

[English Translation]

August 21, 2006

Mitsui Sumitomo Insurance Co., Ltd.

## **Current Status of Business Improvement Plan Implemented**

Mitsui Sumitomo Insurance Co., Ltd. (“the Company”) (President & CEO Toshiaki Egashira) has today submitted the first report on the current status of implementation of the business improvement plan, which the Company submitted to the Financial Services Agency as of July 21, 2006 and is taking specific measures in accordance therewith. And an outline of the report is set forth below.

### **1. Improvement and Strengthening of Corporate Governance**

#### **1.1 Dramatic Corporate Governance Reform**

- (a) Creation of Management Administration Structure Based on Company with Committees Structure

It has been resolved that the Audit Committee with a majority of outside directors shall be established effective September 1, 2006 and also that, in line with this action, outside directors shall compose the majority of the members of the existing Nomination Committee and Remuneration Committee.

By taking these measures, the Company will create a management administration structure with the three functional committees required for a ‘company with committees’ structure, and strives to strengthen the monitoring and supervisory functions of management and conduct management that is highly transparent.

- (b) Strengthening and Expansion of Functions of Board of Directors and Other Management Organizations

It has been resolved that the respective Regulations of the Board of Directors, the Management Committee, and the Organization, Functions and Authorities shall be revised so that matters, such as customer protection and the development of new products, should be deliberated and/or reported on to the Board of Directors or the Management Committee effective September 1, 2006.

#### **1.2 Formulation of New Group Vision** Attachment 1

The Company has established a New Vision Promotion Headquarters, which is chaired by President Toshiaki Egashira, to formulate a “new group vision” for steadily

implementing the business improvement plan towards re-creating “a Company that puts the first priority on the customers’ view” hallmarked confidence.

The new group vision will be developed with the participation of all employees, including collecting and making use of comments originating from the front lines of the Marketing Division, the Claims Handling Division and others.

### **1.3 Dramatic Reform of System of Reporting on Business Operations**

#### **(a) Establishment of Corporate Quality Control Department**

The Company has resolved to establish the Corporate Quality Control Department effective September 1, 2006, as an organization to conduct, independently from any executing division, follow-up monitoring of the suitability of the Company’s business operations on each stage of the Company’s business, including product development, solicitation, contract management and payment of claims.

(See [Attachment 2](#) for the outlines and the number of personnel in the organizations to be newly established or expanded effective September 1, 2006 in implementing the business improvement plan.)

#### **(b) Strengthening Communication between Management and ‘Front-Line’ Employees**

The chairman, president and officers in charge at head office have held 16 explanatory meetings in 11 spots across Japan, explained to ‘front-line’ employees the background and factors lying behind the administrative measures, the content of the business improvement plan and others, and facilitated employees in sharing a commitment to fulfill the business improvement plan.

The Company puts the first priority on fulfilling the business plan and continues to making every effort to do it.

### **1.4 Dramatic Improvement and Strengthening of Internal Audit System**

#### **(a) Improvement and Strengthening of Internal Audit System**

The Company has resolved to put the Internal Audit Department under the umbrella of the Audit Committee effective September 1, 2006, and aims to strengthen its independence and authority. In addition, it has boosted the number of internal auditing staff in charge of auditing the Claims Handling Division as well as personnel in the Internal Audit Department.

#### **(b) Improvement and Strengthening of Purview of Internal Auditing**

In addition to reviewing particulars subject to audit and audit methods prescribed in the internal audit manual of each section, the Company has started preparing a follow-up manual to ensure matters specified in internal audits to be clearly followed-up through to confirmation that improvements have been made.

### **1.5 Dramatic Improvement and Strengthening of Administrative and Audit**

### **Functions of Overseas Offices**

(a) Implementation of Evaluation Project utilizing External Experts

In order to enhance the administrative and internal supervisory over the overseas offices, the Company has resolved to conduct an evaluation project, in ways such as utilizing external experts, for examining the systems of corporate governance, regal compliance, risk management and internal auditing.

The Company aims to dramatically improve and strengthen the administrative and audit functions over the overseas offices by examining the views of independent parties.

(b) Strengthening of Monitoring by Head Office

The Company has resolved that the Compliance Department shall be newly established through reorganization, that the function to promote regal compliance at overseas offices shall be transferred thereto and that overseas offices are from now on required to report thereto on the current status on development of a complaint or an incident of misconduct, if any.

The Company expects that this action will facilitate creating a comprehensive compliance monitoring system covering both Japan and abroad.

## **2. Improvement and Strengthening of Claims Payment Administration System, Etc.**

### **2.1 Dramatic Review and Improvement of Claims Payment Administration System**

(a) Resolution of “Principles on Upgrading Claims Handling System for Appropriate Payment” [Attachment 3](#)

The Board of Directors resolved to adopt “the Principles on Upgrading Claims Handling System for Appropriate Payment” on August 21, 2006.

In accordance with the said principles, the Company is determined to take a basic stance of “fair and appropriate claims payment together with an effort to make an explanation sincere and easy to understand to every claimant so that a claimant should be able to grasp an idea of all items eligible for payout, understand the payment procedure and agree with the explanation on eligible and ineligible items.” Accordingly, the Company continuously strives to improve and strengthen the claims payment administration system.

(b) Upgrading Regulations and Manuals in Claims Handling Service [Attachment 4](#)

In making efforts to dramatically review the claims handling services and create and appropriately manage a claims payment administration system which focuses

on customer protection, the Company started reviewing regulations and manuals. As the first step, the regulations, manuals, explanation form, etc. for notification and explanation pertaining to claims payment were revised mainly for giving accountable responses to claimants. With respect to the terms “identification of onset date of illness” and “duty to provide proper health condition statement” which are common and very basic in the third sector products (medical insurance), a manual has been prepared to be referred in practical use to the interpretation of the clauses and the detailed criteria prescribed therein.

(c) Establishment of Claims Handling Examination Department

The Company has resolved to newly establish the Claims Handling Examination Department effective September 1, 2006 as an organization supervising and monitoring the claims payment services.

The Claims Handling Examination Department not only checks for the claims payment defaults with regard to supplemental coverage items and the inappropriate non-payments of third sector products such as whole life medical insurances but furthermore, will monitor the Claims Handling Division in performing duties well enough to be accountable and responsible to claimants within the claims payment administration system to be reconstructed.

(d) Continuous Disclosure or Status of Claims Payment, etc.

The Company will continuously disclose the number of cases with a brief summary with regard to the claims payment defaults of supplemental coverage items such as those pertaining to expenses for urgent necessities and the inappropriate payment services of third sector products such as whole life medical insurances.

While the Company keeps on thoroughly monitoring claims payments and continues to disclose timely and appropriately the results, it will make efforts to disclose information regarding complaints and objections registered regarding claims payment as well as claims determined ineligible for payment and therefore unpaid.

## **2.2 Dramatic Review and Improvement of Product Development System**

(a) Reconstruction of Product Development

In order to reconstruct the product development system, aligning it in the development, improvement and elimination of products to reflect customers' comments as well as those raised inside and outside the organization, the Company has started reviewing the administrative procedure in each stage of product development process.

A framework of administrative process in the product development will be fixed by September, and subsequently, the related regulations, etc. such as those of procedure in the product development will be revised subject to examination of

the Corporate Quality Control Department.

(b) **Standards on Submission and Reporting to Management**

After reviewing the standards on submission and reporting to the Management Committee, it has been resolved that any development of products widely intended for general consumers shall be submitted and/or reported to the committee, regardless of expected premiums in order that the management should be more involved in the product (effective September 1, 2006).

(c) After reviewing underwriting manners of the third sector products, following improvements have been made; revision of the form of health condition statement, setting up a customer inquiry center, establishing a system for corrections, preparing a solicitation manual, etc.

**3. Improvement and Strengthening of Policyholder Protection and Policyholder Benefits**

**3.1 Establishment of Employee and Agent Administration System**

(a) Establishment of New Compliance Department

The Company has resolved to re-organize the compliance promotion organization. The (new) Compliance Department shall be established to be comprehensively responsible for promoting and monitoring compliance matters pertaining to solicitation activities within Japan and overseas. The Company aims to establish an administration system which should ensure appropriate solicitation and explanations to customers by employees and agents.

(b) “Compliance Enhancement Month” Campaign Implemented

The Company commenced the Compliance Enhancement Month campaign running from August to September 2006 for the purpose of making the compliance-focused attitude clearly understood company-wide.

Also to ensure the initiative, the Company will carry out training programs on compliance, gathering all employees and agents. The programs will deal mainly with the particular items pointed out in the relevant inspection made by the Financial Services Agency such as inappropriate acceptance of health condition statement, prohibition of signing and sealing on behalf of customer, prohibition of individuals mixing into corporate or group insurance, etc.

**3.2 Dramatic Review and Improvement of Complaints Response and Handling**

## **System**

### **(a) Establishment of “Customer Service Department”**

The Company resolved to establish the Customer Service Department to be comprehensively responsible for complaints response system. Simultaneously, the “Claims Handling Consulting Section” shall be opened within the said department, and it should appropriately provide customers with various consultation services and respond to complaining policyholders so that such voices of customers collected should be forwarded duly and without delay to the management.

### **(b) Making Use of Complaint Information**

In the training program for all employees to be carried out during the Compliance Enhancement Month campaign running from August to September 2006, they are to be reminded that the complaint information should be positively collected as “critical information which may help operations improve further.”

The Company will continuously make use of customers’ suggestions, including complaints.

## **4. Improvement and Strengthening of Legal Compliance System**

### **4.1 Establishment of a Legal Compliance System by Strengthening Internal Supervisory Functions**

#### **(a) Strengthening of the Authority of the Compliance Department**

The Company has resolved to grant authority to the general manager of the new Compliance Department to issue directions to and order reports from each of the general managers at head office, and authority to the general managers of the Regional Compliance Sections to issue directions to and order reports from each of the general managers of departments and branch offices within their region, with respect to matters relating to the promotion of compliance.

By taking this action, the Company will strive to ensure that cases of potential violation of any law, order or regulation should be thoroughly investigated and be preemptively and effectively remedied.

#### **(b) Comprehensive Investigation and Handling of Incidents of Misconduct**

The Company set up the “Investigation Section” and “Overseas Compliance Section” within the Compliance Department so that the department should comprehensively investigate and handle incidents of misconduct, whether inside or outside Japan.

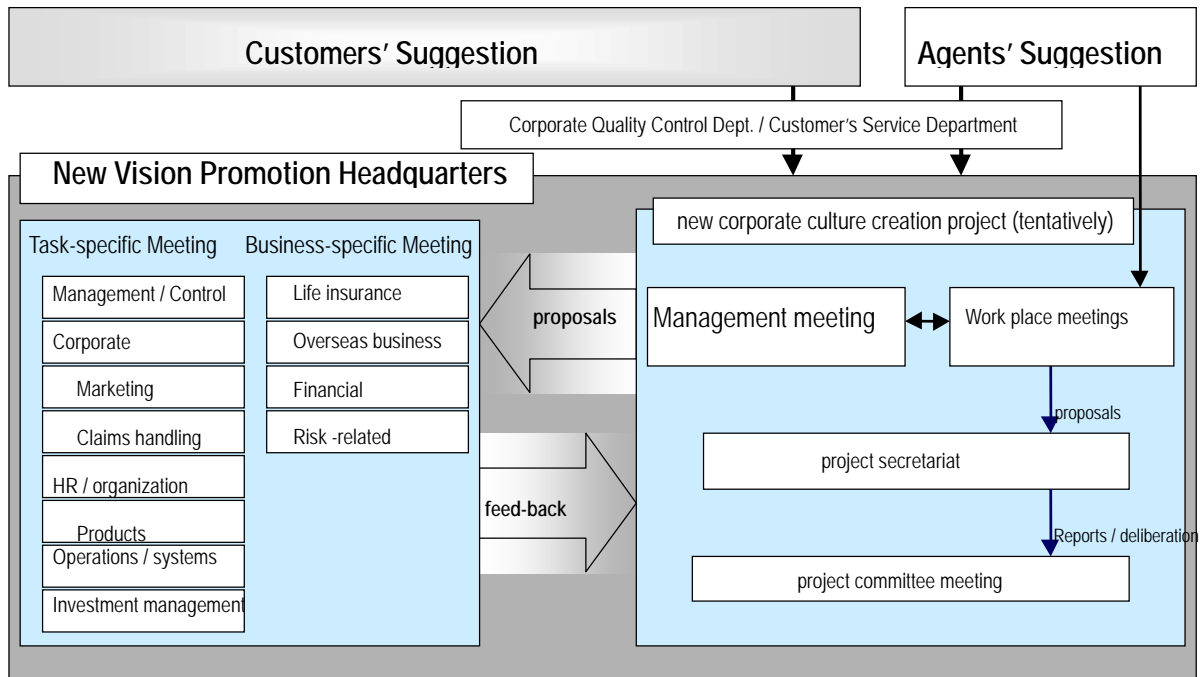
(c) Reorganization of Risk Compliance Committee Meeting

It has been resolved that, among the committee meetings dedicated for specific issues, the Risk Compliance Committee Meeting shall be reorganized, divided into the Risk Management Committee Meeting to handle risk-related matters and the Audit Committee, which is to be newly set up, to handle compliance-related matters.

For this reorganization, the Company had a review, focusing on risk management and compliance and, as a result, has made their systems ready to take an initiative accurately.

End

## Outline of New Group Vision Formulation



## Outline of Organizations Established / Expanded and Workforce

Attachment 2

### 1. Establishments

name	role	workforce	# increased
Audit Committee Secretariat	A secretariat of the Audit Committee to be newly established	2	2
Corporate Quality Control Department	Collects information from each stage from product development, solicitation and contract management, claims payment, reviews the suitability of their operational systems, develops any necessary improvement strategies either in a solo capacity or jointly with the relevant departments, and administrates such strategies in place.	15	15
Customer Department Service	<ul style="list-style-type: none"> <li>Comprehensively deal with complaints. Analyzes complaints made to the Company, determines the base causes, and develops any necessary improvement strategies either in a solo capacity or jointly with the relevant departments.</li> <li>Acts as secretariat of the Council on Promotion of Customers' Viewpoint.</li> </ul>	26*	21*
Claims Handling Consulting Section	Responds to customers for their general inquiry, consultation and complaints with regard to claims payment. Instructs, in case of complaint, a relevant service center to re-examine the claim and give an explanation, etc. to the customer thereof.	[12]	[12]
Claims Handling Examination Department	<ul style="list-style-type: none"> <li>Comprehensively supervises and monitors claims handling operations, including cross-checking the follow-up services of the claims payment defaults, reviewing regality of determination of claims ineligible for payment.</li> <li>Acts as secretariat of the Claims Payment Examination Council.</li> </ul>	18	18
Supervisory Section, Internal Audit Department	Examines results of the internal audits. Pursues to improve the quality of reporting and ensure accuracy of audit results by examining the internal audit reports, etc. and hearing from the internal auditors.	10	10
total		71	<b>66</b>

### 2. Expansions

name	role	workforce	# increased
Internal Audit Department (excl. Supervisory Section)	Conducts an internal audit and instructs to take a correction / improvement action.	85	20
Compliance Department	Formulates compliance principles and initiatives, and designs and administrates operations in solicitation activities at agents	129* *incl. 66 in the aggregate of 3 units stated below	14* *115 consisting of staff transferred from the compliance-related positions in other departments, incl. 52 compliance officers in each block HQ
Investigation Section	Handles matters pertaining to potential incidents of misconduct and dispositions relevant to misconduct, and investigates misconducts by employees.	[10]	[10]

Regional Compliance Section	Investigates incidents of misconduct by agents on a block HQ level, monitors operational administration, conducts compliance review, and reviews operations at agents.	[52]	*52 compliance officers transferred from each block HQ
Overseas Compliance Section	Promotes and monitors compliance at overseas offices.	[4]	[4]
total		214	34