

Activities and Outline of the LIAJ

A. Representing the Interests of Life Insurers

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

Comments on *Standard on Disclosures Concerning Investment Performance and Risks for Insurers and Reinsurers*

The LIAJ submitted its comments to questions for the draft *Standard on Disclosures Concerning Investment Performance and Risks for Insurers and Reinsurers*, which the IAIS had presented. The outline of the comments is as follows:

a) Reliability of Disclosures

As far as the life insurance contracts, which take on very-long-term obligations, are concerned, it is difficult to provide reliable quantitative information on future events that would arise 20 to 30 years from today. In addition, if quantitative information is disclosed without careful consideration based on some assumptions, it is highly possible that the users of such information make wrong decisions according to it. Therefore, we believe the criteria for determining the extent to consider the reliability of disclosed information should be added in paragraph 10 of the draft.

b) Objectivity of Information

It is necessary to request the disclosures of objective information after all if the goal of the standard lies in promoting the market disciplines to better function. When certain quantitative disclosures on risks are also required, it might be appropriate to facilitate the estimation of the amount of risks by users in a manner that objective comparability is retained in the light of objectives of the standards.

Comments on *Towards a Common Structure and Common Standards for the Assessment of Insurer Solvency: Cornerstones for the Formulation of Regulatory Financial Requirements*

The LIAJ submitted its comments on the consultation paper *Towards a Common Structure and Common Standards for the Assessment of Insurer Solvency: Cornerstones for the Formulation of Regulatory Financial Requirements*, on which the IAIS had invited comments. The outline of the comments is as follows:

Regarding the consultation paper, the LIAJ also submitted a joint trade letter together with the American Council of Life Insurers (ACLI), the Austrian Insurance Association (VVO), the National Association of Mutual Insurance Companies (NAMIC), the Property Casualty Insurers Association of America (PCI) and the Reinsurance Association of America (RAA).

< General Remarks >

- The LIAJ supports the IAIS; that is to establish a common structure and common standards for the benefit and protection of policyholders.
- It is very important for a standard setter to provide enough flexibility to the common structure and common standards so that they can satisfy both local and global aspects of insurance business.

< Cornerstones I, III, IV and V >

- It is very difficult to derive the best estimates for distant future, such as 20 years and 30 years later, while maintaining a particular level of prudence for the life insurance contracts that serve very long periods of time. It is important to set an appropriate time horizon and a method to quantify them.
- The LIAJ does not believe that the valuation using “generally available information” “as far as possible” is necessarily an appropriate valuation, as insurance companies have different regional characteristics and products depending on their jurisdictions. Therefore, the LIAJ recommends the expression “as far as possible” should be replaced with “if appropriate.”
- The consistency in the time horizon for measurement of assets and liabilities should be considered.

< Cornerstone VI >

- It is desirable for the solvency regime to value assets and liabilities at more appropriate interest rates.
- The role of the cornerstones is to indicate key points to be reviewed in future. From this point of view, it is not desirable to limit the discount rate to risk free interest rate when it is published as a cornerstone.

Comments on *Comments Regarding Issues Arising as a Result of the International Accounting Standards Board’s Insurance Contracts Project – Phase II*

The LIAJ submitted its comments on *Comments Regarding Issues Arising as a Result of the IASB’s Insurance Contracts Project – Phase II*, on which the IAIS had invited comments. The outline of the comments is as follows:

In many jurisdictions, statutory accounting has been considered as one of the significant elements in prudential supervision, and it has served as a basis for protection of policyholders as well as ensuring insurers’ soundness. Therefore, it is important for the IAIS to have a dialogue with the IASB about the requirements on which it regards necessary in terms of prudential supervision, during the course of the development of internationally unified insurance accounting standards, and we support such an effort.

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

The LIAJ submitted its comments on *Draft Supervisory Standard on Suitable Forms of Capital*, on which the IAIS had invited comments. The outline of the comments is as follows:

< Paragraph 24, 31 and 32 >

- When quantitative limits are set “according to quality”, there should be considerations of such natures as differences in insurance products, macroeconomic environments, and capital adequacy and solvency regimes across various jurisdictions.
- However the basis for the specific percentage of lower and upper limits cited in the paper is unclear. As such limits cannot reflect the above-mentioned diverse natures among different jurisdictions, citing specific percentage is inappropriate even as a “broad benchmark” or an “example.”

< Paragraph 55 >

- Foundation funds paying interest at a fixed interest rate may not necessarily be considered a “lower” quality capital when such payments from capital are subject to clear regulation. Therefore, we suggest the following modification:

“However some funds pay interest at a fixed interest rate (payment of which can be suspended) and, based on the assessment of the extent to which the criteria for recognizing capital are met, would not be considered a core capital, except when interest payments from capital are subject to clear regulations including, as appropriate, the requirement for prior supervisory approval.”

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

Comments on *Due Process of the IASB: Draft Handbook of Consultative Arrangements*

The LIAJ submitted its comments on *Due Process of the IASB: Draft Handbook of Consultative Arrangements* by the International Accounting Standards Committee (IASC) Foundation. The outline of the statement is as follows:

- a) Although investors may be the primary users of financial statements, their needs may not automatically encompass the needs of other users.
- b) We request the IASB to actively consult with working groups on many of the important issues under discussion.
- c) Although public comments are invited following the publication of a discussion paper (DP), any comments or suggestions from any interested parties (in addition to those 'invited parties') should also be considered when the Board develops the paper or its views if possible.
- d) We recognize field tests as an extremely important step in the standard-setting process. Thus they should be employed as far as possible, preferably at an early stage of the development so that the results of such tests can effectively be reflected in the deliberation process, in particular when the participating entities have sufficient resources and are willing to cooperate.

Comments on *The Exposure Drafts of Proposed Amendments to International Financial Reporting Standards (IFRS) 3: Business Combinations and International Accounting Standard (IAS) 37: Provisions, Contingent Liabilities and Contingent Assets*

The LIAJ submitted its comments on *the Exposure Drafts of Proposed Amendments to IFRS 3: Business Combinations and IAS 37: Provisions, Contingent Liabilities and Contingent Assets*. The outline of the comments is as follows:

< IFRS 3: Business Combinations >

While the Board's direction toward the development of a uniform set of accounting standards for business combinations is understandable, we do not agree with the application of the acquisition method to business combinations involving two or more mutual entities due to the following reasons:

- a) Business combinations between mutual entities are different from those between stock companies as the policyholders' equity of the mutual entities involved may continue to exist. In such business combinations, it should be taken into consideration that the application of the acquisition method may not faithfully represent their economic realities.

- b) Because business combinations between mutual entities may not involve the payment of reliably measurable considerations, the acquisition method is practically difficult to apply to such business combinations.
- c) In the case of insurance contracts, there are no active markets and thus future cash flows from such contracts are highly uncertain. Therefore, it should be considered that the discussion of measuring an acquired company at fair value has not reached to the conclusion, including whether such measurement is possible or not, in the discussion of the Insurance Contracts Phase II.

* Comments on individual questions are omitted.

< IAS 37: Provisions, Contingent Liabilities and Contingent Assets >

From the standpoint of developing universal accounting standards on non-financial liabilities, we appreciate the effort to revise this standard. However, the proposed revision of this time involves the general concept of liabilities and the impact could be enormous. Especially, we would like to request further discussions on the following points, including discussions under the conceptual framework project.

- a) The proposals of this revision are complicated and not clearly stated although they have enormous impact on ongoing projects currently under discussions. We believe further discussions are needed especially for unconditional obligations as well as conditional obligations and related stand-ready obligations because their definitions are not clear and their relationship is not certain.
- b) Although this revision proposes to omit the recognition criterion of “probability” and to consider “probability” as a measurement criterion instead, “probability criterion” included in the current standard should be retained. This is because it is not effective from the standpoint of practicality to recognize all unconditional obligations as liabilities. In addition, we would like you to take into account that this omission will conflict with current conceptual framework.
- c) We do not agree with the idea of measuring all non-financial liabilities at fair value. We believe further discussions are necessary on the measurement of such liabilities, including discussions under the conceptual framework project.

The LIAJ made a presentation on *Accounting Issues Relating to Participating Contracts* for the IASB Working Group held in London during the 12th and 13th January 2006.

3. Cooperative Insurance (Kyosai) Related Activities

The LIAJ submitted its comments on *The Organizational Coordination Subcommittee of the Small and Medium Enterprise Policy Council: Summary of Discussion*, on which the Small and Medium Enterprise Agency had invited public comments. The outline of the statement is as follows:

a) Segment Restrictions and Segment Reporting

Large-scale cooperative insurance associations should not be allowed to engage in other business segments. When exceptions are made, laws and statutes should clearly state that “only business segments already in existence are to be allowed, and only as a provisional measure for a prescribed period.” In this case, accounting misappropriations should not be permitted between cooperative insurance and other business segments. The same measures should apply to large-membership cooperative insurance associations.

b) Measures for Large-Membership Cooperative Insurance Associations

The same regulations should be applied as those for small-amount short-term insurance providers.

c) Restrictions on Cooperative Insurance Sales Force

It is inappropriate for laws and statutes to allow non-members to sell cooperative insurance products. For existing business arrangements in which sales activities are outsourced, outsourcing should be limited to the present scope and allowed to continue “for the time being” as a provisional measure, after which sales restrictions should be applied.

d) Revision of Sales Restriction to Non-Members

Restriction of product sales to non-members should not be eased without careful deliberation. If revised, laws and statutes should clearly state the specific method of calculating the ratio of non-member contracts, methods for confirmation and administration, and methods for supervision and guidance by authorities.

e) Acting as Agent for Insurance Companies, etc.

Business arrangements of cooperative insurance associations should be limited to the present scope. In addition, mandatory measures are necessary to, for example, prevent misidentification of insurance policies as cooperative insurance policies.

4. Postal Privatization Related Activities

On the 27th April 2005, postal privatization bills were submitted to the ordinary Diet session. The bills were rejected by the plenary session of the Upper House on the 8th August, and the Lower House was dissolved on the same day. After the general election of the Lower House, the bills were amended so that privatization would begin not in April 2007 but October 2007, and resubmitted to the special Diet session starting on the 21st September. The bills were passed into law on the 14th October. After passage, the LIAJ Chairman released comments regarding postal privatization. The outline of the comments is as follows:

< General Remarks >

- a) With regard to deliberations on future cabinet and ministerial ordinances, from the perspective of fully equalizing competition with private life insurers, it is vital to undo the elements that form an implicit government guarantee such as government funding, and to consider how to handle the old account carried over from the public company alongside the new account of the privatized company. Since the profit from the old account basically belongs to its policyholders, this profit should be used to maintain the old account's financial soundness or be paid out as dividends.
- b) From the standpoint of ensuring a sound life insurance market in Japan, we request that the postal life insurance business not expand its product line nor raise the issue limit of products until the conditions of competition become fully equalized with private companies.
- c) In the new postal privatization committee that will be launched, arrangements are needed to ensure the transparency and fairness of deliberations, such as: participation of experts in the management of private life insurance business, disclosure of deliberations to the public, and adequate hearings on the opinions of related parties including our association.

On the 26th May 2006, the Financial Services Agency (FSA) and Ministry of Internal Affairs and Communications (MIC) issued the *Draft of the Government Order Amending Part of the Enforcement Order for the Postal Privatization Law*, and the *Draft of the Order Concerning Operational Restrictions to the Postal Savings Bank and the Postal Insurance Company During the Transition Period*, and have invited public comments on these drafts.

On the 26th June, the LIAJ submitted its comments on the drafts to confirm that when privatization starts, the Postal Insurance Company will assume the same lineup of insurance products and claims limits as those currently in effect at Japan Post.

5. Activities Related to Regulatory Reform

In 2004 fiscal year, two administrative bodies were set up to promote regulatory reform in Japan: the Council for the Promotion of Regulatory Reform and Privatization (the Council), and the Office for the Promotion of Regulatory Reform and Privatization (the Office). The Council was established under the Cabinet Office on the 1st April 2004 at the request of the prime minister, and consists of 13 experts from the private sector. The Office was established under the Cabinet on the 25th May 2004. These two entities spearhead the government's effort to promote regulatory reform and privatization.

Representing the life insurance industry, the LIAJ has submitted requests for regulatory reform to the Council and to Nippon Keidanren.

Our main requests for the 2005 fiscal year are as follows:

- a) Lift the ban on fiduciary services and related clerical services commissioned by insurance companies.
- b) Lift the ban on business matching services by insurance companies.
- c) Clarify customer referral services by insurance companies to brokerage firms.
- d) Lift the ban on real estate investment advisory services by insurance company subsidiaries.
- e) Expand the range of specified subsidiaries (venture capital subsidiaries) in which insurance companies can own over 10 percent.
- f) Develop rules for policyholder protection at cooperative insurance associations (Kyosai).

- The Three-Year Program for Promoting Regulatory Reform and Privatization was decided on by the Cabinet on the 30th March 2006.
- Request "a) *Lift the ban on fiduciary services and related clerical services commissioned by insurance companies*" will be finalized during fiscal 2006 in the course of the Three-Year Program for Promoting Regulatory Reform and Privatization.
- Requests "b) *Lift the ban on business matching services by insurance companies,*" and "c) *Clarify customer referral services by insurance companies to brokerage firms*" were both accepted.

6. Activities Related to Tax Reform

As Japan transforms into a rapidly aging society, the combined use of the social security system and private coverage such as life insurance and individual annuities has become indispensable to realize a vibrant welfare society for the aging population.

Through the mechanism of mutual aid, life insurance and individual annuities can efficiently provide for all insurance needs including “survivor,” “medical,” “long-term care,” and “retirement” coverage. To promote a favorable tax system for these indispensable products, as well as to encourage efforts by the public to seek greater financial security, the LIAJ submitted the following requests concerning tax law changes for fiscal 2006 on the 16th September 2005. The main points are:

- a) Increase the tax-deductible limit for life insurance premium payments to Y100 thousand in the individual income tax;
- b) Increase the tax-deductible limit for individual annuity premium payments to Y100 thousand in the individual income tax; and
- c) Add the sum of (Y5 million in death benefit received by the spouse) + (Y5 million in death benefit received by underage dependent legal heir) x (number of such dependent heirs) to the existing exemption limit for inheritance tax applicable to sums payable at death under insurance contracts.

In support of the request for raising the tax-deductible limit for premiums, the LIAJ, in collaboration with National Federation of Life Insurance Worker’s Unions, conducted a month-long questionnaire survey on the Internet from the 17th September 2005 through the 14th October 2005.

The tax-deductible limit for premiums was left unchanged for fiscal 2006.

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 interests, 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 are in need of nursing care (through Scholarship program for education of care workers)
- b) Scholarship Program for privately-funded international 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 fifty-three 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 furnished 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

About the Life Insurance Network Center (LINC):

The life insurance companies established the common-to-industry network called LINC. This system can reduce the burden of clerical work at a client company and enables insurers to render more efficient services.

The main functions of LINC 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) Cross Reference 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 LIAJ 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 LIAJ 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 LIAJ 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 the Association's local offices. The pamphlets are also distributed to local consumer centers for public perusal.

D. Consultation Services

1. Life Insurance Consultation Center

The LIAJ 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 was founded for the purpose of responding to complaints not only from policyholders but also from the related parties or consumers as a body with fairness and neutrality. The Center is headed by the chairman of the LIAJ.

As an organization, there are Consultation Centers located at the LIAJ and its 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 a month or longer after the claim being filed, the complainant may petition the Arbitration Council for a dispute settlement.

Furthermore, the LIAJ provides 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 unbiased standpoint.

The Arbitration Council consists of seven 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 against Moral Hazard

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

Primary measures 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 the Police” was established between local Association offices and the 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 LIAJ 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 (Zenkyoren) introduced “Policy Data Inquiry System” to store the information to be used when they received applications or pay claims for life insurance policies or cooperative insurance policies. Through this system they inquire the policy contents of the policy data registration system and those of National Mutual Insurance Federation of Agricultural Cooperatives reciprocally.

4. Implementation of Cross Reference System for Assessing Insurance Claims

Since January 2005, all the member companies of the LIAJ as well as Zenkyoren, National Federation of Workers and Consumers Insurance Cooperatives (Zenrosai) and Japanese Consumers’ Co-operative Union (Nihon Seikyoren or JCCU) have implemented “Cross Reference System for Assessing Insurance Claims.” This new system makes it possible for the members to exchange the information on their policyholders such as policy and payment status.

If judged necessary from the viewpoint of moral hazard prevention, under the system, 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 LIAJ.

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 LIAJ.

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.

The Association holds qualification examinations 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 helping them acquire 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 LIAJ, 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 help 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.

G. Internationalization

1. Foreign Participation

Since February 1973 when the US-based American Life Insurance Company (ALICO) first came to Japan to participate in the market, a number of foreign life insurance companies (with more than or equal to 50 percent foreign capital) have engaged in life insurance business in Japan. As of 21st July 2006, 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	ING Life	The Gibraltar Life	ALICO Japan
AIG STAR LIFE	Manulife Life	The Prudential Life	American Family Life
AXA Life	MassMutual Life	Winterthur Swiss Life	CARDIF Assurance Vie
Hartford Life	PCA LIFE		Zurich Life

2. Liaison Business Overseas

The Association responds to inquiries and receives visits from foreign countries. It 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 the 1st 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 the Japanese market.

b) Participating in the International Conference

There are many international insurance conferences, such as EAIC (East Asian Insurance Congress) or PIC (Pacific Insurance Conference). The 22nd PIC was held in Taipei from 23rd through 26th October 2005 and around 350 attendants including about twenty people from the Japanese life insurance industry.

H. Activities as the Authorized Personal Information Protection Organization

The LIAJ became an authorized personal information protection organization in April 2005, as described in Article 37 of the Act on Protection of Personal Information. Target entities refer to member companies of the Association.

< Roles of the Authorized Personal Information Protection Organization >

1. Processing complaints on the handling of personal information at target entities.
2. Providing information to target entities to help ensure proper handling of personal information.
3. Conducting other business as necessary to ensure proper handling of personal information at target entities.

< Summary of FY2005 Achievements >

- a) The LIAJ processed twenty-five complaint cases (of which twenty cases were settled during the year); another 195 cases involved consultations and inquiries.
- b) In line with the Act on Protection of Personal Information and guidelines of the FSA, the LIAJ developed procedural guidelines for personal information protection, and practical guidelines for security management at life insurers.
- c) Based on the Act of Protection of Personal Information, the LIAJ instructed (called on) fourteen target entities with previous problems in personal information protection to comply with the two guidelines described above and implement appropriate measures.
- d) The LIAJ conducted a questionnaire survey of target entities regarding compliance with the guidelines for personal information protection, and offered them seminars regarding personal information protection.

I. The Association (LIAJ)

The Life Insurance Association of Japan (LIAJ) started as an incorporated association with formal sanction by the authorities concerned on the 7th 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

Thirty-eight (38) companies (as of 21st July 2006)

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 Research and Taking Statistics

The Association conducts studies and surveys 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 including the English brochure, and also taking statistics on life insurance.

c) Educational Activities

The Association offers education and examination programs which can be commonly applied throughout the industry to sales agents and office personnel. (Refer to page 23-25)

d) Operating Life Insurance Network Center

In order to expand computer networks and related joint arrangements within the life insurance industry, LINC (Life Insurance Network Center established in May 1986) operates to improve the services for policyholders, etc. (Refer to page 19)

e) Social Service Activities

The Association is engaged in a variety of social service activities in order to promote the understanding of and reliance of society by widely contributing to public interests. (Refer to page 19)

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 20)

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 the 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 21)

h) Measures against Moral Hazard

The Association takes a variety of measures to promote sound operation of life insurance business. (Refer to page 22)

i) Others

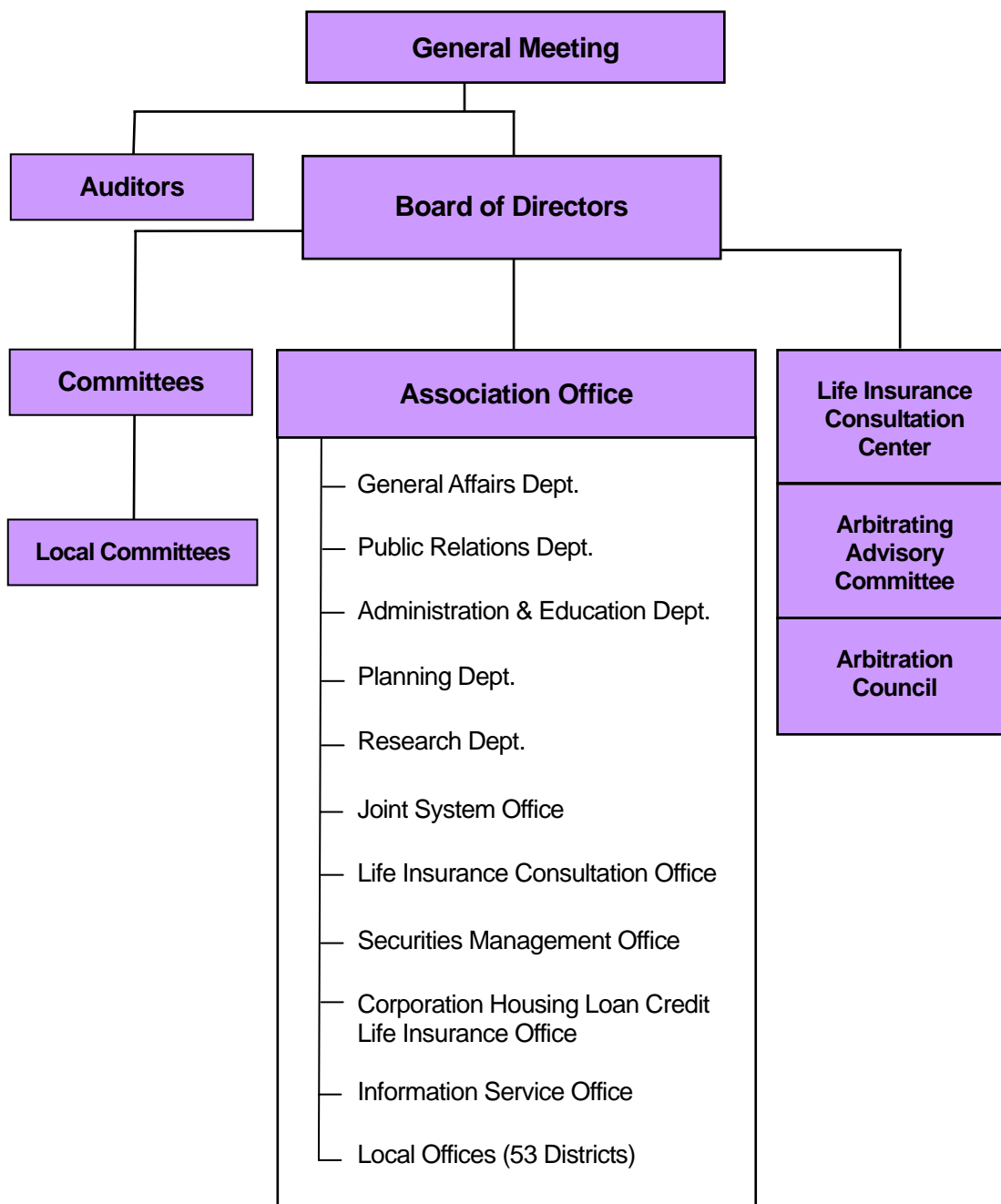
Library:

The Association has a collection of approximately twenty-five thousand books and materials which mainly features life insurance.

Organization Chart

(As of 21st July 2006)

The Life Insurance Association of Japan



Board Members

(As of 21st July 2006)

Chairman

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

Vice Chairmen

Kunie Okamoto President, Nippon Life Insurance Co.

Tomofumi Akiyama President, Fukoku Mutual Life Insurance Co.

Haruo Kuramochi President, Daido Life Insurance Co.

Directors

Kazuhiko Sunagawa Representative Board Director, Hartford Life Insurance K.K.

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

Atsushi Sakauchi Representative for Japan, CARDIF Assurance Vie

Taro Okuda President, Sony Life Insurance Co., Ltd.

Katsujiro Tanaka President, Sompo Japan Himawari Life Insurance Co., Ltd.

Izumi Mizumori President, ORIX Life Insurance Corporation

Geoff Crickmay President, Manulife 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.

Paul Sampson 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

Kenji Matsuo President, Meiji Yasuda Life Insurance Company

Hiroshi Nishimura President, Mitsui Life Insurance Company Limited

Julian M. Lipman President, PCA LIFE Insurance Co., Ltd.

Shinichi Yokoyama President, Sumitomo Life Insurance Co.

Vice Chairmen

Yoshimitsu Takishima The Life Insurance Association of Japan

Tadao Nishioka The Life Insurance Association of Japan

Auditors

Mitsuo Kawahara Deputy President, Winterthur Swiss Life Insurance Co., Ltd.

Takeo Nakazono President, YAMATO LIFE INSURANCE CO.

Hidezo Hirano President, MassMutual Life Insurance Company

Tokugoro Murayama Certified Public Accountant

Member Companies

(As of 10th October 2006, 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	http://www.aigstar-life.co.jp/
Aioi Life Insurance Co., Ltd. 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	http://www.alico.co.jp/
Asahi Mutual Life Insurance Co. 6-1, Ote-machi 2-Chome, Chiyoda-ku, Tokyo 100-8103	http://www.asahi-life.co.jp/
AXA Life Insurance Co., Ltd. NBF Platinum Tower, 1-17-3 Shirokane, Minato-ku, Tokyo 108-8020	http://www.axa.co.jp/
CARDIF Assurance Vie 9F Infoss Tower, 20 - 1 Sakuragaoka-cho, Shibuya-ku, Tokyo 150-0031	http://www.cardif.co.jp/vie/
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. 3F Kamiyacho MT Building, 4-3-20 Toranomom, 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 2-5-7 Ariake, Koto-ku, Tokyo 135-0063	http://www.massmutual.co.jp/
Meiji Yasuda Life Insurance Company 1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-0005	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 Kirameki Life Insurance Co., Ltd. 3-11-1 Kandnishikicho, Chiyoda-ku, Tokyo 101-0054	http://www.ms-kirameki.com/
Mitsui Sumitomo MetLife Insurance Co., Ltd. 4F Kishimoto-Building, 2-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-0005	http://www.msi-metlife.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 Shinjuku Monolith, 2-3-1 Nishishinjuku, Shinjuku-ku, Tokyo 163-0923	http://www.orix.co.jp/ins/
PCA LIFE 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 165-0435	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 100-8411	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 1-2-3 Kaigan, Minato-ku, Tokyo 105-0022	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	http://www.tmn-anshin.co.jp/
T & D FINANCIAL LIFE INSURANCE COMPANY 1-2-3 Kaigan, Minato-ku, Tokyo 105-0022	http://www.tdf-life.co.jp/
Winterthur Swiss Life Insurance Co., Ltd. 10F Shinjuku First West, 23-7, Nishishinjuku 1-Chome, Shinjuku-ku, Tokyo 160-8335	http://www.winterthur.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.zurichlife.co.jp/