

Welcome CPCU Society Japan Chapter!

Message from the President:



Welcome, Japan Chapter—both leaders and members—to the CPCU Society! You are now part of an international

network of 153 other chapters whose almost 27,000 members value professionalism and ethics.

Your enthusiasm for and commitment to the CPCU Society, as well as to professional development in Japan, is a source of inspiration. We are confident you will be successful in establishing an active chapter from which all members of the Society will benefit.

The CPCU Society stands on a strong foundation—60 years in the making—and your new chapter status proves that the future is just as strong. The expanding growth and visibility of the CPCU designation in Japan strengthens all the Society's chapters and creates an even more powerful voice for all CPCUs.

With very best wishes,

Hugh B. McGowan, CPCU
CPCU Society President

From the Editor

by Iverne "Joan" Greene, CPCU, ARM, AMIM, CPIW



■ **Iverne "Joan" Greene, CPCU, ARM, AMIM, CPIW**, is owner and managing director of Joan Greene and Associates, Inc., Insurance and Risk Management Consultants located in Danville, California in the San Francisco Bay Area.

She received her CPCU in 1972 and has served on the CPCU Society's national Education Committee and International Insurance Section Committee, for which she has served as editor of its highly regarded newsletter for the last several years.

It is my understanding that "yokoso" is a traditional Japanese greeting when welcoming one into your home. So, yokoso Japan Chapter, welcome to our Society. I hope this is the proper level of politeness.

We would like to invite all the members of the Japan Chapter to join the CPCU Society's International Insurance Section. Being a member of this section gives you an opportunity to join with the 154 U.S. chapters and the chapters in Bermuda and Europe in our continuing efforts to make the CPCU designation recognized as the premier global education designation of our industry.

In this issue our members will be able to meet the officers of the Japan Chapter and read three interesting articles—one a reminiscence by a past Society president of his involvement with Japan and Japanese insurance education, another on the changing attitude in accident premise response in Japan by a Japanese research consultant, and yet another chronicling the establishment of the chapter by the Japan Chapter secretary.

Again, to the Japan chapter, yokoso. ■

What's in this Issue?

Articles:

Japan—
Reflections Then and Now 2

Toward Accident
Premise Society 5

Making CPCU Society History 8

Special:

Meet the 2003-2004
Japan Chapter Officers 9

Regular Features:

Where are You Going Today—
Japan? 10

News from Home and Abroad 11

Next Issue

Spotlight on International Claims

Japan—Reflections Then and Now

by Roger L. Smith, CPCU



Roger L. Smith, CPCU, is president emeritus of the Insurance Educational Association. He holds a bachelor's degree from Stanford University and an M.B.A. from Golden Gate University. Smith has served the CPCU Society in a variety of capacities, including president in 1995-96. Smith received Insurance Professional of the Year awards from the CPCU Society's Northern California and Santa Clara Valley Chapters. In 2001, he received the Richard B. Masters Award from the Insurance Educational Association; and the decoration of the Order of the Sacred Treasure, Gold Rays with Rosette by his majesty, The Emperor of Japan, which recognized his contribution to the development of the Non-Life Insurance Industry in Japan.

Author's Note: Various statistical data was drawn from the publication *General Insurance in Japan Fact Book 2002-03* published by the General Insurance Association of Japan.

For the past 30 years or so, I have been an interested observer of, and educational provider for, the non-life insurance industry in Japan. My connection, however, goes back a lot further, in fact to 1955, when military service sent me to Camp Zama, Japan.

Camp Zama was the headquarters for the Army in the Far East command and strategically located, at least for me, about an hour from Tokyo and even closer to Yokohama. In all, I spent the better part of two years in Japan, which gave me the opportunity to gain some knowledge of the country, the people, and their culture.

Little did I know that almost 20 years later, my career would take me in a direction that would bring me back in touch with Japan, this time with the insurance industry. In 1974, I joined the Insurance Educational Association (IEA) in San Francisco, a west coast continuing education and professional development provider serving the property and casualty insurance community.

One of the unique programs sponsored by the IEA was the Insurance School of the Pacific (ISP), which was already in its twelfth year. This five-week residence program, conducted on a California university campus each summer, was designed specifically for representatives of the Japanese non-life insurance system. During the five weeks, the students were given an in-depth look at the United States property and casualty market through a series of lectures, discussions, and field trips to companies, agencies, and other insurance organizations.

So, over the years until my retirement in 2000, I gained contact with more than 1,000 insurance professionals from Japan. In fact, it continues today, since I still provide consulting services to IEA on two programs conducted each year. These

include the Pacific Insurance Agents Seminar (PIAS) held in April each year, and a three-week program for employees of Tokio Marine and Fire, now in its third year. As is the case with many educational efforts, we learned much from each other and relationships were built that have lasted a lifetime.

As you can imagine, it's a very exciting development for me, a past president of the CPCU Society, to see the formation of a chapter in Japan. I can remember about 20 years ago addressing the first formal CPCU class to be held in Japan. I was there on a visit, and was amazed to see at least 40 students in the classroom in the Marine and Fire Association offices. Of course, I extolled great words of encouragement, but fully realized how difficult success would be given differences in language and practice.

The class was taught, I believe, by a gentleman from CIGNA, who had spent a tour in the United States for his company, and may have been one of the first to achieve the designation. The students, of course, had to read all the material in English, hear a lecture in Japanese, and then think about writing an essay examination again in English. It would take unbelievable dedication, and if memory serves me, only one or two actually sat for that Course 1 examination, but it was a start.



The Japanese have always put great stock in the CPCU designation, and for years it puzzled me why more in Japan did not undertake its study, even with the aforementioned barriers of language and business practice. If the language barrier was so great, why not develop your own professional designation in Japanese? Occasionally, I would pose this question to one of the students that came each summer and over the years pieced together what may have been the reason.

We have all heard of the rigors of the Japanese educational system. Youngsters from an early age spend incredible amounts of time in preparation for testing for entrance exams. These exams determine what high schools and then college you will be able to attend. Once the college exams and determination are behind you, the Japanese student seems to breathe an air of collective relief. They go on to college and their respective careers and try not to look back. Therefore, I am sure the word test conjures up horrific memories of all those educational pressures of their youth. You can see why the appetite for CPCU exams might not be extremely strong.

■ . . . I am sure the word test conjures up horrific memories of all those educational pressures of their youth.

I think much of that barrier was broken down by Japanese company representatives who had duty assignments in the United States. They saw the importance of the designation and sometimes finished their studies while on assignment. Additionally, the Japanese insurance system continues to undergo changes leading to a more competitive marketplace, where the value of the CPCU designation becomes increasingly important.

I still remember my first business trip to Japan in 1975. I found I still had much to learn about the culture and the Japanese style of doing business. I had many things that I wanted to discuss to enhance the learning experience of the people that



came each summer to attend our ISP program. Additionally, I had all kinds of ideas of how we could provide additional services to their industry.

A week or so later, I returned to the United States with not a little frustration. While I had met many key people, I never really got the chance to talk about all the wonderful business ideas I had to improve our programs. Subsequently, of course, I learned that this was the business style where first we establish relationships and then we talk business. It was an important lesson and one I tried very hard to follow for the years to come. How different from the way we do things here, where we try to get down to business as quickly as possible, reach agreement, and move to implement. Often our result is misunderstanding or misinterpretations along the way and a breakdown occurs in what was thought to be the agreement. So, while there may be frustration in getting to the decision stage in Japan, once there, the relationship is firmed and things normally get done correctly.

During that trip in 1975, the Japanese found it hard to believe I was president of my own company at such a young age. It did not seem to matter when I explained it was a very small company at that time with only four employees and various independent contractors, rather than

some conglomerate with billions in assets. The title carried importance and prestige and, of course, I enjoyed the attention. It explains why the Japanese are always so intent on exchanging business cards and study them carefully, rather than the carefree approach we have in the United States. They are most interested to see exactly the position of those with whom they exchange cards, for this will determine how to place one's relationship with that individual. It is not a custom to be taken lightly.

While change has come slowly to the Japanese insurance market, there is no doubt that the last 10 years have seen important changes in structure. Years ago, when our student groups came we often remarked that they learned our system, and then went back to Japan, did the opposite, and made lots of money. It was a very different environment than that in which we operated. Japan was an extremely controlled environment, where competition was limited, companies all charged the same rates, and combined ratios were often lower than loss ratios in the United States.

The stage, however, was set for change with the New Business Law that took effect

Continued on page 4

Japan—Reflections Then and Now

Continued from page 3



April 1, 1996. This began deregulation of the industry with great impetus coming from the United States. This was what the Japanese termed their financial "Big Bang," and paved the way for numerous changes in the insurance system.

One of the first instituted changes was the introduction of the brokerage system, though its impact to date has been minor. Previously, insurance could only be sold through the agency system, and brokering was heralded as a major step in creating a more competitive environment. A look at the current distribution system indicates minor inroads by brokers, since relationships rather than price or product often make the sale.

There are a number of striking contrasts between the Japanese and United States distribution systems. First, there is still a great preponderance of part-time agents in Japan, roughly 85 percent of all agents. These part-time agents work their local geographic area, mainly in personal lines. In fact, 75 percent of all agents are individuals, rather than corporations, and they exclusively represent one company. There is an Independent Insurance Agents Association of Japan, however, the math tells you only 25 percent of the agencies are corporate and represent multiple companies.

In terms of market share, agents are responsible for more than 90 percent of the premiums written.

Even as late as 2002, the broker system wrote only 0.2 percent of written premiums, with approximately 7 percent coming from various direct distribution channels.

The New Business Law also brought about changes to the company end of the business.

For the first time mutual entry was allowed into the general and life insurance businesses.

This quickly resulted in six general insurance subsidiaries being established by life companies and 11 life subsidiaries by general insurance companies. Then in the last several years the long-standing ban on insurance sales by banks was at least partially lifted. Banks are still restricted to the sale of only certain types of policies.

Product and pricing was also a subject of the New Business Law changes. Direct selling for voluntary automobile insurance was approved, and American Home quickly moved into this distribution system. Members no longer were required to use the rates calculated by the rating organizations and differentiated rates for insurance products can now be used. At least on the face, the Japanese non-life insurance market (now called general insurance) was beginning to look more like the United States.

It is not surprising that these changes toward a more competitive market help prompt other changes at the company end. A wave of consolidations has taken place since April 2001. First Dai-Tokyo Fire and Marine joined with Chiyoda Fire and Marine to form Aioi Insurance. At the same time, Koa Fire consolidated with Nippon Fire and Marine to form Nipponko Insurance and they added Taiyo Fire and Marine to the group in 2002. Dowa Fire and Marine got into the act by consolidating with Nissay General to form Nissay Dowa General.

Later in 2001 an even larger consolidation occurred when Mitsui

Marine and Fire joined forces with Sumitomo Marine and Fire under the name of Mitsui Sumitomo Insurance.

Finally, in 2002 Japan's largest general insurer, Tokio Marine and Fire, established a business and capital affiliation with Nissin Marine and Fire and consolidated under the wing of Millea Holdings, adding the reorganized Taisei Fire and Marine later that year.

So, as they say, you really need a program to tell the players in Japan these days.

When all is said and done, consolidations are about offset by the new general insurance subsidiaries established by life insurance companies. Presently there are 30 domestic companies (including three reinsurers) and 24 foreign companies operating in Japan for a total of 54. The domestic insurers control more than 90 percent of the market.

■ **With all these changes, what will be the true impact on the general insurance market in Japan?**

With all these changes, what will be the true impact on the general insurance market in Japan? Whatever it will be, the change will be slow and deliberate because as I said that's the Japanese way. Change in structure is one thing; change in custom and practice takes far more time. While the structure does now resemble more the United States model, they have not forgotten how to make money. The overall loss ratio in 2002 was 54.7 percent, and even with an expense ratio of 34.5 percent the combined was a nicely profitable 89.2 percent.

I can safely say that having the opportunity to work with and learn about the insurance market in Japan has been one of the nice highlights of an enjoyable career. It would be interesting to see what has occurred at the end of the next 30 years, but I will leave that to someone else. ■

Toward Accident Premise Society

by Masayo Fujimoto



Masayo Fujimoto is a manager, senior consultant at the InterRisk Research Institute & Consulting, Inc. (Japan). She does research and consulting for governmental organizations and companies.

Fujimoto received her master's degree in technology and policy from the Massachusetts Institute of Technology and her doctorate at the Tokyo Institute of Technology.

Her current interests are in technology innovation and diffusion in society, focusing especially on information technology and its usage developed by heterogeneous groups and organizations such as government, companies, and users (e.g. information security, electronic commerce, digital society, and risk management).

In October 2003, the Ministry of Economy, Trade, and Industry (METI) in Japan published the new policy for information security and emphasized the importance of incident responses. In general, information security incident response is not a new concept. For example, new viruses attack us almost every day and many people have already installed effective software tools for fighting them off. Why do we need a new policy at this time? METI pointed out the importance of information technology in the economic society in its document. It also wrote that not many Japanese firms have effective plans—is this the real reason?

In recent years, the Information Security Management System (ISMS) became very popular in Japan. There is an international standard named ISO/IEC 17799 for developing ISMS. ISO/IEC 17799, which was originally developed as a British Standard called BS 7799 part

??????????, has been adopted as a Japanese standard called JIS X 5080 (JIS means Japanese Industrial Standards) in 2002. At the same time, METI shifted its original regulation for IT service firms to a new certification scheme based on BS 7799. Table 1 indicates how many Japanese organizations are interested in taking certifications of ISMS.

In Table 1 we see that 276 organizations in Japan are already certified, and those numbers stand out from the other countries. It appears that the information security levels of many Japanese organizations have improved by introducing ISMS. However, I would hesitate to accept this fact.

If all organizations that took BS 7799 certifications establish truly effective management systems, METI is overly

Continued on page 6

Table 1
BS 7799 Certificate per Country

Japan	276	Ireland	7	Belgium	1
U.K.	129	Hungary	6	Egypt	1
India	28	China	5	Macau	1
Germany	22	Sweden	4	Malaysia	1
Korea	22	Austria	3	Netherlands	1
Hong Kong	17	Brazil	3	Poland	1
Italy	12	Iceland	3	Qatar	1
Taiwan	11	Mexico	3	Saudi Arabia	1
Finland	10	Switzerland	3	Slovenia	1
Singapore	10	Denmark	2	South Africa	1
Norway	9	Greece	2	Spain	1
USA	9	UAE	2	Relative Total	617
Australia	7	Argentina	1	Absolute Total	612

The Absolute Total represents the actual number of certificates. The Relative Total reflects four certificates that represent multi-nation registrations. Further details of accredited ISMS/BS 7799 certificates can be found on the official ISMS IUG web site www.xisec.com. This table is copyright © ISMS International User Group 2002-2004.

This total includes the JIPDEC certificates from Japan (<http://www.xisec.com>).

Toward Accident Premise Society

Continued from page 5

concerned. Because BS 7799 and ISO/IEC 17799 provide a section on business continuity management (BCM), those organizations should have concrete business continuity plans (BCPs). However, as far as I know, there are not many organizations that have developed effective BCM approaches and they do not have incident response plans.

Japanese Mindset Toward Risk Management

We have experienced many natural disasters such as earthquakes and floods and have discussed ways to prevent those disasters. Interestingly, in this field of disaster study, historically, we have used the words "safety" or "relief" instead of "risk" or "threat," etc. So, we have developed a "safe society (or relief society)" rather than develop countermeasures toward various risks. This mindset has controlled risk management practices in Japan for a long time. Thus, we could not find advanced activities in Japanese organizations, although there were some attempts to change the indifference of Japanese people. For instance, after the experience of the Great Hanshin-Awaji Earthquake, some professional people developed the national standard for risk management called JISQ2001. However, it is not well known by general corporate managers.

There is an interesting survey result published by Japan Information Processing Development Corporation (JIPDEC). JIPDEC is an affiliated association of METI and developed the ISMS certification scheme in Japan. The survey was executed in December 2001. The result showed that about 50 percent of respondents explained that social appeal regarding corporate reliability is the number-one merit of taking certification. Only 16 percent answered that improvement of security was most important. This reveals that certified organizations might not really be as concerned about information security risks as METI pointed out. Most of them just obtained a symbol for their marketing purposes.

I think that the real motivation for METI introducing the concept of incident response stands on changing the mindset of information security managers in Japan.

Indications of Change

On March 9, our group, BCI Japan Alliance, sponsored the conference for BCM in Japan. About 200 people attended the conference and actively

discussed the relating topics. Figures 1 and 2 were developed from a survey in the conference. Figure 1 shows how Japanese managers think about BCM—82 percent of managers think that BCM is an important management matter. Figure 2 shows that 92 percent of managers respond that the BCM practice is not enough or do nothing. The survey results indicate that managers recognize the importance of BCM in their management, but practice is still in the

Figure 1
Perspective for BCM

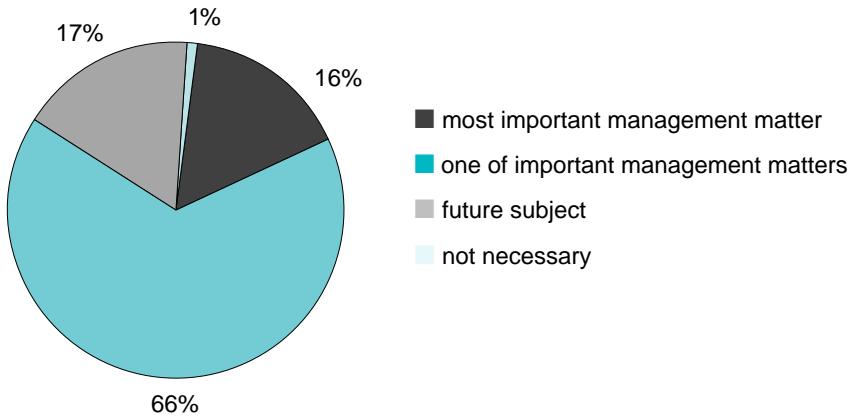
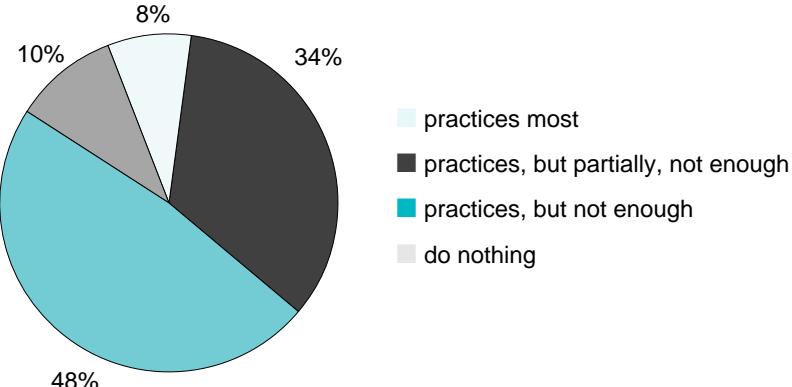


Figure 2
Current Practices of BCM



introductory phase. Because this survey was held at the conference, only the people who are interested in BCM answered. Thus, in general, one would expect a smaller ratio to apply. We can see from this survey that more effort is needed to improve awareness of managers, as well as develop effective management methodologies.

Toward Accident Premise Society

These days, many Japanese companies assign information security managers and develop information security policies. But, at the same time, we notice some problems that we have to cope with to establish effective management methodologies toward the “accident premise society” (a social system that is prepared for accidents and incidence). First, we need management guidelines that support various standards such as BS 7799, ISO/IEC 17799 (JIS X 5080), and JISQ2001, as well as standards and guidelines for BCM in information security. Second, we should study more about the ways to improve awareness of the importance of information security. Techniques of training and education also should be developed.

“Accident premise society” is a strange phrase, but it is now very important for many Japanese organizations that have ignored risks and risk controls for a long time. ■



■ Rie Hidaka, CPCU, represented the Japan Chapter at the CPCU Society's 2004 Leadership Summit held in Tampa, FL in April. She's pictured here, from left to right, with CPCU Society Executive Vice President, James R. Marks, CAE, CPCU, AIM, President-Elect, Donald J. Hurzeler, CPCU, CLU, and President Hugh B. McGowan, CPCU.

Making CPCU Society History

by Rie Hidaka, CPCU

We were very excited when we finally received approval from the CPCU Society to establish a chapter in Japan. We have been talking about a Japan Chapter since the late 1990s when the number of CPCUs reached more than 10. In 2003, when we learned that the number of CPCU designations given to Japanese was five, the largest number of Japanese designees ever in the past, we began seriously to gain momentum.

The first Japanese to receive the CPCU designation was **Keiji Fukasawa, CPCU**, in 1979, who now has been appointed as the first president of the CPCU Society's Japan Chapter. However, he had to wait many years until other Japanese CPCUs joined him in the designation. In the 1990s, the people who earned CPCU designations were mostly the people who learned about the designation from overseas news sources, such as when they were overseas representatives, or they were studying for a master's degree in American/British universities, or they were working for the foreign insurance companies.

In the 2000s, there started the new trend amongst the new CPCU designees. They are working in the domestic market in Japan, but learned from Japanese CPCUs' activities, and started to think it is worthwhile to earn this most well-known professional designation in the United States for their career.



■ 2002 and 2003 Japan Chapter new designees pictured from left to right: Naoki Uchino, CPCU; Satoru Shiono, CPCU; Tatsuo Tomioka, CPCU, ARe, ARM; Masayuki Yokoe, CPCU; Hidehiko Tomishima, CPCU, and Keiji Fukasawa, CPCU, Japan Chapter president.



■ James R. Marks, CAE, CPCU, AIM, CPCU Society executive vice president, and CPCU candidates, IIA completers, families, bosses, colleagues, and guests attend a reception after the officers' installation and new designee ceremony held in Japan in October 2003.

It may be explained due to the dynamic changes the Japanese insurance market has undergone in the late 1990s. The Japanese insurance market has been tariff-market and like most of the traditional Japanese companies, the insurance companies promised their employees the life-long employment. But in 1998, when the insurance market was liberalized, Japanese insurance companies had to reshuffle drastically—many companies went through mergers and acquisitions and the employment style has also changed to the more competitive, pay-for-performance type of employment.

Hence the time has come for the people in Japan working in the insurance industry to start considering the professional designations, such as CPCU, which proves the high ethic standards as well as professional knowledge, are worthwhile and meaningful for their present and future career development.

We are very pleased and proud that the establishment of the CPCU Society's Japan Chapter has materialized at this great timing. CPCU has been the designation known to only a few people in Japan so far and it still is. But ever since we started to establish the Japan Chapter, the visibility and the attention have significantly increased and it peaked on October 29, 2003, when we had the

first general meeting of the Japan Chapter, with the presence of **James R. Marks, CAE, CPCU, AIM**, executive vice president of the CPCU Society, which attracted many press. Marks also held press interviews and visited Japanese insurance companies and the industry educational institute, etc. in Japan, to explain about the CPCU designation as well as the Japan Chapter establishment.

Our journey has just begun and we have a long way to go and lots to do. But we, all of us in the CPCU Society's Japan Chapter, obviously like challenges and continued efforts so together we shall execute and have a lot of fun together. And hopefully many others from the Japanese insurance industry will follow. ■

Meet the 2003-2004 Japan Chapter Officers

President

Keiji Fukasawa, CPCU, CLU, ChFC

Fukasawa is owner and representative director of FINREX Japan, a consulting firm.

In 1966, Fukasawa received a B.A. from Waseda University, Commercial Science School. He received his CPCU designation in 1979, CLU in 1985, and ChFC in 1992.

He joined INA/CIGNA's reinsurance operations where he was employed from 1966 until 1995, then he moved to Employer's Reinsurance Company until 2001, then left to set up his own consulting firm.

Fukasawa is married and has a son and a daughter.

When asked about CPCU, he says his desire is to help make CPCU a recognized and most respected professional designation in Japan.

Vice President

Noriyuki Miyabe, CPCU

Miyabe is deputy general manager, International Department of The Tokio Marine & Fire Insurance., Ltd. (Tokyo, Japan).

Noriyuki "Pat" Miyabe graduated with a bachelor of business administration from Sophia University and received his M.B.A. from the University of Geneva.

Prior to his present tenure, from 1987 through 1993, he worked for the U.S. Honolulu subsidiary of The Tokio Marine Management Company, which later merged with the First Insurance Company of Hawaii, Ltd. Before he left Hawaii in 1993, he obtained the CPCU designation. He remembers his work and life in Hawaii as most enjoyable and "the kindness and friendship extended to me and my family during that period are memorable."

His hobbies are travel and sports.

When asked what he would like to achieve through the CPCU Society's Japan Chapter, he says to promote the CPCU designation recognition through the Japanese insurance industry.



■ Japan Chapter Officers pictured from right to left: President, Keiji Fukasawa, CPCU, CLU, ChFC; Vice President, Noriyuki Miyabe, CPCU; Treasurer, Yasuhiro Nagai, CPCU, and Secretary, Rie Hidaka, CPCU.

Treasurer

Yasuhiro Nagai, CPCU

Nagai is assistant general manager for the Corporate Planning Department of Mitsui Sumitomo Insurance and is in charge of strategic new business development.

Nagai received his CPCU designation in 1995 while working in New York, NY.

As a note, Nagai says, "When I was in New York, most of my customers were Japanese companies that had set up bases in the United States. When I first arrived in New York in 1989 most of our customers' people in charge of handling insurance were also Japanese, so I could build on my previous business experience in Japan. The situation started changing as we got into the 1990s and I found myself dealing with more American customers. This meant we had to sell in English and compete with major U.S. insurers. I needed to have the same—if not better—standard of insurance knowledge as my American counterparts. So, first I took a class and exam on liability insurance."

As a CPCU working in Japan, he says, "CPCU is very useful even after I came back to Japan. First, I have the advantage of acquiring information early through other CPCUs. And, since U.S. case examples that I studied a few years ago are now actually happening in Japan, it is

helping my day-to-day work, which requires a long-term perspective. With market deregulation and liberalization and merges and acquisitions quickly becoming common, the Japanese business landscape in the non-life insurance industry is changing and new possibilities are emerging."

Secretary

Rie Hidaka, CPCU

Hidaka is quality leader for GE ERC Japan Services Co., Ltd.

Hidaka graduated from the Sopher University with a B.A. degree in comparative culture. She received her CPCU designation in 1997.

In April 1983 she joined INA/CINA's reinsurance operation in Japan.

She is married and has one son.

As an active member of the CPCU Society's Japan Chapter, she wishes to help make CPCU a recognized professional designation in Japan.

Japan Chapter Committee Chairmen

Candidate Development
Naoki Uchino, CPCU

New Designee
Naoko Nagamine, CPCU

Education
Nobuyoshi Uematsu, CPCU

Information Technology
Nobuo Yoshii, CPCU

Membership
Masayuki Yokoe, CPCU

Public Relations
Hirooki Brian Jinzenji, CPCU

Research Activity
Yuji Maeda, CPCU

Webmaster
Nobuo Yoshii, CPCU

Alternate
Tatsuo Tomioka, CPCU

Alternate
Hidehiko Tomishima, CPCU

Where Are You Going Today—Japan?

compiled by Iverne "Joan" Greene, CPCU, ARM, AMIM, CPIW, from information provided by our members, others in global industries, the Internet, and previous issues of *IQ*

Language

Japanese is the official language of Japan. It is a complex and subtle language, and is spoken nowhere else in the world as a primary tongue. Most sentences in Japanese can be expressed in at least four different levels of politeness.

Appointments

Be punctual at all times. During three weeks of the year (New Year's holidays, December 28 to January 3; Golden Week, April 29 to May 5; and Obon, in mid-August), many people visit the graves of their ancestors. Conducting business and traveling are difficult during these periods.

Negotiating

A Japanese response "I'll consider it" may actually mean "no." Negatively phrased questions will get a "yes" if the Japanese speaker agrees. Negotiations are begun at the executive level and continued at the middle level (working level).

Business Entertaining

Business entertaining usually occurs after business hours, and very rarely in the home. Allow your host to order for you (this will be easier, too, since the menus are in Japanese). Be enthusiastic while eating, and show great thanks afterwards.

Protocol

The Japanese are very aware of western habits, and will often greet you with a handshake. The bow is their traditional greeting. If someone bows to greet you, observe carefully. Bow to the same depth as you have been bowed to, because the depth of the bow indicates the status relationship between you. As you bow, lower your eyes. Keep your palms flat against your thighs.

The business card is extremely important for establishing credentials. Present your card with the Japanese side facing your colleague, in such a manner that it can be

read immediately. Do not put the cards in your pocket, or in your wallet if you plan to put it in your back pocket. Never write on a person's business card.

Gestures

Japan is a high-context culture; even the smallest gesture carries great meaning. Therefore, avoid expansive arm and hand movements, unusual facial expressions, or dramatic gestures of any kind. Nose blowing in public is not acceptable. When you must blow your nose, use a disposable tissue and then throw it out.

Gifts

Gift giving is very common in Japan. Business gifts absolutely must be given at midyear (July 15) and at year-end (January 1). They are often given at first business meetings. Good gifts are imported scotch, cognac, or frozen steaks; electronic toys for children of associates; or items made by well-known manufacturers, preferably foreign name brands.

Dress

Men should wear conservative suits, and never appear casual. Slip-on shoes are best, as you will remove them frequently. Women should dress conservatively, keeping jewelry, perfume, and makeup to a minimum. Pants are not appropriate. High heels are to be avoided if you risk towering over your Japanese counterparts. If you wear a kimono, wrap it left over right! Only corpses wear them wrapped right over left. ■



News from Home and Abroad

Australia

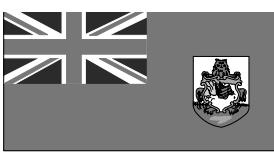


Bush fires in Canberra plagued the Australian capital bringing insurer's losses

to about A\$150m. These fires were among the top 10 natural catastrophes that had hit this country since 1967.

The Australian Prudential Regulation Authority (APRA), the Australian financial services regulator, has released a discussion paper outlining a second round of proposed reforms following the HIH Royal Commission's investigation into the downfall of Australia insurer HIH.

Bermuda



In 2001, regulations were unveiled for the non-Bermudans

working on the island. They were given work permits allowing a maximum of a nine-year stay in Bermuda, with most only allowed to stay for six. However, the policy made an exception for those employees deemed "key" to the operations. They would be able to stay indefinitely. Now, the biggest uncertainty comes from the definition of a key employee.

To help plug a capacity gap in reinsurance, **MBIA**, a financial guarantee insurance company, has formed a partnership with Renaissance Re, Partner Re, and a U.S. financing firm Koch Financial to set up a new financial guarantee reinsurer. The startup will only write financial guarantee business from MBIA.

Canada



Hiscox is to offer commercial terrorism cover in Canada following the

launch of **INSScribe**, its broker extranet system. INSScribe will offer cover of up to U.S. \$25m (£15m) per building on risks across North America. Other elements of the cover include a single policy for both U.S. and Canadian assets, acts of domestic terrorism by special interest groups covered, zero physical damage deductible, seven-day business interruption deductible, and physical damage and business interruption insurance offered as a separate or combined policy. The merger of **Canada Life** and **Great-West Life Co.** results in Canada's largest life insurer.

Chile



Royal & SunAlliance is holding talks with **La Camra Chilena de la Construccion**

to sell its 51 percent holding in its Chile life subsidiary, Compania de Seguros de Vida La Construccion SA. No financial details have been issued as yet, but R&SA said it would make an announcement in due course.

China



A number of Chinese insurance companies have either floated or are planning to

list to take advantage of strong investor demand for shares in Chinese insurance companies. **The People's Insurance Company of China** (PICC), China's largest general insurance company, completed its initial public offering (IPO) in November 2003, and **China Life**, the

country's largest life insurer, is planned to list in December.

The **China Insurance Regulatory Commission** (CIRC) has backed a new insurance policy on compensation for victims of traffic accidents caused by drunken drivers. Under the terms of the policy, which was introduced by a Chinese insurance company earlier this year, if a policyholder has a driving accident while drunk, and causes injury or property loss to a third party, the insurance company will pay compensation of as much as 250,000 yuan (U.S. \$30,000) to the third party.

American International Group (AIG) has agreed to buy a 9.9 percent stake in China's non-life insurer, **PICC Property & Casualty**, which will allow AIG access to the Chinese health and accident insurance market before any other insurance player.

England



London—Outsourcing company **Xchanging Claims Services** has launched what

it calls The Claims Office of the Future in a bid to cut claims costs in the U.K. non-life industry. The company aims to do this by allowing insurers to file and settle claims electronically, rather than by using the more traditional paper-based systems.

European Union

Terrorism as a threat? The *London Insurance Times* reported that directors of 700 European companies were quizzed in relation to their worry about loss arising from terrorist acts. It was found that although 50 percent of the companies have reviewed their business continuity plans in the last year, terrorism features in just 20 percent of risk management plans. It was also found that 16 percent of the directors did not know what risks were covered by their business continuity plans

Continued on page 12

News from Home and Abroad

Continued from page 11

and another 20 percent were not aware if any changes to their plans had been made in the past year.

The European Commission is to consider draft rules to end differing treatment for men and women when looking for insurance announced a report. However, the insurance industry opposes the move, fearing that men would see an increase in premiums for life assurance and women would be forced to pay higher motor premiums. According to the report, the industry said ending the use of gender to define risk in setting premiums would result in an overall price hike as the sector sought to minimize losses.

The European Commission has dropped legal action against the U.K. government over the supervision of the Lloyd's market for failing to regulate it properly. They claimed the government was liable for the billions they lost in the market.

The proposed International Financial Reporting Standards (IFRS) are due to be implemented across Europe in 2005. The system is to be launched in two stages. Insurers will begin Phase I on January 1, 2005, which is disclosure of all the insurance company's assets and liability at fair value by the end of 2006. Phase II, the full implementation of IFRS for insurance companies, will be set in motion once Phase I is complete. Phase II is expected to begin in 2007.

European reinsurers want a reduction in collateral requirements for an approved list of reinsurers doing business in the United States. They argue that 100 percent collateral requirements in the United States are protectionist and impose unfair costs. But those against reducing the requirements reject that view saying it is hard to collect claims without collateral.

Germany



Since the directive from the European Union (EU) for increased reinsurance

supervision has been put off until the year 2005 because 2004 is an election year, the German financial business regulator, **Bundesanstalt für Finanzdienstleistungsaufsicht** (BaFin) is considering introducing stricter regulations and increasing its powers over German reinsurers along the lines of the supervisory authority it has over primary companies.

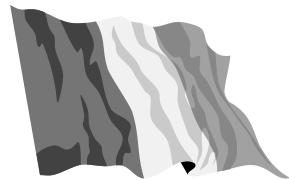
Iran

The December 26, 2003, earthquake that devastated the region near Bam in southeast Iran will, despite heavy damage and more than 20,000 deaths, have only minimal insured losses as there is very little take up of insurance services in the region.

Iraq

Contractors looking for cover protecting them against non-performance of the Iraqi government will find an "expanding market," according to political risk specialists BPL Global. Cover for non-performance of barter, pre-export, and structured trade transactions secured on Iraqi oil can be bought for premium of around 1.5 to 2.4 percent of the cover limit per annum. Capacity and tenor are likely to be cautious and short initially but it is believed capacity will build once a successful track record is established.

Ireland

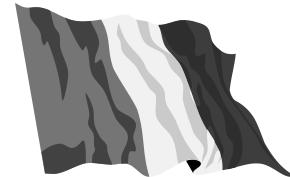


The Police Service of Northern Ireland (PSNI) has warned the

Federation of Small Business about endemic grossing up. In a speech given at Belfast Castle, PSNI Detective Chief Inspector Larry Cheshire said industry experts had told him that grossing up was common practice amongst many brokers. "It (grossing up) has been described to me by one industry insider as endemic," Cheshire said. He added that brokers who are guilty of grossing up could be committing criminal offenses. The PSNI

said the alleged fraud has cost policyholders around £3.5m in lost premium.

Italy



Willis Group Holdings recently announced that it has agreed to acquire **Ital Re SpA**, the Italian reinsurance broker. Terms are not disclosed. Ital Re provides reinsurance broking services and is based in Rome and Milan.

Japan



On October 29, 2003, the CPCU Society's Japan Chapter held its election of officers and its first general meeting.

Scotland

Finance sector union **Amicus** claims that the **Royal Bank of Scotland Insurance** is failing its employees by not carrying out a full, public investigation into pay differentials between men and women as recommended by the Equal Opportunities Commission. Apparently, there was an agreement made by Churchill Insurance, prior to its takeover by RBSI, to carry out an equal pay audit. Typically, the RBSI pays men 50 percent more than women compared to a national average of 20 percent.

Willis Group announced that it is to extend its Willis Commercial Network into Scotland early this year. The network currently operates in England and Wales and has grown to 57 members since 1999. It is unique in being the only partnership between a global insurance broker and independent brokers in the United Kingdom.

South Korea



Seoul— Allianz Life Korea announced it will adopt mobile technology-based notebook PCs for the company's 10,000 sales agents to enhance productivity and deliver a more professional service to customers. The company will deploy 3,000 notebooks by February and an additional 7,000 systems by year's end, providing all of the company's sales agents with the freedom and flexibility to work anytime, anywhere.

Switzerland



Swiss Re launched a catastrophic mortality bond. Vita Capital will be the first deal ever to transfer this type of risk into the capital markets. Swiss Re has set up a mortality risk index that roughly reflects the company's exposure to mortality risk. The bond is triggered when the mortality rate, according to this index, is 30 percent higher than expected. Only one event in the past 100 years would have triggered this bond—the 1918 influenza epidemic, which saw a 33 percent increase in mortality rates. World War II, for example, caused a 6.5 percent increase in mortality rates.

Zurich has launched a new road awareness program for its fleet policyholders. The modular program, created in conjunction with Drive & Survive, begins with an online assessment of driver attitudes, mindset, and driving environment, rated against where, when and how often they drive.

Turkey



Istanbul— Two terrorist bombs exploded in Istanbul, Turkey, in December 2003, killing at least 27 people and injuring 400. The truck bombs were detonated outside the **British Consulate and the Turkish headquarters of U.K. bank HSBC Holdings P.L.C.** Reinsurers have said they do not expect large insured losses as a result of the bombs.

United States



California— According to Moody's, the **California wildfires** that raged for two weeks in Southern California last fall could harm insurer's ratings. The losses are estimated at \$2.5 billion and \$3.5 billion making this the largest firestorm loss in the insurance industry to date.

Minnesota— The state's **Supreme Court** has brought eight years of litigation to an end with a ruling in favor of 3M in litigation with its insurers over insurance coverage for breast implant claims. The court's ruling confirms insurance coverage owed to 3M by 29 insurers remaining in the case and holds that these insurers are liable up to the limits of their respective policies. 3M said it expected to collect around \$250 million (£128 million) from its insurers as a result of the decision.

New York— The Terrorism Risk Insurance Act is a "success," according to the **Risk & Insurance Management Society Inc.** RIMS, however, remains "concerned that the stable reinsurance market" that supporters had hoped would arise after TRIA's enactment will not develop as quickly as the measures framers had hoped when they set a December 31, 2005, sunset for the program. Some critics say that this is primarily because insurance market participants have made no progress to date toward the development of reliable

methods for pricing terrorism risks and little movement toward mechanism that would enable insurers to provide terrorism insurance to businesses without government involvement.

New York— Dutch-Belgian banking and insurance group **Fortis** is pulling out of the U.S. insurance market. It is planned to spin off and list its insurance operations on the New York Stock Exchange in 2004 under the name **Assurant**.

Washington, DC— The House of Representatives voted recently to reauthorize the **National Flood Insurance Program** for five years. The Senate had earlier approved legislation to extend the program for one year. A House/Senate conference will have to iron out the differences between the two measures.

Mergers— St. Paul/Travelers merger results in the second-largest commercial lines insurer in the United States behind AIG. Second-largest life insurer in the United States after AIG, **The Mutual Life Insurance Company of New York (MONY)**, is talking with **Axa Financial**, the U.S. arm of the French insurer Axa.

The Stella Awards— If you want a good laugh out of our tort system, pay a visit to this web site www.stellaawards.com. If you want to subscribe to the site, it is free. If you want to see the archives, there is a cost.

Credit Scoring— The practice of using a person's credit history to determine his or her insurance premium is causing controversy among **U.S. consumer groups** that say it amounts to discrimination. Insurers say it is a reliable method of determining how likely someone is to file a claim. The **Insurance Information Institute** in New York says that credit scores are a measurement of a person's responsibility traits and this has value for obtaining a loan or for insurance. "The bottom line is that the relationship between credit standing and relatively low (loss) ratios is statistically irrefutable." ■

Japan Insurance Basics

Editor's Note: The information provided has been compiled from published sources. However, insurance legislation may change and you are advised to seek independent professional advice. No warranty, express or implied, is given as to the accuracy of such information. Insurance Services Network, Inc. expressly excludes to the extent permitted by law any liability whatsoever for damages including indirect consequential economic incidental or punitive loss or loss of profit or business.

General Information

Compulsory Insurance

1. Workers Compensation
2. Third-Party Automobile Liability
3. Nuclear Liability
4. Health Insurance

Non-Admitted Insurance

Prohibited unless permission granted by the ministry of finance for coverage not available in the market.

Policy Wordings and Rates/Tariffs Controlled

Some wordings and rates remain controlled except for ocean marine cargo. Rates are controlled for auto, fire, and personal accident. The market is liberalizing so local advice suggested.

Policy Language

Japanese or English

Types of Insurance Restricted to Government Institutions

Workers Compensation and Third-Party Automobile Liability

Policy Currency

Japanese Yen (Y). U.S. insurance is available.

Currency Restrictions/Exchange Controls

No restrictions.

Policy Period

Annual is normal but terms up to 35 years are available on private housing. Longer-term policies will be written with the proviso that the full premium is paid at inception.

Cancellation Provisions

Thirty-day written notice usually required though the insured can cancel at any time.

Premium Tax, etc. Paid by Insured

A Stamp Duty of Y200 is levied on all policies. There is a 0.2 percent fire brigade charge on fire premiums; and a Road Safety Fund charge of 1 percent on motor premiums paid to Japanese insurers. There is a 5 percent consumption tax on brokerage.

Insurance Companies

All insurers must be licensed.

Brokers

Japan is now a brokerage and an agency market. Fees are normal ways for broker remuneration.

Brokerage Commissions

Fire: 5 to 28 percent

Automobile: 7 to 22 percent

Personal Accident: 7 to 25 percent

Marine Cargo: 10 percent

Other Lines Generally: 15 percent

Broker of Record Letters

Not used for indigenous business. Foreign multinational companies use the letter, which is understood and accepted by the market.

Reinsurance

With the exception of the government's involvement with third-party automobile liability and earthquake coverage for private dwellings, there are no restrictions.

Local Natural Hazards

Earthquake, Typhoon

Property Insurance

Fire

Standard fire perils include fire, lightning, and explosion. An extended coverage endorsement is available for additional an premium charge, insuring against the perils of aircraft, storm/tempest, windstorm/hurricane, flood, burst water pipe, riot/civil commotion, malicious damage, volcanic eruption, and vehicle impact. Earthquake insurance is available on a restricted basis and fire following is available. Japanese companies for the



most part do not purchase earthquake business interruption. Indemnity for earthquake is limited and therefore non-admitted coinsurance deficiency coverage should be purchased by the foreign parent company.

All Risk

Available for builders risk, machinery installation, and related contractors all-risk forms. The only recognized all-risks wordings is Japan's inland marine/contents-type policy known as a "Dosan Sogo." In practice, if the contents of a building are not "nailed down," they can be insured under the Dosan Sogo, and the related premium is 100 percent exportable for reinsurance purposes to a captive insurer or to a global program.

Coinsurance

Minimum 30 percent.

Blanket Insurance

Available.

Business Interruption

Local, U.K. Loss of Profits and U.S. Gross Earnings are available.

Replacement Cost

Available.

Discount for Fire Protection Equipment/Systems

Available to a maximum of 60 percent.

Boiler and Machinery/Machinery Breakdown/Engineering Wordings

All usual forms are available. Boiler explosion is usually insured under the fire policy. Boilers, elevators/lifts, and turbines are subject to compulsory inspections.

General/Public Liability

Available Wordings: Local, comprehensive general/public liability including product liability, contingent automobile liability, etc. are available.

Comments: Policies are written on an occurrence basis and include the cost of defense. Note: Contractual Liability must be specifically endorsed.



Marine

Available Wordings: Cargo and hull risks available on U.K. policy forms. Rates follow London market scale for cargo, war, and strikes.

Crime

Available Coverages: Fidelity, burglary, money, and securities coverages available on the usual U.K., U.S. forms. Surety must employ local terms and conditions. ■

Automobile/Motor

Compulsory Limits:
Y30,000,000 per person.

Comments: Insured and any individual driving with insured's permission are covered. Passengers are also covered as they are deemed to be third parties. Automobile primary liability insurance is compulsory. Excess insurance is available but rates are controlled.

Workers Compensation

Comments: This compulsory coverage applies to all persons, types of businesses and is controlled by the government. Extra-territorial, medical expenses, and occupational disease benefits are provided under various laws dating to 1947. Note: Employer's liability is not compulsory and coverage is available in the market.



The International Insurance Section Is Proud to Announce that It Will Sponsor an Informative Seminar at the 2004 Annual Meeting and Seminars in Los Angeles!

Insurance South of the Border

Monday, October 25, 10 a.m. - Noon

What You Will Learn

For many insurance professionals, cultural differences and international issues are difficult barriers to overcome when conducting business with foreign clients and organizations. This seminar will examine insurance coverage and claims issues that can arise when dealing with countries that are "south of the border," specifically Mexico and Chile. Attend this seminar for valuable lessons on cultural differences and political risks that can occur when entering into insurance policies with these countries.

Presenters

Tina Dobleman

Levi Strauss & Company

Fernando Ortega

Marsh & McLennan Companies

Douglas N. Smith

AIG WorldSource

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