

GENERAL INSURANCE IN JAPAN

FACT BOOK



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GENERAL INSURANCE IN JAPAN

THE GENERAL INSURANCE ASSOCIATION OF JAPAN

WEB Information is also available on the GIAJ's website.
<http://www.sonpo.or.jp/en/>

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Key Figures of General Insurance for Fiscal 2017

1

The Number of General Insurance Companies

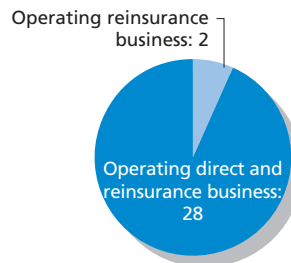
Total: **52**
 Domestic insurers: **30**
 Foreign insurers: **22**

As of Oct. 1, 2018, a total of 52 general insurance companies were operating in Japan; a total of 30 companies were licensed as domestic insurers, including foreign capital domestic insurers, while 22 companies were licensed as foreign insurers.

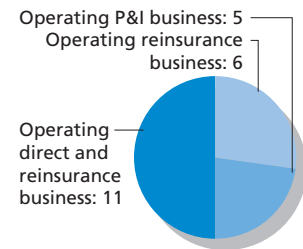
The number of people working in general insurance, including management, sales staff and temporary staff, was 96,222 as of April 1, 2018.

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

Agencies
 (at the end of fiscal 2017):
186,733

Agency sales staff
 (at the end of fiscal 2017):
2,072,888

The number of agencies decreased by 4.7%, and the number of sales staff increased by 0.4%.

There were 186,733 general insurance agencies of domestic and foreign general insurers and 2,072,888 sales staffs were engaged in the agency business at the end of fiscal 2017.

These agencies shared 91.5% of the written direct premiums in fiscal 2017.

The number of agencies



The number of agency sales staff



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

3 Premiums

Direct premiums:

9,279.0 billion yen

Net premiums:

8,380.6 billion yen

* For comparison purpose, figures for fiscal 2016 include AIU figures.

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

The total of direct premiums, including the savings portion thereof, written in fiscal 2017 was 9,279.0 billion yen, up 0.2%. The total of net premiums written was 8,380.6 billion yen, up 0.9%. (The figures are the totals for GIAJ member companies.)

■ Direct premiums



■ Net premiums



4 The Amount of Claims Paid

Net claims paid:

4,702.3 billion yen

* For comparison purpose, figures for fiscal 2016 include AIU figures.

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

Net claims paid on all classes of insurance during fiscal 2017 amounted to 4,702.3 billion yen, a decrease of 1.9% compared with the previous term. This was due to the completion of most claim payments for the 2016 Kumamoto Earthquake in April. (The figures are the totals for GIAJ member companies.)

■ Net claims paid



5 Loss Ratio and Operating Expenses Ratio

Loss ratio:

61.5%

Operating expenses ratio:

32.6%

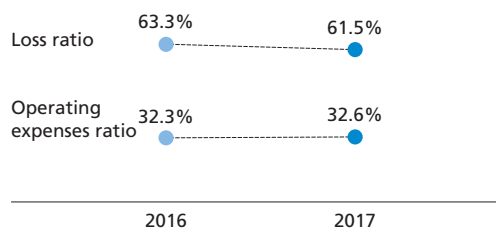
* For comparison purpose, figures for fiscal 2016 include AIU figures.

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

The loss ratio decreased by 1.8% to 61.5%. The operating expenses ratio increased by 0.3% to 32.6% in fiscal 2017. (The figures are the totals for GIAJ member companies.)

Loss ratio / Operating expenses ratio



6 Assets and Investments

Total assets:

32,314.4 billion yen

Working assets:

29,609.0 billion yen

* For comparison purpose, figures for fiscal 2016 include AIU figures.

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 1.8% to 32,314.4 billion yen, due to a rise in the amount of stocks and foreign securities. Working assets also increased to 29,609.0 billion yen, up 1.8%. (The figures are the totals for GIAJ member companies.)

Total assets



Working assets



7 Ordinary Profits and Net Profits for the Current Year

Ordinary profits:
812.2 billion yen

Net profits:
678.3 billion yen

* For comparison purpose, figures for fiscal 2016 include AIU figures.

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.

Due to decreased underwriting profits, ordinary profits for fiscal 2017 decreased to 812.2 billion yen. Net profits after tax increased to 678.3 billion yen from 614.4 billion yen.

■ Ordinary profits



■ Net profits



8 Ownership of General Insurance Policies

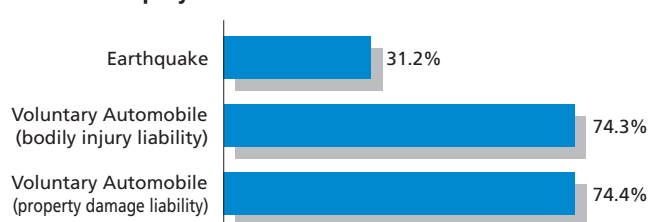
Earthquake: **31.2%**
(at the end of 2017)

Voluntary Automobile
(bodily injury liability):
74.3%
(at the end of fiscal 2016)

Voluntary Automobile
(property damage liability):
74.4%
(at the end of fiscal 2016)

Ownership of Earthquake Insurance on Dwelling Risks represents the ratio of the number of earthquake insurance policies to the number of households on the Basic Resident Register in Japan. The figure is as at the end of each year.

■ Ownership by line



■ Ownership of Earthquake Insurance on Dwelling Risks Policies

	2013	2014	2015	2016	2017
National Average	27.9%	28.8%	29.5%	30.5%	31.2%

The ratio is as at the end of the year.

Source: General Insurance Rating Organization of Japan.

■ Ownership of Voluntary Automobile Insurance

Fiscal Year	2012	2013	2014	2015	2016
Bodily Injury Liability	73.3%	73.4%	73.8%	74.1%	74.3%
Property Damage Liability	73.3%	73.4%	73.8%	74.2%	74.4%
Passengers' Personal Accident	43.1%	41.7%	34.0%	29.3%	27.9%
Physical Damage	42.6%	43.0%	43.2%	43.5%	43.8%
Bodily Injury Indemnity	—	—	67.0%	68.0%	68.7%

Source: General Insurance Rating Organization of Japan.
The data of Mutual Aid is not included.



Statistics

(Note) The figures are the totals for GIAJ member companies.

1. Income Statement

(in billions of yen & %)

Item	Fiscal 2016	Fiscal 2017	
	Amount	Amount	Growth
Ordinary Profit and Loss			
Underwriting Income	9,181.8	9,128.9	-0.6
Net Premiums Written	8,308.7	8,380.6	0.9
Savings Portion of Maturity-refund type Insurance Premiums	398.8	334.6	-16.1
Underwriting Expenses	7,581.2	7,566.3	-0.2
Net Claims Paid	4,792.4	4,702.3	-1.9
Loss Adjustment Expenses	465.9	455.1	-2.3
Agency Commissions and Brokerage	1,423.3	1,454.4	2.2
Maturity Refunds to Policyholders	779.9	758.8	-2.7
Net Provision for / Net Reversal of Outstanding Loss Reserves	15.7	82.0	423.2
Net Provision for / Net Reversal of Underwriting Reserves	-227.1	-159.2	—
Investment Income	663.1	754.3	13.8
Interest and Dividends Income	514.2	525.6	2.2
Profits on Sales of Securities	279.1	345.8	23.9
Investment Expenses	95.2	153.2	60.9
Losses on Sales of Securities	38.1	35.3	-7.5
Losses on Revaluation of Securities	8.7	78.0	800.2
Operating and General Administrative Expenses	1,327.6	1,357.9	2.3
Operating and General Administrative Expenses on Underwriting	1,259.3	1,280.7	1.7
Other Ordinary Income and Expenses	2.5	6.5	158.6
Ordinary Profits	843.4	812.2	-3.7
Underwriting Profits	340.1	279.8	-17.7
Special Profits and Losses Balance	-52.9	17.4	—
Profits for the Current Year before Corporate Taxes	790.5	829.6	5.0
Corporate Income Taxes and Corporate Resident Taxes		183.6	
Adjustments in Corporate Income Taxes, etc.		-32.3	
Total Income Taxes	176.1	151.3	-14.1
Net Profits for the Current Year	614.4	678.3	10.4

(Note) For comparison purpose, figures for fiscal 2016 include AIU figures.

2. Abridged Balance Sheet

<Assets>

(in billions of yen & %)

Item	Fiscal 2016		Fiscal 2017	
	Amount	Share	Amount	Share
Deposits	1,711.2	5.4	2,099.7	6.5
Call Loans	236.8	0.8	135.1	0.4
Receivables under Resales Agreements	97.0	0.3	87.0	0.3
Receivables under Securities Borrowing Transactions	11.2	0.0	102.8	0.3
Monetary Receivables Bought	78.3	0.2	100.0	0.3
Money Trusts	222.8	0.7	333.1	1.0
Securities	23,779.3	75.4	24,348.9	75.4
National Government Bonds	5,362.7	17.0	5,110.5	15.8
Local Government Bonds	309.5	1.0	333.7	1.0
Corporate Bonds	2,657.2	8.4	2,582.5	8.0
Stocks	7,069.4	22.4	7,575.8	23.5
Foreign Securities	8,113.3	25.7	8,452.2	26.2
Other Securities	267.2	0.9	294.2	0.9
Loans	1,887.0	6.0	1,530.3	4.7
Real Estate	937.3	3.0	872.0	2.7
Total Working Assets	28,960.9	91.8	29,609.0	91.6
Other Assets	2,597.0	8.2	2,705.4	8.4
Total Assets	31,557.9	100.0	32,314.4	100.0

(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 2016		Fiscal 2017	
	Amount	Share	Amount	Share
Underwriting Reserves	19,785.4	62.7	19,799.6	61.3
Outstanding Loss Reserves	3,471.0	11.0	3,566.1	11.0
Technical Provision	16,314.3	51.7	16,233.5	50.3
Other Liabilities	4,388.3	13.9	4,500.8	13.9
Total Liabilities	24,173.7	76.6	24,300.4	75.2
Capital	811.5	2.6	772.3	2.4
Suspense Receipts on Capital Subscriptions	—	—	—	—
Additional Paid in Capital	571.3	1.8	596.9	1.8
Earned Surplus	2,089.1	6.6	2,360.7	7.3
Treasury Stock	-3.6	-0.0	-7.4	-0.0
Unrealized Gain on Securities, Net of Income Taxes	3,899.3	12.3	4,266.8	13.2
Deferred Gains and Losses on Hedge Transactions	29.2	0.1	35.8	0.1
Land Revaluation Excess	-12.5	-0.0	-11.3	-0.0
Stock Acquisition Right	—	—	—	—
Total Equities	7,384.3	23.4	8,013.9	24.8
Total Liabilities and Equities	31,557.9	100.0	32,314.4	100.0

(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. Catastrophe Loss Reserves

- **Objective**

Maintain adequate financial resources in order to prepare for future (possible) large losses.

- **Background**

(Originally) introduced for hull insurance in 1953. Product lines subject to this reserve were enhanced, with fire (typhoon) insurance coverage being included in 1974.

- **Preferential Tax Treatment**

The system is supported by tax incentives. The amount accumulated in the catastrophe reserves qualifies for tax deductions (deductible expense).

- **Disposition of Reserves**

When the loss ratio exceeds the specified level, the excess portion of the claims can be withdrawn from the 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%	2.0%	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%	—	—	0%
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. (A) or (B) greater of net premiums. 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 a 150% limit.
 4. Disposition of Reserves occurs when the loss ratio exceeds the specified level, and the excess portion of claims can be withdrawn from the catastrophe reserves.

4. Net Premiums by Line

(in millions of yen & %)

Class of Business	Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011		Fiscal 2012	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,065,231	0.9	1,054,132	-1.0	1,007,338	-4.4	1,032,508	2.5	1,071,890	3.8
Voluntary Automobile	3,456,548	-1.3	3,426,637	-0.9	3,456,389	0.9	3,501,458	1.3	3,614,716	3.2
Personal Accident	647,178	-1.8	639,568	-1.2	647,717	1.3	661,840	2.2	678,049	2.4
Miscellaneous Casualty	834,096	0.7	826,385	-0.9	818,851	-0.9	826,369	0.9	854,719	3.4
Marine and Inland Transit	275,559	-8.0	224,793	-18.4	232,396	3.4	231,868	-0.2	233,739	0.8
Marine Hull	55,211	-0.1	56,898	3.1	55,306	-2.8	56,114	1.5	58,411	4.1
Marine Cargo	154,666	-13.2	108,724	-29.7	119,774	10.2	117,610	-1.8	116,728	-0.7
Inland Transit	65,672	-0.3	59,162	-9.9	57,310	-3.1	58,138	1.4	58,592	0.8
Subtotal	6,278,665	-1.0	6,171,571	-1.7	6,162,740	-0.1	6,254,095	1.5	6,453,161	3.2
Compulsory Automobile Liability	883,171	-21.5	799,543	-9.5	808,254	1.1	862,038	6.7	918,644	6.6
Grand total	7,161,836	-4.1	6,971,114	-2.7	6,970,994	-0.0	7,116,133	2.1	7,371,805	3.6

(in millions of yen & %)

Class of Business	Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,146,888	7.0	1,239,719	8.1	1,337,493	7.9	1,137,765	-14.9	1,150,420	1.1
Voluntary Automobile	3,764,820	4.2	3,876,848	3.0	3,998,691	3.1	4,069,134	1.8	4,110,220	1.0
Personal Accident	687,210	1.4	701,420	2.1	689,345	-1.7	672,852	-2.4	688,917	2.4
Miscellaneous Casualty	921,776	7.8	978,976	6.2	1,033,003	5.5	1,104,440	6.9	1,172,337	6.1
Marine and Inland Transit	253,876	8.6	265,736	4.7	264,469	-0.5	238,819	-9.7	248,288	4.0
Marine Hull	64,549	10.5	71,806	11.2	74,611	3.9	63,954	-14.3	62,120	-2.9
Marine Cargo	129,649	11.1	134,551	3.8	129,299	-3.9	115,553	-10.6	126,195	9.2
Inland Transit	59,671	1.8	59,376	-0.5	60,555	2.0	59,308	-2.1	59,968	1.1
Subtotal	6,774,620	5.0	7,062,755	4.3	7,323,042	3.7	7,223,064	-1.4	7,370,236	2.0
Compulsory Automobile Liability	996,660	8.5	1,020,307	2.4	1,036,667	1.6	1,020,815	-1.5	1,010,387	-1.0
Grand total	7,771,280	5.4	8,083,062	4.0	8,359,709	3.4	8,243,879	-1.4	8,380,623	1.7

(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 Premiums by Line

Class of Business	Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	1,402,328	-0.0	1,398,189	-0.3	1,315,875	-5.9	1,377,306	4.7
Maturity-refund type	253,328	-6.5	244,666	-3.4	213,204	-12.9	201,925	-5.3
Voluntary Automobile	3,447,541	-1.4	3,413,500	-1.0	3,431,368	0.5	3,476,089	1.3
Maturity-refund type	5,295	-12.7	2,823	-46.7	1,001	-64.5	106	-89.4
Personal Accident	1,109,850	-7.9	1,025,566	-7.6	1,040,314	1.4	1,067,749	2.6
Maturity-refund type	471,663	-15.7	390,755	-17.2	396,559	1.5	409,703	3.3
Miscellaneous Casualty	853,364	3.0	892,174	4.5	896,566	0.5	922,273	2.9
Maturity-refund type	1,417	-63.2	489	-65.5	424	-13.3	765	80.4
Burglary	12,915	-5.8	11,196	-13.3	10,286	-8.1	9,856	-4.2
Glass	1,045	-14.5	915	-12.4	820	-10.4	791	-3.5
Aviation	23,654	-15.5	20,700	-12.5	19,503	-5.8	16,845	-13.6
Windstorm & Flood	260	11.6	197	-24.2	68	-65.5	58	-14.7
Guarantee	12,060	4.8	10,908	-9.6	10,343	-5.2	10,600	2.5
Credit	38,928	14.9	39,306	1.0	35,754	-9.0	34,973	-2.2
Workers' Accident Compensation Liability	58,363	-7.0	53,450	-8.4	48,866	-8.6	48,510	-0.7
Maturity-refund type	1,284	-64.2	152	-88.2	-24	-115.8	15	—
Boiler & Turbo-set	2,278	-3.1	2,368	4.0	2,333	-1.5	2,295	-1.6
Livestock	3,303	-7.5	2,940	-11.0	2,926	-0.5	3,102	6.0
General Liability	440,181	0.3	474,757	7.9	474,877	0.0	476,378	0.3
Machinery & Erection	34,325	-3.4	32,317	-5.8	31,273	-3.2	30,661	-2.0
Shipowners' Liability for Passengers' Personal Accident	733	-1.3	709	-3.3	644	-9.2	639	-0.8
Contractors' All Risks	40,792	-0.7	36,231	-11.2	32,121	-11.3	36,346	13.2
Atomic Energy	10,301	-6.4	10,747	4.3	10,088	-6.1	8,602	-14.7
Movables Comprehensive	95,327	-4.7	86,359	-9.4	82,254	-4.8	82,485	0.3
Maturity-refund type	0	—	—	—	—	—	—	—
Miscellaneous Pecuniary Loss	72,368	65.2	100,000	38.2	123,467	23.5	143,187	16.0
Maturity-refund type	134	-47.9	334	149.3	447	33.8	748	67.3
Pet	6,441	—	8,980	39.4	10,858	20.9	16,872	55.4
Marine and Inland Transit	298,629	-5.9	248,395	-16.8	257,315	3.6	257,085	-0.1
Marine Hull	73,110	0.7	73,405	0.4	71,408	-2.7	71,528	0.2
Marine Cargo	156,343	-10.7	112,392	-28.1	125,113	11.3	123,325	-1.4
Inland Transit	69,167	-0.8	62,590	-9.5	60,790	-2.9	62,225	2.4
Subtotal	7,111,754	-1.9	6,977,872	-1.9	6,941,482	-0.5	7,100,544	2.3
Compulsory Automobile Liability	868,362	-16.6	805,834	-7.2	806,334	0.1	891,712	10.6
Grand total	7,980,116	-3.7	7,783,706	-2.5	7,747,816	-0.5	7,992,256	3.2
Maturity-refund type	731,703	-12.9	638,733	-12.7	611,188	-4.3	612,499	0.2

(Notes) 1. Figures include direct premiums written abroad.

2. Direct Premiums Written = Gross Direct Premiums (including the Savings Portion of Maturity-refund type Insurance Premiums) - Various Returns other than Maturity Refunds (including return premiums for cancellation, no-claim returns, and return premiums resulting from the decrease of insurable risks)

(in millions of yen & %)

Fiscal 2012		Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017	
Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
1,413,374	2.6	1,452,324	2.8	1,514,817	4.3	1,591,257	5.0	1,412,214	-11.3	1,475,353	4.5
179,301	-11.2	151,889	-15.3	141,785	-6.7	123,989	-12.6	116,857	-5.8	88,019	-24.7
3,592,707	3.4	3,750,511	4.4	3,863,948	3.0	3,991,169	3.3	4,052,823	1.5	4,131,838	1.9
—	—	—	—	—	—	—	—	—	—	—	—
1,029,505	-3.6	1,013,391	-1.6	1,037,300	2.4	999,493	-3.6	986,530	-1.3	1,000,277	1.4
362,265	-11.6	337,238	-6.9	345,646	2.5	313,871	-9.2	302,329	-3.7	263,628	-12.8
964,808	4.6	1,048,629	8.7	1,089,836	3.9	1,176,970	8.0	1,261,454	7.2	1,429,471	13.3
250	-67.3	317	26.8	109	-65.6	417	282.6	309	-25.9	27	-91.3
9,283	-5.8	9,200	-0.9	9,359	1.7	9,650	3.1	9,254	-4.1	9,530	3.0
758	-4.2	717	-5.4	682	-4.9	476	-30.2	365	-23.3	296	-18.9
14,506	-13.9	16,152	11.3	13,764	-14.8	19,240	39.8	15,405	-19.9	15,294	-0.7
58	0.0	61	5.2	39	-36.1	36	-7.7	35	-2.8	0	-100.0
11,622	9.6	12,513	7.7	11,628	-7.1	10,521	-9.5	11,285	7.3	11,022	-2.3
33,165	-5.2	31,318	-5.6	30,865	-1.4	29,213	-5.4	30,529	4.5	28,986	-5.1
57,296	18.1	61,912	8.1	56,324	-9.0	67,513	19.9	87,129	29.1	156,195	79.3
8	-46.7	2	-75.0	-6	-400.0	0	—	—	—	—	—
2,381	3.7	2,197	-7.7	2,185	-0.5	2,016	-7.7	2,110	4.7	1,880	-10.9
3,089	-0.4	3,488	12.9	3,792	8.7	4,048	6.8	4,522	11.7	5,016	10.9
489,241	2.7	517,299	5.7	523,217	1.1	534,095	2.1	537,592	0.7	588,159	9.4
30,976	1.0	30,489	-1.6	33,440	9.7	32,149	-3.9	36,209	12.6	37,799	4.4
609	-4.7	602	-1.1	622	3.3	591	-5.0	643	8.8	621	-3.4
39,923	9.8	42,857	7.3	48,722	13.7	49,483	1.6	51,120	3.3	51,009	-0.2
5,761	-33.0	4,557	-20.9	4,243	-6.9	3,997	-5.8	4,215	5.5	4,414	4.7
81,276	-1.5	83,972	3.3	91,156	8.6	101,983	11.9	107,487	5.4	111,851	4.1
—	—	—	—	—	—	—	—	—	—	—	—
164,719	15.0	207,374	25.9	230,618	11.2	276,854	20.0	323,269	16.8	361,396	11.8
240	-67.9	314	30.8	115	-63.4	417	262.6	309	-25.9	27	-91.3
20,065	18.9	23,844	18.8	29,107	22.1	35,048	20.4	40,223	14.8	45,925	14.2
261,031	1.5	281,048	7.7	286,850	2.1	283,812	-1.1	254,787	-10.2	268,764	5.5
75,795	6.0	84,475	11.5	88,086	4.3	89,862	2.0	75,113	-16.4	74,061	-1.4
122,073	-1.0	132,187	8.3	134,582	1.8	128,540	-4.5	115,597	-10.1	128,768	11.4
63,159	1.5	64,386	1.9	64,179	-0.3	65,408	1.9	64,075	-2.0	65,931	2.9
7,261,468	2.3	7,545,947	3.9	7,792,799	3.3	8,042,736	3.2	7,967,847	-0.9	8,305,738	4.2
930,807	4.4	1,022,883	9.9	1,028,895	0.6	1,020,958	-0.8	1,042,290	2.1	973,213	-6.6
8,192,275	2.5	8,568,830	4.6	8,821,694	3.0	9,063,694	2.7	9,010,137	-0.6	9,278,951	3.0
541,816	-11.5	489,444	-9.7	487,540	-0.4	438,277	-10.1	419,495	-4.3	351,674	-16.2

6. Direct Claims Paid by Line

(in millions of yen & %)

Class of Business	Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011		Fiscal 2012	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	397,948	0.1	374,606	-5.9	356,898	-4.7	2,296,870	543.6	924,702	-59.7
Voluntary Automobile	2,155,859	0.4	2,176,101	0.9	2,216,405	1.9	2,234,001	0.8	2,213,972	-0.9
Compulsory Automobile Liability	807,692	-2.0	795,450	-1.5	791,484	-0.5	801,485	1.3	796,363	-0.6
Personal Accident	343,003	6.0	350,805	2.3	348,137	-0.8	348,257	0.0	347,645	-0.2
Miscellaneous Casualty	530,498	19.1	519,920	-2.0	467,655	-10.1	488,831	4.5	491,890	0.6
Marine and Inland Transit	143,656	2.4	136,628	-4.9	129,466	-0.1	161,915	25.1	143,591	-11.3
Total	4,378,697	2.3	4,353,561	-0.6	4,310,089	-1.0	6,331,400	46.9	4,918,204	-22.3

(in millions of yen & %)

Class of Business	Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Fire	635,732	-31.3	727,739	14.5	637,053	-12.5	942,153	47.9	665,914	-29.3
Voluntary Automobile	2,137,113	-3.5	2,117,638	-0.9	2,098,986	-0.9	2,099,034	0.0	2,187,610	4.2
Compulsory Automobile Liability	804,370	1.0	793,094	-1.4	792,185	-0.1	766,867	-3.2	750,404	-2.1
Personal Accident	351,482	1.1	345,982	-1.6	340,713	-1.5	328,503	-3.6	348,531	6.1
Miscellaneous Casualty	512,807	4.3	540,723	5.4	604,214	11.7	683,627	13.1	652,709	-4.5
Marine and Inland Transit	150,530	4.8	142,300	-5.5	145,126	2.0	153,413	5.7	138,078	-10.0
Total	4,592,081	-6.6	4,667,515	1.6	4,618,318	-1.1	4,973,638	7.7	4,743,287	-4.6

7. International Comparison of General Insurance Premium Volume (2016)

Country (Region)	Gross Direct Premiums			Gross Direct Premiums GDP		Per Capita Premiums	
	(in millions of USD)	Rank	Share (%)	(%)	Rank	(USD)	Rank
United States	793,538	1	37.52	4.29	6	2,449.2	4
PR China	203,515	2	9.62	1.81	45	147.2	55
Germany	120,360	3	5.69	3.33	12	1,397.1	11
Japan	117,243	4	5.54	2.37	23	928.3	21
United Kingdom	104,839	5	4.96	2.58	21	1,030.5	18
France	84,826	6	4.01	3.17	13	1,167.5	16
South Korea	66,694	7	3.15	4.72	4	1,312.3	13
Canada	64,547	8	3.05	4.22	7	1,781.6	8
Netherlands	63,746	9	3.01	8.27	2	3,752.4	2
Australia	44,467	10	2.10	3.53	10	1,838.6	6
Italy	39,945	11	1.89	2.01	32	608.8	30
Spain	34,140	12	1.61	2.77	17	737.4	27
Brazil	31,641	13	1.50	1.76	48	150.8	54
Switzerland	27,219	14	1.29	4.12	8	3,233.2	3
India	17,493	15	0.83	0.77	75	13.2	83
Taiwan	16,952	16	0.80	3.34	11	722.0	28
Belgium	16,672	17	0.79	2.64	19	1,084.9	17
Russia	14,390	18	0.68	1.13	69	100.3	62
Mexico	13,214	19	0.62	1.27	64	102.6	60
Austria	12,076	20	0.57	3.12	14	1,396.1	12
Other regions	227,655	—	10.77	—	—	—	—
Total/Average	2,115,172	—	100.00	2.81	—	285.3	—

- (Notes) 1. Figures are compiled by the GIAJ based on the "sigma No.3 /2017" by Swiss Re.
2. Total (average) figures are the total (average) figures of 147 countries/regions in 2016.
3. Gross Direct Premiums include all premiums written by domestic and foreign companies within the country.

8. General Insurance Business of Overseas Consolidated Subsidiaries

Net Premiums of Overseas Consolidated Subsidiaries

(in millions of yen & %)

	Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Direct Insurers	1,349,959	49.5	1,400,324	3.7	2,002,707	43.0	2,285,507	14.1
The Americas	744,188	30.7	735,962	-1.1	1,027,084	39.6	1,061,060	3.3
Europe/ Middle East/ Africa	335,256	191.9	405,173	20.9	737,526	82.0	965,928	31.0
Asia/ Oceania	270,515	23.7	259,189	-4.2	238,097	-8.1	258,519	8.6
(Specialized) Reinsurers	213,805	-28.9	256,654	20.0	276,131	7.6	335,921	21.7
Total	1,563,772	29.9	1,656,984	6.0	2,278,843	37.5	2,621,436	15.0

Net Claims Paid by Overseas Consolidated Subsidiaries

(in millions of yen & %)

	Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
Direct Insurers	698,823	61.0	643,896	-7.9	958,852	48.9	1,246,081	30.0
The Americas	356,574	41.4	340,373	-4.5	491,856	44.5	507,072	3.1
Europe/ Middle East/ Africa	213,387	229.2	178,928	-16.1	347,920	94.4	599,315	72.3
Asia/ Oceania	128,862	9.9	124,595	-3.3	119,076	-4.4	139,694	17.3
(Specialized) Reinsurers	85,441	-39.2	94,492	10.6	123,252	30.4	197,942	60.6
Total	784,273	36.5	738,394	-5.8	1,082,110	46.5	1,444,031	33.4

(Notes) These figures show summation data of overseas consolidated subsidiaries whose parent companies are Japanese insurers or Japanese insurance holding companies. Offsetting internal transactions are not taken into consideration.

9. International Reinsurance Business

Outward Reinsurance Balance

(in billions of yen)

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Premiums (paid)	294.6	327.2	315.7	358.2	457.8	542.7	540.6	566.2	578.2	792.0
Claims (received)	149.8	147.6	141.4	475.5	421.0	308.0	316.5	338.7	390.9	461.7
Balance	-144.7	-179.5	-174.3	117.3	-36.8	-234.7	-224.1	-227.5	-187.3	-330.3

(Notes) Claims (received) include reinsurance commission.

Inward Reinsurance Balance

(in billions of yen)

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Premiums (received)	211.2	183.1	201.0	207.3	268.7	363.5	398.1	403.5	374.7	398.1
Claims (paid)	195.6	191.0	194.9	244.8	320.6	324.5	314.6	353.1	332.2	404.2
Balance	15.6	-7.9	6.1	-37.5	-51.9	39.0	83.5	50.4	42.5	-6.1

(Notes) Claims (paid) include reinsurance commission.

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

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

	2015	2016	2017	2018
Number of Insurance Companies Operating Overseas	5	5	5	5

Number of Countries / Regions (Note 2, 3)

	2015	2016	2017	2018
Number of Regions where Insurance Companies are Operating Overseas	<u>45</u>	46	46	47

Number of Japanese Insurers' Offices Abroad

	2015	2016	2017	2018
Number of Japanese Insurers' Offices Abroad	179	190	203	216

Liaison Offices

	2015	2016	2017	2018
Number of Japanese Insurers with Liaison Offices	5	5	5	5
Number of Countries / Regions	43	39	38	40
Number of Cities	83	83	81	84
Number of Offices	161	166	162	168

- (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. Figures represent the number of countries or regions where Japanese insurers conduct foreign business through overseas offices.
 3. The underlined figure was corrected on July 29, 2016.

11. Claims Payment for Natural Disasters

10 Largest Claims Paid for Typhoons and Windstorms in Japan

(in billions of yen)

	Name of Disaster	Place	Date	Claims Paid			
				Fire and Miscellaneous	Automobile	Marine	Total
1	Typhoon No. 19 (Typhoon Mireille)	Nationwide	Sep. 26-28, 1991	522.5	26.9	18.5	568.0
2	Typhoon No. 18 (Typhoon Songda)	Nationwide	Sep. 4-8, 2004	356.4	25.9	5.1	387.4
3	Snowfall, Feb. 2014	Kanto	Feb. 2014	298.4	24.1	—	322.4
4	Typhoon No. 18 (Typhoon Bart)	Kumamoto, Yamaguchi, Fukuoka, etc.	Sep. 21-25, 1999	284.7	21.2	8.8	314.7
5	Typhoon No. 15 (Typhoon Goni)	Nationwide	Aug.24-26, 2015	156.1	8.1	—	164.2
6	Typhoon No. 7 (Typhoon Vicki)	Kinki	Sep. 22, 1998	151.4	6.1	2.4	159.9
7	Typhoon No. 23 (Typhoon Tokage)	Western Part of the Nation	Oct. 20, 2004	111.2	17.9	8.9	138.0
8	Typhoon No. 13 (Typhoon Shanshan)	Fukuoka, Saga, Nagasaki, Miyazaki, etc.	Sep. 15-20, 2006	116.1	14.7	1.2	132.0
9	Typhoon No. 21 (Typhoon Lan)	Nationwide	Oct.21-23, 2017	114.6	7.1	—	121.7
10	Typhoon No. 16 (Typhoon Chaba)	Nationwide	Aug.30-31, 2004	103.8	13.8	3.5	121.0

(Note) Figures are as at the end of fiscal 2017 for GIAJ member direct insurers, and do not include foreign insurers or others.

20 Largest Claims Paid for Earthquake Insurance on Dwelling Risks

(in billions of yen)

	Earthquake (Region name)	Date	Claims Paid *1
1	The 2011 off the Pacific coast of Tohoku *2	Mar. 11, 2011	1,279.5
2	The 2016 Kumamoto	Apr. 14, 2016	382.4
3	Hyogo-ken Nanbu	Jan. 17, 1995	78.3
4	Miyagi-ken-oki *2	Apr. 7, 2011	32.4
5	Fukuoka-ken Seiho-oki	Mar. 20, 2005	17.0
6	Geiyo	Mar. 24, 2001	16.9
7	Niigata-ken Chuetsu	Oct. 23, 2004	14.9
8	Niigata-ken Chuetsu-oki	Jul. 16, 2007	8.2
9	Fukuoka-ken Seiho-oki	Apr. 20, 2005	6.4
10	Tokachi-oki	Sep. 26, 2003	6.0
11	Iwate-Miyagi Nairiku	Jun. 14, 2008	5.5
12	Tottori-ken Chubu	Oct. 21, 2016	5.2
13	Suruga-wan	Aug. 11, 2009	5.2
14	Shizuoka-ken Tobu *2	Mar. 15, 2011	4.7
15	Iwate-ken Engan Hokubu	Jul. 24, 2008	4.0
16	Fukushima-ken Hamadori *2	Apr. 11, 2011	3.7
17	Nagano-ken Chubu	Jun. 30, 2011	3.3
18	Tottori-ken Seibu	Oct. 6, 2000	2.9
19	Noto Hanto	Mar. 25, 2007	2.7
20	Awajishima fukin	Apr. 13, 2013	2.3

*1 Source : Japan Earthquake Reinsurance Co., Ltd. (as of March 31, 2018)

*2 The total claims paid for The Great East Japan Earthquake is the total of The 2011 off the Pacific coast of Tohoku, Miyagi-ken-oki, Shizuoka-ken Tobu, and Fukushima-ken Hamadori earthquakes at 1,311.3 billion yen.



Market Information

1

Main Laws concerning General Insurance

Insurance Contract Act (2008)

The Insurance Contract Act stipulates basic matters of rights and obligations, etc. between policyholders and insurance companies regarding insurance contracts.

Specifically, it classifies insurance contracts into general insurance, life insurance, and accident and sickness fixed amount insurance, and sets the following rules as to the time when an insurance contract is concluded, insurance benefits are paid, and an insurance contract terminates:

1. Materialization of an insurance contract (Purpose of an insurance contract, duty of disclosure, delivery of documents when an insurance contract is concluded)
2. Validity of an insurance contract (An insurance contract for the benefit of a third party, over-insurance, reduction in the insured value, reduction in risk)
3. Insurance benefits (Prevention of occurrence and expansion of damages, notification of occurrence of damages, exemption from an insurer's liability, assessment of the amount of damage, under-insurance, overlapping insurance, beneficiary payment period)
4. Termination of an insurance contract (Cancellation by policyholder, cancellation due to misrepresentation, cancellation due to an increase in risk, cancellation due to serious reasons, effectiveness of cancellation), etc.

Major Points of the Insurance Contract Act

The Insurance Contract Act enforced on April 1, 2010 was formulated by changing the provisions in the conventional Commercial Code regarding insurance into an independent law to have the content be in tune with modern society and with the objective of protecting policyholders.

(1) Standardization of rules regarding insurance contracts

■ The contracts to which the new Insurance Contract Law applies

- The new Insurance Contract Act applies to cooperative contracts whose content is the same as that of insurance contracts.

■ The provisions on accident and sickness insurance contracts

- Provision on accident and sickness insurance which was not provided for in the conventional Commercial Code, was newly formulated.

(2) Realization of the protection of policyholders (consumers)

■ Creation of disciplines of unilateral forcible provision

- With the introduction of the disciplines of unilateral forcible provision clause in the Insurance Contract Act any content disadvantageous to policyholders, the insured, or insurance beneficiaries will become invalid (provided, however, that such disciplines shall not apply to insurance contracts of the corporate business field).

■ Duty of disclosure

- Due to question-answering duty, it is necessary for policyholders to notify only the matters for which an insurance company requested notification.
- An insurance company cannot cancel an insurance contract due to a duty of disclosure violation in case there has been any interference regarding notification or abetment of concealment by an insurance solicitor.

■ Beneficiary payment period

- Due to the provision of a payment period of insurance claims, insurance companies are liable for any delay after the lapse of the rational period of time required for conducting investigation on appropriate payment of insurance claims.

■ Provisions regarding Contracts where Another Person is the Insured

- As to accident and sickness insurance contracts where another person is the insured, the basic rule was defined to obtain consent from the insured (except in certain cases the consent is not required).
- In accident and sickness insurance contracts where another person is the insured, a provision was newly created stating that the insured is allowed to request cancellation of the insurance contract in the case where, even if the insured once gave his/her consent, his/her trust relationships with the policyholder or insurance beneficiary(ies) have been broken thereafter or where the circumstances that served as the basis of such consent have changed remarkably.

(3) Insurance function

■ Over-insurance

- For over-insurance contracts where the insured amount (contract amount) exceeds the actual value (insured value) of the subject-matter of insurance, a change was made to the text on the excess part from "the excess part shall be invalid" to "the excess part can be cancelled."

■ Overlapping insurance

- As for overlapping insurance contracts where multiple general insurance contracts were concluded on the same subject-matter of insurance, the independent liability full payment method was introduced.

As a result of this introduction, it has been stipulated that in the case where other general insurance contracts were concluded on the same subject matter of insurance, each insurance company shall assume the obligation for making full payment of an insurance claim based on the insurance contract that said insurance company per se concluded, instead of making a pro-rata payment.

■ **Preferential right regarding liability insurance contracts**

□ In order for victims to be able to make a recovery from damages preferentially from insurance claims even in cases where the insured went into bankruptcy, a system of special preferential rights has been introduced.

■ **Creation of cancellation for grave reasons**

□ A provision on cancellation for grave reasons was newly created to prevent moral risk, such as insurance fraud. Based on this provision, should there be intent, fraud, and a grave reason that undermines an insurance company's confidence in the policyholder or the insured which makes continuation of the insurance contract difficult, the related insurance company can cancel the insurance contract.

■ **Step-in right of insurance beneficiaries**

□ Against any cancellation of an insurance contract by creditors, etc. of a policyholder, a system was created where insurance beneficiary(ies) can continue the insurance contract (step-in right). Certain requirements for the insurance beneficiary(ies) to exercise the step-in right were provided for, such as obtaining the policyholder's agreement to the exercise of step-in right, paying to creditors, etc. the amount equivalent to the cash surrender value within one month from the time when the insurance company received a cancellation notice, etc. (Accident and sickness fixed amount insurance)

Insurance Business Act (1995)

In view of the public nature of the insurance business, the Act was enacted with the aim of protecting policyholders, etc. by ensuring the soundness and appropriateness of business operations of those who conduct insurance business as well as the fairness of insurance solicitation.

This Act is positioned as the basic law of an insurance supervisory law and stipulates both aspects of supervision of insurance companies and supervision of insurance solicitation.

As for supervision of insurance companies, the Act stipulates provisions regarding license from the competent authorities, scope of business, accounting matters, evaluation of insurance products, measures to maintain soundness of insurance companies and measures to protect policyholders in the event of a bankruptcy by an insurance company and other related matters. In addition, the Act provides for supervision of foreign insurance business operators engaged in the insurance business in Japan, from the viewpoint of fairness with Japanese insurance companies.

As for supervision of insurance solicitation, the Act provides for matters concerning the registration/notification system regarding parties that are engaged in insurance solicitation, matters concerning the acts to be prohibited during insurance solicitation, and others.

Major Points of Revision (May 2016)

Insurance solicitation rules were reviewed in response to the report issued by the "Working Group on the Provision of Insurance Products & Services" of the Financial System Council in June 2013. The revised Insurance Business Act went into effect in May 2016.

■ **Creation of basic rules on insurance solicitation**

□ In addition to the conventional solicitation rules that were limited to "prohibition of inappropriate acts", the obligation to actively respond to customers, i.e., the obligation to provide information and identify intentions, was introduced. The aim was to achieve fine-tuned responses at each phase of the process starting from the identification of customer needs to the conclusion of an insurance contract.

■ **Introduction of the obligation to establish a system for agents and other insurance solicitors**

□ As well as the conventional solicitor rule that states that insurance companies bear responsibility for supervision, a rule requiring insurance solicitors to establish a system according to the size and characteristics of their operations was also newly set.

Major Points of the Insurance Business Act

<p>1 Commencement of Business</p>	<ul style="list-style-type: none"> • Business licenses are granted by the Prime Minister → There are two kinds of business licenses, i.e. life insurance and general insurance. • Concurrent operation of both life insurance business and general insurance business is prohibited. • Restriction on the type of company → An insurance company must be a stock company or a mutual company.
<p>2 Business Operation of Insurance Companies</p>	<p>1 Business operations: An insurance company can conduct its specific business of underwriting insurance and business incidental thereto as well as other statutory businesses including securities business, etc. to the extent so as not to impede with its specific business.</p> <p>Intrinsic business operations: (i) Underwriting of insurance and (ii) asset management</p> <p>Incidental business operations: (i) Proxy service for other insurance company's business or administrative agency service, (ii) debt guarantee, (iii) underwriting of or handling of subscription for government bonds, municipal bonds, and government-guaranteed bonds and (iv) financial transactions including derivatives</p> <p>Other statutory businesses: (i) Sales and purchase of public bonds (government bonds, municipal bonds, etc.) (public bonds dealing business), (ii) Sales business, etc. of beneficiary certificates, etc. in securities investment trust</p> <ul style="list-style-type: none"> • Measures concerning business operation → Insurance companies are obligated to give an explanation by delivering written documents about the important matters in insurance contracts. • Antitrust law exemption system → An insurance company can conduct concerted action with other insurance companies (which requires the permission of the competent authorities). <p>2 Subsidiary: An insurance company can make an insurance company, bank, securities company, subordinate business company, financial related company and such like as its subsidiary subject to receiving permission from the competent authorities in advance.</p> <p>3 Accounting: An insurance company must, in every fiscal year, submit a business report stating the status of its business and assets to the competent authorities and disclose the disclosure data stating the said status to the public.</p> <p>4 Supervision: Insurance companies must, when changing the document showing the method of operations, general policy conditions, etc., receive permission from or make notification to the competent authorities. Competent authorities can set the standards for judging the soundness of operations of insurance companies and order measures required for supervision.</p> <ul style="list-style-type: none"> • Approval system/notification system of a document showing the method of operations, general policy conditions, etc. • On-site inspection • Business improvement order, etc. • Issue of a prompt corrective action order based on the solvency margin ratio (status of the adequacy of insurance claim paying ability) <p>5 Shareholder: A person/entity that holds voting rights exceeding a certain percentage of total shareholders of an insurance company or an insurance holding company must make a notification to the competent authorities.</p>
<p>3 Insurance solicitation</p>	<p>1 Restrictions on insurance solicitation: Those who can conduct insurance solicitation are provided for as follows:</p> <ul style="list-style-type: none"> • "Insurance solicitation" = Acting as an agent or intermediary for the conclusion of insurance contracts • Prohibition of insurance solicitation by parties other than a general insurance company (officers and employees), general insurance agent, life insurance solicitor, and insurance broker <p>2 Registration of general insurance agent, life-insurance solicitor: General insurance agents and life insurance solicitors cannot conduct insurance solicitation without being registered with the competent authorities.</p> <p>3 Basic rules on insurance solicitation: The following rules are set with regard to the prohibition of inappropriate acts and active response to customers.</p> <p><Prohibited acts></p> <ul style="list-style-type: none"> • False notification to a policyholder, etc., non-disclosure to a policyholder, etc. of important matters in an insurance contract • Provision to a policyholder, etc. of particular advantage (discount of insurance premiums, etc.) • Misleading expressions, etc. in comparison with other insurance contracts, etc. <p><Active responses to customers></p> <ul style="list-style-type: none"> • Obligation to identify intentions • Obligation to provide information <p>4 Obligation to establish a system for insurance solicitors: General insurance agents, etc. must establish a system according to the size and characteristics of their operations.</p> <p>5 Supervision: A general insurance agent, etc. must, when it has its officers or employees conduct insurance solicitation, notify the competent authorities.</p> <ul style="list-style-type: none"> • Officers and employees of a general insurance agent or an insurance broker → Notification is required. • Business improvement order, deregistration, etc.
<p>4 Others</p>	<p>1 Cooling-off system: Applicants for insurance contracts can withdraw or cancel their applications in writing during a certain period of time from the conclusion of a contract.</p> <p>2 Alternative Dispute Resolution system in the financial industry sector (Financial ADR)</p> <p>3 Policyholder protection system</p> <p>4 Penalties</p>

* There are also similar provisions with regard to foreign insurance companies.

Act on Non-Life Insurance Rating Organizations (1948)

The Act was enacted to ensure appropriate operation of the Non-Life Insurance Rating Organizations which calculate and provide Reference Loss Cost Rates and Standard Full Rates that serve as the basic data for each insurance company to calculate fair general insurance rates, and thereby promote the sound development of the general insurance business and the protection of policyholders' interests. The General Insurance Rating Organization of Japan is established based on this Act.

Automobile Liability Security Act (1955)

The Act was enacted with the aim of protecting victims by establishing a system to ensure damage compensation in the case of bodily injury accidents caused by automobiles. To ensure compensation money of the injuring party in an automobile bodily injury accident, the Act compels all automobile owners to conclude compulsory automobile liability insurance contract or automobile liability mutual aid contract, except for special cases.

Act on Earthquake Insurance (1966)

The Act was enacted with the aim of disseminating earthquake insurance and contributing to the stability of lives of earthquake victims, etc. by having the Government bear, in the form of reinsurance under certain conditions, payment liability of earthquake insurance on residential houses and home contents written by insurance companies.

Consumer Contract Act (2000)

Because there is a disparity of information and bargaining power between a consumer and a business entity, under the Act, a consumer is able to cancel a contract with a business entity when misrepresentation of the business entity misleads the consumer, or when the consumer is distressed by importunate behavior of the entity at the time of contract.

This Act also stipulates that such provisions in the contract shall be void where the liability of a business entity is restricted or the interests of consumers are heavily damaged. It also provides for a consumer organization injunction system that allows certain consumer organizations to claim the right to request a ban against unjust acts made by a business operator. This Act intends to protect the interests of consumers through such provisions.

Act on Sales of Financial Instruments (2000)

Under the Act, financial service providers are obligated to provide customers with information on important matters (price fluctuation risk, credit risk, etc.), and are held liable for any damages or loss caused to customers by their failure to provide their customers with information on the above important matters.

The Act also stipulates about matters concerning sales of financial products concerned that such an act as providing conclusive judgments about uncertain matters or making a mention that could be misinterpreted as being definite shall be prohibited. Furthermore, the Act promotes protection of consumers by imposing the obligation on financial service providers to formulate policies concerning sales of products (solicitation policies) and make such policies public.

Act on the Protection of Personal Information (2003)

The purpose of this Act is to protect the rights and interests of individuals by stipulating obligations to be observed by entities handling personal information with regard to appropriate handling of personal information.

The Act prescribes the obligations to be observed by entities handling personal information such as: specification of the purpose of use, proper acquisition, notification, disclosure and clear presentation of purpose of use at the time of acquisition, security control measures, supervision of parties involved and third party vendors, restriction of provision to third parties, and disclosure, correction, stoppage of the use of personal information.

Financial Instruments and Exchange Act (2006)

This Act aims to establish comprehensive and cross-sectional rules regarding a wide range of financial products to promote investor protection. Under the Act, financial instruments business operators are required to comply with the following rules of conduct (rules for sales and solicitation), which also apply to some insurance products:

- (i) regulation on advertisements;
- (ii) obligation to deliver documents in a written format before/at the time of making a contract;
- (iii) various examples of prohibited acts such as delivery of false information; and
- (iv) prohibition of loss compensation, etc.

2 Policyholders Protection System

Early Warning Measure

An early warning measure is a supervisory mechanism to encourage management improvement aimed at promoting the protection of policyholders where the supervisory authorities issue an order to implement required corrective measures to an insurance company depending on the status of the payment capacity of the insurance company.

The issuance of a prompt corrective action order is based on the solvency margin ratio and, in the case that the solvency margin ratio falls below 200%, the Commissioner of the Financial Services Agency calls for prompt corrective measures to be implemented in a timely, appropriate manner in order to quickly recover sound management.

An approach to tighten risk measurement has been taken as of the end of March 2012. An insurance company is recognized as maintaining "an appropriate level of capacity for the payment of insurance claims, etc." as long as its solvency margin ratio does not fall below 200%.

Effective the end of March 2012, the consolidated group-wide solvency margin ratio is disclosed for insurance companies with subsidiaries, etc., in addition to the solvency margin ratio on a non-consolidated basis that is conventionally disclosed.

$$\text{Solvency Margin Ratio (\%)} = \frac{\text{Total Amount of Solvency Margin including Capital and Reserves}}{\text{Total of Risks which exceeds usual estimates} \times 1/2} \times 100$$

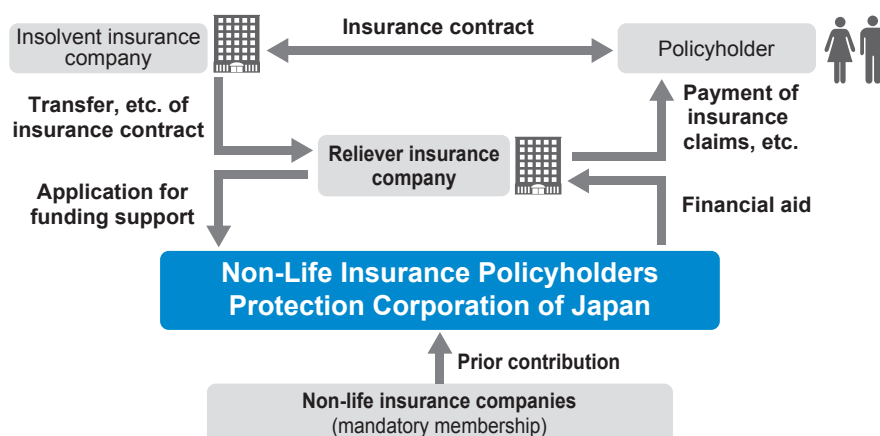
Key Contents of Early Warning Measures

Category about the status of capacity for payment of insurance claims, etc.	Solvency margin ratio	Content of measures
Non-applicable category	200% and over	None
Category 1	100% to less than 200%	<ul style="list-style-type: none"> Submission and implementation of a business improvement plan to ensure sound management
Category 2	0% to less than 100%	<ul style="list-style-type: none"> Submission and implementation of a plan to make adequate solvency for payment of insurance claims Prohibition or limitation of dividends and directors' bonuses Curtailment of operations of sales offices and other offices
Category 3	Less than 0%	<ul style="list-style-type: none"> Business suspension order (full or partial operations) for a specified period

Non-Life Insurance Policyholders Protection Corporation of Japan

In the event that a general insurance company becomes insolvent, the Non-Life Insurance Policyholders Protection Corporation of Japan, which was established based on the Insurance Business Law, works to protect policyholders by offering support for the transfer of insurance contracts of the insolvent insurance company and funds to assist the payment of insurance claims with regard to contracts applicable for indemnification.

Mechanism of Non-Life Insurance Policyholders Protection Corporation of Japan



(Note) In the end of no reliver insurance company appearing, the Non-Life Insurance Policyholders Protection Corporation of Japan takes over the insurance contracts of the insolvent insurance company and works to maintain them. (All contracts are applicable for transfer.)

Contracts Applicable for Indemnification from the Non-Life Insurance Policy-holders Protection Corporation of Japan

- In the case that the policyholder is an individual, small-size corporation ^{*1} or management association of a condominium ^{*2}, it is applicable that the party may receive indemnification from the Non-Life Insurance Policy-holders Protection Corporation of Japan.
- In the table below, it is applicable that any insurance other than "fire insurance" and "other general insurance" (★) may receive indemnification of the Non-Life Insurance Policyholders Protection Corporation of Japan regardless of the type of policyholder.

The percentage of indemnification varies from contract to contract.		Payment of insurance claims	Surrender value, maturity refund, etc.
General insurance (other than the following)	CALI, Earthquake Insurance on Dwelling Risks	Indemnification ratio of 100%	
	Auto insurance	Full payment of insurance claim (indemnification ratio of 100%) during the three months after bankruptcy Indemnification ratio of 80% after three months have passed	Indemnification ratio of 80%
	Fire insurance ★		
	Other general insurance ★		
	Liability insurance, movable comprehensive insurance, marine insurance, transport insurance, credit insurance, industrial accident compensation insurance, etc.		
Insurance concerning sickness and injury	Short-term general ^{*3} Special overseas travel ^{*4}	Indemnification ratio of 90% ^{*6}	Indemnification ratio of 90% ^{*6}
	Individual annuity and accident insurance ^{*5} Property accumulation savings-type insurance Defined contribution plan insurance		Indemnification ratio of 90% ^{*6}
	Other sickness and injury insurance Personal accident insurance other than the above, income indemnity insurance, medical and nursing care (expense) insurance, etc.		In the case of savings-type insurance, the ratio for the savings portion is 80%.

Note 1) The above insurance contract categories shall follow the insurance claim payment terms under the main contract (basically the policy provisions of the contract).

*1 "Small-size corporation" refers to any of the following corporations with no more than 20 full-time employees or workers (including an entity or foundation which is not a corporation and which defines a representative or controller) at the time of insolvency.

(i) Japanese corporation

(ii) Foreign corporation whose sales office or office in Japan has concluded the insurance contract

*2 "Management association of a condominium" refers to an association provided for in Article 3 and Article 65 of the Act on Building Unit Ownership, etc. and is an organization that manages a building, etc. used primarily as residence.

*3, 4, and 5 "Short-term general" refers to the so-called accident insurance with a contract period of one year or less. "Special overseas travel" refers to the so-called overseas travel accident insurance. "Individual annuity and accident insurance" refers to most types of the so-called individual annuity and accident insurance. Please be aware that in all cases certain conditions apply, e.g. limited to insurance contracts that do not have questions on health condition in the self-disclosure item at the time of concluding a contract.

*6 In the case that a contract falls under a "contract with high assumed interest rate," the indemnification ratio may be further reduced from 90%. A "contract with a high assumed interest rate" refers to an insurance contract whose assumed interest rate, which is the base of calculation of the insurance premium and statutory reserve, has exceeded the base rate at all times over the past five years retrospective of the time of bankruptcy (applicable to a policy with a contract period of over five years or one that has been automatically renewed for over five years based on the same terms and conditions).

Note 2) With respect to "fire insurance" and "other general insurance," any insurance contract owned by a policyholder, even if the policyholder is other than an individual, small-size corporation or management association of a condominium (hereafter, "individual, etc.") insured must substantially bear the insurance premiums, is applicable to receive the aforesaid indemnification for the portion relating to the insured.

Note 3) In the case that, based on the asset conditions of the insolvent insurance company, indemnification above the aforesaid ratio of indemnification is possible, payment may be made in accordance with the indemnification ratio based on the asset condition.

Note 4) Insurance contracts underwritten by a small amount & short term insurance company under the revised Insurance Business Law enforced in April 2006 and a so-called cooperative are not applicable to receive the indemnification from Non-Life Insurance Policy-holder Protection Corporation of Japan.

3 Responses to Consultation, Complaints and Disputes

Sonpo ADR Center (General Insurance Counseling and ADR Center)

Sonpo ADR Center, which serves as the customer support window, operates in 10 locations across the country. It responds to consultation about general insurance and carries out proceedings for complaint resolution and dispute resolution for problems between customers and insurance companies from a neutral and fair standpoint as a designated dispute resolution organization under the Insurance Business Law (such procedure is free of charge).

Responses to consultations

Providing explanations and advice according to individual needs, the Sonpo ADR Center responds to customers with inquiries and those seeking consultations.

In areas where the Sonpo ADR Center is not located, the consultation staff from the Center visits once a month or so to offer onsite consultation (by reservation; free of charge).

Responses to complaints

When a complaint is made against an insurance company by a customer, the Center gives necessary advice based on the situation regarding the complaint.

Complaint resolution proceedings

In addition to its response to the complaint, the Center notifies the related insurance company of the content of the complaint, and based on the customer's demand, requests that it respond promptly thereto.

Efforts for early resolution of customer complaints

- The GIAJ gives advice to customers and insurance companies in an appropriate and timely manner.
- Utilizing a dedicated database, the GIAJ appropriately comprehends and manages the progress of complaint cases that it requested the related insurance company to resolve.
- In cases where complaints are not settled even after a certain period of time has elapsed and they are applicable for handling under the dispute resolution proceedings, the GIAJ introduces dispute resolution proceedings to customers.

Dispute resolution proceedings

When a petition for dispute resolution is filed by a customer or an insurance company, the Center appoints experts (dispute resolution specialists) who specialize in conducting dispute resolution proceedings, and provides support for resolving the issue (e.g. presents a settlement proposal) from a neutral and fair standpoint.*

In order to ensure appropriateness of the procedures, the proceeding is closed to the public.

* In cases where it is deemed that a dispute will not reach a settlement, etc. the proceedings may be terminated without a settlement proposal being presented.

In addition, in cases where a dispute resolution specialist deems it appropriate based on the nature, etc. of the dispute, the specialist can prepare a proposal for which the obligation to accept is imposed on the insurance company and present it to the insurance company with due reason.

- In addition to dispute cases between a policyholder or the insured and the insurance company with which an insurance contract has been affected, the GIAJ also covers dispute cases between a victim and an insurance company (or companies) on the side of the damage-causing party regarding legal compensation for damages (bodily and property damage liability) arising from automobile accidents.
- For dispute cases between a policyholder or the insured and the insurance company with which an insurance contract has been affected and where a hearing by dispute resolution specialists is conducted, the GIAJ provides an environment in which the customer can go through the process at the nearest Sonpo ADR Center using a video conference system. (Cases filed by the victim are excluded.)

What is ADR?

ADR is short for Alternative Dispute Resolution, and is a dispute resolution method based on an agreement between the parties, such as mediation, conciliation, or arbitration in place of a lawsuit. It is a means by which swift, simple, and flexible resolution can generally be achieved according to the nature of the issue, the circumstances of the respective parties, etc.

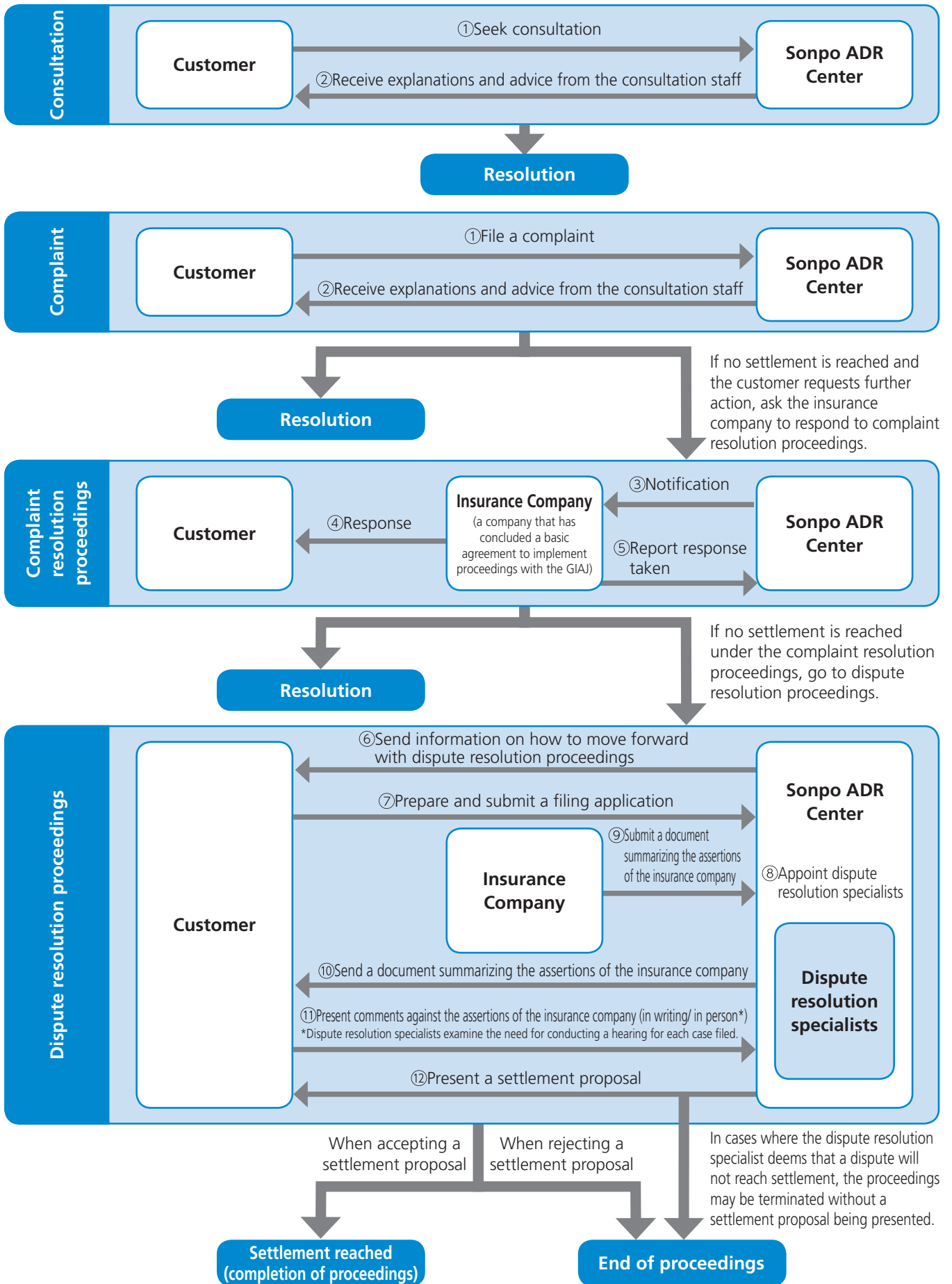
What is a designated dispute resolution organization?

It is an alternative dispute resolution organization in the financial field established based on the "Law concerning Partial Revision of the Financial Instruments and Exchange Law, etc." announced on June 24, 2009. In cases where certain requirements were met per business category, such as bank, insurance, securities business, etc., designation as a designated dispute resolution organization can be given by the competent minister.

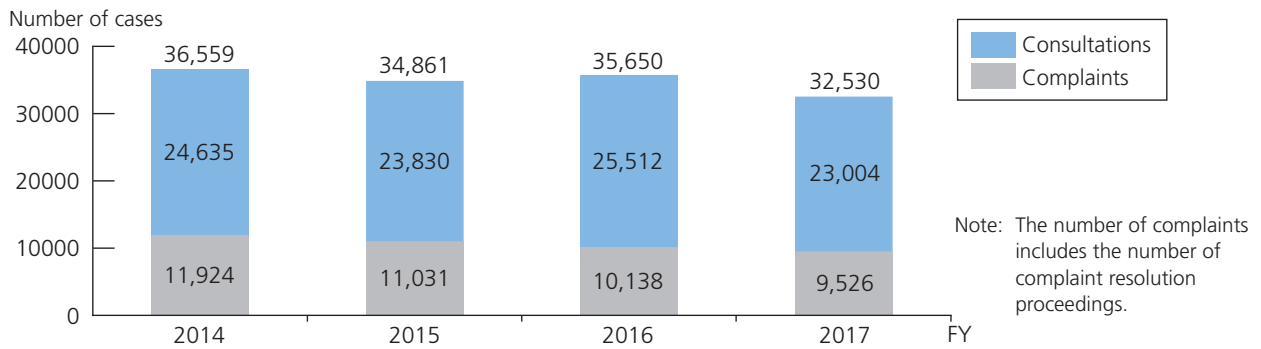
Financial institutions conclude agreements (basic agreements for implementing proceedings) with designated dispute resolution organizations of the business category to which they belong per se, including contents such as (i) the obligation to accept resolution proceedings of complaints or disputes, (ii) the obligation to make explanations or submit materials, (iii) the obligation to accept the proposal for special conciliation presented. The effectiveness of complaints or dispute resolution proceedings carried out by a designated dispute resolution organization is thereby ensured.

In dispute resolution proceedings made by a designated dispute resolution organization, a legal effect that enables interruption of prescription and stay of proceedings by the court under certain conditions has been set.

Flow of the resolution process

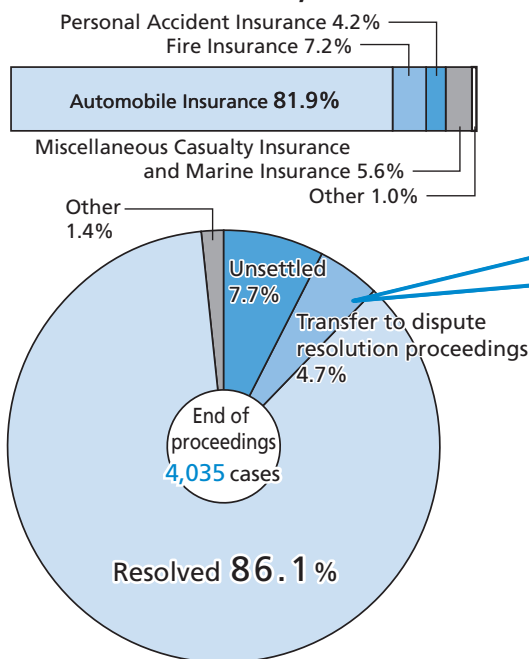


Changes in the Total Number of Consultations/Complaints Received by the GIAJ



Complaint Resolution Proceedings (FY2017)

Number of new cases: 3,922



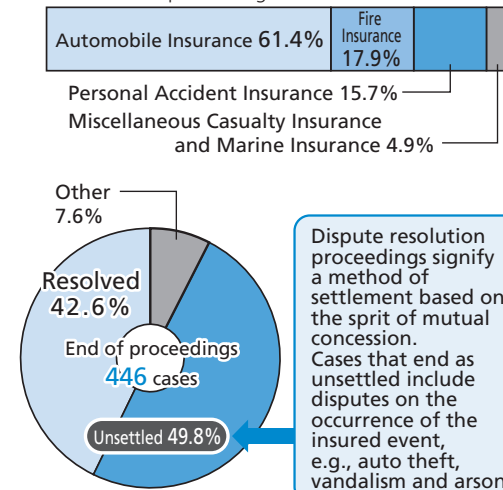
Period up to the end of proceedings (percentage by category)

Less than one month	Less than three months	Less than six months	Six months or more
24.7%	37.5%	17.0%	20.8%

Dispute Resolution Proceedings (FY2017)

Number of new cases: 407

Note: Includes cases that did not go through complaint resolution proceedings.



Period up to the end of proceedings (percentage by category)

Less than three months	Less than six months	Six months or more
24.4%	48.2%	25.8%

Less than one month 1.6%

Measures to Further Enhance Complaint/Dispute Response Function

Efforts to raise customer satisfaction

- The GIAJ continues to hold training to improve the capabilities of consultation specialists to handle cases.
- The GIAJ works to improve the convenience of customers who use dispute resolution proceedings by implementing questionnaires for users of all completed cases.

Dissemination activities, collaboration with outside organizations, etc.

- The GIAJ promotes the Sonpo ADR Center by disseminating information using brochures, posters, and other means.
- The GIAJ promotes the use of the Sonpo ADR Center through collaborative efforts with consumer affairs organizations and other consulting institutions.



Analysis and Use of Complaints/Disputes Received

Complaints feedback

After making an analysis of the trend of complaints/disputes on insurance company, the GIAJ has been providing each insurance company with its feedback as useful information for business improvement thereof.

Publication of "Sonpo ADR Center-Issue of Statistics"

The GIAJ makes public statistics and summaries of complaints and disputes brought into Sonpo ADR Center on its website's "Sonpo ADR Center-Issue of Statistics" and also provides them to insurance companies.

4

Education and Examinations, etc. for Agents and Solicitors

With regard to the regulations concerning insurance solicitation in Japan, please refer to “3 Insurance solicitation” of Major Points of the Insurance Business Act (P21).

It is mainly general insurance agents (hereinafter referred to as “agent” or “agents”) who serve as the window of contact with customers in providing explanations on general insurance products and carrying out procedures for concluding insurance contracts.

In order to promote further quality enhancement of insurance solicitation, the GIAJ adopts the testing system, etc. in soliciting agents.

General Examination for General Insurance Solicitors

In order for solicitors to be able to provide easier-to-understand explanations that meet the needs of customers, the GIAJ has been conducting the “General Examination for General Insurance Solicitors” (hereafter “General Insurance Solicitor Examination”).

The General Insurance Solicitor Examination is comprised of the Basic Course Unit and the Product Course Unit (auto insurance, fire insurance and accident and sickness insurance), and applicants are required to pass the examination to be qualified for insurance solicitation.

This examination employs a renewal system every five

years to verify updated knowledge about the insurance business and products.

General Insurance College Course

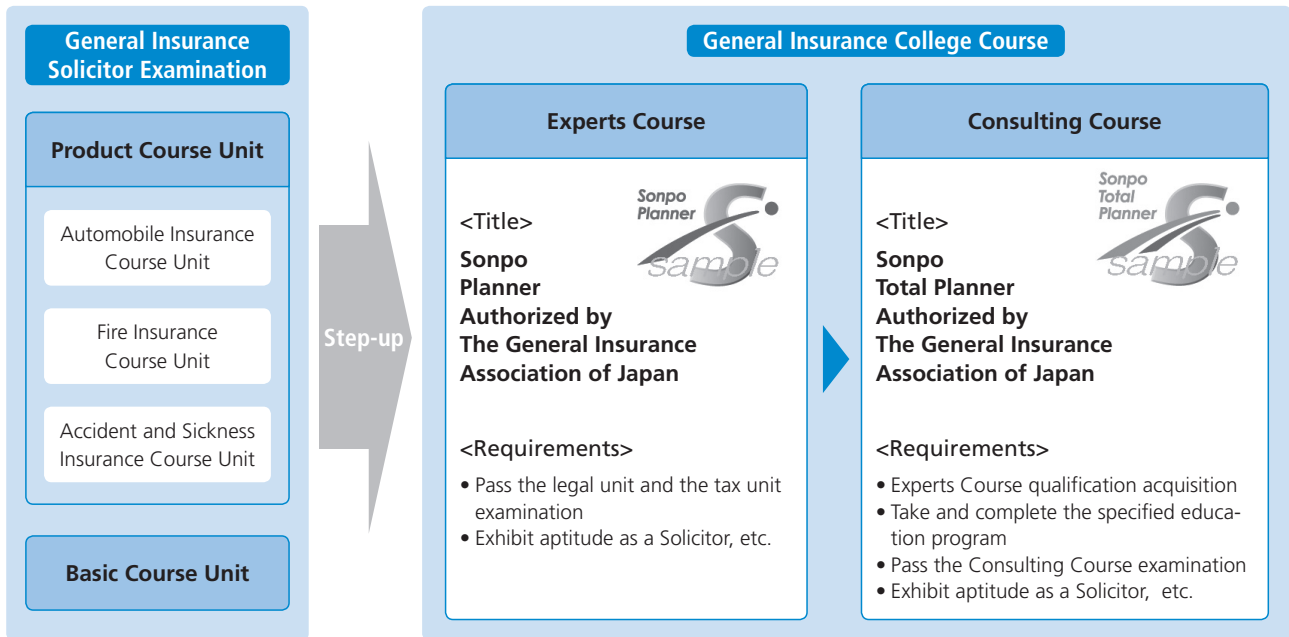
As a mechanism for solicitors who passed the General Insurance Solicitors Examination with the goal of stepping up further, the GIAJ provides the “General Insurance College Course”.

The General Insurance College Course is comprised of the Experts Course for acquiring deep expertise concerning insurance solicitation and the Consulting Course for acquiring practical knowledge as well as skills, and employs a five-year renewal system.

Based on the course authorized, the following titles and symbols can be used.

Currently, 42,138 General Insurance Planners (solicitors who have earned the “Experts course” qualification) and 12,494 General Insurance Total Planners (solicitors who have earned the “Consulting course” qualification) are playing active roles in the market (as of the end of July 2018).

The accumulated total of General Insurance Planners and General Insurance Total Planners since establishment of the qualifications equal 66,843 and 13,723 respectively (as of the end of July 2018).



To locate agents who hold “Sonpo Total Planner”, use the GIAJ’s website



By inputting your Postcode (ZIP code) or Address in the ‘agent locator’ of the GIAJ website, you can easily find locally based agents who hold “Sonpo Total Planner”, the highest qualification of the consulting course.

As of the end of July 2018, the website provides information on approximately 3,650 agents.

Search here:

<http://sonpo-totalplanner-ag.jp/>

Note: It may be accessed from the GIAJ website.

Solicitor Qualification Information System

The GIAJ began operating the Solicitor Qualification Information System, which centrally manages qualification information, etc. of solicitors.

Using this system, solicitors can check the effective period, etc. of qualifications for the General Insurance Solicitor Examination, the General Insurance College Course and other programs, and manage the status of various examinations.

Formulation of "The Compliance Guide for Solicitation"

The GIAJ has put in place The Compliance Guide for Solicitation as guidelines for member companies to provide guidance to solicitors.

In this Guide, easy-to-understand explanation is given about points to be considered when soliciting insurance by systematically organizing matters concerning insurance solicitation provided for in the Insurance Business Law and showing standard examples of soliciting practice.

In December 2017, the GIAJ updated the Guide to reflect the information on the recent environment surrounding insurance solicitation.

Examples of efforts by the GIAJ member companies

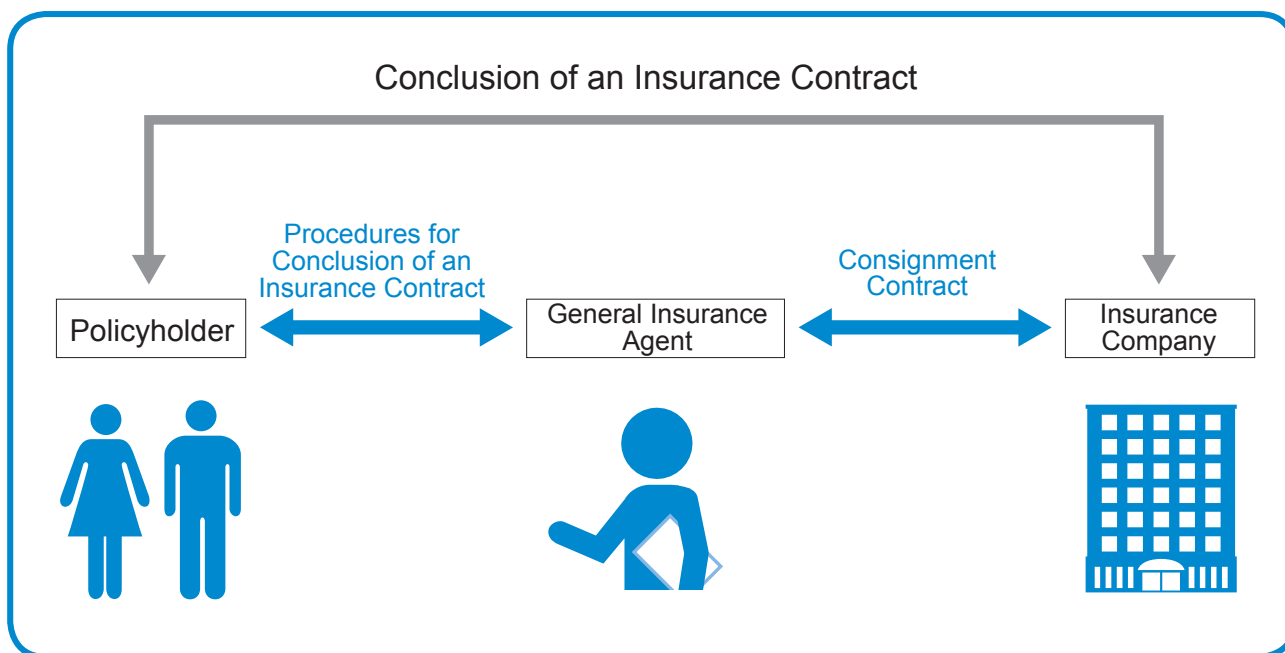
- **Introduction of unique sales qualifications systems**

Some of the GIAJ member companies have introduced their own unique sales qualification systems, such as sales qualification specifically for selling third sector products (medical insurance, cancer insurance, etc.), etc.

- **Implementation of customer questionnaires regarding solicitation**

Some of the GIAJ member companies have been implementing customer questionnaires regarding solicitors' explanations about products when they solicit general insurance. The GIAJ member companies analyze and validate the responses received from customers and utilize the feedback to further enhance quality in insurance solicitation.

For Reference: Role of an Insurance Agent



Authority to conclude insurance contracts as an agent of an insurance company under the agency agreement with the insurance company has been given to an insurance agent.

If a policyholder made an application for insurance to the insurance agent by using a given "insurance application form" and the insurance agent accepted it, this means that the insurance contract was effectively materialized between the policyholder and the insurance company.

* Depending on some insurance companies or classes of insurance, the authority of agents may be just "brokering." In this case, the insurance contract is to be materialized when the related insurance company agreed to accept the insurance contract at a later date.

5 Tests and Training Related to Claims Settlement

The greatest mission of general insurance is to pay appropriate insurance claims in a prompt manner should an accident occur.

Each general insurance company has put in place the following claims settlement system in order to realize appropriate, prompt, and fair payment of insurance claims:

Bases for damage investigation and claims investigators

In order to respond promptly to accidents anywhere in the Japan, general insurance companies have established a total of 1,496 claim offices throughout the country and have allocated approximately 32,232 expert claims handling staff to those locations (as of April 1, 2018).

With a view to enhancing the skills of claim investigators, each general insurance company conducts a variety of training programs. In addition, the GIAJ also offers training related to medical knowledge, automobile claims

adjustment and Earthquake Insurance loss investigations.

Automobile insurance adjusters

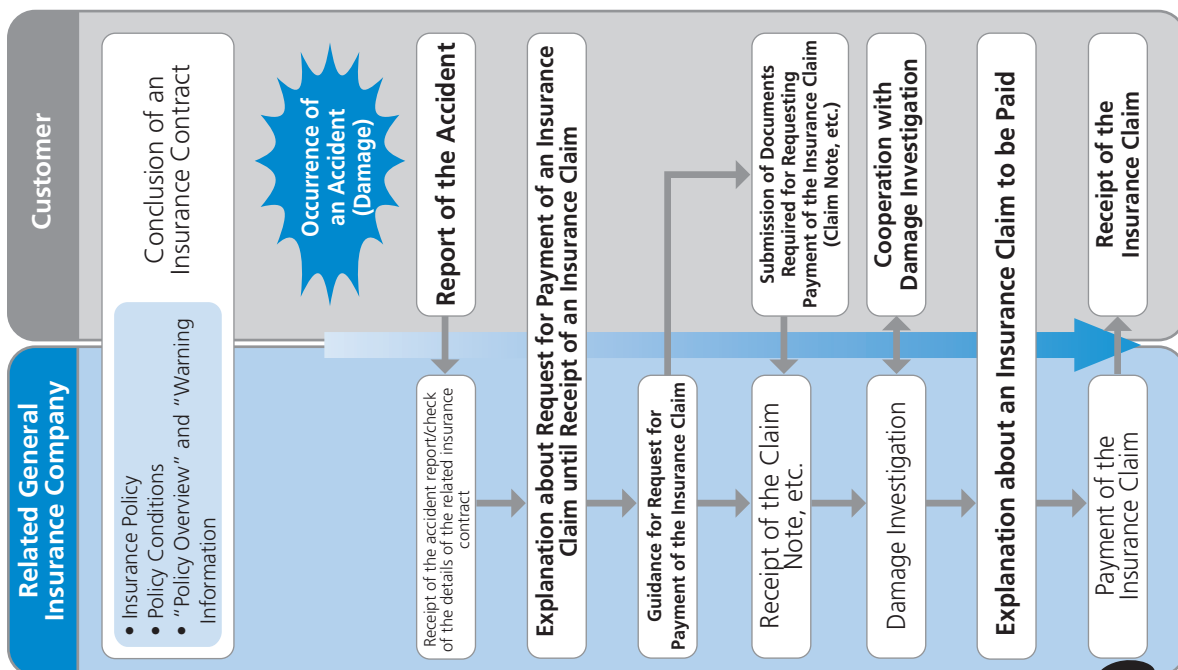
Adjusters are specialists who investigate amounts of loss or damage to automobiles, the cause and circumstances of accidents and other related matters. There are 8,056 adjusters registered with the GIAJ (as of July 1, 2018). Adjusters are making efforts to enhance their investigation skills through a variety of training.

Registered property loss assessors of fire and miscellaneous insurance

Registered property loss assessors are specialists delegated by general insurance companies to assess the insured value of buildings and movable property, work out loss or damage amounts, and investigate the cause and circumstances of accidents, etc. There are 3,677 assessors registered with the GIAJ (as of July 1, 2018).

For Reference: Flow from Reporting of an Accident until Receipt of an Insurance Claim

The following diagram is a general flow from reporting of an accident until receipt of an insurance claim. Should you request payment of an insurance claim due to an unexpected accident, please use this as a reference. If you have any questions, please make sure to consult your insurance company.



In the event of an accident, such as traffic accident, theft, fire, etc., you are requested to give aid to the injured and report the accident to a public agency, such as the police, fire department, etc. before making the report to the relevant general insurance company. When you request payment of an insurance claim, the related accident certificate may be required. (Particularly in the case of a bodily injury in a traffic accident, you are requested to notify thereof to a police station as a "bodily injury accident.")



6

Medical Education Institute for Insurance Adjusters

Medical Education

Promoting proper medical expense payments and efforts to protect victims

Given the call for reinforcing training related to promoting proper payment of medical expenses addressed in the report issued by the Compulsory Automobile Liability Insurance Council in 1984, the Medical Education Institute for Insurance Adjusters was established in 1985. At the Medical Education Institute, medical training is given to employees, etc. of general insurance companies with a view to facilitating payment of medical expenses and to supporting victims achieve early rehabilitation into society.

Necessity of medical knowledge

With the aim of cultivating human resources who can understand doctors' explanations and can have basic communication with doctors, the GIAJ has been carrying out training to provide employees of general insurance companies, etc. who are engaged in claims service with opportunities to learn the best medical science and medical knowledge.

High-quality content of training

The GIAJ aims to improve the medical knowledge of general insurance company employees through correspondence courses, group training programs and medical seminars held in various cities by having doctors who are active at front-line clinical sites as main lecturers.



Group training in Tokyo



A training scene of a medical seminar

Research Promotion regarding Traffic Accident Medical Treatment

Purpose of promotion

Utilizing investment income from CALI, the GIAJ provides research grants regarding traffic accident medical treatment. Aiding clinical study by individual doctors or groups aims at promoting the progress and development of traffic accident medical treatment, thereby attempting to contribute to having victims achieve early rehabilitation into society.

Selection of research grant recipients by way of accepting candidates from among the public

The GIAJ accepts candidates from among the public once a year and chooses research grant recipients after a rigorous selection process by a selection committee composed of people with relevant knowledge and experience.

Number of adoptions

The number of research grants implemented since 1994 has totaled 733 cases up to 2017. The results of research supported by these grants are expected to contribute to victims' early rehabilitation into society.

● Examples of research themes

- Research on the improvement of the quality of medical services following traffic accidents
- Research on rehabilitation methods for treating central nervous system disorders especially for memory disorders
- General research on basic studies and clinical studies on the medical treatment administered following spinal cord injuries.



At a research grant presentation ceremony

7 Information Exchange System

General insurance companies (including foreign general insurance companies and the Non-life Policyholder Protection Corporation of Japan) and the Federation of Cooperatives, which operates cooperative insurance, are running a system to make shared use of personal information with regard to the details of contracts, circumstances of accidents, contents of requests for payment of insurance claims (benefits), etc.

Automobile insurance contracts and accident check system

- **Information exchange system on contracts to which additional premium rates for grades one to five are applied**

This system is, in cases where a customer has applied to an insurance company to newly conclude an automobile insurance contract that was not effected with that company in the preceding year, to make a check among general insurance companies as to whether said insurance contract existed in the preceding year in order to succeed to and confirm its appropriate grade.

- **No claim or claims checking system**

This is a system, in cases where a customer has changed the general insurance company with which he or she has effected automobile insurance, to make a check among general insurance companies, etc. as to whether there were any insured events in the preceding year's insurance contract in order to succeed to or confirm its appropriate grade.

- **Lump-sum provisional settlement system of voluntary automobile insurance/CALI**

In cases where a general insurance company, etc. of voluntary automobile insurance pays an insurance claim in a lump sum, including an insurance claim under CALI that is insured with another general insurance company, this is a system to make a settlement of the insurance claim under CALI paid in advance after confirmation between the relevant general insurance companies.

- **Automobile accidents information exchange system**

In order to make an appropriate insurance claim payment in accidents causing physical damage or property damage under automobile insurance, this is a system to make a check of a reported accident among general insurance companies, etc. as to whether there was any report about the accident.

- **Bodily injury claims, etc. information exchange system *1**

In order to make an appropriate insurance claim payment with the exclusion of fraudulent claims in insurances, etc. covering bodily injury, such as automobile insurance and personal accident insurance as well as insurance, etc., covering personal effects, this is a system to make a check of a reported accident among general insurance companies, etc. as to whether there was any report about the accident.

- **Insurance contract ascertainment system concerning special rules for interruption**

In cases where a customer interrupted his or her automobile insurance contract in connection with cancellation, transfer, return to a leasing company, or expiration of the automobile inspection certificate regarding his or her automobile or due to policyholder's traveling overseas, etc., this is a system to ascertain the content of the contract before interruption when applying the contract grade before interruption to the new contract after interruption.

- **Insurance contract checking system concerning new contracts for customers who own multiple automobiles**

To apply a given discount to an insurance contract for the second and onward automobile whose insurance is to be newly

effected, this is a system to check with the general insurance company with which the first automobile's insurance is effected with regard to existence or nonexistence of an insurance contract of the first automobile, contract grade, etc.

- **Insurance checking system concerning overlapping contracts**

This is a system to check for any redundantly concluded insurance contract on one automobile with multiple general insurance companies and to ensure that an appropriate insurance contract has been concluded.

- **Existing disability inquiry system**

In order to determine the appropriate degree of damages when paying insurance claims under CALI and automobile insurance and to work out the appropriate amount of damage based on laws and regulations, this is a system to perform a check of the degree of the past residual disability of victims among general insurance companies, etc.

- **System to prevent fraudulent claims, etc. *2**

This system is intended to make an appropriate payment of insurance claims by, if necessary, exchanging information among general insurance companies, etc. with regard to requests for payment of insurance claims and fraudulent claims, etc. regarding payment (fraudulent claims or cases suspected of fraud).

- **System to report fraudulent insurance claims *3**

This system is intended to share the information about the reported fraudulent insurance claim and a reported fact that indicates the possibility of such a claim among general insurance companies.

- **System to exchange insurance claim records *4**

Regarding insurance claims for the automobile insurance, CALI, personal accident insurance and personal belongings insurance, this system is to share and exchange the claimants' insurance claim record information in order to realize the idea of excluding the fraudulent claim, working out the appropriate amount of damage and assuring proper claim payment.

Insurance contracts and accident check system on fire insurance, personal accident insurance, etc.

- **Policy data registration system on personal accident insurance, etc.**

In order to prevent the occurrence of insurance crimes, this is a system in which general insurance companies check for any overlapping insurance contracts by registering with the GIAJ the content of insurance contracts (personal accident insurance contract, etc.) that pay insurance claims on death/residual disability, hospitalization/outpatient insurance claims, etc.

- **Bodily injury claims, etc. information exchange system**
Same as *1

- **Overlapping insurance contracts/claims history inquiry system in fire and miscellaneous insurances**

This is a system to check, in relation to accidents reported to a general insurance company, etc., whether there were any overlapping insurance contracts or reports about the claim among general insurance companies, etc., in order to exclude fraudulent claims in fire insurance, liability insurance and etc. and ensure appropriate insurance claim payments.

- **System to prevent fraudulent claims, etc.**

Same as *2

- **System to report fraudulent insurance claims**

Same as *3

- **System to exchange insurance claim records**

Same as *4

Amid the growing globalization of the insurance business and the expanding international business activities of general insurance companies, the GIAJ is working to promote harmonization of international regulations and eliminate trade barriers by issuing requests and proposals and conducting relevant activities. Furthermore, the GIAJ is striving to increase the probability of having such requests met and proposals realized mainly through interaction with the insurance associations of various countries, pursuing technical cooperation of insurance, and dispatching information, and is also contributing to the sound development of overseas general insurance markets centering on Asia.

Requests and Recommendations

The GIAJ is expressing requests and opinions of the Japanese general insurance industry through attending various meetings of the International Association of Insurance Supervisors (IAIS), the Organization for Economic Co-operation and Development (OECD), etc. and responses to various opinion inquiries, and is also making a proactive response to international public comments. In addition, with regard to service trade liberalization talks of the World Trade Organization (WTO) and bilateral-level trade issues, etc. between Japan and the U.S., the GIAJ is making a proactive appeal toward the realization of requests of the Japanese general insurance industry in close cooperation with overseas insurance associations, etc.

Technical Cooperation on Insurance

As a technical exchange program on insurance, the GIAJ has held the Insurance School (Non-Life) of Japan (ISJ) every year since 1972 with various areas within East Asia. Inviting general insurance company and insurance supervisory authority staff, both the ISJ General Course and Advanced Course offer lectures and workshops to participants from various regions. The ISJ also hosts an Overseas Seminar where lecturers are dispatched from Japan to give lectures on themes tailored to the needs of the various regions. In addition to this, the GIAJ is promoting technical cooperation on insurance for general insurance industries, primarily in Asia. This includes dispatching lecturers to OECD seminars, assisting the Financial Services Agency in capacity building, which includes allowing fellows from the Global Financial Partnership Center (GLOPAC) to attend the ISJ as observers, and supporting the development of insurance products and an education and assessment system of insurance agents.

Interaction with Overseas Insurance Associations

The GIAJ takes part in mutual visits and information exchanges regarding markets with the major insurance associations of Europe, the U.S., and Asia. Whilst it exchanges opinions and information about the current status and issues of insurance markets and various international problems including the formulation of international insurance supervision standards, it also responds to service trade liberalization talks, and makes efforts to strengthen cooperative relationships. In 2012, the Global Federation of Insurance Associations (GFIA) was established. Through the activities of GFIA, the GIAJ conducts information exchanges, issues joint letters and facilitates interaction between insurance associations. To contribute to the development of mutual insurance industries through human exchanges and exchanges of opinions and information, to date the GIAJ has concluded cooperation memoranda with the following 14 overseas insurance associations:

- (1) French Insurance Association (FFA) (October 1997)
- (2) Association of British Insurers (April 2001)
- (3) German Insurance Association (GDV) (May 2001)
- (4) Insurance Association of China (May 2003)
- (5) American Insurance Association (June 2003)
- (6) General Insurance Association of Korea (November 2003)
- (7) General Insurance Council (India) (March 2007)
- (8) Insurance Association of Vietnam (September 2009)
- (9) General Insurance Association of Indonesia (January 2010)
- (10) Insurance Association of Mongolia (December 2010)
- (11) General Insurance Association of Malaysia (January 2011)
- (12) Myanmar Insurance Association (January 2018)
- (13) Philippine Insurers and Reinsurers Association (PIRA) (June 2018)
- (14) ASEAN Insurance Council (AIC) (November 2018)

International Conferences

The GIAJ is promoting the exchange of information and opinions on insurance by attending the following international conferences:

- East Asian Insurance Congress (EAIC)
- ASEAN Insurance Council (AIC)
- International Union of Marine Insurance (IUMI)
- International Association of Insurance Supervisors (IAIS)
- Organization for Economic Co-operation and Development (OECD)
- National Association of Insurance Commissioners (NAIC)

IV

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 operating at the time. 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 to assist the government in the control of the industry during a chaotic economic period. Shortly after hostilities ended in September 1945, however, this Control Association was dissolved. The Marine and Fire Insurance Association of Japan was reestablished on January 18, 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 26 member companies (as of Oct. 1, 2018).

* The GIAJ celebrated its centennial in 2017.

2 Objective

The objective of the GIAJ is to promote sound development and maintain reliability of the general

insurance business in Japan, and thus contribute to a secure and safe society.

3 Major Activities

a. Enhancing the dissemination and understanding of general insurance

The GIAJ provides a variety of information about general insurance for enhancing consumers understanding through the website of the GIAJ, and by sending lecturers to speech sessions.

b. Responding to consultation, complaints and disputes

The GIAJ operates the Sonpo ADR center (General insurance Counseling and ADR Center) to answer consumer inquires and carry out pro-

ceedings for complaint and dispute resolution from a neutral, fair standpoint as a designated dispute resolution organization under the Insurance Business Act.

c. Improving the quality of insurance business administration

The GIAJ makes use of its position as a third-party organization to improve the quality of industry-wide business through advancing measures based on consumer opinions while establishing many other guidelines.

d. Maintaining and improving the business environment of general insurance

The GIAJ plays key roles in industry-wide systems, such as earthquake insurance. It also carries out research and study, and issues various requests and proposals of the general insurance industry in order to maintain and improve the business environment.

e. Preventing / reducing damage caused by accidents, disasters and crimes

The GIAJ makes efforts to reduce social losses by conducting educational activities and submitting proposals for traffic safety, and disaster and crime prevention.

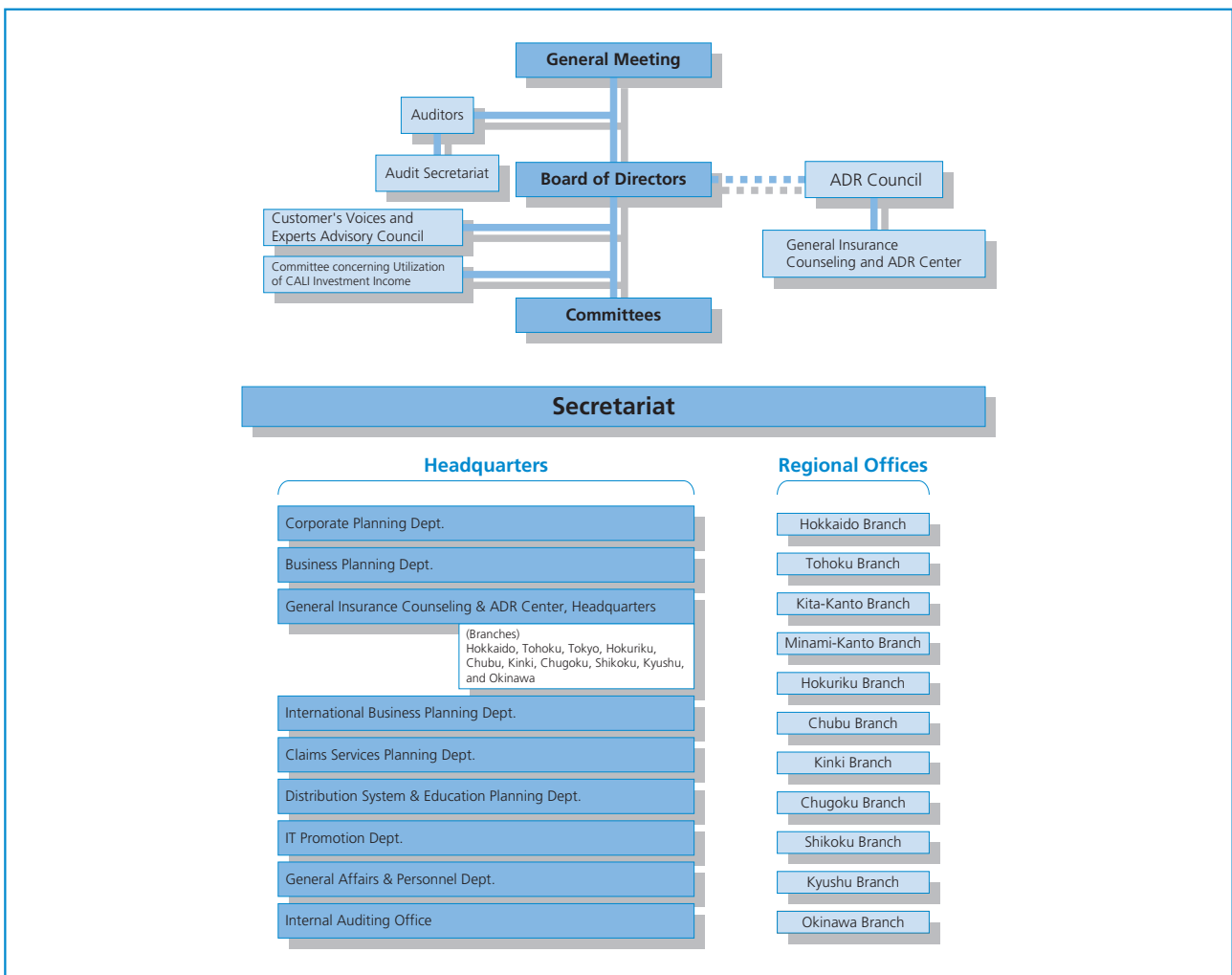
f. Education and examinations for agents and solicitors

The GIAJ implements educational programs and the examination system in order to enhance the quality of insurance solicitation.

g. Contribution to the global community

The GIAJ is a member of the Global Federation of Insurance Associations (GFIA), actively participates in the International Association of Insurance Supervisors (IAIS) standard setting activities as a stakeholder, closely monitors and advocates multilateral and regional trade discussions, enhances exchanges and cooperation with overseas insurance markets, and holds international seminars with participants from the East Asian region such as the Insurance School (Non-Life) of Japan (ISJ).

4 Organization (as of July 1, 2018)



5 Overview of the 8th Mid-Term Business Plan (2018-2020)

Based on our reflections on the past and future as specified below, the Eighth Mid-Term Business Plan sets forth four directions that the general insurance industry will strive toward, along with priority issues to be addressed in the coming three years, to ensure that the industry continues to fulfil its social role as "risk bearer".

At this turning point marked by the GIAJ's 100th anniversary, the general insurance industry will drive forward with industry-wide initiatives to address the issues raised in the plan as a first step towards the new era.

Cornerstones of the industry's development over the past 100 years

- (1) Proper responses to various environmental changes such as motorization
- (2) Penetration of general insurance in society through expansion of distribution networks and enhancement of information provision
- (3) Establishment of business foundation and improvement of business quality to support the stable development of general insurance business

Business environment envisaged in the next 10 years

- (1) Technological innovations including full implementation of self-driving technology
- (2) Continued trend of "super-aged" and shrinking society
- (3) Concern over the emergence of "mega risks"
- (4) Diversification of customer needs
- (5) Changes in international standards and competitive environment

Priority Issues

Swift and proper responses to environmental changes

Contribute to building a worry-free, safe society and enhancing consumer convenience by responding proactively and properly to the changing environment such as developments in information technology and transforming trends of risks that threaten our world.

● Technological innovation

- Developing measures to address advances in self-driving technology
- Promoting environment to utilize innovations

● More diverse and larger risks

- Enhancing disaster prevention capabilities at the local level
- Developing measures to address other emerging risks

● Changes in social environment including super-aging society

- Enhancing activities to raise traffic safety and disaster prevention awareness of senior citizens
- Further exerting its role in response to other societal changes

Promotion of customer-oriented business operations

Further raise customer satisfaction levels by enhancing the quality of business operations at insurance companies and agencies and fostering even greater understanding of general insurance among consumers.

● Enhancing the quality of business operations at insurance companies and agents

- Sharing best practices among member companies and revising existing guidelines
- Strengthening support to enhance the quality of business operations

● Raising customers' awareness of risks

- Enhancing measures to disseminate information to customers
- Strengthening measures to raise customers' awareness of self-help and mutual-help in the event of natural disasters

● Strengthening our dialogue with customers

- Gaining a precise understanding of customer views/questions and ensuring proper response
- Strengthening capabilities and functions of General Insurance Consultation and ADR Support Center

Establishment of a more robust and stable general insurance system

Ensure stability of the general insurance system and fairness among policyholders to fulfil the social role of general insurance in the years to come.

- **Development of readiness for large-scale earthquakes**
 - Reinforcing loss survey systems to deal with large-scale earthquakes
 - Advancing measures which contribute to more stable operation of earthquake insurance
- **Strengthening anti-fraud measures and prevention of fraudulent claims**
 - Establishing and utilizing systems to help prevent fraudulent claims
 - Sharing knowledge and information on anti-fraud measures

Further roles in international insurance markets

Further improve the presence of the Japanese general insurance industry and raise the level of confidence in us to maintain our competitiveness in the globalizing and converging insurance market.

- **Proper responses to international standards**
 - Strengthening engagement in international standards development
 - Promoting development of domestic rules harmonized with international standards
- **Level-playing field in overseas market**
 - Working towards realizing removal/relaxation of discriminatory regulations and practices
- **Strengthening support activities to assist emerging markets**
 - Promoting communication and interaction with general insurance markets in Asia and contributing/providing support to the development of general insurance in the region



1

Licensed Domestic Companies (30 Companies as of Oct. 1, 2018)

- **AIG General Insurance Company, Ltd.**
- **Aioi Nissay Dowa Insurance Co., Ltd.**
- **Allianz Fire and Marine Insurance Japan Ltd.**
- **American Home Assurance Company, Ltd.**
- **Anicom Insurance, Inc.**
- **au Insurance Company, Limited**
- **AXA GENERAL INSURANCE CO., LTD.**
- **Cardif Assurances Risques Divers Japan**
- **Chubb Insurance Japan**
- **The Daido Fire and Marine Insurance Co., Ltd.**
- **E.design Insurance Co., Ltd.**
- **Hitachi Capital Insurance Corporation**
- **H.S. Insurance Co., Ltd.**
- **ipet Insurance CO., Ltd.**
- **Japan Earthquake Reinsurance Co., Ltd.**
- **JI Accident & Fire Insurance Co., Ltd.**
- **The Kyoei Fire & Marine Insurance Co., Ltd.**
- **Meiji Yasuda General Insurance Co., Ltd.**
- **Mitsui Direct General Insurance Co., Ltd.**
- **Mitsui Sumitomo Insurance Co., Ltd.**
- **Nisshin Fire & Marine Insurance Co., Ltd.**
- **Rakuten General Insurance Co., Ltd.**
- **SAISON Automobile and Fire Insurance Co., Ltd.**
- **SBI Insurance Co., Ltd.**
- **SECOM General Insurance Co., Ltd.**
- **Sompo Japan Nipponkoa Insurance Inc.**
- **Sonpo 24 Insurance Co., Ltd.**
- **Sony Assurance Inc.**
- **The Toa Reinsurance Co., Ltd.**
- **Tokio Marine & Nichido Fire Insurance Co., Ltd.**

(● represents the GIAJ member companies.)

2 Licensed Foreign Companies (22 Companies as of Oct. 1, 2018)

- Assicurazioni Generali S.p.A. (Italy)
- Assuranceforeningen GARD - gjensidig (Norway)
- Atradius Crédito y Caución S.A. de Seguros y Reaseguros (Spain)
- The Britannia Steam Ship Insurance Association Ltd. (U.K.)
- Coface Japan (Compagnie Française d'Assurance pour le Commerce Extérieur) (France)
- Euler Hermes SA (Belgium)
- General Reinsurance AG (Germany)
- HDI Global SE (Germany)
- Hyundai Marine & Fire Insurance Co., Ltd. (Korea)
- Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen (Germany)
- The New India Assurance Company Ltd. (India)
- The North of England Protecting and Indemnity Association Limited (U.K.)
- RGA Reinsurance Company (U.S.A.)
- SCOR Global Life SE (France)
- The Society of Lloyd's [Lloyd's Japan Inc.] (U.K.)
- Starr Indemnity and Liability Company (U.S.A.)
- Steamship Mutual Underwriting Association Limited (U.K.)
- Swiss Reinsurance Company Ltd (Switzerland)
- Swiss Re International SE (Luxembourg)
- Transatlantic Reinsurance Company (U.S.A.)
- The United Kingdom Mutual Steam Ship Assurance Association (Europe) Ltd. (U.K.)
- Zurich Insurance Company Ltd (Switzerland)

(The above companies are not GIAJ members.)

3 General Insurance Organizations (as of Oct. 1, 2018)

- General Insurance Rating Organization of Japan
- The Japan Atomic Energy Insurance Pool
- The General Insurance Institute of Japan
- Foreign Non-Life Insurance Association of Japan
- Non-Life Insurance Policyholders Protection Corporation of Japan
- Independent Insurance Agents of Japan, Inc.
- The Small Amount & Short Term Insurance Association of Japan
- Japan Insurance Brokers Association
- Loss Adjusters Association of Japan
- All Japan Independent Adjusters Association

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