

5. Topics in 2003

(1) Recent movement regarding unregulated Kyosais

In Japan, the number of unregulated Kyosais has increased dramatically during the past several years. It is considered that unregulated Kyosais are not against the Insurance Business Law (IBL) even if the business is run without adequate licenses. This is because a Kyosai is not categorized as an insurance business since it writes policies with reference to only specific groups of persons, simply paying compensation. Furthermore, they are not required to comply with any laws or regulations governing their activities, nor are they subject to any regulatory supervision.

However, among the unregulated Kyosais, there certainly are suspicious cases in which a Kyosai runs the business without reference to specific groups of persons. As ignoring such activities might cause a variety of problems from the viewpoint of policyholder protection, LIAJ is currently taking the following actions.

Conduct periodical survey of substantial facts since March 2002.

In response to increasing inquiries from consumers, in June 2003 LIAJ decided to carry a Q&A section on our website (<http://www.seiho.or.jp/>) (as of 31 March, 2004, the number of visits to our website hit 26,156 (93.7 average per day).

In November 2003, as our comments on the Regulatory Reform, LIAJ submitted a request to the Council for Regulatory Reform (reorganized to the Council for Promoting Regulatory Reform) to clarify the application standard of the Insurance Business Law for unregulated Kyosais. Concurrently, the members of the Second Subcommittee of the Financial System Council raised the issue regarding the necessity of regulation of unregulated Kyosais, and the possible appropriate measure to put it into effect. As a matter of fact, the Working Group of the Second Subcommittee has been discussing the matter since April 2004. In addition, the Administrative Evaluation Bureau of the Ministry of Public Management, Home Affairs, Post and Telecommunications published the interim survey report on unregulated Kyosais on June 8, 2004.

(2) The revision of the Insurance Business Law to streamline the procedures for changing terms and conditions of a policy

Reflecting the fundamental concept of streamlining the procedures for changing terms and conditions of a policy by voluntary agreement between the insurance companies and policyholders, and in order to safeguard against problems such as negative spread and to protect policyholders, the revision of the Insurance Business Law (Article 240, clause 2-13) was approved at the Diet on July 18, issued 25 July, and brought into effect 24 August, 2003.

The detailed procedure for changing terms and conditions of a policy is as follows,

Application filed by the insurance company to change the terms and conditions (in a case where it is highly probable that the company cannot continue to run its insurance business unless the change is made)

Approval by the administrative authorities

Preparation of the draft for the change of terms and conditions by the insurance company (for a mutual insurance company, a special resolution by the representative meeting and general meeting is required, and for a stock company one by a shareholders' meeting)

Approval of the draft for the change in terms and conditions by the administrative authorities

Representations by policyholders who will be affected by the change in terms and conditions (the proposed change would be denied if more than a tenth of policyholders made objections during a designated filing period, which lasts more than one month)
Announcement of the applicable change, and notice to the policyholders

Article 36, clause 3, of the Insurance Business Law provides that the assumed interest rate could be brought down as low as 3%.
Since this law was put into effect, no application for change in the terms and conditions of a policy has been submitted from the life insurance companies as of August 2004.