



# Financial Situation and Business Strategies of Nissay Dowa General Insurance

**December 12, 2007**

**Nissay Dowa General Insurance Co.,Ltd.**

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NISSAY  
DOWA

## . Measures for business quality reform

. Financial Review of Interim Closing at Sept. 30,  
2007 and Forecast for FY 2007

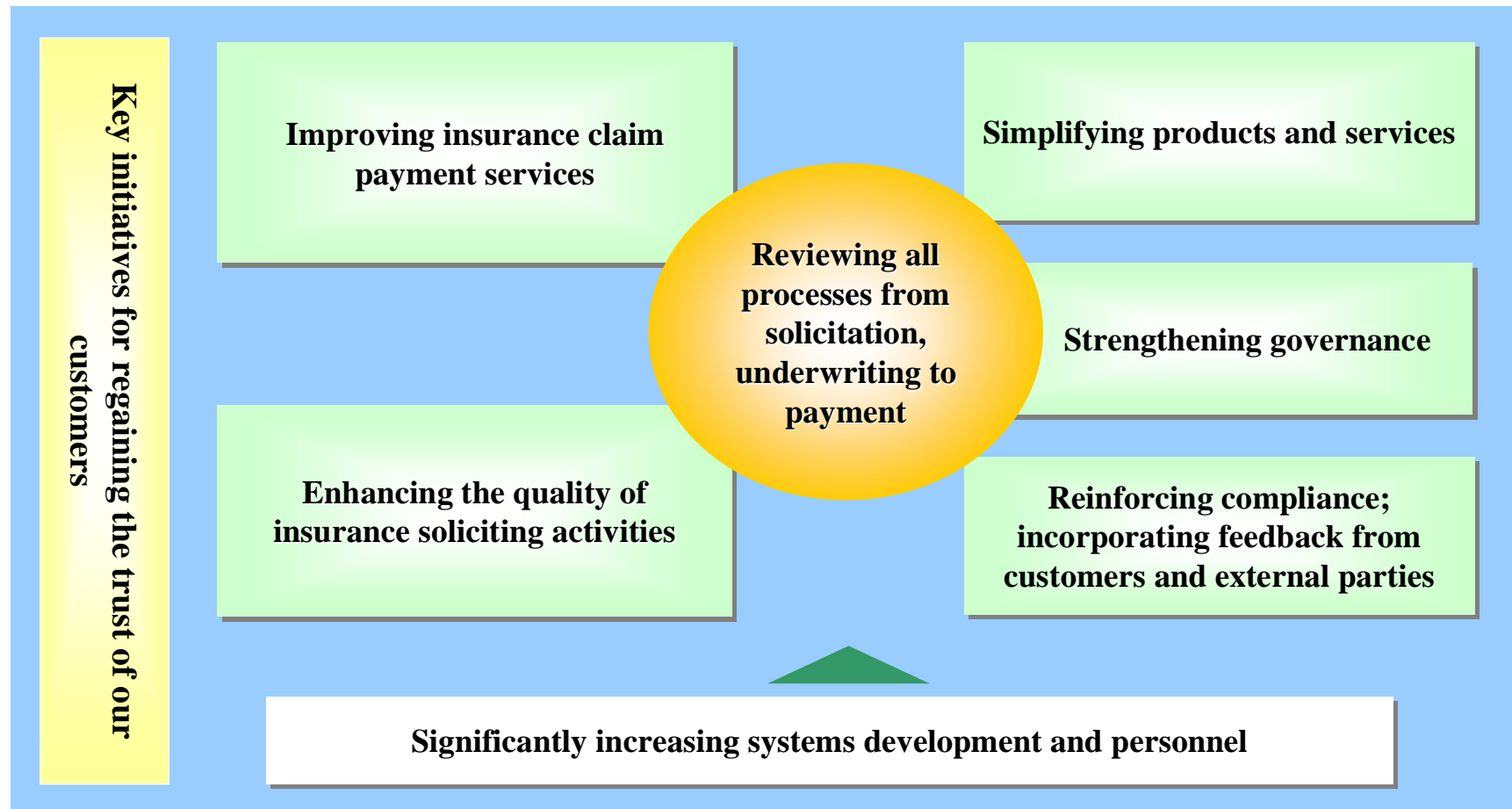
. Progress of measures for achieving the managerial  
goal

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# Towards Business Quality Reform



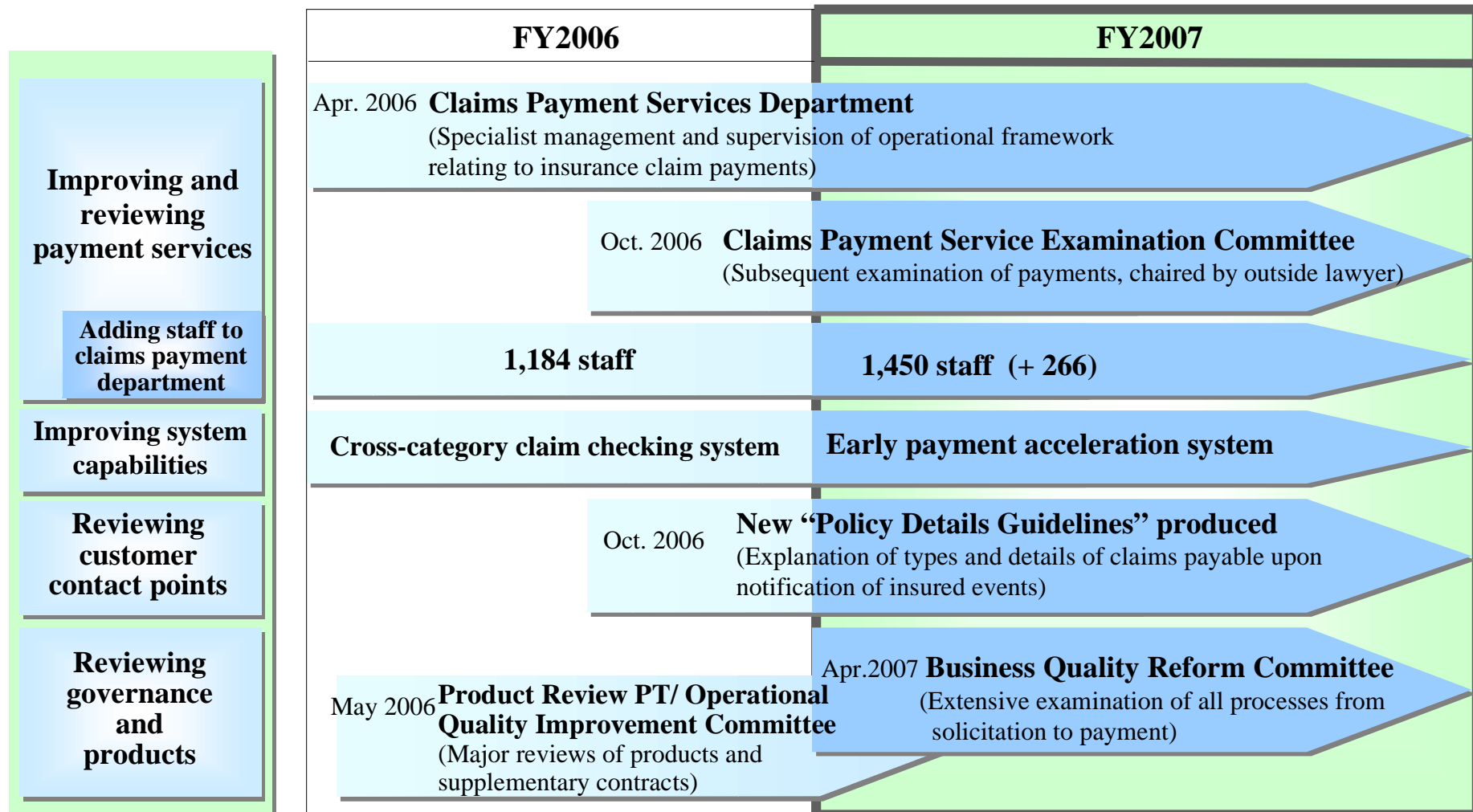
“All efforts targeted at regaining the trust of our customers”



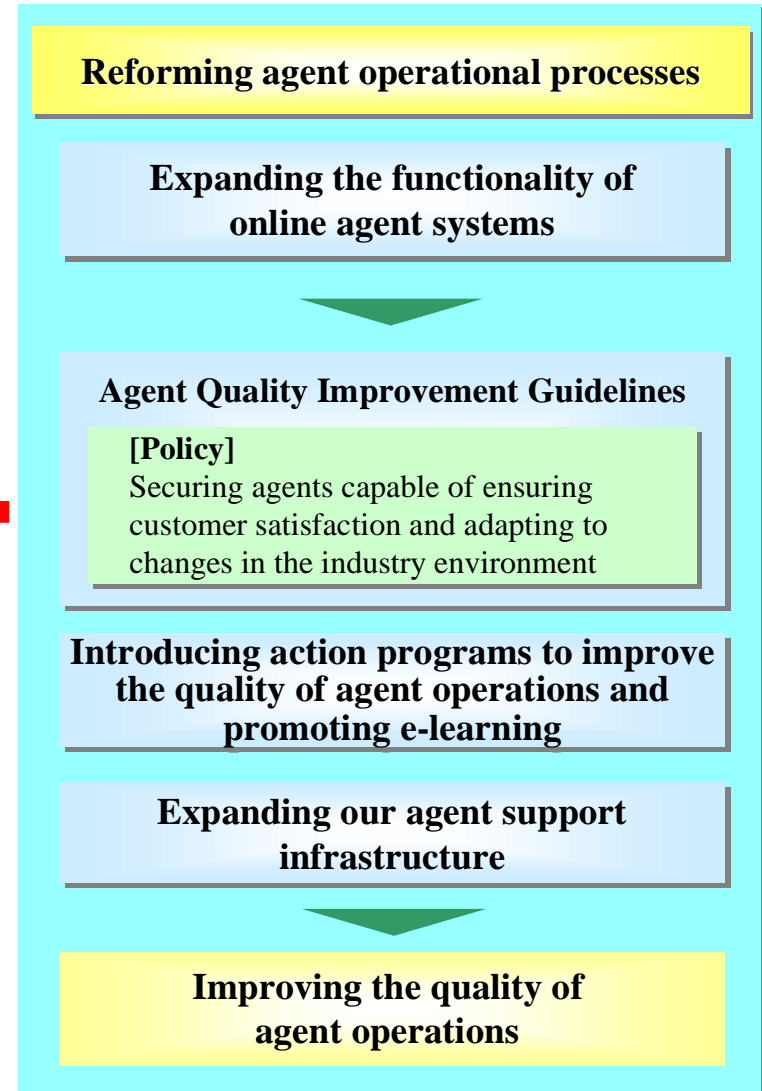
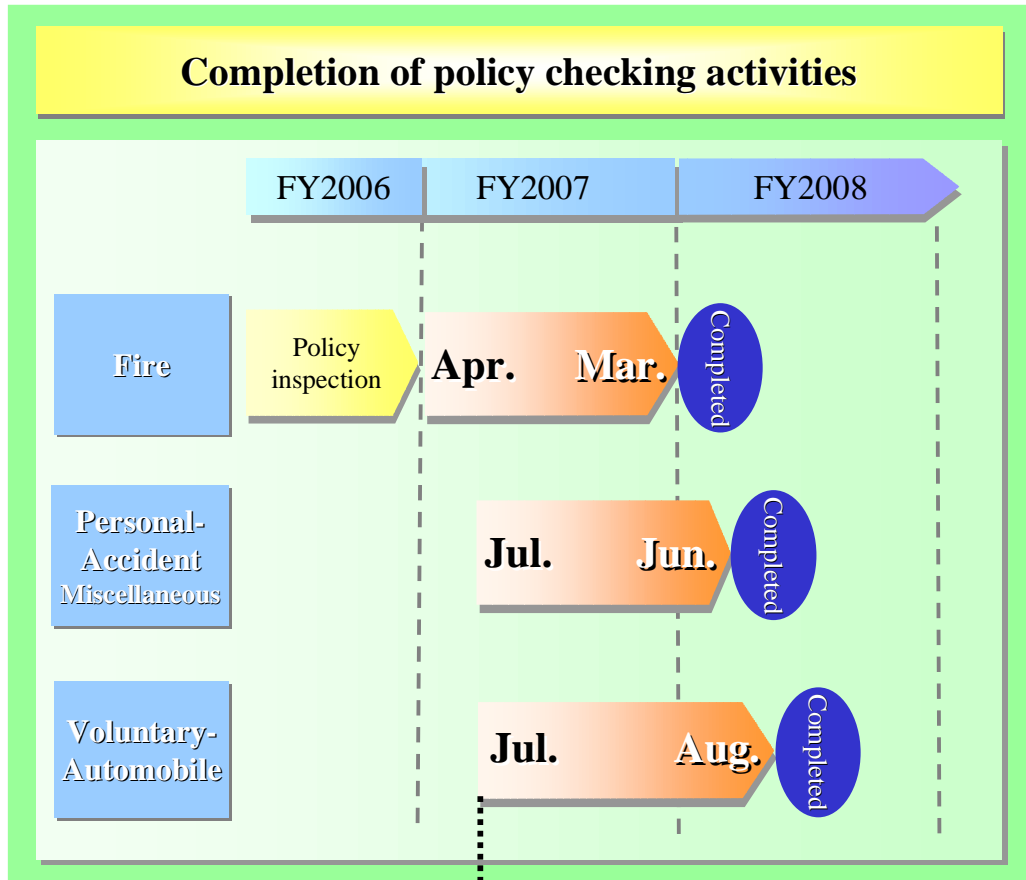
# Reforming Insurance Claim Payment Services



## Reforming the quality of claims payment services



# Reforming Solicitation Quality



Policy Details  
Check Form

- Policy details printed out in advance
- Including standard automobile equipment for reference purposes

Advance implementation

# Simplifying Products & Services and Strengthening Governance



		FY2006	First half of FY2007
<b>Simplifying products and services</b>	Easy-to-understand, approachable products	<p>Examination via Product Review PT and Operational Quality Improvement Committee</p> <p>Launch of long-term automobile insurance (“Long”)</p>	<p><b>Setting out a review policy</b></p> <ul style="list-style-type: none"> <li>Number of core products: 11 → 5</li> <li>Number of supplementary contracts: approx. 500 → approx. 240</li> <li>Integrating home fire insurance into “Home Pitatto” insurance</li> <li>Simplifying terms and conditions and standardizing provisions across categories</li> </ul> <p>Launching of new passenger insurance “Tosho Wide”</p> <p>Narrowing down tertiary products</p>
	Improving services and simplifying procedures	Revising policy papers to make them easier to view and understand	<p>Improving agents’ online capabilities</p> <p>Expanding cashless services</p>
<b>Reinforcing compliance</b>	Reinforcing compliance	Compliance and Risk Management Department	<p>Establishing a Legal Compliance Department to exclusively handle compliance</p> <p>Establishing a Solicitation Quality Reform Department to promote compliance as part of solicitation activities</p>
<b>Feedback from customers and external parties</b>	Utilizing customer feedback and external viewpoints	<p>Customer Feedback Subcommittee</p> <p>Claims Payment Service Examination Committee</p> <p>Handling unacceptable rulings</p>	<p>Broadening the definition of complaints, improving complaints handling and disclosing information</p> <p>Increasing the scope of examinations by the Tertiary Insurance Examination Committee and releasing examination results</p> <p>Increasing the scope of handling unacceptable rulings (re-examination of tertiary insurance)</p>
<b>Strengthening governance</b>	Adding external directors	Three	Increased to four (June 2007)
	Strengthening management structure	Operational Quality Improvement Committee	Promoting initiatives centered around the Business Quality Reform Committee (chaired by the President)
	Strengthening internal auditing structure	17-person structure Audits with notice	<p>Increased to 24-person structure (July 2007)</p> <p>Implementing audits with no notice (once a year)</p>

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. Measures for business quality reform

**. Financial Review of Interim Closing at Sept. 30,  
2007 and Forecast for FY 2007**

.Progress of measures for achieving the managerial  
goal

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## Financial Highlights

Direct net premiums written totaled 174.9 billion yen, an increase of 400 million yen (0.3%). Net premiums written meanwhile were down by 1.4 billion yen (0.9%) to 159.7 billion yen. Despite the underwriting balance ratio being down by 5.4 percentage points on the previous year due to an elevated loss ratio, investment results remained healthy, with current income up 100 million yen to 6.9 billion yen. Net income was 4.6 billion yen.

	Sept. 2006	Sept. 2007	Increase/ Decrease
Direct net premiums written (Billion yen) (Growth rate (%))	174.4 (2.0)	174.9 (0.3)	0.4
Net premiums written (Billion yen) (Growth rate (%))	161.2 (1.2)	159.7 (0.9)	1.4
Net expense ratio (%/P)	32.0	32.0	0.0
Net loss ratio (%/P)	58.7	64.1	+5.4
Underwriting balance ratio (%/P)	9.3	3.9	5.4
Current income (Billion yen)	6.7	6.9	0.1
Net income (Billion yen)	4.5	4.6	0.1



## Net Premiums Written by Line of Business

In terms of net premiums in individual categories, fire insurance saw a substantial fall in the housing sector, with Miscellaneous categories also suffering significant declines on the back of a considerable drop in aviation insurance. Marine insurance meanwhile made significant progress, thanks to a strong showing from distribution, with personal accident insurance premiums up on the back of steady growth from group policies and voluntary automobile insurance as our main core insurance operations also seeing an increase.

	Sept. 2006		Sept. 2007		Forecast for FY 2007	
	Premiums	Net premiums	Premiums	Net premiums	Premiums	Net premiums
	(Billion yen)	(Billion yen)	(Billion yen)	(Billion yen)	(Billion yen)	(Billion yen)
	Growth rate (%)	Growth rate (%)	Growth rate (%)	Growth rate (%)	Growth rate (%)	Growth rate (%)
Fire	28.7 ( 1.0)	21.8 ( 0.8)	28.4 ( 1.2)	20.9 ( 4.1)	62.6 ( 1.6)	46.2 ( 3.3)
Marine	3.2 (10.2)	2.1 (0.9)	3.3 (5.0)	2.4 (13.2)	6.8 (4.5)	5.4 (9.5)
Personal Accident	15.7 ( 0.5)	15.1 ( 0.3)	15.9 (1.5)	15.4 (2.0)	31.5 (2.7)	30.9 (1.6)
Voluntary Automobile	80.7 (1.0)	80.6 (0.9)	80.8 (0.1)	80.7 (0.2)	161.7 (0.5)	161.6 (0.4)
CALI	21.2 (0.2)	20.5 ( 2.7)	20.8 ( 1.7)	20.1 ( 1.9)	37.3 ( 1.6)	38.9 ( 0.8)
Miscellaneous	24.7 (12.3)	20.9 (10.4)	25.4 (2.6)	20.0 ( 4.1)	47.2 (0.1)	41.5 ( 3.0)
<b>Total</b>	<b>174.4</b> (2.0)	<b>161.2</b> (1.2)	<b>174.9</b> (0.3)	<b>159.7</b> ( 0.9)	<b>347.3</b> (0.1)	<b>324.8</b> ( 0.5)

## Premiums by Channel

With the exception of the corporate channel, sales figures were down in each channel, due in part to the impact of our ongoing policy checking activities. Factors such as the completion of Nippon Life claims investigations and the establishment of policy checking activities are likely to have a positive effect on sales in the future.

[Sales accounts]

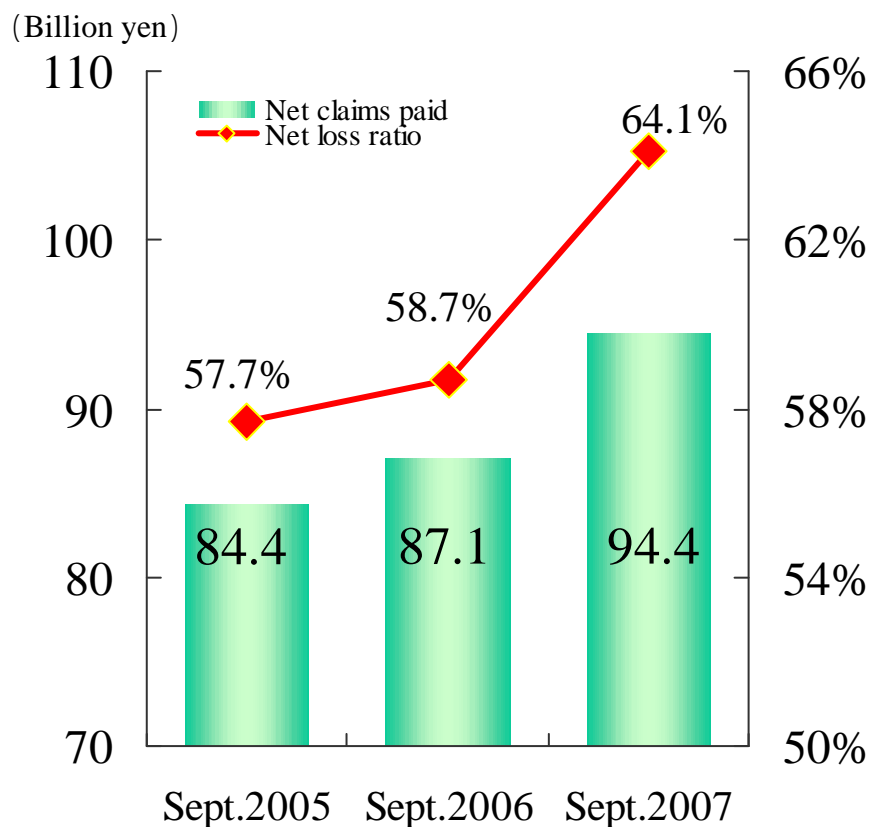
	Sept. 2007 (Billion yen)	Amount of increase (Billion yen)	Growth rate (%)
Nippon Life sales staff	27.3	0.8	2.6
Professional agents	43.2	0.0	0.1
Corporate channel	37.5	1.6	4.5
Banks	8.7	1.2	12.4
Auto dealers	10.2	0.1	0.8
Auto repair shops	18.5	0.2	1.2
Miscellaneous	23.4	0.4	1.8
Total	168.9	1.2	0.7

# Loss Ratio

As a result of elevated net loss ratios from personal accident and voluntary automobile insurance due to factors such as payment for non-payment issue of incidental claims, the total interim net loss ratio for all categories was up by 5.4 percentage points, to 64.1%.

Even with personal accident claim payments subsiding, our full year loss ratio is expected to be up by 2.8 percentage points, to 64.8% due to the continued acceleration of voluntary automobile claim payments.

[Net claims paid, Net loss ratio]



[Net claims paid and loss ratio by line of business]

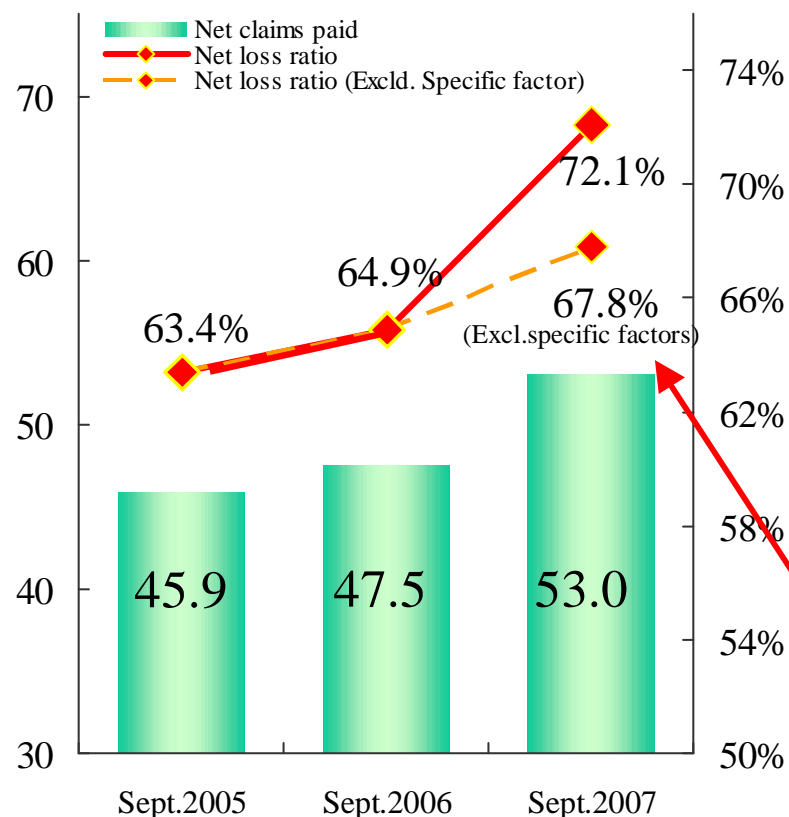
	Sept. 2006	Sept. 2007	Forecast for FY2007
	Net loss ratio (%) (Increase/Decrease(P))	Net loss ratio (%) (Increase/Decrease(P))	Net loss ratio (%) (Increase/Decrease(P))
Fire	41.7 (+0.9)	39.8 (-1.9)	40.9 (-5.0)
Marine	63.8 (+1.3)	57.6 (-6.2)	56.8 (+1.5)
Personal Accident	42.2 (-0.4)	60.9 (+18.7)	57.2 (+12.3)
Voluntary Automobile	64.9 (+1.5)	72.1 (+7.2)	73.0 (+3.8)
CALI	75.2 (+6.1)	75.1 (-0.1)	78.5 (+0.1)
Miscellaneous	47.5 (-4.1)	49.6 (+2.1)	53.5 (+3.0)
<b>Total</b>	<b>58.7 (+1.0)</b>	<b>64.1 (+5.4)</b>	<b>64.8 (+2.8)</b>

# Analysis of Loss Ratio of Automobile Insurance

Although net loss ratio for voluntary automobile insurance was up by 7.2 percentage points on the previous fiscal year to 72.1%, this was mainly due to payment of incidental claims and efforts to accelerate payments.

## [Net claims paid, Net loss ratio]

(Billion yen)



	Sept. 2006	Sept. 2007	Forecast for FY 2007
Net premiums written (Billion yen) (Increase / Decrease(%))	80.6	80.7 (+0.2)	161.6 (+0.4)
Net claims paid (Billion yen) (Increase/Decrease(%))	47.5	53.0 (+11.5)	107.1 (+5.3)
Net loss ratio (Increase/Decrease(P))	64.9%	72.1% (+7.2)	73.0% (+3.8)

\*Net loss ratio includes claims expenses

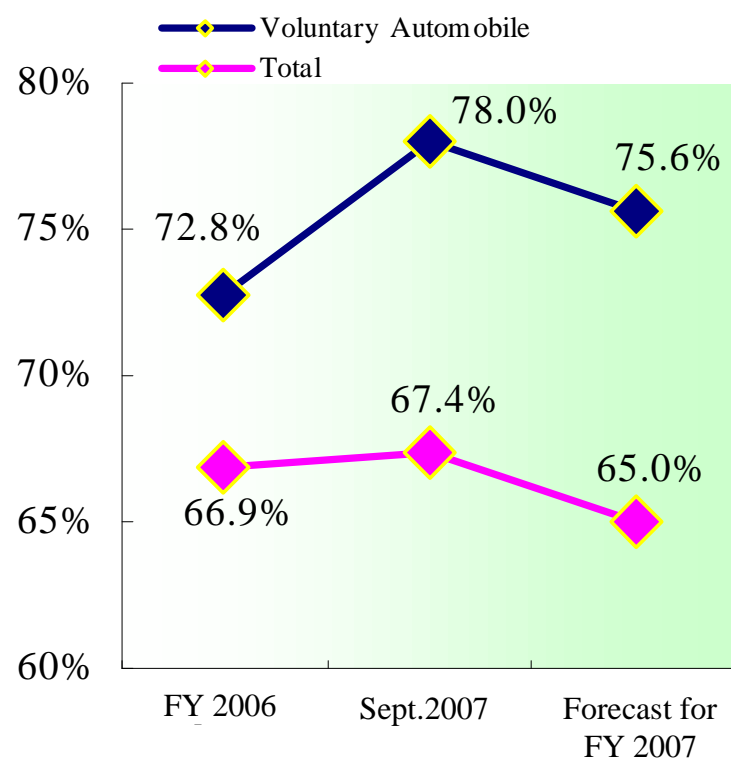
### Specific factors of increasing net loss ratio at Sept. 2007

- Influence of payment for non-payment issue of incidental claims  
(1.1 billion yen approx. / Net loss ratio 1.4%)
- Influence of accelerating claims payment  
(2.3 billion yen approx. / Net loss ratio 2.9%)

# Change of Loss Ratio Based on E.I.

Our interim net loss ratio for FY2007 based on E.I. was up by four percentage points on the previous fiscal year to 67.4% due to an increase in voluntary automobile claims paid. However, the Company expects this figure to fall in the future, thanks to a decrease in claim payments as a result of a decline in notifications of events insured under automobile insurance, coupled with a decline in transferred statistical IBNR reserves.

[Net loss ratio based on E.I.]



	FY 2006	Sept. 2007	Forecast for FY 2007
	Loss ratio (%) (Increase/Decrease(P))	Loss ratio (%) (Increase/Decrease(P))	Loss ratio (%) (Increase/Decrease(P))
Fire (Excl.earthquake)	56.0 (+6.6)	47.1 (-16.4)	44.0 (-12.0)
Marine	55.6 (-14.4)	67.2 (+3.7)	59.3 (+3.7)
Personal Accident	57.1 (+12.6)	51.3 (+8.2)	52.8 (-4.3)
Voluntary Automobile	72.8 (-1.1)	78.0 (+11.1)	75.6 (+2.8)
Miscellaneous	62.7 (+3.4)	55.5 (-9.0)	53.1 (-9.6)
<b>Total</b>	<b>66.9</b> (+1.9)	<b>67.4</b> (+4.0)	<b>65.0</b> (-1.9)

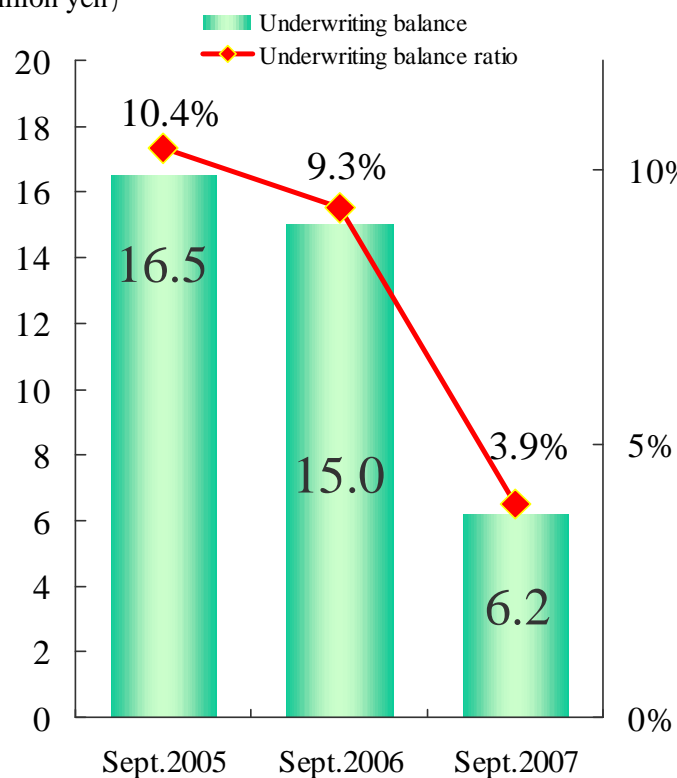
\*Figures of Increase/Decrease for Sept.2007 are compared with the same previous fiscal period.

# Underwriting Balance Ratio

As a result of an elevated net loss ratio, the combined ratio (total of net loss ratio and net expense ratio) was 96.1%, taking the underwriting balance ratio down 5.4 percentage points, to 3.9%. The underwriting balance ratio for the full year is expected to be down 3.9 percentage points, to 1.8% due to increased costs for business quality reforms during the second half of this fiscal year.

## [Underwriting balance, Underwriting balance ratio]

(Billion yen)



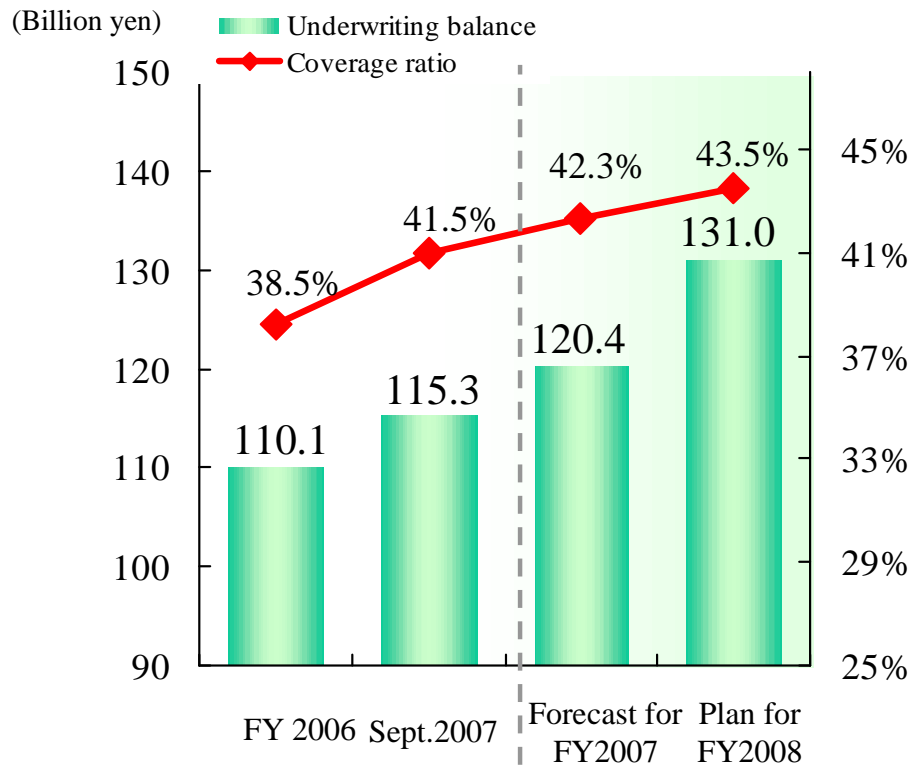
	Sept. 2006	Sept. 2007	Change (P)	Forecast for FY2007	Change (P)
Net loss ratio(%)	58.7	64.1	5.4	64.8	2.8
Net expense ratio (%)	32.0	32.0	0.0	33.3	1.0
Combined ratio (%)	90.7	96.1	5.4	98.2	3.9
Underwriting balance ratio (%)	9.3	3.9	5.4	1.8	3.9

# Catastrophe Loss Reserves

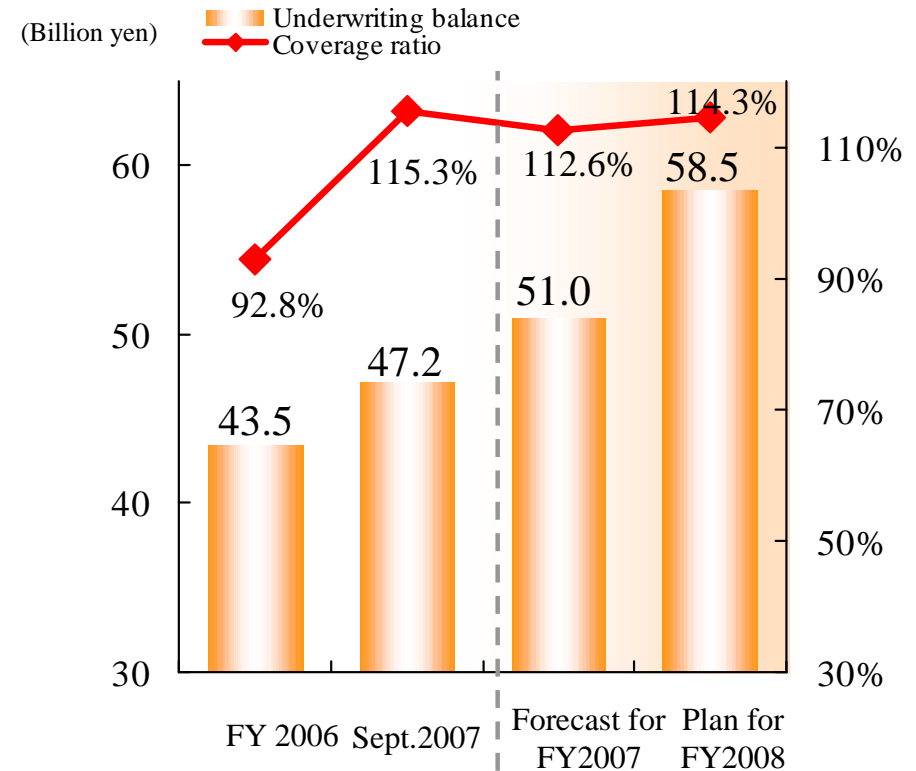


The total balance was 115.3 billion yen, with a coverage ratio of 41.5%. In the fire insurance category, we carried out a planned transfer of catastrophe loss reserves in response to revisions to the law and other legislation and expect to achieve coverage up to the estimated claims paid for natural disasters reoccurring within 70 years by the end of FY2008.

[Catastrophe loss reserves - Total]



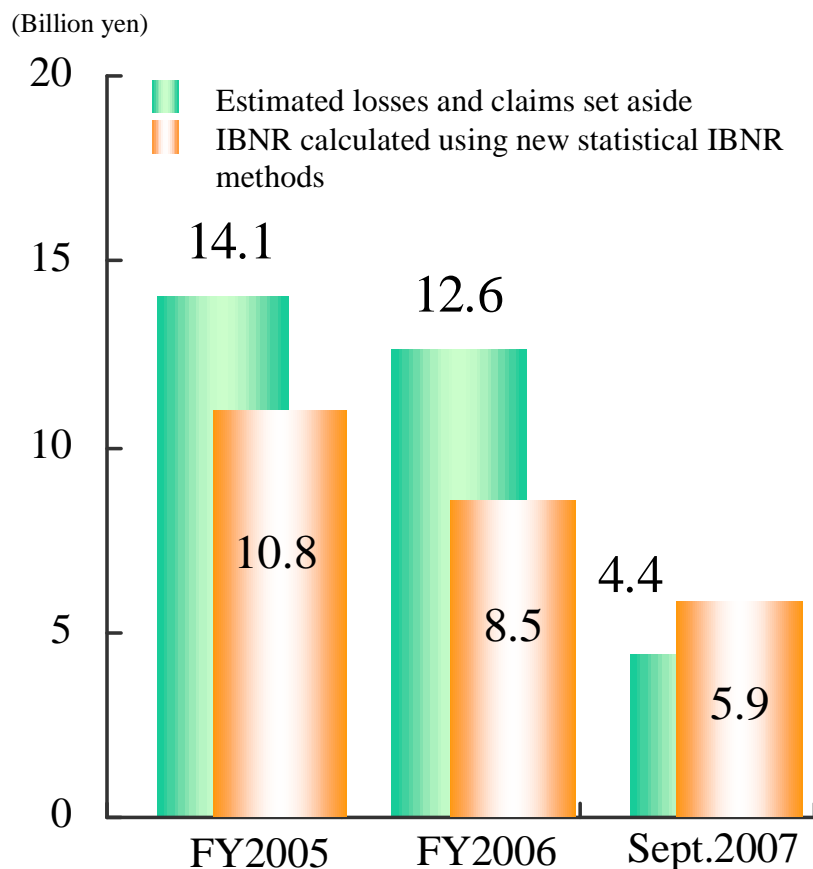
[Catastrophe loss reserves - Fire insurance]



## Influences of Statistical IBNR Reserves

There has been an increase in claims paid and in statistical IBNR reserves (total reserves for all categories covered: 5.9 billion) due to factors such as the impact of accelerated payment of automobile claims. Owing to a slight decrease in regular reserves on the other hand, the transferred amount was 4.4 billion yen in total.

[Breakdown of transferred amounts -Total]



[Measures for FY2005]

- The Company calculated the amount of IBNR reserves using statistical methods and transferred an additional 10.8 billion yen for voluntary automobile insurance. (Brought forward by one year )

[Measures for FY2006]

- The Company completed the shift to statistical IBNR reserves by transferring an additional 8.5 billion yen in total.

[Measures for FY2007 (interim)]

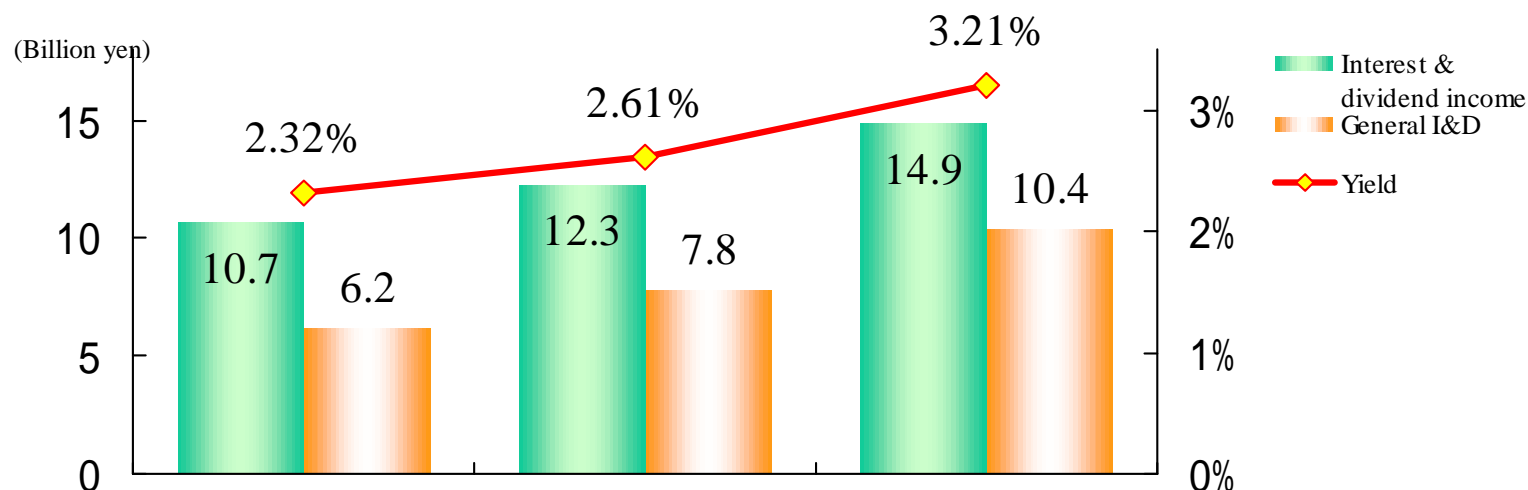
- With an increase in IBNR reserves, primarily for voluntary automobile insurance due to an increase in claims paid, the Company transferred a total of 5.9 billion yen for the relevant categories.
- The amount transferred 4.4 billion yen in total.



# Interest and Dividend Income

Interest and dividend income increased by 2.6 billion yen, to 14.9 billion yen, with yield rising to 3.21%. Interest and dividend income after deducting investment profit from the maturity refund (general I&D interest), which has a direct effect on interim net income, increased to 10.4 billion yen. Interest and dividend income as of the end of FY2007 is expected to exhibit a similar year-on-year upward trend.

[Interest and dividend income, yield]



(Billion yen)	Sept. 2005	Sept. 2006	Sept. 2007	Increase/decrease
Interest & dividend income	10.7	12.3	14.9	2.6
Public & corp. bonds	2.1	2.2	2.2	0
Stocks	3.1	3.3	3.8	0.5
Foreign securities & savings	3.9	4.4	6.3	1.9

## Investment Results

As a result of factors such as an increase in interest and dividend income and capital gains from the previous fiscal year, investment profit rose by 4.5 billion yen, to 16.4 billion yen. Investment profit as of the end of FY 2007 is expected to exhibit a similar year-on-year upward trend.

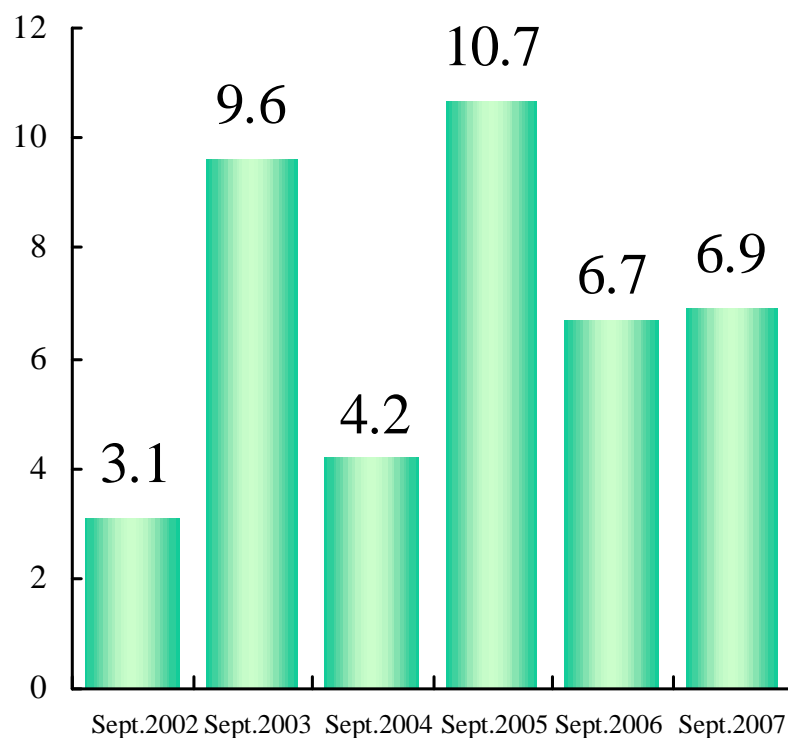
(Billion yen)	Sept.2005	Sept.2006	Sept.2007	Increase/decrease
Interest & dividend income (net)	6.2	7.8	10.4	2.6
Capital gains	7.4	7.2	12.9	5.7
Other investment income	0.8	0	0	0
Investment income - Total	14.5	15.0	23.4	8.3
Capital loss	0.5	0.3	5.3	5.0
Loss from revaluation of securities	0.2	0.3	0.4	0.1
Other investment costs	1.3	2.4	1.1	1.3
Investment costs - Total	2.0	3.1	6.9	3.8
Investment profit	12.4	11.9	16.4	4.5
Unrealized capital gain on marketable securities	255.3	292.6	301.1	8.4

## Current Income & Net Income

As a result, current income came to 6.9 billion yen and net income to 4.6 billion yen. Current income as of the end of FY 2007 is expected to total 10.5 billion yen, with net income totaling 7.0 billion yen.

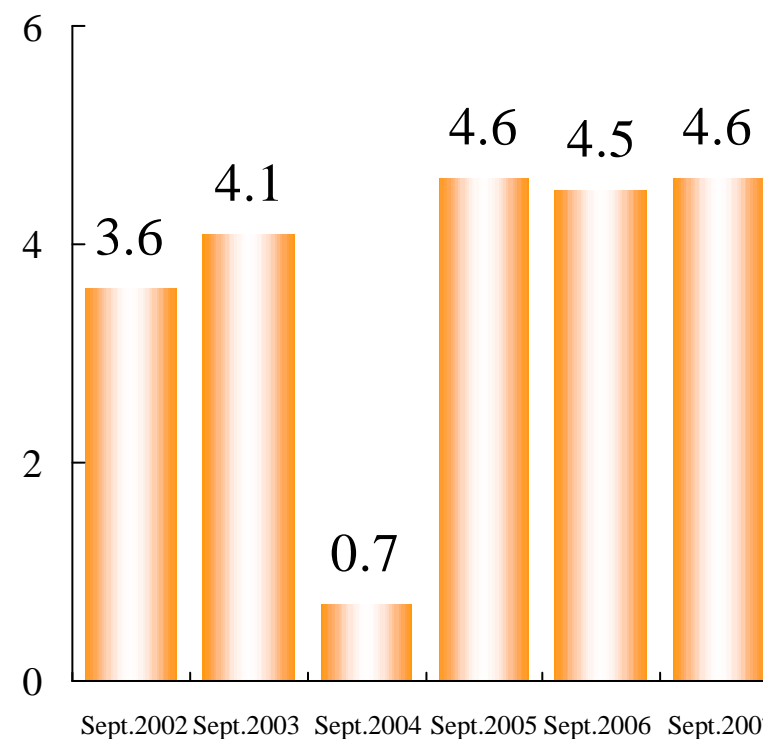
[Current income]

(Billion yen)



[Net income]

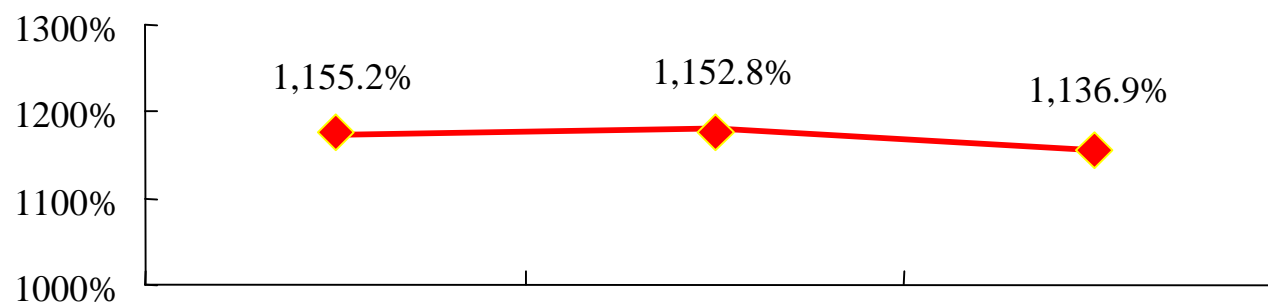
(Billion yen)



# Solvency Margin Ratio

Although the solvency margin ratio was down fractionally compared to the previous fiscal year at 1,136.9%, this remains one of the highest levels in the industry.

[Changes in solvency margin ratio]



(Billion yen)	FY 2005	FY 2006	Sept. 2007
(A) Total amount of solvency margin	620.6	632.8	632.8
Catastrophe loss reserves	127.0	129.5	135.3
Unrealized capital gains	285.8	289.6	270.8
Unrealized profit and loss	4.7	5.0	10.5
(B) Total risk volume	107.4	109.7	111.3
Asset management risk	55.6	56.3	56.2
Disaster risk	45.7	46.9	48.1
(C) Solvency margin ratio [(A)/{(B)×1/2}]×100 (%)	1,155.2	1,152.8	1,136.9

# Forecast for FY 2007

[Main forecast figures for FY 2007]

	Sept.2006	Sept.2007	Increase/ decrease
Direct net premiums written (Billion yen) (Growth rate (%))	174.4 (2.0)	174.9 (0.3)	0.4
Net premiums written (Billion yen) (Growth rate (%))	161.2 (1.2)	159.7 ( 0.9)	1.4
Net expense ratio (%/P)	32.0	32.0	0.0
Net loss ratio (%/P)	58.7	64.1	+5.4
Underwriting balance (%/P)	9.3	3.9	5.4
Current income (Billion yen)	6.7	6.9	0.1
(Interim) Net income (Billion yen)	4.5	4.6	0.1

Forecast for FY2007	Increase/ decrease
347.3 (0.1)	0.3
324.8 ( 0.5)	1.5
33.3	1.0
64.8	2.8
1.8	3.9
10.5	0.8
7.0	0.7

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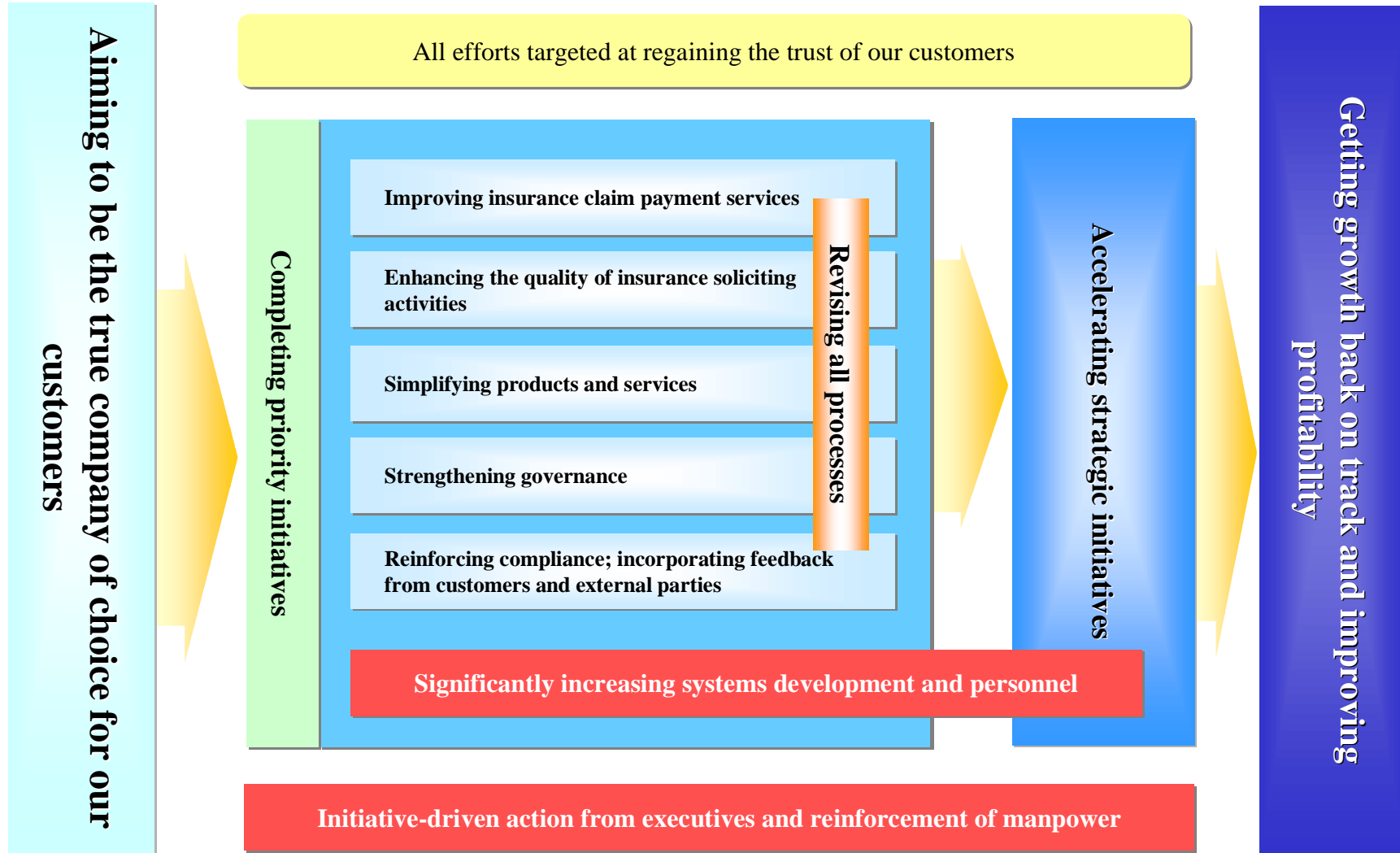
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# Achieving Management Goals

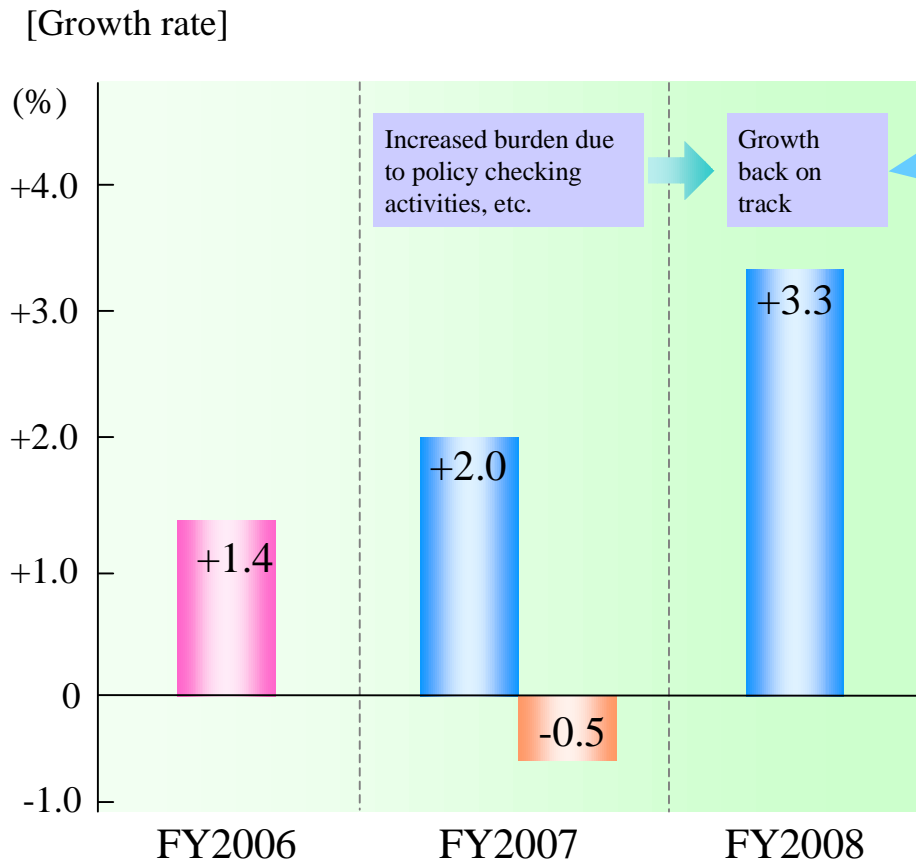


# Getting Growth Back on Track



**The highest rate of growth in the industry**

**Achieve an annual average growth rate of 3.3% in FY2008.**



Increasing contact with customers through policy checking activities and improving proposal capabilities

Channel strategy

Further developing Nissay's market

Revising the structure of the retail channel

Further developing the wholesale market

Revising the structure of products and services

Focusing on ease of understanding from the point of view of customers and agents

Taking on board customers' needs and increasing compensation



# Further Developing Nissay's Market



## Reinforcing non-life insurance activities as part of the basic sales staff operations

- Completing Nippon Life claims investigations
- Implementing policy details checking (sales staff, etc.)
- Increasing sales of long-term automobile insurance
- Improving fire insurance training and introducing business certification training

## Stepping up efforts to secure business from companies

### An abundant untapped market

Nippon Life client companies	236,000
Non-life/administration companies	34,000

Growing needs; comprehensive risk diagnosis, corporate agent M&A, etc.

### Large companies

- Selecting prospective companies mainly through staff transferred to Nippon Life
- Promoting to develop business based on consulting proposals

Using corporate sales models

### Medium and small companies

- Establishing direct sales channels in large cities and surrounding areas**
- Reinforcing regional corporate development as part of the mission of staff stationed at NLI
- Stepping up comprehensive risk consultancy support
- Developing and introducing new products for medium and small companies

New

# Further Reinforcing Our Operating Base



**Retail market**

**Professional agents**

Strengthening the expansion of new-partner agents\* channel and developing agents' profitability

\* Agents newly established or with whom agreements have been concluded since the merger in FY 2001

**Auto Dealers**

Improving response capabilities for manufacturers by utilizing the comprehensive strength of Nissay group

	No. of agents (Sept.2007)	Premium efficiency (vs. FY 2005)
Professional agents	3,439	+2.1%
New -partners	1,209	+9.2%
Auto dealers	584	+11.8%
New- partners	252	+16.0%

**Wholesale market**

As NLI employees, our sales managers open ways for important companies and improve response capabilities for middle companies

Providing sophisticated consulting sales with uniting front and middle sections

Stepping up efforts to secure business from local authorities and minor short-term insurance providers

	FY2006	Sept.2007	FY2007 (plan)
No. of newly secured companies	228	100	260

**Bank channel**

Expanding network of banks

Providing clients with comprehensive risk consultancy services

	Sept.2007
Banks	150

( Number of bank agents )

# Restoring Profitability and Our Policy of Returning Profits to Shareholders



## Absorbing the burden of transferring reserves and returning profits to shareholders on a steady basis

[Underwriting profits]

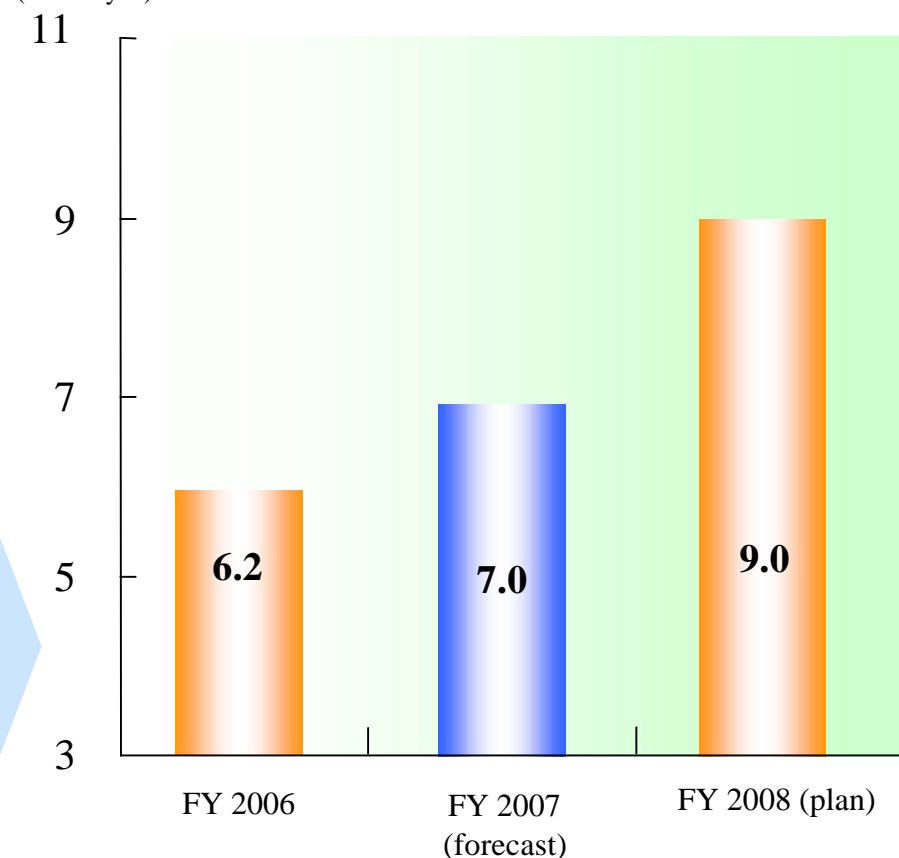
(Billion yen)

	Setp.2006	Sept.2007	Increase/ decrease
+ ) Underwriting profit	178.2	174.2	4.0
- ) Underwriting expenses	157.6	156.7	0.9
- ) Other operating costs and expenses*	23.9	24.5	0.5
+ ) Other balance of payments	0.2	0.1	0.1
<b>Underwriting profit/loss</b>	<b>3.1</b>	<b>6.9</b>	<b>3.8</b>

\* Other operating costs and expenses is the figure related to underwriting

[Current net income]

(Billion yen)



[Negative factors affecting interim underwriting profit for FY2007]

- Accelerated payment of automobile insurance claims  
**2.3 billion yen**
- Increase in reserves transferred for statistical IBNR  
**4.4 billion yen**
- Increased rate of transfer of catastrophe loss reserves  
**2.9 billion yen**
- Increase in costs relating to non-payment issue of incidental claims and policy checking  
**1.3 billion yen**

Convergence from  
FY 08 onwards

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### **Forward-Looking Statements**

This document contains forward-looking statements, including information about business plans, earning forecasts, and strategies.

These 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.