

## **Summary of Annual Supervisory Policies for Insurance Companies, etc. for Program Year 2009**

### **1. Experience of Financial Crisis and Basic Concepts on Supervision of Financial Institutions for the Future**

- During program year 2008, there was turmoil in the international financial markets triggered by the subprime mortgage problem; the Yamato Life Insurance Company filed a petition for reorganization proceedings; and there were examples of international insurance groups receiving public bailouts.
- The turmoil in domestic and overseas financial markets and the deterioration in the real economy are also having an impact on the management of insurance companies, etc., in the form of increased losses and loss margins relating to securities and in particular those relating to stocks.
- The FSA is placing “Better Regulation” as the basis and striving to further have it become embedded and enhanced. In doing so, the FSA will pay attention to the following points in particular.
  - 1) The FSA more than ever will strive to (i) have financial administration with a high risk sensitivity, (ii) have financial administration by looking at things from citizen’s and user’s point of view, (iii) have financial administration with an eye on the future, and (iv) help financial institutions autonomously improve management and make better business judgments.
  - 2) In addition to encouraging closer cooperation among inspection divisions and other departments, such as by conducting joint hearings with inspection departments, the FSA will also continue to strive for alliances with overseas authorities and into making active contributions to international standard-setting bodies;
  - 3) The FSA will redouble efforts for human resource development and permeate financial knowledge.

### **2. Promoting the Sophistication of Risk Management**

- Promoting the Sophistication of Risk Management in View of a Financial Crisis
  - 1) The FSA will examine whether appropriate risk management systems have been built which are proportionate to their risk characteristics.
  - 2) The FSA will examine whether appropriate integrated risk management systems have been built proportionate to the size of the company and risk characteristics, etc. under the leadership and strong commitment of the management team.
  - 3) The FSA will promote the quarterly disclosure of important financial information such as solvency margin ratios.

- Review of Solvency Assessment, etc.
  - 1) With regard to solvency margin ratios, the FSA will work on improvements such as the refinement of risk assessments.
  - 2) Next, the FSA will examine the introduction of solvency assessments based on economic value.
  - 3) In examining the above, the FSA will encourage individual insurance companies to undertake efforts aimed at developing risk management systems based on economic-value assessments, which are a prerequisite for the introduction of such solvency assessments.

### **3. Improving Customer Protection and Convenience for Users**

- The FSA will focus on examining the following efforts by insurance companies, etc.:
  - 1) Promotion of preparedness ahead of the Insurance Act coming into force,
  - 2) thorough management of information security
  - 3) Construction of appropriate systems for managing the payment of insurance benefits,
  - 4) Establishment of appropriate insurance solicitation systems,
  - 5) Enhancing Systems for Processing Consultations and Complaints from Customers

### **4. Taking a Supervisory Response in Proportion to the Nature of Insurance Companies, etc.**

- Insurance companies, etc. vary widely in terms of the size of their operations, ranging from large-scale companies, to small-scale firms like many small-amount and short-term insurance providers. The mode of insurance solicitation is also becoming more diverse. In consideration of these circumstances, the FSA will take a supervisory response according to the attributes of insurance companies, etc.
  - 1) Measures for insurance groups, etc.
  - 2) Measures for small-amount and short-term insurance providers, etc.
  - 3) Measures corresponding to different modes of insurance solicitation