

13. Small-Amount Short-Term Insurance Providers

Unlike regulated *kyosai* (cooperative societies) such as the business written by National Mutual Insurance Federation of Agricultural Cooperatives (*Zenkyoren*) and National Federation of Workers and Consumers Insurance Cooperatives (*Zenrosai*), unregulated *kyosai* is not subject to any governing laws or applicable laws, but general business corporations conduct quasi-insurance business based on their assumptions and judgments without obtaining any approval or business license. Against this background, there have been numerous inquiries and comments from consumers concerning unregulated *kyosai*, as well as various problems and concerns over them that other relevant parties have indicated.

In response, the government has amended the law so that it would require unregulated *kyosai* to choose whether: (1) “to obtain a license for insurance business” by converting themselves into joint-stock companies or mutual companies, just as insurance companies, and by meeting the requirement of policy reserves; or (2) to register themselves as “small-amount short-term insurance providers,” the newly-established category for insurance providers with a limited scale of business, within a two-year transitional period from April 2006.

However, unrestricted insurance providers that are currently undertaking business for a specified group of persons (= specified insurance business) and will be subject to the new law at the time of the implementation of the amended law, are allowed to continue their operations without the above-mentioned registrations for two years if they are registered as specified insurance providers within six months from the enforcement.

**Comparison between
Small-Amount Short-Term Insurance Providers
and Insurance Companies**

Item	Small-Amount Short-Term Insurance Providers		Insurance Companies
Requirement on entry	Registration		License
Minimum capital (foundation)*	Y10 million + Deposits (Y10 million at the commencement of business, to be increased according to the scale of business operations in the following business year onward)		Y1 billion or more
Scale of business	Small (annual premium revenue of no more than Y5 billion)		Unlimited
Safety net	-		Contribute to the Life Insurance Policyholders Protection Corporation of Japan
Products*	Small amount (up to Y10 million in total per insured person)	Severe disability, death (except those caused by injury): Y3 million	Unlimited
		Disability, hospitalization benefits (except those caused by injury): Y800,000	
		Severe disability, death caused by injury: Y6 million	
		Nonlife insurance: Y10 million	
	Not allowed to sell pure endowment insurance, savings-type insurance, variable insurance, etc.		
No more than 100 insured people per policyholder			
Insurance period	Short-term (up to 2 years)	Life insurance, Medical insurance, etc. } 1 year	Unlimited
		Nonlife insurance: 2 years	
Disclosure requirement	Prepare business reports on the status of operations and assets annually, and keep them in business offices		
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Restrictions on solicitation	Various rules and bans are applied to small-amount short-term insurance providers accordingly (Example) entry in the register of small-amount short-term insurance solicitors		
Policy reserves	Actuarial calculation with reasonable and proper methods		
Inspection/supervision	Provisions for on-site inspection, business improvement order, business suspension order, penalties, etc.		
Others	Adequate explanations to customers, proper handling of customer information, etc.		

* Transitional measures with easier regulations during the seven-year period from the enforcement date of the law