

Regulation on Security Deposits by Insurance Companies

(Order of the Cabinet Office and the Ministry of Justice No. 5 of December 28, 2004)

Pursuant to the provisions of Article 11, paragraph (11) of the Trust Business Act (Act No. 154 of 2004) as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Insurance Business Act (Act No. 105 of 1995), the Regulation on Security Deposits by Insurance Companies is hereby enacted as follows.

(Procedures for Filing a Petition)

Article 1 A person who intends to file a petition for the fulfillment of the right prescribed in Article 13-4, paragraph (1) of the Order for Enforcement of the Insurance Business Act (Cabinet Order No. 425 of 1995; hereinafter referred to as the "Order") must submit to the Commissioner of the Financial Services Agency a petition prepared using Form No. 1 by attaching a document proving that the person has the right prescribed in Article 11, paragraph (6) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Insurance Business Act (hereinafter referred to as the "Act") (including the cases where applied mutatis mutandis pursuant to Article 199 of the Act (including the cases where applied mutatis mutandis pursuant to the provisions of Article 240 of the Act; the same applies hereinafter); the same applies hereinafter) (such right is hereinafter referred to as the "Right").

(Procedures for Reporting)

Article 2 A person who intends to report the Right prescribed in Article 13-4, paragraph (2) of the Order must submit to the Commissioner of the Financial Services Agency a written report using Form No. 2 by attaching a document proving that the person has such Right.

(Provisional Distribution List)

Article 3 In order to assess the Right under Article 13-4, paragraph (4) of the Order, the Commissioner of the Financial Services Agency must, without delay after the expiration of the period prescribed in paragraph (2) of the same Article, prepare a provisional distribution list, give public notice thereof, and notify the depositor (if, pursuant to the order referred to in Article 11, paragraph (4) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act and under the contract referred to in

paragraph (3) of the same Article, the depositor has deposited the entire business security deposit referred to in Article 11, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act for an Insurance Company, etc. (meaning a Life Insurance Company (meaning a Life Insurance Company prescribed in Article 2, paragraph (3) of the Act; the same applies in Article 15, paragraph (1)) or a Foreign Life Insurance Company, etc. (meaning a Foreign Life Insurance Company, etc. prescribed in Article 2, paragraph (8) of the Act (including an Underwriting Member of a Specified Juridical Person, which has obtained a business license referred to in Article 219, paragraph (1) of the Act and is deemed to be a Foreign Life Insurance Company, etc. pursuant to the provisions of Article 240 of the Act; the same applies hereinafter); the same applies hereinafter), which provide Insurance-Proceed Trust Services), including the Insurance Company, etc.; the same applies in paragraph (2) of the following Article and Article 7) thereof.

(Hearing Session)

Article 4 (1) The procedures for the assessment of the Right under Article 13-4, paragraph (4) of the Order are conducted through a hearing session over which an official designated by the Commissioner of the Financial Services Agency presides as the chairperson.

(2) If a person who has filed a petition under Article 13-4, paragraph (1) of the Order (referred to as a "Petitioner" in Article 16, paragraph (2)), a person who has reported the Right within the period prescribed in Article 13-4, paragraph (2) of the Order, or the representative person of the depositor (hereinafter collectively referred to as "Relevant Persons") is unable to attend the hearing session due to illness or any other compelling reason, such person may submit a written statement, which they have signed and sealed, in lieu of making a statement at the hearing session.

Article 5 When the chairperson finds it necessary, the chairperson may request a person with relevant knowledge and experience or any other witness to attend the hearing session.

Article 6 (1) When the chairperson finds it necessary for organizing the business of the session, the chairperson may give necessary instructions with regard to the statement of opinions, production of evidence, etc.

(2) When the chairperson finds it necessary for maintaining order in the hearing session, the chairperson may have a person who is disturbing the order or is acting or behaving in a disturbing manner leave the session.

Article 7 When the chairperson finds it necessary, the chairperson may postpone or continue the hearing session. In this case, the chairperson must determine and give public notice of the date and place of the next session and notify the depositor thereof.

Article 8 The chairperson must prepare a record stating the following matters with regard to the hearing session, and must sign and seal the record:

- (i) indication of the case concerning the hearing session;
- (ii) date and place of the hearing session;
- (iii) job title and name of the chairperson;
- (iv) names and domiciles of the Relevant Persons who were present;
- (v) names of any other persons present;
- (vi) gist of the opinions stated;
- (vii) if any written statement has been submitted, a statement to that effect and the gist thereof;
- (viii) if any evidence has been produced, a statement to that effect and a list of the evidence; and
- (ix) other matters found to be necessary by the chairperson.

Article 9 Relevant Persons may inspect the record referred to in the preceding Article.

(Distribution)

Article 10 When the business security deposit pertaining to an Insurance Company, etc. includes a business security deposit deposited by a person who has concluded the contract referred to in Article 11, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act with the Insurance Company, etc., the Commissioner of the Financial Services Agency must first distribute the business security deposit deposited by the Insurance Company, etc.

(Procedures for Distribution)

Article 11 (1) The Commissioner of the Financial Services Agency must, for the purpose of implementing distribution, send a payment instruction document prepared using Form No. 27, Form No. 28 or Form No. 28-2 of the Deposit Regulation (Ministry of Justice Order No. 2 of 1959) to the official depository and deliver certificates prepared using Form No. 29 of the Deposit Regulation to persons who are to receive the distribution.

(2) With regard to the application of Article 11, paragraph (8) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act, the Right referred to in Article 11, paragraph (6) of the Trust

Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) of the Act is deemed to have been fulfilled if the period prescribed in Article 13-4, paragraph (6) of the Order has elapsed.

- (3) If the Commissioner of the Financial Services Agency has conducted the procedures referred to in paragraph (1), the Commissioner must send a written notice prepared using Form No. 3 by attaching a copy of the payment entrustment document to the Insurance Company, etc.

(Realization of Securities)

Article 12 (1) When the Commissioner of the Financial Services Agency intends to receive the return of securities (including a Japanese government bond where the ownership of the right for the bond is based on the entry or record in the book-entry account under the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc. (Act No. 75 of 2001) (hereinafter referred to as "Book-Entry Japanese Government Bonds"); the same applies hereinafter) in order to realize them pursuant to the provisions of Article 13-4, paragraph (7) of the Order, the Commissioner must submit to the official depository two copies of the written request for paying out of deposited property.

- (2) If the Commissioner of the Financial Services Agency has realized securities into cash, the Commissioner must deposit the amount of the realization value less the expense for the realization, as a security deposit in lieu of the securities.
- (3) The security deposit deposited pursuant to the provisions of the preceding paragraph is deemed to have been deposited by the person who has deposited the securities that were returned pursuant to the provisions of paragraph (1).
- (4) If the Commissioner of the Financial Services Agency has made the deposit pursuant to the provisions of paragraph (2), the Commissioner must make notice to that effect in writing to the person prescribed in the preceding paragraph.

(Recovery of the Security Deposit)

Article 13 (1) An Insurance Company, etc. or its successor or a person who has deposited the security deposit for the Insurance Company, etc. must, when intending to obtain the approval of the Commissioner of the Financial Services Agency pursuant to the provisions of Article 13-5 of the Order, submit to the Commissioner of the Financial Services Agency a written application for approval prepared using Form No. 4, stating the grounds therefor and the amount of the deposit to be recovered or the name, quantity, total face value, etc. of the deposited securities to be recovered (the issue, price, etc. are stated in the case of Book-Entry Japanese Government Bonds).

- (2) If the written application for approval referred to in the preceding paragraph

has been submitted (excluding cases in which the written application for approval referred to in the preceding paragraph has been submitted if the case prescribed in Article 13-5, paragraph (1), item (i) of the Order has become applicable; hereinafter the same applies in this paragraph), the Commissioner of the Financial Services Agency must give public notice of the fact that the person who has the Right is to report the Right within a certain period of not less than the respective periods prescribed in the following items according to the cases set forth therein, and is to be excluded from the distribution procedures if the person fails to make the report within the period:

- (i) if an application for approval under Article 13-5, paragraph (1) of the Order has been filed: six months;
 - (ii) if an application for approval under Article 13-5, paragraph (2) of the Order has been filed: one month.
- (3) A person who intends to report the Right prescribed in the preceding paragraph must submit to the Commissioner of the Financial Services Agency a written report using Form No. 5 by attaching a document proving that the person has such Right.
- (4) If the report has been made within the period referred to in paragraph (2), the Commissioner of the Financial Services Agency must conduct the procedures to pay out the security deposit to the person in accordance with the provisions of Article 13-4, paragraphs (4) through (6) and Article 3 through the preceding Article of the Order.
- (5) If the Commissioner of the Financial Services Agency has conducted the procedures referred to in the preceding three paragraphs, or finds that the case prescribed in Article 13-5, paragraph (1), item (i) of the Order has become applicable, the Commissioner must deliver a letter of approval prepared using Form No. 6 to the person who requested the approval referred to in paragraph (1).

Article 14 It is sufficient for a person who intends to recover the security deposit to attach the letter of approval that has been delivered under paragraph (5) of the preceding Article as the document to be attached to a written request for paying out of deposited property pursuant to the provisions of Article 25, paragraph (1) of the Deposit Regulation.

(Transfer of Deposit of the Security Deposit)

Article 15 (1) A person who has deposited the security deposit in the form of money alone must, if, due to a change in the location of the head office, etc. (meaning the head office, etc. prescribed in Article 13-5, paragraph (1), item (i) of the Order; the same applies hereinafter in this Article) of the Insurance Company, etc. pertaining to the security deposit, the official depository nearest

thereto has changed and the person intends to request the official depository with which the person has deposited the security deposit to transfer the deposit thereof, notify the Commissioner of the Financial Services Agency to that effect without delay.

- (2) If the notification referred to in the preceding paragraph has been given, the Commissioner of the Financial Services Agency must, excluding cases where the procedures for the fulfillment of the Right prescribed in Article 13-4, paragraph (1) of the Order or the application for approval prescribed in Article 13-5, paragraph (2) is still pending, deliver an authenticated copy of the deposit certificate for the security deposit to the person who has given the notification.
- (3) A person who has given the notification referred to in paragraph (1) must, without delay after receiving delivery of the authenticated copy of the deposit certificate pursuant to the provisions of the preceding paragraph, and upon prepaying the costs, request the official depository with which the person has deposited the security deposit to transfer the deposit of the security deposit to the official depository nearest to the head office, etc. of the Insurance Company, etc. after relocation.
- (4) A person who has requested the transfer of deposit referred to in the preceding paragraph must, without delay after completing the procedures for the transfer of deposit, submit to the Commissioner of the Financial Services Agency a written notification prepared using Form No. 7 by attaching an authenticated copy of the deposit certificate that has been delivered pursuant to the provisions of Article 21-5, paragraph (3) of the Deposit Regulation.
- (5) If the Commissioner of the Financial Services Agency has received an authenticated copy of the deposit certificate attached to the written notification referred to in the preceding paragraph, the Commissioner must deliver a custody certificate to the person who has requested the transfer of deposit.

(Public Notice)

- Article 16 (1) The public notice prescribed in Article 13-4, paragraphs (2), (4) and (5) of the Order and Articles 3 and 7 and Article 13, paragraph (2) is given through publication in an official gazette.
- (2) The expense for the public notice under the preceding paragraph is borne by the applicant (in the case of the recovery of the security deposit, the person who intends to recover the same) and the person who reported the Right prescribed in Article 13-4, paragraph (2) or Article 13, paragraph (2) of the Order.

(Application of the Deposit Regulation)

Article 17 Beyond what is provided for in this Regulation, the procedures under

the Deposit Regulation apply to a deposit and the paying out of a security deposit.