

Japan's Insurance Market 2003

Improving Performance Amid Intensified Competition in the Market



The Toa Reinsurance Company, Limited

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To Our Clients

It gives me great pleasure to be able to extend to you my warmest greetings by means of this brochure. This is the seventh year since Toa Re first issued such a publication containing the latest, most useful information about the insurance market in Japan. It is gratifying to learn that each of the previous issues has been highly valued by our readers as contributing to their deeper understanding of the Japanese insurance market.

The world economy continues to be unstable with no signs of noticeable recovery in sight and Japan is no exception. It is not easy to predict whether the nation's economy will pull out of the depression which has continued for past several years.

Despite this situation, Japan's non-life insurance market saw direct net premiums for fiscal 2002 outpace the previous year's level with improved results. I believe that the Japanese insurance industry will continue to be prosperous as a sound market with the expectation of steady growth. Whilst the Japanese market has experienced a time of unprecedented changes, such as full-scale liberalization and deregulation, non-life insurers have responded positively to the situation by developing new products in response to customers' needs and cultivating niche markets. Moreover, deregulation has created new business areas in which insurers are given opportunities to expand their operations. My expectation for the future is based on the results of the above-mentioned measures. I wish that this brochure will give you a hint as to the sound development of Japan's insurance market.

The Japanese insurance industry is expected to undergo further massive changes in the future, but Toa Re is poised to develop its operations based on a clearly defined strategy by means of its sound management policy.

In closing, I would like to express my heartfelt thanks to all the contributors who gave their time to make this publication so invaluable and interesting.

September 2003



Shinya Yoshikoshi
President and Chief Executive

Trends in Japanese non-life insurance market and the basic strategies of Nissay Dowa General Insurance

Shuichiro Sudo

President

Nissay Dowa General Insurance Co., Ltd.

1. The business environment of Japanese non-life insurance companies

(1) Japanese economy

The Japanese economy remains stagnant, mired in a deflationary spiral for the first time since the Second World War. The problems of non-performing loans, sluggish stock market, and high unemployment are casting long shadows over economic activity, compounded by global uncertainties caused by declining stock prices, the Iraqi War and SARS.

(2) Japanese non-life insurance market overall

Partly because of the economic situation and partly because of the competition created by liberalization and deregulation, the Japanese non-life insurance market has shown little growth for the last several years. The net premium volume of the Japanese non-life insurance companies as a whole was around JPY6.7 trillion (US\$57 billion) from fiscal 1998 to 2001¹. During the same period, the loss ratio (excl. claims expenses) increased from 52.77% to 54.29%, while the expense ratio (incl. claims expenses) declined from 44.19% to 42.06%². 1998 was the year when the obligation to use the rates calculated by rating organizations was abolished and the net premium fell by 4.21%³.

At the same time, the Japanese non-life insurance market has been changing over the last ten years. The major milestones concerning liberalization and deregulation during this period were as follows:

- 1) Japan-US insurance agreement in October 1994
- 2) Revision of Insurance Business Law in June 1995 (enforced in April 1996)
 - The mutual entry of life and non-life insurance through subsidiaries was permitted.
 - The brokerage system was introduced.
- 3) "Big Bang" Japanese financial reforms in November 1996
- 4) Japan-US insurance agreement in December 1996
- 5) Enactment of Financial System Reform Law 1998
 - Establishment of Policyholders Protection

Corporations

- Early warning measures for the insurance business
- Revision of the rating organization system

In view of these events and the decline of premium income of individual companies in the late 1990s, non-life insurance companies began to seek ways for survival, some through mergers, others through tie-ups. Recent mergers up to 2001 were as follows:

- April 2001: NIPPONKOA Insurance Co., Ltd. (merger of Nippon Fire and Koa Fire)
- April 2001: Aioi Insurance Co., Ltd. (merger of Dai-Tokyo Fire and Chiyoda Fire)
- April 2001: Nissay Dowa General Insurance Co., Ltd. (merger of Dowa Fire and Nissay General)
- October 2001: Mitsui Sumitomo Insurance Co., Ltd. (merger of Mitsui Marine and Sumitomo Marine)

Some non-life insurance companies formed alliances with life insurance companies mainly for the purpose of expanding their mutual cross-selling. The main tie-ups up to 2001 were as follows (names of the companies being those at the time of announcement):

- June 1999: Dowa Fire, Nippon Life and Nissay General
- August 2000: Yasuda Fire and Dai-ichi Mutual Life
- October 2000: Mitsui Marine, Sumitomo Marine, Dowa Fire and Nippon Life
- October 2000: Mitsui Marine, Mitsui Mutual Life and Sakura Bank
- November 2000: Sumitomo Marine and Sumitomo Mutual Life
- August 2001: NIPPONKOA Insurance and Taiyo Mutual Life

Foreign insurance companies and Japanese companies from outside the insurance industry have been entering into the industry, as liberalization and deregulation advanced more and more. They have been developing their business through direct sales, such as call centers and the Internet. Their main products are automobile

1 Hoken Kenkyujo Ltd.: *The Statistics of Japanese Non-Life Insurance Business, 2001* (Annual Special Issue of *Insurance*) pp.212-214

2 *ibid.*: pp.212-214

3 *ibid.*: p.212

insurance policies with differentiated premium rates.

Recent ones up to 2001 were as follows:

- July 1999: AXA Non-Life Insurance Co., Ltd. started operations.
- September 1999: Sony Assurance Inc. started operations.
- June 2000: Mitsui Direct General Insurance Co., Ltd. started operations.
- March 2001: Yasuda Direct General Insurance Co., Ltd. started operations.

2. Recent trends in Japanese non-life insurance industry

(1) Mergers, management integration and alliances

Mergers, management integration and alliances were still active throughout the market in 2002 and early 2003, seeking for management efficiency and sales development. The major ones in 2002 and early 2003 were as follows.

(a) Fuji Fire

In March 2002, Fuji Fire & Marine Insurance Co., Ltd. announced that they had signed an agreement with AIG and Orix Corp. to form an alliance through a capital participation.

(b) Millea Group

In April 2002, Millea Holdings Inc., a holding company of Tokio Marine & Fire Insurance Co., Ltd. and Nichido Fire & Marine Insurance Co., Ltd., was established.

In August 2002, it was announced that Kyoei Mutual Fire & Marine Insurance Co. would not join Millea Group and instead would become a subsidiary of Zenkyoren, or the National Mutual Insurance Federation of Agricultural Cooperatives, after converting into a stock company in April 2003.

In January 2003, it was announced that Asahi Mutual Life Insurance Company had also cancelled plans to join the Millea Group.

In February 2003, it was announced that Tokio Marine and Nisshin Fire & Marine Insurance Co., Ltd. would form a tie-up in capital and operations, which meant that Tokio Marine and Nisshin Fire would not merge and that Nisshin Fire would not be combined under the umbrella of the Millea Group.

In March 2003, Millea Holdings, Tokio Marine and Nichido Fire announced that Tokio Marine and Nichido Fire would merge in October 2004 and become Tokio Marine & Nichido Fire Insurance Co., Ltd.

(c) NIPPONKOA Insurance

In April 2002, NIPPONKOA Insurance merged with Taiyo Fire & Marine Insurance Co., Ltd., as part of the alliance between NIPPONKOA Insurance and Taiyo Life Insurance Company.

In October 2002, it was announced that NIPPONKOA Insurance would provide non-life insurance products to a new company which would be formed through the merger of Meiji Life and Yasuda Mutual Life.

(d) Yasuda Fire and Sampo Japan

In April 2002, Yasuda Fire & Marine Insurance Co., Ltd. merged with Dai-ichi Property & Casualty Insurance Co., Ltd., a non-life subsidiary of Dai-ichi Mutual Life Insurance, as part of the alliance between Yasuda Fire and Dai-ichi Life.

In May 2002, it was announced that Credit Saison Co., Saison Automobile and Fire Insurance Co., Ltd. and Yasuda Fire would form an alliance.

In July 2002, Sampo Japan Insurance Inc. was established through the merger of Yasuda Fire and Nissan Fire & Marine Insurance Co., Ltd. In December 2002, Sampo Japan absorbed Taisei Fire, which had collapsed following the 9.11 terrorist attacks in the United States.

(e) Kyoei Fire

In April 2003, Kyoei Fire converted from a mutual company to a stock company and became a subsidiary of Zenkyoren.

(2) Trends in products and sales channels

The trend toward liberalization and deregulation is leading to new original products, services and sales channels in the non-life insurance field.

Major new products have been: automobile insurance (policies with differentiated premium rates, and policies with bodily injury indemnity insurance endorsement), variety of third-sector insurance developed following the mutual entry of non-life and life insurance companies into the third sector of insurance (medical, cancer and personal accident insurance), and weather derivatives.

As part of this trend, life insurance sales staff and banks have become important channels for selling non-life insurance. Meanwhile, the agency system as a whole was revised and liberalized as regards agency commissions and others.

The most recent trends in products and sales channels are outlined below.

(a) Weather derivatives

Weather derivatives are recent products in the

Japanese non-life insurance market which cover the insured party against a decrease in profits or unexpected expenses caused by abnormal weather, and have become increasingly popular year by year, especially in the last one or two years. This is partly because insurance companies have begun to develop a variety of products with smaller coverage and premiums so that small- and medium-sized companies can afford them, and partly because new distribution channels, such as banks, came into force.

(b) Comprehensive products

With the change of customer demand and development of IT technology by insurers, the Japanese non-life insurance companies have been releasing more and more types of comprehensive products.

These products can be categorized into two types: One is a pure non-life insurance policy and the other is a combination of life and non-life insurance policies. The former is a development of the non-life insurance product and a single policy covers far larger and wider risks than previously provided. The latter combines life and non-life insurance products, some of which cover larger and wider risks by non-life insurance and provide life insurance at the same time.

(c) Over-the-counter sales at banks: new products

In April 2001, over-the-counter sales of insurance at banks started as one result of liberalization and deregulation. Initially, only the following lines were allowed:

- Long-term fire insurance, long-term income indemnity insurance and credit life insurance in relation to housing loans

Overseas travelers' personal accident insurance
In October 2002, the following items were added:

- Personal pension insurance (life product)
- "Zaikai" savings insurance
- Individual annuity and accident insurance
- "Zaikai" savings personal accident insurance

Some changes in conditions were also made, such as an extension in eligible types of building and limitations on eligible life insurance companies.

(3) Other topics

Some of the other major changes and developments in the industry are outlined below.

(a) Compulsory Automobile Liability Insurance, changes in the system

In April 2002, the system of Compulsory Automobile Liability Insurance (CALI) was revised, one of the major

changes being the abolition of the government reinsurance scheme of CALI. This was done because, although the scheme had intended to hedge the risk when the CALI scheme was first established, the financial basis of Japanese non-life insurance companies became strong enough to do without the support of reinsurance concerning CALI. Another important point was that the aggregate limit of permanent disability was raised.

(b) Establishment of Non-life Insurance Rating Association

In July 2002, the Non-Life Insurance Rating Organization of Japan (NLIRO) was established in accordance with the Law Concerning Non-Life Insurance Rating Organizations after the merger of the Property and Casualty Insurance Rating Organization of Japan and the Automobile Insurance Rating Organization of Japan.

Their main services are:

- Calculation and provision, to member companies, of advisory pure risk premium rates for fire, personal accident, automobile and nursing care payment insurance, advisory premium rates for CALI and earthquake insurance
- Investigation of CALI claims
- Database function of a range of risks

3. Key strategies of Nissay Dowa General Insurance

Despite the challenging management conditions described above, Nissay Dowa has enjoyed rising premiums income for the last two fiscal years since the merger, which we believe vindicates our strategies. Our specific business strategies are as follows.

(1) Establishment of Nissay Dowa General Insurance

Nissay Dowa General Insurance Co., Ltd. (hereinafter called "Nissay Dowa") was established in April 1, 2001 with the merger of the Dowa Fire and Marine Insurance Co., Ltd. ("Dowa Fire") and Nissay General Insurance Co., Ltd. ("Nissay General"). ("Nissay" is short for Nippon Life.)

Dowa Fire was formed in 1944 through the consolidation of four insurance companies, the oldest of which was established in 1897. The company had very sound management and offered a wide range of non-life insurance products in both the corporate and family markets. Nissay General was established in 1996 as a wholly-owned non-life subsidiary of Nippon Life Insurance Company ("Nippon Life"), Japan's largest life insurance

company. Nissay General grew rapidly through innovative management with Nippon Life's strong customer base of 12 million individuals and 300,000 corporate customers.

From the establishment of Nissay General, Dowa Fire and Nissay General formed an alliance for claims settlement of automobile insurance and exchanged personnel. Nippon Life increased its stake in Dowa Fire and strengthened the alliance in 1999.

In February 2000, Dowa Fire and Nissay General announced that they would merge in 2001 to enhance synergies in such fields as product development, sales channels, claims settlement, and customer service. This was in response to the rapidly changing Japanese insurance market, which had been liberalized and deregulated over the last decade.

(2) Our strategies

Two years have now passed since the merger, but our basic strategies remain the same as when we started the new company.

(a) Comprehensive insurance strategies

As a non-life insurance arm in Nippon Life Group, we work as professionals with the philosophy of providing the best, most comprehensive insurance services and risk consulting services in both life and non-life insurance to cover risks for families and corporations, while striving in our daily operations to maintain customer satisfaction.

(b) Unique sales network

The Nippon Life Group's approximately 60,000 sales staff work at the 1,900 nationwide sales offices of Nippon Life. At the same time, Nissay Dowa maintains approximately 21,000 conventional non-life insurance agents, which also operate nationwide. Through these unique and broad nationwide sales networks, and Customer Center with IT support in addition, Nissay Dowa is able to provide face-to-face consulting services. We also provide claims settlement services through our loss-assessment network and our network of Fureai-kojo, or companies of good quality automobile maintenance and repair workshops in collaboration.

(c) Brand and growth

The new company obtained the Nissay brand, which gives customers confidence. Our financial soundness, which is illustrated by our high solvency margin ratio, enforces the brand. The cross-selling strategy is carried out under the basic Nippon Life Group concept, or Nissay Insurance Accounts. The Nissay brand helps to expand our conventional agency network, too. With

these driving forces, Nissay Dowa aims to generate high sales growth year by year.

(d) Full line non-life insurance company

Although the network of Nippon Life Group sales staff focuses on risk consultation services for family and small and medium-sized companies, Nissay Dowa provides a range of commercial line products through conventional agents. We thus try to meet the insurance needs of all sizes of corporations, as well as families.

(e) IT infrastructure

The above strategies require sophisticated IT infrastructure support. We have been developing our internal IT infrastructure and online agency network, and our new agency system in particular has been highly evaluated.

(f) Compliance-oriented management

The brand and sound operation can be maintained only through careful compliance-oriented management. Compliance is therefore positioned as a major principle of our management, and is reinforced through the activities of a compliance committee, compliance officers of branch offices and compliance training courses for employees.

4. Conclusion

So far, we have looked at the changes in the Japanese non-life insurance market and our strategies in response. Although the first stage of realignment of the industry has come to an end, the competition to streamline and innovate continues, and new trends may emerge in the coming several years.

The global society and economic environment also are rapidly changing at an unprecedented speed. Japan's society and economy are and will be largely affected by this change. Although the players may appear to be different from those in the past, the Japanese non-life insurance industry will always try to develop and provide products and services that meet the changing needs of the times.

Japan's Cooperative Insurance Business Making Steady Growth

Takashi Wakabayashi

General Manager

International Affairs

Support & Research Department

Japan Cooperative Insurance Association Incorporated (JCIA)

The Japanese insurance industry, having achieved stable growth in the past, has recently undergone a number of changes, such as business failures, mergers and consolidations, which the industry has never experienced before in its history. It was due to the progress of deregulation and intensified competition after the financial big bang implemented since the fall of 1996, besides the long-standing deterioration of financial and economic situations.

While offering the same functions as commercial insurance, cooperatives have not suffered directly from these changes stated above, with steady growth in the number of members of cooperative societies, total assets and operating results. Dominant factors behind this are consumers' increasing anxiety at the increase in the self-burden in medical expenses and the social security system including public pensions, reflecting some of the more severe aspects of economy surrounding individuals. Successive failures of life insurers may have turned people's eyes toward cooperatives as complementary to insurance. The following is a summary of the current situation of cooperative insurance business in Japan which has gained the understanding and support from society along with the commercial insurance:

The Outline of Cooperative Insurance Business in Japan

In Japan, cooperative societies started operations on the occasion of the enactment of the Industrial Cooperative Society Law in 1900. It was from the latter half of the 1930's to the early 1940's that cooperatives had challenged insurance business as a system for mutual help among members of the society.

Cooperatives got a start in 1948 as the business with a distinctive function as insurance, with the establishment of agricultural cooperatives under the system of cooperative society. It mainly underwrote fire insurance (insurance on agricultural houses) and life insurance. Chronologically, fishery cooperatives were the next to appear, followed by small and medium-sized cooperatives and workers' cooperatives. It was on the authority of four cooperative society laws, enacted successively after the end of World War II that these cooperatives were established and have continued their insurance operations across the nation as the mainstream organiza-

tions. They are The Agricultural Cooperative Society Law, The Consumer Livelihood Cooperative Society Law, The Fisheries Cooperative Associations Law and The Law on Cooperatives of Small and Medium Enterprises, etc.

There have been no statistics or the like showing an overall picture of cooperative insurance business in Japan for the following reasons: First, cooperatives which are not subject to laws or ordinances do not have governing authorities, with no way of gathering statistical information. Second, cooperatives authorized by laws are included in the business statistics published since 1996 by Japan Cooperative Insurance Association (JCIA), established in 1992, but not all cooperative societies are covered.

JCIA is entrusted to collect business results for fiscal 2001 from 60 cooperative insurance associations (18 federations and 42 individual societies) out of those which operate under the jurisdiction of the authorities concerned. Each cooperative insurance society is composed of members representing their respective territories, with the total number of member societies belonging to 60 associations which decreased by 229 to 10,493 at the end of fiscal 2001 from the previous year. This was the effect of mergers and integration in agricultural and fishery cooperative associations. The total number of members increased 1.4% to 64.48 million, including increase by 0.84 million in consumer cooperatives and by 0.17 million in small and medium-sized enterprises cooperatives respectively. At the start of the association in 1992, members totaled 38.5 million. The number has increased as much as 1.67 times during 10 years since 1992. All of them are licensed cooperative insurance societies, with agricultural cooperatives topping the list in terms of business scale with total assets of around JPY 39.13 trillion. Its life and non-life premium income for fiscal 2001 reached JPY 5.29 trillion.

Cooperative Insurance Organizations and Governing Laws

Both commercial insurance and cooperative insurance businesses have the same functions as "insurance". While commercial insurance business is regulated by the Insurance Business Law, cooperative insurance is divided into licensed insurance and non-regulated insurance

which is not subject to any legislation. Licensed cooperative insurance organizations, which are outside the jurisdiction of the Insurance Business Law, are under the guidance and control of the government offices concerned.

Uncontrolled cooperative insurance, subject to no governing laws, may be allowed to exist, so long as specified persons are targeted, but when its scope of operation is extended to include unspecified persons, i.e. the general public, there is a possibility that a problem may arise from the viewpoint of policyholders' protection.

The table below shows the governing laws, major cooperative insurance organizations and administrative offices concerned.

Type of Insurance and Business Performance

Business Performance (for fiscal 2001 and trends in past five years)

In fiscal 2001, the number of policies increased 0.7% to 143.5 million, coupled with the growth of the amount

insured by 2.5% to JPY 1,091.9 trillion, compared with the previous year. Premium received was up 3.4%, amounting to JPY 6,655.7 billion. Total assets increased 4.9% to JPY 43.6 trillion.

The attached Table 1 shows the business performance of overall operations of cooperative societies, summarizing in percentages as compared with a year earlier, and also in the growth ratios for the last five years. The number of policies issued showed a 6.7% growth; the amount insured saw a 13.2% increase, and premium received grew 12.5%. Total assets for cooperative insurance organizations as a whole increased 20.6%. These growth ratios are based on 1997 figures.

Business Performance Ratios by Class of Business

In terms of numbers of policies, cooperative life insurance held a 34.2% share, the biggest share in the cooperative insurance market, followed by fire/building insurance at 25.5%, personal accident/traffic accident insurance at 20.0% and automobile insurance with 11.9%. In terms of the amount insured, life cooperatives

Governing Laws	Cooperative Insurance Organizations	Administrative Ministries and Agencies
Agricultural Cooperative Society Law	Agricultural Cooperative Society (National Mutual Insurance Federation of Agricultural Cooperatives)	Ministry of Agriculture, Forestry and Fisheries
Compensation against Agricultural Loss Law	Agricultural Insurance Association	Ministry of Agriculture, Forestry and Fisheries
Fisheries Cooperative Association Law	Fishery Cooperative Association, Fish Processors Cooperative Association (National Mutual Insurance Federation of Fishery Cooperatives)	Ministry of Agriculture, Forestry and Fisheries - Fisheries Agency
Consumers' Livelihood Cooperative Society Law	Consumers' Livelihood Cooperative Society, (National Federation of Workers and Consumers Insurance Cooperatives), Japanese Consumers' Cooperative Union and Federation of Japanese Consumer Cooperatives, etc.	Ministry of Health, Labour and Welfare
Law on Cooperatives of Small and Medium Enterprises, etc.	Fire Insurance Cooperative Society, Truck Traffic Insurance Cooperatives, etc.	Ministry of Economy, Trade and Industry, Financial Services Agency, Ministry of Land, Infrastructure and Transport
Local Autonomy Law	Municipal autonomy and local public organizations	Ministry of Public Management, Home Affairs, Posts and Telecommunications

accounted for 50.2%, the highest, followed by fire/building with 25.4%, pension at 14.4%, automobile at 8.5% and personal accident/traffic accident at 1.0%.

Outline of Major Cooperative Insurance Business

Life Insurance

Cooperatives offer life insurance, such as whole life and endowment life with maturity refunds, as well as term life and short-term life insurance, such as "KOKUMIN KYOSAI" (means national cooperatives) and "KEN-MIN KYOSAI" (means prefectural cooperatives).

The number of policies increased 2.1% to 49.08 million; the amount insured grew 2.0% to JPY 436.6 trillion, while premiums received went up 3.1% to JPY 3,339.9 billion. Growth ratios are in comparison to the previous year. By term of insurance, sales of long-term life for 5 years or over were sluggish, while short-term life less than 5 years posted increases of 5.7% in the number of policies and 15.8% in the amount insured from the previous year.

Fire/Building Insurance

This insurance protects members of cooperatives against damages caused by fire and other accidents on their dwelling houses and household goods, with the scope of coverages similar to those offered by commercial non-life insurers. Some cooperative insurers offer coverages under which claims are paid for windstorm and flood or snow damages. Also, maturity-type fire insurance for a period from 5 to 30 years offers comprehensive coverage including earthquake damage as well as expenses arising therefrom and personal accident.

The number of policies reached 36.60 million, almost the same as the preceding year; the amount insured increased 3.2% to JPY 528.2 trillion; premiums received grew 0.5% to JPY 1,687.3 billion. By term of insurance, short-term life under 5 years saw an increase, in the same way as for life insurance.

Annuity

Annuity is a system where funds are provided for the aged. The number of policies increased 4.8% to 3.73 million, while premiums received grew 13.8% to JPY 959.3 billion.

Personal/Traffic Accident Insurance

Accident insurance covers every type of accident, including personal accident and traffic accident. The number of policies showed a 2.6% rise from a year earlier, reaching 28.64 million. The amount insured increased 1.6% to JPY 106.3 trillion, while premiums received went up

5.8% to JPY 65.3 billion.

Automobile Insurance

Under this insurance, losses or damages caused by members' automobile accident are covered. Some cooperatives underwrite compulsory automobile liability insurance in addition to voluntary automobile insurance. Automobile insurance policies issued increased 0.3%, from the previous year, to 17.09 million, while premiums received grew 0.6% to JPY 567.0 billion.

Shares of Cooperative Insurance in the Life and Non-life Insurance Markets as a whole

Shares occupied by cooperative insurance in the life and non-life insurance sectors as a whole were not as much as commercial insurance and postal life insurance combined, while showing steady growth in the market share (See attached Table 2).

JCIA's Positive Participation in ICMIF Activities

As explained above, Japan's cooperative insurance business has developed to such a level that is comparable with commercial insurance, steadily gaining acceptance from consumers in general. On the back of this tendency, eight Japanese cooperative insurance organizations joined the International Cooperative and Mutual Insurance Federation (ICMIF) and have played important roles in its international cooperation activities as members of various committees.

ICMIF is the insurance committee of the International Cooperative Alliance (ICA), an international non-governmental organization which unites, represents and serves cooperatives worldwide. The Asia and Oceania Association (AOA) was established as a regional organization of ICMIF, in which 30 member organizations from 15 countries in Asia and Oceania participate. AOA's activities include regular holding of seminars and forums. ICMIF holds 779 million members (as of July 1998) as the total number of members in 93 countries over the world. And currently, ICMIF membership comprises 125 organizations in 65 countries, which collectively generate around USD 141.6 billion as premiums received. It represents approximately 6.1% of the world insurance market.

Conclusion

Amid severe economic conditions, Japan's cooperative insurance societies posted better performances for

fiscal 2001 than those of the preceding year. It was the result of measures taken by every cooperative society in product development and speedy claims settlement which satisfied the needs of members and policyholders with full confidence.

In the past, the advantages of cooperatives over commercial insurance have been talked about on the level of insurance premiums, but a gap between them has gradually diminished, following the tendency towards rate reductions owing to the management efforts of private insurers over the past several years. It is also the task for cooperative societies to try hard for management reform.

Added to this, the vital mission of cooperative insurance organization is to provide a network of "mutual support" whereby members can help one another in facing problems, in contrast to "public aid" by the government agencies and "self-help" by commercial enterprises.

This principle carries weight all the more in these harsh competitive situations, and it will be the key for further growth for each cooperative society as to how they can embody this idea in their daily activities.

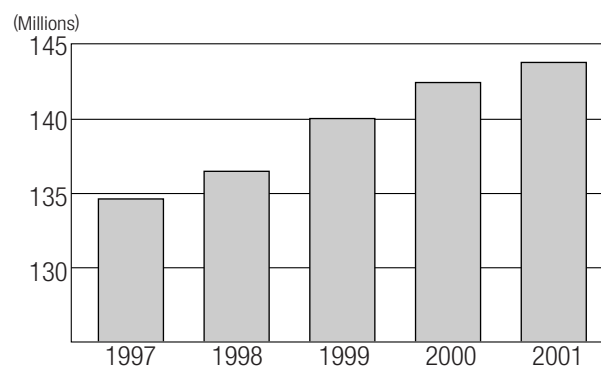
As mentioned earlier, there exist a number of non-regulated cooperatives in Japan. Therefore it will be a major issue in the future whether all cooperative insurance business, including unlicensed ones, shall be regulated from the perspectives of consumer protection and securing fair competition with commercial insurers.

Consequently, what is required of cooperative insurance business and organizations is first of all to further obtain reliance from members and promote business among a wider range of the people, furthering the soundness of cooperative insurance operations and democracy of management.

Table 1 Business Trends

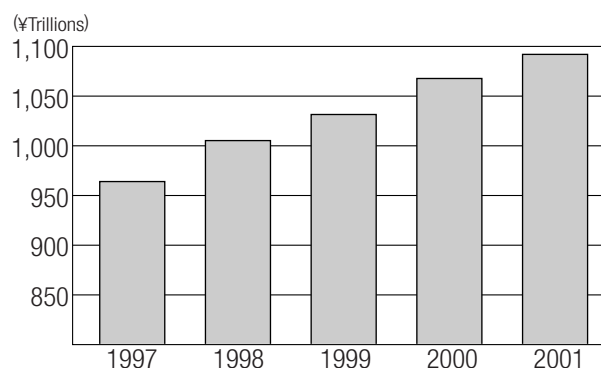
Trends in Number of Policies (Thousands)

Fiscal Year	Numer of Policies	Ratio to Previous Year	Ratio to FY 1997
2001	143,499	0.70%	6.70%
2000	142,472	1.90%	5.90%
1999	139,818	2.20%	3.90%
1998	136,871	1.70%	1.70%
1997	134,529	1.30%	—



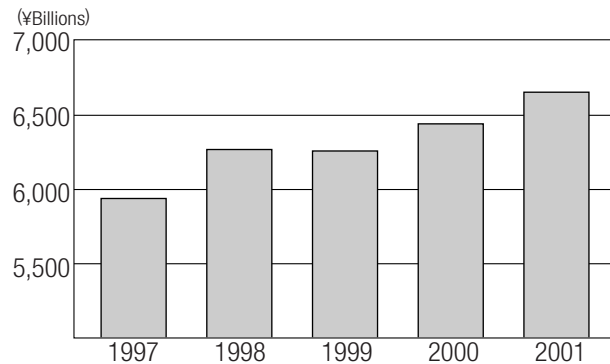
Trends in Amount Insured (¥Billions)

Fiscal Year	Amount Insured	Ratio to Previous Year	Ratio to FY 1997
2001	1,091,869	2.50%	13.20%
2000	1,065,548	3.20%	10.50%
1999	1,032,019	2.80%	7.00%
1998	1,003,549	4.10%	4.10%
1997	964,456	2.90%	—



Trends in Premium Income
(¥Millions)

Fiscal Year	Premium Income	Ratio to Previous Year	Ratio to FY 1997
2001	6,655,708	3.40%	12.50%
2000	6,434,680	2.90%	8.80%
1999	6,251,419	-0.20%	5.70%
1998	6,265,866	5.90%	5.90%
1997	5,914,245	2.40%	—



Trends in Total Assets
(¥Billions)

Fiscal Year	Total Assets	Ratio to Previous Year	Ratio to FY 1997
2001	43,637	4.90%	20.60%
2000	41,602	5.00%	15.00%
1999	39,630	3.40%	9.50%
1998	38,315	5.90%	5.90%
1997	36,178	6.50%	—

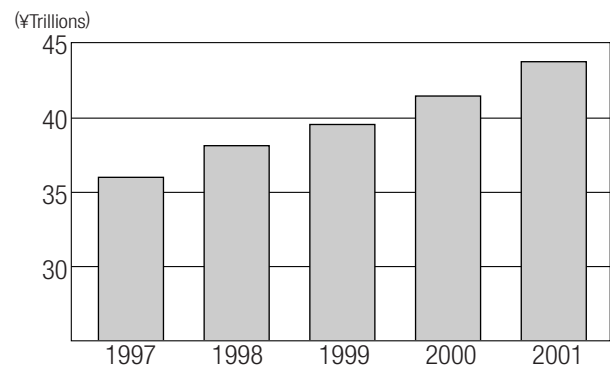


Table 2 Market Share in Insurance Business

Cooperative Insurance in the Life Market

Number of Policies

	Cooperative	Commercial	Postal Life
2001	20.20%	47.50%	32.30%
2000	19.50%	47.70%	32.80%
1999	18.80%	48.40%	32.80%

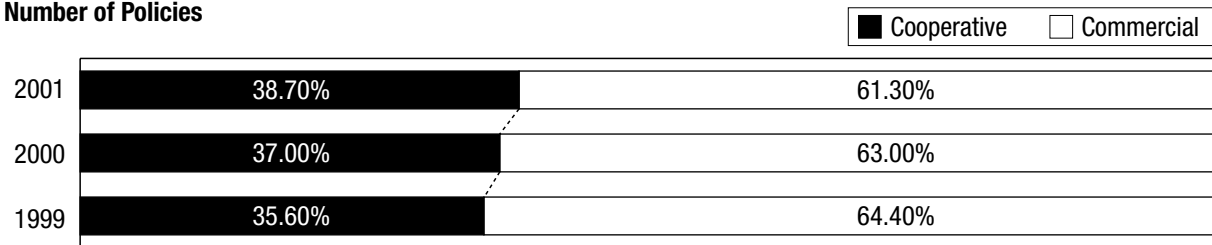
Amount Insured

	Cooperative	Commercial	Postal Life
2001	22.40%	67.20%	10.40%
2000	21.40%	68.40%	10.30%
1999	20.60%	69.30%	10.10%

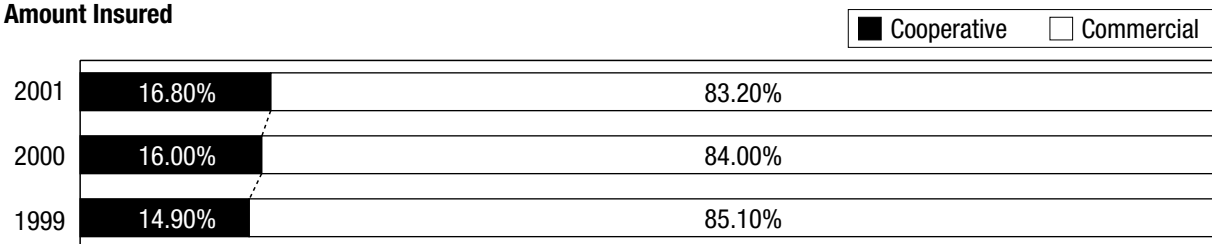
Note : Market shares were shown, based on the total value of life insurance and annuity.

Cooperative Insurance in the Non-Life Market

Number of Policies



Amount Insured



Note : Market shares were shown, based on the total value of fire, accident and automobile insurance.
The amount insured, however, has the automotive insurance excluded.

Sources :

Cooperative : *Cooperative Yearbook* - Supplement to *Cooperative and Commercial Insurance*, December 2001 Issue. Published by the Society of Research into Cooperative and Commercial Insurance.

Life Insurance : The Life Insurance Association of Japan - HomePage

Non-Life Insurance : The General Insurance Association of Japan - HomePage

Postal Life Insurance : *Statistics of Life Insurance Business in Japan, 2001* (Annual Special Issue of *Insurance*). Edited by Hoken Kenkyujo Ltd.

The Current Situation of Domestic Direct Non-life Insurance Business from the Perspective of Rating

Japan Credit Rating Agency, Ltd.

Currently, Japan Credit Rating Agency, Ltd. (JCR) makes public the ratings (including 'p' rating) of 12 domestic direct non-life insurance companies. Based on analyses/considerations the agency made from various viewpoints during the course of the rating and its assessment, we would mention in this article the present situation of the non-life insurance industry as well as the viewpoints based on which JCR makes a rating assessment of each of the non-life insurers.

1. From Deregulation to Reorganization of the Industry

Traditionally, the non-life insurance industry was one of the most strictly regulated industries with approvals of supervisory authorities being required in many fields of business operations. Consequently, the non-life insurance products and premium rates were not much different among each of insurance companies under a follow-the-herd system which had continued for a long period of time.

However, with the revision of the Insurance Business Law of Japan in April 1996 and the agreement of Japan-US Insurance Talks in December 1996 as the starting point, deregulation in the non-life insurance industry has advanced at a rapid pace. In July 1998 the duty to use rates computed by rating organizations was abolished (with an interim period of 2 years) and it has become possible for each insurance company to use its own rates instead of uniform rates worked out by the rating organizations.

Further, taking advantage of deregulation, direct sales type insurers including foreign-based companies came into the market, forcing insurers to reduce operating expenses (in particular corporate expenses) in order to strengthen their competitiveness.

Against this background, Mitsui Marine, Nippon Fire and Koa Fire announced the merger of their three companies. (Later Mitsui Marine withdrew from this project and merged with Sumitomo Marine.) With this as a momentum, the reorganization of the non-life insurance industry has accelerated at a stretch. Fifteen major non-life insurance companies which were in operation at that time were converged into the present 10 companies, out of which Tokio Marine and Nichido Fire are to be merged in October 2004.

2. Present Situation of Direct Non-life Insurance Market

(1) Market shares of domestic non-life insurance companies

The size of the non-life insurance industry (in terms of net earned premiums) had been expanding strongly up to 1996. But, it turned to a decrease in 1998 and has remained at almost on the same level thereafter [See Chart 1]. Considering the current level of the number of newly registered automobiles and the number of housing start-ups, it is difficult to expect a big expansion of the insurance market, with the current situation continuing at least for the time being.

The market share of foreign capital non-life insurance companies (in terms of net earned premiums) has indicated a gradual increase from about 1.3% in fiscal 1996, but the share still remained in the neighborhood of 2.3% as of fiscal 2001 [See Chart 2]. For example, with regard to companies that exercise price competitiveness by minimizing channeling costs with the launch of segmented risk type automobile insurance, the market shares of Zurich and American Home are about 0.4% and 0.3% respectively. Further Winterthur Swiss Insurance withdrew from the automobile insurance business through mail-order sales, while Liberty Mutual and Lumbermens Mutual Casualty withdrew from the Japanese insurance market completely.

Among six non-life insurance subsidiaries of life insurance companies that entered the non-life market all together in 1996, Nissay General Insurance and Dai-ichi General Insurance have already transformed themselves by merging with Dowa Fire and Sompo Japan respectively, and the market share of the remaining four companies is very small at roughly only 1.0%.

Thus, foreign-based insurers and non-life subsidiaries of Japanese life insurers have not become a menace to the major non-life insurance companies, at least at the present. Reasons for the above are thought to be, in addition to the strength of sales channels that have been built by the major non-life insurers, the fact that the new-comers to the market have not yet removed completely the sense of uneasiness which customers may feel about the new-comers' response after an accident occurs. Major non-life insurance carriers have had a claims service network set up all over the country and any new company that wants to have the same level of network will need a considerable amount of investment. Moreover, to counteract

direct selling companies whose appeal is the price of their insurance products, major non-life companies managed to improve their own insurance products by expanding the scope of insurance coverage.

As a result, the market share of the main non-life insurance companies has remained, as in the past, in the neighborhood of 93% [See Chart 2]. Among others, three major groups (Millea Group, Mitsui Sumitomo Insurance and Sompo Japan) and Nissay Dowa showed remarkable increases in their respective market shares.

One of the factors that has enabled the market shares of these higher rank companies to increase can be considered to be the sales of insurance products over the counters at banks. Since April 2001, the over-the-counter sales at banks of long-term fire insurance contracts related to housing loans, overseas travelers' accident insurance and insurance contracts in support of repayment of debt have been permitted. In particular, the volume of insurance premiums for long-term fire insurance is significant because the majority of loan obligors purchase insurance. The three major groups have close connections with major banks, NIPPONKOA is closely associated with regional banks, and Nissay Dowa Insurance is making use of the Nippon Life's connections with major banks. All are making strenuous efforts in the insurance sales over-the-counter of banks.

The second new sales channel of insurance products is through the sales personnel of life insurance companies. For example, Sompo Japan, Mitsui Sumitomo Insurance and Nissay Dowa Insurance try to strengthen their respective collaboration with Dai-ichi Life, Mitsui Life/Sumitomo Life and Nippon Life by promoting sales of non-life insurance products through the sales staff of life insurance companies. Further, NIPPONKOA Insurance is expected to provide non-life insurance products to Meiji Yasuda Life that is scheduled to start operations in January 2004. Although the degree of tie-ups with life insurers and insurance products varies depending on the situation of each company, such tie-ups will contribute considerably to the increase in premium income of each non-life insurer and therefore the movement of the strategies for such distribution channels should be observed carefully.

(2) Present situation of automobile insurance

The component ratios of net premium written by line of insurance show that the market share of automobile insurance exceeds about half the total non-life insurance premiums [See Chart 3]. Therefore the situation of automobile insurance largely affects the total earnings of non-

life insurance companies. Automobile insurance contracts are divided largely into two categories, namely fleet contracts (for corporate policyholders having more than a certain number of automobiles) and non-fleet contracts (mainly for households) which account for about 90% of all automobile insurance contracts. Recently, rate competition for vehicles insured under fleet contracts has intensified and a unit price of premium per one vehicle has tended to fall sharply.

Needless to mention, this development is just one of the factors that reduces premium income, and if premium rates should deviate from the proper level due to an excessive rate reduction, it is feared in a sense that the soundness of the balance between income and outgo may be spoiled.

On the other hand, each insurance company tries hard to increase the unit premium amount for an automobile insured under the non-fleet contract by reexamination of premium rates including those for special clauses, but such efforts have not succeeded to hold back the decrease in the unit price of premium in respect of the automobile insurance as a whole.

The loss ratio of automobile insurance had been stable at around 50% until 1997, but it has gradually gone up to 65% as of fiscal 2000 [See Chart 4]. This is due to the increase in claims payments because of the above mentioned expansion in the scope of coverage, increase in the number of stolen automobiles, etc. Currently, although some signs of a downward trend in the current loss ratio are seen due to the improvement of these factors that brought about the increase of payments, it has remained on a high level that exceeds 60%, and the profitability of automobile insurance cannot be said to be favorable. Therefore, an insurance company with a high component ratio of automobile insurance generally tends to show a poorer performance, and the claims control for automobile insurance has become a serious challenge for each non-life insurance company.

(3) Present situation of fire insurance

The component ratio of fire insurance is about 15% of the total insurance premiums, occupying the position that ranks it next to automobile insurance [See Chart 3]. The amount of direct net earned premium of general fire insurance has remained almost unchanged, but with premiums for saving type fire insurance decreasing significantly, the overall premium shows a slight decrease.

While the loss ratio of fire insurance is around 40% ordinarily and thus maintaining relatively high profitability [Chart 4], the stability of the results cannot be guaranteed as the claims payments may fluctuate widely due to

natural disasters.

With the terrorists' attacks of September 11, 2001 on the United States as a start, the reinsurance market hardened because of a significant lack of capacity, forcing insurers to raise their retentions or to pay more reinsurance costs. Recently, there have been tendencies of transferring the burden to direct insurance premiums, but an increase in reinsurance premiums has not been sufficient. This situation is regarded as a factor which has a bearing on the profitability of fire insurance.

(4) Improvement in underwriting results

Currently, the loss ratio tends to show a general improvement in Japan. This is due to the fact that no large natural disasters occurred in fiscal years of 2001 and 2002, and also to the fact that the number of automobile thefts decreased in the same period. Another factor improving the underwriting result is that the claims control efforts in underwriting and claims payments have come to produce results. However, there still exists the possibility that the loss ratio may sharply deteriorate due to the occurrence of large claims on industrial risks and/or natural disasters.

Therefore, it is inevitable to cut operating expenses to ensure stable profits. Since each company has exerted its utmost effort to reduce both personnel and non-personnel expenses, the level of the operating expense ratio is reducing gradually [See Chart 5]. Among others, the three major insurance groups were able to post their operating expense ratios at most favorable levels, as economies of scale work well to give ample room for reducing operating expenses.

Moreover, after this fiscal year, in which transition to the new agency commission system is almost completed, every insurer is likely to review their existing agency system to solve the issue of reducing expenses for agency commissions while securing agencies with high marketing capability. With improved loss and operating expense ratios the underwriting result has been improving after having reached a low in 1999.

(5) Deterioration in the asset management environment

As mentioned earlier, although the insurance underwriting result is improving, asset investment has found itself under a continuous harsh environment. Because interest rates in the market have remained at a low level, the "interest and dividend income" has tended to remain on the downward trend. However, in contrast to life insurance products that promise the payment of high assumed interest rates for a long period of time, most

non-life insurance products are of a non-saving type with the insurance period of one year, carrying no burdens such as a massive amount of negative spread. For this reason, each non-life company has secured the "interest and dividend income" that exceeds the "assumed profit from the investment of saving type insurance premium etc."

The most serious problem for major non-life insurers in the area of asset management is the risk of fluctuation in stock prices. Previously, major non-life insurers have adopted a business style of offering insurance contracts to corporations through the holding of their stocks to the extent of 20 to 30% of the insurers' total assets. In the past, as non-life insurers were not required to take profit from the holding stocks to secure funds to dispose of bad debts, the book values of stocks were lower than other financial sectors. But, in the present stock market situation where the Nikkei stock average moves in the neighborhood of ¥8,000, the burden on major non-life insurance companies of the disposal or diminution are as heavy as those on institutions in other financial sectors. These burdens bear heavily on the total cash flow earnings so that some companies had to post losses accrued from the valuation of securities that exceeded the operating balance.

(6) Decline in Capital Strength

The capital strength of major non-life insurance companies has been maintained at a relatively high level because a substantial amount of contingency reserves was set aside and the gains from the appreciation of securities were abundant in the past.

Contingency reserves are funds established in anticipation of future catastrophic disasters etc., for which the law of large numbers does not work. At least the amount equivalent to a certain percentage of net premiums must be reserved by each line of insurance so that it may be drawn on (for payment) if the net loss ratio exceeds a certain percentage. The ratio of the reserves (against net premium income) of each company declined substantially in 1991 when a large amount of losses were paid for Typhoon No.19 (Mireille). Thereafter, the contingency reserves have strongly increased. Coupled with the gross up brought about by tax effect in 1999, the level of the contingency reserves has currently recovered to the level that exceeds the level immediately before the taking-down of the contingency reserves [See Chart 6].

On the other hand, gains from the appreciation in securities of each non-life insurance company have decreased, largely reflecting the sluggish stock market.

Traditionally, non-life insurance companies have abundant latent reserves of stocks and their weight in total assets of non-life insurers was high. Therefore, a decrease in the latent reserves of securities has a large impact on the financial strength of insurers.

Many non-life insurers are keen to reduce the holding of stocks to diminish any price fluctuation risk, but as insurers' stockholdings are for their business strategies as mentioned before and also if taking into consideration the current stock market, it is considered difficult to realize the reduction in stockholdings large enough to convert significantly the substance of the portfolio of assets.

Under these circumstances, some companies withdrew price fluctuation reserves in fiscal years of 2001 and 2002 to alleviate the burden of the disposal of loss. Thus the financial assets of major non-life insurance companies as a whole tend to be declining.

3. Non-life Insurance Industry from the Viewpoint of Rating (Conclusion)

The ratings of each company in the non-life insurance industry are generally at a higher level than other financial sectors. This is a reflection of the following facts; (1) in the past, there have been no significant changes in the market shares of companies in the industry; (2) each company has had virtually no bad debts and the structure of assets is generally sound; and (3) profits in the past have been accumulated for a long period of time and internal reserves including contingency reserves are relatively substantial.

However, the harshness of the business environment surrounding the non-life insurance industry is gathering momentum. With little progress in the market expansion under the long prevailing sluggish economy, when considering the shift of market shares to major groups and the deteriorating profitability of underwriting business itself, a gap between the major groups and small and midsize non-life insurance companies will become more evident. Moreover, from the same perspective, in light of the remarkable performances of the three major groups and Nissay Dowa, there are apparent tendencies toward the progress of bipolarization of insurance groups and the furtherance of the gap within the major groups.

In addition, the influence of the sluggish stock market on cash flow and stock assets of each company is growing. The risk of holding stocks has become evident, due mainly to the disposal of loss arising from declines in stock prices. Some companies have to reckon up deficits in their final profit and loss accounts. Further, as the

gains from appreciation of stocks have largely decreased, the capital strength of non-life insurance companies is presently exposed to downward pressure.

JCR considers that the impact which the harsh economic environment has on the business base, profitability and capital position of a non-life insurance company varies depending upon the situation of each company, with widening gaps of these indices between each company. Further, JCR adopts a policy to carry on future ratings reflecting the results of restructuring measures and new tie up and alliance strategies being taken by each company.

Chart 1 Movement of Net Premium Income

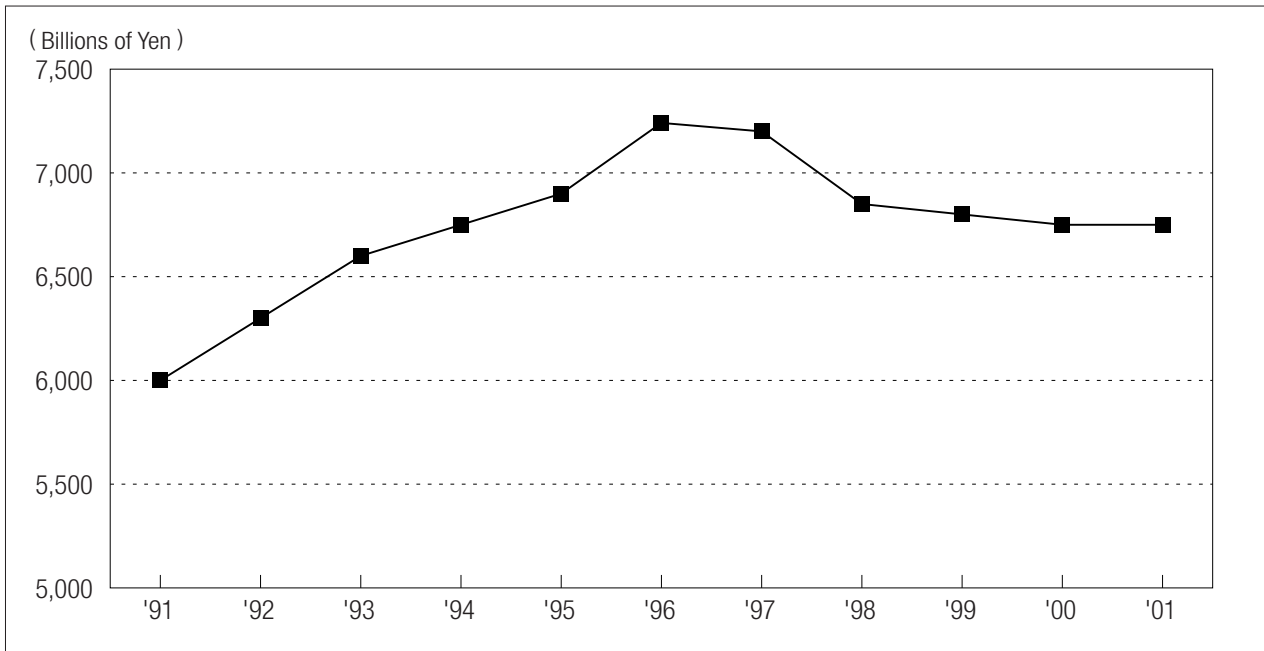


Chart 2 Movement of Market Shares

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Major Non-life Insurers	93.4%	93.3%	93.2%	92.9%	93.6%	93.7%
6 Major Groups	83.3%	83.5%	83.5%	83.4%	84.3%	84.7%
3 Major Groups	57.8%	57.9%	58.1%	57.9%	58.9%	59.5%
NIPPONKOA Ins.	10.5%	10.3%	10.2%	10.1%	10.0%	9.8%
Aioi Insurance	11.7%	11.7%	11.6%	11.7%	11.5%	11.3%
Nissay Dowa Ins.	3.3%	3.6%	3.6%	3.7%	3.9%	4.1%
Other Insurers	10.1%	9.9%	9.7%	9.5%	9.3%	8.9%
Foreign Non-life Insurers	1.3%	1.4%	1.5%	2.0%	2.0%	2.3%

Chart 3 Net Premium Income by Line of Insurance (FY2001)

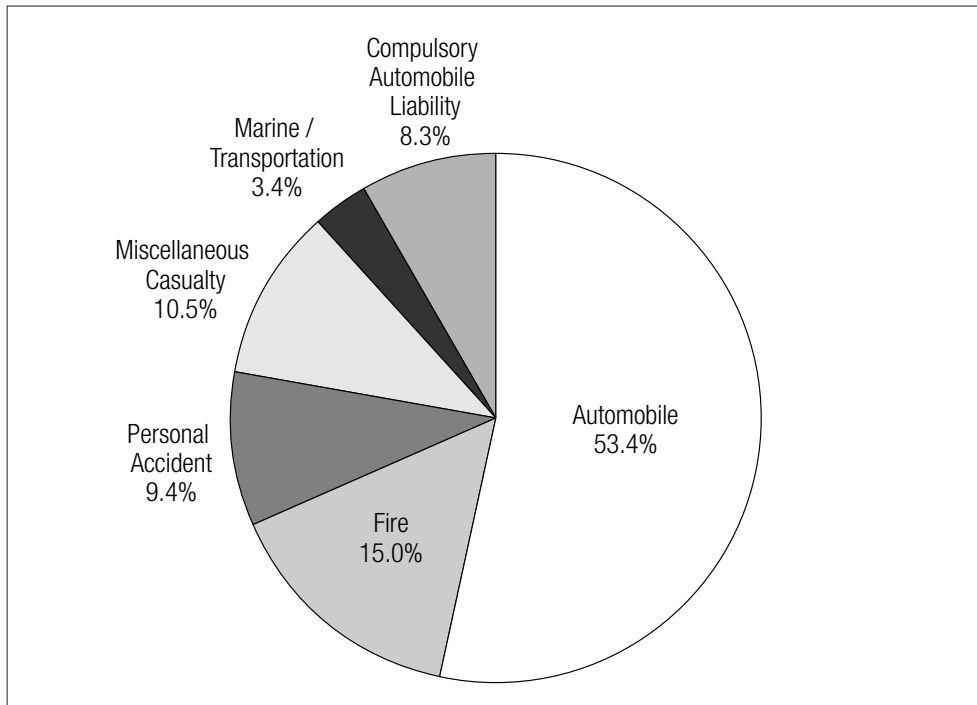


Chart 4 Movement of Loss Ratio (total of major non-life insurers)

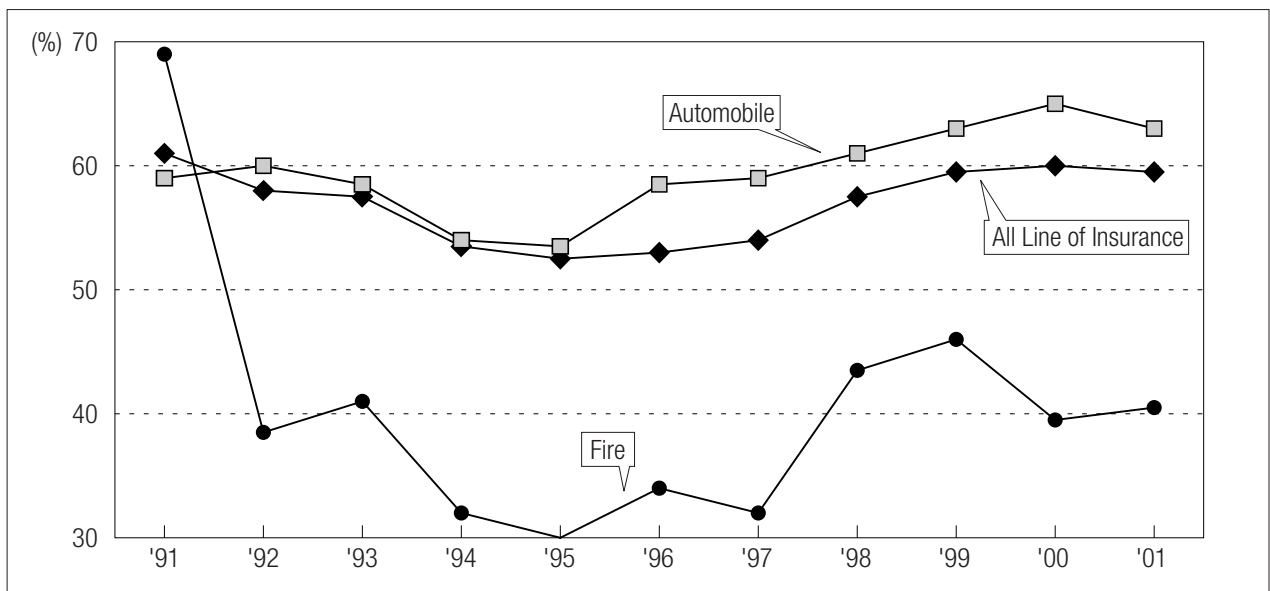


Chart 5 Movement of Operating Expense Ratios (total of major non-life insurers)

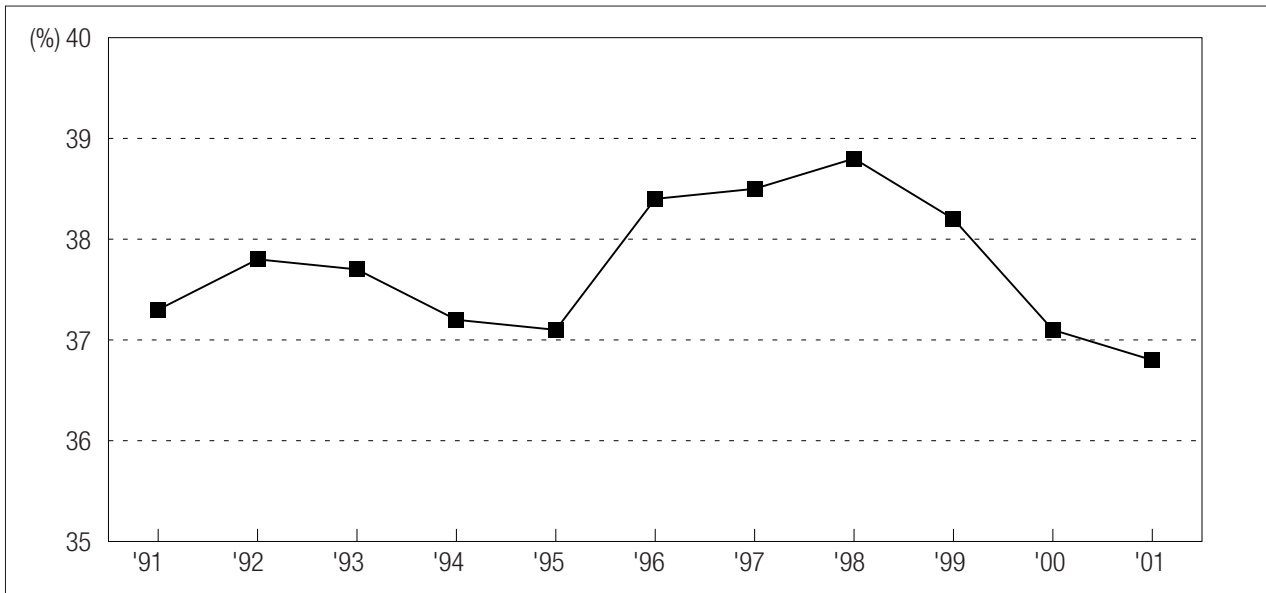
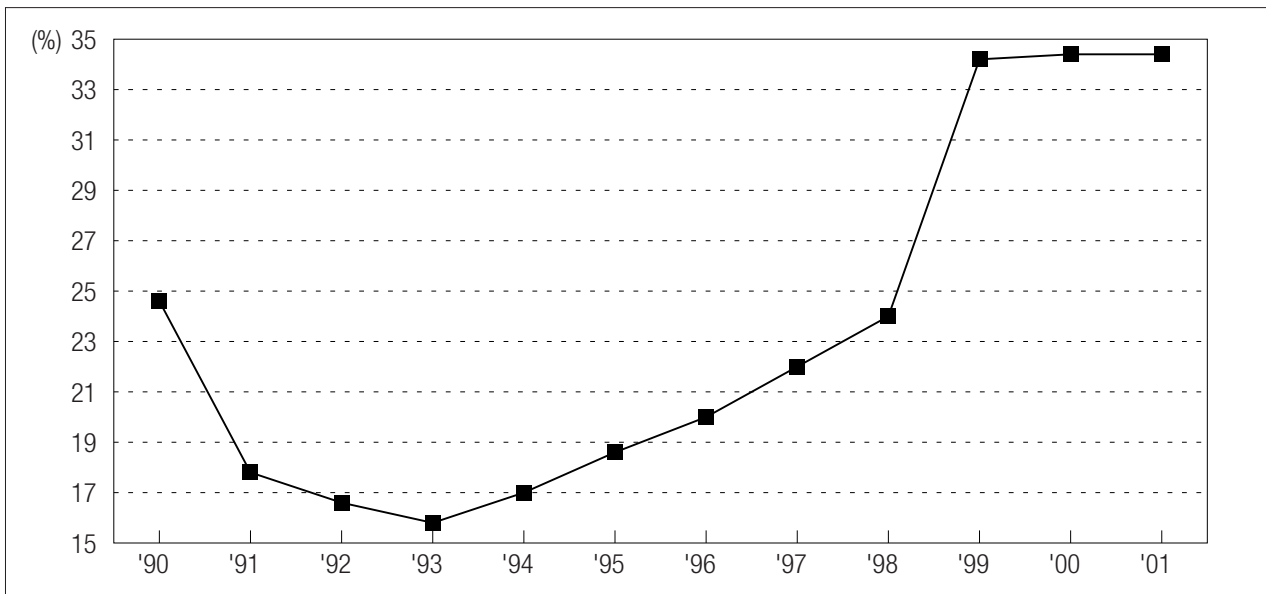


Chart 6 Movement of Contingency Reserve Ratios (total of major non-life insurers)



Development of Deregulation and Liberalization: Activities of The General Insurance Association of Japan and How It Responds to Consumers' Needs

Terumasa Hasegawa

Director

*General Manager of Corporate Planning and Coordinating Dept.
The General Insurance Association of Japan*

Foreword

With almost daily changes in Japan's economic situation, the business environment surrounding the nation's non-life insurance industry is also changing significantly due to the development of deregulation and liberalization. Competition among non-life insurance companies has intensified, the quantity and quality of insurance products and services have improved and, as a result, convenience for consumers has been enhanced. On the other hand, it cannot be denied that such intensified competition may bring about some negative effect on consumers and the enhancement of consumer protection must therefore become necessary. Under such circumstances, I would like to mention below the activities of The General Insurance Association of Japan and how it is responding to consumers' needs, something which will become increasingly more important in the future.

1. Development of Deregulation and Liberalization

The deregulation and liberalization of the Japanese non-life industry developed in the course of the revision of the Insurance Business Law, the Japanese version of the financial big-bang and also the Japan-U.S. Insurance Talks of 1996, all of which were closely interrelated. The developments in deregulation and liberalization since 1996 are shown in Appendix 1. More recently, deregulation such as the full-scale entrance into the third sector by parent non-life insurance companies in July 2001, the revision of the Compulsory Automobile Liability Insurance system, including the abolition of the government-run reinsurance scheme in April 2002, and the expansion of over-the-counter sales of insurance through banks have been realized. All of these things have given non-life insurance companies opportunities to provide consumers with a wider range of insurance products and services.

Thus, deregulation and liberalization of the non-life insurance industry have taken hold to a considerable degree. In July 2002, The General Insurance Association of Japan presented 29 items of demands for reforms emphasizing the necessity of further deregulation and lib-

eralization to the Keidanren (Japan Federation of Economic Organizations) and the government's Council for Regulatory Reform. The Association will follow the same course of action further in 2003. For your information, the main demands and reasons thereof for 2002 are shown as follows:

- (1) Deregulation of the current insurance product examination system and liberalization of the general conditions of insurance products for corporations so that the development of insurance products that meet the needs of customers may be accelerated and the convenience of consumers may be further promoted.
- (2) The digitalization of procedures for the application for approval of insurance products to alleviate the work-loads on non-life insurance companies with a view to reducing the cost to be borne by policyholders.
- (3) The clarification of insurance soliciting activities in order to improve services for customers in areas where excessive restrictions are imposed from the standpoint of the implementation of compliance.

2. Reorganization of the Insurance Industry and Distribution Channels

Conversely, changes in the environment brought about by the development of deregulation and liberalization are accelerating the formation of new business models by non-life insurance companies. The map of the insurance industry has been largely repainted as a result of mergers among insurance companies, and also by means of alliances and management integration among different types of industry. The aim is to achieve an appropriate response to IT related investments or the construction of effective profit producing structures.

The distribution channels of non-life insurance products are also being diversified. Although the ratio of insurance contracts bound through insurance agencies remains at the level exceeding 90% of total contracts, insurance products are now being sold over the counters of banks, through insurance brokers and through the Internet, increasing the convenience to consumers. In particular, the number of people using the Internet is

expected to increase significantly in the future due to the spread and expansion of use of broad-band devices, and the Internet may thus become a further important medium of insurance sales.

Recent developments in the reorganization of the insurance industry and changes in insurance distribution channels are shown in Appendix 2.

3. Activities of The General Insurance Association of Japan to Address the Needs of Consumers

With the development of deregulation and liberalization, insurance companies try hard to enhance the system to promote compliance with not only the Insurance Business Law but also with the Law on Sales of Financial Products and Consumer Contract Law. Further, insurance companies also recognize that education and training are very important to improve the quality of non-life insurance agencies from the viewpoint of the protection of consumers and exert their utmost efforts to enrich and strengthen such training.

Under the circumstances, The General Insurance Association of Japan recognizes "activities responding to the needs of consumers" as one of the central pillars of the business activities of the Association with the view to maintaining the sound development and reliability of non-life insurance business operations and it therefore carries on the following activities positively:

(1) Dialogue and exchange of views with consumers

In order to grasp accurately the needs of consumers, the Association is positively carrying on open dialogue and an exchange of views with the National Consumer Affairs Center of Japan, as well as with consumer livelihood centers all over the country and also with other major consumer organizations. Opinions and demands thus collected are conveyed to insurance companies and insurance agencies appropriately so that they may be used for the improvement of their business operations. We are also having representatives of consumer livelihood centers deepen their understanding of non-life insurance by holding seminars/education courses and providing various materials on non-life insurance.

(2) Activities relating to school education

With a view to educating students from the compulsory education level to high school and college levels

and also increasing their awareness of non-life insurance, the Association is striving to enrich and strengthen its school education activities regarding non-life insurance. More concretely, the Association dispatches its personnel as lecturers to lecture sessions on non-life insurance held by high schools, colleges and vocational schools throughout the country and seminars held for high school teachers. Moreover, the Association implements annual prize essay contests for high school students all over the country on the themes of non-life insurance and safety and security in life, and 12,208 compositions were submitted in 2002. Further, the Association has developed and provided teaching materials to middle school and high school students in order to improve the knowledge/awareness of the role of non-life insurance and the notion of self-responsibility and this received a "excellent consumer education award" from the National Institute on Consumer Education.

(3) Activities responding to consultation

The General Insurance Association of Japan has established 13 non-life insurance counseling offices and 48 automobile insurance claims counseling centers across the country. The Association responded to about 90,000 consultations/complaints in 2001. Consultations/complaints brought forward to consultation centers were analyzed for study and information thus obtained was provided to non-life insurance companies and their agencies so that their claims services may be improved. Because a considerable number of consultations/complaints were related to advertising, The General Insurance Association of Japan has worked out an "Ethical Code on Advertising" in advance of any other industry, and this was brought into effect from April 2001.

(4) Activities to provide information

The General Insurance Association of Japan focuses its effort to provide information utilizing various media and to give and lend out a variety of material to help people become more aware about non-life insurance and to afford them a better understanding of non-life insurance products. The Association opened the "Sonpo (Non-life Insurance) Information Square" on the first floor of the Non-life Insurance Building in September 2002 with the view to strengthen further its ability to provide information and to promote convenience for consumers. The main functions of the "Sonpo (Non-life Insurance) Information Square" are as follows:

- ① Acceptance of various consultations on non-life insurance
- ② Provision of various pamphlets on non-life insurance products
- ③ To give opportunities to peruse materials on disclosure of non-life insurance companies
- ④ Establishment and maintenance of hot-lines to various non-life insurance companies to obtain information on their products
- ⑤ To provide/lend out materials and video tapes issued or prepared by The General Insurance Association of Japan

Conclusion

The business plan for 2003 of The General Insurance Association of Japan was decided at the directors meeting held on March 20, 2003. The Association will continuously put emphasis on the following activities to respond to the needs of consumers :

- (1) Activities to respond to the needs of consumers: The activities will be strengthened centering on the enrichment of the "Sonpo (Non-life Insurance) Information Square".
- (2) Public relations activities: The Association will try hard to enrich the outward transmission of information in order to promote understanding of non-life insurance.
- (3) Activities to prevent crime: By conducting crime prevention campaigns, the Association will help strengthen measures to prevent crimes such as theft of cash etc. by breaking automatic teller machines as well as automobile thefts.

The General Insurance Association of Japan included the following activities in the mid-term fundamental program (fiscal 2001 to 2003) :

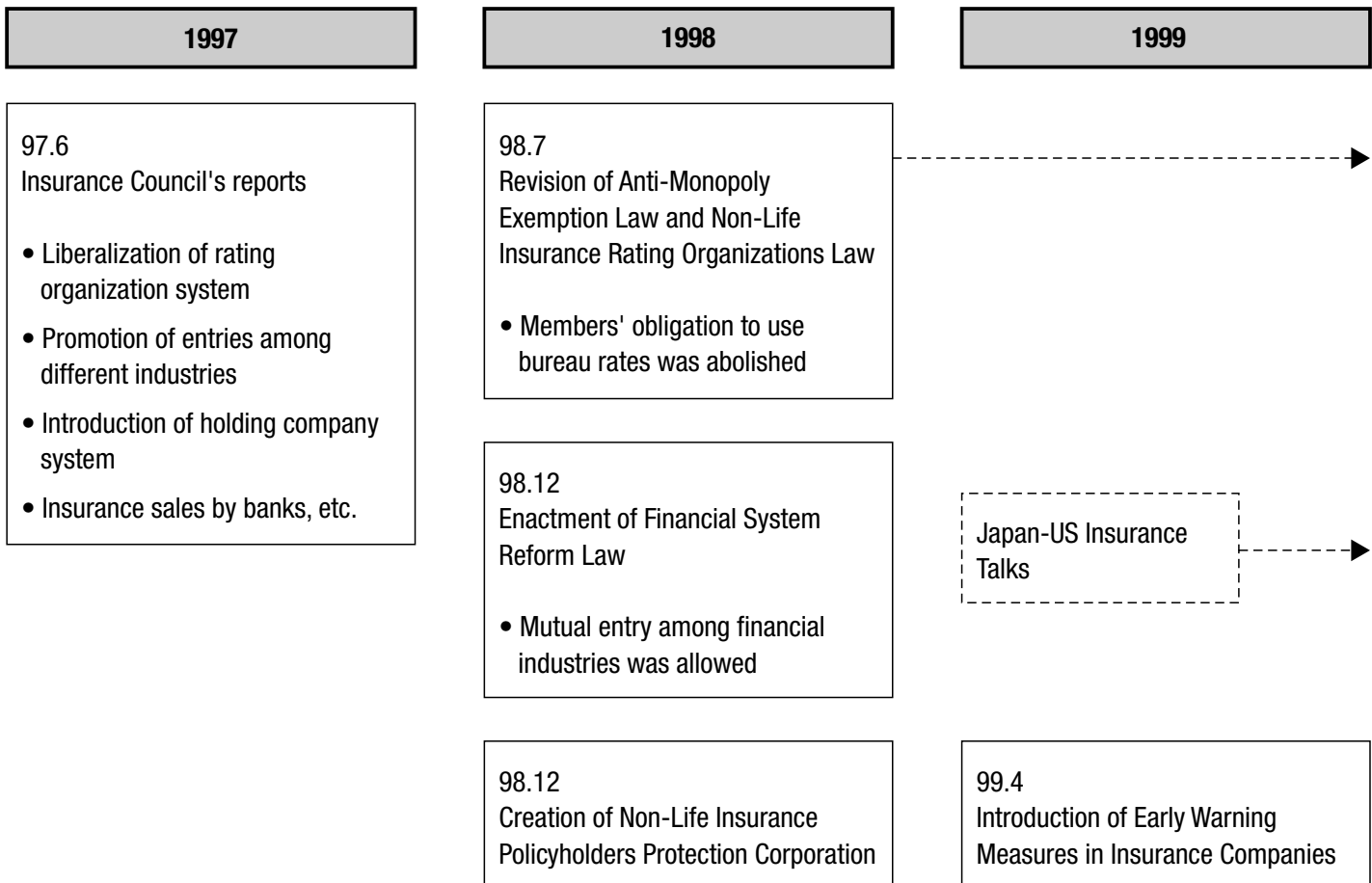
- 1. To respond to the needs of consumers
- 2. To contribute to society
- 3. To make appropriate requests and proposals
- 4. To promote the convenience of member insurance companies

To steadily promote these activities, the Association has worked out its business plans for fiscal 2003 as follows :

- ① Making requests and proposals and providing information to each insurance company, and carrying out highly technical studies for these purposes
- ② Strengthening of functions to address the needs of consumers
- ③ Coping with social issues that are closely related to insurance systems
- ④ Resolute promotion of compliance
- ⑤ Management and improvement of earthquake and compulsory automobile liability insurance systems
- ⑥ Activities for the betterment of infrastructures for the investigation of losses
- ⑦ Implementation of measures for better environment and NPO activities
- ⑧ Implementation of measures for betterment of infrastructure for insurance solicitation
- ⑨ Activities to make international contributions by promoting mutual understanding and providing information through international exchanges of views
- ⑩ Transmission of information and management of joint information system of communications by utilizing IT
- ⑪ The enhancement of regional activities in branch offices of the Association

Appendix 1. Development of Deregulation & Liberalization (1996 and afterwards)

<p>96.4 Enactment of New Insurance Business Law</p> <ul style="list-style-type: none"> • Reciprocal entry of life and non-life insurers • Revision of bureau rating system • Creation of Policyholders Protection Fund • Introduction of insurance broker system • Introduction of solvency margin standards

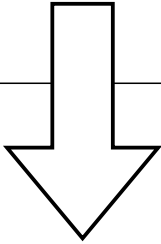


1996

96.11
Financial Big Bang
Concept

96.12
Agreement of Japan-US Insurance Talks

- Deregulation of core area
- Preventive measures of radical changes in third sector



2000

00.6
Bureau rate system fully ended

00.8
Clarification of definitions
concerning representation and
agency of operations

00.12
Termination of measures for
avoiding radical changes in third
sector

2001

01.4
• Insurance sales at banks OTC
permitted
• Post offices started selling CALI
for small-sized motorcycles, etc.
• Non-life insurance agency system
liberalized

Mutual entry of life and non-life
insurers in third sector

01.1 By subsidiaries
01.7 By parent companies

01.4
Enactment of Consumer Contract
Law and Sales of Financial Product
Law

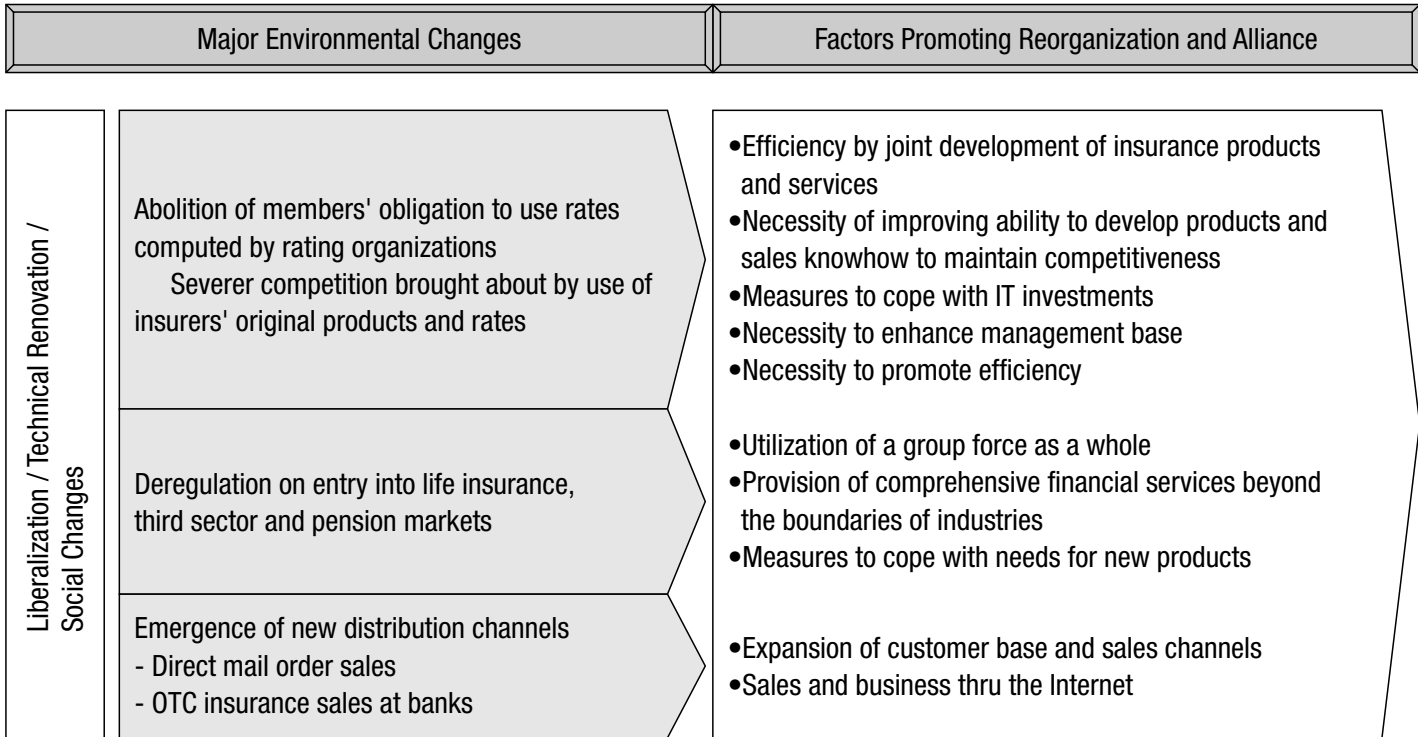
2002

02.10
Broadening of product line at banks
OTC sales

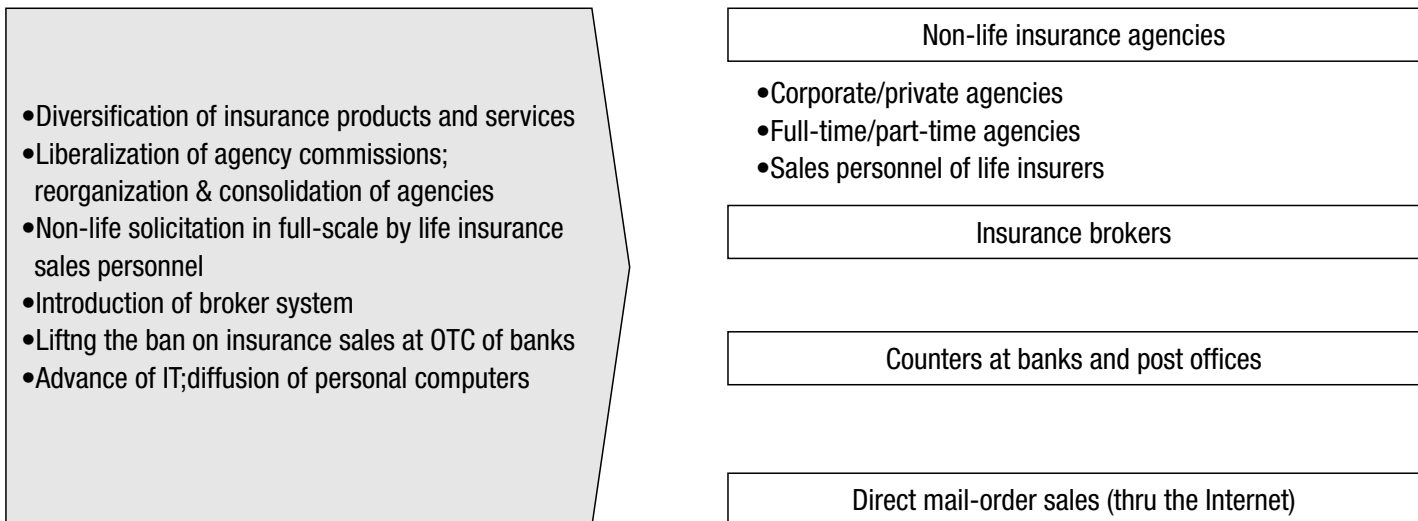
02.4
Revision of CALI system
• Abolition of Government
reinsurance scheme
• Creation of neutral organization
for settling disputes
• Raising compensation limit for
permanent disability

Appendix 2. Movements of Insurance Industry Reorganization and Insurance Distribution Channels

(1) Reorganization of Insurance Industry



(2) Diversification of Insurance Sales Channels



Forms of Reorganization and Alliance

Reorganization/Alliance	Merger	<ul style="list-style-type: none"> •Dowa Fire/Nissay General (2001.4) •Nippon Fire/Koa Fire (2001.4) •Dai-Tokyo Fire/Chiyoda Fire (2001.4) •Mitsui Marine/Sumitomo Marine (2001.10) •Yasuda Fire/Nissan Fire/Taisei Fire (2002.7/12) •Tokio Marine/Nichido Fire (2004.10est.) 	<p>Nissay Dowa General Ins. NIPPONKOA Insurance Aioi Insurance Mitsui Sumitomo Insurance Sompo Japan Insurance Tokio Marine & Nichido Fire</p>
	Business Alliance	<ul style="list-style-type: none"> •Sompo Japan/Daiichi Mutual Life 	
	Capital Collaboration	<ul style="list-style-type: none"> •Fuji Fire AIG/Orix 	
		<ul style="list-style-type: none"> •Saison Insurance Sompo Japan •Nisshin Fire Tokio Marine 	

→ 91.3% of non-life products are sold thru agencies, providing total risk consulting services from sales to claims handling

→ Prevention of abuses; sales by applying improper pressure

→ Sales centering on automobile insurance

Recent Trends in Japan's Life Insurance Industry

Life Underwriting and Planning Department

The Toa Reinsurance Company, Limited

1) Reorganization Moves in the Life Insurance Industry

Japan's life insurance industry continues to see mergers and reorganization, amid the overall trend of restructuring in the domestic financial sector in Japan. Listed below are mergers which have been implemented since April 2002, and those which are expected to take place in the near future.

Azami Life / Yamato Mutual Life

Azami Life was established in February 2001 as a joint venture by the old Yamato Life and partners in non-insurance industries to assume the portfolio of the failed Taisho Life. Azami Life merged with the old Yamato life, creating the new Yamato Life in April 2002. Through this merger, Yamato Life, formerly a mutual company, was converted into a stock company.

Yamato Life started "Rokumeikan Club" in January 2003 as a membership organization, consisting of investors, through which the company plans to fulfill its customer services by mutual cooperation among members. It also aims to develop new insurance products tied in with the products and services of member companies, and to establish new sales methods.

Meiji Life / Yasuda Mutual Life

Meiji Life (Meiji) and Yasuda Mutual Life (Yasuda), two major life insurers, have been preparing for the merger targeted for April 2004 since their January 2002 agreement for a comprehensive alliance aiming at the business integration of both companies. Meiji and Yasuda have now agreed in principle to merge in January 2004, three months ahead of the original plan, and have jointly started pre-merger operations since April 2003, including the realignment of both companies' systems, rules and infrastructures.

This merger is unique in that the two aim at the merger of mutual life insurers without going through the process of demutualization process. Also characterizing this move is the fact that Meiji, belonging to the Tokyo-Mitsubishi Financial Group, and Yasuda, a part of the Mizuho Financial Group, will merge beyond the framework of traditional financial group connections. This type of merger, if successful, will lead to the possibility of further reorganization among the Japanese life insurers.

Tokio Marine Life / Nichido Life

Tokio Marine life and Nichido Life, two member companies of Millea Holdings, agreed in principle to

integrate both companies' operations through merger in October 2003.

The proposed merger enables two life insurers to work more closely with the property and casualty insurance operations of their parents, Tokio Marine and Nichido Fire, aiming to increase productivity and efficiency. The merger of Tokio Marine and Nichido Fire is slated for October 2004.

Millea Insurance group was formed in September 2000 by Tokio Marine, Nichido Fire and Asahi Mutual Life to consolidate their life and non-life insurance business, with an eye to integrating their management in the future. Later in March 2001, Kyoei Mutual Fire (together with its life subsidiary, Kyoei Kasai Shinrai Life) joined the Group. The Group structure, however, was forced to change by the withdrawal in August 2002 of Kyoei Mutual Fire who opted to become a subsidiary of JA Kyosairen (National Mutual Insurance Federation of Agricultural Cooperatives), and by the Asahi Mutual Life's announcement in January 2003 to dissolve its partnership with the Group.

AIG / GE Edison Life

A major U.S. insurer, American International Group Inc., announced on June 26, 2003 that it had reached an agreement with the U.S.-based GE Group to acquire its Japanese life insurance subsidiary, GE Edison Life Insurance Co. The total purchase price is reported to be between US\$2.1 billion and US\$2.2 billion, including GE's automobile and fire insurance operations in the U.S. The transaction is expected to be completed by the end of this year, at the latest, subject to the authorities' approval.

AIG started its life insurance operations in Japan in February 1973 with the launch of ALICO Japan, the first foreign capital-based life insurer in Japan, followed by AIG Star Life which was established by the acquisition of the failed Chiyoda Life in October 2000. It explains how AIG has strived in the past for expanding its stake in the Japanese life insurance market.

Meanwhile, GE Edison Life commenced its operations in March 1998 by acquiring Toho Mutual Life which had collapsed in March 2000. It also bought Saison Life in October 2002 with a view to expanding business in Japan. However, the insurer has faced difficulties in improving its profitability, besides sluggish sales of new business. These were the reasons for GE Group to reconsider its Japanese insurance operations.

This transaction reflects an agreement on the two

groups' interests; on the one hand, AIG aims to make a full-scale entry into Japan's insurance market with further expansion of its business scope and structures, and on the other, GE Group intends to review its insurance business plans as part of the group's overall strategy.

Through this deal, the combined premium income of AIG's three life insurance units in Japan, i.e. ALICO, AIG Star Life and GE Edison Life, is expected to reach Yen 1,100 billion, the sixth in the nation's domestic life insurance market. Presumably, this will act as a spur to a further reorganization in the life insurance industry in Japan.

2) Entry of Foreign Capital into the Japanese Life Insurance Market

None of the nation's life insurers has become bankrupt since March 2001, when Tokyo Mutual Life collapsed. Therefore, there has been no entry of foreign financial institutions into Japan for the purpose of acquiring failed insurers through relief and merger. Thus it seems to be a remarkable step that was taken by GE Edison Life toward the merger of Saison Life in October 2002.

Recently, the activities of foreign capital have not been very noticeable in Japan, in view of the terrorist attacks on the U.S. in September 2001 and the sluggish stock prices prevailing worldwide. Amid this situation, a Japan-U.S. joint venture life insurer was newly established.

In October 2002, Mitsui Sumitomo CitiInsurance Life Insurance Co., Ltd. was established as a joint venture owned by Mitsui Sumitomo Insurance and CitiInsurance International Holdings Inc., an affiliate of Citigroup of the United States. The firm, which commenced operations in the variable individual annuity insurance market, aims at widely promoting the attractive features of these products through the utilization of the knowhow of Citigroup. The sale of annuity products is being entrusted to security houses and banks, as its agents.

3) Demutualization of Mutual Life Insurance Companies

The partial revision of the Insurance Business Law of Japan in June 2000 paved the way to facilitate the conversion of a mutual insurance company into a stock company. Following this change, Taiyo Mutual Life, a part of T&D Insurance Group, became a stock company on April 1, 2003 after completion of the demutualization process, following Daido Life, which was already demu-

tualized in April 2002. The new company is capitalized at JPY 37.5 billion and its shares are now listed on the Tokyo Stock Exchange. Three companies belonging to T&D Insurance Group, i.e. Taiyo Life, Daido Life and T&D Financial Life, are expected to establish a joint holding company in April 2004, making each insurer its subsidiary. On the other hand, it is rumored that, instead of becoming subsidiaries of the holding company, each company will merge their operations except for their marketing sectors.

Meanwhile, Mitsui Mutual Life, which was planning to demutualize, is expected to complete its conversion into a stock company by April 2004 in order to strengthen its management structure and enhance its profitability. Reportedly, Mitsui Mutual Life and Sumitomo Mitsui Banking Corp. are in final talks about a plan where the latter purchases around 40% of the new shares of the insurer. This will be the first case where a major Japanese life insurer comes under the umbrella of a bank.

In the meantime, Asahi Mutual Life has decided to postpone taking a move toward demutualization, along with its departure from the Millea Insurance Group.

4) Trends in New Product Development

In the domestic life market, where the prolonged economic slump persists, customers' interest in high-valued death benefit products has cooled down, along with the established tendency toward the review of insurance protection. There has, however, been a remarkable increase in consumers' needs for living benefit-type insurance, in light of a higher self burden for public medical insurance and anxiety about the public pension system in the future.

Contrary to sluggish sales of whole-life-with-term insurance, once a mainline product, and "insurance accounts"-type products, distinct tendencies have been seen in the growth of third sector products, against the backdrop of ongoing deregulation and over-the-counter sales of annuity products in banks and other financial institutions. In these circumstances, life insurers have recently focused their efforts on the development and sales of new products, which are listed below:

① Low-priced products

Low-cost insurance, such as low (or non)surrender value type term and preferred risk discount products, mainly sold by life subsidiaries of non-life insurers.

② Special clauses attached to mainstream products

Development of new riders, including nursing care, disease and hospitalization, and whole life with medical

care, supplementary to main products and as sales promotion. These riders are developed by major life insurers.

③ Risk segmentation of the third sector products

Development of nursing insurance products, with a fully worked-out benefits plan for an aging society, along with differentiation efforts in respect of medical insurance protection and serviceability.

④ Non-selective insurance and products targeted for the elders

Development of non-selective products for direct marketing and variable individual annuity, responding to the needs of the elderly.

⑤ Products for businesses

Growing trends of developing increasing-type term life for the purpose of tax savings for corporations and provision for retirement allowance of the management.

5) The Issue Concerning Reductions in Assumed Interest Rates

While the ordinary Diet session in April 2003 passed the partial revision to the current Insurance Business Law, it did not include a bill allowing life insurers to lower guaranteed yields before bankruptcy, which was expected to be submitted. Therefore, a legislative revision of the law will have to be postponed.

Under the old Insurance Business Law, there existed a provision allowing prebankruptcy reductions in policy yields, but the new law, enacted in 1996, amended the provision to the effect that rate reductions would be allowed only after the failure of an insurer. It was partly due to a fear that a compulsory rate cut might violate property rights guaranteed by the constitution.

Soon afterward, however, several small and midsize life insurers went successively bankrupt mainly because of negative spreads. In June 2001, the Financial System Council, an advisory body to the Prime Minister, adopted a stance on admitting the yield cuts and solicited public opinion. As the majority opinion was against the council's views, the implementation of legislative measures was put off. The debate, which seems to have been cooled off for some time, has become heated again involving the government and trade circles, when the Commissioner of the Financial Services Agency referred to this problem in July 2002.

The life industry, while realizing the necessity of legislative measures for the reduction of policy yields, has so far opposed the government's plan on an individual company level, on the ground that the announced rate cut itself would trigger a drastic increase in policy surrenders, leading to a failure in the end, unless unanimous actions are taken concurrently.

The government side, on the other hand, has felt a fear that further failures of life insurers could involve the banking sector, because of significant cross-shareholdings between them. Moreover, the ruling coalition thought that it would be inadvisable to submit a legislative revision to the current Diet by the end of March 2003, knowing the anticipated opposition from policyholders ahead of the nationwide local elections in April.

The FSA is expected to submit a bill to the Diet for approval during the current session closing on June 18. While a consensus will be gained among the Diet members on the recognition that relief measures for troubled life insurers are necessary, problems exist on the condition of allowing a yield cut and the passage of the bill is uncertain.

6) Reinforcement of Life Insurance Industry's Safety Net

The Life Insurance Policyholders Protection Corporation plays an important role of providing financial assistance to rescuing insurers for the protection of the interests of failed insurers' policyholders. Under the revised Insurance Business Law enacted in April 2003, the provisions were incorporated to extend the government's commitment of Yen 400 billion to the fund.

The legal framework of the government financial help, established in 2000, was initially intended to be in effect until fiscal 2002. This time limit was further extended from fiscal 2003 to 2005 to provide against failures of life insurers during these three years. Through this legislative measures, the Corporation now has a fund amounting to Yen 500 billion, including Yen 100 billion contributed by the life insurance industry. A bill for the safety net was supposed to be submitted to the current Diet, together with a bill allowing preemptive measures for a yield cut. However, the former bill was presented and passed separately from another bill, in view of delicate political implications.

In the past, the Corporation provided a fund to four companies, out of seven failed insurers, while other three firms who had collapsed since October 2000 did not seek financial help from the fund.

7) Over-the-counter Insurance Sales by Banks and other Financial Institutions

Sales of insurance policies at bank counters were proposed by the Insurance Council report submitted in 1997, and were put into effect from April 2001 on a gradual implementation basis. Products permitted at the outset were limited to long-term fire insurance related to

housing loans, overseas travelers accident insurance and housing loan-related credit life insurance, which were offered by life insurers affiliated with banks as their subsidiaries or brother/sister companies. Effective from October 2002, the FSA took steps in broadening the range of products for bank sales to include individual annuity insurance (fixed or variable) and asset-formation insurance. Moreover, restrictions imposed to life insurers offering credit life insurance were lifted.

Meanwhile, sales of life products in the peripheral sectors were permitted in 1998 to securities companies, ahead of bank sales of insurance. In December 2000, The U.S.-based Hartford Life Insurance started sales of variable individual annuity through Nikko Securities Co. Deregulation of over the counter sales of insurance by the financial sector, which was completed in October 2002, has spurred sales competition, particularly on variable annuities and has encompassed almost all financial institutions, including securities houses, city and regional banks and also credit banks. This is due to expectations on the part of customers for higher yields on the back of ultra-low interest rates, mixed with those of financial institutions which attach importance to sales commissions as stable revenue sources.

8) Enactment of Customer Identification Law

In January 2003, the FSA enacted the Law on Customer Identification and Retention of Records on Transactions by Financial Institutions. In the wake of the terrorists attacks on the United States on September 11, 2001, the Japanese government implemented in October 2001 domestic procedures based on countermeasures taken by the Financial Action Task Force (FATF) against terrorists financing.

The new law obligates financial institutions to verify customers' identification and keep records on their transactions, thus preventing money laundering activities through the abuse of financial services. The law applies to financial institutions, including insurance companies. For life insurers, they must request customers to submit identification documents, such as an original driver's license, health insurance policy, passport, or foreign resident registration card, for any type of transaction, including binding contracts, policy loans, changing the name of policyholders and payments of maturity refunds, pensions or surrender value.

Supplemental Data: Results of Japanese Non-life Insurance Companies for Fiscal 2002 ended March 31, 2003

(Millions of Yen)

Items		Companies				
		Tokio	Sompo Japan*	Mitsui Sumitomo	Aioi	NIPPONKOA
Net Premiums Written		1,469,685	1,264,283	1,235,313	836,841	721,234
Growth Ratio of NPW(%)	FY 2002	8.9	31.2	4.1	7.7	6.7
	FY 2001	2.9	4.0	1.2	-1.9	-1.7
Loss Ratio(%)	FY 2002	52.3	54.4	54.9	60.1	55.2
	FY 2001	57.6	57.9	57.3	67.0	59.9
Expense Ratio(%)	FY 2002	32.0	33.5	33.8	35.3	35.4
	FY 2001	34.6	35.5	36.0	38.9	37.4
Underwriting Profit(Loss)	FY 2002	35,053	39,115	36,976	7,335	8,378
	FY 2001	29,120	3,631	10,228	-127,496	14,767
Ordinary Profit(Loss)	FY 2002	158,128	-8,427	47,679	20,319	-36,721
	FY 2001	70,228	-48,109	62,635	-92,143	-29,656
Increase(Decrease)Ratio of Ordinary Profit(%)		125.2	—	-23.9	—	—
Net Profit(Loss)for the Year	FY 2002	97,277	-15,472	32,362	10,304	-28,637
	FY 2001	39,181	-43,682	23,607	-83,413	-19,062
Increase(Decrease)Ratio of Net Profit(%)		148.3	—	37.1	—	—
Net Profit(Loss)per Share(YEN)		62.77	-16.20	22.15	13.76	-33.99
Net Profit(Loss)/Net Assets(%)		5.8	-2.7	2.8	2.9	-5.8
Dividends		143,826	6,894	10,886	5,221	5,834
Dividends per Share(YEN)	FY 2002	92.81	7.00	7.50	7.00	7.00
	FY 2001	8.50	7.00	7.50	7.00	7.00
Dividends/Net Profit(%)	FY 2002	147.9	—	33.9	50.8	—
	FY 2001	33.6	Yasuda Nissan	66.6	—	—
Dividends/Net Assets(%)		9.4	1.3	1.1	1.7	1.3
Total Assets	FY 2002	6,864,017	4,785,864	5,900,738	2,496,328	3,082,778
	FY 2001	7,898,120	3,881,659	6,897,755	2,663,459	3,218,164
Investment Yield(%)	FY 2002	1.78	1.90	2.37	1.93	1.89
	FY 2001	2.24	2.09	2.54	2.11	2.05
Bad Loans		54,649	36,937	32,199	25,159	24,521
Bad Loans/Loans(%)		8.4	6.0	4.5	6.9	5.6
Solvency Margin Ratio(%)	FY 2002	1,087.5	774.8	930.7	683.4	840.5
	FY 2001	1,332.6	Yasuda Nissan	1,069.2	783.0	Nipponkoa Taiyo

Note 1. Sources: The HOKEN MAINICHI ,THE INSURANCE AND BANKING Gazzete and others

2. 2nd Line of each item shows figures of the previous year.

3. Loss Ratio = (Net Claims Paid + Loss Adjustment Expenses) / Net Premiums Written

4. Underwriting Profit(Loss)=Underwriting Income - (Underwriting Expenses + Operating and General Administrative Expenses on Underwriting) ± Other Income and Expenditure

5. Expense Ratio=(Commissions and Brokerage + Operating and General Administrative Expenses on Underwriting) / Net Premiums Written

6. Bad Loans consist of Loans to Bankrupts, Arreared Loans, Loans over 3 months in Arrear and Restructured Loans.

* Sompo Japan was formed on 1st July, 2002 through the merger between Yasuda Fire and Marine and Nissan Fire and Marine.

Nichido	Nissay Dowa	Fuji	Kyoei	Nisshin	Asahi
396,393	308,309	305,259	173,592	149,067	39,623
6.8	9.9	1.1	2.8	2.8	7.8
-1.5	4.6	-5.9	-1.5	-1.7	-1.5
54.2	54.0	57.5	54.6	53.9	47.5
58.9	58.2	62.4	57.1	58.5	52.0
35.1	35.6	37.0	36.4	35.4	44.0
37.6	36.0	38.5	38.4	39.5	47.0
12,273	1,353	14,471	10,065	7,692	1,099
13,285	-2,215	-386	7,921	-2,711	366
22,114	-8,486	1,736	4,828	4,849	338
8,663	194	-31,452	8,724	-13,294	1,240
155.3	—	—	-44.7	—	-68.6
11,869	-4,348	-5,902	474	2,317	186
8,192	4,160	-19,796	901	-11,581	337
44.9	—	—	-47.4	—	-44.7
26.60	-10.73	-12.42	—	12.56	16.27
2.8	-1.8	-5.1	—	3.9	0.6
35,301	2,794	3,111	—	1,242	51
79.25	7.00	7.00	—	7.00	6.00
7.50	7.00	7.00	—	7.00	6.00
297.4	—	—	—	55.7	27.6
40.8	68.8	—	—	—	15.4
9.4	1.3	3.0	—	2.2	0.2
1,758,220	1,145,678	1,024,379	687,450	482,374	339,001
1,915,214	1,233,122	1,138,078	692,239	503,283	339,208
1.77	2.08	1.53	1.74	1.64	1.94
1.96	2.26	1.81	2.13	1.71	2.08
11,346	1,695	12,412	3,199	1,622	13
8.0	1.7	12.9	3.1	4.0	0.3
961.2	1,146.1	605.3	849.2	846.0	786.4
1,124.3	1,222.9	724.0	696.2	837.3	972.6

(Millions of Yen)

Items		Companies				
		Ace	Sumisei	SECOM	Sony	Meiji
Net Premiums Written		26,450	24,678	24,593	24,062	20,105
Growth Ratio of NPW(%)	FY 2002	21.8	3.8	-7.5	47.0	16.0
	FY 2001	10.5	0.3	6.8	117.4	7.5
Loss Ratio(%)	FY 2002	47.3	53.0	50.7	46.7	54.0
	FY 2001	58.4	53.6	45.3	42.3	59.9
Expense Ratio(%)	FY 2002	43.5	26.4	44.2	47.8	31.4
	FY 2001	46.8	28.2	43.8	59.0	42.6
Underwriting Profit(Loss)	FY 2002	—	2,194	-826	-4,386	580
	FY 2001	—	530	51	-6,025	-2,096
Ordinary Profit(Loss)	FY 2002	-2,461	2,597	-4,034	-4,185	1,408
	FY 2001	-2,194	839	-7,820	-4,097	-1,716
Increase(Decrease)Ratio of Ordinary Profit(%)		—	209.5	—	—	—
Net Profit(Loss)for the Year	FY 2002	-2,321	3,026	162	-11,386	1,115
	FY 2001	-2,264	912	-4,938	-4,114	-6,927
Increase(Decrease)Ratio of Net Profit(%)		—	231.5	—	—	—
Net Profit(Loss)per Share(YEN)		-20,532.16	7,565.20	5.79	-37,956.19	2,231.86
Net Profit(Loss)/Net Assets(%)		—	—	2.0	—	—
Dividends		—	—	—	—	—
Dividends per Share(YEN)	FY 2002	—	—	—	—	—
	FY 2001	—	—	—	—	—
Dividends/Net Profit(%)	FY 2002	—	—	—	—	—
	FY 2001	—	—	—	—	—
Dividends/Net Assets(%)		—	—	—	—	—
Total Assets	FY 2002	49,275	66,503	292,836	25,873	63,273
	FY 2001	48,125	60,058	286,832	31,626	70,886
Investment Yield(%)	FY 2002	—	1.18	2.79	0.93	1.56
	FY 2001	—	1.23	2.95	0.67	1.90
Bad Loans		—	—	—	—	—
Bad Loans/Loans(%)		—	—	—	—	—
Solvency Margin Ratio(%)	FY 2002	674.5	2,816.0	313.6	734.1	2,651.9
	FY 2001	895.2	2,418.4	450.6	1,647.2	2,543.7

Note 1. Sources: The HOKEN MAINICHI ,THE INSURANCE AND BANKING Gazzete and others

2. 2nd Line of each item shows figures of the previous year.

3. Loss Ratio = (Net Claims Paid + Loss Adjustment Expenses) / Net Premiums Written

4. Underwriting Profit(Loss)=Underwriting Income - (Underwriting Expenses + Operating and General Administrative Expenses on Underwriting)
± Other Income and Expenditure

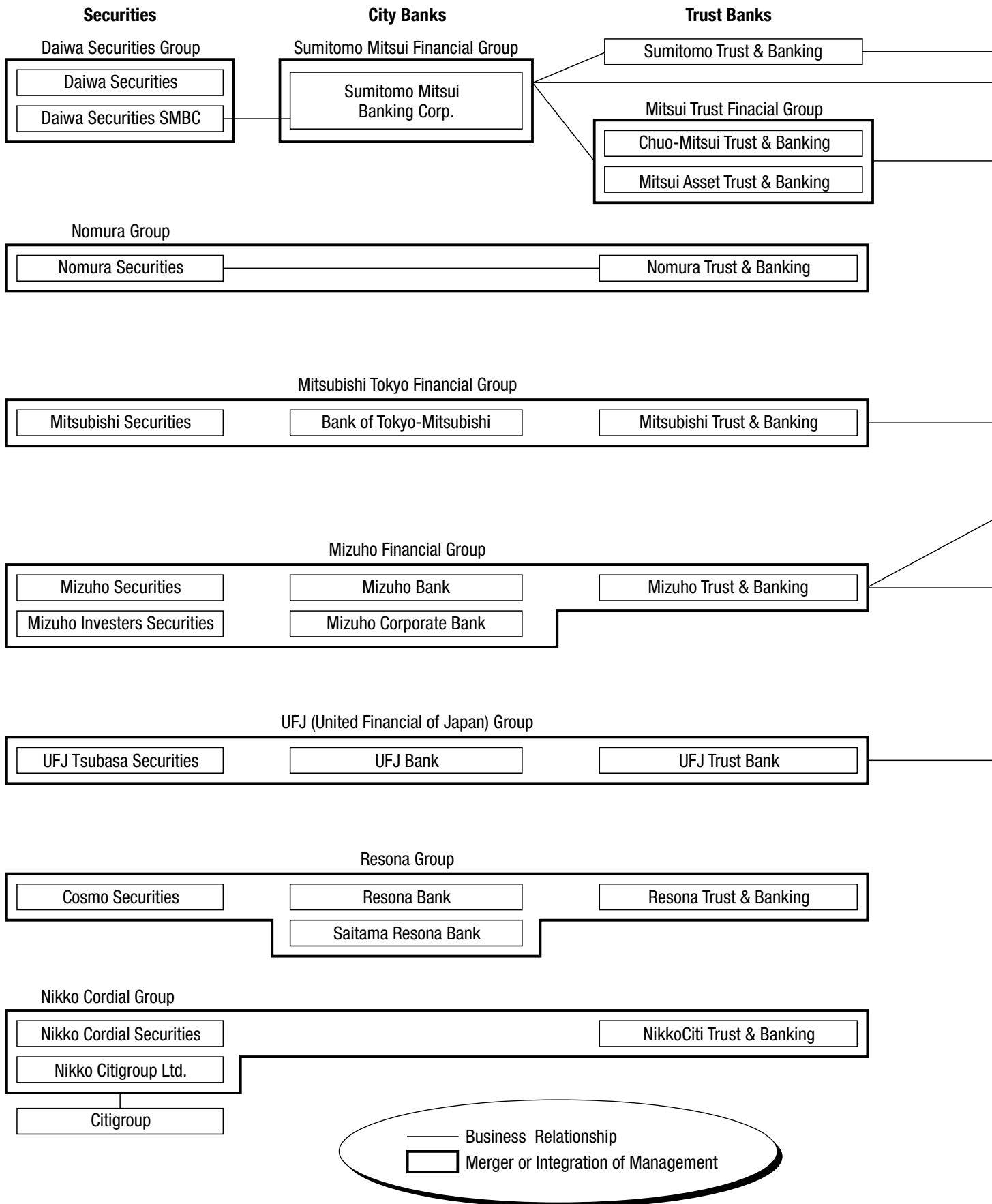
5. Expense Ratio=(Commissions and Brokerage + Operating and General Administrative Expenses on Underwriting) / Net Premiums Written

6. Bad Loans consist of Loans to Bankrupts, Arreared Loans, Loans over 3 months in Arrear and Restructured Loans.

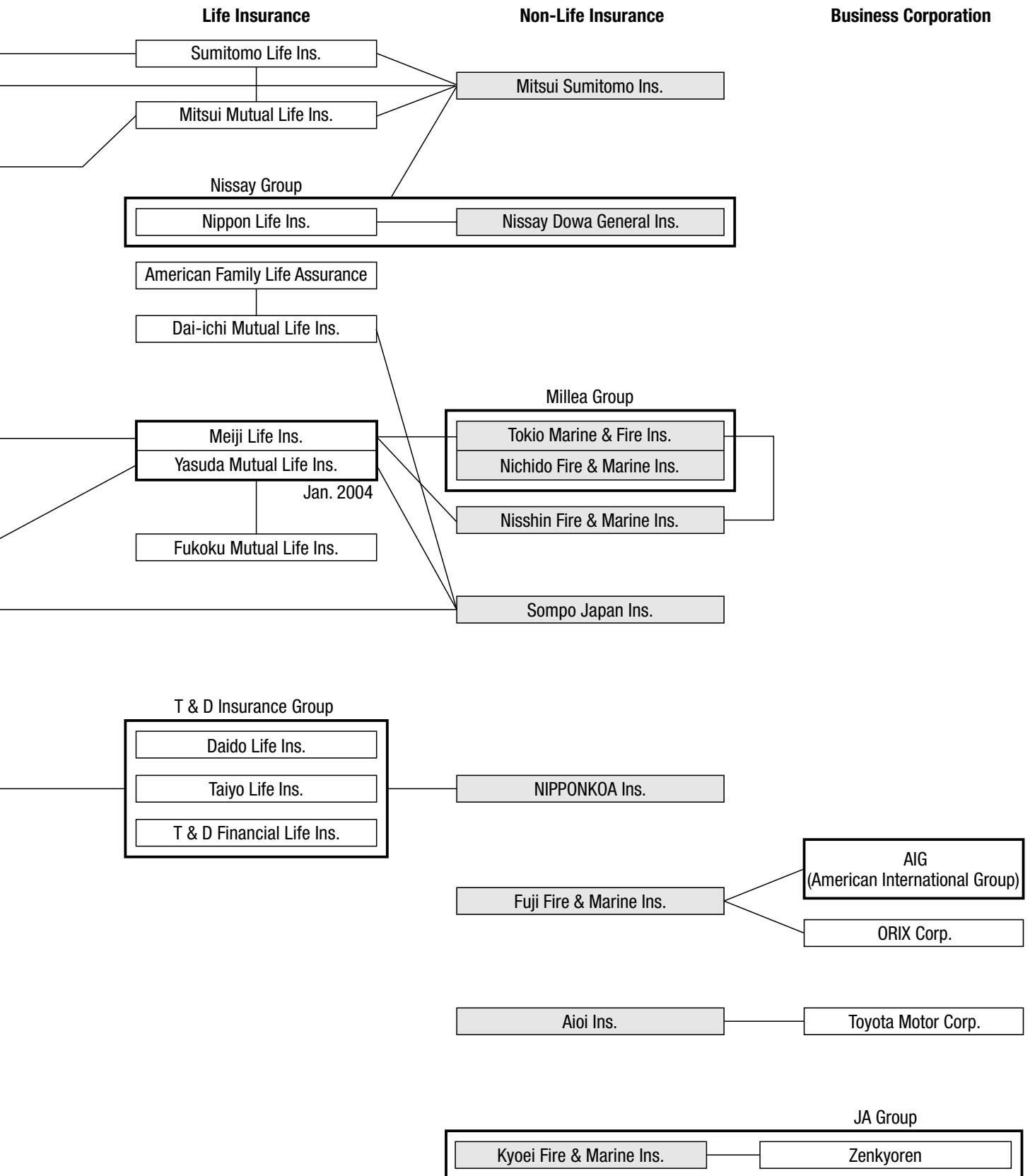
Saison	Yasuda Life	Daido	Jl	Mitsui Life	Mitsui Direct	Toa Re
17,103	16,046	14,201	12,221	9,101	8,300	110,560
-2.0	0.3	3.9	2.7	-27.1	121.0	11.3
-0.7	15.1	-2.7	-9.4	9.8	328.8	-1.7
59.5	47.0	53.4	32.8	72.3	38.3	61.6
58.2	47.6	52.9	37.1	49.5	30.7	63.4
45.5	37.7	44.5	48.3	41.5	64.5	31.5
43.7	35.9	48.6	49.5	36.9	115.9	32.9
-1,314	199	-106	1,352	2,108	-3,883	-5,978
165	1,664	136	1,349	511	-4,008	-13,356
-1,951	2,120	123	1,596	1,513	-1,431	-1,621
357	600	734	1,453	393	-908	1,169
—	253.1	-83.2	9.8	284.9	—	—
-2,016	1,900	33	1,015	1,278	-1,438	1,172
219	541	198	576	553	-916	844
—	251.3	-83.0	76.2	130.9	—	38.8
-27,922.84	4,751.83	29.61	10,158.95	5,115.10	—	11.78
-45.9	—	0.4	13.4	—	—	1.2
—	—	68	375	—	—	590
—	—	60.00	3,750.00	—	—	6.00
—	—	60.00	2,500.00	—	—	6.00
—	—	202.6	36.9	—	—	50.9
—	—	34.5	43.4	—	—	71.0
—	—	0.9	4.7	—	—	0.7
32,422	44,247	49,461	20,532	28,763	19,583	354,681
34,197	41,624	49,497	18,203	32,560	12,824	368,517
2.30	1.27	1.91	1.49	0.86	0.02	2.62
2.60	1.41	2.31	1.72	1.17	0.05	2.86
—	—	429	—	—	—	—
—	—	—	—	—	—	—
736.5	3,362.6	2,485.4	2,193.5	1,837.2	1,530.6	562.7
1,116.6	3,247.1	2,347.6	1,960.3	1,687.3	2,991.0	575.3

Supplemental Data : A Chart of Japan's Major Financial Groups

The Reform of Financial Sector



- Banking, Securities and Insurance - as of July 1, 2003



(note)



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6, Kanda-Surugadai 3-chome, Chiyoda-ku, Tokyo 101-8703, Japan

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