

# Reference: Composition of Supervisory Policy (Insurance Companies, etc.)

## 1. Overview

### 1. Environment Surrounding the Financial System

- Effects on the domestic economy due to the Great East Japan Earthquake (constraints of electric power supply, nuclear accident, downside risk of overseas economies, volatile fluctuations in exchange rates & stock prices, etc.)
- Effects of the global economy on the financial system (inflation concerns in emerging economies, European & U.S. fiscal conditions, etc.)

### 2. Approach Taken by Supervisory Authority

- Under the basic policy to have Better Regulation become further embedded and enhanced, the FSA will take the following approaches as the supervisory authority. Especially towards recovery and reconstruction from the Great East Japan Earthquake, insurance payments, etc. must continue to be properly and swiftly handled for victims.
- 1) Financial administration with high risk sensitivity (identify and understand the risks which accumulate in each financial institution and in the financial system with a forward looking perspective, importance of continuity system for IT and business)
  - 2) Financial administration from a citizen's and user's point of view (further improve customer protection and convenience for users)
  - 3) Supervisory response with a forward-looking perspective (thoroughly determine the progression of international discussions, outlook for environmental changes, consider common structural issues faced by Japanese financial institutions)
  - 4) Supervisory response which contributes to financial institutions' autonomously improving management and making better business judgments (open and deep discussions with financial institutions, introduce the innovative initiatives of each insurance company, etc. to other insurance companies)
- \* Closer cooperation with the inspection Bureau (especially to implement and strengthen monitoring with seamless inspections and supervision)
  - \* Supervisory response which considers reducing burdens on financial institutions (periodically review reporting, etc. once a year)

## 2. Areas Emphasized in Supervision

### 1. Promote the Sophistication of Risk Management

#### (1) Encouragement for an Established Enterprise Risk Management

##### [1] Examine risk management systems

Hold ERM interviews to encourage Insurance Companies, etc. to establish enterprise risk management in conformity with their business strategies

##### [2] Match each company's liability characteristics

##### [3] Examine Insurance groups

Examine the governance of holding companies, information system integration, and group-wide enterprise risk management system

##### [4] Encourage initiatives to gain trust of the market

#### (2) Review of Solvency Assessment

[1] Prepare for the smooth introduction of solvency margin ratios with more stringent risk measurement and on a consolidated basis

[2] Study practical issues of an economic value-based solvency regime in cooperation with professional organizations

[3] Based on IASB work to review international accounting standards, study insurance supervisory accounting over a medium term

### 2. Improve Customer Protection and User Convenience

#### (1) Ensuring Business Continuity

Examine the information system

Review the business continuity system

#### (2) Thorough Management of Information Security

Enhance strict management of customer information

#### (3) Development of Appropriate Insurance Payment Management System

##### 1) Examine the payment management system

Examine whether the system after improvement fully demonstrate its function

##### 2) Examine claims guidance administration

##### 3) Approach from policyholder's perspective

Encourage Insurance Companies, etc. to continue the positive initiatives approach started after the earthquake

#### (4) Establishment of Appropriate Distribution System of Insurance Products

Examine whether explanations which fit customer needs, knowledge and experience are provided (including guidance & control of insurance agencies)

#### (5) Enhancing Systems for Processing Consultations and Complaints from Customers

Monitor the status of the financial Alternative Dispute Resolution (ADR) system carefully

### 3. Supervisory Response Corresponding to the Characteristics of Insurance Companies, etc.

#### (1) Insurance Group

Examine operational appropriateness and financial soundness of the group as a whole

#### (2) Small and Medium-Sized Insurance Companies

Efficiently ascertain actual conditions

#### (3) Small-Amount and Short-Term Insurance Providers

Execute careful monitoring

#### (4) Approved Specified Insurance Providers, etc.

Process approval applications smoothly and implement careful supervision of approved providers

#### (5) Distribution Channels

Examine whether distribution is appropriate for characteristics of the channel

#### (6) Product Examinations

Enabling fast product revisions while ensuring the effectiveness of examinations