

July 13, 2009

Tokio Marine & Nichido Fire Insurance Co., Ltd.

## **Implementation of Business Improvement Plan**

Today, Tokio Marine & Nichido Fire Insurance Co., Ltd. (the "Company", President: Shuzo Sumi) submitted to the Financial Services Agency (the "FSA") its fifth follow-up report on the progress of its Business Improvement Plan (the "Plan"), which was submitted to the FSA on April 13, 2007, and the resulting improvements in the Company's business operations.

The Company has continued to submit such follow-up reports to the FSA every six months since the submission of the first follow-up report to the FSA on July 13, 2007. In addition, every three months the Company makes public announcements regarding the progress of the Plan.

In connection with the report submitted to the FSA today, the Company is reporting on the progress of the Plan and the resulting improvements made during the three-months since the Company's previous announcement on April 30, 2009.

As of October 1, 2008, the Company had implemented all of the 124 improvement measures that were included in the Plan and confirmed that improvements have resulted from many of these measures.

The Company intends to further enhance the effectiveness of these improvement measures by instituting a continuous PDCA (plan-do-check-act) cycle in its business operations.

### **I. Improvement and Strengthening of Governance**

#### **1. Quality Improvement Committee Meetings**

The Quality Improvement Committee is responsible for promoting sound business practices. In order to improve the quality of our business operations for consumers, the Quality Improvement Committee appointed two members from outside of the Company to the Committee to represent consumers in July 2007. In accordance with the framework set out in the Plan, nine Quality Improvement Committee meetings have been held since the addition of the two members from outside of the Company to represent consumers.

At the latest meeting, members had full discussions on topics including implementation and improvement of the Company's original sales qualification system, better policy renewal procedures to advance the quality of insurance solicitation, improvement of the quality of products and services based on customers' opinions and implementation of the Plan.

## **2. Compliance Committee Meetings**

The Compliance Committee is responsible for inspecting, monitoring and making proposals relating to various measures taken by the Company from an external and objective viewpoint. With the guidance of the Committee's chairperson, who is a member from outside of the Company, the Committee monitors the Company's progress with the Plan. Since appointing a member from outside of the Company as chairperson, nineteen Compliance Committee meetings, including regular committee meetings and meetings by *mochimawari* (ballot), have been held. At the latest meeting by *mochimawari* (ballot), members reviewed the progress of the Plan.

## **3. Improvement through "Drastic Reform of Business Process" Project**

The "Drastic Reform of Business Process" project is intended to establish a new, customer-friendly business process by substantially reforming the Company's existing products, back-office operations and IT systems. As the first product administered using this new business process, the Company launched a new auto insurance policy in July 2008.

Renewals of these new auto insurance policies beginning in July 2009 will be administered according to the new business process as well. The Company has started a new policy renewal process referred to as "Advance Renewal Support" (a support for renewal under a special clause contained in auto insurance policies), in which the Company notifies customers of upcoming policy renewals well in advance in order to prevent any unintended policy expirations.

## **4. Strengthening of Governance through Structural Reform (Implemented from July 2009)**

### (1) Establishment of "Quality Promotion Department"

In order to enhance the Company's monitoring functions to ensure the soundness of the Company's overall business operations, the Company established a new department, the "Quality Promotion Department". The department will be responsible for monitoring the progress of the Plan, collecting and analyzing customers' opinions and reviewing actual claim payment cases and solicitation materials. Furthermore, the department will serve an administrative role for the "Quality Promotion and Compliance Committee (See item (3) below)" by supporting its external and objective monitoring functions.

### (2) Establishment of "Business Process Innovation Department"

The "Business Process Innovation Department" will review and improve the overall business processes of the Company by focusing on customer friendliness and seeking to improve "customer value". The Department will reform business processes to make them more simple, efficient and streamlined while meeting "Anshin Quality" standards and providing added value to customers.

### (3) Establishment of "Quality Promotion and Compliance Committee" and "Business Process Innovation Committee"

The Quality Improvement Committee and the Compliance Committee will be merged into the "Quality Promotion and Compliance Committee (a board committee)". This new Committee will not have executive functions. Therefore, executive functions that were

previously performed by the Quality Improvement Committee, including the implementation of "Anshin Quality" standards and review of product development, will be transferred to a newly established "Business Process Innovation Committee (a management meeting committee)" that will be responsible for continuous implementation of business process reforms.

## II. Improvement and Strengthening of Claim Payment Management

### **1. Claim Payment Management System for Third-Sector Insurance Products and Incidental Insurance Benefits**

- (1) Reform of the claim payments management system for third-sector insurance products:  
Since August 2007, the Claims Management Department has been reviewing and confirming whether or not all claims/cases of third-sector insurance products have been handled in accordance with standard procedures. Common errors and other important observations found through these reviews are shared with all of the Company's claims departments in an effort to improve overall claims service quality. In addition, the Company publicly announces the results of these reviews periodically.
- (2) Reference to "Non-Fleet Grade Rating System" in a "Description of Insurance Coverage" Notice:  
In accordance with the "non-fleet grade rating system" applied to the Company's auto insurance policy for individuals, an insured who claims payment after an accident could be downgraded and offered increased premiums for the renewal of a policy. The Company added a reference to this system in the "description of insurance coverage" notice which is sent to policyholders after the Company receives claim notifications (implemented from March 2009). In addition, through a company-wide sampling conducted between April and May 2009, the Company confirmed that its claim departments keep record of the intentions and reasons for each policyholder who drops a claim.
- (3) Strengthening re-examination and review of our system of claim payment:  
The Voice of Customers Department has served in an administrative capacity for the Complaint Response Committee and the Claims Service Examination Committee since July 2007, helping these Committees function more effectively. A summary of re-examinations and reviews of claim payments by these Committees is shown in Attachment 1.

### **III. Protection of Policyholders and Increased Convenience for Policyholders**

#### **1. Expansion of Agent Monitor System and Establishment of Consumer Monitor System**

In order to help improve the quality of its business operations, the Company introduced the "Agent Monitor System" in 2007. Agent monitors provide feedback to the Company based on their direct experiences with customers. The number of agent monitors was increased in 2008.

Under the "Consumer Monitor System", valuable opinions from consumer monitors are collected during semi-monthly "filtering meetings" and monthly "advisory meetings". The Company then applies these consumer opinions to making various business improvements.

#### **2. Increased Transparency with Respect to Customers' Opinions**

Since July 2007, in order to improve the visibility of the Company's responses to customers' opinions, the Company has been periodically announcing the following information on its website.

- (1) Re-examinations and Reviews of Claims by the Complaint Response Committee and the Claims Service Examination Committee (see Attachment 1).
- (2) Details of Customers' Opinions Received during the Year Ended March 31, 2008 (see Attachment 2).
- (3) Examples of Improvements Made in Response to Customers' Opinions (see Attachment 3).

## 1. Re-examinations and Reviews of Claims by the Complaint Response Committee and the Claims Service Examination Committee

The Company conducted a total of 397 re-examinations and reviews from April to June 2009. In accordance with the results of these re-examinations and reviews, the Company changed its initial claim determinations and made payments for 13 cases. (Claim determinations were not changed with respect to 384 cases.)

(Number of re- examinations and reviews)

	April to June	July to September	October to December	January to March
FY2006	(Implemented from October 2006)		14	33
FY2007	66	293	456	374
FY2008	405	339	403	385
FY2009	397	—	—	—

## 2. Examples of Cases

Insurance Type	Issues involved	Outline of cases and re-examination results
Auto insurance (Passenger Accident Insurance)	Driving under the influence of alcohol	The family of an insured who was killed in a car accident where his car crossed the center line and crashed head-on into the oncoming car made a claim for payment. Investigation showed that the insured was driving under the influence of a certain amount of alcohol, the Company concluded that the case was not payable.
Family accident insurance	Causal connection between the accident and death	The family of an insured who died of heart failure 4 months after he broke his right thighbone in a fall at his home made a claim for payment. The insured was recovering from the injury and no causal connection between the accident and death was confirmed. Therefore, the Company concluded that the case was not payable.
Auto insurance (Passenger Accident insurance)	Grade of a residual effect	An insured who had a cerebral contusion and residual effect of higher brain dysfunction resulting from injuries sustained in a motorcycle accident made a claim for payment. It was initially concluded that the case was payable as a 5th grade residual effect of a higher brain dysfunction. However, medical certificates and other relevant additional materials that he submitted showed more significant difficulty to work and therefore the Company revised the grade of the residual effect from 5 to 3.

**Details of Customers' Opinions Received During the Year Ended March 31, 2009**

Category of customers' opinions	Typical example of opinion	April to June	July to Sep	Oct to Dec	Jan to Mar	April 2008 to March 2009		For Ref	
		Number of cases	Number of cases	Number of cases	Number of cases	Number of cases	Ratio	April 2007 to Mar 2008	
Complaints	[Products and services]								
	Insurance policies and pamphlets	Insurance policies and pamphlets are difficult to understand	722	715	697	804	2,938	3.6%	3,697
	Products and services	Demands for improvement in products and services	604	937	1,172	1,418	4,131	5.1%	3,471
	Subtotal: Products and services		1,326	1,652	1,869	2,222	7,069	8.8%	7,168
	[Underwriting: Procedures related to insurance policies]								
	Renewal of insurance policies	Delay in mailing of renewal notice	1,307	1,371	1,511	1,380	5,569	6.9%	3,258
	Explanation of insurance coverage	Insufficient explanation of important matters	2,575	2,804	3,325	4,372	13,076	16.2%	8,404
	Subtotal		3,882	4,175	4,836	5,752	18,645	23.1%	11,662
	[Underwriting: Management of policies]								
	Deficient insurance policies	Mistakes with contents of insurance policies	1,209	1,894	2,010	2,765	7,878	9.8%	1,825
	Undelivered insurance policies	Delay in mailing of insurance policies	533	610	544	526	2,213	2.7%	1,018
	Procedures for change in the insurance coverage	Procedures for change in the insurance coverage delays	1,281	1,416	1,457	1,564	5,718	7.1%	4,851
	Account transfer	Failure of transfer	709	1,215	1,682	1,325	4,931	6.1%	803
	Subtotal		3,732	5,135	5,693	6,180	20,740	25.7%	8,497
	[Underwriting: Response and customer treatment]								
	Response and customer treatment	Customer treatment on the phone or during visits	1,889	2,041	2,483	2,363	8,776	10.9%	2,492
	[Underwriting: Others]								
	Underwriting-related matters other than the above-mentioned		175	286	329	363	1,153	1.4%	640
	Subtotal: Underwriting		9,678	11,637	13,341	14,658	49,314	61.1%	23,291
	[Claim payment: Claim payment]								
	Communication and response	Delay in communication from employees and insufficient explanation of relevant procedures	2,445	3,005	3,810	4,127	13,387	16.6%	8,732
	Payment amount	Insufficient explanation of claim payment	950	1,045	1,460	1,514	4,969	6.2%	2,972
	Payment or non-payment	Payment or non-payment	162	196	211	272	841	1.0%	532
	Subtotal		3,557	4,246	5,481	5,913	19,197	23.8%	12,236
	[Claim payment: Response and customer treatment]								
	Response and customer treatment	Customer treatment on the phone or during visits	656	610	886	835	2,987	3.7%	1,463
	[Claim payment: Others]								
Claim payment-related matters other than the above-mentioned		114	155	131	136	536	0.7%	223	
Subtotal: Claim payment		4,327	5,011	6,498	6,884	22,720	28.1%	13,922	
[Personal information]		64	98	108	105	375	0.5%	316	
[Others]		267	289	421	283	1,260	1.6%	737	
Total of complaints		15,662	18,687	22,237	24,152	80,738	100.0%	45,434	
Requests		2,293	3,883	5,846	5,380	17,402	—	—	
Compliments		1,478	1,863	2,767	3,021	9,129	—	3,791	
Total		19,433	24,433	30,850	32,553	107,269	—	49,225	

**Examples of Improvements Made in Response to Customers' Opinions**

	Customers' opinions	Details of improvement
Change of the form of invoice (*)  (* )Used for cashless payment of premiums for corporate customers	"Although I received an invoice for my premium payment, I thought it was just a letter about changes in premiums. I believe the form should be changed so that customers can easily recognize it as an invoice". (Customer's opinion)	The Company made changes to the description and layout of the invoice. (Implemented from March 2009)
Enlarged font size of policyholder information on insurance application form	"The font size of the policyholder information (address and name) printed on the insurance application is too small and hard to read. I think the font size should be enlarged". (Customer's opinion)	The previous insurance application printing system automatically adjusted the font size based on the number of characters in the policyholder's information. The Company improved this system to print the policyholder's information in larger characters. (Implemented from June 2009)

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