

**NISSAY  
DOWA**

# Financial Situation, Operation and Strategies of Nissay Dowa General Insurance

December 11, 2006

Nissay Dowa General Insurance Co.,Ltd.

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1. Financial Review of Interim Closing at Sept. 30, 2006

2. Forecast for FY 2006

3. Progress of Mid-Term Management Plan



## Financial Highlights

Net premiums written in the interim closing at Sept. 30, 2006 increased by 1.2%. The loss ratio rose slightly. The expense ratio remained stable at the same level as in the previous financial period thanks to improved efficiency by making strategic investments. As a result, current income was 6.7 billion yen and net income was 4.5 billion yen.

	Billion yen, %		
	Sept. 2005	Sept. 2006	Increase /Decrease
Premiums written (Growth rate)	170.9 (0.4%)	174.4 (2.0%)	3.4
Net premiums written (Growth rate)	159.3 (0.8%)	161.2 (1.2%)	1.9
Expense ratio	32.0%	32.0%	±0.0%
Loss ratio	57.7%	58.7%	1.0%
Underwriting balance ratio	10.4%	9.3%	▲1.1%
Current income	10.7	6.7	▲4.0
Net income	4.6	4.5	▲0.1

\*The figures for premiums written exclude the amount of deposit premiums from policyholders.



## Net Premiums Written by Line of Business

Net premiums written continued to increase in miscellaneous categories including the rapidly growing liability and aviation insurance. In addition, net premiums written for voluntary automobile insurance, a leading product, achieved a turnaround in this period.

Billion yen, %

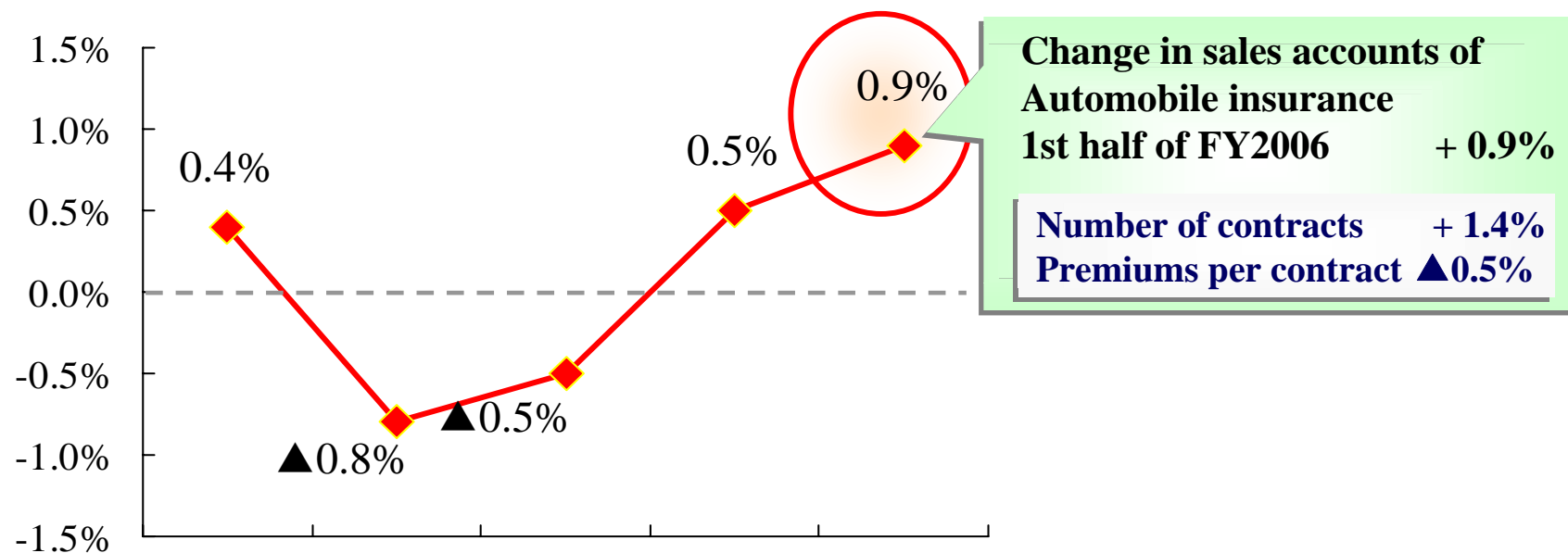
	Sept. 2005		Sept. 2006		FY2005	
	Net premiums	Growth rate	Net premiums	Growth rate	Net premiums	Growth rate
Fire	22.0	7.9%	21.8	▲0.8%	48.9	2.3%
Marine	2.1	▲3.3%	2.1	0.9%	4.6	▲3.7%
Personal Accident	15.1	0.9%	15.1	▲0.3%	29.9	▲3.9%
Voluntary Automobile	79.9	▲0.5%	80.6	0.9%	159.5	0.0%
CALI	21.1	▲3.3%	20.5	▲2.7%	40.3	▲2.7%
Miscellaneous	18.9	3.3%	20.9	10.4%	38.4	3.5%
Total	159.3	0.8%	161.2	1.2%	321.7	▲0.0%

# Analysis of Net Premiums of Automobile Insurance

Net premiums of voluntary automobile insurance started to increase in the second half of FY2005. The company estimates that it will continue to grow steadily as the decrease of premiums per contract in sales accounts fell to 0.5% and almost ceased.

[Change in net premiums of voluntary automobile insurance]

[Analysis of number of contracts and premiums per contract]



	1st half of FY2004	2nd half of FY2004	1st half of FY2005	2nd half of FY2005	1st half of FY2006
Change in net premiums from the same period of the previous year	+0.4%	▲0.8%	▲0.5%	+0.5%	+0.9%

## Premiums by Channel

Due to Nissay's accelerated market development, sales figures for NLI and auto dealers increased. The growth rate of premiums through the corporate channel dramatically increased to 7.3% due to improved corporate business performance.

[Sales accounts]

	Premiums Sept. 2006	Amount of increase	Growth rate
Nippon Life sales staff	36.2	0.8	2.3%
Professional agents	38.3	±0.0	0.0%
Corporate channel	35.3	2.4	7.3%
Banks	9.5	0.1	1.3%
Auto dealers	10.0	0.5	4.8%
Auto repair shops	18.8	▲0.1	▲0.6%
Miscellaneous	23.4	0.1	0.3%
<b>Total</b>	<b>171.3</b>	<b>3.8</b>	<b>2.2%</b>

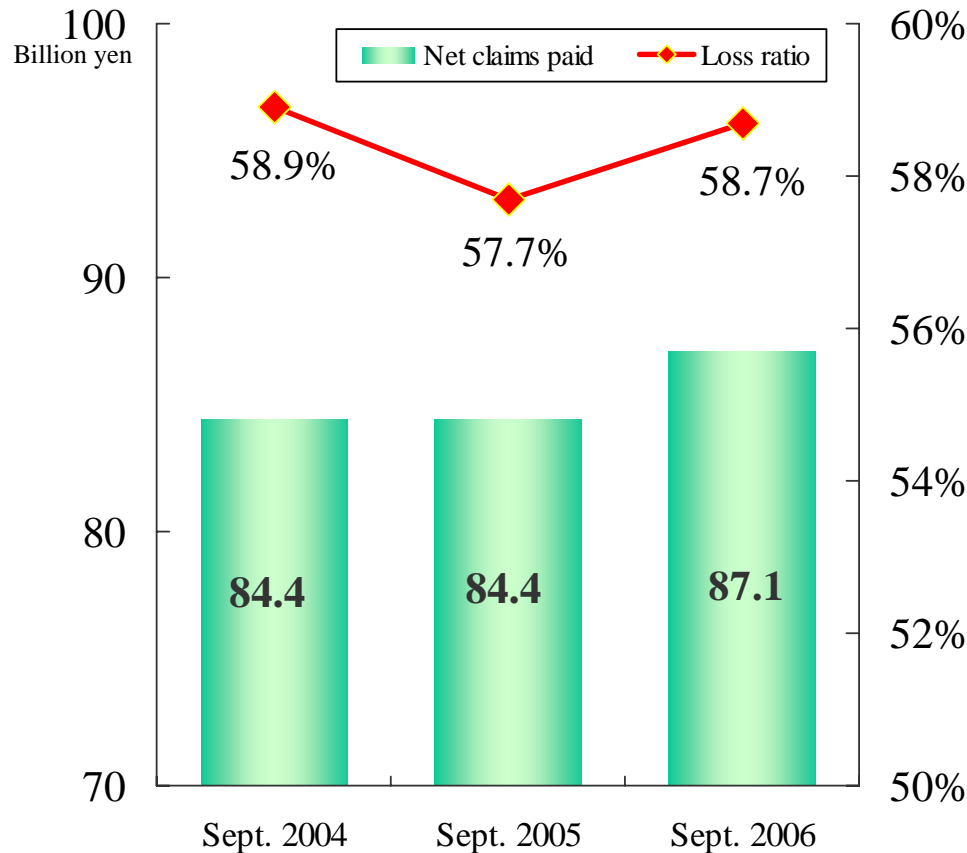
\*Figures for Nippon Life sales staff include premiums made by other sales agents related to Nissay's market.

# Loss Ratio



As net claims paid for voluntary automobile insurance and CALI increased, the loss ratio increased by 1 point to 58.7%.

[Net claims paid, Loss ratio]



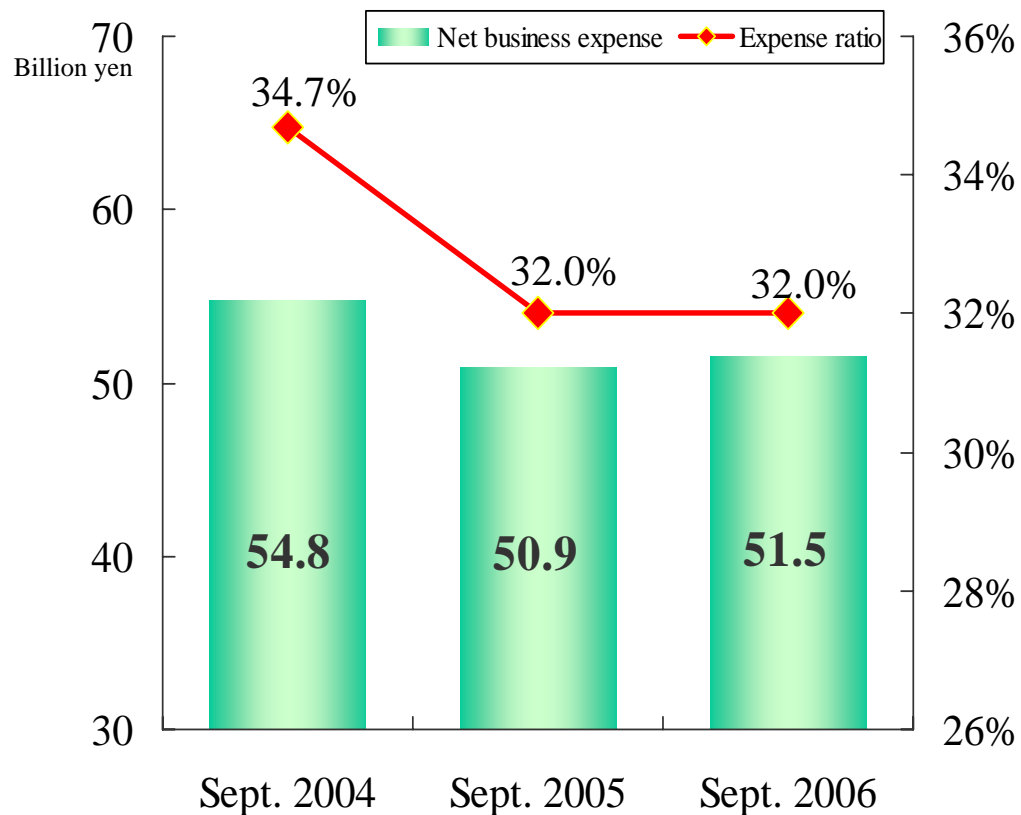
[Net claims paid and loss ratio by line of business]  
Billion yen, %

	Sept. 2005		Sept. 2006	
	Net claims paid	Loss ratio	Net claims paid	Loss ratio
Fire	8.6	40.8%	8.8	41.7% (+0.9%)
Marine	1.2	62.5%	1.3	63.8% (+1.3%)
Personal Accident	5.8	42.6%	5.6	42.2% (Δ0.4%)
Voluntary Automobile	45.9	63.4%	47.5	64.9% (+1.5%)
CALI	13.3	69.1%	14.2	75.2% (+6.1%)
Miscellaneous	9.3	51.6%	9.5	47.5% (Δ4.1%)
Total	84.4	57.7%	87.1	58.7% (+1.0%)
(Reference: Figures exclude the effect of CALI.)				
Total	77.2	56.5%	78.6	56.7% (+0.2%)

# Expense Ratio

By continuing to strategically invest in IT for strengthening the management infrastructure and reducing business expenses aggressively in all quarters, net business expenses increased by 0.6 billion yen to 51.5 billion yen and the expense ratio was 32.0%, the same level as in the previous financial period.

[Net business expenses, Net expense ratio]



[Breakdown of net business expenses]

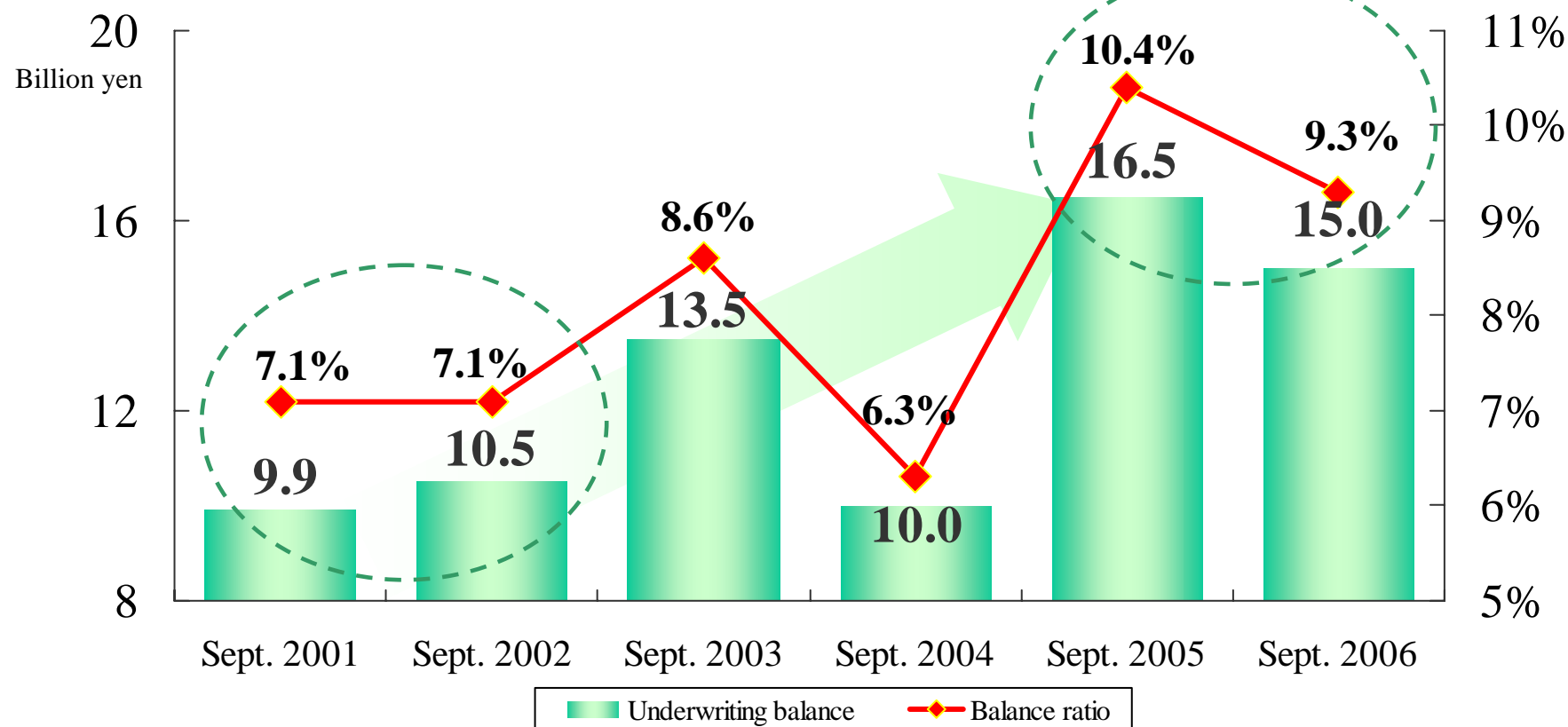
	Billion yen		
	Sept. 2005	Sept. 2006	Increase/Decrease
Personnel expense	10.3	10.3	0.0
Non-personnel expense	11.8	12.4	0.6
Taxes and others	1.1	1.0	△ 0.0
Net commissions and brokerage	27.5	27.5	0.0
<b>Total</b>	<b>50.9</b>	<b>51.5</b>	<b>0.6</b>



## Underwriting Balance Ratio

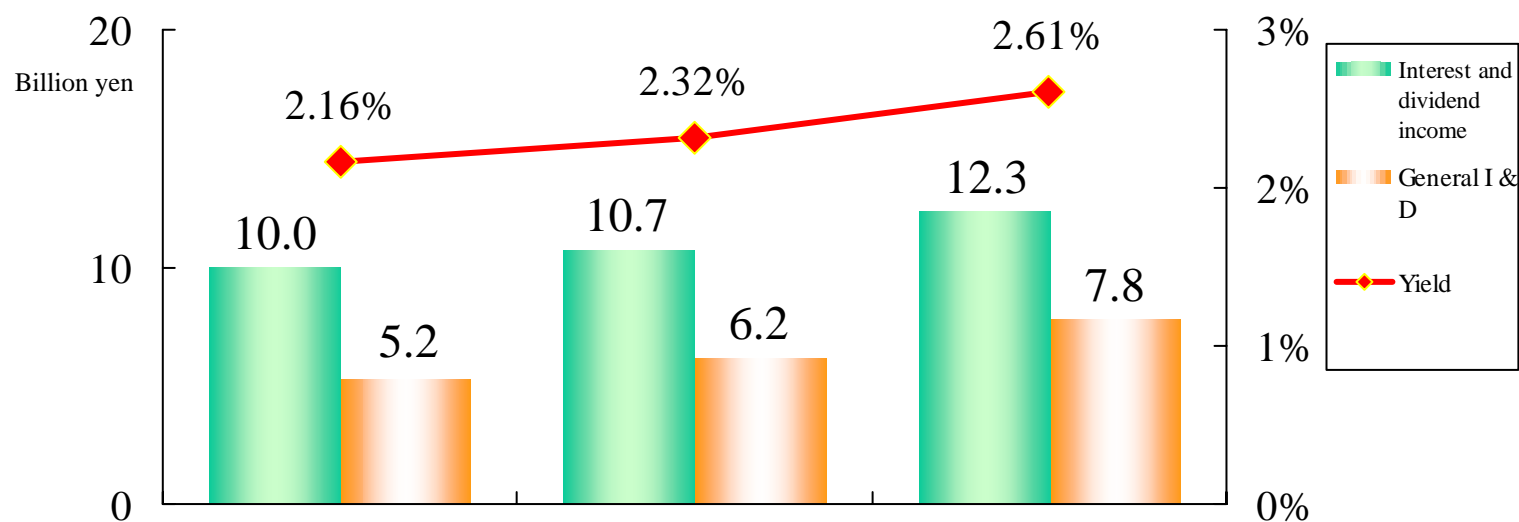
The underwriting balance was 15.0 billion yen and the balance ratio was 9.3%. Compared with the figures of Sept. 2001 and Sept. 2002 right after the merger, the company's profitability has significantly improved.

[Underwriting balance, Balance ratio]



## Interest and Dividend Income

Interest and dividend income increased by 1.5 billion yen to 12.3 billion yen mainly because of the increase in the interest of foreign-currency assets. As a result, yield rose to 2.61%. General I&D, or interest and dividend income after deducting investment profit from maturity refund, which influences current income directly, increased to 7.8 billion yen.



	Sept. 2004	Sept. 2005	Sept. 2006	Increase/Decrease
Interest and dividend income	10.0	10.7	12.3	+1.5
Public & corp. bonds	2.2	2.1	2.2	+0.1
Stocks	2.5	3.1	3.3	+0.2
Foreign securities and savings	3.4	3.9	5.3	+1.4

# Investment Results

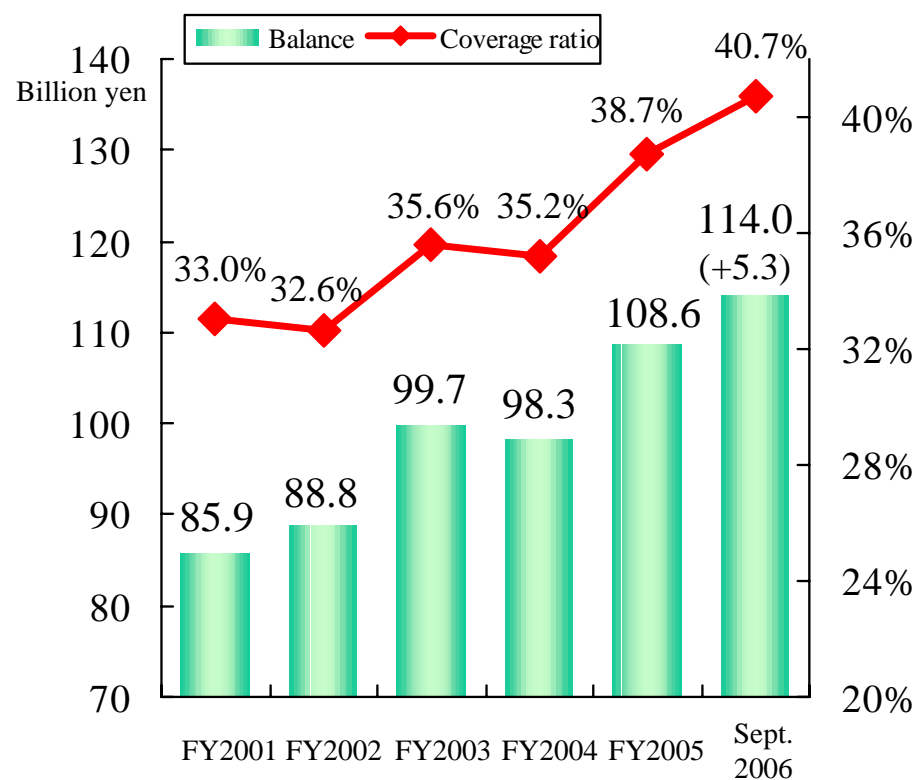
Investment profit decreased by 0.5 billion yen to 11.9 billion yen from the previous financial period. This was mainly because capital gains from sales of business related equity holdings decreased by 1.5 billion yen. Unrealized capital gains on marketable securities was 292.6 billion yen, maintaining a high level.

		Billion yen			
		Sept. 2004	Sept. 2005	Sept. 2006	Increase/ Decrease
Investment income	(Net) Interest and dividend	5.2	6.2	7.8	1.5
	Capital gains	17.5	7.4	7.2	▲ 0.2
	by sales of business related equity holdings	15.9	4.1	2.6	▲ 1.5
	Other investment income	0.3	0.8	0.0	▲ 0.8
Total		23.2	14.5	15.0	0.5
Investment cost	Capital loss	0.8	0.5	0.3	△ 0.1
	Loss from revaluation of securities	0.0	0.2	0.3	0.1
	Other investment cost	3.6	1.3	2.4	1.0
Total		4.5	2.0	3.1	1.0
Investment profit		18.7	12.4	11.9	▲ 0.5
Unrealized capital gain on marketable securities		165.9	255.3	292.6	37.3

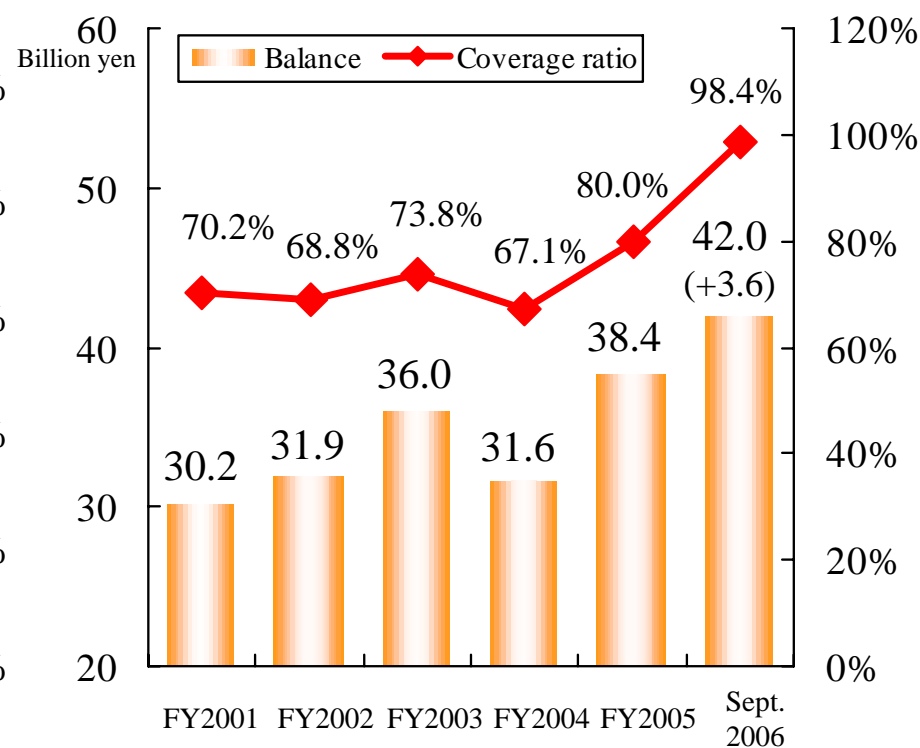
# Catastrophe Loss Reserves

The company carried out a planned transfer of catastrophe loss reserves according to the change of the law. In this financial period, the company transferred 5.3 billion yen in total, increasing the balance to 114.0 billion yen and the coverage ratio to 40.7%. For fire insurance, the company transferred 3.6 billion yen and the coverage ratio increased to 98.4%.

[Catastrophe loss reserves - Total]



[Catastrophe loss reserves - Fire insurance]



## Influences of Statistical IBNR Reserves

From this financial year, we are obligated to accumulate IBNR reserves calculated by statistical methods. The company completed this for all lines of business in this financial period after it had done so for automobile insurance in the previous financial year in advance.

### [Statistical IBNR reserves]

- From FY2006, we are obligated to accumulate IBNR reserves calculated by statistical methods.

### [IBNR reserves]

Reserves of claims paid which are saved for accidents “Incurred But Not Reported” at the end of the financial year.

### [Line of business, statistical IBNR reserves applied]

Automobile insurance, Liability insurance, Workers’ accident compensation insurance, Aviation insurance, etc.

### [Measures for FY2005]

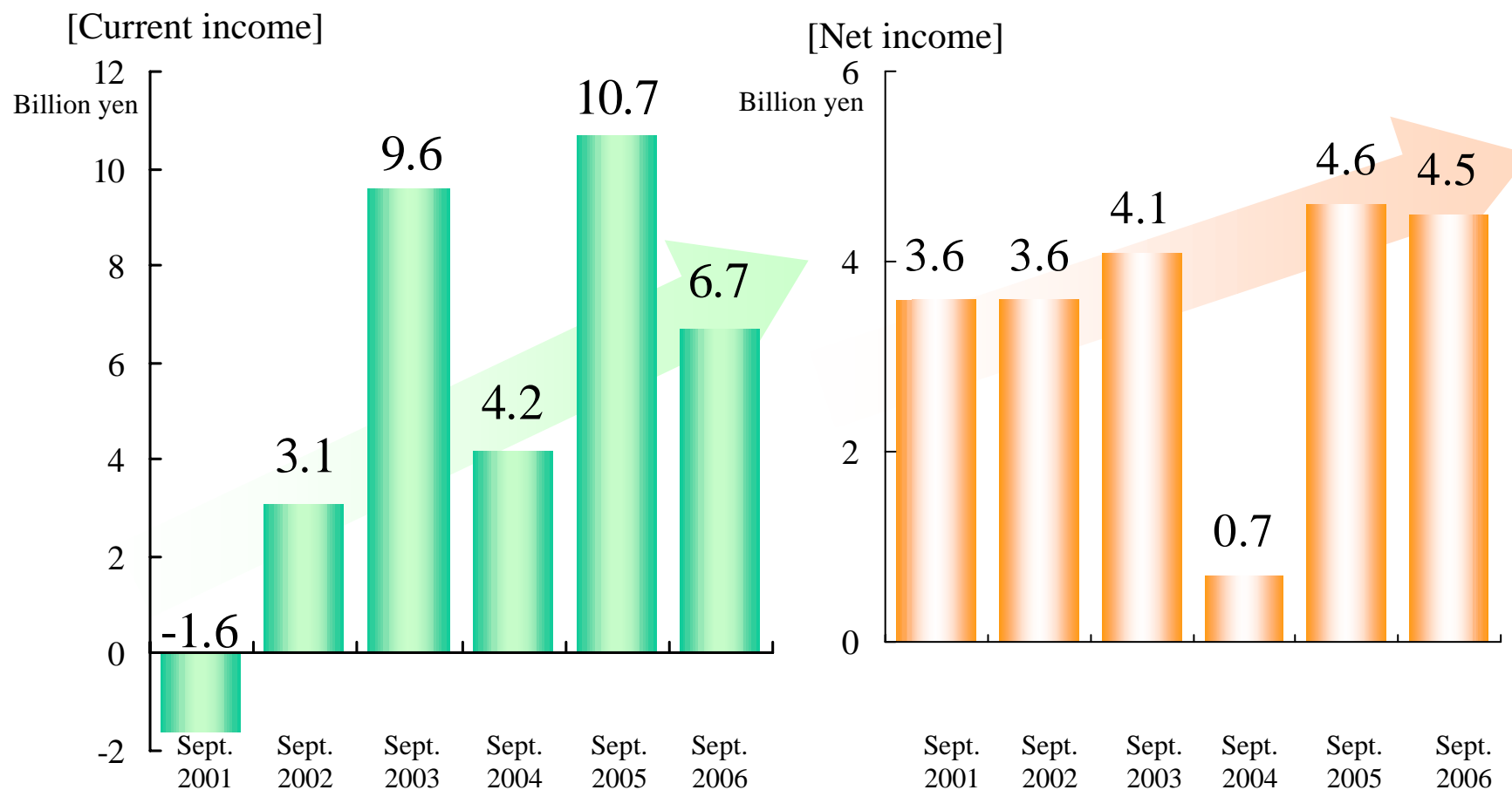
- The company accelerated the schedule for one year and calculated the amount of IBNR reserves using statistical methods and transferred 10.8 billion yen additionally for voluntary automobile insurance.

### [Measures for Sept. 2006]

- The company completed the shift to statistical IBNR reserves by transferring an additional 2.7 billion yen.

## Current Income & Net Income

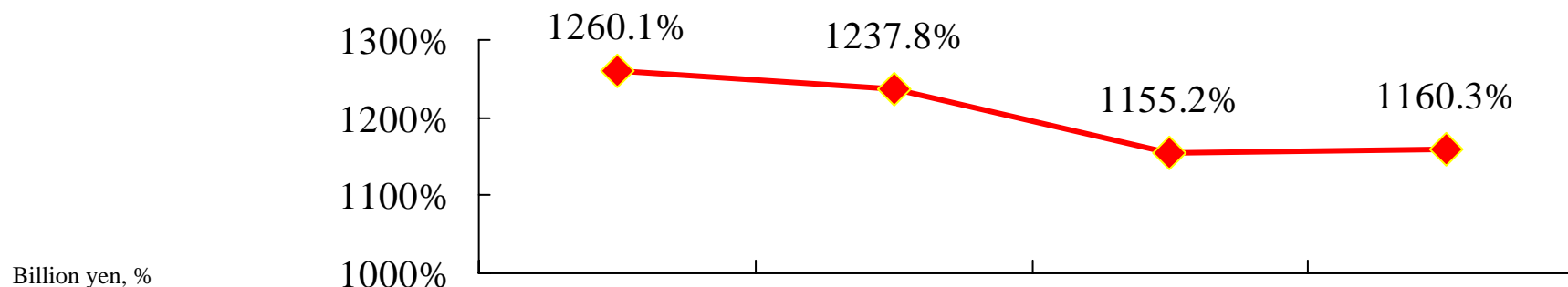
As the company strove to transfer catastrophe loss reserves and IBNR reserves for strengthening creditworthiness, current income decreased by 4.0 billion yen to 6.7 billion yen from the same interim period of the previous financial year. Net income remained 4.5 billion yen.



## Solvency Margin Ratio

The solvency margin ratio slightly increased to 1160.3% from the end of the previous financial year. The company thus maintained the highest level in the industry.

[Solvency margin ratio]



Billion yen, %

	FY2003	FY2004	FY2005	Sept. 2006
(A) Total amount of solvency margin	494.7	489.0	620.6	611.8
Catastrophe loss reserves	116.2	115.6	127.0	132.9
Unrealized capital gains of securities	174.1	171.2	285.8	263.2
Unrealized profit and loss of real estate	6.0	4.6	4.7	5.3
(B) Total risk volume	78.5	79.0	107.4	105.4
Asset management risk	45.0	42.9	55.6	54.7
Disaster risk	27.9	30.1	45.7	44.6
(C) Solvency margin ratio [(A)/{(B)×1/2}]×100	1260.1%	1237.8%	1155.2%	1160.3%

1. Financial Review of Interim Closing at Sept. 30, 2006

**2. Forecast for FY 2006**

3. Progress of Mid-Term Management Plan



## Forecasts for FY2006

In FY2006, the company will increase its net premiums by 2.0% and expects the underwriting balance ratio to be 6.3%. Thus, the company will achieve 12.0 billion yen in current income and 7.5 billion yen in net income.

Billion yen, %

	FY2005	Sept. 2006	Forecast for FY2006		
			Forecast (as of Sept. 2006)	Increase/Decrease from the previous year	Original forecast
Net premiums written (Growth rate)	321.7 (▲0.0%)	161.2 (1.2%)	328.1 (2.0%)	+6.3	330.6 (2.7%)
Expense ratio	32.5%	32.0%	32.5%	±0.0%	32.5%
Loss ratio	59.7%	58.7%	61.2%	+1.5%	59.7%
Underwriting balance ratio	7.8%	9.3%	6.3%	▲1.5%	7.8%
Current income	11.7	6.7	12.0	+0.2	13.0
Net income	7.3	4.5	7.5	+0.1	8.0
Revised ROE	4.6%	—	4.6%	±0.0%	4.9%

\*Revised ROE is adjusted by deducting the net increase in unrealized gain on available-for-sale securities from the equity section of the balance sheet.

## Forecasts of Net Premiums Written

In FY2006, the company will increase its net premiums of fire insurance by 2.1%, the same as the previous year, and voluntary automobile insurance by 1.7% as premiums per contract have almost ceased falling. New insurances included in the miscellaneous category are expected to increase by 6.1% as liability insurance is growing rapidly.

[Forecasts of net premiums written]

Billion yen, %

	FY2004		FY2005		Forecast for FY2006	
	Net premiums	Growth rate	Net premiums	Growth rate	Net premiums	Growth rate
Fire	47.8	▲3.3%	48.9	2.3%	50.0	2.1%
Marine	4.8	6.8%	4.6	▲3.7%	4.7	2.5%
Personal Accident	31.1	3.1%	29.9	▲3.9%	30.0	0.5%
Voluntary Automobile	159.4	▲0.2%	159.5	0.0%	162.2	1.7%
CALI	41.4	▲0.0%	40.3	▲2.7%	40.2	▲0.1%
Miscellaneous	37.1	0.5%	38.4	3.5%	40.7	6.1%
Total	321.8	▲0.2%	321.7	▲0.0%	328.1	2.0%

## Forecasts of Loss Ratio (by Line of Business)

The loss ratio for voluntary automobile insurance is expected to be 67.6% due to the increasing number of payments. The loss ratio of CALI will be higher than in previous years, but will not influence net profit because the insurance company's underwriting profit is always adjusted to be 0.

[Forecasts of net claims paid and loss ratio]

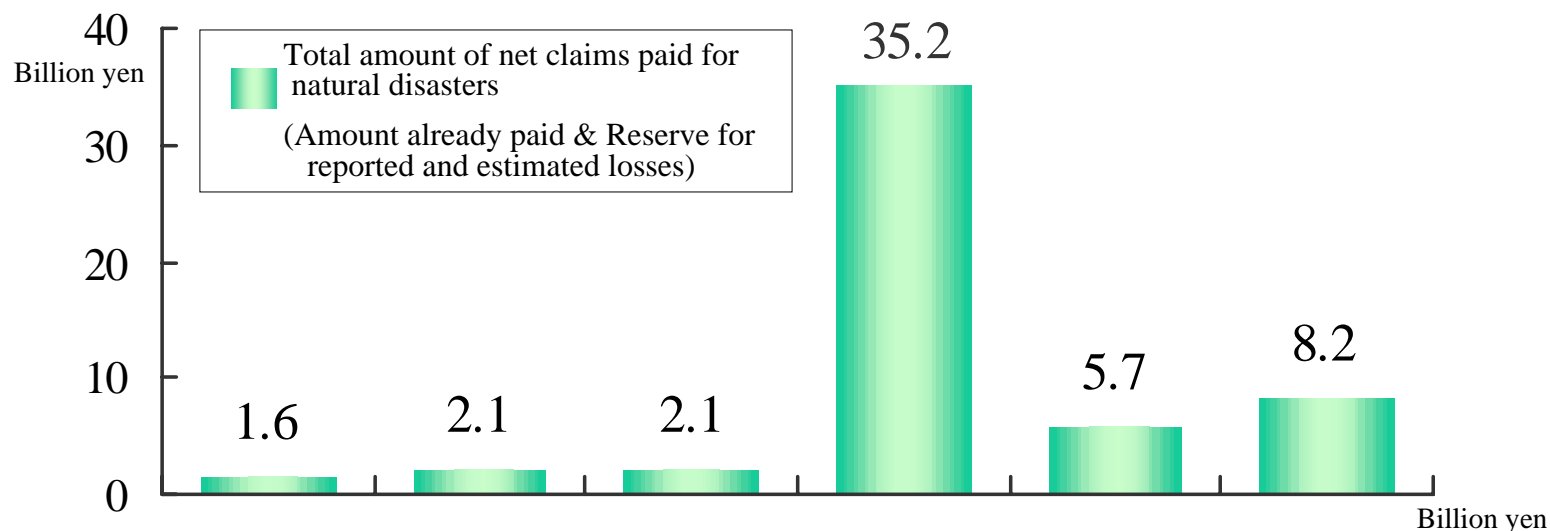
Billion yen, %

	FY2004	FY2005	Forecast for FY2006	
	Loss ratio	Loss ratio	Net claims paid	Loss ratio (Increase/Decrease)
Fire	83.7%	38.8%	20.2	41.9% (+3.1%)
Marine	60.3%	62.6%	2.9	64.5% (+1.9%)
Personal Accident	40.7%	43.4%	11.8	43.7% (+0.3%)
Voluntary Automobile	69.9%	66.4%	100.4	67.6% (+1.2%)
CALI	63.3%	74.5%	28.4	77.4% (+2.9%)
Miscellaneous	58.5%	55.3%	21.9	55.9% (+0.6%)
Total	66.8%	59.7%	185.7	61.2% (+1.5%)

# Forecasts of Influence due to Natural Disasters

Due to the influence of Typhoon No.13 in September, the estimated total amount of net claims for natural disasters, including unpaid amount, is 8.2 billion yen (5.1 billion yen for net claims paid + 3 billion yen for reserves).

[Forecasts of influence due to natural disasters of FY2006]



	FY2001	FY2002	FY2003	FY2004	FY2005	Forecast for FY2006
Total amount of net claims paid for natural disasters	1.6	2.1	2.1	35.2	5.7	8.2
Amount already paid	1.6	2.1	2.0	32.3	4.1	5.1
Reserves	0.0	0.0	0.1	2.8	1.5	3.0

## Forecasts of Business Expenses

Due to investment in strategic system development, based on the new mid-term management plan, the company estimates that its business expenses will increase by 1.6 billion yen in non-personnel expense and by 2.2 billion yen to 106.6 billion yen in total.

[Forecasts of business expenses]

	FY2005	Forecast for FY2006	Billion yen
			Increase/ Decrease
Personnel expense	22.1	22.3	+0.2
Non-personnel expense	24.6	26.2	+1.6
Taxes and others	2.4	2.4	0.0
Net commissions and brokerage	55.1	55.6	+0.5
<b>Total</b>	<b>104.4</b>	<b>106.6</b>	<b>+2.2</b>

### Major system development costs to be paid in FY2006 include:

- Restructuring of the premium settlement system
- Restructuring of the corporate intranet
- Visual format of the automobile insurance policy paper
- Introduction of image-processable application forms
- Improvement of the function of the internet-based agent support system
- Improvement of system for claims service

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# Expanding Nissay's Market (1)



As a result of drastically revising the NLI's client development system in terms of products, infrastructure and operations, net premiums of voluntary automobile insurance, a leading product, increased by 2.8% in Nissay's market in the first half of this financial year. The new product "Long", a long-term voluntary automobile insurance, enjoys high demand through NLI sales staff channel.

### Measures for strengthening collaborative operations for the retail and middle market in FY2006

#### Products and Services:

- Introducing new long-term voluntary automobile insurance product "Long"
- Easing regulations for treatment of the fire insurance product "Home Pitatto"
- Expanding product lines for small companies

#### System Infrastructure:

- Upgrading mobile devices for NLI sales staff
- Upgrading the system of business management

#### Organization and Operations:

- Strengthening the operation for regarding one NLI branch as one Nissay Dowa agent
- Developing excellent human resources by introducing expert program

[Sales figures of Nissay's Market]

	1st half of FY2005		1st half of FY2006	
	Premiums	Growth rate	Premiums	Growth rate
Voluntary Automobile	24.7	+1.8%	25.4	+2.8%

(Number of contracts:+4.2%)

[Sales figures of "Long" by NLI sales staff (June to September)]

	Billion yen, %				
	Jun.	Jul.	Aug.	Sept.	Total
Total	1.96	2.05	1.70	2.21	7.92
Nippon Life sales staff	1.71	1.72	1.40	1.89	6.72
W/T	87.0%	84.1%	82.0%	85.5%	84.8%

[Sales figures of "Home Pitatto" of Nissay's Market]

	Billion yen, %	
	Sept. 2006	
	Premiums	Growth rate
Premiums	1.8	27.1%
Premiums from new contracts	1.4	14.9%

\* All figures are based on sales accounts. 23



In the wholesale market, our measures for strengthening collaborative operations such as enhancing employees transferred to the NLI wholesale section and the risk management consulting proposals for corporate customers, made steady progress.

**Measures for strengthening the collaborative operations for the wholesale market in FY2006**

**Products and Services:**

- Enriching risk management proposals
  - Business continuance management
  - Flood 3D simulation, etc.

**System Infrastructure:**

- Improving progress management for each company by upgrading the corporate information system

**Organization and Operations:**

- Enhancing employees transferred to NLI (Adding 2 employees in April 2006)
- Enhancing employees transferred to supporting section (Adding 3 employees in April 2006)
- Expanding the target companies of NLI to semi-major and medium-scale companies

[Number of risk consulting services provided]

	1st half of FY2005	1st half of FY2006	Growth rate
Number of services provided	730	1,266	+73.4%

\*These services are provided by "Phoenix Risk Research Institute, Ltd.", a subsidiary of NDI.

[Number of newly gained company customers in wholesale market]

	1st half of FY2004	1st half of FY2005	1st half of FY2006
Number of companies	75	94	92

[Premiums written earned by NLI wholesale section (Sales accounts)]  
Billion yen, %

	1st half of FY2004	1st half of FY2005	1st half of FY2006	Growth rate
Premiums	22.8	24.0	27.1	+13.3% (+3.2)



# Structural Reform in the Retail Channel



By setting up specialized branch offices and other measures, the company is enhancing the notable success of newly added agents in important channels. These efforts have also improved agent productivity. Insurance sales by banks continue to rise strongly from the previous financial year.

**Setting up specialized branch offices**

**Specialized branch offices**  
(Agents with premiums below 10 million yen)

- Setting up 22 offices nationwide (April 2006)
- Responding to small agents considerably by phone and fax

**General branch offices**  
(Agents with premiums over 10 million yen)

- Focusing on premium increase from big agents, NLI offices and new agents
- Introducing new arrangement to assign specific channel to each sales staff (the expert system)

**Reinforcing the structure of developing bank channels**

- Establishing a Department of Sales Planning for Financial Institutions (April 2006)
- Providing product seminars for local banks and credit associations in collaboration with NLI

[Number of agents newly added, Change in amount of premiums]

	1st half of FY2004	1st half of FY2005	1st half of FY2006
Number of agents newly added	451	445	501
Professional agents	204	157	226
Auto Dealer agents	37	18	9
Increase in amount of premiums by newly added agents (Billion yen)	2.3	3.2	3.4

[Premiums per agent (excluding NLI)]

	1st half of FY2004	1st half of FY2005	1st half of FY2006	Growth rate
Premiums per agent (Million yen)	7.49	7.87	8.33	5.8%

[Amount of sales through banks]

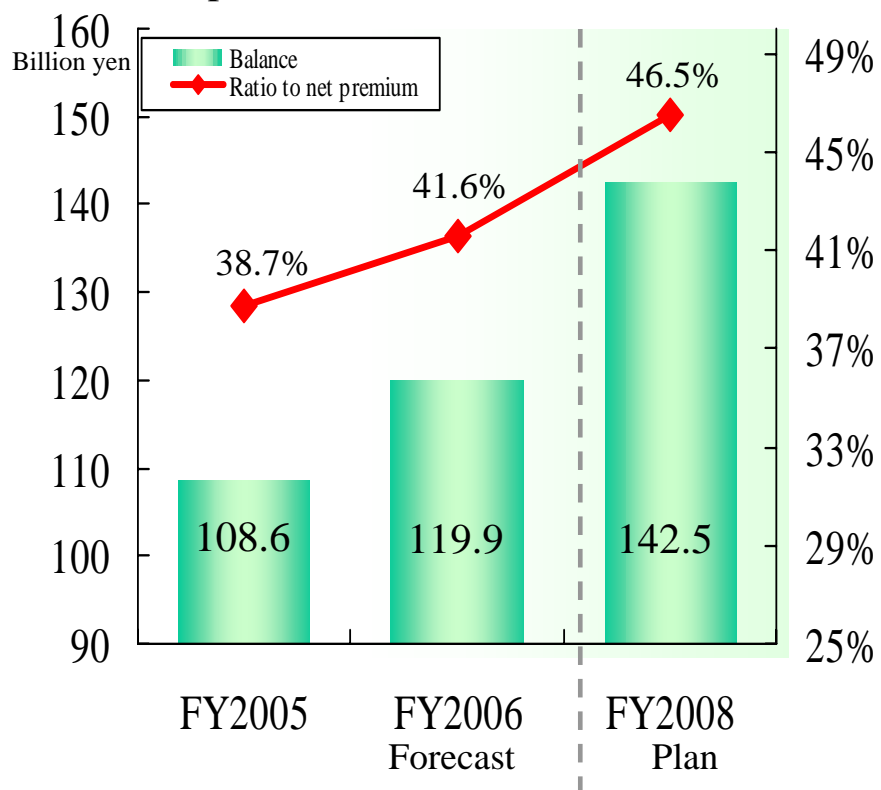
	1st half of FY2004	1st half of FY2005	1st half of FY2006	Growth rate
Premiums (Billion yen)	2.49	3.06	3.18	3.9%

\* All figures are based on sales accounts

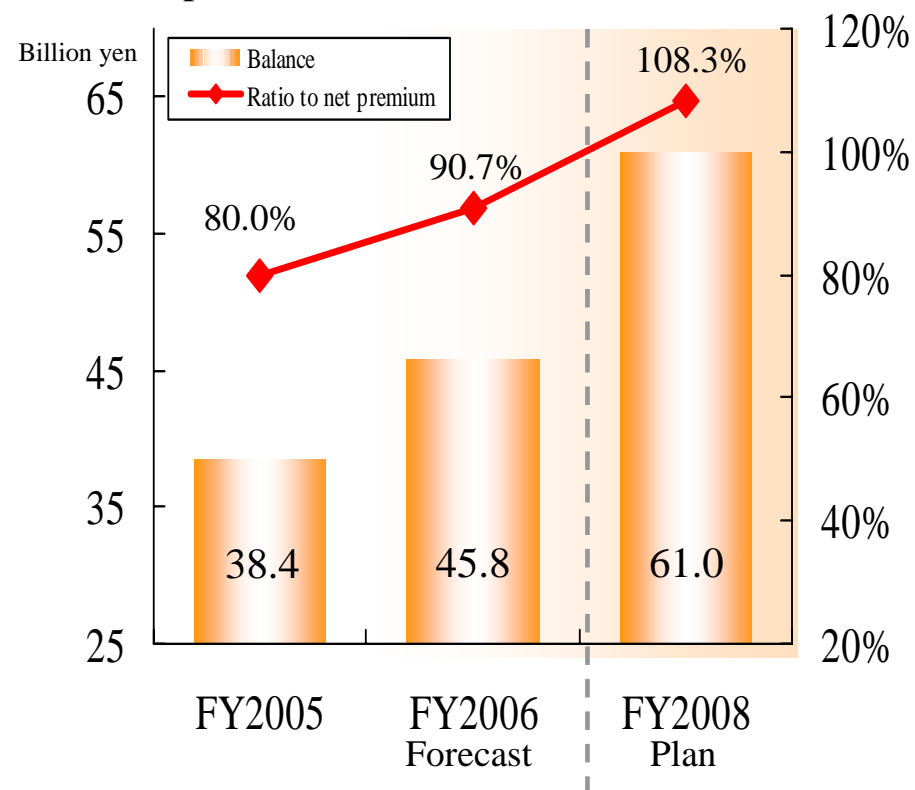
# Strategy for Catastrophe Loss Reserve

Insurance companies are obligated to build the catastrophe loss reserve for fire insurance up to the estimated amount of net claims paid due to typhoon disasters recurring on a 70-year basis. The company plans to achieve this requirement within 3 years from FY2006 to FY2008. The company will transfer 119.9 billion yen in total through this financial year based on the plan.

[Catastrophe loss reserve - Total]



[Catastrophe loss reserve - Fire insurance]

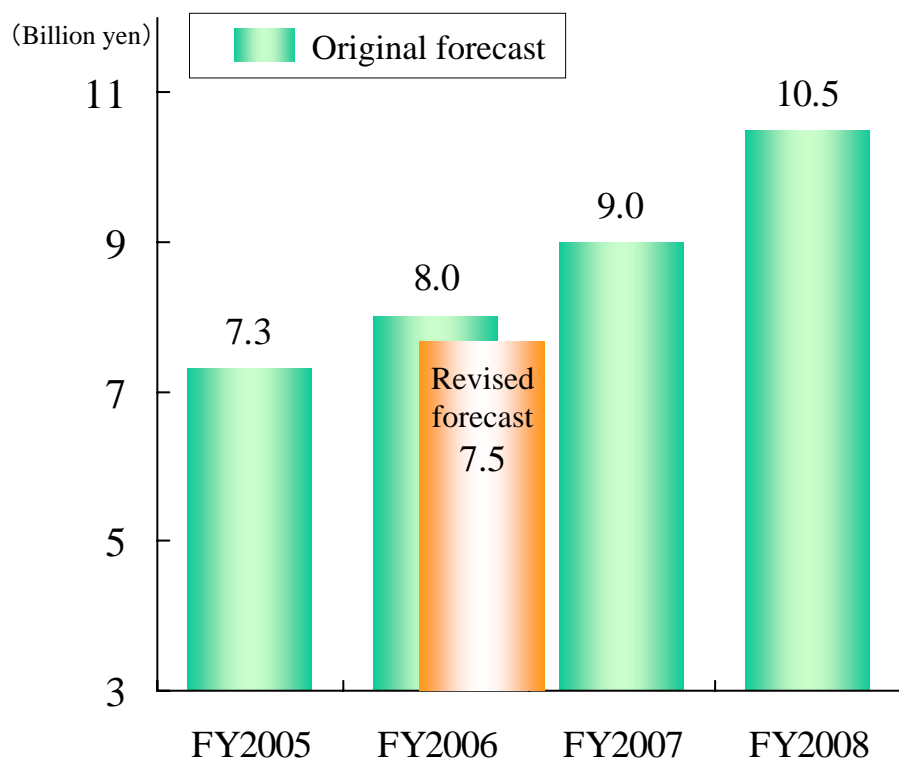


# Capital Policies

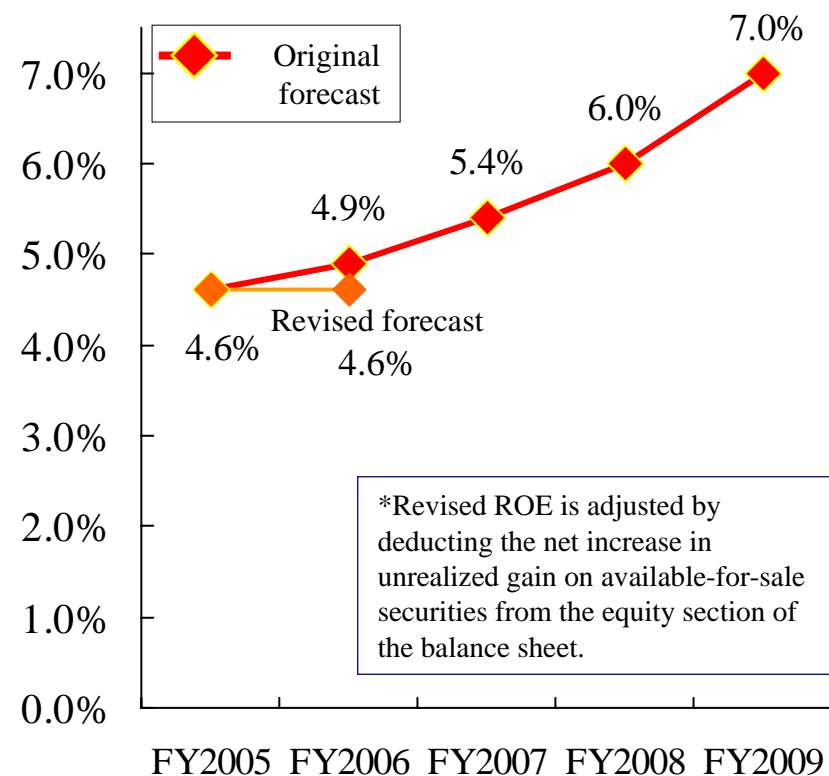


The estimated net income is 7.5 billion yen due to the influence of Typhoon No.13. As a result, the revised ROE will be 4.6% at the end of this financial year.

[Net income]



[Revised ROE]



## Regarding the Problem Concerning Claims Payment

- Regarding matters such as the problem of the nonpayment of incidental claims, which has already been publicized, we deeply apologize to investors and the many others affected for the trouble and concern we have caused.
- We are already making every effort to prevent a recurrence of the problem. Furthermore, along with promoting the greater strengthening of such efforts hereafter, we will promote a thoroughgoing reevaluation of overall insurance operations and continue to endeavor to be a company that is trusted by customers and investors as an insurance company boasting outstanding corporate quality.

### **Principal Recurrence Prevention Measures Being or Scheduled to Be Implemented**

#### Strengthening of the System for Fairer Payments

- o Increasing the payment division staff by 100 people
- o Strengthening the system to conduct system checks of the payment situation
- o Implementation and expansion of internal inspection of the payment division
- o Strengthening of the system to reevaluate and oversee the payment operations process

#### Improvement of Explanations to Customers

- o Reevaluation of pamphlets and other written explanations
- o Reevaluation of policy documents
- o Thoroughgoing implementation of study and training for representatives and agencies
- o Improvement of explanations at the time accidents are reported and claims are paid

#### Improvement and Strengthening of Management Posture

- o New establishment of the "Claims Payment Management Department"
- o Increasing the involvement of the managerial staff
- o Implementation and enrichment of internal auditing

### **Principal Efforts to Improve Corporate Quality**

#### Committee for the Improvement of Operational Quality

- o Thoroughgoing review of all operations – subscription, office work and payment – from the perspective of the customer
- o Efforts to "improve operational quality," including a radical reevaluation of the product lineup

#### Claims Payment Services Board of Examiners

- o Examination of the appropriateness of the results of claims payment assessments, in response to requests from customers
- o The head of this board shall be an outside attorney and its members shall include consumer life advisors

#### Exclusive Window for Objection Petitions

- o Establishment of an "Objection Petition Window" specializing in accepting complaints concerning the results of claims payment
- o The Claims Payment Management Dept. shall conduct reexaminations based on the judgments of external experts and report on the results to the Board of Directors, etc.

#### Committee for the Voice of the Customer

- o This committee shall hear and compile all the valuable comments the company receives from customers
- o This committee shall study all matters raised in our customers' comments and select and implement operational improvement efforts
- o This committee shall report on the results of improvements to the Board of Directors, etc.

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## **Inquiries:**

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## **Forward-looking Statements**

This document contains forward-looking statements, including information about business plans, earning forecasts, and strategies. Such statements are based on the assumptions and conclusions of Nissay Dowa management at the time this document was written. Due to changing circumstances, actual results and achievements may differ from those anticipated in these statements.

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