



I. Development of Sustainable Business Models

■ Life Insurers (LIs)

- ✓ Many LIs were focused on responding to short-term issues while recognizing changes in business environment over the long term.
- ✓ Many LIs worked to develop sales methods that integrate both face-to-face and online.
- ✓ Many LIs developed insurance products to meet customer needs such as health promotion and asset formation.

■ Non-Life Insurers (NLIs)

- ✓ Major NLIs formulated their medium-term business plans based on forecasts for medium- to long-term changes in business environment.
- ✓ Many medium-sized NLIs were focused on responding to short-term issues and did not sufficiently develop business models from a medium- to long-term perspective.

II. Financial Soundness and Risk Management

■ Strengthening Governance on a Global Basis

- ✓ Japan's IAIGs (internationally-active insurance groups) continued to strengthen their governance on a global basis, but further efforts are necessary such as building a common framework in each group, promoting standardization of internal audit methods, securing experts, etc.

■ Risk Management of Natural Disasters

- ✓ Many NLIs accumulated additional catastrophic reserves and made appropriate use of reinsurance, while balancing risk and return based on enterprise-wide risk management.
- ✓ FSA published a report on segmentation of insurance premium rates for flood risk in March 2022.

■ Securing Financial Soundness

- ✓ LIs and NLIs generally secured their financial soundness in terms of Solvency Margin Ratio, profitability, etc. Impact of COVID-19 on financial base was limited.
- ✓ Major LIs increased investments in super-long term JGBs. Some LIs increased investments in overseas credit and alternative assets.
- ✓ FSA published a report on the tentative decision of the Economic value-based Solvency Ratio frameworks in June 2022.

■ AML/CFT

- ✓ LIs and NLIs generally strengthened AML/CFT measures, but further efforts are necessary such as promoting cashless transactions and sophisticating databases on antisocial forces and targeted sanctions.



III. Fiduciary Duty (Customer-Oriented Business Conduct)

■ Enhancing Management of Sales Staff

- ✓ Sales staff of some LIs continuously committed inappropriate acts such as money fraud.
- ✓ FSA requested LIs to enhance management of their sales staff and the Life Insurance Association of Japan decided to examine measures to ensure “Fiduciary Duty” is being fulfilled by sales staff within FY2022.

■ Insurance Solicitation given Public Insurance System

- ✓ FSA amended supervisory guidelines to clarify supervisory viewpoints that insurers should educate their sales staff/agents on the public insurance system and provide information about the system to customers, etc. Furthermore, FSA developed a portal website to explain the public insurance system in cooperation with the Ministry of Health, Labour and Welfare.
- ✓ While many insurers' initiatives were still at a development stage, some had substantial training programs and client briefings.

■ Response to “Tax-Avoidance” and Foreign Currency-Denominated Insurance Products

- ✓ Some LIs sold insurance products for tax avoidance purposes to customers, and FSA took administrative actions to prevent them from selling such products.
- ✓ FSA established and announced a collaboration scheme with the National Tax Agency to prevent insurers from selling insurance products that aimed to avoid taxation inappropriately.
- ✓ In view of many complaints raised about foreign currency-denominated insurance products, FSA strengthened monitoring of the sales structure and published common KPIs on these products.

■ Sophisticating Management of Sales Agencies

- ✓ FSA requested NLIs to introduce quality control in assessing sales agencies.
- ✓ Approximately half of sales agencies did not have internal rules on how to address people with disabilities. There were also cases where cybersecurity measures were not sufficiently implemented.

IV. Small-Amount and Short-Term Insurers (SSIs)

■ Securing Financial Soundness and Operational Appropriateness of SSIs

- ✓ FSA took administrative actions against SSIs that caused serious problems regarding the protection of insurance policy holders.
- ✓ Some SSIs dealing with pet insurances had higher loss rates. FSA requested them to review their risk management systems.