

**Measures taken by Tokio Marine & Nichido Fire Insurance Co., Ltd.  
concerning its failure to pay insurance claims on incidental expenses**

Tokio Marine & Nichido Fire Insurance Co., Ltd. (President: Kunio Ishihara) recently sent a business improvement plan to the Financial Services Agency in response to the Agency's business improvement order of November 25, 2005.

The payment of insurance claims is the most fundamental and important function of an insurance company, and we would apologize deeply for having impaired the trust the policyholders and customers put in us and caused great inconvenience to them by having failed to pay insurance claims on incidental expenses and having received an administrative disposition from the Financial Services Agency (the business improvement order) under the Insurance Business Law..

We are determined to be fully mindful always of an insurance company's basic attitude of readiness to "inform customers of insurance claims covered under their policies without omission and pay all of them without fail and, at the same time, to do everything possible sincerely to avoid the recurrence of similar matters, as explained below. We hope we can have your understanding of our position. We may add that we have decided to enforce rigid disciplinary action on the president and other persons concerned for their responsibility for having failed to pay insurance claims on incidental expenses.

Measures to prevent the recurrence of a failure to pay insurance claims on incidental expenses

With the top management at the head of our corrective action in circumstances where the failure to pay insurance claims on incidental expenses arose in recent years, we will strive to restore customer trust in us by recognizing thoroughly, once again, the importance of the insurance company's basic principle of "informing customers of insurance claims covered under their policies without omission and paying all of them without fail", strengthening the internal control of the company and letting all people of the company and its agencies deal sincerely with measures of preventing the recurrence of similar matters..

1. Readiness to inform customers of insurance claims covered under their policies without omission

- (1) Whenever we offer insurance products to customers, we will explain to them full details of claims payable, by attaching, for example, easy-to-understand leaflets to brochures on those products..

(2) Whenever we are informed of the occurrence of an accident by a customer, we will make it a principle that the person handling the case will explain to him or her every detail of individual claims payable by using a check sheet concerning the payment of claims.

2. Readiness to pay customers all claims covered without any omission

(1) Whenever we pay insurance claims, we will practice a double check system to ensure the payment of insurance claims without any omission. A check sheet concerning the payment of insurance claims will be examined by the person handling the case and then by his or her superior.

(2) Whenever we pay the core part of an insurance claim, we will ensure that there should be no omission of incidental expenses from payment by adopting a system under which the case is not closed unless the payment of incidental expenses is finished.

3. Structuring of an appropriate business operation system concerning the payment of incidental expenses

(1) Concerning the monitoring system for the payment of incidental expenses, we will carry out inspection and monitoring in the 4 stages which are “Claims Service Centers” where the payment of claims is made, “the Claims Management Dept. and the Commercial Lines Claims Dept.” which oversee the payment of insurance claims., “the Compliance Dept.” and “the Internal Audit Dept.” responsible for after-the-event inspections and auditing..

(2) We will establish a new section in the Compliance Dept. to strengthen the function of checking and watching from a neutral position whether the payment of insurance claims by claims-related departments was made in an appropriate manner.

(3) Upon receipt of inspection and audit reports, the management will look into them to verify the state of business operations concerning the payment of incidental expenses and will give instructions for an analysis of causes and measures for improvement whenever the situation is considered unsatisfactory, thereby aiming at the construction of an appropriate business operation system.

Just to be sure, we are now making a review of the results of investigation made so far.

#### 4. Other measures taken concerning the payment of incidental expenses

(1) For the purpose of avoiding situations giving rise to the omission of payment of incidental claims in the development and revision of insurance products, we will establish “the Product Development and Revision Committee” under the Management Council. The Committee will check and verify system arrangements concerning the payment of insurance claims, etc. on the development and revision of products submitted to the Management Council and report findings to the Council. Thus, the internal control system will be strengthened.

(2) Whenever we receive inquiries in the future about the possible omission of payment of insurance claims, we will readily respond to such inquiries and will make every effort to deal with them in an appropriate manner.

#### 5. Progress control over measures to prevent the recurrence of similar matters

The Compliance Committee will monitor the implementation of preventive measures at regular intervals and, based upon its findings, the Management Council, Board of Directors, etc., will see to it that matters progress smoothly as intended.

#### Disciplinary measures imposed upon directors, officers and employees

The failure to pay insurance claims on incidental expenses goes counter to the fundamental and the most important function of an insurance company of paying legitimate insurance claims. The management considers this to be a grave issue affecting the company in its entirety, and the president and directors concerned have decided voluntarily not to accept 30 to 10% of one month's remuneration for them. Additionally, we have decided to enforce rigid disciplinary action on the general managers concerned in accordance with the office regulations.