

(Provisional translation)

Summary of Annual Supervisory Policies for Insurance Companies, etc. for Program Year 2008

1. Promoting Efforts to Improve Security and Convenience for Policyholders

- The FSA will examine whether a system has been developed to make the management team proactively engage in the payment of insurance claims, whether internal audits are being conducted properly, and whether an environment in which policyholders can easily and proactively make necessary insurance claims (i.e., an environment in which the principle of self-responsibility can be functioning well) has been developed.
- The FSA will examine the status of observance of insurance sales and solicitation rules and the system for explaining the procedures for making insurance claims. The FSA will properly follow up on efforts made by non-life insurance companies to tackle the excessive collection of insurance premiums.
- The FSA will examine whether a system has been built for identifying and analyzing the causes of queries and complaints from policyholders and making use of the findings to make business improvements.

2. Promoting the Sophistication of Risk Management

- The FSA will examine whether risks are managed according to the characteristics of financial instruments by using a lesson learned from the subprime mortgage problem. The FSA will also encourage the enhanced risk disclosure.
- With respect to the solvency margin ratio, the FSA will make improvements to assess the risk more accurately in the short run, and consider introducing economic-value-based solvency assessment in the medium run.

3. Taking a Supervisory Stance in accordance with the Attributes of Insurance Companies, etc.

- The FSA will implement smoothly the expansion of the scope of businesses of insurance company groups, and the review of firewall regulations, etc. The FSA will also examine a system for overseeing and managing overseas business establishments of insurance companies operating overseas.
- The FSA will provide guidance and execute supervision carefully with respect to governance systems, financial soundness, and other aspects of small-amount and short-term insurance providers.

- The FSA will ensure the smooth transition from specific insurers to small-amount and short-term insurance providers and properly identify their actual financial positions, etc. The FSA will also make fact-finding efforts on public-interest corporations engaged in insurance businesses and endeavor to facilitate their transition.
- The FSA will examine whether insurance solicitation is being performed appropriately according to the characteristics of solicitation styles.

4. Materializing “Better Regulation”

- The FSA will utilize “The Principles in the Financial Services Industry” in interpreting and implementing the rules as they were originally intended.
- The FSA will gather and analyze information on market trends and risks, and promptly reflect such information in its supervision; furthermore, it will encourage to cooperate more closely between supervisory divisions and inspection divisions, and collaborate with foreign supervisions.
- The FSA will share the same recognition about rectifying problems with insurance companies, etc. through two-way dialogues.
- The FSA will improve the transparency and predictability by engaging in dialogues with insurance companies, etc. and distributing information to them.