Annual Report on Insurance Monitoring, August 2026 (1/2)

◆ *Recent Developments in the Insurance Business*

■ Life Insurers (LIs)

- ✓ Major LIs have pursued acquisitions and partnerships in related and adjacent sectors, with the nursing care, healthcare, and employee benefits businesses they have acquired or partnered with at the core of these efforts. They have also expanded into overseas insurance markets, including the U.S., which offers stable scale and profitability.
- ✓ Following the revision of the Supervisory Guidelines in August 2025, many LIs have strengthened their frameworks to prevent the provision of excessive benefits to insurance agencies. While most LIs have discontinued secondments to non-group agencies, those that continue such practices are required to regularly assess their necessity and appropriateness.
- ✓ The FSA also confirmed that LIs have made progress in digital transformation initiatives, including the adoption of AI, while key challenges remain in strengthening AI risk management frameworks and enhancing collaboration with other firms in non-competitive areas.

■ Non-Life Insurers (NLIs)

- ✓ Reinsurers have become increasingly cautious amid rising natural catastrophe and large-loss risks. In response, NLIs are expected to strengthen underwriting practices in line with global standards, with greater emphasis on appropriate risk-sharing with corporate policyholders. The FSA views this shift in underwriting practices as an irreversible trend and will continue to closely monitor developments.
- ✓ Underwriting performance remained solid and reinsurance capacity exceeded demand, resulting in softer reinsurance pricing. In addition, fire insurance earnings have improved following premium rate revisions, and reserves have increased due to revisions to the management of catastrophe reserves and the introduction of stricter conditions for their release.

◆ *Financial Soundness and Risk Management*

■ Implementation of the ESR framework

- ✓ The Economic Value-based Solvency Ratio (ESR) framework came into effect at the end of March 2026.
- ✓ While Japanese insurers generally maintain solid financial soundness, the FSA will continue to assess their financial positions and risk management frameworks under the ESR regime.

■ Monitoring of Asset Management and Risk Management

- ✓ The FSA conducted focused monitoring of insurers' asset management and ALM practices amid changes in the interest rate environment.

■ Review of Supervisory Accounting

- ✓ The FSA convened a study group with industry representatives to review the role and functions of supervisory accounting in relation to the ESR framework.

■ Monitoring of Life Reinsurance

- ✓ Against the backdrop of the increasing use of asset-intensive reinsurance by LIs, the FSA revised the Supervisory Guidelines to enhance insurers' reinsurance risk management. The FSA will closely monitor reinsurance practices and the effectiveness of insurers' risk management frameworks.

Annual Report on Insurance Monitoring, August 2026 (2/2)

◆ *Enhancement of Group Governance*

✓ Internationally Active Insurance Groups (IAIGs) in Japan have made 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 lessons from misconduct in Japan with overseas subsidiaries to improve the 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: Daiichi Life Group, Sumitomo Life Insurance Company, Nippon Life Insurance Company, Meiji Yasuda 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*

■ Key Initiatives to ensure credibility

✓ Following the discovery of fraudulent insurance claims, price-fixing cartels, and information leakage incidents in the non-life insurance sector, the FSA amended the "Insurance Business Act" in May 2025. The amended Act entered into force in June 2026.

✓ In preparation for the implementation of this amendment, the FSA revised subordinate regulations and supervisory guidelines.

■ Customer-Oriented Business Conduct

✓ The non-life insurance sector is expected to continue advancing initiatives in response to these legislative and supervisory reforms.

✓ The life insurance sector has also faced challenges related to the management of sales representatives, information management, and insurance solicitation practices. In light of these issues, LIs and insurance agencies are expected to further strengthen their internal control and governance frameworks and to continue their efforts to ensure customer-oriented business conduct.

■ Further measures by the FSA

✓ The FSA will continue to promote customer-oriented business conduct and a sound competitive environment, while monitoring their effectiveness and taking supervisory action as necessary.

◆ *Promoting Corporate Risk Management*

✓ The FSA and the Ministry of Economy, Trade and Industry (METI) jointly convened the Study Group on Promoting Corporate Risk Management from December 2025 to support companies in appropriately managing risks while advancing growth-oriented investment. This Study Group published its report in April 2026.

✓ Based on this report, the FSA is advancing initiatives to enhance corporate risk management and support growth-oriented investment, including improving the operational framework for cross-border direct insurance and examining policies to promote the effective use of captive insurance in Japan.