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apan Insurance Supplementary Measures (1996) J

1996 SUPPLEMENTARY MEASURES BY THE

GOVERNMENT OF THE UNITED STATES AND THE

GOVERNMENT OF JAPAN REGARDING INSURANCE

December 24, 1996

Washington, D.C.

Representatives of the Government of the United States and the Government of Japan met from December 1995 through December 1996 regarding the interpretation and application of the Measures by the Government of the United States and the Government of Japan Regarding Insurance, dated October 11. 1994 ("Measures"). As a result of these consultations, each Government has decided to implement these supplementary measures described herein ("Supplementary Measures") as an integral pan of the Measures.

The two Governments note that on November 11, 1996, the Prime Minister of Japan instructed the Ministry of Finance to prepare and undertake fundamental reform and deregulation of Japan's financial system including the insurance sector by the year 2001. The Government of the United States welcomes this initiate and looks forward to its implementation. The two Governments share the view that implementation of the Measures and the Supplementary Measures is intended to be consistent with the Prime Minister's initiative to reform Japan's financial system.

Charlene Barshefsky, Kunihiko Saito

United States Trade Ambassador of Representative -- Designate Japan

I. Deregulation in the Primary Sectors

(1) The Ministry of Finance publicly announced on October 1, 1996 its decision to implement the following measures. The Government of the United States welcomes this decision by the Ministry of Finance.

a. A direct response system (Tsushin-Hanbai) for automobile insurance is a distribution method whereby insurance providers offer their products to consumers through advertising media, such as newspapers and magazines, and through direct mail or telephone calls; accept applications of consumers delivered via mail or telephone calls: and enter into contracts with consumers through an exchange via mail or telephone calls, without meeting the consumers.

The Ministry of Finance decided to approve applications for a direct response system for automobile insurance as of October 1. 1996. At the same time, the Ministry of Finance decided to approve payment of premiums through the use of credit cards, with the policy effective from the date when the insurance provider accepts credit card payment.

As of December 15, 1996, two insurance providers already have received approval of their applications to provide automobile insurance through a direct response system. The Ministry of Finance intends to appr J ve other such applications. provided that they meet the relevant legal criteria.

b. The Ministry of Finance decided to expand the scope of the advisory rate system for loading rates of commercial fire insurance effective April 1. 1998, by lowering the minimum amount per contract to 15 billion yen. J

c. The Mi i of Fi a ce decided o add effec ive Ap il 1. 1997, he followi g e p oduc o he li of p oduc - o which he o ifica io em applie wi h e pec o he a e a d ide fo uch p oduc :

medical malp ac ice liabili i u a ce (I hi Bai ho Seki i Hoke)

adva ced lo of machi e p ofi i u a ce (Sog o Kai hi Chie Hoke)

dela ed a of co uc io i u a ce (Kaig o Chie Hoke)

civil e gi ee i g comple ed i k i u a ce (Doboku Kozobu u Hoke)

uclea e e g i u a ce (Ge hi oku Hoke)

umb ella liabili i u a ce (Kig o Hoka u Bai ho Seki i Hoke)

e vi o me liabili i u a ce (Ka k o Oæ Bai ho Seki i Hoke)

e ec io i u a ce (Kumi a e Hoke)

moveable comp ehe ive i u a ce (Do a Sogo Hoke)

compu e comp ehe ive i u a ce (Ko p u a Sogo Hoke)

(2) The Mi i of Fi a ce i p epa ed o make fu he effo owa d de egula io i he p ima i u a ce ec o , a d will ake he followi g mea u e :

a. The Mi i of Fi a ce will expa d he cope of he advi o a e em fo loadi g a e of comme cial fi e i u a ce effec ive Ja ua 1, 1997, b lowe i g he mi imum amou pe co ac o 20 billio e a d o 7 billio e effec ive Ap il 1, 1998.

b. The Mi i of Fi a ce will add effec ive Ja ua 1, 1997. he p oduc de c ibed i ub ec io (1)c. above a well a he followi g p oduc o he li of p oduc o which he o ifica io em applie wi h e pec o he - a e a d ide fo uch p oduc :

boile a d u bo e i u a ce (Boile Tu bo e Hoke)

a i i u a ce (U oh Hoke)

c edi ca d hef i u a ce (C edi Ca d To a Hoke)

ge e al liabili i u a ce (Bai ho Seki i Hoke)

co uc io all i k i u a ce (Ke e u Koji Hoke)

u e bo d (Ho ho Shoke)

(3) Ra i g o ga iza io

a. To be efi Japa e e co ume h ough g ea e i ova io a d compe i io i he i u a ce ma ke , he Mi i of Fi a ce ha decided o ake ac io o u de ake fu dame al efo m of he a i g o ga iza io em, wi h a view owa d achievi g maximum libe aliza io h ough elimi a io of obliga io fo membe of a a i g o ga iza io o u e a e calcula ed b he a i g o ga iza io , while allowi g membe of a a i g o ga iza io o u e, fo he pu po e of calcula i g a e , he a i ical da a collec ed b he a i g o ga iza io .

b. The Gove me of Japa i e d o ubmi o he Die a ea l a po ible i 1998 legi la io which will achieve he objec ive me io ed i pa ag aph a above. All mea u e pe ai i g o dome ic legi la ive ac io a e ubjec o, a d do o p ejudge, delibe a io b he Japa e e Die .

c. Whe he legi la ive cha ge a d hei accompa i g admi i a ive mea u e a e impleme ed, he Mi i of Fi a ce will app ove, wi hi he a da d p oce i g pe iod of 90 da af e ubmi io , applica io allowi g i u a ce p ovide o diffe e ia e, o he ba i of he i k i u ed, he a e fo ms a d di ibu io of p oduc , wi hou ega d o whe he uch applica io u e a i ical a e calcula ed b he a i g o ga iza io . -

d. In the nte m e o e the leg slat ve changes and the accompany ng ad n st at ve measu es a e
le me nted, the M n st y o F nance welco me s, and w ll app ove w th n the standa d p ocess ng pe od o 90
days a te su ss on, appl cat ons o p oducts n jo p oduct catego es n the l e and non-l e secto s wh ch
p ov de o the le l ty to d e ent ate, on the as s o the sk nsu ed, the ates, o and d st ut on o
p oducts. (The t ng o app oval o d e ent ated auto nsu ance s add essed n su sect on (4) elow.)

p
e. In the event that an appl cat on n pa ag aph d. nvolves d e ent at on eyond the ates o p oducts app oved
w th n at ng o gan zat ons, the ollow ng p ocedu es w ll apply: x
a
s

. When an nsu ance p ov de les the appl cat on, t can des gn the p oduct w th ully d e ent ated ates y
ut l z ng the data collected y the elevant at ng o gan zat on, s nce t s st ll a me e o the at ng o gan zat on
at the t me o appl cat on.

. An nsu ance p ov de ma y, w thout hav ng to w thd aw o the at ng o gan zat on:

(A) o e a p oduct at a "spec al ate" ("Toku etsu- yo tsu" as p ov ded o n Sect on 4 o A t cle 10-5 o the
Rat ng O gan zat ons Law) app oved y the M n st y o F nance; and

(B) O fe a new p oduct not gove ned y the equ e me nts o A t cles 10-5 and 10-6 o the Rat ng O gan zat ons
Law, su ject to app oval y, the M n st y o F nance unde A t cle 123 o the Insu ance Bus ness Law.

. I a at ng o gan zat on concludes n gene al o n a pa t cula case that an nsu ance p ov de should w thd aw
o the o gan zat on to so deg ee, the M n st y o F nance w ll pu sue esolut on o techn cal ssues that a se
n connect on w th w thd awal, n a ma nne that ac l tates w thd awal w thout undue est ct ons o u dens on
the nsu ance p ov de .

v. When, n o de to o e a p oduct at d e ent ated ates, an nsu ance p ov de has to leave the at ng
o gan zat on w th espect to e that p oduct as well as othe p oducts o wh ch the nsu ance p ov de does not
ntend to o e d e ent ated ates eyond the anded ates, the M n st y o F nance w ll app ove the appl cat ons
o such othe p oducts at the t the nsu ance p ov de s equ ed to leave the at ng o gan zat on. p ov ded
that the appl cat ons use ates calculated y the at ng o gan zat on o those p oducts.

(4) Auto mo le nsu ance w th d e ent ated ates

a. W th a v ew to enhanc ng u the e the ene ts to Japanese consu s, the M n st y o F nance w ll app ove
appl cat ons o auto mo le nsu ance w th the le l ty to d e ent ate. on the as s o the sk nsu ed, the
ates, o and d st ut on o p oducts, nclud ng a d ect esponse syste o auto mo le nsu ance w th
d e ent ated ates (collect vely, "d e ent ated auto nsu ance") e ect ve Septe e 1, 1997.

. D e ent at on on the as s o the sk nsu ed ncludes d e ent e at on o ates outs de the anded ates ased
on the ollow ng sk acto s: age, se . d v ng h sto y, usage (e.g., co c al, pe sonal) and patte n o use
(e.g., s leage pe yea). geog aphy (y eg on, .e., Hokka do, Sh koku, Kyushu, and Honshu, wh ch w ll e
d v ded nto Tohoku, Kanto-Kosh netsu, Hoku ku-Toka , and K nk Chugoku), veh cle type, veh cle sa ety eatu es,
mu lt -ca owne sh p.

me

II. Ent y nto the th d secto y su s d a es

(1) Non-l e su s d a es o l e nsu ance p ov de s

a. Non-l e su s d a es o l e nsu ance p ov de s w ll e pe tted to sell pe sonal acc dent nsu ance o
Janua y 1, 1997, su ject to the ollow ng asu es to ad cal changes n the th d secto o s ll to d u m and
o e gn nsu ance p ov de s:

. p otect on o e st ng sales netwo ks cu ently ut l zed y s ma ll to d u m and o e gn nsu ance p ov de s, .e.,
not allow ng sales y the su s d a es o :
e a e

(A) pe sonal acc dent nsu ance ased on a s ngle pol cy w rtten and/o endo sed y non-p o t nte - ndust y
assoc at ons o oundat ons o ma nage s o co po at ons: x
e

(B) dome nd over e r vel den n ur n e hrough r vel gen .

(C) per on l den n ur n e for uden marke ed hrough or endor ed by hool (n lud ng ll level of hool . nd n lud ng publ nd pr v e hool), or hol , uden or p ren org n z on or o on (.e., g ku e-d n , do ok , nd P A); nd

(D) per on l den n ur n e hrough d re re pon e me hod (u h n-h nb);

. (A) n he e of o- n ur n e. no llow he ub d r e o ell group

per on l den n ur n e. when hey re no ng le d man ger mong o- n urer ; nd

(B) n he e of ole underwr ng or when ub d ry le d man ger mong o- n urer , no llow he ub d r e o ell group per on l den n ur n e o group, n lu ve of omp n e , o on , or o her org n z on p ble of pur h ng group per on l den n ur n e, h h h d n effe n he pre ed ng x mon h pol y for he me or ub u ble group per on l den n ur n e produ by mall o med um nd/or fore gn n ur n e prov der.

. no llow he ub d r e o ell ma ur y refund per on l den n ur n e.

(2) L fe ub d r e of non-l fe n ur n e prov der

In order o vo d r d l h nge n he bu ne env ronmen n he h rd e or, l fe ub d r e of non-l fe n ur n e prov der w ll no be llowed o ell nd- lone n er n ur n e nd nd- lone med l n ur n e, nd he M in ry of F n n e w ill ma n n he l mi reg rd ng he r o of r der benef o b e pol y benef h w a n ex en e before mplemen on of he new In ur n e Bu ne L w on Apr l 1. 1996.

(3) Cr er for ermin ng me ure o vo d r d l h nge

he M in ry of F n n e w il ermin e he me ure o vo d r d l h nged n he h rd e or n ub e on (1) T nd (2) bove wo nd one-h lf ye r f er ll he follow ing r er re me . he M in ry of F n n e n end for he d e of ermin on of he me ure de r bed n ub e on (1) nd (2) o be no l er h n 2001. o ompl h h end. he M in ry of F n n e n end o mplemen he me ure de r bed n e on I by no l er h n July 1. 1998. he r er re:

. whe her he M in ry of F n n e pproved, w i h n he nd rd pro e ng per od of 90 d y , ppl on for d fferen ed u o n ur n e de r bed n e on 1(4);

b. whe her he M in ry of F n n e h lowered he min mum n ured moun per on r requ red for ppl on of he dv ory r e y em for ommer l f re n ur n e de r bed n e on 1(2) .; T

. w h re pe o he no f on y em, whe her he M in ry of F n n e:

. h pu n o effe he no f on y em de r bed n e on 1(2)b.; nd

. llowed, w i h n he nd rd per od of 90 d y , marke ng of he produ no f ed o he M in ry of F n n e (.e., d d no reje he no f on);

d. whe her he M in ry of F n n e h mplemen ed he ne e ry leg l h nge (n lud ng dmin r ve me ure) o el min e obl g on for member of r ng org n z on o u e r e l ul ed by he r ng org n z on, de r bed n e on I(3); nd

e. w h re pe o ppl on for d fferen ed produ or r e , whe her he M in ry of F n n e pproved, w i h n he nd rd pro e ng per od of 90 d y , he ppl on ubmi ed.

III. O ther ue

(1) he M in ry of F n n e mmed ely w ill make publ nnoun emen of he h nge n pol e prov ded for n e on 1. T

(2) If an n an e p ov de ha bmitted do ment to the M in t y of F nan e elated to n an e p od t o ate , wh h the n an e p ov de on de to be an appl at on, the n an e p ov de may make a eq e t to the M in t y of F nan e to dete mine t tat . he M in t y of F nan e w ill e pond w itho t nd e delay to h eq e t and nd ate whethe t on de the do ment to on t t te a fo mal appl at on.

(3) he M in t y of F nan e e ogn ze the on e n a ed by the Gove nment of the Un ted State that a b tant al n ea e n the M in t y of F nan e taff ded ated to the p o e ng of appl at on fo n an e p od t and ate ne e a y to a h eve b oad p ma y e to de eg lat on, and w ill take mmed ate tep to n ea e the n mbe of taff n ha ge of p o e ng appl at on .

Note

I . e hn al e that w ill be e olved nde e t on I(3)e. . n l de the follow ing:

If an n an e p ov de w ithd aw s f om a at ng o gan zat on w ith e pe t to vol nta y a tomob le n an e, the e w ill be no hange n the n an e p ov de ' ope at on w ith e pe t to omp l o y a tomob le l ab l ty n an e (CALI). A o d ngly, the n an e p ov de w ill ont n e to be allowed to:

a. ell CALI w ith n the at ng o gan zat on y tem: and

b. oo d nate la ms adj tment w ith othe ompan e and ettle la ms a pe ent p a t e.

2. he even eg on ment oned n e t on I(4)b. on t of the follow ing p efe t e :

Hokka do: Hokka do

ohok : Aomo , Iwate, Ak ta, M iyag , Yamagata, and F k h ma

Kanto-Ko h net : okyo, Kanagawa, Sa tama, Ch ba, lba ag , o h g , G unma, Yamana h , Nagano, and N gata

Hok k - okal: oyama, I h kawa, F k , Sh z oka, A h , G if , and M ie

K nk -Ch pok : O saka, Kyoto, Sh ga, Na a, Wakayama, Hyogo, Okayama, H i o h ma. otto , Sh mane, and Yamag h

Sh kok : Kagawa, Eh me, ok h ma, and Ko h

Ky h : F k oka, Naga ak , Saga, O ita, K mamoto, M iyazak , Kago h ma, and Ok nawa

Endo ement" wh h appea n e t on II(1)a. .(A) and (C) mean e ommendat on (ho) and/o ba k- p (koen).

4. Non-p of t nte - nd t y a o at on o fo ndat on fo manage of o po at on wh h appea n e t on II(1)a. .(A) mean the Zenkok Hoj nka So engo, Kyok en Hoj nka , Kenhoj nka Rengoka , an- Hoj nka , Noze kyoka Rengoka , B okk -ka , and Noze kyoka .

5. In the event that no appl at on o not f at on have been bmitted by n nety day befo e the date of an a e ment of whethe the te a n e t on II(3) a e met, the te a n e t on II(3) . .. and e. w ill be on de ed to have been met.

6. he two Gove nment nde tand that wheneve th do ment tate that the M in t y of F nan e w ill app ove an appl at on o w ill not eje t a not f at on, the appl at on o not f at on mu t meet the appl able legal te a. he M in t y of F nan e w ill apply the legal te a n a fa and t an pa ent manne , and w ill nte p et them w ith a v ew towa d allow ing n an e p ov de to d ffe ent ate, on the ba of the k n ed, the ate , fo m , and d t b t on of p od t .

7. he mea e to avo d ad al hange n e t on II(l) do not apply to g o p long-te m d ab l ty n an e (danta hok hoga hotok ho ho hoken) and n ome ndemn ty n an e (hotok ho ho hoken) , n l ve of nd v d al long te m d ab l ty n an e (hok hoga tok yak).

EXECU IVE OFFICE OF HE PRESIDEN T

OFFICE OF THE ITE T TE TR E REPRE E T TIVE

WA HI GTO N, .C. 20508

cember 24, 1 6
e
The Honorable Kunihiko aito

mbassador of Japan

Embassy of Japan

Washington. . C.

ar mbassador aito:
e
I would like to state my Government's interpretation of section II(3) Of the upplementary Measures by the Government of Japan and the Government of the nited tates Regarding Insurance.

s you know, this section deals with the difficult question of how to make the decision as to whether primary sector deregulation has been implemented and, accordingly, whether the "reasonable period" will begin regarding the duration of the measures to avoid radical change in the third sector.

Your concern has been that the nited tates not maintain a "veto" over the starting of the reasonable period, because you need confidence that the measures to avoid radical change in the third sector will terminate by 2001, provided that the Ministry of Finance has implemented primary sector deregulation as stated in the upplementary Measures, in order to conform with the Prime Minister's "Big Bang" initiative for deregulation of Japan's financial markets.

Our concern is to be certain that the primary sector deregulation in fact has been implemented as described in the upplementary Measures before the reasonable period begins. From our view, it is unacceptable and contrary to international norms for any country including Japan to have the unilateral right to interpret measures that are the result of bilateral negotiations.

We believe that the text of the upplementary Measures satisfies both our concerns, in the following way.

First, it sets clear, specific, and objective criteria for evaluating whether the requisite primary sector deregulation has been implemented. Because the criteria are clear, specific, and objective, we do not anticipate any disagreement on the question as to whether they have been met, especially considering the Government of Japan's strong stated commitment to financial services deregulation.

econd, in order to avoid any possible misunderstanding with respect to the implementation of primary sector deregulation, we believe it will be essential for our two Governments to consult every six months, or at any time upon request of either government. Of course, as you know, the Measures provide for such consultations, and the upplementary Measures are an integral part of the Measures.

If, as we approach the time of the decision point (i.e., July 1, 1 8), we disagree as to whether the criteria have been met, our view is that we should consult intensively up until the time of the decision point to try to reach a common view. If we could not reach a common view by the decision point, section II(3) would preserve each 9 side's right to act in conformity with its view as to whether the criteria had been met. ccordingly, the text would not give legal precedence to either side's conclusion.

I believe that this is an appropriate and honorable solution to this issue that respects the position of each Government.

incerely,

Charlene Barshefsky

. . Trade Representative -- 9

Designate

Y OF J P N

WA HINGTON, D. C.

Decembe 24, 1996

Dea mbassado a shefsky:

I am in eceipt of you lette dated Decembe 24, 1996, and am happy to state that my Gove nment sha es the views exp essed in the afo ementioned lette .

ince ely,

Kunihiko aito

mbassado of Japan

The Hono able

Cha lene a shefsky,

cting United tates T ade Rep esentative

Office of the United tates T ade Rep esentative

600 17th t eet, NW

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