



Annual Report on Insurance Monitoring, July 2025 (1/2)

◆ *Development of Sustainable Business Models*

■ Life Insurers (LIs)

- ✓ Amid the continuous entrance of Major LIs in the insurance-related business and overseas business through M&A or partnership, aiming to strengthen and diversify their revenue sources, FSA recognizes the need for LIs to enhance their management functions, particularly regarding oversight of their subsidiaries.
- ✓ A certain volume of life reinsurance transactions are conducted by Japanese LIs and since these transactions carry counterparty risk and recapture risk, FSA plans to strengthen its risk-based monitoring of life reinsurance as well as enhancing proactive cooperation with other supervisors.
- ✓ It is imperative that mutual insurers enhance their governance through Policyholder Representatives Meeting (PRM), including in-depth discussions on policyholder dividends. FSA has observed that some mutual insurers communicated detailed information on dividend payout ratios alongside the dividend policy in PRM.

■ Non-Life Insurers (NLI)

- ✓ The major of insurance claims in 2024 came from secondary perils. Most of the claims were paid by primary insurers as the losses from each peril did not reach the trigger threshold for reinsurance.
- ✓ To fulfill the responsibility of NLI to consistently supply insurance, it is important for NLI to enhance their Enterprise Risk Management(ERM) and to encourage policyholders to utilize risk-prevention and risk-reduction services.
- ✓ FSA, in collaboration with NLI and the General Insurance Rating Organization of Japan, conducted the 2nd scenario analysis on Climate-Related Risks. The results indicate that acute physical risks will rise if climate change progresses. More information is available in the [link](#).

◆ *Financial Soundness and Risk Management*

■ Financial Conditions

- ✓ Insurers maintain strong financial bases despite the impact of the changing financial environment, and FSA finds no signs that financial instability would hinder critical services to policyholders.

■ Asset Management

- ✓ Major LIs steadily increased domestic superlong bonds and sold low-yield assets.
- ✓ Major NLI earned profits by selling cross-shareholdings.
- ✓ Both major LIs and NLI allocated more assets to overseas credit assets and alternative assets to obtain higher returns.

■ The Economic Value-based Solvency Ratio (ESR)

- ✓ FSA has initiated public consultation regarding the ESR regulation. To introduce the new regulation smoothly, FSA will continue in-depth discussions with insurers.

◆ **Enhancement of Group Governance**

- ✓ Internationally active insurance groups (IAIGs) in Japan have put continuous efforts to enhance group governance. Their initiatives include:
 - I. Implementing a group-wide human resource management system and providing training to cultivate global managers.
 - II. Sharing the lesson from misconducts in Japan with overseas subsidiaries to improve group's overall risk culture.
 - III. Conducting a group-wide culture survey and disclosing the results to stakeholders.
- ✓ IAIGs in Japan designated by the FSA: Dai-ichi Life Holdings, Sumitomo Life Insurance Company, Tokio Marine Holdings, MS&AD Insurance Group Holdings, SOMPO Holdings.

◆ **Initiatives to ensure credibility in the insurance business sector and its sound development**

■ **Administrative actions against insurers and insurance agents**

- ✓ FSA and Local Finance Bureaus (LFBs) have issued business improvement orders to insurers and insurance agents. FSA and LFBs continue to closely monitor these entities to ensure that they implement effective measures based on their business improvement plans.
 - Fraudulent insurance claim case, issuing business improvement order to a NLI insurer and its HD company in Jan 2024.
 - Insurance premium adjustment case, issuing business improvement orders to four NLIs in Dec 2023.
 - Information leakage incidents involving their insurance agents, issuing business improvement orders to four NLIs in Mar 2025.
 - Inadequate management system for its insurance solicitation as insurance agents, issuing business improvement orders to two insurance agencies in Jan 2025.

■ **Key Initiatives to ensure credibility**

- ✓ FSA has launched several initiatives to address the industry-wide issues identified by the above-mentioned misconducts.
- ✓ FSA submitted a "Revision Proposal for the Insurance Business Act" to the Diet, which was passed in May 2025. The Main revisions include:
 - Strengthening internal management and compliance system for large-sized shared agents.
 - Prohibiting excessive provision of convenience to policyholders by insurers.
- ✓ FSA revised "Comprehensive Guidelines for Supervision for Insurance Companies" in Jun 2025. The key revisions from this update include:
 - Prohibiting insurers from providing excessive conveniences to insurance agents, including the inappropriate secondments to agents.
 - Reviewing the calculation process of agent commissions to prioritize "customer-oriented quality".
 - Reducing cross-shareholdings, which hinders proper competition in the commercial non-life insurance market.
 - Revising the regulation on insurance brokers to promote their activity, as they have not been fully utilized in the commercial market.
 - Strengthening the control function to appropriately manage customer information.

■ **Further measures by FSA**

- ✓ FSA plans to enhance risk-based supervision, especially on large insurance agents, and the monitoring of commercial non-life insurance.