

Premium Arrangement by Major Non-life Insurers—Limited Impact on Ratings, JCR Will Watch for Progress of Investigation

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the acts of arranging premiums for coinsurance policies by Japan's major non-life insurance companies (Tokio Marine & Nichido Fire Insurance Co., Ltd., Sompo Japan Insurance Inc., Mitsui Sumitomo Insurance Company, Limited, and Aioi Nissay Dowa Insurance Company, Limited).

- (1) Late June 2023, Japan's major non-life insurance companies announced that they had received an order to submit report from the Financial Services Agency (FSA) under the Insurance Business Act for the fact that their employees were involved in prearrangement of premiums in the renewal of coinsurance policies of fire insurance for some specific corporate customers. Each company has established an investigation committees consisting of outside attorneys and others to confirm the facts and to investigate whether or not there are similar cases. The impact is beginning to expand. On August 4, they received an additional order to report for all their sales branches, based on the possibility that several premium arrangement cases may have occurred for customers other than such specific customers. JCR believes that while coinsurance policies for corporations are a meaningful underwriting method for both corporate customers and non-life insurers in terms of diversifying huge insurance underwriting risks, the fact that Japan's non-life insurance market is an oligopoly with the four major non-life insurers after repeated restructuring may have led to the inappropriate business conduct.
- (2) JCR believes at the moment that the impact of the incident on the rating is limited. Although the underlying causes of the incident and the existence of similar incidents are still under investigation, JCR believes that it is unlikely that the incident will impair their financial bases, even if premium rates and other factors are affected, given the small percentage of coinsurance policies for corporations subject to the premium arrangement act in their overall insurance underwriting portfolios. In addition, the major non-life insurers have solid and thick business foundations in large corporations, middle-scale companies & SMEs, and individual transactions, and all have established a firm position in the domestic non-life insurance market. It is also unlikely that their business foundations will be significantly impaired as a result of this incident. On the other hand, this case shows that there were problems in their corporate governance structure and awareness of compliance in their sales departments. This case may violate the "Prohibition of unreasonable restraint of trade (Cartel)" under the Antimonopoly Act, and JCR believes that if the scope of the case is expanded or the investigation is prolonged, their reputation will be damaged, which may have a certain impact on their sales and customer bases not only in the area of coinsurance for corporations but also in their businesses in general. JCR will closely monitor the progress of the investigation and confirm the measures taken by each company to prevent recurrence and the impact on its sales and customer base.

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<Reference>

Issuer: Tokio Marine Holdings, Inc.

Long-term Issuer Rating: AAA Outlook: Stable

Issuer: Tokio Marine & Nichido Fire Insurance Co., Ltd.

Long-term Issuer Rating: AAA Outlook: Stable

Issuer: Sompo Holdings, Inc.

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: Sompo Japan Insurance Inc.

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: MS&AD Insurance Group Holdings, Inc.

Long-term Issuer Rating: AA+ Outlook: Stable



Issuer: Mitsui Sumitomo Insurance Company, Limited

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: Aioi Nissay Dowa Insurance Company, Limited

Long-term Issuer Rating: AA+ Outlook: Stable

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