Solvency Supervision in Japan

Experience of Japanese Non-lifeInsurance Industry

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Japanese Non-life Insurance Market

■ Direct Premium Written \ 8,748.1 billion Automobile Insurance (including Compulsory Insurance) accounts for 54.3%. Workers' Compensation and Health are Social Insurance.

■ Total Assets \ 32,094.2 billion

■ Combined Ratio 88.5%

 Number of Non-life Insurers
 29 Domestic Non-life Insurers + 22 Branches of Foreign Non-life Insurers

Characteristics of Japanese Non-life Insurance Market

- Frequent Occurrence of Natural Disasters such as Typhoons and Earthquakes
- Maturity-Refund-Type Insurance
- Few Serious Liability Claims

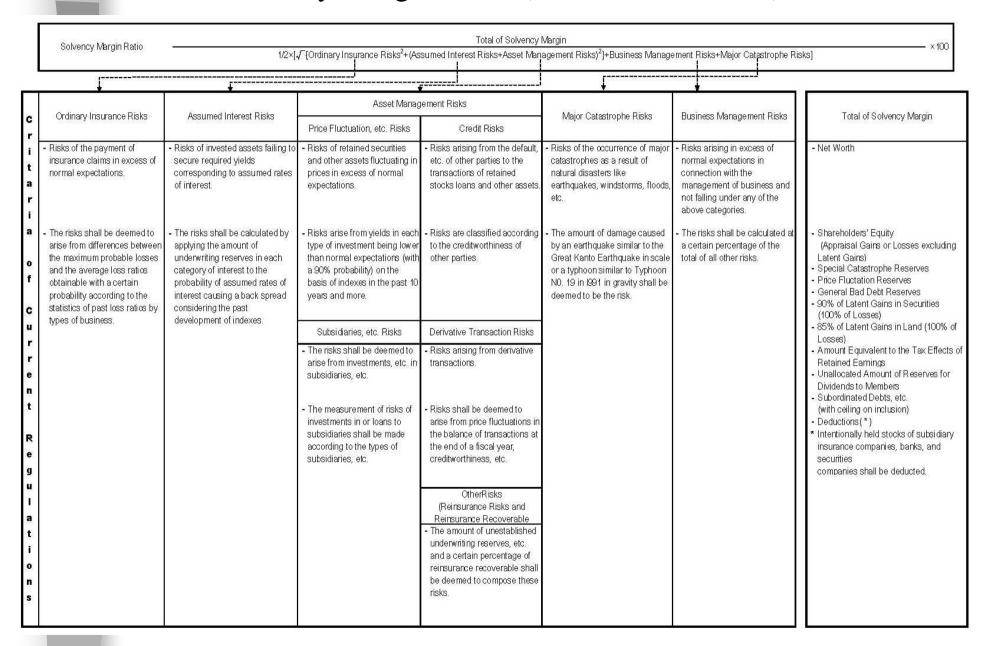
Background of the Introduction of Solvency Margin Standards by New Insurance Business Law in 1996

- Increase of Asset Management Risks
- Possible Increase of Insurance Underwriting Risks by Expected Deregulation of Insurance Products and Premium Rates
- Banking Sector already had Tier I&II Capital Rules.

Basic Concept for the Calculation of Solvency Margin Ratio

- Risks in excess of Normal Expectations
- Probability Calculation
- Aggregation of Risks:Diminishing Effects

Solvency Margin Ratio (Non-life Insurance)



Early Warning System

- 200% or more No measure
- 100% or more and less than 200% Submission and Implementation of Improvement Plan
- 0% or more and less than 100% List of Measures to Serve for Improving the Capacity to Pay Insurance Claims
- Less than 0% Suspension of Whole or Part of Business for a Fixed Period

Concluding Remarks

- The solvency supervision has turned out much more important than originally expected.
- The liberalization of policy conditions and premium rates requires more rigid solvency supervision.
- Successful Liberalization calls for an adequate regulatory restructuring.
- Good regulation makes a good market.
- There should be considerable grounds for further co-operation and dialogue between supervisors and industry around the world.