Questions and Answers
Topic (1): Insurance Supervision in Japan
-For a better post Covid-19 society

Q-1: [From a lecturer in the Faculty of Insurance, National Economic University]
Could you give more information about the investment regulation in Japan? I saw the limits on stocks, foreign currency assets and real estate. Is there any limit in principle on the asset allocation in loan?

A-1:
Until April 2012, there were specific limits on the asset allocation. The purpose of the restrictions was to reduce investment risk by preventing concentrated investment in, for example, high risk assets or low liquidity assets. In April 2012, the restrictions were abolished. The FSA explained that financial soundness can be ensured by the new solvency margin standard introduced in March 2012. [Answered by the General Insurance Institute of Japan (GIIJ)]

~~~~~~

Q-2: [From Other Organization-Management]
(Slide 28) From the slide I understand that all insurance products (including non-life insurance products) have to be screened and approved by FSA before insurers can sell in the market. Is that correct?

A-2:
In 1996, a notification system was introduced for certain types of insurance. Under the system, insurance companies do not now have to obtain prior authorization. Instead, they are required to notify the FSA 90 days prior to selling products. If the FSA does not take action within 90 days, insurance companies can sell the products. If the FSA finds that the notified change does not comply with the examination standards, the FSA can, within 90 days, order modification or revocation of the notification. Authorization is still required for certain types of insurance such as: earthquake insurance (dwelling risks), compulsory automobile liability insurance, personal voluntary automobile insurance, third sector insurance, most kinds of life insurance, etc. [Answered by the GIIJ]

~~~~~~

Q-3: [From Other Organization-Management]

(Slide 33) What are the reserves for policyholder dividends in non-life insurance policy reserves? Are there policyholder dividends in non-life insurance?

A-3:

A typical example is savings-type insurance with dividends. Any balance between the investment income from the savings portion of the premiums and the amount that has been set aside as "reserves for refunds", should be reserved for future payments of dividends to policyholders. This does not apply to SSI (small amount and short term insurance) providers because they are not allowed to sell savings-type insurance. [Answered by the GIIJ]

~~~~~~

Q-4: [From Other Organization-Management]

(Slide 40) Please kindly explain more about PPC (which body controls and administers PPC? Do insurers contribute to the capital of PPC? IF yes, how (the amount of contribution according to each company's underwriting premium volume?...)

A-4:

The function of the “Non-life Insurance Policyholders Protection Corporation of Japan” is to give financial aid to insurance companies who take over the insurance contracts of failed companies, or to take over the insurance contracts of failed insurance companies.

All non-life insurance companies and non-life foreign insurers, excluding reinsurance companies, etc., must become members of the Corporation. The Corporation is funded by contributions from the member companies. Contributions per year total 5 billion yen. This amount is divided among each member company in proportion to its net premium income and reserves. Operational expenses are borne by the member companies on an equal share basis. The maximum amount that can be in the fund is set at 50 billion yen. As it is currently at its maximum, insurance companies are not having to contribute to the fund right now. [Answered by the GIIJ]

~~~~~~

Q-5: [From Other Organization-Management]

(Slide 42) Is there any actual bankruptcy of any insurer in Japan market? If yes, please kindly give more information about the way the government and the industry dealt with that case.

A-5:

The non-life policyholder protection organization has provided protection measures in two bankruptcy cases, which occurred in 2000 and 2001. These two cases are the only bankruptcy cases of non-life insurance companies in the post-World War II era. The Taisei Fire & Marine Insurance (bankruptcy due to the September 11 Terrorist Attacks (2001) and subsequent claim burden), and The Dai-ichi Mutual Fire & Marine Insurance (bankruptcy caused by substantive negative spread (2000)). [Answered by the GIIJ]

~~~~~~

Q-6: [From Other Organization-Management]

Please kindly clarify the "small amount and short term insurance companies" (the criteria to classify one company to be SSI. What is short term insurance company?)

A-6:

The category of SSI provider (small amount and short term insurance provider) was introduced in April 2006. Regulations for SSI providers are in some respects quite different from regular insurance companies. They can be operated without licenses if registered with the FSA. To qualify as an SSI provider, operations must be limited in terms of scale, policy periods, policy limits, lines of business, etc. Within these limitations, both life and non-life insurance can be underwritten. [Answered by the GIIJ]

~~~~~~

Q-7: [From Insurance Company-Regulation]

Do Japanese Insurance Companies have policy for Covid 19 pandemic? Will this kind of policy be banned or prohibited by the Japanese Government or the Insurance Business Agency? Will Covid-19 patients be covered by a health insurance policy if they have contracts with Insurance companies before catching Covid-19 virus?

A-7:

1) As explained in the lecture, for new risks we believe it is important to provide insurance service protection to households and businesses. In terms of pandemics such as COVID-19, we will encourage insurance companies to provide guarantees and compensation from the policyholders' perspective while taking into consideration the insurance companies' business judgments and financial stability. [Answered by the lecturer]

2) COVID-19 can basically be covered under life insurance products as a sickness. The key initiatives that have been taken by Japanese general insurance companies to combat COVID-19 are as follows:

a) Deferral of renewal procedures and premium payments

Policyholders affected by COVID-19 were able to defer renewing their insurance policies and premium payments for 6 months. (Special treatment from March to September 2020 by GAIJ member companies.)

b) Extended coverage to include COVID-19 under existing insurance products

- COVID-19 is now covered under Personal Accident insurance. (Medical expenses for out-patient/in-patient retroactively effective as of 1/2/2020.)
- Sanitization expenses are now covered under premises liability insurance. (Retroactively effective as of 1/2/2020.)

c) Development of new insurance products

- Rental income protection insurance has been launched. (As of 1/8/2020.)
- Business interruption will be extended and covered under property insurance. (The attached BI coverage part. To be effective as of 1/1/2021.)

[Answered by the GIIJ]

~~~~~~

- end -
~~~~~~