The Life Insurance Policyholders Protection Corporation of Japan (LIPPCJ) is a corporate entity that was established on December 1, 1998 based on the Insurance Business Act. All life insurance companies operating in Japan automatically become members of the Corporation.

The LIPPCJ’s mission is to provide financial assistance at the time of bankruptcy of life insurance companies, such as when insurance policies are transferred from an insolvent insurance company or when insurance claims to be compensated are paid (which shall be paid when the insured event occurs before the approval of the reorganization plan), as a mutual assistance scheme for the benefit of policyholders of life insurance companies.

Also, the LIPPCJ acts on behalf of policyholders in following a life insurer’s reorganization proceedings, which includes all actions such as voting by proxy at stakeholders’ meetings that discuss the proposed reorganization plan drawn up by the reorganization trustee.

(Note) The LIPPCJ’s scheme of voting by proxy was established to ensure that reorganization proceedings are smoothly completed, and does not prohibit voting by the policyholder.

Role of LIPPCJ under the scheme

When a relief company taking over the insurance contracts of an insolvent insurance company steps forward:
When a relief company taking over the insurance contracts of an insolvent insurance company does not step forward:

1. Transfer of contracts to a “bridge-insurance company”

   - Payment of compensated claim
   - Transfer of contract
   - Continue the business regarding transferred contract/
     Payment of insurance claim
   - Financial assistance for payment of compensated claim
   - Member Companies

2. Contracts undertaken by the LIPPCJ

   - Payment of compensated claim
   - Transfer of contract
   - Continue the business regarding transferred contract/
     Payment of insurance claim
   - Financial assistance for payment of compensated claim
   - Member Companies
Scope of the compensation

Insurance contracts to be compensated by the LIPPCJ are as follows:

Insurance contracts of life insurers operating in Japan (excluding the special accounts of investment-linked insurance policies such as defined contribution pension plans, group pure endowment insurance and defined benefit corporate pension plans)

Ceilings on the compensations

✔ 90% of policy reserves (excluding policies with high expected interest) at the time of bankruptcy

✔ The compensation limit on policies with high expected interest is as follows:

\[ 90\% - \frac{\text{sum of (each expected assumed interest rate in the past 5 years – the base rate)}}{2} \] of policy reserves

Funding of LIPPCJ for Financial Assistance

1. Accumulation of contributions by pre-funding by life insurance companies
   (Amount limit of accumulation: 400 billion yen)

2. Government-guaranteed loans in case when the actual payment exceeds the total amount of accumulated contributions by life insurance companies
   (Amount limit of loans for the industry: 460 billion yen)

Government subsidy is available for the bankruptcy of a life insurance company till the end of March 2017 under certain conditions, in case funds from life insurance companies cannot cover the full amount of necessary financial assistance.