

Proposed Amendment to the Insurance Policyholder Protection System

I Proposed Adjustments of the Guarantee Scheme in accordance with the Characteristics of Insurance Contracts

Current System

- Identical guarantee scheme for life and non-life insurance, to ensure policy continuity
- General rule to uniformly guarantee 90% of technical provision



Proposed Amendments

- For non-life insurance, including automobile insurance, to introduce an incentive mechanism for policyholders to rewrite their existing policies insured by a failed insurer for transfer to another insurer.
To guarantee 100% of the loss benefits within three months after a failure
- To determine the level of guarantee funded by the Policyholders Protection Corporation, taking into account the type and the terms and conditions, such as assumed interest rate, of policies
To guarantee approx. 85 to 90% for life insurance policies with high assumed interest rate
- To manage and treat variable annuity/insurance fully linked to investment performance, independently from other policies.
To enable securing 100% of the liabilities thereof

II Proposed Amendment to the Measures for Funding the Life Insurance Policyholders Protection Corporation

- To abolish the temporary measure to secure financial resources of 500 billion yen for the Corporation and introduce a new framework to fund the Corporation, in principle, by contributions from each member insurer, up to the maximum borrowing amount the Corporation is entitled to.
- To retain the government subsidy scheme for a period of time.

Requirements for invoking government subsidy

- ▶ To cover the cost of the failure of a life insurer from FY2006 to FY2008
- ▶ Within the amount designed by the budget
- ▶ Outstanding borrowing exceeds a threshold (460 billion yen) as a result of an additional borrowing to cover the cost of financial aid for the failed insurer
- ▶ The situation is such that but for the additional funding resources, the contribution requirements would likely deteriorate the financial positions of the member insurers so badly that it would make it difficult to maintain the reliability of the insurance sector, hence it would cause serious damage to the people's lives and the financial market

- To review how to share the cost of financial aid and whether to further retain the government subsidy scheme, within three years after implementing the amendment.