

Order Providing for Categories Prescribed in Article 272-25, Paragraph (2) of the Insurance Business Act

(Cabinet Office Order/Ministry of Finance Order No. 1 of March 10, 2006)

Pursuant to the provisions of Article 272-21, paragraph (1), item (vi), Article 272-25, paragraph (2), and Article 311-3, paragraph (2) of the Insurance Business Act (Act No. 105 of 1995), an Order Providing for Categories, etc. Prescribed in Article 272-25, Paragraph (2) of the Insurance Business Act is hereby established as follows.

(Particulars Requiring Notice)

Article 1 The cases specified by Cabinet Office Order/Ministry of Finance Order as prescribed in Article 272-21, paragraph (1), item (vi) of the Insurance Business Act (hereinafter referred to as the "Act") are the following cases:

- (i) if an order of commencement of bankruptcy proceedings is rendered, an appeal is filed against an order of commencement of bankruptcy proceedings, or a ruling against an appeal is rendered by a court;
- (ii) if a petition for commencement of rehabilitation proceedings is filed, an order of confirmation of a rehabilitation plan becomes final and binding, or a rehabilitation plan becomes invalid; or
- (iii) if a petition for reorganization proceedings is filed, an order of confirmation of a reorganization plan becomes final and binding, or a reorganization plan becomes invalid.

(Order According to Category Corresponding to a Small Amount and Short Term Insurer's Level of Solvency in Terms of its Ability to Pay Insurance Proceeds)

Article 2 (1) The order specified by Cabinet Office Order/Ministry of Finance Order for the category corresponding to the level of solvency of a small amount and short term insurer (meaning the small amount and short term insurer prescribed in Article 2, paragraph (18) of the Act; the same applies in the following Article) in terms of its ability to pay insurance proceeds, etc. as prescribed in Article 272-25, paragraph (2) of the Act is as set forth in the following table, except for the cases specified in the following Article.

Category corresponding to the level of solvency interm of the ability to pay insurance proceeds, etc.	Order
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Exception from category	Ratio indicating the level of solvency interm of the ability to pay insurance proceeds, etc.: 200% or more	
Category 1	Ratio indicating the level of solvency interm of the ability to pay insurance proceeds, etc.: 100% or more and less than 200%	A request to submit an improvement plan deemed reasonable to secure sound management, and an order for its implementation
Category 2	Ratio indicating the level of solvency interm of the ability to pay insurance proceeds, etc.: less than 100%	An order pertaining to any of the following measures which contribute to the level of solvency interm of the ability to pay insurance proceeds, etc. (i) submission of a plan deemed reasonable for the level of solvencyinterm of the ability to pay insurance proceeds, etc. and its implementation (ii) prohibition from distributing dividends or reduction of the amount thereof (iii) prohibition from distributing policy dividends or dividends of surplus to members, or reduction of the amount thereof (iv) change of the method for calculation of insurance premiums (when the method requires a coefficient as the basis of the calculation, the coefficient is included) for a new insurance contract to be concluded

				(v) prohibition from providing bonuses to directors or reduction of the amount thereof or of other operating expenses (vi) prohibition from investment of assets by some methods or reduction of the amount thereof (vii) reduction of operations at some business offices or offices (viii) closure of some business offices or offices, excluding the head office or principal office (ix) reduction of operations of the subsidiary company, etc. (x) disposal of shares or equity interests in the subsidiary company, etc.
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		(xi) reduction of the operations incidental to the small amount and short term insurance business carried out pursuant to the provisions of Article 272-11, paragraph (1) of the Act or operations approved by the Commissioner of the Financial Services Agency, the Director-Generals of Local Finance Bureaus or the Fukuoka Local Finance Branch Bureau (hereinafter referred to as the "Commissioner of the Financial Services Agency, etc.") to be carried out pursuant to the proviso to paragraph (2) of that Article, or prohibition from handling new business (xii) other measures deemed necessary by the Commissioner of the Financial Services Agency, etc.
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- (2) The phrase "ratio indicating the level of solvency in terms of the ability to pay insurance proceeds, etc." as used in the table under the preceding paragraph means the ratio derived from the formula pertaining to the criteria regarding the appropriateness of the level of solvency in terms of the ability to pay insurance proceeds, etc. as referred to in Article 130 of the Act as applied mutatis mutandis pursuant to Article 272-28 of the Act.
- (3) The term "policy dividend" as used in the table under paragraph (1) means the policy dividend prescribed in Article 114, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 272-18 of the Act.
- (4) The term "subsidiary company, etc." as used in the table under paragraph (1) means the subsidiary company, etc. prescribed in Article 272-16, paragraph (3) of the Act.

Article 3 If a small amount and short term insurer learns that the ratio indicating the level of its solvency in terms of its ability to pay insurance

proceeds, etc. (meaning the ratio indicating the level of solvency in terms of its ability to pay insurance proceeds, etc. prescribed in paragraph (2) of the preceding Article; hereinafter the same applies in this Article) falls below the range of the ratio indicating the level of solvency in terms of the ability to pay insurance proceeds, etc. that corresponds to the category referred to in the table under paragraph (1) of the preceding Article to which the small amount and short term insurer used to belong, and promptly after that, submits to the Commissioner of the Financial Services Agency a plan deemed reasonable to improve the ratio indicating the level of its solvency in terms of its ability to pay insurance proceeds, etc. with certainty to exceed the range of the ratio indicating the level of solvency in terms of the ability to pay insurance proceeds, etc. that corresponds to the category to which the small amount and short term insurer belongs, with regard to the small amount and short term insurer, the order according to the relevant category is to be an order set forth for the category (except for exception from the category) in that table corresponding to the ratio indicating the level of solvency in terms of the ability to pay insurance proceeds, etc. which is not less than the ratio indicating the small amount and short term insurer's level of solvency in terms of its ability to pay insurance proceeds, etc. and not more than the ratio indicating the level of its solvency in terms of its ability to pay insurance proceeds, etc. to be expected after the implementation of the plan; provided, however, that if it becomes clear that the plan is not reasonable, with regard to the small amount and short term insurer, an order according to the category in the table to which the small amount and short term insurer belongs is to be as prescribed in that paragraph.

(Notice of the Finance Minister)

Article 4 The notice specified by Cabinet Office Order/Ministry of Finance Order as prescribed in Article 311-3, paragraph (2) of the Act (limited to the notice under the provisions set forth in item (iv) of that paragraph) is to be the notice to be made if any of the cases set forth in the items of Article 1 applies.