

Activities and Outline of the LIAJ

A. Requesting and Representing Opinions

1. Activities Related to the International Association of Insurance Supervisors (IAIS)

Comments on *Draft Supervisory Standard on Suitable Forms of Capital*

The LIAJ submitted written comments on the “Draft Supervisory Standard on Suitable Forms of Capital” under the date of 12 March 2004 of the IAIS Solvency and Actuarial Issues Subcommittee. The outline of the comments is as follows.

a) The Treatment of Unrealized Profit and Loss (Paragraph 15)

The treatment of unrealized profit and that of unrealized loss are asymmetric and inconsistent. It is more consistent not to impose restrictions on inclusion of unrealized profit.

b) Interest Payment on the Foundation Fund (Paragraph 43)

Foundation fund, whose interest payment is strictly restricted by laws, is very similar to capital. When the supervisory authorities of each jurisdiction regulate the interest payment strictly, it is appropriate that ‘cumulative’ should be permitted in paragraph 43. Also, it is appropriate not to require prior-approval. Prior-approval should be provided as an example in paragraph 43.

Comments on *Draft Guidance Paper on Anti-Money Laundering and Combating the Financing of Terrorism*

The LIAJ submitted written comments on the draft “Guidance Paper on Anti-Money Laundering and Combating the Financing of Terrorism” under the date of 16 April 2004 of the IAIS Insurance Fraud Subcommittee. The outline of the comments is as follows.

a) Use of National Health Insurance Cards for Identification and Verification Purposes (Paragraph 51)

In Japan, a national health insurance card is delivered only to the identical person who is registered under the strict process. Therefore, it cannot be “easily obtained in any name”. It is not appropriate to exemplify a national health insurance card as a document which can be “easily obtained in any name” uniformly in any jurisdiction.

b) Risk Management Arrangements (Paragraph 82)

There is no problem that the board of directors and senior management receive reports not regularly but when a concern arises. There seems no necessity in keeping the board of directors and senior management regularly informed of all matters when there is no change in interoffice measures.

c) Record Keeping (Paragraph 86)

It is physically difficult to preserve large volume of information simply in the form of documentation. It should be clarified that other forms such as electronic media (FD, CD-R, etc.) as options to store the information are admitted.

d) Screening of Staff (Paragraph 91)

The necessity of appropriate assessment of the fit and proper requirement of key staff should be endured. However, individual human rights and privacy also should be taken into account sufficiently.

In Japan, from the viewpoint of preventive measures to protect human rights and avoid discrimination in recruiting process, the corresponding law places a certain degree of restrictions on employers when they collect the private information of their prospective employees.

Therefore, it should be ensured that each jurisdiction can introduce the measures to assess the fit and proper requirement of key employees in line with individual human rights and the legal system of the jurisdiction.

Comments on Consultation Paper on the Draft Standard on Disclosures Concerning Investment Performance and Risks for Insurers and Reinsurers

The LIAJ submitted comments on “Consultation paper on the draft standard on disclosures concerning investment performance and risks for insurers and reinsurers” under the date of 17 September 2004 of the IAIS Enhanced Disclosure Subcommittee. The comments included the ones on issues of disclosure requirements and measures.

2. Activities Related to the International Accounting Standards Board (IASB)

Comments on a Consultation Paper, *Strengthening the IASB’s deliberative processes*

The LIAJ and the American Council of Life Insurers (ACLI) jointly issued on 4 June 2004 written comments on “Strengthening the IASB’s deliberative processes” published on 24 March 2004 by the International Accounting Standards Committee (IASC) Foundation. In addition, the LIAJ submitted a separate statement on 25 June 2004, including its comments on the consultation paper. The outline of the statement is as follows.

- a) To improve the transparency of the discussions and to aid the comprehension of interested parties, we propose to open to the public the same information as given to the Board throughout the deliberation processes of the IASB.
- b) We suggest to change the deliberative processes to show on the IASB website the IASB’s position not only on the comment letters to exposure drafts or discussion papers but also on some other letters, such as a letter representing opinions of broad specialists about an issue under discussion.
- c) It is necessary to use the Working Group or existing Advisory Group more than ever.
- d) We suggest issuing discussion papers for those projects with still many issues yet to be resolved in order to collect various opinions.
- e) We believe that a big change in an approach from an exposure draft should have been re-exposed and a process to hear various opinions should have been taken.
- f) We suggest that an approval of final standards should require no less than three quarters of the IASB Board members.
- g) We believe that the IASB should give consideration to countries whose native languages are not English.

- h) The IASB needs to make efforts in harmonizing itself with various standard-setters.

Comments on *The Fair Value Option: Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement*

The LIAJ submitted on 15 July 2004 written comments on the exposure draft of “The Fair Value Option: Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement” published on 21 April 2004 by the IASB. The outline of the comments is as follows.

- a) Adoption of Fair Value Option might impair the comparability of financial statement. In addition, expanding the use of fair value for the profit/loss statement items diverts from the underlying purpose of profit and loss statement aiming at adequately displaying the business performance of a corresponding fiscal year.
- b) We agree on the direction of the proposed amendment placing some restrictions on the use of the fair value option. We are also in favour of seeking verifiability of fair value when using the fair value option.
- c) <Permitting entities to designate arbitrarily on initial recognition any financial assets or financial liabilities other than loans and receivables as one to be measured at fair value with gains and losses recognised in profit or loss> might impair the comparability of financial statements. It might also divert from the underlying purpose of profit and loss statement aiming at adequately displaying the business performance in a given fiscal year. Therefore, we oppose to this clause of the amendment.
- d) Regarding the application of the fair value option to “all” financial assets or financial liabilities that contain one or more embedded derivatives, it is desirable to strengthen the limitations.

Comments on *Actuarial Gains and Losses, Group Plans and Disclosures: Proposed Amendments to IAS 19 Employee Benefits*

The LIAJ submitted on 15 July 2004 written comments on “Actuarial Gains and Losses, Group Plans and Disclosures: Proposed Amendments to IAS 19 Employee Benefits” published on 29 April 2004 by the IASB. The outline of the comments is as follows.

- a) Current IAS 19 has certain support in practice and several countries employ similar perspectives. This proposal encompasses the risk of preventing the international efforts to converge accounting standards.
- b) We oppose to the proposal that entities recognise the actuarial gains and losses outside profit or loss and the effect of the limit on the amount of a surplus that can be recognised as an asset outside profit or loss, in statement of recognised income and expense.
- c) Recognition outside a profit or loss statement, recycling issue, and recognition within retained earnings are currently under discussion. It is thus not appropriate to stipulate amendments and handlings of such items at this stage as no conclusion has been drawn yet.

- d) The proposed requirements for disclosure and further disclosures are excessively burdensome to financial statement preparers and might result in the cost deficiency of operation.

Comments on *Combinations by Contract Alone or Involving Mutual Entities: Proposed Amendments to IFRS 3 Business Combinations*

The LIAJ submitted on 15 July 2004 written comments on the “Combinations by Contract Alone or Involving Mutual Entities: Proposed Amendments to IFRS 3 Business Combinations”, which was published by the IASB on 29 April 2004. The outline of the comments is as follows.

- a) We strongly oppose to the amendment.
- b) In the ED 3 Business Combinations, published in December, 2002, it was proposed to delay the application of IFRS 3 to business combinations involving two or more mutual entities until the IASB issued the guidance on the application of the purchase method. It is against the due process to make such a proposal in an attempt to apply IFRS 3 to business combinations, involving mutual entities, despite the guidance has not been fully developed in the subsequent discussions of the board.
- c) It would be currently impracticable and impermissible at practice level to measure fair value of insurance liability, even if it was required to apply the purchase method to such business combinations.
- d) With regard to the accounting procedure for business combinations between mutual companies, it should be considered first that thorough consideration whether the application of the purchase method to such a case would be appropriate or not. Thus, it is preferable that the former IAS 22 should continue to apply until achieving the conclusion.

Comments on *Financial Guarantee Contracts and Credit Insurance: Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts*

The LIAJ submitted comments under the date of 8 October 2004 on “Financial Guarantee Contracts and Credit Insurance: Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts” published by the IASB on 8 July 2004. The outline of the comments is as follows.

General Remarks

IASB requires entities to use the same accounting for similar financial instruments. While credit insurance is an insurance product which possesses insurance risk, a financial guarantee contract is simply a credit transaction, hence the nature of each differs widely. Therefore, it is not appropriate to comprehensively apply the same accounting to them within the scope of IAS 39.

IASB ensured that we would defer detailed reviews of general issues to discussion on Phase II and restrict the provisional change in the process of developing IFRS 4 in order to avoid causing unnecessary paperwork, change

of system, and accompanying expense for insurers. In fact, the discussion on Phase II has already started. Therefore, the accounting treatment for credit insurance should remain intact at this point and be the same as the one used for insurance contract.

Individual Issues

- a) The proposed scope is not appropriate.

We consider that there is a fundamental difference between credit insurance and financial guarantee contracts. While credit insurance is the insurance product with the function of diversifying risk, financial guarantee contract is a simple credit transaction. Specifically, the former rests on the premise that it protects the debtors as a group against risk, and the latter basically protects individual or particular debtors.

Credit insurers manage credit risk by using theory of probability or pooling individual risk within a portfolio. This risk diversification method is a characteristic of insurance business, which should be appropriately reflected in financial statements, is also one of the key issues to be discussed in Insurance Contract Phase II. Therefore, we should not determine how the credit insurance is treated in IFRS at this point.

- b) The proposal on subsequent measurement is not appropriate.

Credit insurance should be measured in the same way as other insurance contracts.

- c) The proposed effective date and transition are not appropriate.

In principle, any new proposals should not be applied retrospectively. Issues of credit insurance should be discussed in Insurance Contract Phase II.

Joint letters on *Guiding Principles: Phase II of IASB's Insurance Project*

The LIAJ jointly developed with insurance associations in the United States and Europe the "Guiding Principles: Phase II of IASB's Insurance Project," a set of guidance and principles that specify the nature of the insurance business and promote the development of sound accounting standards for the business. The outline of the joint letter, which was submitted on 11 October 2004, is as follows.

- a) The accounting standard should reflect the reality of the insurance business.
- b) The accounting standard should be consistent with or even contribute to "sound (internal) risk management and control" practices in insurers. Accordingly, they should provide a neutral, prudent, relevant and reliable framework for the generation of high quality accounting information.
- c) The accounting standard should facilitate market discipline by promoting transparent financial reporting of insurers' financial position and performance, as well as its risk management activities. In this context, accounting volatility should be avoided.
- d) The accounting standard should not only have a sound theoretical foundation, but also be workable in practice.
- e) The accounting standard should not be overly complex. Understandability and the ability to audit are essential.

- f) The accounting standard should generate consistent measurements of similar or related items.
- g) The accounting standard should be sufficiently precise to ensure consistent application.
- h) Disclosures should be sufficiently comprehensive and meaningful for an assessment of an insurer's financial position and performance, as well as risk management activities.

Comments on *ED 7 Financial Instruments: Disclosures*

The LIAJ submitted on 22 October 2004 written comments on "ED 7 Financial Instruments: Disclosures," which proposed improvement in disclosures of financial instruments in financial statements, published on 22 July 2004 by the IASB. The outline of the comments is as follows.

- a) Regarding the disclosure of the fair value of collateral and other credit enhancements, the LIAJ is opposed to the proposed requirement for disclosure of the fair value of collateral and other credit enhancements.
- b) The LIAJ is opposed to the proposed disclosure of a sensitivity analysis.
- c) Regarding the capital disclosures, the proposal is not applicable to a financial institution under supervision by regulatory authorities.
- d) The LIAJ is opposed to disclosing risks arising from financial instrument as a part of financial statements.
- e) Regarding the consequential amendments to IFRS 4, the LIAJ is opposed to amending risk disclosure requirements in IFRS 4.
- f) Regarding the Implementation Guidance, it is a concern that the part of the examples illustrated in the Implementation Guidance might cause misunderstanding for users, if disclosed, therefore it is not appropriate to do so.

Comments on *Amendments to IAS 39 and IFRS 4: Financial Guarantee Contracts and Credit Insurance*

The LIAJ and the German insurance association, GDV, jointly submitted on 2 November 2004 opinions on the exposure draft "Amendments to IAS 39 and IFRS 4: Financial Guarantee Contracts and Credit Insurance." The outline of the comments is as follows.

- a) It is important to understand that credit insurance contracts and financial guarantees are two different issues. Whereas financial guarantees are financial instruments, credit insurance contracts are insurance contracts meeting the definition of an insurance contract in IFRS 4. It is not consistent for credit insurance contracts to be within the scope of IAS 39.
- b) One cannot develop a single set of high quality and understandable accounting standards on the one hand, and, on the other hand, require contracts to be outside the scope of a standard although the standard covers all types of those contracts.

- c) IFRS 4 as the resulting Standard of Phase I introduces just limited changes and we welcome this approach. However, IASB intends to exclude credit insurance contracts from this approach. It is IASB's idea to introduce major changes to the accounting of credit insurance contracts. The consequence is that contracts with identical characteristics, i.e. credit insurance contracts and all other insurance contracts, are treated in different ways. From our perspective, an approach distinguishing between credit insurance contracts and all other contracts is arbitrary and useless. We will return to this point.

Comments on IASC Foundation's Consultation Paper, *Proposals for Change: Review of the Constitution*

The LIAJ submitted on 23 February 2005 comments on "Proposals for Change: Review of the Constitution," the consultation paper published on 23 November 2004 on IASC Foundation's review of the constitution. The outline of comments is as follows.

a) The Oversight Role of the Trustees

The constitution should clearly provide that the Trustees have the power to require the IASB to start again from the beginning if inappropriate deliberative process and due process are found in the standard-setting process on the IASB review of the compliance of such processes.

b) The Composition of the IASB

To secure the diversity in the background of the Board members, specific upper limits should be set for specific elements (e.g. the proportion of the people from a particular country should be limited to a certain percentage, 25% for instance).

c) The Appropriateness of the IASB's Existing Formal Liaison Relationships

As an effort to get international accounting standards accepted in the capital markets around the world, at least, those board members who are responsible for liaising with standard setters in the main capital markets of the world, e.g. Japan, U.S., Europe and Canada, should be stipulated.

d) Consultative Arrangements of the IASB

Non-mandatory procedures of the IASB, including public hearings and on-site verification, should be, in first place, mandatory procedures, in terms of ensuring both validity and efficacy in practice and transparency in deliberation processes. The Sunset Review should be conducted by parties other than direct participants to the project under review to improve the efficacy.

e) Voting Procedures of the IASB

As in the IASC deliberation process, any final standard should require the approval of no less than three quarters of the IASB Board members in order to be adopted.

f) Others

When developing standards, public interest and understandability and enforceability of accounting standards should have priority to the Conceptual Framework.

3. Comments on the draft on “Revision of Funding Rules of Policy Reserve Relating to Variable Annuities, Etc.” by the Cabinet Office

The Financial Services Agency issued a draft on “Revision of Funding Rules of Policy Reserve Relating to Variable Annuities, Etc.” for public comments on 10 August 2004. While policyholders are to assume investment risks for particular products including variable annuities, the minimum amount equivalent to the premiums paid is generally guaranteed upon the death of the insured or the inception of the annuity payment. For such reasons, the revision of Cabinet Office rules and notices related to these products was drafted to lay down the rules to allow proper funding of policy reserves taking into account the minimum guarantee risks of products owned. Following the publication of the draft, the LIAJ submitted the comments outlined below to the Financial Services Agency.

- a) It is required for the life insurance business to manage risks properly through such activities as funding of enough policy reserves that correspond to the level of risks, as the coverage is for a long time.
- b) In recent years, risks associated with underwriting, which are assumed by insurance companies, are expanding as companies have been developing and providing new types of products in response to the diversification of customer needs. It is very important to lay down proper rules about risk management for such products in an effort to secure the soundness of insurance companies and to develop customer confidence.
- c) Under such circumstances, rules have been introduced or are being considered in several countries, as insurers assume the minimum guarantee risk or, in other words, they are required to bear the shortfall in guaranteed minimum caused by a deterioration in investment environment.
- d) Thus, we believe that it is very meaningful for the life insurance business to keep developing an environment that contributes to the protection of policyholders and to stable profits by ensuring the sound operation of insurance companies.
- e) We request your continuous review on the operating environment of life insurance companies for sound development of the business.

4. Postal Privatization Related Activities

On 10 September 2004, the Council on Economic and Fiscal Policy finalized the “Basic Policy on the Privatization of the Japan Post,” and the policy was approved at the special cabinet meeting on the same day. Further, a promotion headquarters headed by the prime minister was set up to carry forward the postal privatization efforts, including the preparation of related bills and presentation thereof to the Diet.

On the same day, the Chairman of the LIAJ issued a statement on the Basic Policy, the outline of which is as follows.

Concerning the Basic Policy, we have the following five requests as it still contains several points of concern that may prevent a level playing field from being achieved.

- a) Upon privatization of Japan Post in 2007, not only should the governmental guarantees be abolished and the same tax obligations be imposed as private life insurance companies, but also the insurance business of the privatized company should be completely governed by the Insurance Business Law and placed under the oversight of the Financial Services Agency.
- b) The privatized company should be completely separated and independent from the government, not taking the form of a government-linked special corporation or a holding company.
- c) The profit/loss resulting from the accounts of Japan Post after the termination of its operation should not be mixed with that of the privatized company; instead, it should be allotted to existing policyholders. Further, the new company should maintain the client information accumulated by the pre-privatized governmental organization with considerable stringency and take preventive measures against the use of such information in soliciting new contracts.
- d) The governmental involvement in the postal insurance business including government funding, which is in substance a government guarantee, should be dissolved at an early stage.
- e) Until a level playing field is fully achieved and during the preparatory period up to the initiation of the privatization in 2007, the line of postal insurance products should not be expanded and the maximum amount of insurance benefits allowed for a policyholder should be lowered rather than being maintained.

In addition, the LIAJ together with eight other private-sector financial organizations placed on 28 February 2005 a joint advocacy ad in five major national newspapers, requesting an equal footing of the privatized postal company.

On 4 April 2005, the government decided the outline of six postal privatization related bills. On 27 April 2005, the six bills were approved at the fourth meeting of the promotion headquarters, decided at a special cabinet meeting on the same day, and submitted to the ordinary diet session for deliberation. The outline of the bills is as follows.

a) Location of Post Offices (Consideration for Resident Accessibility)

- (1) The placement of Post Offices to universally render services for the people will be legally obliged. (Specific criteria will be provided in a ministerial ordinance.)
- (2) The current level of the post office network will be retained for under-populated areas.

b) Consideration for Unified Operations

- (1) Form of organizations
 - (a) The postal savings company and the postal life insurance company will be operated as general companies under the commercial laws, not as government-linked special corporations. Their shares will be disposed of in phases.
 - (b) In essence, all of their shares will be disposed of before the privatization is completed.

(2) Cross-shareholdings

- (a) After the transitional period for the privatization, postal units will be allowed to cross-hold their shares based on their business judgments as other private financial institutions, taking their characteristics as government-linked special corporations into account.
- (b) During the transitional period, unified operation of the postal units will be secured by legally obliging agency contracts between the over-the-counter services network unit and other units and by the holding shares of the postal savings company and postal insurance company by the holding company.

(3) Universal postal savings and postal insurance services

- (a) When deemed licenses are issued to the postal savings bank and postal insurance company, these companies will be obliged to maintain solid agency agreements until they become independent.
- (b) The over-the-counter services network unit and the postal services unit will develop a “regional contribution business plan” and “social contribution business plan.” It will be legally obliged that the network unit respect the opinions of local intellectuals in the process. Part of the gain on sales of shares of the postal savings company and the postal insurance company and dividend income will be appropriated to a “regional social contribution fund” created within the holding company.

c) Degree of Operational Freedom during the Transitional Period

In the beginning of the transitional period, the extent is the same as the public corporation. It will increase in phases until the companies can finally operate as private-sector companies.

d) Response to System Risk

Systems will be prepared for the new operational structure by April 2007. In preparation for potential system risk, a risk correspondence scheme will be set up, whose introduction can be put off by up to six months (up to October 2007) as necessary.

e) Official Certificate

For special mail-delivery services of the current Japan Post, including the delivery of content-certified mails, new official certificates will be required after the privatization in order to ensure the confidence of customers.

f) Defense Measures against Hostile Takeover

Defense measures will be taken against hostile takeover by utilizing the stipulations in the common business laws (i.e. the privatized companies will issue class shares with the provision of forcible conversion of such shares into shares without voting rights).

g) Taxation

Necessary measures will be taken to ensure a smooth transition to the new entities.

5. Regulatory Reform Related Activities

During the 2004 business year, two administrative bodies were set up to promote regulatory reform in Japan. One is the Council for the promotion of regulatory reform and opening to the public-private partnership (the Council) and the other is the Office for the promotion of regulatory reform and opening to the public-private partnership (the Office). The Council was established under the Cabinet Office on 1 April 2004 at the request of the prime minister, and consists of 13 experts from the private sector and the Office was established under the Cabinet on 25 May 2004. The promotion of regulatory reform and opening to the public-private partnership by the government has thus been commended to the two organizations.

Representing the life insurance industry, the LIAJ has submitted requests for the regulatory reform to the Council and to Japan Business Federation.

Our main requests for the 2004 business year are as follows.

- a) The ban on fiduciary services and related clerical services commissioned by insurance companies to be lifted.
- b) The ban on the conclusion of contracts by life insurance companies to upkeep the deposit upon issuance of advance payment type certificates to be lifted.
- c) The ban on financial advisory services by subsidiaries of insurance companies for real estate investment to be lifted.
- d) The Income Dependency Regulation regarding subordinate business carried out by subsidiaries of insurance companies to be relaxed.
- e) Special accounts to be secured upon bankruptcy of insurance companies.
- f) Rules for policyholder protection related to the operations of mutual aid association (Kyosai) to be established.

- Item b), "The ban on the conclusion of contracts by life insurance companies to upkeep the deposit upon issuance of advanced payment type certificates to be lifted," was approved on 10 September 2004 for reflection in the Three-Year Program for Promoting Regulatory Reform and Privatization, and the implementation was ensured.
- Japan Business Federation published on 16 November 2004 its requests on the regulatory reform for the 2004 business year. The requests include five of the six items above (except Item b), which had been enacted by then).
- The Three-Year Program for Promoting Regulatory Reform and Privatization was decided on 25 March 2005 at a cabinet meeting. Four of the six requests above (except Item b) and item e), which had been enacted by then) have been included in the Program.
- The requested item d), "The Income Dependency Regulation regarding subordinate business carried out by subsidiaries of insurance companies to be relaxed," and item e), "Special accounts to be secured upon bankruptcy of insurance companies," have been reflected in the revised Insurance Business Law published on 22 April 2005.

6. Tax Reform Related Activities

As Japan transforms into a rapidly aging society, the combined use of the public social security system and private coverage such as life insurance and individual annuity by people's voluntary self-help efforts has been indispensable in order to realize a vibrant welfare society for the aging population.

To promote a favourable tax system for life insurance and individual annuities, which can efficiently cover various types of insurance needs including "the bereaved," "medical," "nursing care," and "retirement" coverage through the mechanism of mutual aid, and to encourage such efforts of the people, the LIAJ submitted on 17 September 2004 to the related parties a paper containing the following requests concerning tax law changes for the 2004 business year. The substantial issues addressed are:

- Increase in the tax-deductible limit for life insurance premium payments to ¥100,000 for individual income tax;
- Increase in the tax-deductible limit for individual annuity premium payments to ¥100,000 for individual income tax; and
- Addition of the sum of (¥5,000,000 of death benefit received by the spouse) plus (¥5,000,000 of the death benefit received by a dependent legal heir underage) x (the number of such dependent heirs) to the existing exemption limit for inheritance tax applicable to sums payable at death under insurance contracts.

Moreover, as an effort to realize those requests, the LIAJ, in collaboration with the National Federation of Life Insurance Workers' Unions of Japan, carried out a one-month questionnaire survey on the internet from 26 July through 27 August 2004.

The tax-deductible limit for premiums was left unchanged for the 2005 business year.

B. Social Contribution and Improving Services for the Policyholders

1. Activities for Social Contribution

Through the concerted efforts to enhance the public understanding and the trust of life insurance business and to achieve the public benefit, the Association conducts the following projects to contribute to the society and each community:

- a) Support activities to reinforce the Elderly Care System for those who in need of nursing care (through Scholarship program for education of care workers)
- b) Scholarship Program for privately-funded foreign students in Japan
- c) Child-rearing support to provide financial aid for non-profitable institutions or groups which support those who are raising preschooler(s) in the community (including expectant mothers)

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

Its main activities are as follows:

- a) Activities for donating wheelchairs or vans equipped with nursing equipment through fund-raising campaigns
- b) Blood donation activities
- c) 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 burden of clerical work at a client company and enable insurers to render more efficient services.

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

- a) Accounting settlement of corporate pension and group term policies which are jointly insured by companies
- b) Data exchange of individual policies whose monthly premiums are collected through payrolls
- c) Data exchange of asset-formation insurance
- d) Checking of medical life insurance
- e) Registration of licensed life insurance solicitors
- f) Registration and providing information of contract contents to prevent moral hazard
- g) Data distribution of national pension fund insurance
- h) Data collection system regarding life insurance business statistics
- i) Data exchange of joint Employee's Pension Fund Insurance report
- j) Data inquiry system for assessing insurance claims (started operating in January 2005)

C. Public Relations

As life insurance business in Japan has been playing increasingly an important role to protect people's lives, the life insurance industry has been more and more conscious of its social responsibilities. The Association promotes public relations activities in a bid to reflect consumers' needs in its conduct of business and to help consumers have a correct idea of life insurance business.

The main pillars of its activities are as follows:

1. Public Relations Activities

The Life Insurance Association of Japan conducts various publicity and advertising activities including on-line information update on its website to enhance consumer's understanding of life insurance business (<http://www.seiho.or.jp/>).

2. Round-Table Meetings on Life Insurance

In order to secure a sound understanding of life insurance business among consumer administrative agencies and consumer groups as well as the media, the Life Insurance Association of Japan holds the Round-Table Meetings on Life Insurance with those parties nationwide. Through discussions at such meetings with consumer-related organizations, the Association strives to grasp consumers' needs, seeking a way to better reflect the outcome of these meetings in the life insurance business.

3. Providing Information

To promote understanding of life insurance business among consumers, the Life Insurance Association of Japan compiled a "Disclosure Pamphlet", also called "Toranomaki" (- Tiger's manual - a word derived from a title of ancient Chinese books about tactics, which now means a "useful manual" in Japanese). It intends to explain to customers concisely and clearly about the disclosure pamphlets which are published independently by each life insurance company under different names.

The Association prepared a box file containing each copy of disclosure pamphlets of all member companies as well as the "Disclosure Pamphlets - Toranomaki". The whole set of copies in the box file are available for reading at the Life Insurance Consultation Center and at our Association's local offices. The pamphlets are also distributed to local consumer centers for public perusal.

D. 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 Consultation Centers located at the LIAJ and fifty-three local offices, providing consultation and receiving complaints by telephone or face-to-face from 9:00 a.m. to 5:00 p.m. 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 and Arbitrating Advisory Committee

In March 2001, the Consultation Center underwent structural reform and additionally founded the Arbitration Council, which functions as 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 the 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 the LIAJ.

The Arbitrating Advisory Committee is continuously updated with reports on the operation of the Arbitration Council. It 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.

E. Measures Taken Against Moral Hazard

For the purpose of preserving sound management of life insurance business, 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.

Primary countermeasures against moral hazard are as follows:

1. Strengthening the Cooperation with the Police

In order to prevent insurance-related crimes and eliminate moral hazard, liaison meetings have been regularly held between the Association and the National Police Agency since June 1980. The meeting was arranged in response to the concerns of the National Police Agency, with regard to the high incidents of insurance-related crimes. In addition, the "Liaison Conference between Life Insurers and Police" was established between local Association offices and police. As a result, crime prevention measures came to work out proving effectiveness in each area.

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 or death benefit. Before issuing a new policy, insurance companies refer to data 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.

3. Policy Data Inquiry System

From April 2002, the LIAJ and National Mutual Insurance Federation of Agricultural Cooperatives introduced a "Policy Data Inquiry System" to store the information to be used when they received applications or claims for insurance policies. Through this system they inquire the policy contents reciprocally.

4. Introduction of Assessment Data Inquiry System for Claim Payment

From January 2005, aiming at further strengthening the countermeasure against possible moral hazard, the LIAJ created and started operating a data inquiry system for assessing insurance claims as a complement 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:

- a) This system involves all the member companies of the LIAJ as well as National Mutual Insurance Federation of Agricultural Cooperatives (Zenkyoren), National Federation of Workers and Consumers Insurance Cooperatives (Zenrosai) and Japanese Consumers' Co-operative Union (Nihon Seikyoren or JCCU).
- b) If judged necessary from the viewpoint of moral hazard prevention, the member companies obtain the information on their policyholders, through the network center operated by the LIAJ, concerning insurance policy contents, claim payment, and the amount of benefit payment as a reference for claim assessment.

F. Common-to-Industry Educational System

The life insurance industry introduced a general course examination common to the industry in 1963, and 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 examinations. Compilation of textbooks and examinations for each course are undertaken by the Life Insurance Association of Japan.

1. Education of Agents

a) 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.

b) Professional Course

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

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

c) 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.

d) 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.

e) Variable Life Insurance Sales Qualification

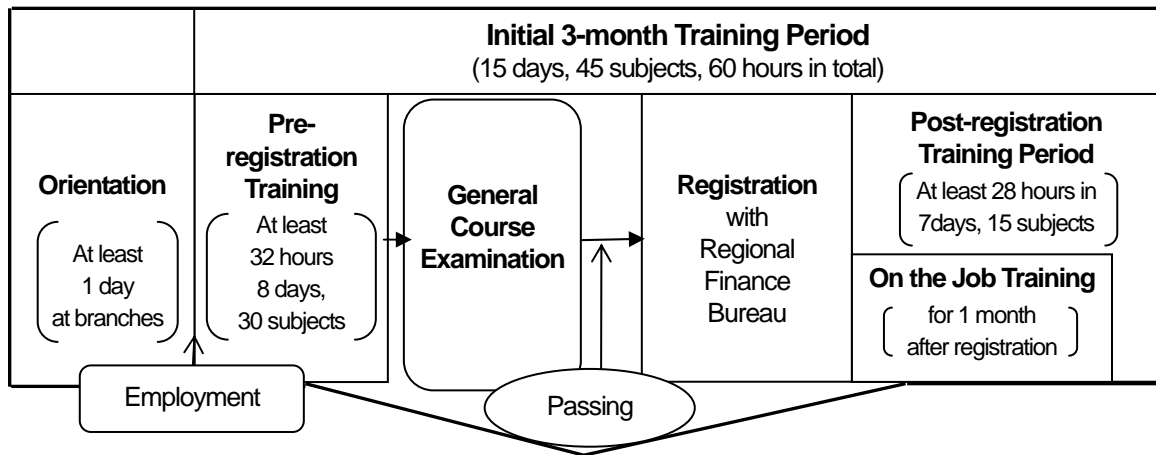
Variable life insurance is quite different from traditional products (fixed-sum policies), as its sum insured reflects the result of fund management (except the guaranteed basic portion of death benefits). The sale of the products, therefore, requires specific knowledge on the part of solicitors. For 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.

f) Education of Clerical Employees

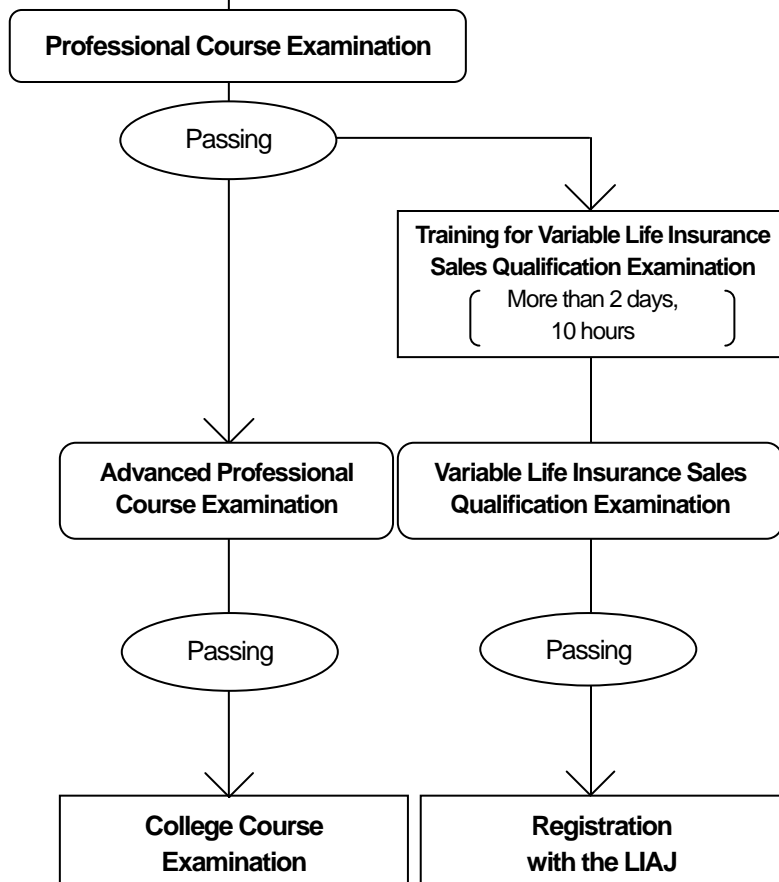
Besides solicitor education, there is a self-tutorial course offered to clerical employees of life insurance companies. The clerical course is comprised of eight subjects, including taxation law, accounting, and risk selection relating to life insurance. The purpose of the clerical course is to have 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)



G. Internationalization

1. Foreign Participation

Since February 1973 when the US-based American Life Insurance Company (ALICO) first come to Japan to participate in the market, a number of foreign life insurance companies (with more than 50% foreign capital) have engaged in life insurance business in Japan. As of 1 October 2005, the LIAJ has fifteen foreign member companies operating in Japan, as shown in the table below in two categories, in alphabetical order respectively.

Domestic Companies with Foreign Participation			Branch Offices of Foreign Companies
AIG Edison Life	Gibraltar Life	MassMutual Life	ALICO Japan
AIG STAR LIFE	Hartford Life	PCA Life	American Family Life
AXA Life	ING Life	Prudential Life	CARDIF Assurance Vie
CREDIT SUISSE LIFE	Manulife Life		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:

a) 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 1 June 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 Japanese market.

b) Participating in the International Conference

There are many international insurance conferences, such as EAIC, PIC. The 22nd EAIC (East Asian Insurance Congress) was held in Bangkok, Thailand from 20 through 25 November 2004 and around 1,200 attendants including about 120 from the Japanese insurance industry participated in the Congress.

H. The Association (LIAJ)

The Life Insurance Association of Japan started as an incorporated association with formal sanction by the authorities concerned in 7 December 1908. 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

- a) Research and study of theories and practices relating to life insurance
- b) Public relations relating to life insurance
- c) Statement on life insurance
- d) Close contact and promotion of friendly relations among life insurers
- e) Other functions considered necessary to attain the purpose of the Association

3. Membership

38 companies (as of 1 October 2005)

4. Main Activities

a) 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.

b) 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.

c) 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 26-28)

d) 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 22)

e) 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 22)

f) 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 23)

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.

g) Consulting Activities

The Association deals with inquiries and complaints concerning life insurance by telephone, mail and interviews. (Refer to page 24)

h) Measures Taken Against Moral Hazard

The Association takes a variety of measures to promote sound operation of life insurance business. (Refer to page 25)

i) Others

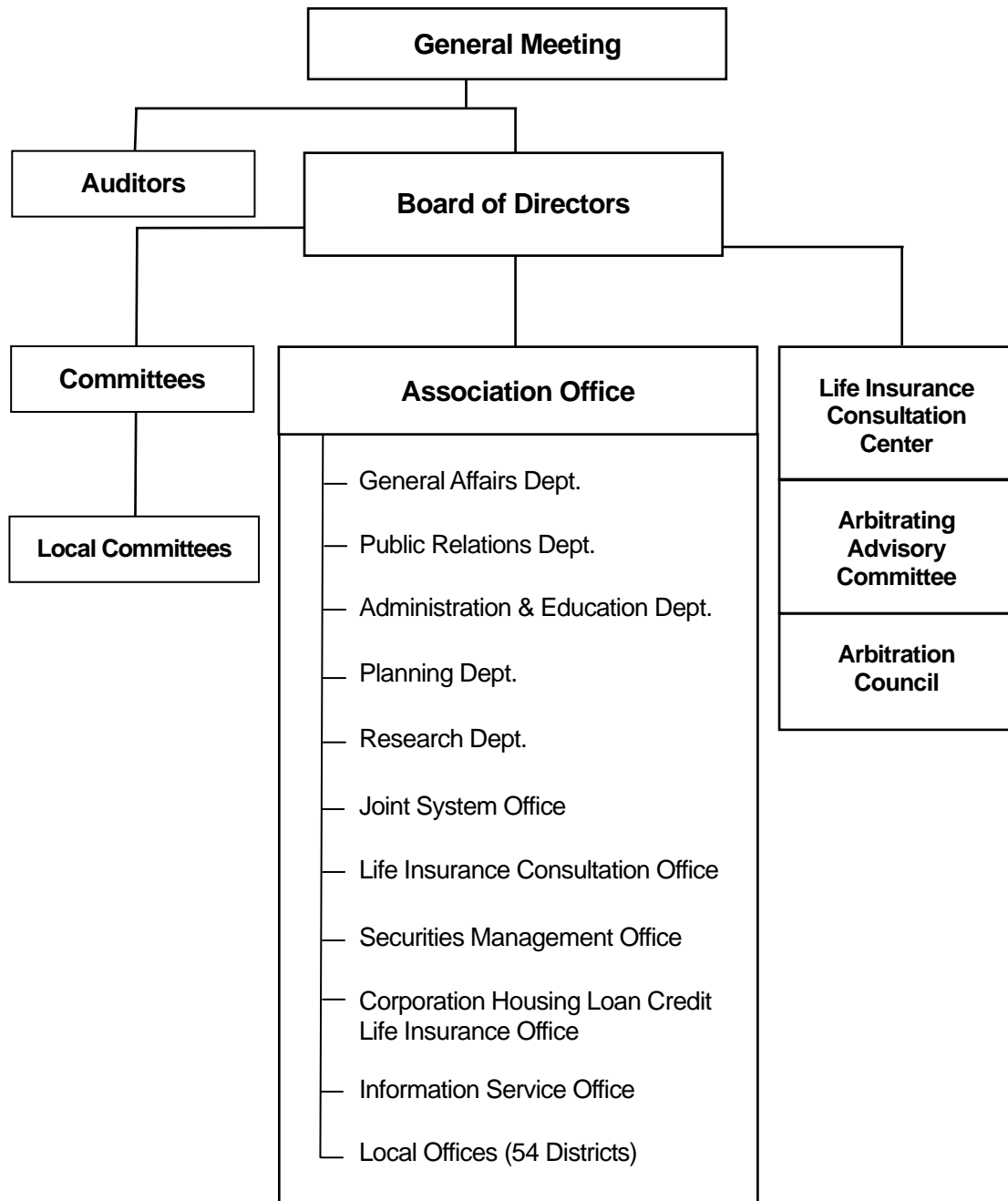
Library

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

Organization Chart

(As of September 2005)

The Life Insurance Association of Japan



LIAJ Board Members

(As of 16 September 2005)

Chairman

Shinichi Yokoyama President, Sumitomo Life Insurance Co.

Vice Chairmen

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

Tomofumi Akiyama President, Fukoku Mutual Life Insurance Co.

Haruo Kuramochi President, Daido Life Insurance Co.

Directors

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

Kunie Okamoto President, Nippon Life Insurance Co.

Sukeaki Ohta President, Tokio Marine & Nichido Life Insurance Co., Ltd.

Akiyoshi Kawashima President, Sony Life Insurance Co., Ltd.

Izumi Mizumori President, ORIX Life Insurance Corporation

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

Takeo Nakazono President, YAMATO LIFE INSURANCE CO.

Geoff Crickmay President, Manulife Life Insurance Company

Hidezo Hirano President, MassMutual Life Insurance Company

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

Kazunori Kataoka President, AIG Edison Life Insurance Company

Toru Yamaguchi Executive Vice President, ING Life Insurance Company, Ltd.

Philippe Donnet President, AXA 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

Hiroshi Nishimura President, Mitsui Life Insurance Company Limited

Auditors

Shuichi Yamamoto Representative for Japan, Zurich Life Insurance Company Ltd.

Atsushi Sakauchi Representative for Japan, CARDIF Assurance Vie

Hitoshi Morita President & CEO, PCA LIFE Insurance Co., Ltd.

Tokugoro Murayama Certified Public Accountant

Yoshimitsu Takishima Vice Chairman, The Life Insurance Association of Japan

Tadao Nishioka 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

LIAJ Member Companies

(As of 1 October 2005, in alphabetical order)

AIG Edison Life Insurance Company	http://www.AIGedison.co.jp/
Triton X 44 F, 1-8-10, Harumi, Chuo-ku, Tokyo 104-6044	
AIG STAR LIFE INSURANCE CO., LTD.	http://www.aigstar-life.co.jp/
Triton Square Z 31-33 F, 1-8-12, Harumi, Chuo-ku, Tokyo 104-6231	
Aioi Life Insurance Co., Ltd.	http://www.ioi-life.co.jp/
28-1, Ebisu 1-Chome, Shibuya-ku, Tokyo 150-0013	
American Family Life Assurance Company of Columbus	http://www.aflac.co.jp/
1-1, Nishishinjuku 2-Chome, Shinjuku-ku, Tokyo 163-0456	
American Life Insurance Company	http://www.alico.co.jp/
AIG Bldg. 1-3, Marunouchi 1-Chome, Chiyoda-ku, Tokyo 100-0005	
Asahi Mutual Life Insurance Co.	http://www.asahi-life.co.jp/
6-1, Ote-machi 2-Chome, Chiyoda-ku, Tokyo 100-8103	
AXA Life Insurance Co., Ltd.	http://www.axa.co.jp/
2-19, Higashi 1-Chome, Shibuya-ku, Tokyo 150-8020	
CARDIF Assurance Vie	http://www.cardif.co.jp/vie/
9 F Infoss Tower, 20-1, Sakuragaoka-cho, Shibuya-ku, Tokyo 150-0031	
CREDIT SUISSE LIFE INSURANCE CO., LTD.	http://www.cslife.co.jp/
10 F Shinjuku First West, 23-7, Nishishinjuku 1-Chome, Shinjuku-ku, Tokyo 160-8335	
Daido Life Insurance Co.	http://www.daido-life.co.jp/
2-1, Edobori 1-Chome, Nishi-ku, Osaka-shi 550-0002	
Fukoku Mutual Life Insurance Co.	http://www.fukoku-life.co.jp/
2-2, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-0011	
Hartford Life Insurance K.K.	http://www.hartfordlife.co.jp/
3 F Kamiyacho MT Building, 4-3-20, Toranomon, Minato-ku, Tokyo 105-0001	
ING Life Insurance Company, Ltd.	http://www.ing-life.co.jp/
26 F New Ohtani Garden Court 4-1, Kioicho, Chiyoda-ku, Tokyo 102-0094	
Manulife Life Insurance Company	http://www.manulife.co.jp/
34-1, Kokuryo-cho 4-Chome, Chofu-shi, Tokyo 182-8621	
MassMutual Life Insurance Company	http://www.massmutual.co.jp/
Cerulean Tower, 26-1, Sakuragaoka-cho, Shibuya-ku, Tokyo 150-8512	
Meiji Yasuda Life Insurance Company	http://www.meijiyasuda.co.jp/
1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-0005	
Mitsui Life Insurance Company Limited	http://www.mitsui-seimei.co.jp/
2-3, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8123	
Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.	http://www.ms-kirameki.com/
3-24-4, Kandanshikicho, Chiyoda-ku, Tokyo 101-0054	
Mitsui Sumitomo MetLife Insurance Co., Ltd.	http://www.msi-metlife.com/
4 F Kishimoto-Building, 2-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-0005	

Nippon Life Insurance Co.	http://www.nissay.co.jp/
5-12, Imabashi 3-Chome, Chuo-ku, Osaka-shi 541-8501	
NIPPONKOA Life Insurance Company, Limited	http://www.nipponkoa.co.jp/life/
4-2, Tsukiji 3-Chome, Chuo-ku, Tokyo 104-8407	
ORIX Life Insurance Corporation	http://www.orix.co.jp/ins/
23F Shinjuku Monolith, 2-3-1, Nishishinjuku, Shinjuku-ku, Tokyo 163-0923	
PCA LIFE Insurance Co., Ltd.	http://www.pcalife.co.jp/
10F ATT New Tower, 2-11-7, Akasaka, Minato-ku, Tokyo 107-0052	
Sompo Japan DIY Life Insurance Co., Ltd.	http://diy.co.jp/
68-2, Nakano 5-Chome, Nakano-ku, Tokyo 164-0001	
Sompo Japan Himawari Life Insurance Co., Ltd.	http://www.himawari-life.com/
1-1, Nishishinjuku 2-Chome, Shinjuku-ku, Tokyo 163-0435	
Sony Life Insurance Co., Ltd.	http://www.sonylife.co.jp/
1-1, Minamiaoyama 1-Chome, Minato-ku, Tokyo 107-8585	
Sumitomo Life Insurance Co.	http://www.sumitomolife.co.jp/
4-35, Shiromi 1-Chome, Chuo-ku, Osaka-shi 540-8512	
The Dai-ichi Mutual Life Insurance Co.	http://www.dai-ichi-life.co.jp/
13-1, Yurakucho 1-Chome, Chiyoda-ku, Tokyo 100-0006	
The Fuji Life Insurance Company, Limited	http://www.fujiseimei.co.jp/
18-17, Minamisemba 1-Chome, Chuo-ku, Osaka-shi 542-0081	
The Gibraltar Life Insurance Co., Ltd.	http://www.gib-life.co.jp/
Prudential Tower 2-13-10, Nagata-cho, Chiyoda-ku, Tokyo 100-8953	
The Kyoei Kasai Shinrai Life Insurance Company, Limited	http://www.kyoeikasai.co.jp/ss/top.htm
J. CITY Bld. 8-20, Takamatsu 5-Chome, Nerima-ku, Tokyo 179-0075	
The Prudential Life Insurance Co., Ltd.	http://www.prudential.co.jp/
Prudential Tower 2-13-10, Nagata-cho, Chiyoda-ku, Tokyo 100-0014	
Taiyo Life Insurance Company	http://www.taiyo-seimei.co.jp/
11-2, Nihonbashi 2-Chome, Chuo-ku, Tokyo 103-0027	
Tokio Marine & Nichido Financial Life Insurance Co., Ltd.	http://www.tmn-financial.co.jp/
Hiroo Plaza 6-6, Hiroo 5-Chome, Shibuya-ku, Tokyo 150-0012	
Tokio Marine & Nichido Life Insurance Co., Ltd.	http://www.tmn-anshin.co.jp/
5-3-16, Ginza Chuo-ku, Tokyo 104-0061	
T & D FINANCIAL LIFE INSURANCE COMPANY	http://www.tdf-life.co.jp/
5-2, Uchisaiwaicho 1-Chome, Chiyoda-ku, Tokyo 100-8555	
YAMATO LIFE INSURANCE CO.	http://www.yamato-life.co.jp/
1-7, Uchisaiwaicho 1-Chome, Chiyoda-ku, Tokyo 100-0011	
Zurich Life Insurance Company Ltd.	http://www.zurich.co.jp/life.jsp
Shinanomachi Rengakan 35 Shinanomachi, Shinjuku-ku, Tokyo 160-0016	