

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

1. Overview

1. Environment Surrounding the Financial System

- Effects on the domestic economy due to constraints on electric power supply, the nuclear accident, and the situation in Europe
- Characteristics of the financial system, which is vulnerable to the global economy (sovereign debt problems in Europe, economic and financial trends in the U.S., trends in emerging markets, such as China, etc.)

2. Approach Taken by Supervisory Authority

- Under the basic policy to make Better Regulation embedded and enhanced, the FSA will take the following approaches as the supervisory authority. FSA will take the approaches under full awareness of the current situation in Europe.
 - 1) Financial supervision and 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, inspect IT systems and business continuity systems)
 - 2) Financial supervision and administration from a citizen's and user's point of view (improve customer protection and convenience for users)
 - 3) Supervisory response with a forward-looking perspective (Being aware of the progress in international discussions, monitor environmental changes, and consider common structural issues faced by Japanese financial institutions)
 - 4) Supervisory response which contributes to financial (straightforward and in-depth dialogues with financial institutions, promotion of innovative initiatives by insurance companies to the others)

* Closer cooperation with the Inspection Bureau (especially to implement and strengthen monitoring with seamless inspections and supervision)

* Supervisory administration which considers reducing burdens on financial institutions (review reporting, etc. once a year)

2. Areas to be Emphasized in Supervision

1. Appropriate Fulfillment of Guaranty and Compensation Functions

(1) Development of Appropriate Management System for Insurance Payment

1) Insurance Payment Management System

Continue to place priority on examining the status of fulfilling the insurance functions

Place priority on examining screening systems for unjust claims by antisocial forces, etc.

2) Claims Guidance System

Continue to place priority on examining the status of the development and the implementation of such system

3) Initiatives from an Insurance Policyholders' Perspective

Encourage a continued approach of proactive initiatives in preparation for earthquakes

(2) Supervisory Response according to the Characteristics of Insurance Companies, etc.

1) Insurance Groups

Examine financial soundness and management systems of entire groups

2) Small and Medium-sized Insurance Companies

Execute in-depth supervision of newly-entering companies

Monitor companies which suspend new solicitation carefully

3) Foreign Insurance Companies, etc.

Execute in-depth supervision

4) Small-Amount and Short-Term Insurance Providers

Monitor carefully, examine product effectively, etc.

5) Approved Specified Insurance Providers

Implement careful guidance and supervision

2. Promote the Sophisticated Risk Management

(1) Encouragement for an Enterprise Risk Management (ERM)

1) Examine Risk Management Systems

Hold ERM interviews with Insurance Companies, etc. to encourage them to conduct enterprise risk management in combination with their business strategies

2) Examine Risk Management Initiatives

Examine the stating of initiatives for risk capture and measurement, risk reduction, as well as their effectiveness

3) Pay Attention to each Company's Liability Characteristics

Examine the sales progress management in accordance with the characteristics of distribution channels, etc.

4) Examine Insurance Groups

Examine the risk management systems regarding overseas bases

5) Disclosure

(2) Review of Solvency Assessment, etc.

1) Economic Value-based Solvency Regimes

Continuous examination toward implementing the regimes based on international discussion trends

2) Insurance Supervisory Accounting

Study insurance supervisory accounting over the medium term, based on IASB work to review international accounting standards

3. Improvement of Customer Protection and Convenience for Users

(1) Ensuring Business Continuity

Examine the information system

Ascertain the business continuity plan through training, etc.

(2) Ensuring Information Security Control

Enhance strict management of customer information

(3) Development of Proper Management Systems for Selling Insurance Products

Examine the system to ensure product explanations according to the knowledge and experience of customers

1) Understand and examine the actual situation of agents with more diversified and larger distribution channels of insurance products

2) Examine over-the-counter sales by financial institutions

3) Examine whether the descriptions of insurance solicitation materials are appropriate

(4) Enhancement of Systems for Processing Consultations and Complaints from Customers

Watch carefully for the approach of financial institutions to the financial ADR system

(5) Accelerate and Ensure Effectiveness of Product Examinations

Exchange views prior to the examinations

(6) Response to Antisocial Forces

Urge enhanced development of a system against antisocial forces taking the characteristics of insurance contracts, etc. into account