

September 25, 2006

Tokio Marine & Nichido Fire Insurance Co., Ltd.

CIRC's Notice of Warning and Fine
Sent to our Company's Representative Office in Beijing

Tokio Marine & Nichido Fire Insurance Co., Ltd. (President: Kunio Ishihara) received notice of a warning and fine from the Chinese Insurance Regulatory Commission (CIRC) on September 22, 2006 concerning the activities of the company's representative office in Beijing.

The company has taken the notice in all seriousness and reviewed the business scope of its representative offices in China, arriving at the conclusion that we should stay away from acting for and on behalf of local insurance companies regarding individual insurance contracts.

On the other hand, the company will continue serving customers in China with general information on types of insurance available in the country, procedures for effecting insurance contracts, etc.

We are deeply sorry and apologize to you for any trouble caused.

1. Background

Since the establishment of a representative office in Beijing in 1980, the company has been continuing business in China on the understanding that it is part of the office's service to customers and within the legitimate scope of its activities to act as a go-between for customers and Chinese insurance companies. Much to our regret, however, it was pointed out by the CIRC that the office's behavior as proxy for local insurers in respect of insurance contracts for Japanese companies doing business in China had gone beyond the business scope of a representative office as provided for by law.

2. CIRC's points and action taken

It was pointed out by the CIRC that the inquiries to Chinese insurers about premium rates, negotiations with them for new and renewal contracts, reinsurance arrangements, etc. which our Beijing office had conducted between 2002 and 2005 regarding insurance contracts with Japanese-affiliated companies came under "Insurance Operational Activities" prescribed by law and thus went counter to the provisions of Article 6 of the Insurance Law and Article 2 of Rules

on Administration of Representative Offices of Foreign Insurance Institutions, with the result that a fine of Yuan 90,000 (approximately Yen 1.3 million) was imposed on our Beijing Office and that a warning was given to the chief representative of the office.

3. Our future action

Our company has taken the above situation most seriously and sincerely and made a review of the business scope of our representative offices in China. The conclusion we have reached is that such offices should not be involved at all in any individual insurance contract of customers so that we may comply fully with the revision of the Rules on Administration of Representative Offices of Foreign Insurance Institutions which came into force on September 1 and which made their application more rigorous. We will make every effort to run the business of our representative offices in an appropriate manner by taking steady and prompt action based on the conclusion.

On the other hand, the CIRC's measures taken this time concern the involvement of our representative office into individual insurance contracts and it is our intention to continue servicing Japanese-affiliated companies in China with general information on types of insurance available in China, as well as on procedures for effecting insurance contracts and proceeding with the settlement of insurance claims.

<For reference>

The translation into English of the related legal provisions

The Insurance Law of the People's Republic of China (In force on October 1, 1995 and revised on January 1, 2003)

Article 6

The person who carries on the insurance business of a commercial nature must in all cases be an insurance company established in accordance with this law. Any other organization or private individual shall not be permitted to conduct any insurance business of a commercial nature.

Rules on Administration of Representative Offices of Foreign Insurance Institutions (In force on September 1, 2006)

Article 2 (an extract)

Representative offices hereof referred to in these rules are both representative offices and general representative offices established by foreign insurance institutions within Chinese territory for the purpose of conducting such non-operational activities as liaison service and market research etc.