

# 1. Overview

# Reference: Main Points of Supervisory Policy (Insurance Companies, etc.)

## 1. Expected Roles of Insurance Companies, etc.

- Given that insurance companies, etc. **play a key role by providing guarantee and compensation functions**, they should **manage risks appropriately with a forward-looking perspective**, and **enhance their financial bases**.
- Insurance companies, etc. should **cope with the aging of their customers at every step of the business process**, such as product development, solicitation, and insurance payments.
- **Management personnel should make responsible and prompt business judgments**, and **formulate medium to long-term business strategies covering the next 5-10 year period**.

## 2. Approach Taken by Supervisory Authority

- Under the basic policy to **make Better Regulation further embedded and enhanced**, the FSA will take the following approaches as the supervisory authority. Financial administration, **if implemented through regulations only, may cause distortions in the regulatory regime and result in excessive control, which may negatively impact the real economy**. In view of this, **the FSA will endeavor to improve the quality of supervisory administration while reducing regulatory costs on a medium to long-term basis by improving the self-discipline of financial institutions and its own capabilities as supervisory authority**.
  - 1) Financial administration with high risk sensitivity (identify and understand the risks which accumulate in each financial institution and in the financial system with a forward looking perspective, inspect IT systems and business continuity systems)
  - 2) Financial supervision and administration from a citizen's and user's point of view (improvement of customer protection and convenience for users)
  - 3) Supervisory response with a forward-looking perspective (being aware of the progress in international discussions, monitoring environmental changes, and considering common structural issues faced by Japanese financial institutions)
  - 4) Supervisory response which contributes to financial institutions' self-improvement of their management and better business judgments (straightforward and in-depth dialogues with financial institutions, promotion of the innovative initiatives by financial institutions to other institutions)

\* **In order to promptly and accurately understand and enable quick response to risks faced by financial institutions and the financial system, the FSA, as supervisory authority, will cooperate with the Inspection Bureau to improve and reinforce the integration of on-site and off-site monitoring.**

## 2. Areas to Be Emphasized in Supervision

### 1. Appropriate Fulfillment of Guarantee and Compensation Functions

#### (1) Development of Appropriate Management System for Insurance Payment

##### 1) Insurance Payment Management System

Continue to place priority on checking the status of fulfilling the insurance functions

##### 2) Claims Guidance System

Continue to place priority on checking the status of the development and the implementation of such system

##### 3) Initiatives from an Insurance Policyholders' Perspective

Encourage a continued approach of proactive initiatives and prompt payments related to earthquakes (simplification and rationalization of paperwork, etc.) in normal times

#### (2) Actions Based on the Attributes of Insurance Companies, etc.

##### 1) Insurance Groups

Confirm financial soundness and management systems of entire groups

##### 2) Small and Medium-sized Insurance Companies

Execute in-depth supervision of new entry insurance companies

Carefully monitor companies that suspend new solicitation

##### 3) Foreign Insurance Companies, etc.

Execute in-depth supervision of management and risk control at Japanese subsidiaries and branches of foreign insurance companies, etc.

##### 4) Low-Cost, Short-Term Insurance Providers

Deepen understanding of actual conditions and carefully monitor insurance providers identified as having issues

##### 5) Approved Specified Insurance Providers

Implement careful guidance and supervision on financial position and the adequacy of business operations, etc.

### 2. Promoting Sophisticated Risk Management

#### (1) Encouragement for Enterprise Risk Management (ERM)

##### 1) Risk Management Systems

• Hold ERM interviews with insurance companies to encourage them to develop an integrated risk management system in conformity with their business strategies

• Consider introducing the "Own Risk and Solvency Assessment (ORSA)" reporting

##### 2) Each Company's Liabilities Characteristics

Check the sales management in accordance with the characteristics of distribution channels and products

##### 3) Insurance Underwriting Risk Management System

Confirm the status and effectiveness of the insurer's effort to capture, measure, mitigate risks, and enhance their financial bases

##### 4) Fund Management Policies Based on Financial Market Trends

Confirm whether insurance companies develop and implement fund management policies based on market trends and conduct monitoring, etc.

##### 5) Examine Insurance Groups

Confirm the effectiveness of holding companies' governance system, and the group-wide integrated risk management systems, including overseas business

#### (2) Review of Solvency Assessment, etc.

##### 1) Economic Value-based Solvency Regimes

Continue to consider introducing the regimes based on international discussion trends

##### 2) Insurance Statutory Accounting

Advance consideration on how the insurance statutory accounting should be over the medium term, based on IASB work to review the international accounting standards

### 3. Improvement of Customer Protection and Convenience for Users

#### (1) Ensuring Business Continuity

• Examine the system for preventing computer system glitches and recovering from such glitches, etc.

• Establishment of Business Continuity Management assuming a large-scale disaster or cyber-attack, etc.

#### (2) Thorough Management of Information Security

Confirm the management of customer information including the information handled by insurance solicitors, etc.

#### (3) Development of Proper Management Systems for Selling Insurance Products

Confirm the system for providing explanations that take account of customers' knowledge and experiences, etc.

1) Confirm the insurance solicitation process and internal systems to manage and supervise insurance solicitors given that the diversification of insurance product distribution channels and the expansion of insurance agents have made progress

Promote examination for specific supervisory action concerning the revision of the details of rules on insurance solicitation and sales based on the report by Financial System Council

2) Confirm over-the-counter sales at banks, etc.

3) Urge insurance companies, etc. to ensure that elderly customers gain a solid understanding of insurance products

#### (4) Enhancing Systems for Processing Consultations and Complaints from Customers

Maintain and manage the proper consultation counters, etc.

#### (5) Accelerate and Ensure Effectiveness of Product Examinations

Prompt product revisions through such measures as pre-screening exchange of views, etc.

#### (6) Preventing Abuse of Insurance

• Examination at the stage of both contract and payment in order to exclude the payments for unreasonable insurance claims, etc.

• Check the systems for preventing money laundering and the terrorism financing transactions, etc.