

GIAJ Chairman's Statement (Translation/ Executive summary)

Sep. 19, 2024

Mr. Hiroaki Shirota, Chairman of the GIAJ, released the following statement on September 19:

1. Introductory remarks

There have been a series of natural disasters in various parts of Japan, including a heavy rainfall event in July, an earthquake centered in the Hyuga-nada Sea, and Typhoon No. 10 (Typhoon Shanshan). I would like to express my deepest condolences to those who have lost their families and friends, and offer heartfelt sympathy to all those who have been affected by these disasters.

We, the entire general insurance industry, will work together to ensure prompt and appropriate payment of insurance claims, so that everyone affected by the disasters will be able to return to their normal, peaceful lives as soon as possible.

We would like to express sincere apologies once again for the inconvenience and concern caused to our customers and concerned parties by the information leaks that have been confirmed by some of our member companies since May.

The member companies that received orders from the Financial Services Agency (FSA) regarding the information leaks have reported back to the authority at the end of August, covering the facts of the case, the policy for dealing with customers, the root causes, and prevention measures. In addition, GIAJ has requested member companies to thoroughly review actual instances of information leakage and to implement stringent measures to prevent any recurrence.

With further thoughts, the root causes of this incident should include: lack of awareness and insufficient education on relevant laws and regulations such as the Act on the Protection of Personal Information; a blunted sense of risk which resides within the industry custom of contacting and information sharing with other companies; ineffective risk management systems given the actual business practices and inherent risks; and sales activities focusing too much on sales results.

In addition to reinforcing preventive measures at respective member companies, we will ensure “compliance with laws and regulations” and “customer-oriented business operations” throughout the industry, as well as a fundamental review of old industry practices.

2. Specific initiatives

(1) Our initiatives to restore trust

Based on a report by the “Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector,” we are now working hard to realize a healthy competitive environment and to improve the quality of business operations that support the foundation of the industry. The study is being led by the “Project Team for Promotion of Fundamental Business Reform”, which was established within the GIAJ in March.

① Realizing a healthy competitive environment

a. Establishment of guidelines for business-related equities

The GIAJ has formulated and released (today) its Guidelines for Business Related Equities with the aim of further encouraging appropriate and disciplined industry-wide actions.

The guidelines sketch out basic principles such as not holding new business-related equities, striving to reduce the balance of these equities early, and not to reclassify them as pure investment purpose without actual change in the holding purpose.

b. Establishment of guidelines for secondment of employees from general insurance companies

In order to prevent secondment in a manner that may impede customers' appropriate selection of insurance products and the independence of insurance agents, the GIAJ has established and announced guidelines for the secondment of employees from general insurance companies (today).

These Guidelines outline requirements such as the purpose of secondment, duties and the authority in charge, the number of employees on secondment, duration of secondment, and contributions placed for secondment, as well as the basic concept regarding establishment of a supervisory department to confirm whether these requirements are met.

In addition, in light of the recent cases of information leakage by secondees, the Guidelines clearly state the importance of compliance with the Act on the Protection of Personal Information and other related laws and regulations. Taking into account future revisions of supervisory guidelines and other developments, we will continue to implement further reviews.

c. Formulation of an addendum for the Compliance Guide for Solicitation

In order to present our basic position on “improper provision of convenience” to the industry at an early stage, the GIAJ has developed an addendum for the Compliance Guide for Solicitation, which was disseminated to our member companies on July 25.

In order to eliminate variations in the interpretation of “improper provision of convenience” among member companies, we have started to formulate guidelines that provide more detailed examples. In addition, we are considering establishing a whistleblowing system within the GIAJ for member company employees to use in order to increase effectiveness.

② Improving the business quality of insurance agents and solicitors

a. Study on introducing agency business quality evaluation criteria and operating systems

In order to ensure the business quality of insurance agents and solicitors, we have established a “Third-Party Study Group on Evaluation of Agency Business Quality” within the GIAJ to study industry-wide agency business quality evaluation standards that incorporate third-party perspectives and systems to effectively apply the standards. The first meeting is scheduled to be held on 25th September, with a university professor, lawyers, and consumer groups as members of the Study Group, and the FSA and the Independent Insurance Agents of Japan, Inc. as observers.

b. Fostering a common understanding of the basic concept of the agency commission scheme

In light of the points raised in the FSA's expert panel report on the agency commission points system, it was confirmed at the GIAJ Board Meeting held today, that we agree with the following fundamental principles, regardless of whether or not each member company operates the system.

From the perspective of promoting customer-centric business operations, the agent commission point system will prioritize 'the quality of agents' operations' that contribute to improving services for customers, rather than focusing solely on 'scale and revenue growth'.

③ Deepening corporate business customers' understanding towards insurance and risk management

On July 22, the GIAJ released “Risk Management and General Insurance”, a brochure prepared with the aim of providing client companies with basic information on the necessity of risk management, the roles of general insurance, and the principles of insurance, which would be a prerequisite knowledge when considering insurance products and services.

As part of such ongoing information sharing with client companies to improve their risk management capabilities, we will widely provide details on the study courses conducted by the General Insurance Institute of Japan.

④ Strengthening measures against fraudulent claims

a. Creation of a Guidance on recording images of damaged vehicles for automobile repair shops

We have created a Guidance for automobile repair shops, explaining how to record images of damaged vehicles. It will be distributed to automobile repair shops to help them maintain proper recordings.

b. Revision of whistle-blower system within the industry

To further raise awareness of the need to correct own wrongdoings in the industry, the GIAJ has made partial revisions to the exiting whistleblower system. The revisions clarify and reaffirm the GIAJ's position as a whistle-blowing contact, to which any employees of member companies, agents, etc. can directly and anonymously report on fraudulent claims, suspicious points related to auto repair, and any other matters.

⑤ Further strengthening compliance

The General Insurance Institute of Japan held special lectures on the Anti-monopoly Act in its main course six times total in July and August.

The GIAJ has created a video content explaining the basics of the Anti-monopoly Act in an easy-to-understand manner, and is upgrading its programs on the Anti-monopoly Act.

We are planning to conduct an Anti-monopoly Act Compliance Seminar for our member companies in October this year.

(2) Initiatives related to the 10th Medium-Term Master Plan

① Strengthening natural disaster response capabilities

a. Promotion of understanding and dissemination of earthquake insurance

In July, visiting the disaster-stricken areas of the Noto Peninsula, although progress was being made toward recovery and reconstruction, various issues still remain, and it reminded us once again of the enormity of the catastrophe. Hearing firsthand how earthquake insurance claims have helped people's lives in the aftermath of the disaster, it presented a stronger sense that "It is our mission as an insurance company to ensure the delivery of insurance benefits".

In order to convey to the public the importance of earthquake insurance in post-earthquake life, we promote understanding and dissemination of earthquake insurance by appointing TV personality Shingo Katori as our PR spokesperson from August.

b. Prevention measures against unscrupulous business that takes advantage of natural disasters

We, in cooperation with consumer protection agencies nationwide, the police, and Independent Insurance Agents of Japan, are raising public awareness by disseminating information through flyers, digital advertisements on the internet, and social media (X: formerly Twitter).

② Improving convenience through promotion of digitalization

In July, we digitalized the educational texts of the Basic Unit of the General Examination for General Insurance Solicitors which can be viewed on PCs, tablets, and smartphones. This will reduce paper use by approximately 1,300 tons per year.

We also plan to digitize the Product Unit texts in December.

③ Improving general insurance literacy

a. Dissemination and education of general insurance

In cooperation with the Independent Insurance Agents of Japan, local METI bureaus, and other organizations, the GIAJ holds seminars for SMEs, tailored to respective regional characteristics at each branch.

We are also involved in educational activities related to water damage risks, and plan to create and distribute educational videos in the future.

b. Strengthening cooperation with the life insurance industry

In July, the GIAJ, the Life Insurance Association of Japan, and the Japan Institute of Life Insurance exchanged views on the creation of insurance education materials.

In August, total of three seminars for junior high school and high school teachers of home economics, social studies, and civics were held jointly by both industries.

④ Other initiatives

a. Donation of light fire trucks and high-performance ambulances

Eleven units were donated, including to Wajima City, Ishikawa Prefecture, which was severely damaged by the Noto Peninsula earthquake.

b. Third party committee on the calculation of compulsory automobile liability insurance (CALI) expenses

A total of three meetings have been held so far. The results of the study will be reported to the CALI Council scheduled to be held in January next year.

c. Requests for fiscal 2025 tax reform

The “enhancement of the catastrophic loss reserve system for fire insurance, etc.” was raised as a key request item.

d. Proper responses to international standards

The GIAJ submitted its comments on public consultation documents of the International Association of Insurance Supervisors (IAIS) and contributed to the development of opinions of the Global Federation of Insurance Associations (GFIA).

e. Support of emerging markets

The Advanced Course of the Insurance School (Non-Life) of Japan (ISJ) was held from May to June this year with 24 participants from 13 regions.

3. Concluding remarks

In the three months since I took office as GIAJ Chairman, I have been working with our member companies with a strong sense of urgency to address a number of industry wide issues in order to restore trust.

Obviously, we must take a serious look at the information leakage cases that have been identified during this process, and make necessary corrections.

Furthermore, each member company must repeatedly check to see if there is any discrepancy with social norms and would be important to identify problems and review their business operations.

Based on the recognition of these issues, the GIAJ reaffirmed at its Board Meeting, that the management policy of the GIAJ and its member companies will place the highest priority on thorough compliance with laws and regulations, customer-oriented business operations, and a fundamental review of old industry practices.

To regain the trust of our customers, we will work together with our member companies to make steady progress on each of these tasks in order to fulfill our role as an insurance association. As Chairman of the association, I will continue to fulfill my responsibilities while sincerely addressing the diverse voices of society.

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