

GIAJ Chairman's Statement (Translation/ Executive summary)

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

1. Introductory remarks

We would like to express our sincerest apologies once again for the inconvenience and concern that this series of inappropriate incidents has caused.

We take seriously the cease and desist orders, and the surcharge payment orders issued by the Japan Fair Trade Commission (JFTC) to four of our member companies under the Antimonopoly Act. We also take seriously the request that our Association received to ensure that all of our member companies comply with the Antimonopoly Act. We will deepen our efforts to restore trust.

With respect to the information leakage confirmed by some of our member companies, we have requested that they conduct thorough investigations and implement measures to prevent recurrence. The member companies that have confirmed these incidents are working on responding to customers and preventing recurrence. We will further encourage member companies to prevent recurrence by holding seminars and revising our guidelines.

While continuing to acknowledge the current state of the industry seriously, we will take this incident as a catalyst for change. We will make every effort not only to ensure “compliance with laws and regulations” and “customer-oriented business operations”, but also to develop a sound competitive environment and establish robust underwriting management systems.

2. Specific initiatives

(1) Our initiatives to restore trust

The final meeting of the "Working Group on a Regulatory System especially for Non-Life Insurance Business" under the Financial System Council was held on December 13.

Through the discussions of this working group, we strongly reaffirmed the role of general insurance as a vital component of social infrastructure. Anticipating future regulatory revisions, we will always keep this role in mind and work diligently to address any issues that arise.

① Realizing a healthy competitive environment

•Study on new co-insurance underwriting methods

We are considering the following two new co-insurance underwriting methods to avoid the inappropriate business practices that were observed, such as communication among insurance company employees to match premiums to the lowest premiums offered by the managing company:

- “Arranger method” in reference to syndicated loans.
- “Differential method” in which co-insurance is underwritten where the premiums of each insurance company are not unified.

② Improving the business quality of insurance agents and solicitors

a. Study on introducing agency business quality evaluation standards and operational frameworks

The “Third-Party Study Group on Evaluation of Agency Business Quality”, established within the GIAJ in September, is studying the establishment of systems that would enable a neutral third party to evaluate the business quality of agents and solicitors in a fair and appropriate manner.

The study group has convened four times to date to discuss the basic concept of evaluating the quality of agency businesses, industry-wide evaluation items and indicators, and methods for operating a third-party evaluation system.

Based on the discussions, a public consultation will start this month on the draft “Evaluation Guidelines for Agency Business Quality”, aiming to complete by the end of March 2025.

b. Study on enhancing and advancing the education and examination framework for agents and solicitors

To continue providing our customers with reliable insurance and services, we will consider the following to further enhance the education and examination framework for agents and solicitors:

- Enhancement and stricter enforcement of the General Examination for General Insurance Solicitors.
- Introducing an ongoing education framework.
- Creating a “compliance officer qualification” (person responsible for compliance with laws and regulations)

c. Revision of the addendum to the Compliance Guide for Solicitation

In the addendum to the Compliance Guide for Solicitation formulated in July of this year, we will add sections that outline the basic approach regarding the following topics and to release it within this month:

- Compliance with laws and regulations, and customer-oriented business operations.
- Sales by recommendation.
- Prohibition of offering special benefits.

③ Further strengthening compliance and governance

Inviting attorney Kenji Ito of Mori Hamada & Matsumoto Law Firm as a lecturer, who has experience working for the Japan Fair Trade Commission (JFTC), we held an Antimonopoly Act compliance seminar for our member companies in October.

Inviting Visiting Professor Kiyotaka Sasaki of Hitotsubashi University’s Graduate School of Business Administration as a lecturer, we also held a seminar on “Internal Audit” for our member companies in October.

Seminars on topics such as personal information protection are planned to be held.

④ Our initiatives to restore trust

a. Strengthening information dissemination to promote understanding of insurance

To assist consumers in accessing necessary information, we have improved our website. It now delivers various tools that help promote the understanding of general insurance in a timelier manner. We will also continue our efforts to disseminate information via social media.

b. Commissioned Research Study to The General Insurance Institute of Japan(GIIJ): “Regulations on insurance agents and brokers and the practice of commercial insurance solicitation in major countries”

The report on the titled research commissioned by the GIAJ was completed in September. A debriefing session was held for our member companies in October.

The study provided valuable insights, such as establishing systems based on regulations in foreign countries, ensuring fairness in underwriting corporate property, and improving the quality of business operations. We will leverage these findings in our future efforts to restore confidence in our industry, and in our studies on issues and challenges.

⑤ Follow-up on our efforts to restore trust

We conducted the first follow-up on the following initiatives and announced the results on December 11:

- Guidelines on General Insurance Claim Payments
- Guidelines on General Insurance Companies' Compliance with the Antimonopoly Act
- Antimonopoly Act Considerations for Underwriting Insurance Policies
- Guidelines for Secondment of Employees from General Insurance Companies
- Guidelines for Business Related Equities
- “Risk Management and General Insurance”: an industry-wide tool (reference materials) for corporate customers

The results confirmed that each company has developed its own policies, rules and systems, or plans to do so in the future.

We will continue to encourage member companies' efforts through ongoing follow-ups, and revise the guidelines based on trends in the revision of supervisory guidelines and others.

(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 October, we participated in the “National Conference for Promoting Disaster Risk Reduction (Bosai Kokutai) 2024”, a comprehensive disaster prevention event hosted by the Cabinet Office and other organizations in Kumamoto Prefecture. Professor Taro Ichiko of the Department of Urban Science and Policy at Tokyo Metropolitan University gave a lecture.

On the occasion of the 30th anniversary of the Great Hanshin-Awaji (Kobe) Earthquake, we plan to hold an event in Kobe on January 13, 2025, to pass on memories and experiences of the disaster to future generations, as well as to convey the importance of preparedness.

b. Exploration for Disaster-Prevention (Bosai Tankentai) Program

The GIAJ held the 21st Map Contest of Exploration for Disaster-Prevention (Bosai Tankentai) Program for Elementary School Students, which is a practical safety education program for children.

Winning entries from all over Japan were selected and announced on December 18, with the award ceremonies in respective regions starting from January 2025.

② Improving general insurance literacy

a. General insurance dissemination and education

To ensure that the educational materials for high school students, "Try for a Brighter Future!" is more effectively utilized in classes, the GIAJ's respective branches are making efforts to introduce the material in ways that align with the local context.

To ensure customers to appropriately recognize their own water related risk and choose coverage accordingly, a new educational video introducing various water related risks and preparedness measures has been released on the 16th December. We plan to widely promoted it using social media and other channels.

b. Strengthening cooperation with the life insurance industry

Based on the "Comprehensive Collaborative Agreement on Insurance Education" concluded between the Life Insurance Association of Japan, the Japan Institute of Life Insurance, and the GIAJ, we will conduct joint seminars for junior high school and high school teachers of home economics, social studies, and civics on December 26, in addition to the summer sessions we have previously held.

③ Other initiatives

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

The committee has been held five times to discuss the following:

- Direction of the revision of expense calculation standards considering recent environmental changes,
- Items and methods of the business practice survey,
- The final draft revision of expense calculation standards after the business practice survey conducted at the end of August,
- Draft procedures for revising standards in the future, while ensuring objectivity and transparency.

The results of the study will be reported and discussed at the Automobile Liability Insurance Council meeting scheduled for January next year. As the secretariate, we will continue our efforts to ensure appropriate management.

b. Responses to international standards

The International Association of Insurance Supervisors (IAIS) adopted the Insurance Capital Standard (ICS) for internationally active insurance groups (IAIGs), at its annual meeting on December 5. This standard presents the first comprehensive global capital standard, where we welcome its adoption and express our respect for the years of discussion and deliberation by all the stakeholders involved.

In Japan, economic value-based solvency regulations are scheduled to be introduced at the end of FY2025. The GIAJ will continue to make appropriate preparations for the implementation, such as submitting comments during public consultations.

c. Support of and cooperation with emerging markets

From late-November to early-December, the GIAJ and the General Insurance Institute of Japan (GIJ) jointly held The Insurance School (Non-Life) of Japan (ISJ) General Course, and plan to hold an ISJ Overseas Seminar in the Philippines in February 2025.

In November, we also participated in the ASEAN Insurance Conference in Brunei, introducing Japan's response to natural disasters and other issues.

It has been decided that the next conference of the East Asian Insurance Congress (EAIC) will be held in Tokyo in 2026. Established in Tokyo in 1962, the EAIC is the largest international conference for both life and general insurers in Asia. We will prepare in close cooperation with the life insurance industry.

3. Concluding remarks

For the past six months, we have been making all of our efforts together with our member companies to address number of industry issues to restore trust, but we are still halfway there.

While we have been continuously working on various initiatives, including the formulation of new guidelines and other initiatives, we are keenly aware that further efforts are necessary to resolve issues such as changing old practices that are deeply rooted in our industry.

It is crucial for each member companies to sincerely address diverse opinions and repeatedly verify “whether there is any misalignment with societal norms”. to identify problems, .

Based on this understanding, we will work together with our member companies to make steady progress on each of the initiatives, thereby transforming the industry into one that is truly trusted by customers and that continues to fulfill its role as a part of social infrastructure

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