

April 13, 2007

Tokio Marine & Nichido Life Insurance Co. Ltd.

Findings of an internal review over claim payments and measures to be taken

Tokio Marine & Nichido Life Insurance Co. Ltd. ("TMN Life") (President, Tomochika Iwashita) has reexamined all claims <note> that had been paid by TMN Life during the past five years, from FY2001 to FY2005, pursuant to an administrative request made by the Financial Services Agency ("FSA") of Japan under Paragraph 1, Article 128 of the Insurance Business Law of Japan.

As a result, we found cases requiring additional payments, mainly for such reasons as TMN Life's inadequate procedures or insufficient notification of cases where payments could have been made if full explanation had been given to policyholders ("recommended claims").

Claims payment is the most fundamental and significant function of insurance companies. TMN Life would like to apologize for any inconvenience or concern we caused as a result of improper non-payment of claims.

TMN Life quickly contacted those policyholders whom we had found as having claims that require additional payment and are proceeding with payment procedures one by one. TMN Life maintains its commitment to ensuring sound business operations by implementing measures to prevent recurrence based on analysis of the causes of non-payments.

Note: "Claim payment" includes the payment of insurance benefits, refunds on cancellation; refunds on invalidation; maturity proceeds; annuity benefits; policyholder dividends, commemorative benefits, and existence benefits; and refunds on termination.

1. Findings of review and status of occurrence by case

(1) Findings of review

The number and amount of cases that were found to require additional payments of “insurance coverage or benefits” and “others,” and the number and amount of such cases for which additional payments have been made are shown in the table below.

Refer to Section 1-(2) for the status of cases that have been found to require additional payment by case.

	Cases that have been found to require additional payment		Cases for which additional payments have been made	
	No. of policies	Amount (million yen)	No. of policies	Amount (million yen)
Insurance coverage	26	25.2	23	25.0
Benefits	905	109.5	830	93.6
Others	95	1.2	2	0.001
Total	1,026	135.9	855	118.6

a. Cases of “payment omissions” and “incorrect payment”

1) Insurance coverage or benefits

TMN Life conducted an internal review of all claims paid during the past five years, from FY2001 to FY2005, based on the claims made by policyholders, and completed a review of all cases in the category of “claims that have not been paid because of misreading the claim forms or other administrative oversights despite the claims being payable (“payment omissions”) and the category of “paid amounts found to be incorrect although payment had been made (“incorrect payment”). We have generally completed making additional payments in these two categories, excluding cases involving special circumstances such as those in which the policyholder’s contact information has not been identified.

2) Others

TMN Life has completed an internal review of all cases where it paid refunds during the past five years, from FY2001 to FY2005. TMN Life plans to complete additional payments to the policyholders by the end of June, 2007 for those cases where the amounts of refunds have been found to be insufficient, excluding cases involving special circumstances such as those in which the policyholder’s contact information has not been identified.

b. Cases where policyholders were not sufficiently notified of possible additional payments (hereinafter referred to as case of “claims recommendation omissions”)

The internal review uncovered 2,036 claims where additional payments could have been paid if full explanation had been given to policyholders (“**claim recommendation omission**” cases), but the notification to all of these policyholders is yet to be completed.

TMN Life plans to complete payments to all of these policyholders by the end of September 2007, excluding cases involving special circumstances such those in which the policyholder's contact information has not been identified, not by giving unilateral explanations to the policyholders, but by successively notifying them of the possible additional payments from the standpoint of policyholders in full consideration of various issues, including notification of the names of their diseases.

(2) Number and amount of claims requiring additional payments (by case)

The status of occurrence by case is shown below:

	No. of policies	Amount (million yen)
1) Cases of underpayment of surgery benefits Examples: <ul style="list-style-type: none"> Cases where surgery that is subject to payment was missed Cases where application of type and benefit ratio of surgery was wrong, etc. 	541	54.3
2) Cases of underpayment of hospitalization benefits Examples: <ul style="list-style-type: none"> Cases where calculation and judgment of the number of days subject to payment were wrong Payment of hospitalization benefits for special clauses such as special clause with geriatric diseases coverage was omitted, etc. 	205	14.7
3) Cases of underpayment of other insurance coverage or benefits Examples: <ul style="list-style-type: none"> Cases where payment of discharge recuperation benefit was omitted Cases where calculation and judgment of the number of days subject to payment of treatment benefit for outpatients with cancer were wrong Cases where benefits for special clauses such as term insurance covering specific diseases was not paid, etc. 	185	65.8
Total of insurance coverage or benefits	931	134.7
1) Cases of miscalculation due to system failure	<*> 66	0.04
2) Cases of miscalculation due to human error	29	1.2
Total of others	95	1.2

<*> The amount of refunds on cancellation was found to be insufficient in 66 cases because of system failures. For details, refer to Attachment “Cases where overcollection of premiums, underpayment of refunds on cancellation, or other errors take place because of system failures”.

2. Method of review

The method of and standards for the review are described below. The Internal Audit Department audited aspects such as the review method and standards, and verified that they were appropriate.

(1) Review of insurance coverage or benefits

In January 2006, TMN Life set up a special team to reexamine the payment cases. The team conducted self-inspection on all claims that had been paid during the past five years, from FY2001 to FY2005, (202,093 cases). TMN Life has enhanced its review system since February 1, 2007, when the FSA demanded it to submit reports under Paragraph 1, Article 128 of the Insurance Business Law of Japan.

Specifically, TMN Life conducted a review to check if there were any payment omissions, incorrect payments or claims recommendation omissions, and also examined systems related to the payment of insurance coverage or benefits.

(2) Review of refunds

TMN Life examined its payment administration system and checked whether there were any incorrect payments.

With regard to the payment administration system, we checked whether policyholders were fully notified of procedures for making claims and other matters, and whether payment procedures were taken without omission after events of payment occur, including receipt of claims from policyholders.

As for “whether there are no incorrect payments,” TMN Life 1) verified that there were no problems with the systems themselves, concerning the amounts of refunds calculated; and 2) inspected all subject cases (3,810 cases), regarding refunds on termination because of misrepresentation made by policyholders at the time the policyholders purchased policies, which require separate calculation by hand, not by systems.

3. Causes of occurrence of cases judged to require additional payment of insurance and other benefits

The causes of the claims that were found to require additional payment through the reexamination are described below.

TMN Life has resolved many of the problems by implementing various measures that are based on its analysis of the causes of the non-payment to prevent any recurrence of non-payment of claims. TMN Life will continue to implement the necessary measures to make payments more properly. For preventive measures taken or to be taken, refer to "4. Measures to prevent recurrence based on causes of occurrence."

(1) Insufficient operations of the Claims Administration Department and the Claims Department

a. Qualified personnel and training system

TMN Life concentrates the functions of the Claims Department at the head office, so that management functions can be displayed easily.

However, claims payment employees did not necessarily have sufficient business knowledge, since the number of personnel and the education system could not fully catch up with environmental changes such as a sharp increase in the number of claims for insurance and other benefits following the start (in January 2001) of sale of medical and cancer insurance policies, etc. (so-called “third-sector products”) and the need for more professional medical knowledge and experience than before for properly paying insurance and other benefits of third-sector policies.

b. Checking system for payments of insurance and other benefits

Previously, we had done a follow-up review after payment of insurance and other benefits only by checking samples (voluntary inspection) every quarter within the Claims Department, which actually takes procedures for paying insurance and other benefits. Thus, our monitoring operations were insufficient.

c. Claims recommendation system

When policyholders make claims for insurance and other benefits, TMN Life checks the coverage details of their policies and other policies and notifies them of the results, so that they can make claims without omission.

However, we did not check whether all the claims that we recommended in advance were made when insurance and other benefits were actually paid.

d. Systems

1) Systems related to insurance coverage or benefits

Though TMN Life had systematically pushed forward with the improvement of systems to raise the accuracy and efficiency of its administrative work, it had not sufficiently reinforced the system support to prevent payment omissions and incorrect payments.

2) Systems related to refunds on cancellation

Calculation of insurance premiums and refunds on cancellation of *Mitsu no Anshin* (comprehensive life insurance with disbursement of interest difference every five years) and *Nagawari Mitsu no Anshin* (low cancellation refund-type comprehensive life insurance with disbursement of interest difference every five years), in which mistakes have been found, is complicated, since they are unique policies which provide benefits covering from death to medical and nursing care as one package. Against this backdrop, our verification of systems was not sufficient.

(2) Inadequate systems to establish/review rules on payment of claims and benefits and lack of management involvement

Previously most of the establishment and revision or abolition of payment screening standards was only subject to reporting and the process of obtaining permission by circulating plans within the Policyholders' Service Department, the Claims Administration Department, and management was not necessarily sufficiently involved.

(3) Lack of management grasp on the seriousness of the claims non-payment situation

Important matters related to payment of insurance and other benefits have been reported to the Management Council and the Board of Directors, and the management has been involved in such matters. However, reports were not made sufficiently to the Management Council and the Board of Directors on more specific details, including "the status and details of payment and non-payment of insurance and other benefits" and "the status of occurrence of payment omissions and incorrect payment."

(4) Insufficient coordination between the Product Development Department and the Claims Administration Department in product development

To develop higher-quality products, the Product Development Department listened to the views of the Claims Administration Department which were provided from a practical standpoint. However, the product development and reform processes were not established sufficiently, and the coordination between the Product Development Department and the Claims Administration Department was insufficient.

4. Measures to prevent recurrence based on causes of occurrence

Since fiscal 2004, TMN Life has successively implemented measures based on the aforementioned causes of occurrence of non-payment, and will continue to carry out necessary measures to ensure the appropriate payments.

The preventive measures already taken or to be taken are as follows:

(1) Enhancement of the operation of the Claims Administration Department and the Claims Department

Measures to prevent recurrence	Time of implementation
<p>a. Augmentation of personnel and enhancement of training system</p> <ul style="list-style-type: none"> • TMN Life has increased the number of its personnel, centering on claims payment staff, and will continue to boost the number of claims payment employees in step with the rise in the number of payment claims and also increase the number of employees to improve operations of payment administration of insurance claims and other benefits. • From the standpoint of employee education, TMN Life has strived to establish an environment that enables claims payment staff to learn the latest medical knowledge and to improve the business knowledge of the claims payment staff through various training activities and other opportunities. TMN Life will continue to increase the number of employees who train claims payment staff and endeavor to further improve the business knowledge of the claims payment staff by regularly holding study panels and medical seminars with company physicians as lecturers, for the improvement of medical knowledge of claims payment staff, and making the most of the “Exam System for Life Insurance Underwriting Specialist,” which we will implement from fiscal 2007. 	<p>To continue to implement.</p> <p>To continue to implement.</p>
<p>b. Reinforcement of checking system</p> <p>1) Insurance coverage or benefits</p> <p>A) Establishment of a claims reviewing team</p> <ul style="list-style-type: none"> • In March 2006, we established a claims reviewing team in the Policyholders’ Service Department to set up a system to recheck payment and non-payment cases reviewed by the Claims Department. <p>B) Establishment of a Business Management Group of the Policyholders’ Service Department</p> <ul style="list-style-type: none"> • In November 2006, we established a Business Management Group in the Policyholders’ Service Department to separate the Claims Department from the Claims Administration Department, so that the two departments can more properly check each other. 	<p>From March 2006 (Already implemented)</p> <p>From November 2006 (Already implemented)</p>

Measures to prevent recurrence	Time of implementation
<p>C) Establishment of follow-up review system for claims determined to be non-payable</p> <ul style="list-style-type: none"> We have established a new system under which the Compliance Department performs follow-up reviews of all the claims that were determined to be non-payable by the Claims Department, to check whether that judgment was correct. <p>D) Establishment of a Payment Reviewing Committee</p> <ul style="list-style-type: none"> We enhanced the objectivity and transparency of the operations of the payment administration of insurance claims and other benefits, and established a system to review claims, which were determined not to be payable but for which review was deemed to be appropriate, from the standpoint of third parties (doctors and lawyers outside the company and employees who do not belong to the Policyholders' Service Department), aiming to ensure functions to check the Claims Department. <p>2) Refunds</p> <ul style="list-style-type: none"> With regard to refunds on termination of contracts because of misrepresentation made by policyholders at the time the policyholders purchased policies and for other reasons, which require separate calculation by hand, not by systems, TMN Life decided to strictly carry out double checks on each case by multiple employees. 	<p>From November 2006 (Already implemented)</p> <p>From November 2006 (Already implemented)</p> <p>From April 2007 (Already implemented)</p>
<p>c. Establishment of a claims recommendation system</p> <p>1) Insurance coverage or benefits</p> <ul style="list-style-type: none"> When claims for insurance and other benefits are made by policyholders, TMN Life checks the coverage details of their policies and other policies and notifies them of the results, so that they can make claims without omission. TMN Life will establish an administrative operation system for paying insurance claims and other benefits without fail at each of the following stages: upon insurance policy purchase, during the term of the insurance coverage and upon payment of insurance claims or other benefits. <p>A) Upon insurance policy purchase</p> <ul style="list-style-type: none"> A "Guidebook on Insurance and Other Benefits (tentative name)," which aims to facilitate policyholders' understanding of when they can claim insurance and other benefits, will be prepared and given to policyholders when insurance is purchased, starting from October 2007. <p>B) During the term of insurance coverage</p> <ul style="list-style-type: none"> The details of the "Summary illustration of insurance coverage," which we send to the policyholders every year, will be enhanced from fiscal 2007 in order to make sure policyholders can claim insurance claims and other benefits. <p>C) Upon payment of insurance claims or other benefits</p> <ul style="list-style-type: none"> We will establish rules on sending notifications to policyholders to thoroughly "verify that all recommended claims have been made" and "check for the possibility that claims made fall under payment events of other insurance claims and other benefits, based on the submitted documents." We will establish a "Claim Recommendation Team" (tentative name) within the Claims Group of the Policyholders' Service Department in October 2007 to reinforce management of claims that the team notifies the policyholders of. Thus we will establish a system to pay insurance claims and other benefits to policyholders without fail. 	<p>Have been implemented</p> <p>From FY2007</p> <p>From October 2007 (To be implemented from now on)</p> <p>From FY2007 (To be implemented from now on)</p> <p>From April 2007 (Already implemented)</p> <p>From October 2007 (To be implemented from now on)</p>

Measures to prevent recurrence	Time of implementation
<p>2) Others</p> <ul style="list-style-type: none"> We will successively implement measures to enhance notifications to policyholders in order to ensure we pay refunds to policyholders. 	<p>From FY2007 (To be implemented from now on)</p>
<p>d. System improvement and enhancement</p> <p>1) Systems related to insurance coverage and benefits</p> <ul style="list-style-type: none"> System support to prevent “payment omissions” and “incorrect payment” has been and will be continually reinforced. The systems will be reformed to drastically improve the function to prevent “payment omissions” and “incorrect payment.” Under the reform, everything that can be confirmed and judged by systems will be mechanized. <p>2) Systems related to refunds on cancellation</p> <ul style="list-style-type: none"> Measures have been taken to prevent incorrect payment of refunds on cancellation. Among such measures are revision of the process management outline in systems development projects and establishment of verification method and evaluation standards for double-check on the results of calculation by systems programs. 	<p>Being implemented one after another FY2008 to FY2009 (To be implemented from now on)</p> <p>Being implemented one after another</p>

(2) Maintaining and reviewing rules regarding payment of insurance claims and other benefits and reinforcement of management involvement

Measures to prevent recurrence	Time of implementation
<ul style="list-style-type: none"> “Payment screening standards,” established by fully organizing standards for acceptance or rejection of payment of insurance claims or benefits, were referred to the Management Council in June 2006. Establishment and revision or abolition of important matters of other rules are also discussed at and approved by the Management Council. Various rules and regulations will be fully discussed at a “Payment Administration Committee for Insurance Claims and Other Benefits” (tentative name), which will be established as a board committee, and then resolved by the Board of Directors. Thus, involvement of the management in maintaining and reviewing rules will further reinforced. 	<p>Being implemented one after another</p> <p>From FY2007 (To be implemented from now on)</p>

(3) Reinforcement of management involvement of Directors

Measures to prevent recurrence	Time of implementation
<p>1) Reporting important matters related to payment of insurance claims and other benefits to the Management Council and the Board of Directors</p> <ul style="list-style-type: none"> Important matters related to payment of insurance claims and other benefits have been reported to the Management Council and the Board of Directors. The “status and details of payment and non-payment of insurance claims and other benefits,” the “status of occurrence of payment omissions and incorrect payment” and other matters have been successively reported to such board committees as the Compliance Committee and the Risk Management Committee, the Management Council and the Board of Directors since FY2005. 	<p>Is being implemented</p> <p>Being implemented one after another</p>

Measures to prevent recurrence	Time of implementation
<p>2) Establishment of a “Payment Administration Committee for Insurance Claims and Other Benefits” (tentative name)</p> <ul style="list-style-type: none"> A “Payment Administration Committee for Insurance Claims and Other Benefits” (tentative name) will be established as a board committee in FY2007 to collectively gather reports related to payment of insurance claims and other benefits, which have been made to other board committees, at the new committee. Such reports will fully be deliberated at the new committee and then discussed at the Board of Directors and reflected in the measures of TMN Life. <p>3) Enhancement of internal audit</p> <ul style="list-style-type: none"> The status of implementation of “claims recommendation,” which has not been sufficient before, will be added to the standpoints of internal audit. The overall status of implementation of the measures to prevent recurrence of non-payment, which will be established this time, will also be monitored as a subject of internal audit and then reported to the management. 	<p>From FY2007 (To be implemented from now on)</p> <p>From FY2007 (To be implemented from now on)</p>

(4) Reinforcement of coordination between the Product Development Department and the Claims Administration Department

Measures to prevent recurrence	Time of implementation
<ul style="list-style-type: none"> The operation of product development and reform was drastically reviewed in January 2007 and a “Product Development and Reform Committee,” where managers of departments concerned including the Claims Administration Department take part in discussions, was established, so that the Claims Administration Department and the Claims Department can participate in product development from the beginning and the standpoint of properly paying insurance claims and other benefits can be included in the development of products without fail. 	<p>From January 2007 (Already implemented)</p>

(5) Reinforcement of responsiveness to policyholders’ concerns regarding claims

Measures to prevent recurrence	Time of implementation
<p>1) Handling of complaints and requests regarding insurance claims and other benefits</p> <ul style="list-style-type: none"> “Rules on counting and reporting claims and requests regarding payment of insurance claims and other benefits” were clarified in May 2006, and claims and requests regarding payment of insurance claims and other benefits have been reported since July 2006 to the “Management Quality Improvement Committee” (currently the Committee Aimed at Insurance Company Most Trusted in Japan by Policyholders and Agents (hereinafter referred to as the “Japan’s Most Trusted Insurance Company Committee”), a board committee. <p>2) Establishment of a “Policyholders’ Opinions Office of the Planning Department”</p> <ul style="list-style-type: none"> In November 2006, we established a “Policyholders’ Opinions Office” in the Planning Department to collectively manage requests, complaints, and other opinions from policyholders (including those regarding payment of insurance claims and other benefits). As mentioned above, these requests and complaints are reported to the Japan’s Most Trusted Insurance Company Committee, a board committee, to enhance the transparency of information regarding complaints and requests, and reflect the information in measures. 	<p>From FY2006 (Already implemented)</p> <p>From November 2006 (Already implemented)</p>

Measures to prevent recurrence	Time of implementation
<p>3) Establishment of an Insurance Advisory Desk and enhancement of functions</p> <ul style="list-style-type: none"> • In February 2007, an Insurance Advisory Desk was opened in the Policyholders' Opinions Office of the Planning Department to accept complaints or other opinions regarding payment of insurance claims and other benefits by a department other than the Claims Department. • We will further enhance the roles of the Insurance Advisory Desk. As a contact location for policyholders to voice complaints and requests regarding claim payments as a whole, the desk aims to enhance transparency and further reinforce the claim payment administration system. <p>4) Reinforcement of responsiveness to objections and complaints of policyholders</p> <ul style="list-style-type: none"> • We will introduce a "Counseling System by External Attorneys," where policyholders can seek advice directly from external attorneys, and a Reexamination Request System, where claims are reviewed again in the light of views of other doctors, so as to respond fully to objections and complaints of policyholders. 	<p>From February 2007 (Already implemented)</p> <p>From October 2007 (To be implemented from now on)</p> <p>From October 2007 (To be implemented from now on)</p>

[Attachment]

Cases where overcollection of premiums, underpayment of refunds on cancellation, or other errors take place because of system failures

TMN Life has made revisions of premiums and refunds on cancellation, following the revision of the standard life table which was implemented in April. During the process of verifying systems, TMN Life found it miscalculated premiums of some policies held and refunds on cancellation because of failures of systems in some products.

The cases of improper premiums collection and refunds payment due to such system failures are described below.

Cases that fall under report pursuant to Paragraph 1, Article 128 of the Insurance Business Law (including refunds paid from FY2001 to FY2005) total 66, as mentioned in Section 1-(2).

1. Subject products

- *Mitsu no Anshin* (comprehensive life insurance with disbursement of interest difference every five years)
- *Nagawari Mitsu no Anshin* (low cancellation refund-type comprehensive life insurance with disbursement of interest difference every five years)
- Child medical special contract

2. Number of cases and amount of incorrect payment (found in contracts held as of the end of February 2007)

	No. of policies	Average amount of miscalculation per policy	Maximum amount of miscalculation per policy	Total amount of miscalculation
1) Cases of overcollection of premiums	1,260	One installment of premium: 14 yen Total premium: 219 yen	One installment of premium: 120 yen Total premium: 1,560 yen	275,514 yen
2) Cases of underpayment of refunds on cancellation	82	620 yen	2,000 yen	50,800 yen
3) Cases of overpayment of refunds on cancellation	59	634 yen	2,000 yen	37,400 yen

<*> 66 cases out of the cases described in 2) fall under report to Financial Service Agency.

3. Responses

(1) Inspection of system

TMN Life checked for the occurrence of similar failures in other products and verified that there were no problems.

(2) Responses to policyholders

- 1) TMN Life will refund the overcollected premiums together with interest on them, and charge the correct premiums in the future.
- 2) With regard to refunds on cancellation, TMN Life will pay back the shortage in refunds paid in the past together with interest, while it will not collect the portion of refunds that was overpaid in the past.
- 3) Apart from the aforementioned cases, there were 9,750 cases where the examples of the amounts of refunds on cancellation, which were described in insurance policies or similar documents, were incorrect. In cases where the correct amount of refund on cancellation exceeds the amount indicated on insurance policies or similar documents, TMN Life will pay the correct amount. In cases where the correct amount of refund on cancellation is below the amount indicated in insurance policies or similar documents, TMN Life will pay the amount shown on insurance policies or similar documents.