

## 6. Postal Privatization

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On 10 September 2004, the Council on Economic and Fiscal Policy (Chairman: then Prime Minister Junichiro Koizumi) presented the “Basic Policy on the Privatization of the Postal Services,” which was adopted by the extraordinary cabinet meeting later the same day.

Subsequently, an outline of postal privatization bills was drafted and submitted to the Diet on 27 April 2005. The set of “postal privatization bills” was enacted in the special Diet session on 14 October 2005, paving the way for the start of privatized postal companies in October 2007.

On 27 April 2007, Japan Post Holdings Co., Ltd. submitted its privatization blueprint, “Implementation Plan Concerning the Business Succession of Japan Post” for approval to the Prime Minister and the Minister of Internal Affairs and Communications.

**Outline of  
the “Implementation Plan Concerning  
the Business Succession of Japan Post”:  
Summary of Long-Term Strategy Vision  
and Business Strategy**

**1. Japan Post Holdings Co., Ltd.**

Two financial companies (Japan Post Bank and Japan Post Insurance) aim to go public at the latest in the fourth year after privatization or third year if possible, and the holdings of stock in these two companies are to be disposed in five years. Japan Post Holdings itself will also prepare so that it will be able to go public around the same time as the two financial companies.

**2. Japan Post Insurance Co., Ltd.**

(a) Establishment of new sales models (for the product strategy part only)

< Channel of post offices > : Solicitation agents

- Japan Post Insurance will aim to increase profits by improving medical riders and introducing new products, including the one in which the maximum amount is increased in case of the lapse of a certain period after the entry;
- Japan Post Insurance will reconsider eligible ages for Ordinary Endowment Insurance, etc. ;
- Japan Post Insurance will develop/offer new products including third-sector products. To this end, it may form an alliance with other companies.

< Channel of directly-run offices > : Corporate sales/marketing

- Japan Post Insurance will undertake from other companies insurances for business managers, including long-term level-premium term insurances, and offer them as new products

(b) Improvement of business infrastructure (details omitted)

(c) Establishment and enhancement of internal control, compliance systems, etc. (details omitted)

(d) Maintaining soundness of financial foundation (enhancement of internal management accounting, sophistication of ALM, improvement of investment management systems)

- Japan Post Insurance hopes to expand its range of investment options as other insurers do.

**Views of the life insurance industry:**

In response to the presented Implementation Plan, the Chairman of the Life Insurance Association of Japan released the following comments:

**Comments from the LIAJ Chairman regarding  
“Implementation Plan Concerning  
the Business Succession of Japan Post”  
(Abstract)**

**1. New business areas:**

There is a concern that fair competition may not be secured because Japan Post has a competitive advantage due to credit enhancement stemming from the government's equity participation. Therefore the LIAJ requests that thorough reviews and deliberations be held by the Postal Privatization Committee from the viewpoint of ensuring a level playing field.

**2. Deliberations on “Implementation Plan”:**

The LIAJ requests that appropriate measures be taken, reflecting the following two points from the viewpoint of policyholder protection and fair competition and that transparency should be secured in important matters concerning “Implementation Plan,” reinsurance contracts and agent service contracts, etc.

- (a) Since profits arising from reinsurance of the old postal insurance contracts underwritten before privatization should belong to relevant policyholders, fair and transparent income distribution should be secured through the following measures: (1) strictly separate accounting between new and old business; (2) disclosure of information to the same extent as Japan Post; (3) appropriate handling of the portion of reinsurance income/losses not distributed as dividends on old contracts (20 percent of reinsurance income/losses); and (4) setting the value of reinsurance underwriting at reasonable levels.
- (b) Japan Post Insurance and Japan Post Network, which handle a large amount of customer information related to old contracts through agent service contracts, should take appropriate measures as private-sector businesses as follows: (1) restrictions on the use of customer information for purposes other than compliance with the limits of insured amount; (2) specification of customer information to be provided by the Independent Administrative Agency Management Organization for Postal Savings and Postal Life Insurance ; (3) measures to prevent improper use of personal information (development of a management system that separates customer information for new and old contracts, building of firewalls, etc.); and (4) obtaining of the consent of customers in cases where the use of customer information goes beyond purposes under pre-privatization old postal life insurance business.

**3. Other requests:**

- Whether Japan Post Insurance has a proper management system and meets the regulatory requirements as a private-sector insurance company should be closely examined.
- The deliberation process should be highly transparent to win the understanding of both the public and insurers by openly inviting comments from companies engaged in similar business operations, including our Association.