

## **GIAJ Chairman's Statement**

(Translation/ Executive summary)

Mr. Hiroaki Shirota, Chairman of the GIAJ, released the following statement on June 12:

### **1. Introductory remarks**

On March 24, the Financial Services Agency (FSA) issued a business improvement order based on Paragraph 1, Article 132 of the Insurance Business Act to the four member companies where information leak incidents were confirmed last year. Additionally, on April 30, the Personal Information Protection Commission issued guidance based on Article 147 of the Act on the Protection of Personal Information. The GIAJ is taking these matters very seriously.

Since the confirmation of the information leak incidents, the GIAJ has been taking measures to support its member companies to prevent recurrence. These initiatives include conducting actual condition surveys of member companies, requesting thorough measures for recurrence prevention, holding information management compliance seminars, and formulating Compliance Guidelines for Solicitation on Information Management.

The GIAJ is an “Accredited Personal Information Protection Organization” accredited by the Personal Information Protection Commission, and in that capacity, we are taking necessary measures.

We will continue to check the progress of each company's recurrence prevention measures and strive to ensure the appropriate handling of information throughout the industry.

### **2. Initiatives taken over the past year**

A year ago, when I assumed the position of GIAJ Chairman, the FSA published a report “Expert Panel on Structural Issues and Competition in the Non-Life Insurance Sector”. Subsequently, a report by the “Working Group on Regulatory Systems Especially for the Non-Life Insurance Businesses” of the Financial System Council, in which the GIAJ also participated as an observer, was released. On May 30th of this year, a bill to partially amend the Insurance Business Act was enacted. The proposed partial amendments to the “Comprehensive Guidelines for Supervision for Insurance Companies (hereinafter referred to as supervisory guidelines)” is currently open for public comment. In order to ensure customer-oriented business operations throughout the industry and a sound competitive environment, the GIAJ will submit its opinions to clarify interpretations and ensuring that member companies have consistent operational practices.

The past year has been an extremely important year from a regulatory perspective. The GIAJ has consistently placed the highest priority on regaining the trust of our customers and society.

We have been fully committed to ensuring “compliance with laws and regulations” and “customer-oriented business operations”, as well as to develop a sound competitive environment while establishing an appropriate insurance underwriting management system.

In order to fulfill our objectives, it is essential to respond to changes in the external environment surrounding the industry, such as the increasing frequency and severity of natural disasters. Recognizing this, we launched our 10th Medium-term Master Plan in April last year. During the current fiscal year, we have been steadily advancing initiatives with key themes of “strengthening our ability to respond to natural disasters”, “improving convenience through the promotion of digitalization”, and “enhancing non-life insurance literacy”, aiming to become an industry truly needed by society.

### **3. Specific initiatives**

#### **(1) Our initiatives to restore trust**

##### **① Realizing a healthy competitive environment**

###### **a. Developing new guidelines**

In order to fundamentally reassess outdated industry practices that diverge from the common sense of acquiring contracts through competition in elements other than insurance, we established guidelines on “business-related equities” and the “secondment of employees” for member companies. We are preparing to revise the guideline on the “secondment of employees” based on business improvement orders related to information leak incidents and the draft revision of supervisory guidelines.

From the perspective of addressing “providing undue favors”, we have organized basic policies related to inappropriate facilitation as an addendum to the “Compliance Guide for Solicitation” for agents and solicitors. In addition to this basic approach, updated guidelines for member companies are being discussed with relevant authorities concerned in order to organize clear and specific judgement criteria. They are scheduled to be released concurrently with the revised supervisory guidelines. Additionally, to enhance the effectiveness of efforts, we plan to establish a ‘whistle-blowing contact’ for member companies at the same time as the publication of the guidelines for member companies. By establishing a whistle blowing contact, it is expected that the actual status of the efforts within each member company can also be understood.

###### **b. Study on new co-insurance underwriting methods**

In order to review the business practices where other insurance companies would match the lower premiums presented by the leading company during the formation process of co-insurance, we have formulated a procedure manual for the “Differential Method” of underwriting co-insurance policies which does not unify the premium rates of respective insurers.

Regarding the “Arranger Method”, which was prepared with reference to syndicated loans, we are currently discussing and reviewing ideas with the relevant authorities to formulate practical guidelines for appointing an arranger.

##### **② Improving the business quality of insurance agents and solicitors**

#### **a. Study on introducing agency business quality evaluation criteria and operating systems**

In order to establish a system that allows a neutral third party to evaluate the quality of insurance agents' and solicitors' business in a fair and appropriate manner, we have prepared "Evaluation Guidelines for Agency Business Quality (for general insurance agents)". This serves as a guide for the operation of the third-party evaluation system, based on the results of discussions held six times by the "Study Group on Third-Party Evaluation of Agency Business Quality" established within the GIAJ, and the results of a public consultation.

Today, the "Council on Quality of Agency Business", consisting of external experts such as university professors, consumer representatives, and lawyers, was established to develop specific practical guidelines for full-scale operation of the third-party evaluation system from FY2026.

#### **b. Study on enhancing and upgrading the education and examination system for agents and solicitors**

We have reviewed the question format of the General Examination for General Insurance Solicitors (Basic Unit), and revised to more accurately assess examinees' acquisition of fundamental knowledge. The new format will be introduced in July, and further revisions will be considered as necessary.

In cooperation with the Independent Insurance Agents of Japan, Inc., seminars and networking events were held to raise awareness of the "General Insurance Total Planner" qualification (the highest level of general insurance solicitor qualification), and to promote a broader uptake of the credential across the industry.

Additionally, we will continue to study the implementation of a continuing education system and the creation of a credential for persons responsible for compliance with laws and regulations, etc., in line with the report by the "Working Group on Regulatory Systems Especially for the Non-Life Insurance Businesses".

#### **c. Other initiatives**

Regarding the agent commission point system, we have confirmed that all member companies agree with the basic concept of emphasizing "quality of agency business" that contributes to improving customer service.

As part of our efforts to ensure appropriate comparative recommendation sales in multi-representative agencies, we conducted a consumer survey and published the results on April 25th on our special website "Efforts to Restore the Trust of Customers and Society". Going forward, we will deepen our discussions on the establishment of solicitation practices that are "in line with customers' intentions and in their best interests", while taking into account the survey results and the purpose of future revisions to laws and regulations.

#### **③ Promoting understanding of corporate insurance**

The GIAJ has taken the following measures to ensure industry-wide readiness to provide information on insurance and risk management in a comprehensive manner.

- Creation of “Risk Management and General Insurance”: an industry-wide guiding tool for companies (corporate customers) which compiles basic information on the necessity of risk management, the roles of general insurance, and the fundamental principles of insurance.
- “Risk Management Seminars for Companies” to support advancement of risk management strategies, where practitioners involved in risk management at their respective companies shared specific examples, such as their own initiatives and the effectiveness of those initiatives.

#### **④ Strengthening countermeasures against fraudulent claims**

The GIAJ has taken the following new measures for the general insurance industry, automobile repair shops, and automobile users respectively.

- For the general insurance industry:

- The general insurance industry's whistle-blowing system was partially revised to clarify its function as a direct reporting channel where employees of member companies, agents, etc. can report directly to the GIAJ anonymously.
- At the request of the GIAJ, the Jiken Center Co., Ltd. (JKC: Research and Training Center for Automobile Repairs) produced a training video for adjusters.

- For repair shops:

- Based on the “Guidelines for Ensuring Transparency of Auto Body Repair for Consumers” published by the Ministry of Land, Infrastructure, Transport and Tourism, we prepared a photographic guide for repair shops that illustrates proper methods for photographing damaged parts of vehicles.
- A joint declaration was issued with the Japan Auto Body Repair Association (JABRA) regarding ensuring transparency in auto repair.

- For automobile users:

- An animated video was produced to explain key checkpoints from the occurrence of an accident to the delivery of the repaired vehicle.

#### **⑤ Further strengthening compliance and governance**

Seminars were held for member companies on antitrust, internal audit, and information management, respectively.

A Compliance Guide for Solicitation on Information Management was formulated.

The General Insurance Institute of Japan (GIJ) distributed a video of a special lecture and revised the textbook in the regular course of Non-life Insurance Educational Courses in order to promote participants' understanding of the Antimonopoly Act.

#### **⑥ Follow-up on our efforts to restore trust**

In order to ensure the effectiveness of respective measures and to raise their level within the industry as a whole, it was decided that follow-ups would be conducted with member companies twice a year.

The first follow-up was conducted in November last year, and the results of the second follow-up, conducted in May this year, were announced on June 4.

Through this follow-up, it was confirmed that member companies are not only revising their internal policies and rules based on the GIAJ's guidelines, but also beginning to see tangible results. Additionally, the follow-up helped identify challenges that have emerged as a result of implementing these initiatives.

## **⑦ Other initiatives**

We have also conducted the following initiatives:

- Establishment of a special website; "Initiatives to Restore Trust of Customers and Society".
- Improvement of the GIAJ's website to deliver necessary information to customers.
- Commissioned a research study by the General Insurance Institute of Japan: "Regulations on Insurance Agents and Brokers and the Practice of Commercial Insurance Solicitation in Major Countries".

## **(2) Initiatives related to the 10th Medium-Term Master Plan**

### **① Strengthening natural disaster response capabilities**

In January of this year, making the 30th anniversary of the Sothern Hyogo Earthquake (Great Hanshin-Awaji Earthquake), the GIAJ held an event in Kobe City to widely promote the importance of disaster preparedness.

GIAJ branches have engaged in initiatives such as reflecting on the Noto Peninsula earthquake, which marked its first anniversary, and have been making efforts to disseminate and promote earthquake insurance based on respective local situations in cooperation with the Independent Insurance Agents of Japan, Inc. and local governments.

As a result of these efforts, the number of earthquake insurance policies in force as of the end of March 2025 increased by 1.5% from the previous year to approximately 22 million.

We have developed an industry-wide joint system: "Earthquake Loss/Damage Declaration Support System (web-based loss/damage status declaration method)", to ensure prompt and appropriate claim payments in the event of a large-scale earthquake. Additionally, we have updated the current issues in loss/damage assessment. Moving forward, we will consider specific measures to resolve the issues to further enhance the resilience of earthquake insurance.

We have also been working with related ministries, agencies, and local governments on safety education programs, such as the "Exploration for Disaster Prevention" activities, which contribute to strengthening local disaster prevention capabilities, and measures to prevent troubles caused by malicious vendors taking advantage of disasters.

### **② Improved convenience through digitalization**

We have launched the operation of "One-JIBAI", an industry-wide joint system for Compulsory Automobile Liability Insurance (CALI), which enables non-face-to-face CALI procedures, cashless premium payments and issuance of CALI certificates in PDF format. The utilization of "One-JIBAI" has been successful.

With the ongoing development of the system and the examination of business processes, the promotion of paperless CALI claim adjustment and claim payment operations are also progressing smoothly.

We have digitized the educational materials for the General Examinations for General Insurance Solicitors (Basic Unit and Product Unit) and have created an environment that allows access to these materials via PCs, tablets, and mobile phones.

### **③ Enhancing general insurance literacy**

In cooperation with the Independent Insurance Agents of Japan, Inc. and local METI (Ministry of Economy Trade and Industry) bureaus, we held seminars tailored to regional situations, produced educational videos on water-related disaster risks and preparedness, and launched a special website named “Insurance Navigator for Businesses”.

Based on the “Comprehensive Collaborative Agreement on Insurance Education” with the Life Insurance Association of Japan and the Japan Institute of Life Insurance, we held joint seminars for junior high and high school teachers of home economics, social studies, and civics in summer and winter. In addition, we also created a new card game (teaching material) for high school students called “Wishing Happiness to Those Who Prepare for the Future”.

In April, a report entitled “Status of Financial and Insurance Education in Other Countries - including initiatives to support improvement in corporate risk management capabilities”, which was commissioned to the General Insurance Institute of Japan (GIJ), was completed, and a briefing session was held for member companies in May.

### **④ Other initiatives**

Other GIAJ initiatives include the following:

- Third-party Committee on the Calculation of Compulsory Automobile Liability Insurance (CALI) Expenses, etc.
- Request for tax reform for FY2025
- Appropriate responses to international standards (e.g., submission of comments to the International Association of Insurance Supervisors’ (IAIS) public consultations)
- Various forms of support for emerging markets (e.g., Insurance School (Non-Life) of Insurance Japan (ISJ))
- Establishment of “Guidelines for Dialogue and Consultations for Automobile Repair Unit Labor Costs”
- Formulation of an action plan to eliminate the wage gap between men and women
- Donation of light fire trucks

## **4. Concluding remarks**

We have been advancing various measures, including the formulation of new guidelines, to resolve a range of issues, including a fundamental review of outdated industry practices. However, we strongly recognize that unless the effectiveness of these initiatives is enhanced and they permeate and become established throughout the industry, achieving industry transformation and regaining the trust of customers and society will not be possible. It is essential that member companies correctly understand the purpose of these initiatives and ensure that they do not become merely formalities. Furthermore, it is necessary to accurately recognize the current situation of their own companies and the industry through all available opportunities and to build a system that enables self-corrective actions.

Based on this recognition, we reaffirmed at today's Board Meeting that both the Association (GIAJ) and its member companies will continue to place the highest priority on restoring the trust of customers and society.

It is the general insurance industry's mission to contribute to the realization of a safe, secure, and sustainable society, as well as the stability and enhancement of the economy and the lives of the citizens through the provision of social infrastructure functions, based on the spirit of mutual support in the form of general insurance. In order to continue to fulfill this mission, we are determined to maintain a high sense of ethics and pride in our role as a member of Japan's social infrastructure.

I would like to express my sincere gratitude for your warm support and cooperation in carrying out my duties as President of the GIAJ over the past year. I kindly ask for your continued understanding and cooperation towards the general insurance industry and our association.

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