

Annual Supervisory Policy for Insurance Companies, etc. for Program Year 2013

The Financial Services Agency (FSA) publishes its Annual Supervisory Policy for Insurance Companies, etc. for each program year to clarify its supervisory priorities. This is prescribed in the “Comprehensive Guidelines for Supervision of Insurance Companies,” the “Supervisory Guidelines for Low-Cost, Short-Term Insurance Providers,” and the “Comprehensive Guidelines for the Supervision of Approved Insurance Providers,” which show basic approaches for the supervisory processes aimed at insurance companies, low-cost, short-term insurance providers, and approved specified insurance providers, respectively (together, “Insurance Companies, etc.”).

In this program year, in accordance with “Basic Concepts on Supervision of Financial Institutions,” the FSA will supervise Insurance Companies, etc. focusing on the following priority areas: (1) appropriate fulfillment of guarantee and compensation functions; (2) promoting sophisticated risk management; and (3) improvement of customer protection and convenience for users. In addition, the FSA will strive to understand conditions and issues facing financial institutions, by enhancing the integration of on-site and off-site monitoring, in accordance with the Financial Monitoring Policy.

It should be noted that this supervisory policy was made considering the circumstances that surrounded Insurance Companies, etc. as of September 2013, and may be subject to review as necessary.

1. Expected roles of Insurance Companies, etc. and basic concepts on supervision of financial institutions

(1) Expected roles of Insurance Companies, etc.

Insurance Companies, etc. play a key role in people’s lives and economic activities by providing insurance coverage against various risks, and thus they are expected to maintain financial soundness and operate their businesses appropriately. Keeping this in mind and considering the recent increase in natural disasters and the changes in financial conditions in Japan and overseas, it is increasingly important for Insurance Companies, etc. to manage risks appropriately with a forward-looking perspective, and enhance their financial bases, including reserves, as resources for insurance payments.

Further, Japan has become a super-aged society with an unprecedented rise in the aging of the population, together with a declining birth rate. As such, it is necessary for Insurance Companies, etc. to cope with the aging of their customers at every step of the business process, such as product development, solicitation, and insurance payments.

Considering the above, it is increasingly important that Insurance Companies, etc. fully recognize their expected roles, and their management should make responsible and prompt business judgments to respond to sudden social and economic changes and to international regulatory reforms. At the same time, Insurance Companies, etc. should formulate medium to long-term business strategies covering the next 5–10 year period, with accurate

understandings of the various risks involved.

(2) Approach taken by supervisory authority

Under these circumstances, the FSA as the supervisory authority will confirm whether Insurance Companies, etc., under the management's appropriate leadership, have enhanced their governance and risk management systems; properly verified the sustainability of their business models; and devised short and medium to long-term management strategies, including capital policy. The FSA will push this further through discussions with management, if necessary.

In this program year, the FSA will continue to make "Better Regulation" (engaging in straightforward and in-depth dialogues with financial institutions, disclosing information, sharing information and collaboration on the economic and financial situations in Japan and overseas, and improving the transparency and predictability of administrative actions) the basis and strive to have it become further embedded and deepened. Based on this principle, the FSA will continue to take the following approaches as the supervisory authority.

Financial administration, if implemented through regulations only, may cause distortions in the regulatory regime and result in excessive control, which may negatively impact the real economy. Considering this, the FSA will endeavor to improve the quality of supervisory administration while reducing regulatory costs on a medium to long-term basis by improving the self-discipline of financial institutions and its own capabilities as supervisory authority.

1) Financial supervision and administration with a high risk sensitivity

In order to appropriately respond to currently conceivable risks, the FSA will strive to gain a deeper understanding of the macro economy, and financial and capital markets, and deepen its understanding and analysis of how these affect the soundness of financial institutions, and thereby identify and understand the risks which accumulate in each financial institution and in the financial system, from a forward-looking perspective. The FSA will also enhance the integration of on-site and off-site monitoring to detect risks at an early stage.

Given that problems with computer systems would greatly affect insurance payments and business continuity, the FSA will urge Insurance Companies, etc. to regularly and voluntarily check their risk management frameworks for system glitches and will monitor such system risks with a heightened alert even in normal times. In addition, in order to maintain and secure financial functions even in the event of an unexpected contingency, it is important that the FSA confirms whether Insurance Companies, etc. sufficiently prepare for major risks in their business continuity plans (BCPs), review their BCPs as necessary, and conduct relevant training, given the experiences of the 2011 Great East Japan Earthquake and past system glitches, etc.

2) Financial administration from a citizen's and user's point of view

The FSA will endeavor to further improve customer protection and convenience for users by supervising from a citizen's and user's point of view.

3) Supervisory response with a forward-looking perspective

While monitoring the direction of international discussions and watching out for any

changes in business environment, the FSA will strive to take medium and long-term measures with an eye on the future considering the common structural issues faced by Japanese financial institutions (strengthening profitability of their main business, etc.), as well as short-term supervisory measures.

4) Supervisory response which contributes to financial institutions' improvement of their management and better business judgments

The FSA will help financial institutions to improve their own management and make better business judgments via straightforward and in-depth dialogues and the disclosing of information. Above all, the FSA will promote exchanges of opinions and other methods to introduce to other financial institutions the innovative initiatives of each financial institution concerning the performance of financial intermediary functions (for Insurance Companies, etc. the function of providing guarantee and compensation), risk management, improvement in customer protection, convenience for users, etc. The FSA will thereby work to enhance the level of the entire financial industry. When performing supervision, in addition to these approaches, the FSA will also emphasize the following points:

- In order to quickly and accurately grasp and promptly deal with the risks facing financial institutions and the financial system, the FSA, in cooperation with the Inspection Bureau, will improve and reinforce integration of on-site and off-site monitoring. The FSA will also cooperate with foreign authorities via supervisory colleges and contribute actively to international standard-setting bodies.
- The necessity to collect reports and submit documents will be periodically reviewed once a year, as part of consideration for reducing the burdens on financial institutions.
- Through thorough fostering, securing, and training of professional human resources and personnel exchanges with overseas supervisory authorities, the FSA will redouble efforts for human resource development.

2. Appropriate fulfillment of guarantee and compensation functions

The timely and adequate payment of insurance benefits, etc. is the fundamental and the most important responsibility of Insurance Companies, etc. They should take note of (1) below.

Disciplines under the Insurance Business Act are universally applied to all Insurance Companies, etc. However, the scale of Insurance Companies, etc. varies from one to another; ranging from large insurance groups engaged in proactive business development, including mergers and the diversification of business operations, and areas at home and abroad, to generally small firms, including low-cost, short-term insurance providers and approved specified insurance providers. In light of this, supervisory actions aligned with sizes and other attributes of Insurance Companies, etc. are essential and discussed in (2) below.

In order to understand the actual status of Insurance Companies, etc. efficiently, the FSA will conduct effective off-site interviews in cooperation with the Inspection Bureau, based on the details of business operations of Insurance Companies, etc.

(1) Development of Appropriate Management System for Insurance Payment

- 1) With the awareness that the adequate payment of insurance benefits is the most important responsibility of Insurance Companies, etc., the FSA will continuously place priority on checking whether their payment management systems are functioning systematically, continuously, and effectively.
- 2) In particular, the FSA will focus on whether Insurance Companies, etc. have developed and implemented internal control systems for providing guidance to the customer for submission of insurance claims, etc. (including giving advice about making insurance claims for other available insurance payments upon receiving and processing insurance claims) to each customer promptly and appropriately from the viewpoint of customer protection and convenience for users.
- 3) The FSA will encourage Insurance Companies, etc. to take the same approach as that taken when they dealt with the 2011 Great East Japan Earthquake, ensuring prompt and definite claim payments from the viewpoint of insurance policyholders and their families. Specifically, the FSA will encourage measures to properly prepare for the aging of customers, etc. through maintenance of contact with the policyholder and relevant family members, simplification and rationalization of paperwork, etc.

(2) Actions based on the attributes of insurance companies, etc.

1) Insurance groups

For insurance groups, in light of cases where losses recorded by the group's financial subsidiary caused deterioration of the entire group's business condition, the FSA will confirm the appropriateness and financial soundness of groups as a whole in accordance with the Guideline for Financial Conglomerates Supervision, etc.

Particularly given that insurance groups are actively seeking to expand their businesses overseas, the FSA will comprehend each group's management system in relation to overseas business operations (including subsidiaries and affiliates), and joint ventures and partnerships with overseas business alliance partners, etc. For example, the FSA will check whether each group manages and controls overseas business operations, legal compliance, and risk management effectively, swiftly, and appropriately. The FSA will also confirm whether each group manages their overall risks appropriately in accordance with the number and sizes of their overseas operations. In doing so, the FSA will cooperate with overseas authorities, as necessary.

Further, the FSA, as the supervisory authority, will take necessary action based on the future direction of international discussions on strengthening supervision of Insurance Companies, etc. at the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS).

2) Small and medium-sized insurance companies

Cooperating with the Inspection Bureau more closely, the Supervisory Bureau will seek to understand the actual conditions of small and medium-sized insurance companies efficiently through interviews on internal auditing and other operations according to the

characteristics of such operations and related risks.

It is important for new entry insurance companies to work on establishing new business models as originally planned at their time of entry, in parallel with building legal compliance systems. On the other hand, if they expand business operations rapidly or deviate from their original business models or business execution plans, the FSA will encourage these new insurance companies to align their risk management systems with the actual business size and current business model. The FSA will execute in-depth supervision, and ensure that new insurance companies maintain steady and stable business operations and insurance policyholders are adequately protected.

As the investment environment has deteriorated due to factors such as the global financial market turmoil and prolonged low interest rates, a rising number of small and medium-sized insurance companies have suspended their solicitation of insurance products, focusing only on the maintenance and management of existing insurance policies. The FSA will carefully monitor the business operations and risk management systems of those insurance companies that have become caretakers of existing contracts.

3) Foreign insurance companies, etc.

Subsidiaries and branches of foreign insurance companies, etc. in Japan are expected to add diversity to Japanese markets by taking such measures as offering new services different from those of Japanese insurance companies. However, there is a concern that they may be directly or indirectly controlled by their own foreign head offices or holding companies beyond the reach of Japanese law, and that the governance system within their Japanese branches may not function sufficiently due to the management and control styles adopted by head offices or holding companies.

Therefore, as one choice, it may make sense to convert and incorporate branches into subsidiaries, depending on their size and the content of their business operations. In any cases, being instructed and supported appropriately by head offices or holding companies, it is important that subsidiaries and branches of foreign insurance companies in Japan are given sufficient authority and responsibility so that they can establish internal control and management control systems inside the jurisdiction of Japan, and establish clear decision-making processes.

With these points in mind, the FSA will execute in-depth supervision of management and risk control at Japanese subsidiaries and branches of foreign insurance companies, etc. In doing so, considering the global environment surrounding internationally active insurance companies, the FSA will exchange views with the relevant supervisory authorities in home countries and senior management at head offices or holding companies via supervisory college frameworks, etc., as necessary.

4) Low-cost, short-term insurance providers

As for low-cost, short-term insurance providers, the FSA will endeavor to deepen its understanding of their actual business conditions and business plans, and conduct guidance and supervision regarding their control and administration systems, financial soundness, the adequacy of business operations, etc. from the point of view of customer protection, based on their business sizes, products, solicitation methods, etc. The FSA will carefully monitor those identified as having issues concerning financial soundness, legal compliance

status, etc.

5) Approved specified insurance providers, etc.

As for the approval of specified insurance businesses under the “Act for Partial Revision of the Act for Partial Revision of the Insurance Business Act, etc.” (2010 Act No. 51), the FSA will appropriately respond to consultation requests for applicants for such approval and try to smoothly implement screening and administrative procedures for the approval in consideration of the deadline for application at the end of November 2013.

Further, the FSA will determine whether there is a gap between the actual business operations of approved specified insurance providers and their initial business plans at the time of approval. At the same time, from the point of view of customer protection, the FSA will implement careful guidance and supervision on financial position, the adequacy of business operations, etc. at approved specified insurance providers.

3. Promoting Sophisticated Risk Management

Given the diversification and complication of the risks for insurance companies, market trends in Japan and overseas, international supervisory trends, etc., the FSA will make efforts to ensure the financial soundness of insurance companies by encouraging them to improve risk management and disclose information appropriately. Since it is essential to develop regulatory and supervisory frameworks aligned with sophisticated risk management approaches, the FSA will consider introducing an economic value-based solvency assessment.

(1) Encouragement for Enterprise Risk Management (ERM)

- 1) Given the diversification and complication of risks surrounding insurance companies, the FSA will continue to encourage insurance companies to not only ensure their capital bases and disclose financial information appropriately but also develop integrated risk management systems for managing all risks comprehensively through their entire business operations in conformity with their business strategies. In promoting the sophistication of risk management systems, the FSA will use self-assessments of insurance companies regarding their risk management systems and ERM interviews to confirm whether insurance companies, considering their capital condition, etc., have developed appropriate risk management systems aligned with their size and risk profile under the leadership and strong commitment of their senior managers. In addition, the FSA will consider introducing the Own Risk and Solvency Assessment (ORSA) reporting, which is incorporated in the Insurance Core Principles (ICPs), adopted by the IAIS in October 2011, which sets out the basic principles for supervising the insurance sector.
- 2) For the examination of risk management systems, the FSA will thoroughly monitor, for example, the status of asset liability management (ALM) corresponding to the insurance company’s liabilities characteristics, not just plainly oversee and assess risk management conditions, and encourage initiatives in accordance with each insurance company’s characteristics. The FSA will also check whether each insurance company has developed sufficient risk management systems, including sales management, and timely, adequate product revisions, in a manner to meet the characteristics of distribution channels and insurance products.

- 3) Given the recent increase in natural disasters in Japan and overseas, etc., it has become increasingly important to manage insurance underwriting risks. In this regard, the FSA will confirm the status and effectiveness of the insurer's efforts for maintaining their ability to make payments and nurturing a solid business base, including efforts to capture and measure risks; risk reduction and adjustment efforts based on the results of monitoring and stress testing; and risk mitigation measures, such as reinsurance, etc. Additionally, in relation to the above, insurers should be aiming to enhance their financial bases at all times in order to maintain financial soundness that can withstand future insurance payments. The FSA will also verify the effectiveness of these initiatives.
- 4) In line with the increased volatility in financial markets, such as the bond market, etc., it is becoming increasingly important for insurers to set fund management policies in light of their market risk management systems and earnings abilities. As such, the FSA will confirm whether Insurance Companies, etc. are capturing risks appropriately by using various risk measures, conducting stress tests, etc.; developing their fund management policies based on market trends, implementing such policies and conducting appropriate monitoring to maintain their ability to make payments and nurture a business base.
- 5) While insurance companies are making efforts to actively expand business under the current tough business environment, such as through mergers and overseas expansion, they also need to develop appropriate risk management systems on a group-wide basis. For insurance groups, the FSA will focus on confirming whether the holding company's governance system is effective and sufficient, appropriately monitoring the progress of system integration, and the effectiveness of group-wide integrated risk management, etc. As for groups with overseas operations (including overseas subsidiaries), the FSA will examine their group-wide risk management systems, considering the risks associated with expanding businesses overseas, underwriting insurance, etc.

(2) Review of solvency assessment, etc.

- 1) Economic value-based solvency regimes contribute to a proper understanding of the financial conditions of insurance companies as well as the sophistication of their risk management by evaluating their assets and liabilities on a market-consistent basis. Under such circumstances, the FSA will continue to consider introducing a regulatory regime in cooperation with professional organizations, such as the Institute of Actuaries of Japan and the Non-Life Insurance Rating Organization of Japan, while also considering relevant international discussion trends.
- 2) In view of the revision to the international accounting standards on insurance contracts by the International Accounting Standards Board (IASB), the FSA will continue to advance considerations on how the insurance statutory accounting should be over the medium term for Japan.

4. Improvement of customer protection and convenience for users

Improving customer protection and increasing convenience for users in financial

institutions not only contribute to developing a sound national economy, but also help to stabilize the Japanese financial system by enhancing citizens' trust in financial institutions. Insurance Companies, etc., in particular, are expected to function as providers of extensive protection and compensation to prepare against unexpected situations for its customers, and upon an event that requires an insurance claim, they are expected to fulfill their function promptly and without fail. Therefore, it is important for each company's management to fully provide his/her leadership, establish a solid organizational structure for their operations, strictly control customer information, and thoroughly protect customers in the process of solicitation and in making insurance payments to build a sense of security and trust. For customer protection, particularly, nominal compliance with laws is insufficient; Insurance Companies, etc. should fully understand the effects and purposes of specific laws, identify the compliance levels required by customers and society, and meet their expectations as highly public financial institutions that are expected to be reliable.

Insurance Companies, etc. must also recognize that complaints and requests for consultations from customers may provide them with opportunities to discover potential customer needs, and must respond to them appropriately and actively.

Considering the above, for the program year 2013, the FSA will intensively confirm the efforts of Insurance Companies, etc. to improve customer protection and convenience for users in light of its supervisory guidelines, focusing on the points listed below. In doing so, the FSA will respect the self-improvement efforts of insurers, and supervise them by putting emphasis on incentivizing them to continue making such efforts. The FSA will also pay attention to (1) under what kinds of management policies Insurance Companies, etc. are providing what kinds of products and services to customers with what kinds of attributes; (2) whether there are warped incentives that may arise due to pursuing short-term profits or the existence of conflicts of interest; (3) whether an internal checking system for employees, including executives, has been developed to verify that management policies are thoroughly implemented by the sales staff. Meanwhile, the FSA will cooperate with the Consumer Affairs Agency, etc., as necessary.

(1) Ensuring business continuity

1) IT system inspections, etc.

The computer systems of Insurance Companies, etc. are at the core of their business operations. They have a strong public aspect as an important part of the social infrastructure. If a failure occurs, it could impair convenience for users and have a large impact on society, leading to a loss of credibility for Insurance Companies, etc. The FSA will thus place priority on overseeing whether each of the Insurance Companies, etc., under active leadership by the management, has identified the information technology risk, whether it has secured sufficient system resources reflecting changes in the IT environment, and whether it has implemented proper management strategies regarding information system investments, including staff deployment and education, risk management frameworks for system glitches, and internal control.

In this regard, the FSA will bear the following in mind: (i) whether the senior managers of Insurance Companies, etc. fully recognize the prevention of computer system glitches and the prompt recovery from such glitches, the provision of explanations to customers, etc.

as great business management challenges and have built sufficient relevant systems (for example, whether Insurance Companies, etc. outsourcing computer system management have taken measures, such as the appropriate internal distribution of system experts to undertake system management without leaving everything to outsourcees); (ii) whether Insurance Companies, etc. have fully understood the details of outsourced systems, specified how to share roles, responsibilities, etc. with outsourcees in advance, and made monitoring arrangements regarding the system, including outsourcees.

Further, if system glitches occur, the FSA will confirm the causes and measures to prevent recurrence of such glitches by conducting interviews even with outsourcees, as needed.

2) Validation of business continuity system

- The FSA will check whether Insurance Companies, etc. are adequately prepared and able to continue the minimum required operations in the event of a crisis, including the following:
 - i) Whether Insurance Companies, etc. set up solid business continuity systems sufficiently assuming major risks, such as earthquakes and other natural disasters, pandemic influenza, and large electricity blackouts.
 - ii) Whether Insurance Companies, etc. review their BCPs in light of experiences in major natural disasters and system glitches in the past, results of discussions at the Central Disaster Prevention Council, etc.

- The FSA will confirm whether business continuity could remain unaffected at system centers and other key business bases. Specifically, the FSA will confirm whether Insurance Companies, etc. and their outsourcees check the preparation of BCPs, the establishment of private power generators and back-up centers, and training for securing the effectiveness of BCPs, as necessary.

- Further, the FSA will check whether Insurance Companies, etc. take security measures for cyber-attacks, prepare systems in case of emergency, including those to minimize damage upon attack, and establish a monitoring and reporting system, etc.

(2) Thorough management of information security

Customer information forms the basis of financial transactions, and it is important to strictly manage it from the viewpoint of protecting personal information. Furthermore, it is also important to strictly manage corporate information in order to increase trust regarding market transparency and fairness. From these viewpoints, the FSA will strongly encourage the appropriate maintenance of internal management systems for information security, and the enhancement of rules on professional conduct to prevent inappropriate actions of managers (such as information leaks or insider trading). It should be noted that the FSA will confirm whether Insurance Companies, etc. have developed an information management system that covers insurance solicitors, and whether the customer information handled by insurance solicitors is managed appropriately.

After reviewing firewall regulations, the FSA established a principle-based framework of encouraging Insurance Companies, etc. to develop their voluntary conflict-of-interest

management systems. In this respect, the FSA will confirm whether Insurance Companies, etc. attempt to take accurate measures to achieve both improvement of customer convenience and the conflict-of-interest prevention.

(3) Development of proper management systems for selling insurance products

In distributing insurance products, it is very important for Insurance Companies, etc. to provide easy-to-understand explanations based on customers' knowledge, experience, etc. in view of the characteristics of such products. Therefore, the FSA will use reports from Insurance Companies, etc., results of inspections by the Inspection Bureau, information from the Counseling Office for Financial Services Users, etc. to confirm the status of Insurance Companies, etc. as to their compliance with rules for sales and solicitation of insurance products; the development of internal systems for providing explanations that take account of customers' needs, knowledge, experiences, etc.; and the management of insurance solicitors. The FSA will also confirm whether insurance solicitors have developed appropriate systems for managing insurance solicitation in line with their channels, scales, and characteristics. In particular, the FSA will pay attention to the following points:

- 1) Insurance solicitors, including insurance agents, should provide appropriate explanations and information to their customers from the viewpoint of protecting policyholders, etc., given that the diversification of direct and other insurance product distribution channels and the expansion of insurance agents have made progress. In this regard, the FSA will confirm with Insurance Companies, etc. regarding their insurance solicitation process and internal systems for managing and supervising insurance solicitors.

Additionally, based on the report by the Financial System Council Working Group on Methods of Providing Insurance Products and Services, etc. (published on June 11, 2013), the FSA will encourage Insurance Companies, etc. to work on simplifying the description of contract overviews and warning information in solicitation documents, and creating solicitation and sales materials that are easy to understand for the customer. The FSA will also promote examination for specific supervisory action concerning the revision of rules on insurance solicitation and sales.

- 2) Regarding over-the-counter sales of insurance products at banks, etc., the FSA will continue to confirm the compliance status with insurance product distribution rules, including measures to prevent internal collusion.
- 3) For elderly customers, considering the possibility that their ability to make judgments may change over a short period and that they may not fully understand the related contract due to a deterioration in their hearing and/or vision, the FSA will urge Insurance Companies, etc. to provide consultations aligned with the customer's condition, implement extensive initiatives to ensure that the customers gain a solid understanding of insurance products, and work to ensure the early prevention and detection of potential problems at each phase of the transaction (at initiation of solicitation and contract execution), for each sales channel (face-to-face, telephone, and Internet).

(4) Enhancing systems for processing consultations and complaints from customers

- 1) It is extremely important for Insurance Companies, etc. to have proactive, timely, and appropriate consultations and complaint handling, in order to ensure customers' trust in products and services, and to positively utilize the customers' needs for better management of business. This approach should be fully communicated to employees and insurance solicitors. From this viewpoint, the FSA will check whether Insurance Companies, etc., under the management's involvement, have developed internal management systems for maintaining and managing their consultation counters and call centers, analyzing causes of consultations and complaints, sharing information within the institution, taking measures to prevent the recurrence of problems, fully disseminating such measures to relevant personnel, and following up the implementation of these measures, in an appropriate manner.
- 2) In connection with the financial Alternative Dispute Resolution (ADR) system, the FSA will confirm whether Insurance Companies, etc. are (i) making sincere efforts for quick dispute resolution, such as active disclosure of required information; (ii) preparing arrangements for facilitating easy use of the system nationwide; (iii) introducing the ADR system to customers as needed when they make consultations; and (iv) providing explanations anew on the ADR system when customers' consent is difficult to obtain between parties or when financial damages are difficult to determine.

(5) Accelerate and ensure effectiveness of product examinations

Insurance Companies, etc. should meet the diversifying needs for insurance in light of social and economic changes, including Japanese people's diversifying values and lifestyles, the rapid decreasing birthrate and aging population, etc. At the same time, it is also important to develop insurance products that are simple and easy-to-understand in view of protecting insurance policyholders, etc. Based on these points, the FSA will appropriately screen insurance products.

In screening insurance products, the FSA will give consideration to allowing prompt product revisions to be made through such measures as pre-screening exchanges of views with insurance companies, in order to contribute to insurance companies' development of well-designed products.

(6) Preventing abuse of insurance

- 1) In order to exclude payments for unreasonable insurance claims, the FSA will focus on checking whether Insurance Companies, etc. have enhanced examination systems at the stage of both contract and payment, through utilizing the related systems, such as the "registration system for information of insurance policies," the "reference system for examination," the "fraudulent claim prevention system," and the "information exchange system concerning insurance events associated with persons."
- 2) The FSA will check whether Insurance Companies, etc. have established systems and procedures to appropriately execute tasks, such as verification at the time of a transaction, preparation and preservation of such verification and transaction record, and reporting of suspicious transactions, based on the revised Act on Prevention of Transfer of Criminal

Proceeds (“PTCP Act”) enforced in April 2013, for the prevention of money laundering and terrorism financing transactions.

The FSA will also check whether Insurance Companies, etc. have developed systems for cross-sectional cooperation and information-sharing between relevant divisions for organized efforts to prevent money laundering and the terrorism financing transactions.

- 3) The FSA will confirm whether Insurance Companies, etc. have been making appropriate efforts, such as developing procedures and arrangements to cut relationships with antisocial groups, aiming to prevent antisocial groups from damaging the companies themselves, their executive officers, and various stakeholders such as customers, with the strong will of the entire organization, including senior management, to eliminate antisocial groups from financial transactions, considering the characteristics of insurance contracts. The FSA will also focus on whether Insurance Companies, etc. have established group-wide internal management systems that allow subsidiaries and sister companies to make the same efforts that Insurance Companies, etc. make.