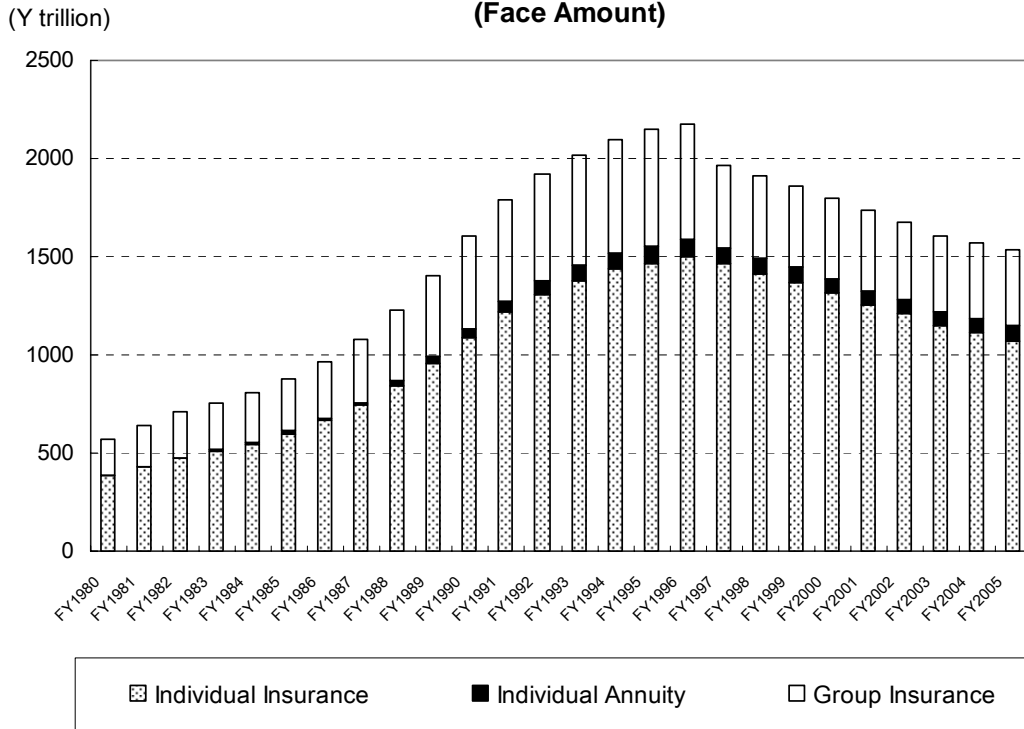


Related Information

A. Changes in Life Insurance Products in Japan

The value of life insurance policies in force (total value of policies in individual insurance, individual annuity, and group insurance) purchased from the private life insurance companies stood at Y574 trillion in FY1980 (ending in March 1981) (hereinafter figures are at the end of each fiscal year), then it had gradually expanded. However, after peaking at Y2,175 trillion in FY1996, it has continued to fall for nine consecutive years, to Y1,531 trillion in FY2005 (see Graph 1).

Graph 1.
Changes in Life Insurance Business in Force in Japan
(Face Amount)



Regarding the breakdown in percentage of these figures, in FY1980 individual insurance accounted for 66.9 percent, individual annuity for 0.4 percent, group insurance for 32.7 percent. In FY2005, individual insurance still occupied the largest share of total value, which is 69.9 percent, while individual annuity exceeded five percent for the first time at 5.2 percent.

The individual life insurance purchased in Japan by type has changed over time, as explained in the following pages in chronological order (see Graph 2).

1. From the Beginning of the 60's through the First Oil Crisis (around 1973)

The trend of seeking larger protection with minimum premium payment became apparent, reflecting the accelerating inflation triggered by rapid economic growth and the increasing number of nuclear families. As a result, after the mid-60's, the core product of the insurance industry shifted away from Endowment Insurance to Endowment with Term Insurance.

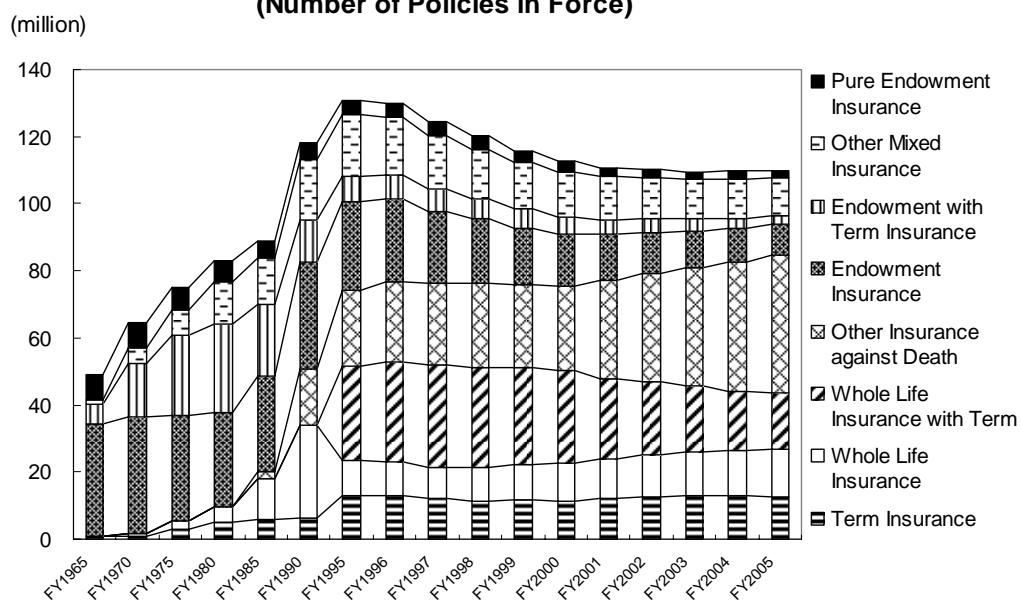
2. From the Middle of the 70's through the Beginning of the 80's

Endowment with Term Insurance with multiple protection became further popular, especially with the protection rates at ten or fifteen times. Since such industrial trend timely matched the people's preference for larger protection with minimum premium payment, Endowment with Term Insurance established a solid position as a primary insurance product in the Japanese market.

3. 1980's

As average life expectancy increased, people became more interested in Whole Life Insurance that provides life-time coverage with minimum premium payment, and rapidly shifted away from Endowment with Term Insurance to Whole Life Insurance, especially after the rate of premium payment was brought down in 1985.

Graph 2.
Individual Life Insurance Products Purchased in Japan
(Number of Policies in Force)



- Since around FY1992, Endowment with Term Insurance has been separated from Whole Life Insurance.
- Other Insurance against Death is the sum of Variable Life Insurance (whole life type), Joint Life Insurance, Medical Life Insurance, Nursing Care Insurance, Accident, Sickness & Life Insurance on Travel Abroad, and others.
- Other Mixed Insurance is the sum of Variable Life Insurance (definite term type), Term Insurance with Survival Benefits, Joint Life Insurance, Juvenile Insurance, and others.
- Pure Endowment is the sum of Juvenile Insurance, Savings Insurance, and others.

4. 1990's through Present

After the so-called bursting of the bubble, the market for death protection products became saturated. In addition, lower interest rates forced insurance companies to bring down the assumed interest rate. Under such circumstances, making the most of each company's original strength, each life insurer is striving to develop and offer various products and services with different purposes, which are described as follows.

a) Providing Advantageous Premium Rates:

Premium discount to each policyholder who took out two or more insurance policies within an insurer.

Insurance policy with low premium and low cash surrender value.

b) Upgrading the Benefits for Coverage:

Medical insurance that covers even short-time (e.g. one night two days) hospitalization

Nursing care insurance

Waiver of premium during disability arising from sickness such as cancer

Riders for hospitalization to cover extended hospital stay

c) Seeking Flexibility:

Products that require no policy conversion when renewing the contents of the coverage

Products that allow changes in the payment pattern of premium or suspension of premium payment

d) Developing Investment Type Life Insurance Products:

Individual variable annuity products

e) Enriching Optional Services:

Enhancing convenience in card-related services such as withdrawal of accumulated dividends and policyholder loan, repayment of the policyholder loan, as well as services for CD/ATM at postal offices or banks, etc.

Referring cardholders to nursing care providers and offering health and/or nursing care consultation services.

Providing insurance products and the relevant information on the Internet.

B. Supervisory and Regulatory Systems

1. Description of Insurance Related Laws (and the Year of Promulgation)

a) Insurance Business Law (IBL) (1995)

The IBL is a commercial special law applied prior to the Commercial Law. The objective of this law is to protect policyholders' interests through ensuring the sound management of insurance companies and fairness of insurance soliciting activities, and thereby to contribute to the stability of people's lives and the sound development of the national economy, with due consideration of the public responsibilities of the insurance business.

All companies (such as life and non-life insurers and foreign life and foreign non-life insurers) that run an insurance business shall comply with this law.

Main contents of the law are:

(1) Regulations concerning supervision of insurance companies

The law provides that no person shall enter the insurance business without obtaining a license from the proper authorities, and that the forms of management which are allowed to conduct insurance business are limited to stock or mutual companies or sales outlets such as branches of insurance company. The law also sets regulations concerning the scope of insurance business operation, accounting, examination for the approval of insurance products, measures for maintaining the soundness of insurance companies or for protecting policyholders in the event of the failure of an insurer.

(2) Regulations for the supervision of insurance soliciting

The law provides for issues concerning registration systems of insurance solicitors, prohibition of any unfair, unlawful act in the course of insurance soliciting, inspections to be conducted or orders to be issued by the competent authorities vis-à-vis insurance solicitors, and matters related to the cooling-off system, etc.

b) Consumer Contract Act (2000)

The purpose of this Act is to protect the interests of consumers, who are not in advantageous position to be well-informed to negotiate by themselves with insurance professionals, by permitting a complete avoidance of the contract from the consumer's side, in cases where customers are mistaken by an insurance solicitor through an inappropriate explanation, for example notification of untrue fact at the time of concluding a contract, or where customers are distressed by a solicitor's attempt to impose the conclusion of a contract with the failure to leave the place where the consumer in question resides or work in defiance of the consumer's display of intention for them to leave. The law also aims at protecting the interests of consumers by invalidating certain clauses of the Act that would significantly harm the interests of consumers, for example clauses that limit the scope of responsibility borne by a solicitor for non-performance and unlawful acts.

c) The Law on Sales of Financial Products (2000)

The law mandates that a sales agent of financial products should provide the customers with the essential information in the course of solicitation on the financial products to be purchased, such as information on price fluctuation risk, credit risk, etc. Under the law, a sales agent who fails to comply with the law and causes any damage to customers should assume responsibility for compensation for the damage caused by such behavior. The law also has the purpose of promoting the protection of customers by requiring sales agents to develop and disclose their sales policy.

Other laws insurers should comply with are: the Commercial Law, the Banking Law, the Securities and Exchange Law, the Act against Unjust Premiums and Misleading Representations, and the Antimonopoly Act and so forth.

2. Supervisory Authorities

All insurance companies operate under the supervision of the Financial Services Agency (FSA). The mission of the FSA is to secure stability of the domestic financial function and thus to protect depositors, insurance policyholders, and securities investors, ultimately to ensure smooth operation of the financial system by means of inspection and oversight of financial institutions such as banks, insurance companies, and securities companies,.

- a) The FSA is engaged in the following tasks concerning insurance business:
 - (1) Plan and coordinate systems or schemes related to domestic financial services.
 - (2) Inspect and supervise parties engaged in insurance business and insurance holding companies.
 - (3) Supervise the activities of the Policyholders Protection Corporation while aiming to ensure its sound operation.
 - (4) Evaluate the appropriateness of the decisions by the Policyholders Protection Corporation in underwriting insurance policies or transferring the portfolios of insolvent companies which may be subject to the financial aid provided by the Corporation.

- b) The FSA shall take the following actions where necessary, in accordance with the Insurance Business Law:
 - (1) Require an insurance company to report or submit an explanatory report on its business operation and the condition of assets.
 - (2) Conduct on-site inspections (staffers of the Agency visit the counters or branches of the insurance companies and inquire about the condition of business operation and its assets, or inspect documentation such as accounting books).
 - (3) Order amendments to the statement of the Scheme of Operation declared by an insurance company.
 - (4) Order an entity to develop and submit a self-improvement plan.
 - (5) Suspend business operation, cancel license, etc.

C. Solvency Margin Ratio

1. Solvency Margin Ratio

Since the fiscal year ending in March 1998, life insurers in Japan have been disclosing their solvency margin ratio. It is calculated as follows:

$$\text{Solvency Margin Ratio (\%)} = \frac{\text{Total Amount of Solvency Margin}^a}{\text{Sum Total of Risks}^b \times \frac{1}{2}} \times 100$$

^a The "Total Amount of Solvency Margin" (numerator) is the total of the following:

= Total Capital + Price Fluctuation Reserve + Contingency Reserve + General Bad Debt Reserve + 90% of Variance of the Estimate of Other Securities* + 85% of Unrealized Gain or Loss on Real Estate* + Debt Capital Instruments + Deductible Items, and others.

* If these values are negative, 100% of the value is applied instead of 90% or 85%.

^b The "Sum Total of Risks" (denominator) is calculated as follows:

$$= \sqrt{R_1^2 + (R_2 + R_3 + R_7)^2} + R_4$$

The above "R"s represent the following risks respectively:

R₁: Underwriting Risk – Risk of massive insurance payouts following a disaster or catastrophe.

R₂: Assumed Interest Rate Risk – Risk that investment return falls below the assumed interest rate.

R₃: Asset Management Risk – Risk of a drastic devaluation of assets because of a crash in stock prices or sharp fluctuation in the currency market, and risk of a sharp increase in irrecoverable loans due to failures of borrowing companies.

R₄: Business Management Risk – Business risk in excess of normal expectations.

R₇: Minimum Guarantee Risk – Risk related to the minimum guarantee for benefits of variable insurance and variable annuity products.

2. Early Warning Measures

Early warning measures were introduced by the FSA for the purpose of ensuring appropriate business operation of life insurers and protecting policyholders. The following is the outline of the measures.

Category	Solvency Margin Ratio	Directive
None	200% and over	None
Category 1	100% to less than 200%	Submission and implementation of a business improvement plan
Category 2	0% to less than 100%	a. Submission and implementation of a plan for adequate solvency of insurers b. Prohibition or limitation of dividends c. Prohibition or limitation of policy dividends or distribution of surplus to policyholders d. Change in calculation method of premium for policies to be newly underwritten e. Prohibition or limitation of directors' bonuses, limitation of other operating costs, etc.
Category 3	Less than 0%	Partial or total suspension of operation for a limited period

- Even if the solvency margin ratio is less than 0%, a company may be classified as category 2 if real net assets (= assets - liabilities - price fluctuation reserve - contingency reserve, etc.) are positive.

- Even if the solvency margin ratio exceeds 0%, a company may be classified as category 3 if real net assets are negative.

D. Deregulation and Liberalization of the Japanese Life Insurance Market

The following outlines chronologically a series of regulatory reforms that have been carried out to date since the amendment to the Insurance Business Law was enacted in April 1996, which marked a drastic revision for the first time in fifty-six years in its history of more than a hundred years.

1996	April	The Revised Insurance Business Law was enforced enabling the following: <ul style="list-style-type: none"> - Mutual entry into life and non-life insurance business by subsidiaries - Conversion of a mutual company into a stock company - Introduction of the brokerage system - Introduction of Solvency Margin Ratio, etc.
1997	December	The Revised Insurance Business Law corresponding to the Maintenance Law for Insurance Holding Company, etc, was enforced. <ul style="list-style-type: none"> - Lifting of the ban on insurance holding companies
1998	December	The Revised Insurance Business Law corresponding to the Financial System Reform was enforced. <ul style="list-style-type: none"> - Introduction of early warning measures - Establishment of the Policyholders Protection Corporation(PPC) - Promotion of mutual entry beyond the segmentation among banks, securities companies, and insurance companies.
1999	August	The Revised Enforcement Regulations of the Insurance Business Law were enforced. <ul style="list-style-type: none"> - Expansion of the scope of insurance products to which the notification system applies
2000	June	The Revised Insurance Business Law and the Special Law concerning Reorganization Proceedings of Financial Institutions were enforced. <ul style="list-style-type: none"> - Facilitation of the conversion of a mutual company to a stock company (improving the procedures for reorganizing a mutual company to a stock company) - Amendment to the Insolvency Law (the public fund allotment of Y400 billion was created)
2001	January	Lifting of the ban on mutual entry of life and non-life insurance companies into the third sector through their subsidiaries
	April	The Enforcement Regulations of the Insurance Business Law and other related Laws were revised. <ul style="list-style-type: none"> - Partial lifting of the ban on over-the-counter sales by banks of long-term fire insurance associated with housing loans, credit life insurance, and overseas travelers' personal accident insurance
	July	Lifting of the ban on mutual entry of life and non-life insurance companies into the third sector
2002	March	The Enforcement Regulations of the Insurance Business Law were revised. <ul style="list-style-type: none"> - The floor rate of the dividend applied to the surplus of a mutual insurance company was brought down from 80% to 20%.

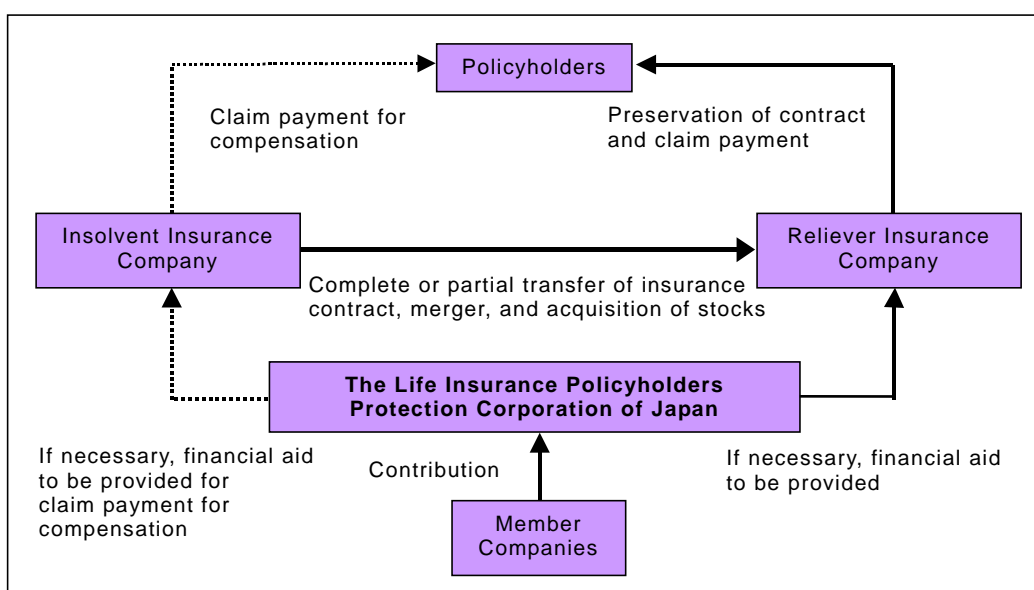
2002	October	<p>The Enforcement Regulations of the Insurance Business Law and other related Laws were revised.</p> <ul style="list-style-type: none"> - This revision enabled banks to sell over-the-counter the following products. <ul style="list-style-type: none"> * Individual annuity * “Zaikei” savings insurance * Individual annuity and accident insurance * “Zaikei” savings personal accident insurance
2003	June	<p>The Revised Insurance Business Law was enforced.</p> <ul style="list-style-type: none"> - The life insurance safety net was reorganized (Y400 billion public fund to be secured, which will be carried forward to March 2006, and Y100 billion contribution to be secured by the insurance industry). - The scope of insurers’ activities (subordinate activities) was partially expanded, thus making it possible for insurers to act as an agent or intermediary on behalf of other financial institutions.
	August	<p>The Revised Insurance Business Law was enforced.</p> <ul style="list-style-type: none"> - Streamlined the system for changing contract terms by a voluntary procedure between an insurance company and policyholders. The government ordinance determined that the assumed interest rate should not fall below 3%.
2005	May	<p>The Revised Insurance Business Law was promulgated.</p> <p>With regard to the introduction of policyholders protection rules for unauthorized Kyosai:</p> <ul style="list-style-type: none"> - Review of the scope of Kyosai to which the Insurance Business Law applies from the viewpoint of policyholders’ protection and application of the Insurance Business Law in principle to businesses that underwrite insurance “vis-à-vis specified persons” - Introduction and creation of the “small-amount short-term insurance providers” scheme as a new legal framework - Transitional measures to be provided for existing Kyosai to deal with the new law <p>With regard to the review of the life insurance safety net:</p> <ul style="list-style-type: none"> - Review of compensation rate upon the failure of an insurer considering the type, assumed interest rate, and contents of the contract - Prolongation of the validity period of government support provisions for another three years reviewing the way in which the insurers provide the financial contribution for the Life Insurance Policyholders Protection Corporation of Japan
	July	<p>Promulgation of the Cabinet Office Ordinance concerning the partial amendment to the Enforcement Regulations of the Insurance Business Law and other related Laws (enacted on the 22nd December 2005)</p> <ul style="list-style-type: none"> - Expansion of the range of products available through financial institutions such as banks and strengthening of anti-pressure sales measures <p>Products that now solicitors can sell at banks are:</p> <ul style="list-style-type: none"> * Single-premium whole life insurance * Level premium endowment with up to 10 years duration * Single-premium endowment * Saving-type accident insurance

E. The Life Insurance Policyholders Protection Corporation of Japan

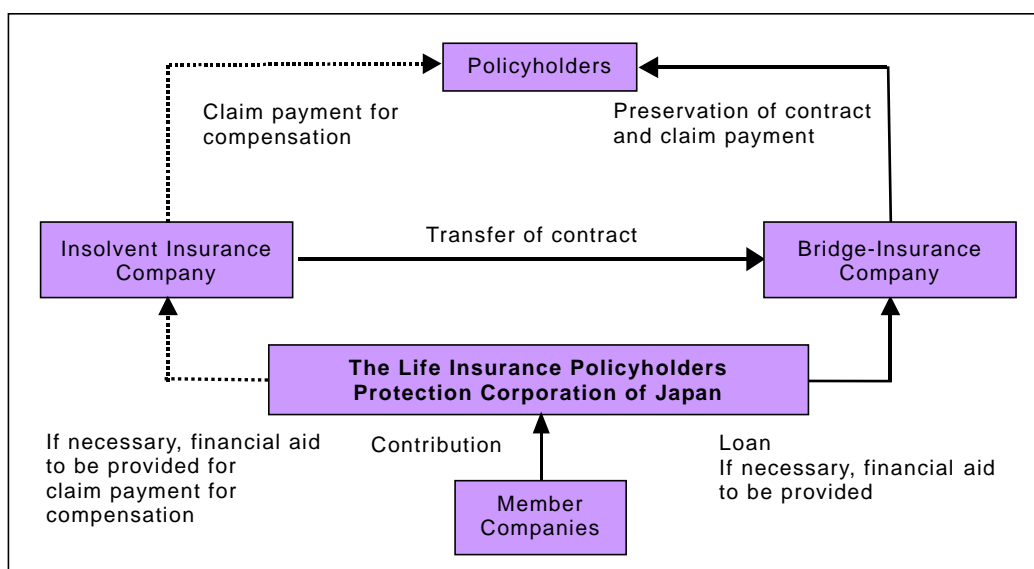
The Life Insurance Policyholders Protection Corporation of Japan (PPCJ) was established on the 1st December 1998 aiming to provide policyholders with protection in case of failure of insurers. All life insurers operating in Japan have joined the Corporation excluding organizations such as Kampo, the insurance operated under Japan Post, and Kyosai, cooperative societies that also provide insurance services.

The PPCJ's mission is to protect consumers in the event that an insurance company became insolvent, by applying one of the following measures.

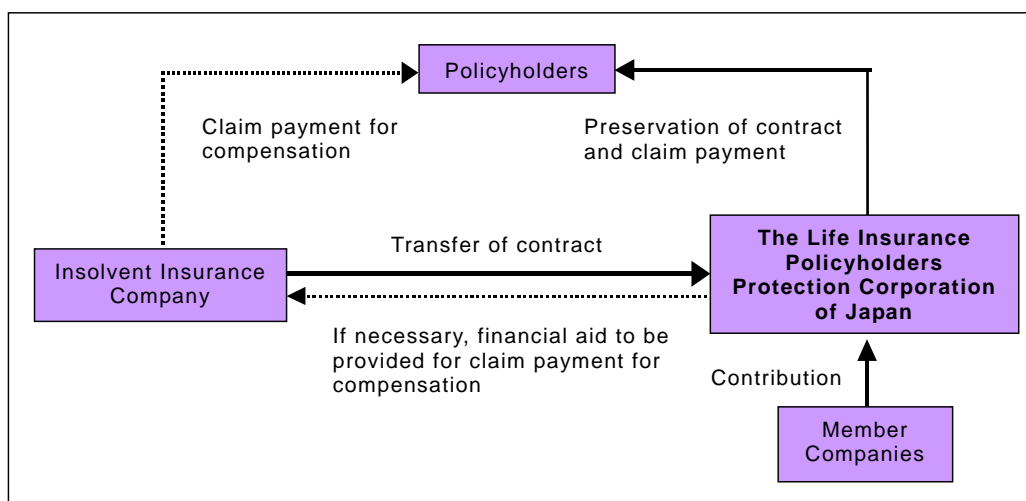
- a) Provide financial aid to a reliever insurance company to which the insurance contracts of an insolvent insurance company are transferred.



- b) Transfer the insurance contracts of an insolvent company to a "bridge-insurance company" established as a subsidiary of the PPCJ, if no other reliever insurance company appears.



- c) The Policyholders' Protection Fund itself undertakes the contracts of an insolvent insurance company.



In any case, excluding contracts with higher assumed interests rates, the PPCJ shall compensate up to 90 percent of the policy reserves of direct insurance contracts (except the portion in the designated special account for investment returns-indexed insurance contracts) that are valid when an insurance company becomes insolvent. When initiating bankruptcy proceedings in accordance with the court-guided rehabilitation law, the PPCJ shall act fully on behalf of the affected policyholders.

The Corporation is usually financed by contributions from the member insurance companies. Nevertheless, in the event that an insurance company fails and its insolvency cannot be covered solely by the contributions of the member companies, and if that occurs before the end of March 2009, the corporation would be financed by a subsidy from the government to the PPCJ according to the decision made at the Diet.

F. Major Ongoing Efforts within the Industry vis-à-vis Consumers

Guidelines, etc. are developed for each step from conclusion of contract to payout of claims as follows:

Consumer Education	Life Insurance Buyer's Guide (Jan 2006)
	Gives consumers a fair and unbiased explanation when shopping for life insurance: 1. Important things to consider; 2. How to choose life insurance; 3. How to review life insurance; 4. Things to consider when buying life insurance. (compiled by Japan Institute of Life Insurance, or JILI)
Presentation /Advertising	Guidelines for Appropriate Presentation of Life Insurance Products (Oct 2003)
	Aims to ensure appropriate presentation of insurance products in sales materials (including advertising), with consideration given to the characteristics of different media and products. The main focus is to prevent unreasonable product claims that may cause misunderstanding.
Solicitation	Guidelines for Policy Overview (Mar 2006)
	Specifies how to draft and compile the "Policy Overview" notice, which contains essential information on the contents of insurance products, etc.
	Guidelines for Warning Information (Mar 2006)
Contracting/ Underwriting	Guidelines for Obtaining Truthful Disclosure from Customers (Jun 2005)
	Specifies information policyholders must be made aware of to ensure truthful disclosure, and shows samples of sales materials and correctly completed nonmedical report (customer's disclosure). Also specifies suitable sales explanations, contents of solicitors' training program.
Payout	Guidelines for Appropriate Insurance Payout Procedures (Jan 2006)
	Aims to promote an appropriate insurance payout control system by clarifying points for prompt and appropriate payout procedures. Also shows suitable explanations to provide when receiving claims and giving instructions, denying claims, etc. Specific efforts being made are as follows:
	Points to Consider in Nullifying a Contract due to Applicant's Misrepresentation (Jun 2005) (unpublicized)
	Facilitates the process of nullifying fraudulent contracts by identifying possible patterns of fraud and describing considerations in their cancellation. Also shows suitable explanations to provide at the time of solicitation and in case of cancellation.
Handling of Complaints/ Listening to Users' Opinions	Cross Reference System for Assessing Insurance Claims (Jan 2005)
	Aims to eliminate moral hazard (misuse of life insurance) by cross-referencing information on policies to assist in payout judgments as necessary. System is operated jointly with Zenkyoren, Zenrosai and JCCU.
Dispute Resolution	Measures to Improve Handling of Complaints and Inquiries (Jan 2006)
	Timely and substantive information on complaints received at the LIAJ is provided for member companies in a periodic report entitled the "Voice Report." Rules were compiled for warning information with respect to the management of member companies. Consumers' Voice Office and Council on Consulting Centers were set up. These aim to integrate complaint information, analyze complaint causes, and help companies share information on complaint processing.
Personal Information Protection	Measures for Upgrading Arbitration Council (Jan 2006)
	Increased the number of Council members, introduced a system in which medical doctors' advice can be offered, and strengthened rules to enhance transparency and neutrality.
Personal Information Protection	Procedural Guidelines for Personal Information Protection in the Life Insurance Business (Apr 2005 Final Revision)
	In accordance with the Act on Protection of Personal Information, guidelines regarding purpose of use, security measures, and procedures for providing policyholders with their own personal information upon request. The practical guidelines for security measures provide rules and measures needed to ensure safety.