

<Tentative translation>

March 14, 2007

NIPPONKOA Insurance Co., Ltd.

Administrative Orders from the Financial Services Agency

NIPPONKOA Insurance Co., Ltd. ("NIPPONKOA") today received administrative orders from the Financial Services Agency for partial suspension of business and for improvement of business pursuant to Article 132, paragraph 1 of the Insurance Business Law.

We sincerely apologize for the enormous inconvenience this has caused our policyholders and other concerned parties. The outline of the administrative orders and the relevant facts are indicated below. We gravely accept the administrative orders with utmost seriousness, and all executives and employees of NIPPONKOA will strive to regain trust in unified effort in order to prevent recurrence of the problem.

1. Outline of administrative orders and provisions of governing law

<Orders pursuant to Article 132, paragraph 1 of the Insurance Business Law>

- (1) The conclusion of insurance contracts related to third-sector products and insurance solicitation operations (excluding the automatic renewal of contracts) must be suspended from Monday April 2, 2007 to Sunday, July 1, 2007, both dates inclusive. ("Third-sector products" here refers to insurance or special contract provisions with payment of claims associated with illness or nursing care, including but not limited to medical insurance, cancer insurance, income indemnity insurance, medical expense insurance, nursing-care expense insurance. It excludes overseas travel accident insurance. The same applies for the following items.)
- (2) Business operations related to applications for approval of new third-sector products and notifications for revision of the existing third-sector products, as well as business operations related to applications for approval of representation business of financial institutions including other insurance companies must be suspended from Thursday, March 15, 2007 to Thursday, June 14, 2007, both dates inclusive.
- (3) Improvement and enhancement of corporate governance system
 - A) A system must be established in which the company management is involved in developing a proper business management system to avoid occurrence of improper nonpayment of insurance claims.

- B) An effective internal audit system must be established in which improvements are made based on a proper understanding of realities related to the issue of the nonpayment of insurance claims.
- (4) Improvement and enhancement of insurance claim payment management system
- A) A payment management system for insurance claims related to third-sector products must be developed, including the establishment of fair and accurate investigation structure and procedures.
 - B) Necessary reviews of, and improvements to, rules, manuals, etc. for the purpose of carrying out proper business operations must be made, after verifying all business operations related to customer relations such as insurance solicitation and insurance claims payment related to third-sector products.
 - C) The staff engaged in processing claims payment of third-sector products must be thoroughly educated.
 - D) A system must be made to ensure the prompt and appropriate handling of customer relations with regard to cases in which improper nonpayment of insurance claims is identified.
- (5) Improvement and enhancement of policyholders' protection and policyholders' convenience
- A) A management system related to employees and agencies must be made in order to carry out proper insurance solicitations and customer explanations with regard to third-sector products.
 - B) Effective systems must be made to enable follow-up verifications after product sales, including grievances.
 - C) Transparency of information related to grievances, etc. must be increased.
- (6) Improvement and enhancement of legal compliance systems
- A) Legal compliance systems must be reviewed and improved.
 - B) In order to foster a corporate climate of legal compliance, thorough training must be provided, as well as periodic follow-up training.
- (7) Clarification of responsibilities of executives and employees
- Responsibilities of executives and employees must be clarified with regard to the cause of the issues which have led to the above-mentioned business suspension orders and business improvement orders.

2. Relevant facts which have led to the administrative orders

- (1) According to policy conditions, with regard to onset of an illness prior to the effective date of insurance coverage ("prior onset of illness" hereafter), the insurance company

is not liable for payment when the prior onset of illness has been certified by a physician's diagnosis. There were cases, however, in which nonpayment was improperly applied, such as when employees made determinations regarding the prior onset of illness, not based on physician's diagnosis.

- (2) There were cases in which improper nonpayment was applied on the ground of failure of disclosure. For instance, there were cases in which nonpayment was applied on the ground of failure of disclosure although there was no causal relation between the medical history unreported by the policyholder when enrolling in insurance and the grounds for the insurance claim made, or in which the insurance company terminated the contract after the contestability period had passed.
- (3) There were cases in which a non coverage clause was improperly applied, such as when employees erroneously believed that a non coverage clause for a specific illness was attached despite the fact that such clause was not attached.
- (4) There were other cases such as those in which circumstances could not be verified when nonpayment was made based on a customer's declaration of intent to abandon the right to file an insurance claim.

3. Recurrence prevention measures

The following are the principal measures we have formulated to date to prevent recurrence of the problem.

- (1) Enhancement of corporate governance system
 - A) Establishment of "Committee for Proper Claims Payment" (April 2006)
 - B) Establishment of "Committee for Quality Improvement" (November 2006)
 - C) Establishment of "Nomination and Compensation Committee" (December 2006)
- (2) Development of framework toward structuring management systems related to third-sector products
 - A) Establishment of "Medical Insurance Department" (January 2007)
 - B) Establishment of "Rules for Claims Payment Management" (March 2006)
 - C) Centralized management of claims payment processing with regard to all third-sector products (April 2007)
 - D) Establishment of "Claims Payment Management Department" (October 2006)
 - E) Establishment of "Claims Payment Examination Council" (October 2006)
 - F) Establishment of "Claims Counseling Section" (October 2006)
 - G) Enhancement of audit system (November 2006)
- (3) Training of the staff engaged in claims payment for third-sector products and maintenance and improvement of their capability

- A) Implementation of medical counseling (November 2006)
- B) Implementation of examination system regarding medical knowledge (December 2006)
- (4) Enhancement of coordination among relevant departments
 - A) Revision of declaration form for policyholders (from August 2006 onward)
 - B) Clarification of verification rules regarding circumstances of insurance solicitation (August 2006)
 - C) Centralized management of policy termination procedures and termination dates (August 2006)
 - D) Establishment of internal rule for response in case of violation of disclosure obligation by a policyholder (November 2006)

4. Clarification of responsibilities

We will clarify the responsibilities of executives and employees with regard to the cause of the problems and will rigorously punish those involved. We will announce our official decision of the punishment after formulating the business improvement plan based on the business improvement order.