

# Activities and Outline of LIAJ

## 1. Requesting and Representing Opinions

### (1) IAIS

#### Revision to the Insurance Core Principles and Methodology

LIAJ was invited to comment on the Revision to the Insurance Core Principles and Methodology by IAIS on January 31, 2003, and submitted the comments on March 28, 2003. Our comments addressed a wide range of issues, hoping that the Insurance Core Principles would be revised in light of the specific conditions and supervisory policies of each country. The Revision Draft to the Core Principles and Methodology, our comments, and the results of the related discussion by the “IAIS Working Group for the Revision to the Core Principles” were published on July 1, 2003, in which our comments were partially reflected.

Finally, the “Revised Insurance Core Principles and Methodology” was adopted at the IAIS General Meeting held in Singapore in October 2003.

#### **Submission of comment on the IAIS Consultation Paper (Disclosure Standard/Stress Test Guidance)**

On March 13, 2003, IAIS again invited LIAJ to comment on the “Standard on Disclosures Concerning Technical Performance and Risks for Non-life Insurers and Reinsurers (Draft)”. The outline of our comments submitted on May 14, 2003 was,

#### (Preface)

We notice the statement, “later on, a standard on technical performance and risks for life insurers is envisaged”. Since it is important to duly consider the nature of the life insurance business in drafting a standard for life insurers, the standard for non-life insurers and reinsurers should not be simply applied to life insurers. Therefore, opinions from members and observers of IAIS should be invited and considered while drafting a standard for life insurers, then appropriately reflected in it.

#### (Paragraphs 1-2)

Paragraph 1-2 itemizes the kind of information that should be disclosed by insurers. Since the information could be related to the internal decision-making policy of life insurers, it should not be widely disclosed to third parties. In this regard, we propose that this paragraph should contain a provision that the standard for disclosing the information should be decided in accordance with the supervisory policies in each country.

#### (Paragraphs 5-46)

Insurers are required to “disclose a broad outline of the sensitivity, stress testing and scenario analysis that have been undertaken”, according to Paragraphs 5-46. These matters are internal information for management to use in deciding insurers’ business strategies, and also some of the information shows the results obtained under scenarios which assume the economic situation will be aggravated in the future. We are concerned that disclosing such data may incur misunderstanding among investors and policyholders. Therefore, disclosing such data is not appropriate, and we request to have this part deleted.

Regarding the "Stress Test Guidance Paper", LIAJ submitted comments on July 17, 2003, responding to the invitation sent on April 10, 2003, by IAIS.

Outline of our comments:

The criteria that are used by each jurisdiction for the purpose of supervision should be deliberately considered based on the accounting principles, supervisory regimes and market environment of each country.

(Paragraph 12)

LIAJ would suggest that the sentence below should be added in paragraph 12.

"Criteria including scenarios used for standard stress tests should be developed in such a way that the risk environment of each jurisdiction is duly taken into consideration"

(2) IASB (International Accounting Standards Board)

#### **IFRS 4 Insurance Contract**

The establishment of the international accounting standards for insurance contracts was under discussion at the meeting of the International Accounting Standards Board (IASB) held in May 2002. IASB published the Exposure Draft of Insurance Contracts Phase I (ED5) on July 31, 2003, as its provisional standard on which the Board decided to widely seek public comment through October 31, 2003.

LIAJ submitted its comments to IASB on October 31.

The outline of the comments

As we comment, we take the fundamental position that the accounting standards for insurance companies should meet the following requirements.

1. The accounting system must be useful from the standpoints of the financial soundness and the protection of policyholders which are required of the insurance industry.
2. The financial statement must properly reflect the business activities of an insurance company (recognizing revenue when the insurance company is released from the underwriting risks, not recognizing it at inception).
3. Accounting standards must make it practically possible to recognize and measure insurance liabilities with reliability and comparability.
4. The system must ensure that preparing the financial statement is possible within a reasonable cost and time frame considering the balance between benefit and cost.

Regarding the content of an IFRS Insurance Contract, our proposal was:

1. The scope of the IFRS should not be limited to insurance contracts alone, and furthermore should aim at properly representing the overall financial standing of an insurer.
2. The establishment of a new category for an asset held to back insurance liabilities or the relaxation of the criteria of IAS39 for classifying financial assets as held-to-maturity.
3. In deliberating Phase II, discussion should include reconsideration of the question whether or not the current definitions of assets and liabilities in the conceptual framework are appropriate for insurance.
4. The fair value disclosure issue should be discussed anew after the Phase II recognition and measurement standards are determined.

Due process of the IFRS

LIAJ proposed to eliminate the deliberations and decisions that are being premised on the undetermined items in the Draft, reflect the opinions of insurance experts such as the Insurance Advisory Committee, and clearly separate Phase I from Phase II.

On the same day, LIAJ also submitted the joint comment letter, in collaboration with the seven associations of the four countries, which included Japan, the United States, Germany, and Austria, to IASB.

Based on the received public comments, IASB published the IFRS 4, Phase I Insurance Contract on March 31. Reflecting the comment on ED5 of more than 130 letters opposing the disclosure requirement of fair value, on which LIAJ also took the same position, IASB decided to withdraw the requirement.

#### **IASC Foundation Constitution Review**

The constitution of the IASC Foundation provides the operation procedure for both the IASC Foundation and IASB, and mandates a review of the constitution every five years. Therefore, the trustees established the Trustees' Constitution Committee, and announced "Identifying Issues for the Constitution Review" on November 12, 2003, on which comment was widely invited through February 11, 2004.

LIAJ's comments submitted on February 11 was,

#### **Outline**

The potential effect of the Insurance Contracts Project could be significant to the industry. LIAJ believes that the IASB should ensure transparent, fair discussion and deliberate in a more diligent and appropriate manner in order to reach a consensus among the associates.

IASB sometimes makes a decision on a crucial policy on the grounds (partially) of consistency with the IASB Framework. However, the IASB Framework is not the absolute principles, but by its nature subject to continuous review of its appropriateness.

Paragraph 4 in the Introduction of the IASB Framework states: “The Framework will be revised from time to time on the basis of the Board’s experience of working with it”. However, it is not clearly stated how the revision of the Framework should be made, for example, by whom and by what procedure, and we believe that it should be clarified.

On the same day, LIAJ also submitted joint comments in collaboration with the seven associations of the four countries, including Japan, the United States, Germany, and Austria, to IASB.

### (3) Submission of our comment to OECD on corporate governance

The Principles of Corporate Governance were enacted by the OECD (Organization for Economic Co-operation and Development) in 1999. At the OECD Council Ministerial Level in May 2002, the revision of the Principles was resolved, followed by an invitation to public comment on the proposed draft on January 12, 2004. Responding to the invitation, the Life Insurance Association of Japan submitted its comments to OECD on February 5, 2004, as follows:

#### General remarks (outline)

It would be important to continuously analyze and review the issues regarding corporate governance, in light of the socioeconomic environment of each country.

The Principles of Corporate Governance should be minimal and appropriate, so that they enable us to respond promptly and flexibly to the socioeconomic environment of each country based on its historical and cultural background.

#### Particular Issues

##### I-F

The revision of the Principles has been based on the survey conducted from 2002 through 2003, which cites an example of a US mutual funds case in relation to the requirement of disclosing the voting records of an institutional investor acting in a fiduciary capacity. Nevertheless, we consider that the Principles should be minimal, and it is not appropriate to revise the Principles based on a case of US mutual funds where its effectiveness had never been verified. Hence, I-F “The voting record of such investors should also be disclosed to the market on an annual basis” should be deleted.

##### Annotations to I-F

Certainly there are some institutional investors who act in a fiduciary capacity, but laws and regulations that entitle such investors to fiduciary responsibility vary country-by-country, and so do the contents of responsibility. In some cases, voting rights may not be recognized as a part of the investment. From this point of view, it is inappropriate to uniformly exemplify “an institutional investor acting in a fiduciary capacity” in the Annotations to the Principles, which are supposed to be minimal, without verifying systems, regulations and substantial facts in each country. Therefore,

“Pensions, fund, mutual investment schemes and some activities of insurance companies”, cited as examples of institutional investors acting in a fiduciary capacity in the Annotations to I-F, should be deleted.

#### (4) Introduction of Kampo’s new product to the Japanese market

In September 2003, Japan Post applied for approval of its new whole life insurance product (whole life insurance with double protection policy), explaining it as a measure for “upgrading the product and service of Kampo”.

This product pays only a half or one fifth of the entitled death benefit to the insured after the insured reaches the designated age of payment completion, while offering lifetime coverage. The product bears very close resemblance in nature to the “whole life insurance with a term rider” which has been a major product offered by the private life insurance companies. Worse, since the product offers a lifetime medical rider with lower premium than existing whole life insurance does, it competes with third sector products such as medical insurance.

Fearing the new product would interfere with the business of the private sector, on the date application was filed, LIAJ published its comment under the name of the chairman that the association firmly takes a position of opposition to the introduction of such a product.

Since then, as a part of continuous efforts, LIAJ has submitted its opposing opinion under the name of the chairman to Mr. Ikuta, who is the president of Japan Post, as well as requesting the Ministry of Public Management, Home Affairs, Post and Telecommunications to thoroughly examine the application for approval by taking the impact of the new product on the private life insurance sector into consideration. Nevertheless, on November 14, 2003, the Minister of Public Management, Home Affairs, Post and Telecommunications gave approval to the new Kampo product, being based on the ground that there is no citation of “impact on the private sector” in the examination standard used for approval; hence, the new product meets the standard.

Taking objection to the approval, the chairman of the LIAJ again made comments, strongly requesting that Japan Post should make a discerning decision to suspend the introduction of such a product by paying attention to the developing opinions against it and the ongoing discussions on privatization of Japan Post.

Despite our efforts, Japan Post launched the product in the market in January 2004, based on the judgment that it would impact the private sector only to a minimum extent.

The sales figures for the new product as of March 2004 reached 84,000 in number of policies and ¥231.4 billion in value. It occupies approximately 10% of the newly underwritten insurance policies in number and was ¥27.4 billion in value per policy.

#### (5) Privatization of Japan Post

On September 22, 2003, the second term cabinet led by Prime Minister Junichiro Koizumi published its “Key Economic Policy”, announcing government plans to privatize the nation’s postal service (postal savings, Postal Life Insurance (Kampo), mail delivery) in stages beginning in 2007, to finish preparing the draft by fall of 2005, and to submit the Bill for Reform to the Diet in the same year.

Subsequently, discussion of Japan Post Privatization was initiated at the Council on Economic and Fiscal Policy. On October 3, the council published the “Five Principles for Japan Post Privatization” and announced the schedule to draw up the interim report by sometime in spring 2004, and the final report by fall 2004.

The Five Principles are to,

1. Revitalize the Japanese economy by practicing the Basic Policy on Economic and Fiscal Management and Economic and Social Structural Transformation for 2003 - “leaving what can be handled by private enterprises in their hands” (Principle of Revitalization)
2. Reform consistent with the ongoing structural reform as a whole(Principle of Consistency)
3. Reform taking the interests of people into consideration (Principle of Interest)
4. Reform by utilizing the existing resources of Japan Post such as a nationwide office network.
5. Thoroughly take the employment issue of Japan Post into consideration (Principle of Consideration)

Furthermore, the council published the following “10 key discussion issues” on November 18, 2003.

1. Current status of Japan Post
2. Privatization of Japan Post by practicing the basic principle “leaving what can be handled by private enterprises in their hands”
3. Ideal post-privatization business model
4. Relation to the Financial System Reform
5. Securing fair playing field in the market
6. Relation to the Financial Structural Reform
7. Securing the benefit of respective regions and people
8. Securing the existing management resource currently owned by Japan Post
9. Transitional period
10. Organizational structure of newly privatized entity

On April 26, 2004, the government published the interim report summarizing the preceding discussion. The report stated that Japan Post would be separated into four independent businesses, consisting of postal saving, Kampo, mail delivery, and management of nationwide over-the-counter service at post offices. It also specified the function of each in order to accomplish individual objectives. Nevertheless, it deferred discussion regarding future organizational structure and business model of the new entity.

The interim report summarizes the postal savings and Kampo issues as follows,

1. We will aim at establishing a business model that fully satisfies the needs of users.
2. The huge resources currently owned by Japan Post should be smoothly integrated into the financial system of the private sector.
3. We will fully consider a privatization plan that is consistent with the ongoing financial structural reform, the reform of government-affiliated financial institutions, government-affiliated corporations and others, and how the privatization might contribute to solid government bond sales.
4. For sound management of postal saving and Kampo prior to privatization, the guarantee level offered by the government should remain as before. For sound management after privatization, the guarantee level should conform to the regulation for the private sector.

On the same day, the "Preparatory Office for the Privatization of Japan Post" was launched. Yoshiaki Watanabe, the former Vice Minister of Agriculture, Forestry and Fisheries was appointed as its head. Shinichi Nabekura, the former Vice Minister for Policy Coordination of Public Management, Home Affairs, Posts, and Telecommunications, and Shokichi Takagi, the Commissioner of the Financial Services Agency, were appointed deputy heads.

In addition, the "Council on Privatization of Japan Post" was also launched with the purpose of assisting and directing the drawing up of a concrete draft and bill for the privatization, and the submissions from associated parties had been conducted.

The members of the council are,

Motoshige Ito	Professor of Tokyo University
Sakon Uda	Principal of McKinsey & Company
Yuri Okina	Japan Research Institute, Limited
Akio Okuyama	President of the Japanese Institute of Certified Public Accountants
Atsushi Miyawaki	Professor of Hokkaido University
Naoyuki Yoshino	Professor of Keio University

On July 12, Vice Chairman of LIAJ, Mr. Takishima, was invited to the hearing session of the council in order to deliver a statement (outlined below).

Simultaneously, the Liberal Democratic Party of Japan launched the "Select Commissions on Japan Post Privatization" on January 29, 2004, began discussion of the privatization, and conducted hearings of the associated parties and administrations, which continued until June of this year.

In February 2004, LIAJ published the brochure that summarized the ideal future of the Kampo business. The outline of our basic ideas is,

1. Now that private insurers are capable of providing various products and services that meet consumers' needs in any district, there are no products or services provided exclusively by Kampo.
2. In the course of the discussion on the future of public investment and the government-affiliated corporation, if public finance is to be scaled back, accordingly the role of Kampo as a raiser of public finance needs to be diminished.
3. The Kampo business is no longer relevant and is potentially detrimental to the development of a sound life insurance market. It should be reduced or abolished, by following the basic policy of the structural reform "leaving what can be handled by private enterprises in their hands".
4. The business advantages as a governmental enterprise, if Kampo were to be privatized, should be eliminated; hence, identical conditions of competition to those of a private life insurer are essential.
5. If Kampo is privatized without an equal competitive footing being achieved, and its entry into the market is approved without limitation on its scope of business, it is clear that the dominant position of Kampo in the life insurance market would be further promoted, which is highly likely to affect consumers' interests gained through healthy competition in the market.

(6) Submission of LIAJ's request for Regulatory Reform

Representing the insurance industry, LIAJ regularly submits requests to the Council for Regulatory Reform (organization established under the Cabinet at the request of the prime minister to comprehensively investigate and deliberate basic issues on necessary reforms from the perspective of promoting economic and social structural reform) and to the Japan Business Federation.

Our request for 2003 was to,

1. Allow the insurance industry to perform fiduciary business and act as an agent to perform back office operations.
2. Expand the scope of business concurrently conducted by subsidiaries of insurance companies, which act as agents for insurance companies and perform back office operations for insurance related business.
3. Allow subsidiaries of insurance companies to provide counseling for real estate investment.
4. Relaxation of the Income Dependency Regulation regarding subordinate business of insurance company subsidiaries.
5. Secure special account in the event that an insurance company becomes insolvent.
6. Receive, transfer from/to and directly inject premiums to the special account, and in the form of real assets such as stocks and securities.

7. Review Postal Life Insurance.

8. Clarify application standards of the Insurance Business Law on unregulated Kyosai.

- On October 21, 2003, the Japan Business Federation published the “Request for Regulatory Reform by the Japan Business Federation 2003”, in which six of our requests were included.
- On December 22, 2003, the Council for Regulatory Reform published the “Third Report Regarding Promotion of Regulatory Reform” in which three of our requests were included.
- On March 19, 2004, the Cabinet Council resolved the “Three Year Program for Promoting Regulatory Reform” in which four of our requests were included.
- Our request No. 2, “Expand the scope of business concurrently conducted by subsidiaries of insurance companies, which act as agents for insurance companies and perform back office operations for insurance related business”, was realized by the partial revision of the enforcement regulation of the Insurance Business Law on July 7, 2004.

#### (7) Request for Tax Reform

As Japan is transforming itself into a rapidly aging society, it has become indispensable for people to have lifetime coverage through the combination of the public social security system, life insurance, and private coverage such as individual annuity which is offered by people's voluntary self-help efforts.

Encouraging such efforts, LIAJ submitted a request concerning the tax law changes for 2004 to the associated authorities on September 19, 2003. The request addressed the substantial issues:

To raise tax-deductible limits for life insurance premiums applicable to income tax, to ¥100,000.

To raise tax-deductible limits for individual annuity premiums applicable to income tax, to ¥100,000.

To add ¥5,000,000 of spouse benefit + (the number of dependent heirs apparent under 18 years old) × ¥5,000,000 to the current exempt limit for inheritance tax applicable to sums payable at death.

Moreover, as a part of efforts to realize those requests, LIAJ, in collaboration with the National Federation of Life Insurance Workers' Union of Japan, collected approximately 11,080,000 signatures nationwide from September 29 through October 10, 2003.

As a result, the government decided that the tax-deductible limits for premiums should remain unchanged for fiscal 2004.

- (8) Promulgation of the Personal Data Protection Law, and submission of LIAJ's comments on the draft for the Legislative Bill.

The Personal Data Protection Law was approved on May 23, 2003, and promulgated on May 30, 2003. Chapters 1 through 3 provide the objective and fundamental philosophy of the law, which had taken effect immediately on the promulgation date. Chapters 4 through 6 that provide the obligation of those who handle personal data are scheduled to take effect on the date designated by the cabinet within two years from the promulgation date.

On September 26, 2003 the draft for the Legislative Bill to determine the date for partial enforcement of the "Personal Data Protection Law, the Government Ordinance for the enforcement of Personal Data Protection" was announced, on which public comment was invited. On October 24, 2003, LIAJ's comments were submitted to the cabinet.

#### Outline of LIAJ's comments

1. With regard to the draft Legislative Bill to determine the date for partial enforcement of the Personal Data Protection Law:

For its smooth enforcement, we request the government to immediately establish a fundamental policy which pays attention to the substantial facts of personal data handling by entities, and to provide those entities with the information in a timely and appropriate manner.

2. With regard to the information which is to be excluded from kept personal data:

Assuming that a number of companies possess the personal data as a list with the purpose of preventing anti-social behavior and criminal acts, LIAJ would like to verify that the information should be categorized as "the information described in the draft Legislative Bill that might endanger the life of a third person, body and property, and promote and trigger illegal or wrongful behavior by its existence being revealed".

3. With regard to the method used by business enterprises to disclose personal data:

Unless there is no clear customers' will to disclose their personal data, the information should be given out verbally, not in writing.

4. With regard to a person who requests the disclosure of personal data on behalf of the customer:

As long as it is presumed that the disclosure is indispensable for business operation, the information might be disclosed to the person who acts on behalf of the customer even without request from the customer.

## 2 . Social Contribution and Improving Services for the Policyholders

### (1)Activities for Social Contribution

Considering the benefit for public, in order to further enhance the public understanding and the trust of life insurance business, the Association conducted the following projects to contribute to the society:

- \*Support activities to reinforce the Elderly Care System(Scholarship for education of care workers):
- \*Scholarship Program for foreign students in Japan.

Also, the Association's 54 local offices across the nation carry out various Community Relations(CR) activities to contribute to the communities they belong to. The activities were initiated in order to bring about better relations between life insurance industry and the community.

Main activities are as follows:

- \*Activities for donating vans equipped with nursing facilities or wheelchairs by fund-raising campaigns;
- \*Blood donation activities;
- \*Providing information on nursing care;
- \*Volunteer activities such as clean-up and beautification of the environment.

### (2)Improving Services for Policyholders' Convenience

#### Life Insurance Network Center

The life insurance companies established the common-to-industry network called "Life Insurance Network Center" or LINC. This system can reduce the amount of clerical work at a client company and enable insurers to render better services.

The main functions of the Life Insurance Network Center are as follows:

- \*Accounting settlement of corporate pension and group term policies which are jointly insured by companies;
- \*Data exchange of individual policies whose monthly premiums are collected through payrolls;
- \*Data exchange of asset-formation insurance
- \*Checking of medical life insurance
- \*Registration of licensed life insurance solicitors;
- \*Registration and providing information of contract contents to prevent moral hazard.
- \*Data distribution of national pension fund insurance
- \*Statistical reporting system
- \*Data exchange of joint Employee's Pension Fund Insurance report

### 3 . Public Relations

As life insurance business in Japan plays an important role to protect people's lives, the life insurance industry has been more conscious of its social responsibilities. The Association promotes public relations activities to reflect consumers' needs in conducting business and to help consumers fully understand life insurance.

Main activities are as follows:

#### (1)Public Relations Activities

The Life Insurance Association of Japan conducts publicity and advertising activities to enhance consumer's understanding of life insurance business.

#### (2)Round-Table Meeting on Life Insurance

In order to help consumer administrative agencies, consumer groups and the media increase their understanding of life insurance business, the Life Insurance Association of Japan has held Round-Table Meetings on life insurance. Through discussions at the meetings with consumer-related organizations, the Association strives to grasp consumers' needs, and in turn tries to reflect the results of each meeting into life insurance businesses.

#### (3)Providing Information

To promote understanding of life insurance business among consumers, the Life Insurance Association of Japan compiles "Disclosure Pamphlets--Toranomaki", which explains in brief "Disclosure Pamphlets"("Disclosure Pamphlets" are made by each life insurance company, hence, titles of which vary).

The Association also makes a box file which contains both "Disclosure Pamphlets" as well as "Disclosure Pamphlets--Toranomaki", makes it available at our local Association offices and distributes it among local consumer centers for public perusal.

#### 4. Consultation Service

##### (1) Life Insurance Consultation Center

The Life Insurance Association of Japan has for a long time been engaged in the task of providing consultation and receiving complaints from life insurance policyholders, etc. In March 1961, the Life Insurance Consultation Center, as a fair and neutral organization to respond to complaints not only from policyholders but also from their associated parties and consumers, was founded, and headed by the chairman of the Life Insurance Association of Japan.

As an organization, there are the Consultation Center located at LIAJ and fifty-three local offices, providing consultation and receiving complaints by telephone or face-to-face from 9:00 am to 5:00 pm on weekdays.

If, despite all the mediation and reconciliation efforts made at the head office, the problem should persist for more than a month after the claim being filed, the complainant may petition the Arbitration Council for a dispute settlement.

Furthermore, we provide free legal advice on life insurance by lawyers at the Consultation Center once a month in response to inquiries from policyholders, etc.

##### (2) Arbitration Council, Arbitrating Advisory Committee

In March 2001, the Consultation Center underwent structural reform and additionally founded the Arbitration Council, which functions as a part of the Alternative Dispute Resolution (ADR), with the purpose of arbitrating from a fair and neutral standpoint.

The Arbitration Council consists of five members, including lawyers, consumer life consultants, and the head of the Consultation Center located at LIAJ.

The Arbitration Council judges the appropriateness of the petition filed and decides whether it is acceptable or not, then if the case is accepted, the Council examines it in a fair and neutral manner in light of the provisions. The Arbitration Council also provides that every life insurance company should respect the reached verdict.

The Arbitrating Advisory Committee was founded with the purpose of monitoring the operation of the Arbitration Council, and its members are scholar, lawyer, doctor, representative of consumers and full-time director of LIAJ. The Arbitrating Advisory Committee is always updated with reports on the operation of the Arbitration Council, and provides advice and suggestions in order to promote the fair and smooth operation of the Consultation Center, responding to counseling and consultation from the head of the Consultation Center.

## 5. Measures Taken Against Moral Hazard

Life insurance industry is taking various countermeasures to prevent moral hazard, i.e. fraudulent claims to collect hospital benefits, intentional murder to collect life insurance proceeds, etc. for the purpose of preserving sound management.

Primary countermeasures against moral hazard are as follows:

### (1) Strengthening the Connection with the Police

In order to prevent insurance-related crime and eliminate moral hazard, liaison meetings have regularly held between the Association and the National Police Agency since June 1980. The meeting was set up in response to the concerns of the National Police Agency, with regard to the high incidents of insurance-related crimes. In addition, "Liaison Conference Between Life Insurers and Police" was established between local Association offices and police. As a result, crime prevention measures were worked out to produce effective results in each region.

### (2) Policy Data Registration

The life insurance companies may register the policy contents with the registration center of the Life Insurance Association of Japan in case where they receive claims or applications for insurance policies with a hospitalization rider. Registration is made with the consent of policyholders and insureds. Before issuing a new policy, insurance companies refer to information stored at the Association to decide whether to accept or decline the application for the new policy. The companies also take this information into account when they receive claims in deciding whether the payment should be made.

Policy data registered at the Association are 1) name, date of birth, gender and address of the insured 2) policyholder's name 3) the amount of benefit payable when death or accident occurs 4) type of hospital benefit and amount of hospital benefit per day 5) date when policy was issued 6) date when policy was reinstated 7) name of the company from which the policy was issued.

### (3) Policy Data Inquiry System

From April, 2002, LIAJ and National Mutual Insurance Federation of Agricultural Cooperatives introduced "Policy Data Inquiry System" for the information when they receive applications or claims of insurance policies. Through this system they inquire the policy contents each other.

### (4) Introduction of Assessment Data Inquiry System for Claim Payment

On June 18, 2004, aiming at further strengthening the countermeasure against possible moral hazard, LIAJ announced the introduction of "assessment data inquiry system for claim payment" beginning in January 2005, as a supplement to the policy data registration system and policy data inquiry system. This new system makes it possible for the member companies to exchange the information on their policyholders such as policy and payment status. The system is briefly described below,

\*All the member companies of LIAJ are required to participate in the system.

\*If judged necessary from the viewpoint of moral hazard, the member companies obtain the information on their policyholders, through the network center operated by LIAJ, concerning insurance policy contents, claim payment, and amount of benefit payment for using them as a reference for claim assessment.

\*If the information on the insured, such as “name, date of birth, gender and address, date when policy was issued, date when accident occurred, date of decease, date of hospitalization, and other details”, are requested by a certain member company, it would be responded by the other member companies along with additional data such as name of insured, and beneficiaries, their relationship to insured, amount of payable when death or accident occurs, content of each rider, claim and payment.

## 6. Common-to-Industry Educational System

The life insurance industry introduced a general course examination common to the industry in 1963, and further in 1965 set up a professional course in order to contribute to the higher education of agents. In 1977, a common-to-industry educational system was founded on these bases. In 1992, the system was revised drastically, and the outcome is seen in the current series of educational systems: general, professional, advanced professional, college course and variable life insurance sales qualification examination. Compilation of textbooks and examinations for each course are undertaken by the Life Insurance Association of Japan.

### (1) Education of Agents

#### General Course

From 1963, when the General Course was introduced, to 1977, only registered agents were eligible for the examination. In 1977, it was revised and passing the examination is now a prerequisite for candidates to be registered with the government as solicitors. This General Course is regarded as a rule in the life insurance industry for all life insurance companies that belong to the Life Insurance Association of Japan.

#### Professional Course

The Professional Course is for those who intend to acquire professional and related knowledge of life insurance sales in addition to basic knowledge acquired in the General Course, and to develop their basic ability to respond to clients' needs.

The Association holds qualification examinations for course participants three times a year, and grants the title of Life Consultant, LC to its successful examinees.

#### Advanced Professional Course

The Advanced Professional Course is for those who further seek practical and applicable knowledge based on the knowledge acquired in Professional Course, with the purpose of obtaining comprehensive knowledge essential for financial planning services for customers.

The Association holds qualification examinations three times a year, and grants the title of Senior Life Consultant, SLC to its successful examinees.

#### College Course

This course aims at nurturing life insurance financial planners by granting a more professional and pragmatic level of knowledge on life insurance, and other related knowledge needed for financial planning services. Those who are endorsed by the company and accredited by the Life Insurance Association of Japan, besides passing examinations, have conferred upon them the highest title in the industry: Total Life Consultant, TLC.

#### Variable Life Insurance Sales Qualification

Variable life insurance is quite different from traditional products (fixed-sum policies), as its sum insured reflects the result of fund management (except the guaranteed basic portion of death benefits). The sale of the products, therefore, requires specific knowledge on the part of solicitors. For this reason, the Association holds qualification examinations for selling variable insurance three times a year for solicitors who have passed the professional course examination and taken the specified training course. This examination is considered the same as the

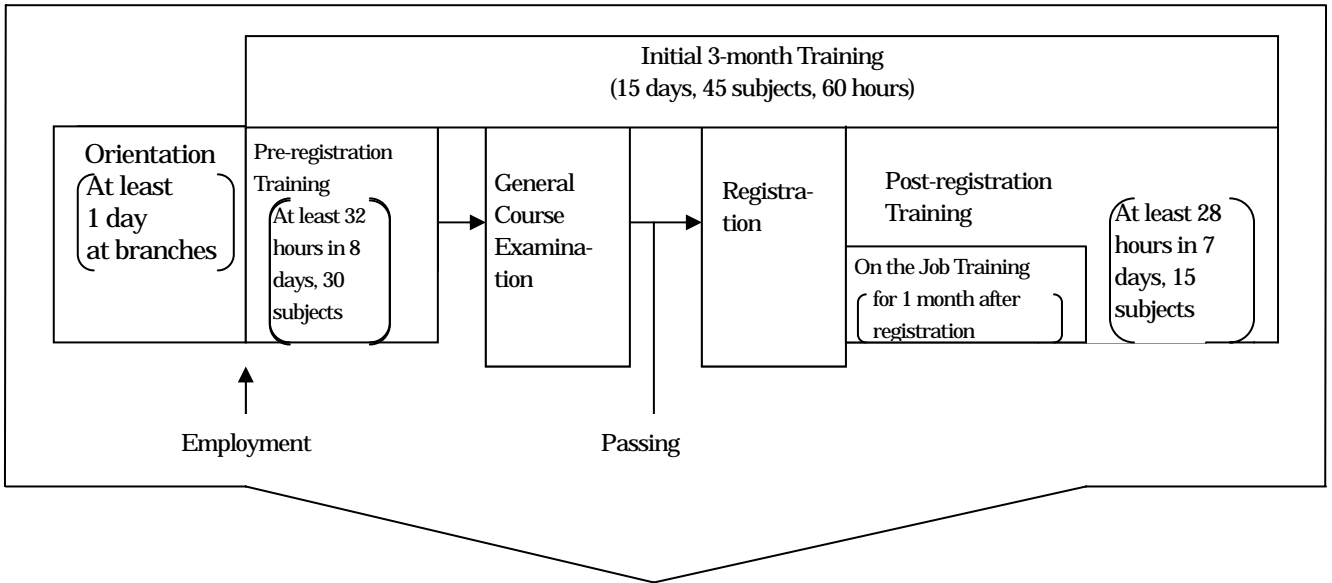
General Course, regarded as a rule in the life insurance industry. A solicitor may sell variable insurance products only after being registered at the Association as having passed this examination.

(2) Education of Clerical Employees

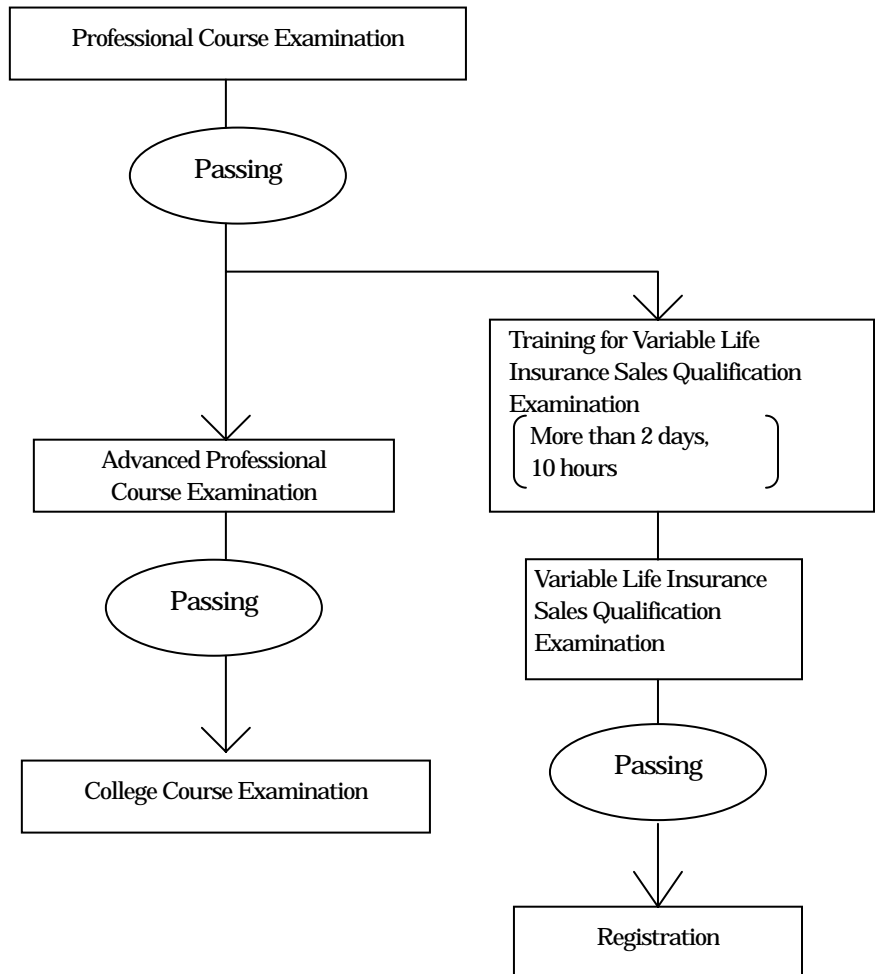
Besides solicitor education, there is a self-study course offered to clerical employees of life insurance companies. The clerical course is comprised of eight subjects, including taxation law, accounting, and risk selection relating to life insurance. The purpose of the clerical course is to have them acquire a wide range of basic knowledge of the life insurance business and to develop their ability to work in different departments of the business.

Employees are expected to study on their own with textbooks provided for the course, and to take examinations held regularly in large cities. Many life insurance companies regard the passing of these examinations as a prerequisite for promotion.

Common-to-Industry Educational System



Training for Professional Course  
(More than 2 days, 12 hours)



## 7. Internationalization

### (1) Foreign Participation

Since February 1973 when the United States-based American Life Insurance Company(ALICO) first come to Japan to participate in the market, seventeen foreign life insurance companies(with more than 50% foreign capital) have been engaged in business(as of July, 2004).

(Domestic companies with foreign participation)

AIG Edison Life AIG STAR LIFE Aoba Life AXA Group Life AXA Life  
CREDIT SUISSE LIFE Gibraltar Life Hartford Life ING Life Manulife Life  
MassMutual Life PCA Life Prudential Life

(Branch Offices of foreign companies)

ALICO Japan American Family Life CARDIF Assurance Vie Zurich Life

### (2) Liaison Business Overseas

The Association responds to inquiries and receives visits from foreign countries. The Association also carries out liaison business relating to international insurance conferences.

Recent main activities are as follows:

#### 1) Information Service Office for Foreign Companies

The Japanese life insurance industry has always endeavored to promote mutual understanding with foreign life insurers through inter-industry personnel exchanges.

In May 1982, the Government announced a policy to liberalize the secondary market as part of the efforts to eliminate trade frictions with other countries. On June 1, 1982, shortly after this announcement, the Association set up the "Information Service Office" in order to better serve the needs of potential foreign participants. The office serves as a window to provide information to foreign companies who seek to enter and operate in Japan.

#### 2) Participating in the International Conference

There are many international insurance conferences, such as EAIC, PIC. The 21<sup>st</sup> PIC(Pacific Insurance Conference) was held in Hong Kong from October 12 to 15, 2003 and around 260 attendants including about 10 from the Japanese life insurance industry participated in the Conference.

## 8. The Association (LIAJ)

The Life Insurance Association of Japan started as an incorporated association in December 7, 1908 with formal sanction by the authorities concerned. Since then, the Association has continued to make efforts for the sound development of the life insurance industry.

### (1) Purpose

To strive for the sound development of the life insurance industry and the maintenance of its reliability.

### (2) Functions

- (i) Research and study of theories and practices relating to life insurance;
- (ii) Public relations relating to life insurance;
- (iii) Statement on life insurance;
- (iv) Close contact and promotion of friendly relations among life insurers;
- (v) Other functions considered necessary to attain the purpose of the Association.

### (3) Membership

40 companies (as of July, 2004)

### (4) Main Activities

#### 1) Representing the Opinions of Life Insurance Industry

The Association mediates opinions among the life insurance industry concerning financial, economic, social welfare, tax or other problems which are occasionally related to life insurance. The Association conveys ideas and requests of the members whenever necessary to organizations in charge.

#### 2) Conducting Surveys, Research and Taking Statistics

The Association conducts studies of overseas life insurance industry or of its associated industries. The Association is further in charge of collecting and compiling life insurance materials of reference, releasing publications and English brochure, and also taking statistics on life insurance.

#### 3) Educational Activities

The Association offers education and examination systems which can be commonly applied throughout the industry to sales agents and office personnel. (Refer to page 25)

#### 4) Operating Life Insurance Network Center

In order to expand computer networks and related joint arrangements within the life insurance industry, Life Insurance Network Center (LINC, established in May 1986) operates to improve the services for policyholders, etc. (Refer to page 20)

#### 5) Social Service Activities

The Association is engaged in a variety of social service activities in order to promote the understandings of and reliance of society by widely contributing to public interests. (Refer to page 20)

#### 6) Public Relations Activities

The Association seeks to provide information to help consumers fully understand and also improve its public relations through advertisement and communication with mass media, consumer

groups and opinion leaders in various industries.(Refer to page 21)

In 1976, Japan Institute of Life Insurance (JILI), a foundational juridical person, was established as one of the information providing institutions. It aims to develop relationship between the public and life insurance industry. The Association maintains a cooperative relationship with JILI in providing life insurance-related information.

#### 7) Consulting Activities

The Association deals with inquiries and complaints concerning life insurance by telephone, mail and interviews.(Refer to page 22 )

#### 8) Measures Taken Against Moral Hazard

The Association takes a variety of measures to promote sound operation of life insurance business. (Refer to page 23)

#### 9) Others

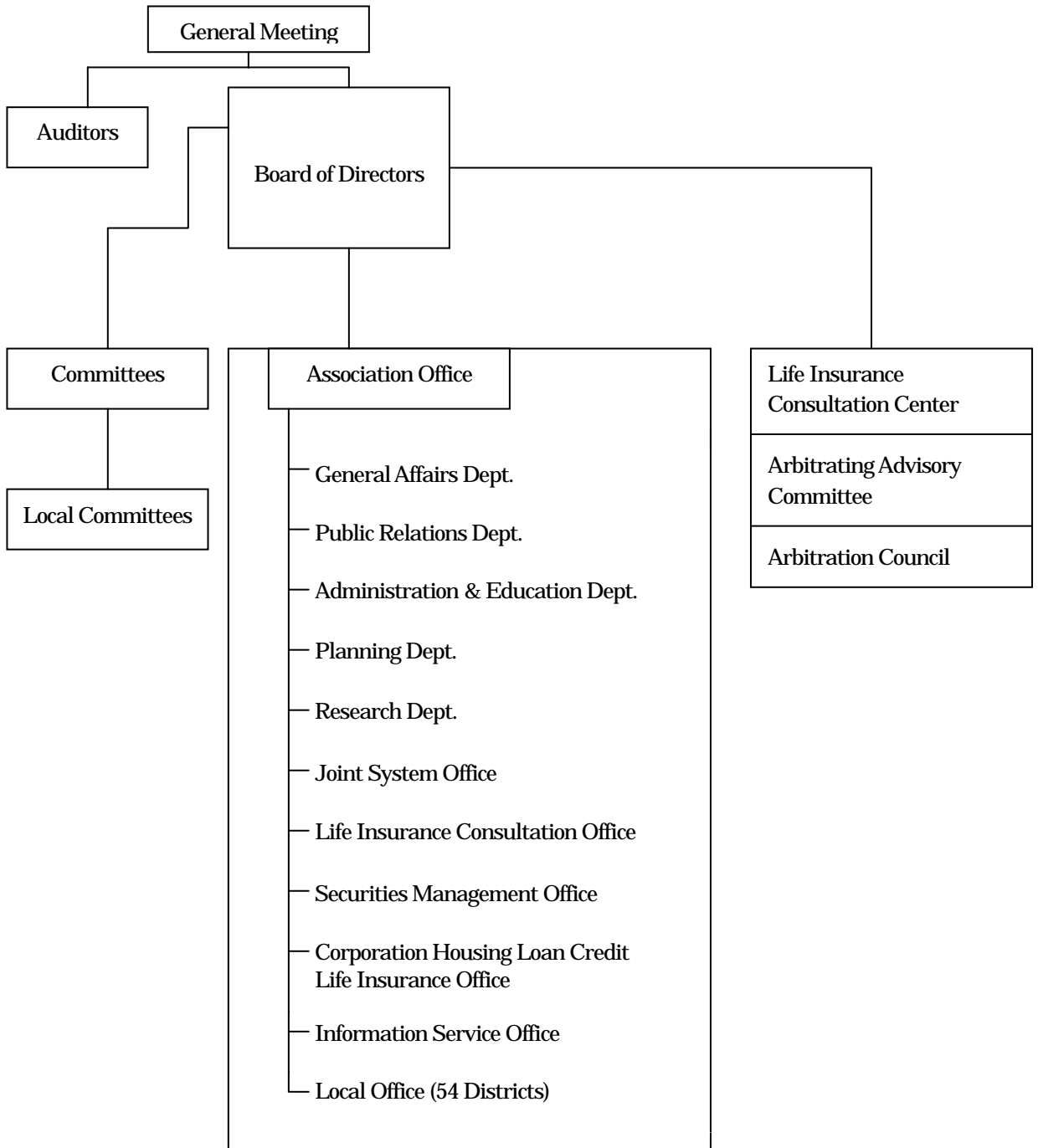
- Library

The Association has a collection of approximately 25,000 books and materials which mainly features life insurance.

## Organization Chart

The Life Insurance Association of Japan

(As of July, 2004)



Board Members (As of July 22, 2004)

Chairman

Ikuo Uno  
President  
Nippon Life Insurance Co.

Vice Chairmen

Ryotaro Kaneko  
President  
Meiji Yasuda Life Insurance Company

Masahiro Yoshiike  
Chairman  
Taiyo Life Insurance Company

Hiroshi Nishimura  
President  
Mitsui Life Insurance Company Limited

Directors

Timothy P. Schiltz  
President  
Hartford Life Insurance K.K.

Shuichi Yamamoto  
Representative for Japan  
Zurich Life Insurance Company Ltd.

Atsushi Sakauchi  
Representative for Japan  
CARDIF Assurance Vie

Katsutoshi Saito  
President  
The Dai-ichi Mutual Life Insurance Co.

Akiyoshi Kawashima  
President  
Sony Life Insurance Co., Ltd.

Yasuyuki Tayama  
President  
Sompo Japan Himawari Life Insurance Co.,  
Ltd.

Directors

Mitsuo Kawahara  
Deputy President  
CREDIT SUISSE LIFE INSURANCE CO.,  
LTD.

Hidezo Hirano  
President  
Mass Mutual Life Insurance Company

Tomofumi Akiyama  
President  
Fukoku Mutual Life Insurance Co.

Yutaka Sanmori  
President  
The Prudential Life Insurance Co., Ltd.

Toru Yamaguchi  
Managing Director  
ING Life Insurance Company, Ltd.

Tomio Miyamoto  
Representative in Japan  
American Life Insurance Company

Takashi Kasagami  
Co-President  
Aoba Life Insurance Company Limited

Yoshiya Ichinose  
President  
AXA Group Life Insurance Co., Ltd.

Yuzuru Fujita  
President  
Asahi Mutual Life Insurance Co.

Charles D. Lake II  
Representative in Japan  
American Family Life Assurance Company of  
Columbus

Directors

Hitoshi Morita  
COO & Representative Director  
PCALIFE Insurance Co., Ltd.

Shinichi Yokoyama  
President  
Sumitomo Life Insurance Co.

Auditors

Izumi Mizumori  
President  
ORIX Life Insurance Corporation

Masato Mori  
President  
YAMATO LIFE INSURANCE CO.

Geoff Crickmay  
President  
Manulife Life Insurance Company

Tokugoro Murayama  
Senior Adviser  
Representative Partner  
Chuo Aoyama Audit Corporation

Yoshimitsu Takishima  
Vice Chairman  
The Life Insurance Association of Japan

Shigeru Suwa  
Senior Managing Director  
The Life Insurance Association of Japan

Yosuke Takenouchi  
Director  
The Life Insurance Association of Japan

Member Companies

(As of July, 2004)  
(in alphabetical order)

AIG Edison Life Insurance Company  
Triton X 44 F  
1-8-10, Harumi, Chuo-ku  
Tokyo 104-6044  
<http://www.AIGedison.co.jp>

AIG STAR LIFE INSURANCE CO., LTD.  
Triton Square Z 31-33 F  
1-8-12, Harumi, Chuo-ku  
Tokyo 104-6231  
[www.aigstar-life.co.jp](http://www.aigstar-life.co.jp)

Aioi Life Insurance Company Limited  
28-1, Ebisu 1-Chome, Shibuya-ku  
Tokyo 150-0013  
<http://www.ioi-life.co.jp>

American Family Life Assurance Company  
of Columbus  
1-1, Nishishinjuku 2-Chome, Shinjuku-ku  
Tokyo 163-0456  
<http://www.aflac.co.jp/>

American Life Insurance Company  
AIG Bldg.  
1-3, Marunouchi 1-Chome, Chiyoda-ku  
Tokyo 100-0005  
[www.alico.co.jp](http://www.alico.co.jp)

Aoba Life Insurance Company Limited  
3-6-30, Aobadai, Meguro-ku  
Tokyo 153-8523  
<http://www.aoba-life.co.jp/>

Asahi Mutual Life Insurance Co.  
7-3, Nishishinjuku 1-Chome, Shinjuku-ku  
Tokyo 163-8611  
<http://www.asahi-life.co.jp/>

AXA Group Life Insurance Co., Ltd.  
2-19, Higashi 1-Chome, Shibuya-ku  
Tokyo 150-8020  
<http://www.axa.co.jp>

AXA Life Insurance Co., Ltd.  
2-19, Higashi 1-Chome, Shibuya-ku  
Tokyo 150-8020  
<http://www.axa.co.jp>

CARDIF Assurance Vie  
9 F Infoss Tower  
20-1, Sakuragaoka-cho, Shibuya-ku  
Tokyo 150-0031  
<http://www.cardif.co.jp/vie/>

CREDIT SUISSE LIFE INSURANCE CO., LTD.  
10 F Shinjuku First West  
23-7, Nishishinjuku 1-Chome, Shinjuku-ku  
Tokyo 160-8335  
<http://www.cslife.co.jp/>

Daido Life Insurance Co.  
2-1, Edobori 1-Chome, Nishi-ku  
Osaka-shi 550-0002  
<http://www.daido-life.co.jp/>

Fukoku Mutual Life Insurance Co.  
2-2, Uchisaiwaicho 2-Chome, Chiyoda-ku  
Tokyo 100-0011  
<http://www.fukoku-life.co.jp>

Hartford Life Insurance K.K.  
3 F Kamiyacho MT Building  
4-3-20, Toranomon, Minato-ku  
Tokyo 105-0001  
<http://www.hartfordlife.co.jp>

ING Life Insurance Company, Ltd.  
26 F New Ohtani Garden Court  
4-1, Kioicho, Chiyoda-ku  
Tokyo 102-0094  
<http://www.ing-life.co.jp>

Manulife Life Insurance Company  
34-1, Kokuryo-cho 4-Chome, Chofu-shi  
Tokyo 182-8621  
<http://www.manulife.co.jp>

MassMutual Life Insurance Company  
Cerulean Tower  
26-1, Sakuragaoka-cho, Shibuya-ku  
Tokyo 150-8512  
<http://www.massmutual.co.jp>

Meiji Yasuda Life Insurance Company  
9-1, Nishishinjuku 1-Chome, Shinjuku-ku  
Tokyo 169-8701  
<http://www.meijiyasuda.co.jp/>

Mitsui Life Insurance Company Limited  
2-3, Otemachi 1-Chome, Chiyoda-ku  
Tokyo 100-8123  
<http://www.mitsui-seimei.co.jp/>

Mitsui Sumitomo CitiInsurance Life Insurance  
Co., Ltd.  
4 F Kishimoto-Building  
2-1, Marunouchi 2-Chome, Chiyoda-ku  
Tokyo 100-0005  
<http://www.msiciti-life.com/>

Mitsui Sumitomo Kirameki Life Insurance  
Co., Ltd.  
3-24-4, Kandnishikicho, Chiyoda-ku  
Tokyo 101-0054  
<http://www.ms-kirameki.com/>

Nippon Life Insurance Co.  
5-12, Imabashi 3-Chome, Chuo-ku  
Osaka-shi 541-8501  
<http://www.nissay.co.jp/>

NIPPONKOA Life Insurance Company, Limited  
4-2, Tsukiji 3-Chome, Chuo-ku  
Tokyo 104-8407  
<http://www.nipponkoa.co.jp/life/>

ORIX Life Insurance Corporation  
17-5, Shinjuku 5-Chome, Shinjuku-ku  
Tokyo 160-0022  
<http://www.orix.co.jp/ins/>

PCALIFE Insurance Co., Ltd.  
ATT New Tower  
2-11-7, Akasaka, Minato-ku  
Tokyo 107-0052  
<http://www.pcalife.co.jp>

Sompo Japan DIY Life Insurance Co., Ltd.  
68-2, Nakano 5-Chome, Nakano-ku  
Tokyo 164-0001  
<http://diy.co.jp>

Sompo Japan Himawari Life Insurance Co., Ltd.  
1-1, Nishishinjuku 2-Chome, Shinjuku-ku  
Tokyo 163-0434  
<http://www.himawari-life.com>

Sony Life Insurance Co., Ltd.  
1-1, Minamiaoyama 1-Chome, Minato-ku  
Tokyo 107-8585  
<http://www.sonylife.co.jp/>

Sumitomo Life Insurance Co.  
4-35, Shiromi 1-Chome, Chuo-ku  
Osaka-shi 540-8512  
<http://www.sumitomolife.co.jp/>

The Dai-ichi Mutual Life Insurance Co.  
13-1, Yurakucho 1-Chome, Chiyoda-ku  
Tokyo 100-0006  
<http://www.dai-ichi-life.co.jp/>

The Fuji Life Insurance Company, Limited  
18-17, Minamisemba 1-Chome, Chuo-ku  
Osaka-shi 542-0081  
<http://www.fujiseimei.co.jp/>

The Gibraltar Life Insurance Co., Ltd.  
Prudential Tower  
2-13-10, Nagata-cho, Chiyoda-ku  
Tokyo 100-8953  
<http://www.gib-life.co.jp>

The Kyoei Kasai Shinrai Life Insurance  
Company, Limited  
J. CITY Bld.  
8-20, Takamatsu 5-Chome, Nerima-ku  
Tokyo 179-0075  
<http://www.kyoeikasai.co.jp/ss/top.htm>

The Prudential Life Insurance Co., Ltd.  
Prudential Tower  
2-13-10, Nagata-cho, Chiyoda-ku  
Tokyo 100-0014  
<http://www.prudential.co.jp>

Taiyo Life Insurance Company  
11-2, Nihonbashi 2-Chome, Chuo-ku  
Tokyo 103-0027  
<http://www.taiyo-seimei.co.jp/>

Tokio Marine & Nichido Financial Life  
Insurance Co., Ltd.  
Hiroo Plaza  
6-6, Hiroo 5-Chome, Shibuya-ku  
Tokyo 150-0012  
<http://www.tmn-financial.co.jp/>

Tokio Marine & Nichido Life Insurance  
Co., Ltd.  
5-3-16, Ginza, Chuo-ku  
Tokyo 104-0061  
[www.tmn-anshin.co.jp](http://www.tmn-anshin.co.jp)

T & D FINANCIAL LIFE INSURANCE  
COMPANY  
5-2, Uchisaiwaicho 1-Chome, Chiyoda-ku  
Tokyo 100-8555  
<http://www.tdf-life.co.jp>

YAMATO LIFE INSURANCE CO.  
1-7, Uchisaiwaicho 1-Chome, Chiyoda-ku  
Tokyo 100-0011  
<http://www.yamato-life.co.jp/>

Zurich Life Insurance Company Ltd.  
Shinanomachi Rengakan  
35 Shinanomachi, Shinjuku-ku  
Tokyo 160-0016  
<http://www.zurich.co.jp/life.jsp>