> <li>● Over-the-counter sales of insurance products by banks was started.</li> <li>● The Non-Life Insurance Agency System was liberalized.</li> <li>● The Bill on the Defined Contribution Pension Plan (the Japanese version of the 401k Plan) was approved by the Diet.</li> <li>● Cancer insurance and medical insurance were put on the market.</li> <li>● Post offices started to solicit Compulsory Automobile Liability Insurance for motorcycles, etc.</li> <li>● A discount system based on the grade of earthquake-proofing of residential buildings was introduced to Earthquake Insurance on Dwelling Risks.</li> <li>● Taisei Fire and Marine Insurance Co., Ltd. filed for the commencement of reorganization procedures.</li> </ul>
2002	<ul style="list-style-type: none"> <li>● Revised Compulsory Automobile Liability Insurance (CALI) System was enforced.</li> <li>● The CALI limit for permanent disability was raised from 30 million yen to 40 million yen.</li> <li>● The CALI Disputes Settlement Organization started its operation based on the revised CALI system.</li> <li>● Law on Customer Identification by Financial Institutions enacted.</li> <li>● Non-Life Insurance Rating Organization of Japan was established.</li> <li>● Expansion of sales of insurance products by banks.</li> <li>● The 21st Conference of the East Asian Insurance Congress was held in Tokyo.</li> </ul>
2003	<ul style="list-style-type: none"> <li>● Law on Customer Identification by Financial Institutions enforced.</li> <li>● Law Protecting Personal Information enacted.</li> </ul>
2004	<ul style="list-style-type: none"> <li>● Enforcement regulations of the Insurance Business Law were partially revised. (Revision of the underwriting reserve system)</li> </ul>
2005	<ul style="list-style-type: none"> <li>● Full implementation of the Personal Information Protection Law.</li> <li>● Expansion of sales of insurance products by banks.</li> </ul>
2006	<ul style="list-style-type: none"> <li>● The Insurance Business Law was partially revised. (Revision of the safety net system and the introduction of supervision of small-amount and short-term insurers)</li> </ul>

# X *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 (GIAJ) and is currently composed of 22 member companies.

## ② Objective

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

## ③ Major Activities

- a. Consumer Services  
The GIAJ promotes consumer relations, understanding on general insurance among people, and presence of the general insurance industry in society.
- b. Social Responsibility  
The GIAJ promotes activities for social responsibility such as to deter crimes, to mitigate damage caused by natural disasters, promotion of compliance with laws and regulations.
- c. Requests and Proposals  
The GIAJ carries out activities to realize the general insurance industry's concerns.
- d. Contribution to Global Community  
The GIAJ promotes international cooperation among overseas insurance industries and is involved in setting up international supervisory standards and promoting deregulation.
- e. Development of the Business Environment  
The GIAJ develops business infrastructure which supports business of the member companies.

## 4 Member Companies (22 companies as of December 1, 2006)

- Aioi Insurance Co., Ltd.
- The Asahi Fire & Marine Insurance Co., Ltd.
- The Daido Fire & Marine Insurance Co., Ltd.
- The Fuji Fire & Marine Insurance Co., Ltd.
- The Japan Earthquake Reinsurance Co., Ltd.
- Hitachi Capital Insurance Corp.
- JI Accident & Fire Insurance Co., Ltd.
- The Kyoei Fire and Marine Insurance Co., Ltd.
- Meiji Yasuda General Insurance Co., Ltd.
- Mitsui Direct General Insurance Co., Ltd.
- Mitsui Sumitomo Insurance Co., Ltd.
- NIPPONKOA Insurance Co., Ltd.
- Nissay Dowa General Insurance Co., Ltd.
- The Nisshin Fire & Marine Insurance Co., Ltd.
- SAISON Automobile and Fire Insurance Co., Ltd.
- SECOM General Insurance Co., Ltd.
- Sompo Japan Insurance Inc.
- Sonpo 24 Insurance Co., Ltd.
- Sony Assurance Inc.
- The Sumi-Sei General Insurance Co., Ltd.
- The Toa Reinsurance Co., Ltd.
- The Tokio Marine & Nichido Fire Insurance Co., Ltd.

## 5 Board Members (as of December 1, 2006)

### Chairman

Mr. Kunio Ishihara      Tokio Marine & Nichido  
(President)

### Vice Chairmen

Mr. Ken Matsuzawa      NIPPONKOA      (President)  
 Mr. Tadashi Kodama      Aioi      (President)  
 Mr. Masafumi Aoyama      Fuji F & M  
(Deputy President)

### Ordinary Directors

Mr. Kazuho Oya      Asahi F & M      (President)  
 Mr. Susumu Tamura      Kyoei F & M      (President)  
 Mr. Mitsuhiro Minamisawa  
 JI Ac. & F      (President)

Mr. Masatoshi Izumi      Sumi-sei General  
(President)  
 Mr. Yasuyuki Yoshida      SECOM General (President)  
 Mr. Kōshin Matsuzawa      SAISON A & F      (President)  
 Mr. Shinichi Yamamoto      Sony Assurance (President)  
 Mr. Masatoshi Sato      Sompo Japan      (President)  
 Mr. Atsushi Kumanomido      Sonpo 24      (President)  
 Mr. Naoto Miyara      Daido F & M      (President)  
 Mr. Hiroshi Miyajima      Nisshin F & M      (President)  
 Mr. Ichiro Tateyama      Nissay Dowa General  
(President)  
 Mr. Hidehiro Ishikawa      Hitachi Capital (President)  
 Mr. Toshiaki Egashira      Mitsui Sumitomo Insurance  
(President)  
 Mr. Toshio Kitamura      Mitsui Direct General  
(President)  
 Mr. Seiji Nishi      Meiji Yasuda General  
(President)

### Vice Chairman

Mr. Masami Ishizaka      Association

### Executive Director

Mr. Katsuo Handa      Association

### Managing Directors

Mr. Koji Yoshida      Association  
 Mr. Terumasa Hasegawa      Association

### Ordinary Director

Mr. Takashi Shikama      Association

### Ordinary Auditors

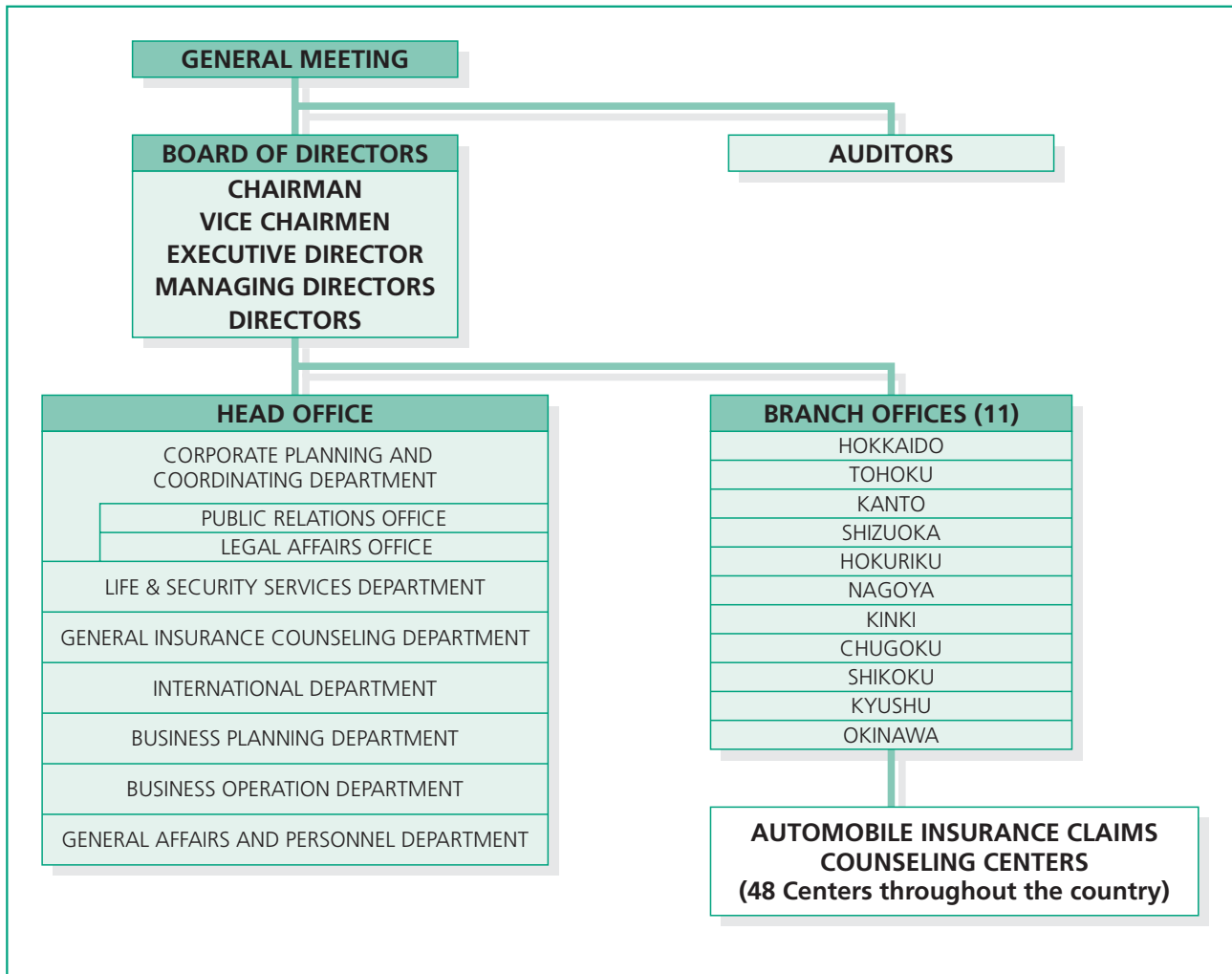
Mr. Teruhiko Ohtani      Toa Re.      (President)  
 Mr. Akihiko Mori      Japan Earthquake Re.  
(President)  
 Prof. Seiichi Ochiai      The University of Tokyo

(Abbreviation)

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



## 6 Organization (as of December 1, 2006)



(Note) Establishment of the "Advisory Panel to Listen to Consumers' Voices"

In September 2006, the General Insurance Association of Japan (GIAJ) newly established the "Advisory Panel to Listen to Consumers' Voices" to incorporate consumers' opinions into the industry operation. The majority of the Panel consists of representatives from consumer groups and academic experts. The Panel stands independently from the GIAJ's existing organs, such as committees and sub-committees, offering proposals to the Board Meeting following discussions on specific industry-wide issues based on consumers' suggestions and complaints.

## 1 Licensed Domestic Companies (26 Companies as of December 1, 2006)

- **ACE Insurance**  
Arco Tower, 1-8-1 Shimomeguro, Meguro-Ku,  
Tokyo 153-0064.  
Tel.: +81-3-5740-0600.  
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.  
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.  
URL: <http://www.allianz.co.jp/>
- **The Asahi Fire & Marine Insurance Co.,  
Ltd.**  
Sumitomofudosankanda Bldg 7, Kandamitoshiro-  
cho, Chiyoda-Ku, Tokyo 101-8655.  
Tel.: +81-3-3294-2111.  
URL: <http://www.asahikasai.co.jp/>
- **AXA Non-Life Insurance Co., Ltd.**  
NBF Platinum Tower, 1-17-3, Shirogane Minato-  
Ku, Tokyo 108-8638.  
Tel.: +81-3-5791-3640.  
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.  
Tokyo branch office: 2-7, Kanda Sudacho 1-  
Chome, Chiyoda-Ku, Tokyo 101-0041.  
Tel.: +81-3-3254-7517.  
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.  
Tokyo head office: 12-18, Ginza 2-Chome,  
Chuo-Ku, Tokyo 104-8122.  
Tel.: +81-3-3542-3911.  
URL: <http://www.fujikasai.co.jp/>
- **Hitachi Capital Insurance Corp.**  
2-1-4, Kojimachi, Chiyoda-Ku, Tokyo 102-0083.  
Tel.: +81-3-5276-1391.  
URL: <http://www.hitachi-ins.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.: +81-3-3664-6074.  
URL: <http://www.nihonjishin.co.jp/>
- **Ji Accident & Fire Insurance Co., Ltd.**  
AI Bldg., 20-5, Ichibancho, Chiyoda-Ku, Tokyo  
102-0082.  
Tel.: +81-3-3237-2111.  
URL: <http://www.jihoken.co.jp/>
- **The Kyoiei Fire & Marine Insurance Co.,  
Ltd.**  
18-6, Shimbashi 1-Chome, Minato-Ku, Tokyo 105-  
8604.  
Tel.: +81-3-3504-0131.  
URL: <http://www.kyoeikasai.co.jp/>
- **Meiji Yasuda General Insurance Co., Ltd.**  
11-1, Kanda Tsukasamachi 2-Chome, Chiyoda-Ku,  
Tokyo 101-0048.  
Tel.: +81-3-3257-3223.  
URL: <http://meijiyasuda-sompo.co.jp/>
- **Mitsui Direct General Insurance Co., Ltd.**  
1-5-3, Koraku, Bunkyo-Ku, Tokyo 112-0004.  
Tel.: +81-3-5804-7711.  
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/>

● **NIPPONKOA Insurance Co., Ltd.**

7-3, 3-Chome, Kasumigaseki, Chiyoda-Ku, Tokyo 100-8965.

Tel.: +81-3-3593-3111.

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

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

**Osaka head office:** 15-10, Nishi-Tenma 4-Chome, Kita-Ku, Osaka 530-8555.

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

**Tokyo head office:** St. Luke's Tower, 8-1, Akashi-cho, Chuo-Ku, Tokyo 104-8556.

Tel.: +81-3-3542-5511.

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

● **Nisshin Fire & Marine Insurance Co., Ltd.**

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

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

URL: <http://www.nisshinfire.co.jp/>

● **SAISON Automobile & Fire Insurance Co., Ltd.**

Sunshine 60 Bldg., 1-1, Higashi-Ikebukuro 3-Chome, Toshima-Ku, Tokyo 170-6068.

Tel.: +81-3-3988-2711.

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

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

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

Tel.: +81-3-5216-6111.

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

● **Sompo Japan Insurance Inc.**

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

Tel.: +81-3-3349-3111.

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

● **Sonpo 24 Insurance Co., Ltd.**

Sunshine 60 Bldg. 44F, 1-1, Higashi-Ikebukuro 3-Chome, Toshima-Ku, Tokyo 170-6044.

Tel.: +81-3-5957-0111.

URL: <http://www.sonpo24.co.jp/>

● **Sony Assurance Inc.**

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

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

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.: +81-3-5360-6001.

URL: <http://www.sumisei-sonpo.co.jp/>

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

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

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

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.

URL: <http://www.toare.co.jp/>

● **Tokio Marine & Nichido Fire Insurance Co., Ltd.**

2-1, Marunouchi 1-Chome, Chiyoda-Ku, Tokyo 100-8050.

Tel.: +81-3-3212-6211.

URL: <http://www.tokiomarine-nichido.co.jp/>

(● represents the GIAJ member companies.)

- **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.  
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.  
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.
- **Atradius Credit Insurance NV (Netherlands)**  
Shiroyama Trust Tower 30F, 4-3-1, Toranomon,  
Minato-ku, Tokyo 105-6030,  
Tel.: +81-3-5776-7300.  
URL: <http://www.atradius.jp/>
- **The Britannia Steam Ship Insurance Association Ltd. (U.K.)**  
3-5-1 Shiba, Minato-Ku, Tokyo 105-0014.  
Tel.: +81-3-3769-6791.
- **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 Extérieur (Coface Japan / France)**  
Toranomon Kotohira Tower 5F, 1-2-8,  
Toranomon, Minato-Ku, Tokyo 105-0001.  
Tel.: +81-3-5521-2180.
- **Eagle Star Insurance Company Ltd. (U.K.)**  
32F Shinjuku Nomura Bldg. 1-26-2 Nishi-Shinjuku,  
Shinjuku-Ku, Tokyo 163-0532.  
Tel.: +81-3-5322-2902.
- **EULER HERMES Kreditversicherungs -AG (Germany)**  
Kyobashi Nisshoku Bldg. 7F, 8-7, Kyobashi 1-  
chome, Chuo-Ku, Tokyo 104-0031.  
Tel.: +81-3-3538-5403.  
URL: [www.eulerhermes.co.jp/](http://www.eulerhermes.co.jp/)
- **Federal Insurance Company (U.S.A.)**  
3F Toranomon YHK Bldg. 2-3-20, Toranomon  
Minato-Ku, Tokyo 105-0001.  
Tel.: +81-3-3519-8130.  
URL: <http://www.chubbjapan.co.jp/>
- **Financial Security Assurance Inc. (U.S.A.)**  
Meiji Seimei Kan 5F, 2-1-1 Marunouchi, Chiyoda-  
Ku, Tokyo 100-0005  
Tel.: +81-3-5288-6230.  
URL: <http://www.fsa.com/jp/>
- **Gerling Allgemeine Versicherungs-AG (Germany)**  
Sanbancho KS Bldg 7F, 2 Banchi, Sanbancho,  
Chiyoda-Ku, Tokyo 102-0075.  
Tel.: +81-3-5214-1361.  
URL: <http://www.gerling.co.jp/>
- **Genworth Mortgage Insurance Corporation (U.S.A.)**  
ATT New Tower 8F, 2-11-7 Akasaka Minato-Ku,  
Tokyo 107-0052.  
Tel.: +81-3-5573-8450.
- **Hyundai Marine & Fire Insurance Company, Ltd. (Korea)**  
Yamato Seimei Bldg., 11F, 1-7, Uchisaiwaicho 1-  
Chome, Chiyoda-Ku, Tokyo 100-0011.  
Tel.: +81-3-5511-6565.  
URL: <http://www.hdinsurance.co.jp/>
- **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.  
URL: <http://www.newindia.co.jp/>
- **RGA Reinsurance Company (U.S.A.)**  
Shin Aoyama Bldg, (Aoyama Twin) East 19F, 1-1-1  
Minami Aoyama, Minato-Ku, Tokyo 107-0062.  
Tel.: +81-3-3479-7191.

- **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.
  - **Swiss Reinsurance Company (Switzerland)**  
Otemachi First Square West Tower 9F, 5-1, Otemachi 1-chome, Chiyoda-Ku, Tokyo 100-0004.  
Tel.: +81-3-3272-2877.  
URL: <http://www.swissre.com/>
  - **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.  
URL: <http://www.transre.com/>
  - **The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Ltd. (Bermuda)**  
Suzuyo Hamamatsu-cho Bldg. 8F, 2-1-16, Kaigan, Minato-Ku, Tokyo 105-0022.  
Tel.: +81-3-5442-6110.  
URL: <http://www.ukpandi.com>  
URL: <http://www.ukpandi.jp/>
  - **Zurich Insurance Company (Switzerland)**  
Shinanomachi Rengakan, 35 Shinanomachi, Shinjuku-Ku, Tokyo 160-8585.  
Tel.: +81-3-5361-2580.  
URL: <http://www.zurich.co.jp/>
- (The above companies are not the GIAJ members.)

### 3 General Insurance Organizations (as of December 1, 2006)

- **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)**  
Toranomom Suzuki Bldg., 7F, Toranomom 3-20-4, Minato-Ku, Tokyo 105-0001.  
Tel: +81-3-5425-7850. Fax: +81-3-5425-7851.  
URL: <http://www.fnlia.gr.jp/>
- **Non-Life Insurance Policyholders 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 1950)**  
321 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/>
- **Insurance Brokers Association of Japan (established in 1996)**  
Kyoritsu Bldg. 2-2-16 Nihonbashi, Chuo-Ku, Tokyo 103-0027.  
Tel: +81-3-3274-1325 Fax: +81-3-3274-3060.  
URL: <http://www.hokenbrokerkyokai.com/>

# XII Statistics —Catastrophe Loss, etc.—

## 1. Major Catastrophe Losses (Since 1945)

### Major Windstorms and Floods

Windstorm and Flood	Date of Occurrence	Number of Casualties and Properties Damaged		
		Dead/Missing	Buildings damaged	Buildings flooded
Makurazaki Typhoon	Sep. 1945	3,756	89,839	273,888
Catherine Typhoon	Sep. 1947	1,930	9,298	384,743
Typhoon Ion	Sep. 1948	838	18,017	120,035
Typhoon Jane	Sep. 1950	508	56,131	166,605
Typhoon Ruth	Oct. 1951	943	221,118	138,273
Downpour (accompanying weather front)	Jun. 1953	1,013	34,655	454,643
Nanki Downpour	Jul. 1953	1,124	10,889	86,479
Typhoon No. 13	Sep. 1953	478	86,398	495,875
Toyamaru Typhoon	Sep. 1954	1,761	207,542	103,533
Isahaya Downpour	Jul. 1957	992	6,811	72,565
Kanogawa Typhoon	Sep. 1958	1,269	16,743	521,715
Isewan Typhoon	Sep. 1959	5,098	833,965	363,611
2nd Muroto Typhoon	Sep. 1961	202	499,444	384,120
Typhoon No. 17 and accompanying weather front	Sep. 1976	169	11,193	442,317
Typhoon No. 20	Oct. 1979	111	7,523	37,450
Downpour, July 1982	Jul. 1982	345	851	52,165
Typhoon No. 10 and accompanying weather front	Aug. 1982	95	5,312	113,902
Typhoon No. 18 and accompanying weather front	Sep. 1982	38	651	136,308
Downpour, July 1983	Jul. 1983	117	3,669	17,141
Typhoon No. 10	Aug. 1986	21	2,683	105,072
Typhoon No. 19	Sep. 1991	62	170,447	22,965
Downpour, August 1993	Aug. 1993	79	824	21,987
Typhoon No. 18 and accompanying weather front	Sep. 1999	36	47,150	23,218
Hailstorm May 2000	May 2000	0	24,691	43
Downpour, September 2000	Sep. 2000	10	312	71,291
Typhoon No. 14 and accompanying weather front	Sep. 2000	11	609	70,017
Typhoon No. 16	Aug. 2004	18	8,627	46,581
Typhoon No. 18	Sep. 2004	47	57,466	10,026
Typhoon No. 22	Oct. 2004	8	5,553	7,843
Typhoon No. 23	Oct. 2004	99	19,235	54,850
Downpour	Dec. 2004	6	966	293

## Major Earthquakes, etc.

Name of Earthquake, etc.	Date of Occurrence	M	Number of Casualties and Properties Damaged						
			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	Jun. 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	Jun. 16, 1964	7.5	26	1,960	6,640	—	—	15,297	—
Tokachi-oki (Off Tokachi)	May 16, 1968	7.9	52	673	3,004	—	—	529	—
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)	Jun. 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)	Sep. 14, 1984	6.8	29	14	73	565	—	—	—
Chibaken Toho-oki (Off Eastern Chiba Prefecture)	Dec. 17, 1987	6.7	2	16	—	70,000	—	—	—
Mt. Unzen Volcanic Eruption	Jun. 3, 1991	—	44	271 by pyroclastic flow 1,117 by debris flow 11 by cinders					
Kushiro-oki (Off Kushiro)	Jan. 15, 1993	7.5	2	—	—	—	—	—	—
Hokkaido Nansei-oki (Off Southwest Hokkaido)	Jul. 12, 1993	7.8	230	—	—	—	—	—	—
Hokkaido Toho-oki (Off Eastern Hokkaido)	Oct. 4, 1994	8.2	10	61	348	—	—	—	—
Sanriku Haruka-oki (Far-off Sanriku coast)	Dec. 28, 1994	7.6	3	72	429	—	—	—	—
Southern Hyogo Prefecture (Great Hanshin-Awaji)	Jan. 17, 1995	7.3	6,436	104,906	144,274	—	more than 6,000 by fire total/half loss		
Mt. Usu Volcanic Eruption	Mar. 31, 2000	—	—	119	355	376	—	—	—
Miyakejima Volcanic Eruption	Jul. 8, 2000	—	—	11	5	12	—	—	—
Tottoriken Seibu (Western Tottori Prefecture)	Oct. 6, 2000	7.3	—	435	3,101	—	—	—	—
Geiyo	Mar. 24, 2001	6.7	2	70	774	—	—	—	—
Miyagiken-oki	May 26, 2003	7.1	—	2	21	—	—	—	—
Miyagiken-Hokubu	Jul. 26, 2003	6.4	—	1,276	3,809	—	—	—	—
Tokachi-oki	Sep. 26, 2003	8.0	2	116	368	—	—	—	—
Niigataken-Chuetsu	Oct. 23, 2004	6.8	49	3,185	13,703	—	—	—	—
Fukuokaken Seiho-oki	Mar. 20, 2005	7.0	1	133	244	—	—	—	—

(Note) "M" indicates the magnitude of the earthquake on the Japanese scale.

## 2. Claims Paid for Natural Disasters

### Claims Paid for Typhoons or Windstorms

(in billions of 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	Nationwide	Sep. 4-8, 2004	356.4	25.9	5.1	387.4
3	Typhoon No. 18	Kumamoto, Yamaguchi, Fukuoka, etc.	Sep. 21-25, 1999	284.7	21.2	8.8	314.7
4	Typhoon No. 7	Kinki	Sep. 22, 1998	151.4	6.1	2.4	160.0
5	Typhoon No. 23	Western Japan	Oct. 20, 2004	111.3	17.9	8.9	138.0
6	Typhoon No. 16	Nationwide	Aug. 30-31, 2004	103.7	13.8	3.5	121.0
7	Downpour, Sep. 2000	Aichi etc.	Sep. 10-12, 2000	44.7	54.5	3.9	103.0
8	Typhoon No. 13	Kyushu, Shikoku, and Chugoku	Sep. 3, 1993	93.3	3.5	1.0	97.7
9	Hailstorm	Chiba and Ibaraki	May 24, 2000	37.2	30.3	2.5	70.0
10	Downpour, Typhoon No. 14	Miyazaki, Kagoshima, Tokyo, etc.	Sep. 4-7, 2005	57.5	7.7	0.6	65.8

### Claims Paid under Earthquake Insurance on Dwelling Risks

(in millions of 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	16,934.5
3	Fukuokaken Seiho-oki	Off Western Fukuoka Prefecture	Mar. 20, 2005	16,286.1
4	Niigataken Chuetsu	Niigata Prefecture	Oct. 23, 2004	14,619.0
5	Tokachi-oki	Off Hokkaido	Sep. 26, 2003	5,954.9
6	Fukuokaken Seiho-oki	Off Western Fukuoka Prefecture	Apr. 20, 2005	5,214.4
7	Tottoriken Seibu	Western Tottori Prefecture	Oct. 6, 2000	2,868.5
8	Miyagiken Hokubu	Northern Miyagi Prefecture	Jul. 26, 2003	2,171.8
9	Miyagiken-oki	Off Miyagi	May 26, 2003	1,915.1
10	Miyagiken-oki	Off Miyagi	Aug. 16, 2005	1,387.1
11	Hokkaido Toho-oki	Off Eastern Hokkaido	Oct. 4, 1994	1,333.1
12	Mt. Unzen Volcanic Eruption	Eastern Nagasaki Prefecture	Jun. 3, 1991	1,288.0
13	Sanriku Haruka-oki	Far-off Sanriku Coast	Dec. 28, 1994	1,237.5

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



### 3. High-Amount Court Awards

#### Victims of Traffic Accidents

Court Awards (in millions of yen)	Name of Court	Date of Judgement	Date of Accident	Victim's Sex/Age	Victim's Occupation	Casualty
382.8	Nagoya District Court	May 17, 2005	May 18, 1998	M/29	Office Worker	Permanent Disability
359.8	Tokyo District Court	Jun. 29, 2004	Apr. 24, 1997	M/25	Graduate School Student	- do. -
335.3	Tokyo District Court	Dec. 21, 2004	Apr. 29, 1998	M/32	Bank clerk	- do. -
322.5	Ichinomiya Branch office Nagoya District Court	Mar. 30, 2004	Oct. 7, 1998	M/25	Part-time employment	- do. -
312.0	Tokyo District Court	Aug. 28, 2003	Aug. 12, 1997	F/21	Office Worker	- do. -
302.8	Fukuyama Branch office Hiroshima District Court	May 26, 2004	Jul. 23, 1999	<sup>(*1)</sup> M/38	Office Worker	- do. -
297.4	Tokyo District Court	Mar. 30, 1995	Jul. 18, 1984	M/40	Company Director	- do. -
296.9	Hachioji Branch office Tokyo District Court	Nov. 28, 2000	Aug. 3, 1995	M/20	Technical College Student	- do. -
292.4	Osaka District Court	Apr. 18, 2003	Jan. 26, 1999	M/17	Senior High School Student	- do. -
285.9	Tokyo District Court	May. 31, 2004	May 31, 2000	F/43	Housewife with a job	- do. -
284.3	Okazaki Branch office Nagoya District Court	May 7, 2004	Mar. 1, 1999	F/18	Senior High School Student	- do. -
275.8	Kyoto District Court	Nov. 1, 2004	Mar. 8, 2000	F/22	Office Worker	- do. -
273.6	Tokyo District Court	Mar. 17, 2005	Nov. 21, 2000	M/28	Office Worker	- do. -
272.4	Takasaki Branch office Maebashi District Court	Sep. 17, 2004	Nov. 2, 1999	M/19	University 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. -
261.2	Tokyo District Court	Jan. 20, 2004	May 15, 1998	M/22	Part-time employment	- do. -
257.2	Fukuoka District Court	Apr. 27, 1999	Nov. 23, 1994	M/22	Self-Defence Force Official	- do. -
256.5	Tokyo District Court	Jan. 22, 2003	Oct. 4, 1995	M/25	Office Worker	- do. -
250.5	Tokyo District Court	Oct. 22, 1996	Oct. 7, 1990	M/20	Technical College Student	- do. -

(\* 1) When the victim's condition was deemed fixed .

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

## Property Damage from Traffic Accidents

Court Awards (in millions of yen)	Name of Court	Date of Judgement	Date of Accident	Damaged Property
261.4	Kobe District Court	Jul. 19, 1994	May 29, 1985	Freight (Draperies and Clothes)
135.8	Tokyo District Court	Jul. 17, 1996	Feb. 23, 1991	Pachinko Parlor
120.4	Fukuoka District Court	Jul. 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	Jun. 27, 2000	Sep. 26, 1996	Freight
33.9	Nagoya District Court	Jan. 16, 2004	Mar. 9, 2001	Large Truck and Freight
31.6	Tokyo District Court	Dec. 25, 2001	Nov. 5, 1999	Four-storey Building
30.5	Tokyo District Court	Aug. 28, 2001	May 16, 1999	Surf Shop
28.6	Tokyo District Court	Dec. 25, 2002	Mar. 28, 2001	Freight
28.0	Takamatsu District Court	Aug. 14, 1997	Oct. 5, 1994	Three Large 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
20.6	Tokyo District Court	Jun. 24, 1993	Jul. 11, 1979	Two Trucks and Freight
19.7	Fukuoka District Court	Jun. 28, 2000	Oct. 8, 1997	Trailer and Freight
19.3	Ashikaga Branch Office Utsunomiya District Court	Jan. 29, 1999	Sep. 3, 1996	Large Truck and Freight
17.4	Osaka District Court	Feb. 4, 1999	Oct. 4, 1994	Large Trailer and Freight
17.0	Osaka District Court	Apr. 25, 1997	Apr. 1, 1993	Large 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

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

#### 4. Direct Premiums of Foreign General Insurers

(in millions of yen and %)

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	32,537	-12.7	33,285	2.3	32,203	-3.3	30,643	-4.8
Voluntary Automobile	73,450	-19.0	76,207	3.8	84,506	10.9	98,352	16.4
Personal Accident	130,536	-8.0	133,999	2.7	129,490	-3.4	129,608	0.1
Miscellaneous Casualty	29,675	-7.4	31,150	5.0	34,749	11.6	40,323	16.0
Marine and Inland Transit	8,213	-6.3	8,671	5.6	7,686	-11.4	7,103	-7.6
Compulsory Automobile Liability	7,360	-21.5	7,056	-4.1	6,972	-1.2	7,050	1.1
<b>Total</b>	<b>281,771</b>	<b>-12.0</b>	<b>290,368</b>	<b>3.1</b>	<b>295,606</b>	<b>1.8</b>	<b>313,079</b>	<b>5.9</b>

Class of Business	Fiscal 2000		Fiscal 2001		Fiscal 2002		Fiscal 2003	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	30,290	-1.2	30,560	0.9	33,133	8.4	39,662	19.7
Voluntary Automobile	104,013	5.8	110,405	6.1	113,364	2.7	114,728	1.2
Personal Accident	136,204	5.1	144,959	6.4	153,093	5.6	152,073	-0.7
Miscellaneous Casualty	43,977	9.1	40,023	-9.0	41,162	2.8	39,426	-4.2
Marine and Inland Transit	7,358	3.6	6,830	-7.2	7,470	9.4	7,284	-2.5
Compulsory Automobile Liability	6,578	-6.7	6,541	-0.6	7,786	19.0	7,534	-3.2
<b>Total</b>	<b>328,420</b>	<b>4.9</b>	<b>339,318</b>	<b>3.3</b>	<b>356,008</b>	<b>4.9</b>	<b>360,707</b>	<b>1.3</b>

Class of Business	Fiscal 2004		Fiscal 2005	
	Amount	Growth	Amount	Growth
Fire	42,638	7.5	46,973	10.2
Voluntary Automobile	115,903	1.0	117,084	1.0
Personal Accident	151,870	-0.1	169,763	11.8
Miscellaneous Casualty	37,768	-4.2	41,624	10.2
Marine and Inland Transit	7,371	1.2	7,814	6.0
Compulsory Automobile Liability	6,976	-7.4	6,272	-10.1
<b>Total</b>	<b>362,526</b>	<b>0.5</b>	<b>389,529</b>	<b>7.4</b>

(Note) The figures above do not include those of foreign-capitalized general insurers and foreign general insurers which are not members of the Foreign Non-Life Insurance Association of Japan.

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

### Number of Japanese Insurers Conducting Foreign Business Through Overseas Offices (Note 1)

Type of Office	1996	1997	1998
Subsidiaries (Note 2)	15	15	15
Direct Insurance Subsidiaries with 50% or more Japanese Capital (Note 3)	15	15	15
Branches of Direct Insurance Subsidiaries	7	7	7
Agents of Direct Insurance Subsidiaries	7	6	6
Number of Insurance Companies Operating in Any One of the Above 3 Categories.	15	15	15
Overseas Branches	4	4	4
Overseas Agents	12	12	12
Sub-total	13	13	13
Number of Insurance Companies Operating in Any One of the Above Categories Abroad	<b>16</b>	<b>16</b>	<b>16</b>

### Number of Countries / Regions (Note 4)

Type of Office	1996	1997	1998
Subsidiaries (Note 2)	21	24	25
Direct Insurance Subsidiaries with 50% or more Japanese Capital (Note 3)	14	13	13
Branches of Direct Insurance Subsidiaries	8	8	9
Agents of Direct Insurance Subsidiaries	11	10	10
Number of Insurance Companies Operating in Any One of the Above 3 Categories.	25	25	25
Overseas Branches	5	4	4
Overseas Agents	21	19	19
Sub-total	23	21	21
Number of Regions Where Insurance Companies Operating in Any One of the Above Categories Abroad	<b>43</b>	<b>46</b>	<b>45</b>

### Number of Japanese Insurers' Offices Abroad

Type of Office	1996	1997	1998
Subsidiaries (Note 2)	107	109	112
Reinsurance Subsidiaries and Direct Insurance Subsidiaries with less than 50% Japanese Capital	47	50	50
Direct Insurance Subsidiaries with 50% or more Japanese Capital (Note 3)	60	59	62
Branches of Direct Insurance Subsidiaries	16	17	19
Agents of Direct Insurance Subsidiaries	34	31	31
Sub-total	157	157	162
Overseas Branches	5	4	4
Overseas Agents	75	69	68
Sub-total	80	73	72
<b>Grand total</b>	<b>237</b>	<b>230</b>	<b>234</b>

### Liaison Offices

	1996	1997	1998
Number of Japanese Insurers with Liaison Offices	16	16	16
Number of Countries / Regions	39	40	41
Number of Cities	67	71	75
Number of Offices	262	268	266

(Notes) 1. Figures represent the number of Japanese insurers conducting foreign business by type of overseas offices, and include cases where a Japanese insurer conducts its business through both overseas subsidiaries and branches/agents of its home country head office in the same region.

2. "Subsidiaries" means companies operating insurance and/or reinsurance business only, and thus excludes asset investment, loss survey operations, etc.

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

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

1999	2000	2001	2002	2003	2004	2005	2006
15	15	13	12	11	11	9	10
14	14	12	11	10	10	8	9
7	7	7	6	6	6	6	6
5	5	4	5	5	6	5	5
14	14	12	11	10	10	8	9
4	5	5	3	3	3	3	3
12	11	10	8	7	7	6	6
13	12	10	8	7	7	6	6
<b>16</b>	<b>16</b>	<b>14</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>9</b>	<b>10</b>

1999	2000	2001	2002	2003	2004	2005	2006
25	23	25	25	24	24	24	22
14	20	20	15	15	16	13	16
9	9	9	16	11	9	9	11
11	11	11	14	12	12	12	12
26	28	28	27	26	26	25	28
5	14	6	5	6	6	7	7
19	18	18	17	17	15	15	14
21	22	22	21	22	20	20	19
<b>47</b>	<b>48</b>	<b>50</b>	<b>46</b>	<b>47</b>	<b>49</b>	<b>44</b>	<b>45</b>

1999	2000	2001	2002	2003	2004	2005	2006
113	118	117	113	93	93	90	93
50	50	50	51	42	40	39	39
63	68	67	62	51	53	51	54
24	24	24	65	34	31	30	49
30	29	29	30	25	25	25	24
167	171	170	208	152	148	145	166
5	17	7	6	7	9	10	9
66	63	62	53	51	45	40	38
71	80	69	59	58	54	50	47
<b>238</b>	<b>251</b>	<b>239</b>	<b>267</b>	<b>210</b>	<b>202</b>	<b>195</b>	<b>213</b>

1999	2000	2001	2002	2003	2004	2005	2006
16	16	14	12	11	11	10	10
42	43	44	46	46	46	42	43
77	79	82	81	82	81	77	78
254	246	224	193	178	178	171	175

## 6. Direct Premiums Written Abroad by Japanese General Insurers

(in millions of yen and %)

Class of Business	Fiscal 1996		Fiscal 1997		Fiscal 1998		Fiscal 1999		Fiscal 2000	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	16,030	14.8	20,710	29.2	14,459	-30.2	11,720	-18.9	13,211	12.7
Automobile	13,278	17.0	17,261	30.0	12,745	-26.2	10,925	-30.6	11,502	5.3
Marine Hull	226	-0.8	213	-5.8	177	-16.9	114	-35.6	101	-11.4
Marine Cargo	9,535	16.1	9,007	-5.5	8,451	-6.2	7,232	-14.4	8,142	12.6
Others	26,181	15.0	30,682	17.2	26,276	-14.4	21,030	-20.0	25,797	22.7
<b>Total</b>	<b>65,249</b>	<b>15.5</b>	<b>77,873</b>	<b>19.3</b>	<b>62,107</b>	<b>-20.2</b>	<b>51,023</b>	<b>-17.8</b>	<b>58,753</b>	<b>15.2</b>

(in millions of yen and %)

Class of Business	Fiscal 2001		Fiscal 2002		Fiscal 2003		Fiscal 2004		Fiscal 2005	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	13,883	5.1	14,983	7.9	17,665	17.9	17,953	1.6	20,427	13.8
Automobile	12,573	9.3	13,030	3.6	15,028	15.3	15,350	2.1	16,170	5.3
Marine Hull	134	32.7	33	-75.4	17	-48.5	15	-11.8	12	-19.3
Marine Cargo	5,665	-30.4	5,896	4.1	7,402	25.5	8,891	20.1	10,029	12.8
Others	30,942	19.9	29,933	-3.3	31,149	4.1	26,792	-14.0	28,035	4.6
<b>Total</b>	<b>63,198</b>	<b>7.6</b>	<b>63,875</b>	<b>1.1</b>	<b>71,261</b>	<b>11.6</b>	<b>69,001</b>	<b>-3.2</b>	<b>74,673</b>	<b>8.2</b>

## 7. International Reinsurance Business

### Outward Reinsurance Balance

(in billions of yen)

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Premiums (paid)	228.1	250.8	238.0	227.4	213.9	251.6	264.1	255.7	244.1	248.4
Claims (received)	124.5	130.3	172.6	189.1	135.6	114.4	114.1	123.5	242.1	162.7
<b>Balance</b>	<b>-103.6</b>	<b>-120.5</b>	<b>-65.5</b>	<b>-38.3</b>	<b>-78.3</b>	<b>-137.2</b>	<b>-150.0</b>	<b>-132.2</b>	<b>-2.0</b>	<b>-85.7</b>

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

### Inward Reinsurance Balance

(in billions of yen)

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Premiums (received)	194.5	190.3	181.4	170.9	164.3	202.5	250.4	225.1	195.4	212.7
Claims (paid)	201.0	201.5	200.8	138.4	178.8	236.4	244.3	279.4	212.6	227.3
<b>Balance</b>	<b>-6.5</b>	<b>-11.2</b>	<b>-19.4</b>	<b>32.5</b>	<b>-14.5</b>	<b>-33.9</b>	<b>6.1</b>	<b>-54.3</b>	<b>-17.2</b>	<b>-14.6</b>

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

## 8. International Comparison of General Insurance Premium Volume (2004)

Country (Region)	Gross Direct Premiums			Gross Direct Premiums GDP		Per Capita Premiums	
	(in millions of yen)	Rank	Share (%)	(%)	Rank	(yen)	Rank
U. S. A.	64,830,465	1	43.22	5.14	1	221,750	2
Germany	11,424,120	2	7.62	3.86	8	136,032	8
Japan	11,351,658	3	7.57	2.25	32	89,319	18
U. K.	11,314,460	4	7.54	3.68	10	141,698	6
France	7,075,341	5	4.72	3.14	16	113,713	15
Italy	5,023,727	6	3.35	2.74	24	86,083	19
Canada	4,325,342	7	2.88	4.05	6	135,742	9
Spain	3,473,756	8	2.32	3.25	13	84,213	20
Netherlands	2,909,651	9	1.94	4.67	4	178,800	3
Australia	2,549,492	10	1.70	3.85	9	127,539	11
South Korea	2,144,179	11	1.43	2.77	23	44,348	27
Switzerland	1,928,622	12	1.29	5.02	2	262,453	1
China	1,802,405	13	1.20	1.05	74	1,387	78
Belgium	1,584,805	14	1.06	2.89	21	105,833	16
Russia	1,377,096	15	0.92	2.21	34	9,633	45
Brazil	1,058,221	16	0.71	1.63	56	5,935	59
Austria	1,042,955	17	0.70	3.32	12	129,485	10
Taiwan	1,008,981	18	0.67	3.07	18	44,552	26
Ireland	947,701	19	0.63	3.23	14	158,448	5
Sweden	890,720	20	0.59	2.39	29	99,522	17
Other Countries	12,043,700	—	7.94	—	—	—	—
<b>Total/Average</b>	<b>149,999,887</b>	—	<b>100.00</b>	<b>3.43</b>	—	<b>23,652</b>	—

(Notes) 1. Figures are compiled by the GIAJ based on the "Sigma No.2/2005" by Swiss Re.

2. The exchange rate used (US\$1=107.51 yen) is the average exchange rate for 2004.

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 88 countries with general and life premium volumes in excess of USD 250 million in 2004.

– To preserve our irreplaceable environment and ensure safety –

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

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