

## NOTICE REGARDING ADMINISTRATIVE MEASURES TO THE COMPANY

Mitsui Sumitomo Insurance Company, Limited (the "Company")

The Company today received from the Financial Services Agency (the "FSA") an order for partial suspension of business as well as remedial action order for business, respectively, pursuant to Article 133 and Article 132, paragraph 1 of the Insurance Business Law. We deeply regret causing such a situation in the insurance business industry where highly ethical behavior is expected. We would like to express our sincere apologies to our policyholders and related parties for any significant inconvenience.

The outline and other matters of the administrative measures are as set forth below. All members of the Company take the orders serious, and sincerely wish to prevent the recurrence of a similar situation and restore the confidence in the Company.

1. Outline of Measures, and Laws and Regulations to Authorize the Measures
  - (1) Order for partial suspension of business pursuant to Article 133 of the Insurance Business Law:
    - (i) To suspend business relating to the conclusion of insurance contracts, the insurance marketing business and the surety bond business of the license for non-life insurance business during the period from July 10, 2006 (Monday) to July 23, 2006 (Sunday).
    - (ii) To suspend business relating to the conclusion of contracts and the insurance marketing business of a whole life medical insurance policy, etc. during the period from July 10, 2006 (Monday) until the FSA confirms that the Company has improved its management and administrative systems for the third sector insurance products.
    - (iii) To suspend the business relating to the application for approval and notification of establishment and revision of insurance products, and an application for approval of representation business of financial institutions including other insurance company, etc. during the period from June 22, 2006 (Thursday) to June 21, 2007 (Thursday); provided, however, that in case that the FSA confirms that the Company has improved its internal management and administrative systems on or after December 22, 2006 (Friday), then until such time.
    - (iv) To suspend the business relating to the application for approval of establishment of overseas subsidiaries, and notification of establishment of branches, offices and offices of overseas resident representatives and incorporation of overseas joint venture companies during the period from June 22, 2006 (Thursday) to September 21, 2006 (Thursday).
  - (2) Remedial action order for business pursuant to Article 132, paragraph 1 of the Insurance Business Law:
    - (i) Improvement and strengthening of the Corporate Governance:
      - (a) To establish a management system ensuring a reporting structure for business operations, decision-making process and renovation of corporate governance;

- (b) To improve and strengthen the internal audit system; and
  - (c) To strengthen the management and monitoring functions of the headquarters over overseas network;
- (ii) Improvement and Strengthening of the Claims Payment Administration, etc.:
- (a) To review and improve its claim administration including establishing a fair and appropriate examination system and procedures, and rearranging computer systems;
  - (b) To review and improve the product development administrative system; and
  - (c) To prepare a system to enable the Company to quickly and appropriately respond to customers in case of a nonpayment or failure of the proper payment of claims.
- (iii) Improvement and Strengthening of the Protection of Policyholders and Conveniences for Policyholders:
- (a) To establish an administration system for employees and agents where they are able to duly conduct insurance offering activities and give explanation to customers; and
  - (b) To review and improve the complaints handling and misconduct handling system.
- (iv) Improvement and Strengthening of the Compliance System for Laws and Ordinances:
- (a) To review thoroughly and improve its system to comply with the laws and ordinances; and
  - (b) To take necessary procedures in case of a situation that may be in conflict with the laws and ordinances as well as regulations, and formulate an improvement plan to prevent recurrence.

## 2. Facts led to the Administrative Measures

- (1) Inappropriate nonpayment of claims relating to the third sector products, such as the whole life medical insurance policy:

Upon investigation on the cases of nonpayment of claims relating to the third sector products in the past, it is recognized that there were many inappropriate nonpayment of claims (927 cases in total with the amount totaling ¥166 million).

- (2) Failure to Properly Pay Claims of Extraordinary Expenses, etc.:

Upon reexamination of the result of the review regarding failure to pay claims for incidental expenses, it is recognized that there were many cases of failure to pay among the cases that were not to be subject to the previous review (17,296 cases in total with the amount totaling ¥719 million).

- (3) Inappropriate Administration of Agents:

It is recognized that there were incidents of misconduct including an advance of premiums and illegal use of the customers' seal impression, by agents of the Company.

(4) Complaints Handling System and Misconduct Handling System:

It is recognized that there were cases where the Company did not take appropriate measures to handle complaints relating to the payment of insurance claims. In addition, the Company did not take proper response, such as, among other things, investigation and confirmation of complaints relating to the matter that may constitute a misconduct.

(5) Overseas Network Administration System:

The department in charge of overseas affairs of the Company did not fulfill administrative and supervising functions to a satisfactory extent, as an investigation was not fully conducted to clarify inappropriate expenditures by an overseas subsidiary.

(6) Management Administration System:

The management did not recognize the issue on the inappropriate nonpayment of claims and left the matter to the divisions in charge. It also did not examine the situation, or formulate and implement any handling measure. There was a problem of the administrative functions of the management. Furthermore, the internal audit system did not fully work.

3. Preventive Measure of Recurrence

In order to prevent the recurrence of the foregoing incidents, the Company intends to continually review and strengthen the management and administrative systems of the entire Company by thoroughly revising its internal structure and letting all staff internalize the need for the compliance with the laws and ordinances, among other things, based on the idea that customer satisfaction is given a priority to operate all businesses of the Company.

(1) Strengthening Business Administration System for Medical Insurance:

- Establishing solid internal system to investigate operation of the claims payment by the investigation committee including external professionals
- Revising the business execution flow relating to underwriting and claims payment
- Thoroughly re-educating employees and agents

(2) Strengthening Claims Payment Administration System:

- Renovating claims payment services system
- Strengthening the system to investigate the conditions for an appropriate claims payment
- Strengthening the system to monitor and supervise the claims payment operation
- Strengthening the claims payment personnel for medical insurance by increasing the number of staff
- Strengthening ties between the claims payment division and the product development division in the product development process

- (3) Strengthening Insurance Marketing Administration Systems:
- Strengthening and expansion of the compliance promotion organization
  - Restructuring of the compliance education system for employees and agents
  - Revising the marketing rules and strengthening investigation system
- (4) Strengthening Complaints Handling System:
- Establishing a system to analyze information available from complaints and utilize such information to improve the business operation
  - Reinforcing educational programs and thoroughly implementing such education to employees for handling complaints
- (5) Strengthening Internal Audit System:
- Strengthening the internal audit method through expansion of the scope of internal audit
  - Strengthening internal audit personnel by increasing the number of staff
- (6) Strengthening and Improvement of Internal Monitoring System for the Overseas Network:
- Strengthening monitoring functions of the headquarters for the following items to be dealt with by the overseas network of the Company
- Strengthening the compliance promotion system
  - Strengthening the supervisory functions of the Board of Directors
  - Strengthening the internal audit functions for the overseas sites

4. Definition as to Where the Responsibility is:

The Company will clarify the responsibility of executive staff for the issue and strictly implement in-house punitive action against them. The details will be publicly disclosed after formulating the business improvement plan based on the remedial action order.

5. Any inquiry should be made to:

Free dial: Tel 0120-685-106 (Japanese Language Only)

Available hour for week days: 9:00– 20:00; Weekend and holidays: 9:00-17:00

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