

## Insurance Sales Management System Manual

A proper insurance underwriting management system must be established, under which directors, etc. recognize the importance of compliance and compliance-oriented corporate culture is cultivated, so that the interests of policyholders are not sacrificed when an insurance company underwrites and concludes an insurance contract. This manual was prepared to confirm the insurance underwriting management system of insurance companies in specific terms on the basis of the Compliance Checklist.

Note that when problems are found in insurance sales management systems through this Manual, it is important not just to point out the individual problems but to verify the real cause of the problem, such as the lack of recognition of the importance of compliance on the part of directors, etc. and a failure to cultivate compliance-oriented corporate cultures by using the Compliance System Checklist.

Note that when verifying specific cases regarding compliance with laws and ordinances on insurance sales by using this manual, the verification must be based on the provisions of the Insurance Business Law, relevant ordinances as notice by government and ministries and the Guidelines.

Item	Insurance Sales Management System Check Point	Explanation of Insurance Sales Management System Check Points	Remarks
I. Policies for compliance with laws and regulations concerning insurance sales 1. Recognition of directors and roles of the board of directors, etc.	(1) Understanding and recognition of directors	Do directors understand and recognize the importance of compliance about insurance sales, and do they take appropriate measures? In particular, do they understand and recognize that the establishment of an appropriate insurance sales management system is the prerequisite to business promotion, and do they take appropriate measures? Do directors pay considerable attention to the employment and consignment of insurance sales, and do they make efforts to prevent the occurrence of damage to policyholders in insurance sales?	Note: "Manager" refers to branch office managers and persons in senior managerial positions (including directors) with equivalent levels of responsibility, and so throughout.
	(2) Roles of board of directors, etc.	Do management meeting materials such as minutes of board of directors' meetings, management plans, and business promotion plans, etc. articulate compliance policies about insurance sales?	
2. Roles of the compliance division	Roles of the compliance division to establish a proper insurance sales management system	Does the company have a system in place to have the compliance division play appropriate roles independent of the sales promotion division in order to establish a proper insurance sales management system? For example, does the compliance division prepare or verify rules concerning business promotion or sales, independent of the sales promotion division?	
3. Recognition and roles of manager	Understanding and recognition of manager	Does manager recognize the importance of compliance about insurance sales and does it take appropriate measures to cause relevant personnel to recognize the importance of compliance about insurance sales?	

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4. Recognition of the sales promotion division	Understanding and recognition of the sales promotion divisions	Do managers of the sales promotion divisions understand and recognize the importance of compliance about insurance sales, and do they take appropriate measures?	
5. Performance evaluation, personnel appraisal, etc.	Performance evaluation, personnel appraisal, etc.	Does the insurance company take measures to accurately reflect efforts that place compliance about insurance sales over business promotion in conducting performance evaluation, personnel appraisal, etc. ?	
6. Indications and guidance from the head office to branch offices, etc. and insurance agents, and management system	(1) Making policies known	<p>Does the insurance company make its policies for compliance about insurance sales thoroughly known to its branch offices, etc. and insurance agents?</p> <p>Does the insurance company instruct and manage its branch offices and insurance agents to comply with sales standards for each insurance product?</p>	
	(2) Articulation of standards	<p>Does the insurance company have a set of standards in place to screen the qualifications (laws and ordinances concerning insurance sales, knowledge about insurance contracts, ability to execute insurance underwriter's duties, contents of insurance business, business purposes, etc.) when it employs or consigns insurance agents?</p> <p>Does the insurance company articulate policies for compliance about insurance sales, knowledge about insurance contracts, and the establishment of an internal operation management structures and does it have measures in place to educate, manage and guide business bases and insurance agents in an appropriate manner?</p>	
	(3) Appropriate management	<p>Are materials for sales used by business bases and insurance agents subject to legal checks by the compliance division?</p> <p>Does the insurance company provide proper education, guidance and training to business bases and insurance agents with regard to the use of sales materials, operations? Does the company have an independent division for that purpose?</p> <p>Does the insurance company require the approval of and report to the head office regarding sales materials, etc. used by business bases and insurance agents? When it is not required, does it take appropriate measures for appropriate management?</p> <p>Does the insurance company properly manage business bases and insurance agents with regard to operation for preservations of insurance contract and managements ?</p> <p>Does the insurance company take appropriate measures to prevent illegal acts by insurance agents, for example, concluding a disguised insurance contract after a reason for payment of insurance money has occurred or concluding an insurance contract to obtain insurance money by fraud?</p> <p>Does the head office monitor and manage the status of short-term cancellation and lapse of retained insurance contracts in force and the status of disbursement of expenses ?</p> <p>Does the insurance company guide and manage agencies to keep documents that clearly distinguish received insurance premiums from their own assets? Does it guide and manage agencies to remit received insurance premiums to the company without delay or keep them in separate accounts and settle account them one month after the company posted the insurance contracts at the latest?</p> <p>Does the insurance company have measures in place to appropriately handle agency commissions in accordance with book of business methods?</p>	

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II. Auditing and correcting problems 1. Policies to ensure effectiveness of internal audits	(1) Recognizing importance of internal audit and establishment of internal audit structure	<p>Does representative director and the board of directors recognize that internal audits have a great impact on the establishment of an appropriate insurance sales system?            Is the internal audit division organized by the board of directors so that it is able to play a sufficient internal audit function for insurance sales system?</p> <p>Note: An internal audit refers to the function for the purpose of verifying the appropriateness and effectiveness of the internal control system (including the risk management system) of each business division belonging to the headquarters and branch offices, etc.(here in after "auditees") by the internal audit divisions (the inspection section, the operations audit section, etc.) which is independent of auditees.            This process is not confined to discovery and reporting of problems associated with internal business processing etc. within auditees, but encompasses the evaluation of the internal management system and recommendations for correcting issues.            In principle, however, an internal audit does not include self-inspections conducted by auditees as part of their internal management efforts</p>	
	(2) Business promotion divisions' understanding and recognition and mutual checking functions	<p>Does managers of the business promotion divisions recognize that internal audits have a great impact on the establishment of an appropriate insurance sales system?            Is the inspections division organized so that it is able to play a sufficient checking function on the business promotion divisions?</p>	
	(3) Establishment of internal audit methods	<p>Does the internal audit division create techniques and content for internal audits in the form of implementation standards and implementation procedures? And are these documents approved by the board of directors?            Does director of internal audit division confirm the appropriateness and effectiveness of implementation standards and implementation procedures of self-inspection by branch offices, etc. and insurance agents?            Are the internal audit plan (year) for business promotion division, branch offices , etc .and insurance agents designed by internal audit division, and approved on important or basic items by the board of directors, etc.?            Does the internal audit division implement an efficient and effective internal audit of business promotion divisions in accordance with internal audit plans, taking the frequency and depth into consideration? When internal audit of insurance agents by the internal audit division is not performed as regularly due to unavoidable reasons, is internal audit by a competent division or branch office, etc. performed in the same frequency or more? Is such internal audit given the same status and assured of its practicality in terms of effectiveness and correction of problems?</p>	
	(4) Implementation of internal audit	<p>Are effective internal audit performed (for example, surprise audit)?            Are appropriate internal audit. performed on operational contents concerning insurance sales by agents?            Does the insurance company check violations of Insurance Business Law Article 300, etc. concerning insurance sales?</p>	

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2. Correction of problems through internal audit	(1) Report of internal audit	<p>Does the insurance company conduct an accurate follow-up of the matters pointed out in internal inspections in an organized and systematic manner?</p> <p>Does the internal auditors promptly prepare an internal audit report which accurately reflects the problems identified and pointed out in the course of the internal audit?</p> <p>Does the head of the internal audit division report without delay to representative directors and the board of directors about the important problems pointed out in the internal audit reports after confirming the content thereof? Also, do they promptly report to representative directors and the board of directors about the problems deemed to significantly affect business among the problems identified in the course of the internal audit and daily checking activities?</p>	
	(2) Correction of problem	<p>Does the internal audit division analyze the results and accurately notify business promotion divisions?</p> <p>Do business promotion division promptly improve internal audit findings to establish an appropriate insurance sales system?</p> <p>Does the insurance company deal strictly with agents whose internal clerical work management is found to be inadequate and take measures for improvements?</p>	
3. Responses to illegal contracts and scandals on insurance sales	(1) Illegal contracts and scandals on insurance sales	<p>Does the insurance company have procedures in place for handling insurance contracts that violate laws and ordinances or operational rules and scandals related to insurance sales? Does it deal with such incidents immediately in accordance with its procedures? Does it report scandals to the supervisory authorities and appropriately deal with them in accordance with laws and ordinances?</p> <p>Does the insurance company have a structure in place to confirm the facts regarding scandals, clarify the responsibilities of those involved, hold those involved accountable, and clarify supervisory responsibility for an incident? Are its scandals investigated by a division that is independent of the business promotion divisions?</p> <p>Does the insurance company analyze the causes of scandals, provide division managers and business base managers with analytical results from the perspective of preventing scandals, and take measures to prevent recurrence in a timely manner?</p> <p>Does the insurance company clarify the responsibilities of the person who violated laws and ordinances in insurance sales and his/her supervisor and hold them accountable?</p> <p>Does the insurance company inform the police and other relevant organizations in a timely manner of any facts that may impinge upon criminal statutes?</p>	
	(2) Reporting on problems to the board of directors, etc.	<p>Are the matters that would have a serious impact on the business or that would considerably damage the interest of policyholders reported to the compliance management division and internal audit division immediately? Does the company have a structure in place for reporting such matters to the board of directors?</p>	

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4. Establishment of structures for counsel about insurance and dealing with complaints	(1) Counsel of insurance and complaints	<p>Does the insurance company have procedures in place at its head office and business bases for dealing with complaints. Does it deal quickly with complaints in accordance with its procedures?</p> <p>Does the insurance company make and store records of the content of complaints and the results therefrom? Are the records reportedly regularly to the compliance division and internal audit division?</p> <p>Does the company check whether or not there are insurance contracts that contravene laws and ordinances and matters that could lead to scandals?</p> <p>Are the reports properly used as important materials for establishing an appropriate insurance sales system by the head office?</p>	
	(2) Reporting on problems to the board of directors, etc.	<p>Are the matters that would have a serious impact on the business or that would considerably damage the interest of policyholders reported to the compliance division and internal audit division immediately? Does the company have a structure in place for reporting such matters to the board of directors, etc. ?</p>	
III. Stance for ensuring proper contracts	(1) Prevention of the occurrence of illegal insurance contracts (Fictitious contracts, Insurance fraud)	<p>Does the insurance company have a structure in place for utilizing information to avoid the occurrence of illegal insurance contracts?</p> <p>Does the company has a structure in place for checking the identity or the real existence of policyholders and business activities of corporate policyholders by, for example, sending the insurance policies directly to the head office?</p>	Note: "Documents" in this "Insurance sales Management System Manual" may include other appropriate methods.
	(2) Ensuring proper insurance sales and prevention of deviation from meaning of insurance	<p>Does the insurance company take measures to prevent sales activities that deviate from the original purpose of insurance or inappropriate activities to contract?</p> <p>Does the insurance company take measures to provide policyholders with appropriate and sufficient explanations of the content of insurance contracts?</p>	
	(3) Indication at the time of sales and issuance of documents	<p>When telling a policyholder the facts that would be disadvantageous to him/her or other important matters at the time of concluding an insurance contract, do sales manuals require asking the policyholder to confirm that he/she has accepted the facts by, for example, asking him/her to put a stamp of confirmation on relevant documents?</p> <p>Does the insurance company explain important matters of the contents of an insurance contract in an appropriate manner, such as issuing documents recording the matters in question to the policyholder?</p> <p>In the insurance company selling, by using an expected surrender ratio, an insurance contract that does not pay surrender value, does it issue a document mentioning that surrender value will not be paid to the policyholder?</p> <p>Does the insurance agents issue documents as set forth by law to policyholders? Does it guide and manage its employees to obtain a sign and putting seal of the policyholders in such occasion?</p>	

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	(4) Appropriate measures against risk products and conversion contracts	<p>On the premises of (1) through (3),</p> <p>Does the insurance company provide appropriate and sufficient explanation to policyholders when selling products, such as variable insurance and foreign-currency insurance, in which the policyholder himself/herself incurs risk? Does it have measures in place to always ask the policyholder to confirm that he/she has received explanations?</p> <p>Does the insurance company guide and manage its employees not to engage in inappropriate sales activities with regard to conversion contracts? Does it guide and manage its employees to issue documents that provide comparisons of existing and new contracts and documents mentioning that the policyholders can review the content of security while continuing the existing contracts?</p>	
IV. Stance for appropriate insurance sales in new selling types	(1) Non-contact sales, such as mail-order sales	<p>If the insurance company adopts a non-contact sales style, such as mail-order sales, does it formulate an appropriate insurance sales structures and measures in light of the nature of such sales style?</p> <p>In insurance sales using the Internet, in particular, does the insurance company have the following structures and measures in place in light of the nature of such sales style?</p> <p>? Structures and measures that can provide all important information to policyholders</p> <p>? Structures and measures that can obtain policyholders' full understanding of important information</p> <p>? Structures and measures to identify policyholders in order to avoid moral hazard</p> <p>? Structures and measures to take steps in light of the Unauthorized Access Law</p>	
	(2) Sales as a result of mutual entries between life and non-life insurance	<p>When the insurance company is engaged in selling an insurance product that has been made possible as a result of mutual entries between and life and non-life insurance, does it have a structures and measures for appropriate sales? For example, does it take measures for not causing the policyholder to misunderstand the subject of insurance sales of the insurance product?</p>	
	(3) Sales as a result of mutual entries between insurance companies and other types of financial institutions	<p>Does the insurance company have appropriate measures in place to prevent misunderstanding in making joint calls with a financial institution that fall into the category of its specific related parties?</p> <p>Does the insurance company have appropriate measure in place to ensure the independence of its shops from those of financial institutions that fall into the category of its specific related parties?</p> <p>Does the insurance company have appropriate measures in place to avoid the use of closed information general business corporations that fall into the category of its specific related parties in sales insurance?</p> <p>Does the insurance company have appropriate measures in place to prohibit a tie-in sale with the extension of credit by a specific related party?</p>	