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# Japan's Life Insurers – A Look At FY1999 Results

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*As Japan's life insurers have struggled throughout the 1990s under the weight of falling share prices, low interest rates and credit concerns prompted by the failure of Toho Mutual, their FY1999 results are being closely watched. Under pressure to transform themselves, how far have Japan's life insurers managed to develop their respective businesses? This report will examine the results of the top 14 life insurers and outline major developments in the industry during FY1999.*

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## **1. Insurance Policies ~ Differentials Depending On Product Development And Credit Worthiness**

### **1) Individual Life Insurance And Annuities**

Japan's households continued to retrench their insurance policy investments throughout FY1999 giving rise to continued high levels of policy cancellations and lapses, on the back of which the value of individual life policies in force at the 14 majors fell 3.6% year-on-year to a total of ¥1,252.5 trillion, and individual annuities in force fell 3.7% to ¥73.5 trillion (Table 1). Fukoku Mutual was the only life insurer to manage to actually increase the value of its individual policy business, repeating its FY1998 performance, while Nissay, Sumitomo, Yasuda, Fukoku and Tokyo were the only 5 insurers to see rises in new policy subscriptions, reversing their previous declines.

Table 1

(Units: JPY billion)

	Individual Insurance						Individual Annuities						Cancellation / lapse rate			
	Policies in force		New policies		New policies (net, incl. transfers)		Policies in force		New policies		New policies (net, incl. transfers)					
	%y-y (FY99)	%y-y (FY98)	%y-y (FY99)	%y-y (FY99)	%y-y (FY99)	%y-y (FY99)	%y-y (FY99)	%y-y (FY98)	%y-y (FY99)	%y-y (FY99)	%y-y (FY99)	%y-y (FY99)	%y-y (FY99)	%y-y (FY99)		
Nippon	310,069.1	-3.3	-5.3	20,934.7	4.8	25,921.4	14.7	16,268.1	-3.1	-0.7	770.6	-47.3	753.6	-47.8	8.4	-0.3
Dai-ichi	224,798.4	-2.7	-3.4	13,607.8	-6.6	20,622.6	2.7	7,385.7	-5.3	0.1	72.6	-89.0	42.7	-93.0	8.8	0.2
Sumitomo	204,269.1	-2.4	-4.1	15,543.6	0.6	21,284.8	10.7	11,620.8	-2.5	0.6	533.4	-46.4	497.1	-50.0	9.2	0.2
Meiji	120,246.2	-5.7	-5.1	7,049.8	-9.4	8,392.6	-15.5	8,409.9	-3.3	-1.5	249.5	-46.5	217.3	-53.7	9.4	0.3
Asahi	80,413.2	-5.0	-6.0	4,628.3	-7.6	6,131.1	-3.9	7,213.3	-6.3	-5.4	183.4	-42.0	72.6	-65.5	7.9	-0.4
Mitsui	67,419.2	-4.9	-6.0	4,263.3	-10.8	5,507.9	-7.9	2,843.7	-0.4	2.8	261.0	-31.4	255.9	-32.2	8.9	-0.9
Yasuda	71,278.3	-3.1	-3.9	5,600.6	3.6	7,472.5	5.2	4,724.9	-3.2	-0.5	224.4	-45.5	223.1	-45.9	9.7	0.0
Taiyo	10,034.0	-1.5	-2.5	1,333.2	-0.5	1,333.2	-0.5	5,150.9	4.2	5.7	514.4	-0.5	514.4	-0.5	6.6	0.5
Daido	37,932.5	-0.5	-0.1	4,512.7	-3.2	4,570.4	-2.9	1,138.6	-3.4	-2.6	49.9	-26.6	49.9	-26.6	9.8	-0.1
Kyoei	41,386.9	-7.2	-5.4	4,059.8	-6.6	3,957.8	-17.9	1,705.2	-4.4	3.8	86.8	-56.4	88.9	-55.3	12.2	0.8
Fukoku	34,141.7	1.4	0.7	2,617.5	2.5	3,514.1	5.6	2,501.0	-3.0	0.5	82.5	-54.7	82.5	-54.7	6.0	-0.1
Chiyoda	32,240.4	-9.7	-9.0	2,846.9	-7.4	3,134.9	-6.7	1,562.3	-10.9	-2.2	88.9	-62.5	86.4	-63.0	14.9	1.4
Nichidan	12,235.7	-4.6	-3.1	1,151.0	-17.7	1,251.0	-16.1	2,556.3	-12.3	-9.8	65.9	-19.2	-32.5	-351.4	12.4	1.4
Daihyaku	-	-	-9.5	-	-	-	-	-	-	-5.1	-	-	-	-	-	-
Tokyo	6,012.9	-5.6	-6.1	609.9	6.0	674.7	-1.2	455.6	-21.1	-16.8	9.8	-25.8	8.7	-16.3	13.6	0.9
14 majors total	1,252,477.6	-3.6	-4.6	88,759.1	-2.4	113,769.0	2.5	73,536.3	-3.7	-1.0	3,193.1	-46.7	2,860.6	-50.0	-	-
Aoba	2,045.4	-16.2	-24.4	-	-	-	-	603.1	-11.8	-21.4	-	-	-	-	12.0	-8.4
Heiwa	2,206.0	0.1	-2.1	265.2	34.9	331.5	10.2	267.1	-9.3	-14.2	0.2	-77.8	-7.1	69.5	11.1	0.0
Daiwa	1,351.7	-7.7	-8.6	229.3	-16.8	233.1	-18.4	68.2	-9.5	-5.5	0.4	-86.7	0.4	-88.2	20.7	-1.1
Taisho	668.7	-8.7	-1.5	80.4	-32.7	89.4	-34.1	74.9	8.7	-6.3	19.2	308.5	19.5	314.9	14.6	2.8
Sony	18,772.2	13.7	22.2	3,733.3	-11.0	3,733.3	-11.0	45.1	33.0	93.4	10.8	-32.5	10.8	-32.5	N.A.	-
Saison	2,663.9	-6.0	-3.4	197.9	-28.3	197.9	-28.4	379.9	-9.6	-6.1	1.7	-72.1	1.7	-72.1	11.4	0.0
Total	1,280,185.5	-3.4	-4.4	93,265.2	-2.8	118,354.2	1.8	74,974.6	-3.8	-1.3	3,225.4	-46.4	2,885.9	-49.6	-	-

Note: Cancellation / lapse rate = (Value of individual insurance & annuity cancellations and lapses) / (Value of individual insurance and annuities in force)

While the larger life insurers and relatively healthy Daido and Fukoku saw only a 6~9% ratio of policy cancellations and lapses in the individual insurance segment, this was overshadowed by Kyoei, Chiyoda, Nichidan (formerly Nippon Dantai) and Tokyo seeing their ratio rise to 12~14%, contributing to the overall fall in policies in force.

## 2) Group Insurance And Annuities

The total value of group annuities entrusted to the 14 major life insurers fell 5.1% year-on-year to ¥45.5 trillion, marking a continued steep decline in value of nearly ¥2.5 trillion (Table 2). Against the increase in value of group insurance entrusted with Yasuda, Taiyo, Daido, Fukoku and Nippon Life, net outflows from the 5 majors excluding Yasuda and Nippon Life reached ¥2.38 trillion, while Kyoei, Chiyoda, Nichidan and Tokyo also suffered declines. The lowering of guaranteed returns last autumn and the failure of Toho Mutual have rekindled credit concerns, accelerating the outflow of corporate pension fund money.

Table 2

(Units: JPY billion)

	Group insurance			Group annuities										
	Policies in force			Policies in force										
	% y-y (FY99)	% y-y (FY98)		% y-y (FY99)	% y-y (FY98)	Chg y-y (FY99)	Chg y-y (FY98)	Ordinary A/C		Special A/C		Chg y-y (FY99)	Chg y-y (FY98)	
Nippon	64,204.5	4.0	1.4	11,427.4	3.9	1.8	424.6	195.6	7,031.7	-798.4	-910.7	4,395.7	1,223.0	1,106.3
Dai-ichi	47,080.1	1.7	0.2	7,841.2	-3.7	0.0	-300.5	3.9	4,938.3	-1,044.5	-820.8	2,902.9	744.0	824.7
Sumitomo	37,857.3	0.3	-3.4	4,738.5	-11.8	-4.4	-634.9	-250.1	3,410.3	-545.6	-668.9	1,328.2	-89.3	418.8
Meiji	45,975.5	0.9	3.8	5,052.5	-6.9	-2.6	-373.9	-145.5	4,107.0	-429.9	-380.1	945.5	56.0	234.6
Asahi	22,813.4	-1.3	-1.4	2,337.1	-23.5	-6.2	-718.3	-201.0	1,896.2	-460.5	-270.9	440.9	-257.8	69.9
Mitsui	26,320.4	-0.8	-5.4	2,684.2	-11.6	-16.3	-353.0	-590.2	2,250.1	-291.9	-151.3	434.1	-61.1	-438.9
Yasuda	67,593.1	2.9	2.6	3,807.2	0.4	1.3	16.2	47.7	3,268.7	-32.7	-70.7	538.5	48.9	118.4
Taiyo	10,204.6	5.3	6.0	781.3	5.7	-0.7	41.8	-5.1	671.2	9.5	-27.9	110.1	32.3	22.8
Daido	11,574.7	0.0	-5.8	2,535.3	4.6	0.5	110.4	13.0	2,351.3	68.4	115.6	184.0	42.0	-102.6
Kyoei	14,637.9	-3.8	-1.9	425.5	-30.6	-8.9	-187.9	-59.7	415.8	-188.9	-56.3	9.7	1.0	-3.4
Fukoku	11,337.6	3.7	-0.1	1,837.2	7.2	4.0	123.6	65.8	1,654.4	105.6	41.0	182.8	18.0	24.8
Chiyoda	13,812.8	-10.1	-5.1	816.4	-33.1	-24.6	-403.6	-397.5	707.8	-405.3	-326.7	108.6	1.7	-70.8
Nichidan	14,706.9	-12.4	-12.3	995.3	-10.9	-9.0	-121.6	-110.3	988.2	-119.3	-110.1	7.1	-2.3	-0.2
Daihyaku	-	-	-10.9	-	-	-31.9	-	-118.9	-	-	-126.0	-	-	7.1
Tokyo	6,737.0	-5.3	-10.1	234.7	-24.8	-5.7	-77.5	-19.0	212.6	-79.0	-26.5	22.1	1.5	7.5
14 majors total	394,855.8	0.4	-1.0	45,513.8	-5.1	-3.2	-2,454.6	-1,571.3	33,903.6	-4,212.5	-3,790.3	11,610.2	1,757.9	2,219.0
Aoba	10.3	-35.6	-88.2	239.5	-19.4	-15.3	-57.5	-53.7	239.5	-56.7	-53.1	0.0	-0.8	-0.6
Heiwa	1,022.5	-3.0	-8.7	23.7	-8.5	-27.5	-2.2	-9.8	23.7	-2.2	-9.8	-	-	-
Daiwa	414.7	-21.9	-3.2	22.5	-32.0	-7.0	-10.6	-2.5	22.5	-10.6	-2.5	-	-	-
Taisho	430.3	-19.3	-4.0	4.7	-51.5	-23.6	-5.0	-3.0	4.7	-5.0	-3.0	-	-	-
Sony	593.5	6.5	30.1	23.8	30.2	9.0	5.6	1.5	23.8	5.6	1.5	-	-	-
Saison	670.2	-21.5	-7.7	20.9	-9.9	-2.6	-2.3	-0.7	20.9	-2.3	-0.7	-	-	-
Total	397,997.3	0.3	-1.0	45,848.9	-5.2	-3.3	-2,526.6	-1,639.5	34,238.7	-4,283.7	-3,857.9	11,610.2	1,757.1	2,218.4

Note: Daido's guaranteed return rate on group annuities = 2.5%, the others are either 1.5% or 1.75%

The main beneficiaries of the fund outflows have been trust banks and investment advisory firms, with the group investment advisory affiliates of Dai-ichi, Meiji, Asahi, Mitsui, Fukoku and Nippon Life (who disclose such figures) seeing the value of their entrusted funds increase by 66.1% year-on-year to ¥5.19 trillion. However the total of entrusted funds at a number of life insurers and their investment advisory affiliates has fallen, with only a few such as Fukoku and Nippon Life actually experiencing overall increases. The undeniable conclusion is that Japan's life insurers are losing out in the battle for corporate pension funds.

## 2. Profits Analysis ~ Life Insurers Rely On Cashing In Share Profits To Keep In The Black

### 1) Insurance Cash Flow

Amid concerns over credit quality the top 14 life insurers saw insurance premium income decline 5.2% year-on-year to ¥24.3 trillion (Table 3). Though some of the higher quality names saw insurance payouts also drop, the overall value of policy payouts continued at a high level. 9 companies had insurance cash flow ratios (= value of policy payouts / premium income) topping the 100% break-even level, the same as the previous year.

The total value of policy payouts was nearly flat year-on-year, down only 1.1% to ¥23.9 trillion, but policy cancellation and reached ¥11.2 trillion for the 14 life insurers, a 15.3% increase year-on-year. Mitsui saw its premium income decline 16.1% due to an outflow of group insurance policies, but pressuring its salesforce to stem the previous few years' high level of cancellations, it saw cancellations drop a substantial 32.2% year-on-year, and the value of claim payouts similarly dropped 24.8%.

Table 3

(Units: JPY billion)

	Premium income		Insurance payouts			Balance ratio (payouts as % of income)		
	% y-y		% y-y		Cancellation & other returns		% y-y	
Nippon	5,809.8	-0.2	4,990.2	-5.4	1,895.3	2.7	85.9	-4.7
Dai-ichi	3,745.9	-6.1	3,858.4	4.5	1,662.1	33.7	103.0	10.5
Sumitomo	3,244.4	-2.8	3,590.0	2.4	1,642.8	35.0	110.7	5.7
Meiji	2,300.4	-8.9	2,584.1	1.4	1,114.8	22.9	112.3	11.4
Asahi	1,405.5	-11.2	2,106.0	17.6	1,107.4	78.3	149.8	36.8
Mitsui	1,322.5	-16.1	1,627.9	-24.8	815.9	-32.2	123.1	-14.3
Yasuda	1,561.1	2.4	1,400.3	3.8	524.5	21.2	89.7	1.2
Taiyo	1,155.3	-6.4	1,131.5	-13.6	243.9	-2.5	97.9	-8.1
Daido	1,136.9	-4.7	869.3	-10.3	275.0	-28.8	76.5	-4.8
Kyoei	626.8	-13.7	973.1	4.4	460.9	45.3	155.2	27.0
Fukoku	761.9	4.6	591.8	2.7	164.0	-2.5	77.7	-1.5
Chiyoda	513.0	-14.4	1,133.2	0.6	643.6	7.0	220.9	32.9
Nichidan	557.7	-5.2	743.8	10.5	407.8	25.8	133.4	18.9
Daihyaku	-	-	-	-	-	-	-	-
Tokyo	169.7	-18.2	316.0	9.8	204.9	27.1	186.2	47.5
14 majors total	24,310.9	-5.2	25,915.8	-1.1	11,162.8	15.3	106.6	4.4
Aoba	54.9	-15.5	201.7	-32.8	124.1	-39.0	367.5	-94.9
Heiwa	63.6	-15.3	72.8	-15.7	27.7	-22.5	114.4	-0.5
Daiwa	41.3	-24.6	57.0	-16.2	28.8	-24.0	138.0	13.9
Taisho	44.8	-12.1	66.0	11.9	24.3	80.4	147.5	31.6
Sony	374.2	9.3	110.4	26.6	66.6	26.9	29.5	4.0
Saison	65.3	-7.7	77.4	14.9	55.7	29.0	118.5	23.3
Total	24,954.9	-5.1	26,501.0	-1.4	11,490.0	14.2	106.2	4.0

## 2) Investment Balance

### (1) Investment gains

Total investment profits for the 14 majors jumped 20.1% year-on-year to ¥9.39 trillion. However coupon and dividend income was only ¥4.73 trillion, down roughly 10% year-on-year, due to super-low interest rates and redemption of high-yielding bonds (Table 4).

This was more than made up for however by a 79.6% jump in profits realized on securities sales to ¥3.87 trillion, as the insurers cashed in to cover negative spreads, investment losses, non-performing loan disposal and prepare for upcoming regulatory changes. Insurers posting capital gains on securities sales to prepare for the planned introduction of mark-to-market accounting from FY00 and for the introduction in April 2000 of regulatory changes affecting pension fund accounting were particularly prominent.<sup>1</sup>

1 The planned introduction in FY00 of mark-to-market accounting for the securities holdings of life insurers was in the end postponed. However, it would appear that the more powerful life insurers are already preparing for its sometime future introduction by adjusting their portfolios. Further, in preparation for changes to pension fund accounting, from end FY99 all the life insurers are putting aside enough funds to cover 100% of their required retirement benefit payments as at term-end. The larger life insurers plus Daido and Fukoku (Taiyo had already fully covered its pension liabilities) all posted pension fund reserve extraordinary losses. Differences are increasingly emerging as to how far life insurers are putting their houses in order before the introduction of the accounting changes.

## (2) Investment losses

Losses on investments among the life insurers however rose 21.6% year-on-year to ¥5.06 trillion. There was a particularly broad-based sell off of securities holdings lead by life insurers realizing losses on securities positions that were in the red ahead of the introduction of mark-to-market accounting. The total posted loss on securities sales of the 14 majors reached ¥2.68 trillion, nearly ¥1 trillion more than last year's figure.

The balance of investments (investment gains minus investment losses) however rose 18.4% year-on-year to ¥4.33 trillion, due to the large gains on securities sales realized by a few of the insurers.

**Table 4**

(Units: JPY billion)

	Profit on investment						Investment costs						Balance		Equity valuation method	Unrealized loss on equities (Ordinary A/C)	Extra-ordinary loss		
	% y-y		% y-y		% y-y		% y-y		Chg. y-y		Chg. y-y		Chg. y-y						
Nippon	2,388.8	27.9	1,296.9	-7.7	918.9	138.8	1,284.9	10.1	676.9	169.1	352.7	212.2	0.0	-184.4	1,103.9	57.6	LCM	0.0	321.8
Dai-ichi	1,679.7	52.3	813.7	-3.9	756.5	266.1	797.0	25.5	338.8	127.1	197.6	6.7	58.5	6.2	882.7	88.7	LCM	7.6	263.7
Sumitomo	1,054.1	0.0	598.0	-6.3	414.4	16.1	529.3	41.6	276.8	66.5	129.8	112.8	0.0	-9.8	524.8	-22.8	C	280.4	124.9
Meiji	756.3	14.9	455.8	-8.5	263.6	97.8	408.1	22.7	158.0	92.3	147.5	57.4	13.0	-23.3	348.1	7.0	LCM	4.6	133.0
Asahi	686.9	26.7	242.2	-26.8	424.4	139.7	355.4	48.6	281.9	166.3	30.2	16.8	7.2	-60.1	331.5	9.3	C	200.7	81.9
Mitsui	758.1	27.2	262.2	-15.5	343.6	44.6	445.7	16.8	325.3	104.4	39.9	7.4	22.5	-51.9	312.5	45.6	C	124.6	38.4
Yasuda	574.4	25.1	266.9	-7.7	221.1	80.0	321.7	8.4	154.0	42.8	104.7	6.4	6.3	-20.7	252.7	55.6	LCM	1.5	72.8
Taiyo	294.0	-15.6	194.5	-4.7	68.3	-51.7	93.1	-30.6	58.6	17.2	7.8	-25.4	0.4	-35.2	200.9	-6.2	LCM	0.3	6.1
Daido	287.1	3.7	172.4	-8.4	55.8	-22.0	181.2	22.4	46.6	6.1	86.8	34.7	16.7	6.0	105.9	-17.8	LCM	0.1	21.2
Kyoei	211.1	6.5	105.6	-21.7	79.7	86.1	136.6	43.2	92.7	38.9	1.3	-1.8	9.1	-2.1	74.5	-27.5	C	80.5	1.4
Fukoku	230.3	22.4	111.0	-6.4	91.5	50.2	105.9	10.4	44.1	25.4	32.3	-1.5	8.0	-0.9	124.3	34.8	LCM	0.2	26.6
Chiyoda	226.2	-6.9	96.7	-20.0	112.6	23.2	184.6	13.4	105.9	43.5	15.5	8.4	46.1	-28.0	41.6	-48.1	C	157.0	25.4
Nichidan	168.9	-23.0	85.5	-19.8	77.0	-23.1	178.0	149.7	99.3	65.9	32.1	11.5	25.5	25.3	-9.1	-106.1	LCM	0.6	2.9
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	76.1	17.3	29.9	-13.6	38.6	57.3	36.8	45.8	26.0	14.2	0.2	-4.8	4.3	2.1	39.3	-0.9	C	59.3	6.4
14 majors total	9,392.1	20.1	4,731.2	-9.5	3,866.1	79.6	5,058.3	21.6	2,684.8	979.5	1,178.2	440.7	217.5	-376.8	4,333.8	18.4	-	917.5	1,126.3
Aoba	27.7	-13.9	26.2	-11.7	0.6	-63.8	9.6	-20.0	0.7	-0.4	0.0	0.0	6.4	-1.9	18.1	-10.3	LCM	0.0	0.9
Heiwa	49.8	84.1	15.8	-5.3	32.5	318.3	17.3	322.8	9.2	7.8	0.0	-1.9	2.6	2.6	32.5	41.6	C	5.2	11.4
Daiwa	20.8	34.5	9.6	1.9	10.0	95.6	6.5	-33.5	0.6	-2.7	3.7	1.0	0.5	-2.2	14.2	154.0	LCM	0.1	2.8
Taisho	11.2	8.9	6.3	4.4	4.2	4.3	8.6	46.7	1.0	0.1	0.0	0.0	5.7	2.8	2.7	-40.5	C	3.7	3.3
Sony	43.6	4.8	26.6	5.8	6.3	-54.4	14.9	-35.3	4.2	-9.3	2.2	0.5	0.0	0.0	28.7	54.3	LCM	0.0	0.1
Saison	25.7	-0.2	17.8	-0.3	7.2	2.1	12.3	99.5	3.4	2.4	4.4	3.4	0.0	-1.0	13.4	-31.6	LCM	1.1	1.1
Total	9,570.9	20.1	4,833.3	-9.3	3,927.0	79.2	5,127.5	21.5	2,703.9	977.5	1,188.6	443.8	232.7	-376.5	4,443.4	18.5	-	927.7	1,145.8

Note: Equity valuation method - LCM (Lower of cost or market); C (Cost)

## 3) Recurring And Net Operating Profits

Though total recurring profits of the 14 majors rose 35.1% year-on-year and ¥464.2 billion to ¥1.79 trillion, Sumitomo, Daido, Kyoei, Chiyoda and Nichidan all posted declines. In Daido's case this was due to a reluctance to realize profits on securities holdings (Table 5).

Net operating profits however, another important indicator of cash flow alongside recurring profits, fell for the 14 majors by ¥206.3 billion to marginally over ¥2 trillion.

**Table 5 Recurring Profits / Net Operating Profits**

(Units: JPY billion)

	Recurring profits			Trial non-recurring profits		Trial net operating profits		Negative spread		Negative spread ratio		Ave. guaranteed return	
	Chg. y-y	% y-y		Chg. y-y		Chg. y-y		FY98	FY99	Chg. y-y		Chg. y-y	
Nippon	294.9	95.9	48.2	-110.7	331.3	405.6	-235.5	360.0	390.0	49.0	13.1	3.8	-0.3
Dai-ichi	457.8	344.5	303.9	161.6	405.6	296.2	-61.1	240.0	240.0	44.8	4.6	3.7	-0.4
Sumitomo	299.7	-123.9	-29.3	7.8	-55.8	291.9	-68.2	230.0	210.0	41.8	2.9	3.7	-0.4
Meiji	191.7	67.7	54.6	-54.8	12.0	246.6	55.7	150.0	150.0	37.8	-6.2	3.4	-0.4
Asahi	140.3	37.1	35.9	105.1	129.4	35.2	-92.3	130.0	130.0	78.7	28.2	3.9	-0.2
Mitsui	149.2	105.9	244.8	-44.0	57.4	193.3	48.6	86.7	86.0	30.8	-6.7	3.7	-0.3
Yasuda	180.1	100.3	125.6	-43.8	77.3	224.0	23.0	79.0	80.0	26.3	-1.9	3.3	-0.5
Taiyo	20.6	11.1	116.5	1.6	-2.2	19.1	13.3	90.0	80.0	80.8	-13.3	4.1	-0.3
Daido	34.5	-36.6	-51.4	-94.2	-51.1	128.7	14.6	12.1	7.0	5.2	-4.4	3.5	-0.1
Kyoei	4.3	-16.7	-79.5	-23.4	2.0	27.7	-18.7	70.0	75.0	73.0	12.9	4.0	-0.3
Fukoku	68.7	43.4	171.1	7.2	17.0	61.6	26.4	35.0	32.0	34.2	-15.7	3.3	-0.5
Chiyoda	21.5	-20.6	-48.9	-54.9	-2.1	76.5	-18.5	44.0	42.0	35.4	3.8	3.7	-0.2
Nichidan	-83.5	-144.8	-236.1	-79.9	-123.2	-3.6	-21.6	25.0	32.0	112.6	54.4	3.7	-0.3
Daihyaku	-	-	-	-	-	-	-	35.0	-	-	-	-	-
Tokyo	6.9	0.9	15.3	8.1	2.8	-1.1	-1.9	12.0	10.0	112.9	18.7	4.2	-0.1
14 majors total	1,787.1	464.2	35.1	-214.4	670.5	2,001.5	-206.3	1,598.8	1,564.0	43.9	2.4	-	-
Aoba	5.0	-17.7	-78.0	-6.5	1.3	11.5	-19.0	2.5	0.0	0.0	-7.6	2.3	-0.2
Heiwa	11.4	9.1	390.6	20.8	16.3	-9.4	-7.2	5.9	5.6	-148.9	-306.0	4.5	-0.2
Daiwa	3.8	9.9	-161.8	5.2	8.8	-1.4	1.2	4.1	2.9	194.9	-73.6	4.4	-0.4
Taisho	-4.1	0.4	-9.5	-2.5	-2.7	-1.6	2.7	N.A.	N.A.	N.A.	N.A.	4.1	-0.2
Sony	0.8	-0.4	-33.3	-0.1	1.5	0.9	-1.9	11.5	15.3	94.5	N.A.	N.A.	-
Saison	0.8	-2.6	-75.8	-0.5	-4.5	1.4	2.0	8.2	8.0	85.5	N.A.	4.5	-0.1
Total	1,804.7	463.0	34.5	-198.1	690.5	2,002.9	-227.5	-	-	-	-	-	-

Note: (1) Net operating profits = Recurring profits - Non-recurring profits; Non-recurring profits = Ordinary A/C securities holdings P/L (Profits on sales of securities - loss on sales of securities - unrealized loss on securities) - contributions to loan-loss reserves - bad debt write-offs - Contingency reserves. However contingency reserves have been assumed as zero as they are not disclosed in tanshin reports. (2) Negative spread ratio = Negative spread value / (Negative spread value + Net operating profits)

#### 4) Overall Earnings

The 14 majors have managed to cover most of their negative spreads and disposal of non-performing assets with investment profits and particularly large profit takings on equity holdings, with premium income and claim payouts virtually canceling each other out. A breakdown of their recurring losses (ignoring premium income and claim payouts) reveals a major portion is accounted for by investment losses (¥5.06 trillion), operating expenses (¥3.04 trillion), and policy reserves (¥1.48 trillion) (Table 6).

However, in Table 6 a large figure is recorded under “Other Recurring Income.” For FY99 over half this figure is composed of two items: “Income On Claim Payout Funds” (this represents interest earned on funds earmarked for payment when an insurance claim is made by placing the corresponding amount on deposit until the time payout) of ¥1.4 trillion; and “Reclaimed Policy Reserves” of ¥3.73 trillion. The 66.3% increase in reclaimed policy reserves was particularly large, with majors Sumitomo, Meiji and Asahi seeing a 100 ~ 400% increase in this amount due to the substantial amounts in group annuity insurance in force flowing out during FY99. When insurance policies are canceled, policy reserves relating to that particular policy no longer have to be set aside and the existing reserves can be reclaimed and posted as other recurring income. While this is an appropriate accounting technique for life insurance firms, it does however have the perhaps unfortunate effect of visibly increasing their profits when they actually lose business.

That the life insurers managed to post overall profits largely on the back of gains on sales of securities and other recurring income in FY99 is not a good indicator of financial health. They would do much better to cover their costs mainly through the balance on insurance cash flow, plus a stable income from coupon and dividend payments.

**Table 6 Recurring Profits Breakdown**

[Recurring profits] [Recurring Income]

(Units: JPY billion)

	Recurring profits		Recurring income		Premium income		Profit on investments		Other recurring income					
	% y-y		% y-y		% y-y		% y-y		% y-y		Deferred premium income		Transfers from liability reserves	
Nippon	294.9	48.2	8,581.5	3.9	5,809.8	-0.2	2,388.8	27.9	382.8	-32.6	370.8	-33.8	-	-
Dai-ichi	457.8	303.9	6,069.6	8.1	3,745.9	-6.1	1,679.7	52.3	644.0	23.7	437.7	-15.3	198.0	-
Sumitomo	299.7	-29.3	5,067.3	2.6	3,244.4	-2.8	1,054.1	0.0	768.8	41.1	134.4	-41.8	627.2	104.8
Meiji	191.7	54.6	3,740.8	3.6	2,300.4	-8.9	756.3	14.9	684.0	59.9	254.3	-24.6	417.8	403.3
Asahi	140.3	35.9	2,912.0	17.8	1,405.5	-11.2	686.9	26.7	819.6	137.1	84.9	-26.8	725.6	217.4
Mitsui	149.2	244.8	2,447.0	-13.0	1,322.5	-16.1	758.1	27.2	366.5	-43.0	24.9	-22.6	338.3	-44.4
Yasuda	180.1	125.6	2,190.1	7.6	1,561.1	2.4	574.4	25.1	54.6	6.7	32.5	11.7	-	-
Taiyo	20.6	116.5	1,475.7	-8.5	1,155.3	-6.4	294.0	-15.6	26.5	-13.4	24.5	-17.8	-	-
Daido	34.5	-51.4	1,426.5	-3.1	1,136.9	-4.7	287.1	3.7	2.5	-19.8	2.3	-19.3	-	-
Kyoei	4.3	-79.5	1,235.4	4.9	626.8	-13.7	211.1	6.5	397.5	57.0	3.5	-23.5	391.8	59.8
Fukoku	68.7	171.1	998.4	8.7	761.9	4.6	230.3	22.4	6.3	214.0	3.1	157.7	-	-
Chiyoda	21.5	-48.9	1,458.9	-0.5	513.0	-14.4	226.2	-6.9	719.7	15.3	23.5	6.9	690.9	14.8
Nichidan	-83.5	-236.1	923.5	2.7	557.7	-5.2	168.9	-23.0	196.9	114.3	-	-	194.5	114.7
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	6.9	15.3	392.0	10.5	169.7	-18.2	76.1	17.3	146.2	77.5	2.6	-39.9	143.2	84.9
14 majors total	1,787.1	35.1	38,918.9	3.4	24,310.9	-5.2	9,392.1	20.1	5,215.9	24.5	1,399.0	-25.9	3,727.2	66.3
Aoba	5.0	-78.0	237.3	-31.0	54.9	-15.5	27.7	-13.9	154.8	-37.3	0.0	-45.6	152.9	-37.1
Heiwa	11.4	390.6	118.9	7.9	63.6	-15.3	49.8	84.1	5.5	-31.6	0.0	2.5	5.3	-13.0
Daiwa	3.8	-161.8	77.5	-7.8	41.3	-24.6	20.8	34.5	15.4	11.6	0.1	226.3	14.7	8.7
Taisho	-4.1	9.5	76.2	15.3	44.8	-12.1	11.2	8.9	20.2	318.2	-	-	20.2	327.1
Sony	0.8	-33.3	418.9	8.9	374.2	9.3	43.6	4.8	1.1	79.9	0.1	-43.2	-	-
Saison	0.8	-75.8	103.0	4.0	65.3	-7.7	25.7	-0.2	12.1	347.2	1.5	-26.7	10.5	-
Total	1,804.7	34.5	39,950.8	3.1	24,954.9	-5.1	9,570.9	20.1	5,425.0	21.5	1,400.8	-25.9	3,930.8	56.7

[Recurring Expenses]

	Recurring expenses		Claims & other payouts		Investment expenses		Operating expenses		Transfers to liability reserves		Other recurring expenses			
	% y-y		% y-y		% y-y		% y-y		% y-y		% y-y		Deferred payouts	
Nippon	8,286.5	2.8	4,990.2	-5.4	1,284.9	10.1	642.9	-6.8	914.7	78.1	453.8	9.2	358.9	10.3
Dai-ichi	5,611.8	2.0	3,858.4	4.5	797.0	25.5	486.8	-3.6	18.7	-90.7	450.9	-3.3	377.2	-4.5
Sumitomo	4,767.7	5.6	3,590.0	2.4	529.3	41.6	466.9	3.1	10.4	-72.1	171.0	18.5	121.5	31.9
Meiji	3,549.0	1.7	2,584.1	1.4	408.1	22.7	292.6	-8.1	5.1	-65.2	259.1	-5.4	219.1	-5.6
Asahi	2,771.7	17.0	2,106.0	17.6	355.4	48.6	208.1	-6.6	2.4	-81.7	99.8	-3.2	73.3	-1.7
Mitsui	2,297.8	-17.1	1,627.9	-24.8	445.7	16.8	177.2	-2.5	1.9	-68.1	45.3	23.9	26.0	70.5
Yasuda	2,010.0	2.8	1,400.3	3.8	321.7	8.4	190.9	-0.7	59.0	-21.9	38.1	-7.3	16.8	-10.7
Taiyo	1,455.1	-9.3	1,131.5	-13.6	93.1	-30.6	85.5	-3.9	115.0	163.8	30.0	9.1	19.2	19.0
Daido	1,392.0	-0.7	869.3	-10.3	181.2	22.4	109.8	-4.2	216.3	38.8	15.4	7.7	1.9	45.7
Kyoei	1,231.1	6.4	973.1	4.4	136.6	43.2	108.0	-6.0	1.1	-56.2	12.3	2.2	3.8	52.5
Fukoku	929.7	4.1	591.8	2.7	105.9	10.4	88.0	-0.3	131.3	8.7	12.6	8.4	2.8	197.5
Chiyoda	1,437.3	0.9	1,133.2	0.6	184.6	13.4	86.8	-11.9	1.3	-63.5	31.5	-5.2	19.0	6.6
Nichidan	1,006.9	20.2	743.8	10.5	178.0	149.7	69.9	-6.3	1.0	-72.8	14.2	-6.0	-	-
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	385.0	10.4	316.0	9.8	36.8	45.8	26.0	-9.1	0.3	-12.6	5.9	-10.6	2.8	9.5
14 majors total	37,131.8	2.2	25,915.8	-1.1	5,058.3	21.6	3,039.4	-4.2	1,478.4	24.1	1,639.9	2.4	1,242.3	4.0
Aoba	232.3	-27.7	201.7	-32.8	9.6	-20.0	4.6	-18.6	0.2	-36.5	16.3	434.5	0.0	-51.8
Heiwa	107.5	-0.4	72.8	-15.7	17.3	322.8	14.6	-0.1	0.9	35.1	2.0	-12.5	0.0	-21.7
Daiwa	73.7	-18.3	57.0	-16.2	6.5	-33.5	9.3	-14.7	0.1	-84.6	0.8	-15.9	0.0	83.3
Taisho	80.3	13.7	66.0	11.9	8.6	46.7	4.9	-4.7	0.3	5440.0	0.5	-11.3	-	-
Sony	418.1	9.1	110.4	26.6	14.9	-35.3	78.5	2.4	207.7	9.2	6.6	5.6	0.3	434.5
Saison	102.2	6.8	77.4	14.9	12.3	99.5	10.4	-25.7	0.1	-98.0	2.0	16.8	1.0	72.6
Total	38,146.0	2.0	26,501.0	-1.4	5,127.5	21.5	3,161.7	-4.1	1,687.7	21.4	1,668.0	3.2	1,243.7	4.1

### 3. Investment Portfolio

#### 1) Reductions in overall assets

The total in assets held by the 14 majors fell 1.0% year-on-year to ¥175.31 trillion (a decline of some ¥1.82 trillion) as 8 of the 14 made reductions in their overall asset holdings.

**Table 7**

(Units: JPY billion)

	Total assets				Plus / minus "extraneous" items					
	% y-y	Chg. y-y (1)	Chg. y-y (2)		Bond lending collateral	Paid acceptance s	Subordinat ed debt	Unamortize d funds	Direct reduction of non- performin g loans	Deferred tax assets
Nippon	43,205.4	1.2	523.1	753.0	-204.4	0.3	0.0	-29.0	-76.7	79.9
Dai-ichi	30,042.3	1.0	301.0	68.3	222.8	0.0	0.0	0.0	-72.4	82.2
Sumitomo	23,682.6	-2.0	-482.7	-792.0	272.7	13.3	0.0	0.0	-8.0	31.2
Meiji	16,846.2	-2.5	-435.3	-412.9	55.5	1.0	0.0	-79.0	-27.5	27.7
Asahi	11,322.2	-6.8	-826.1	-809.3	6.4	0.0	0.0	0.0	-38.2	15.0
Mitsui	10,077.1	-0.4	-37.5	-308.6	322.1	0.0	0.0	0.0	-65.2	14.2
Yasuda	10,080.2	3.4	335.1	33.9	259.8	0.0	11.3	25.6	-7.0	11.3
Taiyo	7,081.7	1.6	112.3	85.6	0.0	0.0	0.0	27.0	-6.1	5.9
Daido	5,733.6	4.6	251.0	194.7	0.1	0.0	0.0	-6.8	-8.8	71.8
Kyoei	4,610.0	-9.3	-470.3	-442.7	0.0	2.0	0.0	0.0	-29.2	-0.4
Fukoku	4,613.8	3.2	145.1	147.6	0.0	0.0	0.0	0.0	-10.1	7.7
Chiyoda	3,502.0	-19.7	-858.0	-654.2	-127.6	0.0	-49.2	45.0	-77.6	5.7
Nichidan	3,420.1	-6.5	-237.3	-189.2	-71.3	0.0	21.0	0.0	0.0	2.2
Daihyaku	-	-	-	-	-	-	-	-	-	-
Tokyo	1,095.3	-11.7	-144.6	-146.4	-19.0	0.0	0.0	15.0	0.0	5.8
<b>14 majors total</b>	<b>175,312.5</b>	<b>-1.0</b>	<b>-1,824.1</b>	<b>-2,472.2</b>	<b>717.1</b>	<b>16.6</b>	<b>-16.9</b>	<b>-2.2</b>	<b>-426.8</b>	<b>360.2</b>
Aoba	1,026.9	-14.1	-169.0	-177.0	0.0	0.0	0.0	0.0	0.0	8.0
Heiwa	539.7	-1.2	-6.7	-10.0	0.0	0.8	0.0	0.0	0.0	2.5
Daiwa	280.9	-6.4	-19.2	-12.7	-3.2	0.0	0.0	0.0	-4.2	0.9
Taisho	204.5	-11.8	-27.4	-34.7	0.0	0.0	0.0	0.0	7.1	0.2
Sony	1,088.7	23.5	207.5	203.7	0.0	0.0	0.0	0.0	0.0	3.8
Saison	551.8	0.4	2.1	-14.6	15.5	0.0	0.0	0.0	0.0	1.2
<b>Total</b>	<b>179,004.9</b>	<b>-1.0</b>	<b>-1,836.8</b>	<b>-2,517.5</b>	<b>729.5</b>	<b>17.4</b>	<b>-16.9</b>	<b>-2.2</b>	<b>-424.0</b>	<b>376.8</b>

Note: (1) Chg. y-y(2) = Chg. y-y (1) excluding bond lending collateral, paid acceptances, subordinated debt, unamortized funds, direct reductions in non-performing loans and the effects of adopting tax-allocation accounting (tax-deferred assets). Further, unamortized funds are calculated by subtracting appropriation fund amortization reserves from funds as recorded on the B/S. (2) A positive extraneous item has a negative effect on assets and vice versa

However the change in the value of overall asset holdings is unduly affected by a number of extraneous items: cash collateral received through repo trades of bonds with cash collateral; tax-deferred assets posted as a result of tax-allocation accounting; direct reductions in bad debts (application of loan-loss reserves directly by reducing the outstanding amount of loans deemed to be irrecoverable). Table 7 shows the real change in asset holdings excluding the above items.



## 2) Asset Mix

The change in asset mix for the ordinary accounts at the 14 majors during FY99 was as follows: cash & deposits and call loans were reduced by ¥2.42 trillion (to account for 5.5% of total ordinary account assets); loans fell by ¥3.64 trillion (32.2%); bonds increased by ¥3.16 trillion (25.9%); money trusts increased ¥367.3 billion (1.6%); equities increased ¥334.8 billion (14.6%); foreign securities increased ¥28.8 billion (9.9%); real estate was reduced by ¥41.06 billion (5.4%) (Table 8).

**Table 8 Ordinary Account Portfolios**

(Units: JPY billion)

	Cash & deposits, call loans				Loans				Corporate bonds							
	Value	Share	Chg. in share y-y	Chg. in value y-y	Value	Share	Chg. in share y-y	Chg. in value y-y	Value	Share	Chg. in share y-y	Chg. in value y-y	JGBs			
													Value	Share	Chg. in share y-y	Chg. in value y-y
Nippon	884.3	2.3	-1.4	-549.0	13,330.2	34.6	-1.2	-701.8	10,081.5	26.2	2.3	706.7	6,069.2	15.7	1.4	419.4
Dai-ichi	1,760.7	6.5	0.4	67.6	7,088.9	26.2	-2.9	-913.0	7,955.1	29.4	3.1	725.1	4,433.6	16.4	3.2	813.2
Sumitomo	695.8	3.1	-3.7	-860.2	6,681.6	30.0	0.5	-13.8	5,513.5	24.8	-3.8	-970.6	2,816.2	12.7	-5.1	-1,214.8
Meiji	700.1	4.4	-2.8	-470.4	5,821.1	37.0	-0.1	-189.5	4,046.4	25.7	2.6	295.8	2,898.2	18.4	3.8	524.7
Asahi	675.0	6.2	-3.7	-462.4	3,874.6	35.8	-1.4	-365.7	2,289.0	21.2	2.5	162.2	1,609.5	14.9	1.5	91.0
Mitsui	1,467.1	15.6	0.7	62.8	2,907.1	30.8	-3.5	-338.2	1,805.1	19.1	5.6	522.9	1,242.0	13.2	4.0	370.0
Yasuda	362.0	3.8	-0.5	-36.9	3,423.3	36.0	-1.9	-70.6	1,979.8	20.8	6.8	689.2	1,342.7	14.1	5.6	554.2
Taiyo	263.0	3.8	-1.4	-90.5	2,469.5	35.5	-1.3	-63.7	2,346.7	33.7	1.1	104.3	1,265.1	18.2	-0.4	-9.9
Daido	249.9	4.5	-4.1	-207.3	1,141.7	20.7	-2.6	-93.9	2,492.2	45.3	0.7	130.2	500.7	9.1	-4.7	-230.0
Kyoei	785.4	17.1	2.3	36.5	1,579.2	34.4	-2.9	-308.2	1,371.9	29.9	12.3	483.7	1,002.4	21.8	11.6	484.9
Fukoku	459.4	10.4	2.6	125.4	1,420.6	32.0	-1.7	-31.5	1,336.8	30.1	5.7	286.3	734.4	16.5	4.0	194.9
Chiyoda	211.1	6.3	-2.3	-150.5	1,396.1	41.4	0.2	-348.1	260.7	7.7	0.6	-39.7	248.1	7.4	0.6	-37.7
Nichidan	426.0	12.5	3.7	103.9	1,003.4	29.4	-1.6	-127.9	637.5	18.7	3.9	96.2	489.9	14.4	3.6	98.4
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	87.3	8.2	1.6	7.6	306.0	28.7	-2.7	-74.8	71.3	6.7	-2.0	-34.7	64.2	6.0	-0.8	-18.6
14 majors total	9,027.0	5.5	-1.3	-2,423.5	52,443.3	32.2	-1.5	-3,640.7	42,187.6	25.9	2.5	3,157.7	24,716.2	15.2	1.6	2,039.7
Aoba	89.2	8.7	-11.2	-147.7	327.8	32.1	-5.2	-116.0	542.8	53.2	18.7	133.4	7.4	0.7	0.4	3.9
Heiwa	74.5	13.8	8.1	43.4	185.6	34.4	-2.7	-17.0	105.8	19.6	1.9	9.2	31.5	5.8	2.3	12.1
Daiwa	16.3	5.8	-6.5	-20.7	61.5	21.9	-1.0	-7.2	119.9	42.7	7.1	13.1	40.5	14.4	0.1	-2.5
Taisho	36.8	18.0	4.4	5.2	54.1	26.5	-12.6	-36.6	39.3	19.2	0.8	-3.3	N.A.	N.A.	-	-
Sony	201.9	20.1	6.6	91.4	33.0	3.3	0.5	10.2	507.6	50.5	-8.6	24.0	N.A.	N.A.	-	-
Saison	79.5	14.4	3.0	16.5	148.9	27.0	-5.8	-31.3	159.2	28.9	0.2	1.5	63.1	11.4	0.4	2.2
Total	9,525.1	5.7	-1.3	-2,435.4	53,254.2	32.0	-1.6	-3,838.5	43,662.1	26.3	2.5	3,335.6	24,858.7	-	-	-

(Units: JPY billion)

	Corporate bonds contd.				Money trusts				Real estate				Equities			
	Other				Value	Share	Chg. in share y-y	Chg. in value y-y	Value	Share	Chg. in share y-y	Chg. in value y-y	Value	Share	Chg. in share y-y	Chg. in value y-y
	Value	Share	Chg. in share y-y	Chg. in value y-y												
Nippon	4,012.3	10.4	0.9	287.3	456.5	1.2	0.1	44.4	1,970.3	5.1	-0.5	-244.6	6,092.2	15.8	0.6	115.6
Dai-ichi	3,521.5	13.0	-0.1	-88.1	68.4	0.3	-0.3	-88.4	1,625.9	6.0	-0.6	-188.9	4,475.2	16.5	-0.2	-117.0
Sumitomo	2,697.3	12.1	1.3	244.2	190.6	0.9	0.7	146.4	1,347.7	6.1	0.0	-34.7	3,160.2	14.2	0.6	78.8
Meiji	1,148.2	7.3	-1.2	-228.9	91.8	0.6	-0.5	-84.4	960.5	6.1	0.1	-7.3	2,831.6	18.0	-0.2	-125.7
Asahi	679.5	6.3	0.9	71.2	297.1	2.7	1.8	194.0	661.6	6.1	1.2	104.5	1,910.1	17.7	1.2	36.5
Mitsui	563.1	6.0	1.6	152.9	27.8	0.3	-0.5	-44.9	486.2	5.2	-0.3	-27.2	1,453.3	15.4	-0.4	-46.6
Yasuda	637.1	6.7	1.3	135.0	648.4	6.8	0.3	45.8	432.2	4.5	-0.5	-32.8	1,222.6	12.9	0.5	86.9
Taiyo	1,081.6	15.6	1.5	114.2	82.2	1.2	-0.4	-26.1	241.7	3.5	-0.1	-2.2	538.4	7.7	-0.3	-11.3
Daido	1,991.5	36.2	5.4	360.2	296.4	5.4	1.6	98.2	205.4	3.7	0.0	9.5	308.4	5.6	-0.5	-13.0
Kyoei	369.5	8.0	0.7	-1.2	70.0	1.5	-0.5	-31.3	145.5	3.2	0.2	-2.7	289.8	6.3	0.4	-11.8
Fukoku	602.4	13.6	1.7	91.4	206.2	4.6	0.0	7.4	168.4	3.8	0.2	12.7	474.3	10.7	0.1	17.8
Chiyoda	12.6	0.4	0.0	-2.0	21.8	0.6	0.1	-0.6	333.7	9.9	2.2	7.4	572.3	17.0	-1.8	-219.9
Nichidan	147.6	4.3	0.2	-2.2	171.6	5.0	3.1	101.8	110.6	3.2	0.3	3.3	199.1	5.8	-2.9	-120.0
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	7.1	0.7	-1.2	-16.1	22.7	2.1	0.7	4.8	95.8	9.0	0.5	-7.5	242.2	22.7	2.3	-5.2
14 majors total	17,471.4	10.7	0.9	1,118.0	2,651.7	1.6	0.3	367.3	8,785.4	5.4	-0.1	-410.6	23,769.7	14.6	0.1	-334.8
Aoba	535.4	52.5	18.3	129.5	0.0	0.0	0.0	0.0	45.1	4.4	0.3	-4.0	0.6	0.1	0.0	0.0
Heiwa	74.3	13.8	-0.4	-2.9	18.5	3.4	0.0	-0.1	18.3	3.4	-0.1	-0.7	40.8	7.6	-5.6	-31.1
Daiwa	79.4	28.3	7.0	15.6	5.9	2.1	-0.6	-2.2	11.3	4.0	0.1	-0.5	24.9	8.9	0.0	-1.8
Taisho	N.A.	N.A.	N.A.	N.A.	0.0	0.0	-4.3	-10.0	14.4	7.1	-0.4	-2.8	14.5	7.1	-1.1	-4.6
Sony	N.A.	N.A.	N.A.	N.A.	77.8	7.7	0.8	21.3	4.8	0.5	-0.1	0.1	3.7	0.4	0.0	0.6
Saison	96.1	17.4	-0.2	-0.7	2.6	0.5	-0.9	-4.8	8.8	1.6	-0.3	-1.8	19.6	3.6	-0.7	-3.8
Total	-	-	-	-	2,756.4	1.7	0.3	371.5	8,888.1	5.3	-0.1	-420.3	23,873.9	14.4	0.1	-375.4

(Units: JPY billion)

	Foreign securities				Other securities				Total Ordinary A/C assets				Chg. y-y	
	Value	Share	Chg. in share y-y	Chg. in value y-y	Value	Share	Chg. in share y-y	Chg. in value y-y	Foreign currency denom. assets					
									Value	Share	Chg. in share y-y	Chg. in value y-y		
Nippon	4,068.6	10.6	-0.1	-99.8	132.6	0.3	0.1	25.1	3,738.9	9.7	0.1	-16.1	38,542.5	-715.0
Dai-ichi	2,535.7	9.4	-0.3	-129.6	145.9	0.5	0.0	-0.4	1,923.9	7.1	-0.5	-166.4	27,055.8	-454.1
Sumitomo	2,701.8	12.1	4.6	995.5	963.2	4.3	2.0	434.7	810.2	3.6	1.2	248.7	22,238.9	-400.0
Meiji	816.2	5.2	0.9	127.2	28.9	0.2	0.0	3.3	692.8	4.4	0.8	104.9	15,745.0	-490.2
Asahi	772.7	7.1	1.3	102.3	146.9	1.4	-0.8	-100.6	629.4	5.8	0.3	4.7	10,809.8	-572.8
Mitsui	977.6	10.4	-1.8	-170.5	93.8	1.0	0.6	58.6	858.6	9.1	-1.9	-181.2	9,427.3	-27.7
Yasuda	1,066.6	11.2	-3.7	-306.6	103.2	1.1	0.9	82.3	786.1	8.3	-3.9	-340.9	9,511.8	283.7
Taiyo	739.5	10.6	2.6	190.6	131.7	1.9	-0.2	-14.1	507.8	7.3	2.7	190.2	6,954.6	79.6
Daido	547.2	9.9	3.1	182.4	129.4	2.4	1.3	72.8	502.1	9.1	3.5	204.3	5,506.4	207.0
Kyoei	153.5	3.3	-10.8	-564.8	130.1	2.8	-0.8	-55.2	72.2	1.6	-10.8	-556.3	4,594.1	-471.3
Fukoku	248.7	5.6	-1.0	-37.9	8.2	0.2	-1.3	-57.4	146.2	3.3	-0.4	-14.4	4,437.6	127.7
Chiyoda	434.9	12.9	1.6	-43.7	21.7	0.6	0.1	-3.4	351.5	10.4	1.3	-33.4	3,372.2	-859.1
Nichidan	784.4	23.0	-3.7	-189.0	37.5	1.1	-0.3	-14.6	539.8	15.8	-7.0	-292.6	3,407.4	-235.5
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	195.3	18.3	0.0	-27.4	17.4	1.6	0.2	0.4	158.6	14.9	1.5	-3.7	1,067.7	-146.7
14 majors total	16,042.8	9.9	0.2	28.8	2,090.5	1.3	0.3	431.5	11,718.1	7.2	-0.4	-852.2	162,671.1	-3,674.5
Aoba	0.1	0.0	-0.1	-0.8	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.8	1,020.6	-168.2
Heiwa	79.0	14.6	0.2	0.1	11.0	2.0	0.7	3.4	48.4	9.0	0.2	0.7	539.7	-6.6
Daiwa	30.6	10.9	2.1	4.3	6.9	2.5	-0.5	-2.1	16.7	5.9	2.0	4.9	280.9	-19.2
Taisho	39.1	19.1	12.5	23.8	1.5	0.8	0.3	0.4	24.7	12.1	8.8	17.0	204.5	-27.4
Sony	154.4	15.4	0.5	33.2	2.1	0.2	0.2	1.9	24.6	2.4	0.1	5.2	1,005.7	187.5
Saison	116.7	21.1	4.6	25.5	2.8	0.5	0.0	-0.2	92.5	16.8	7.2	40.1	551.8	2.2
Total	16,462.8	9.9	0.3	114.9	2,114.9	1.3	0.3	434.8	11,924.9	7.2	-0.3	-785.2	166,274.2	-3,706.2

The above shows a significant shift towards the lower-risk and stable income streams offered by bonds, and large-scale sell-offs in riskier assets such as foreign securities and equities as the unrealized losses on these holdings were reduced. The strength of the yen in the fiscal first half also contributed to a reluctance to invest in foreign securities.

What stands out from these figures is the selling off of loss-making real-estate positions particularly by the top insurers in order to increase asset efficiency. In the 5 years between 1993 ~ 98 the top 5 insurers posted losses on sales of real estate of around ¥2.4 trillion, and FY99 saw a continuation of this trend as the price of real estate in Japan continued its downward trajectory. The 14 majors posted a total ¥633.1 billion loss on sales of real estate in FY99.

## 4. Unrealized P/L On Asset Holdings ~ Efforts To Lessen Potential Risks

### 1) Unrealized P/L on Marketable Securities and Land

By end FY99 the Nikkei 225 stock average had climbed to a high of ¥20,337.32, and the upbeat market had a consequently flattering effect on the unrealized profits of life insurers' equity portfolios. Further, despite large-scale profit taking, the level of the Nikkei at which the insurers' unrealized profits on equities are zero actually fell for 10 of the 14 majors (Table 9).

Unrealized profits on foreign securities fell year-on-year for a majority of the life insurers leaving 8 of the 14 holding appraisal losses. However, even though the appreciation of the Japanese currency led to increased losses on foreign securities, still many decided to cut their losses and sell. Foreign investment trusts on the other hand are not so negatively affected in terms of appraisal loss by the high yen. Though the life insurers are guilty of postponing any

disposal of their unrealized loss positions, they are at least making some significant progress ahead of the introduction of mark-to-market accounting.

**Table 9**

(Units: JPY billion)

	Unrealized P/L on securities holdings (Ordinary A/C)												Unrealized P/L on real estate			
	As %			Equities		Share index break-even level (Yen)		Corporate bonds		Foreign securities		Other		Mar-00	Mar-99	Chg. y-y
	Chg. y-y	of total assets		Chg. y-y		Mar-00	Mar-99	Chg. y-y		Chg. y-y		Chg. y-y				
Nippon	5,339.5	1,320.7	12.4	4,621.4	1,597.1	10,100	10,500	464.4	-63.8	250.9	-215.0	2.5	2.4	194.6	282.7	-88.1
Dai-ichi	2,107.6	775.6	7.0	1,940.8	862.1	11,400	12,800	170.5	-52.3	-7.4	-38.8	3.7	4.7	-19.2	-56.6	37.4
Sumitomo	769.8	546.8	3.3	702.6	550.8	14,500	15,100	77.6	2.6	-6.7	-4.9	-3.7	-1.8	-185.3	-162.4	-22.9
Meiji	1,183.9	183.8	7.0	952.6	226.0	12,000	12,100	136.1	-29.0	95.2	-13.2	0.0	0.0	-0.1	58.5	-58.6
Asahi	192.7	276.9	1.7	191.3	178.6	15,500	15,700	-4.3	19.1	5.1	78.6	0.6	0.7	174.0	223.0	-49.0
Mitsui	318.5	251.0	3.2	338.8	248.5	14,000	14,800	4.5	1.4	-24.8	1.1	-	-	-40.5	-26.8	-13.7
Yasuda	436.7	279.2	4.3	405.4	272.5	12,800	14,200	6.1	-15.0	26.9	23.6	-1.7	-1.8	14.3	10.8	3.5
Taiyo	365.7	100.8	5.2	336.9	143.5	10,880	11,600	45.4	-7.8	-14.6	-33.3	-2.0	-1.5	-20.3	-2.4	-17.9
Daido	257.3	82.4	4.5	178.1	103.3	10,600	12,700	74.7	-20.9	2.1	-2.4	2.3	2.3	0.6	7.4	-6.8
Kyoei	-107.7	15.3	-2.3	-64.2	-5.6	mid-21000	high-18,000	-4.7	-8.9	-12.1	-1.9	-26.7	31.7	17.5	30.7	-13.2
Fukoku	169.1	76.4	3.7	145.7	58.1	14,000	13,300	23.5	-6.4	0.0	0.0	0.0	24.8	91.3	111.1	-19.8
Chiyoda	-163.6	-22.6	-4.7	-132.5	-20.4	22,000	18,000	-2.8	-0.1	-24.4	-7.1	-3.9	4.9	-50.9	-6.6	-44.3
Nichidan	-103.1	-55.4	-3.0	-0.6	-31.4	18,300	14,300	-0.3	6.2	-93.8	-33.1	-8.4	3.0	-29.4	-12.0	-17.4
Daihyaku	-	-	-	-	-	-	19,500	-	-	-	-	-	-	-	4.4	-
Tokyo	-71.1	0.3	-6.5	-42.1	4.6	20,800	18,800	-3.7	1.5	-20.5	-7.1	-4.7	1.2	39.3	78.6	-39.3
14 majors total	10,695.4	3,831.3	6.1	9,574.3	4,187.8	-	-	987.0	-173.5	175.8	-253.6	-42.0	70.6	185.9	536.0	-350.1
Aoba	10.3	9.6	1.0	-	-	-	-	10.3	9.6	-	-	-	-	N.A.	N.A.	-
Heiwa	11.2	2.7	2.1	7.3	2.9	17,200	14,900	5.0	0.8	-1.0	-1.1	-0.1	0.1	28.6	32.9	-4.3
Daiwa	16.1	1.6	5.7	7.9	1.2	15,400	12,700	8.5	0.7	-0.3	-0.3	0.0	0.0	4.7	5.8	-1.1
Taisho	-7.2	-2.6	-3.5	-3.7	-1.4	N.A.	high-18000	-1.2	0.4	-2.0	-1.9	-0.3	0.3	N.A.	N.A.	-
Sony	40.3	15.5	3.7	3.3	1.9	11,000	11,000	32.2	6.8	4.6	6.6	0.0	0.0	N.A.	2.7	-
Saison	-8.7	-13.3	-1.6	-0.5	-2.9	N.A.	13,000	1.6	-1.4	-9.9	-9.1	0.0	0.0	-3.2	-2.5	-0.7
Total	10,757	3,845	6.0	9,588.7	4,189.6	-	-	1,043.4	-156.6	167.2	-259.3	-42.4	71.0	-	-	-

Note: (1) Total of 14 majors for unrealized real estate profits excludes Daihyaku; (2) At the time this report was published details of Taisho's securities holdings break-even stock index level were not available.

**Table 10**

(Units: JPY billion)

	Domestic bonds			Domestic equities			Foreign bonds			Foreign equities			Other				
	Chg. y-y	Unrealized P/L		Chg. y-y	Unrealized P/L		As % of total assets	Chg. y-y	Unrealized P/L	As % of total assets	Chg. y-y	Unrealized P/L	Chg. y-y	Unrealized P/L			
Nippon	1,745.2	249.7	96.8	137.8	-12.1	0.0	638.6	1.5	328.3	-19.4	350.7	0.8	-37.0	-48.7	112.8	26.9	0.2
Dai-ichi	2,517.6	732.1	118.2	120.9	-1.4	0.0	729.1	2.4	224.6	-15.5	445.5	1.5	-62.3	-48.8	95.1	-4.1	0.7
Sumitomo	1,201.2	164.4	25.3	88.0	5.3	0.0	1,179.5	5.0	532.5	-21.7	318.6	1.3	-26.4	-49.7	959.5	424.5	1.2
Meiji	645.4	-228.7	21.1	132.6	3.5	0.0	111.4	0.7	17.1	3.9	149.0	0.9	-2.6	-43.9	124.4	27.8	0.0
Asahi	917.2	-215.5	7.5	27.8	0.3	0.0	472.6	4.2	409.0	-8.7	35.5	0.3	-10.2	-8.6	10.4	1.5	0.0
Mitsui	106.5	13.4	0.6	45.8	1.7	0.0	51.9	0.5	1.5	0.0	92.4	0.9	-28.8	-14.8	97.6	59.0	0.0
Yasuda	96.6	-0.9	1.0	59.6	2.1	0.0	166.4	1.7	14.9	0.0	42.3	0.4	-0.1	-7.6	70.8	53.6	0.0
Taiyo	535.5	114.8	12.3	4.9	-0.9	0.0	65.3	0.9	0.8	0.1	66.3	0.9	0.0	-8.5	108.3	8.2	0.0
Daido	1,235.4	231.3	56.5	11.6	-1.0	0.0	41.8	0.7	17.7	-1.2	37.1	0.6	-1.2	-14.3	13.6	11.9	0.0
Kyoei	266.2	171.8	-0.5	3.5	-0.3	0.0	59.4	1.3	-171.1	-1.5	57.2	1.2	0.0	-20.0	2.9	-10.3	0.0
Fukoku	225.5	-24.3	7.1	7.0	1.0	0.0	158.9	3.4	-33.1	1.0	5.4	0.1	-2.9	-4.3	39.2	-4.8	0.0
Chiyoda	18.1	-3.0	0.1	9.4	-0.7	0.0	89.0	2.5	-6.5	-8.6	72.3	2.1	0.0	-28.2	33.3	-32.4	0.0
Nichidan	282.3	25.3	0.7	3.4	-0.1	0.0	281.0	8.2	44.4	-7.1	0.0	0.0	0.0	-7.0	94.0	-64.0	0.0
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	0.0	0.0	0.0	5.2	-1.0	0.0	0.0	0.0	0.0	0.0	8.4	0.8	0.0	-5.8	30.5	0.2	0.0
14 majors total	9,792.7	1,230.3	346.7	657.5	-3.5	0.0	4,044.8	2.3	1,380.0	-78.7	1,680.6	1.0	-171.3	-310.1	1,792.4	498.2	2.0
Aoba	8.5	2.7	N.A.	0.6	0.0	N.A.	0.1	0.0	0.0	N.A.	0.0	0.0	-0.8	N.A.	0.1	0.0	N.A.
Heiwa	0.0	-0.1	N.A.	0.3	-0.3	N.A.	3.8	0.7	-16.4	N.A.	0.0	0.0	0.0	N.A.	9.3	-8.4	N.A.
Daiwa	10.6	1.1	N.A.	0.4	0.0	N.A.	0.0	0.0	-0.9	N.A.	0.1	0.0	0.1	N.A.	6.1	0.0	N.A.
Taisho	1.0	-8.5	N.A.	0.1	0.0	N.A.	14.0	6.8	6.9	N.A.	0.0	0.0	0.0	N.A.	4.0	0.0	N.A.
Sony	10.3	7.4	N.A.	0.0	0.0	N.A.	0.0	0.0	0.0	N.A.	0.7	0.1	0.0	N.A.	0.2	-0.1	N.A.
Saison	43.2	-13.1	0.2	6.2	-0.9	0.0	29.9	5.4	-18.8	0.6	0.0	0.0	0.0	0.0	3.6	0.2	0.0
Total	9,866.2	1,219.8	-	665.2	-4.8	-	4,092.6	2.3	1,350.8	-	1,681.5	0.9	-172.0	-	1,815.6	489.8	-

Note: (1) Unrealized P/L figures for non-disclosed securities holdings have where possible been provided by the companies themselves. (2) In addition to the figures in the table, Daido holds foreign & other securities worth JPY 115.1 billion

Further, as Table 10 shows, the outstanding value of securities on which the 14 life insurers do not disclose market prices increased by ¥1.23 trillion for domestic Japanese bonds, and ¥1.38 trillion for foreign bonds. Certain life insurers also increased their holdings of municipal bonds, while unrealized profits on land holdings fell dramatically for some insurers,

leaving 7 of the 14 with unrealized losses. The risk of holding real estate in Japan has been highlighted by this sharp fall in value.

## 2) Non-performing Loans

The value of loans under risk administration held by the 14 majors rose ¥226.4 billion to reach a total ¥1.45 billion by end FY99. While some managed to decrease the value of their loans under risk administration year-on-year by direct reductions, 6 of the 14 actually increased them by several tens of billions of yen (Table 11).

**Table 11**

(Units: JPY billion)

	Loans under risk administration								Assets under inspection by the New Reorganization Law						Reserve ratio						
	As % of total loans	As % of total assets	Chg. y-y	Loans to bankrupt & reorganizing	Loans in arrears	Loans over 3 months in arrears	Loans of eased lending terms	As % of risk loans	Loans to bankrupt or reorganizing borrowers or equivalent	Risk loans	Subtotal	Balance vs. loans to bankrupt borrowers and loans in arrears	Loans requiring administration	% y-y							
Nippon	260.0	2.2	0.6	-12.1	15.4	-22.3	188.9	48.8	3.4	-0.3	52.2	-38.2	266.7	1.0	40.6	166.4	207.0	2.7	59.6	95.8	6.1
Dai-ichi	194.7	3.1	0.6	37.4	21.9	14.7	130.3	106.9	6.1	-29.0	36.4	-55.2	194.8	1.0	47.2	105.2	152.4	0.1	42.4	50.9	5.9
Sumitomo	84.0	1.4	0.4	-11.6	0.3	-0.7	41.3	36.6	0.1	-8.0	42.4	-39.5	84.0	1.0	1.5	40.1	41.6	0.0	42.4	59.8	-16.0
Meiji	116.0	2.1	0.7	32.4	0.5	-1.0	43.5	42.8	3.1	-27.8	69.0	18.4	116.6	1.0	10.1	34.0	44.0	0.0	72.6	54.4	-30.0
Asahi	131.7	3.8	1.2	9.6	3.3	-2.8	96.9	84.1	0.1	-24.9	31.4	-46.7	132.6	1.0	30.4	70.6	100.9	0.7	31.7	58.3	-0.5
Mitsui	134.6	5.0	1.3	37.7	2.5	-0.6	87.3	65.4	0.2	-4.0	44.5	-23.1	134.8	1.0	10.3	79.5	89.9	0.0	44.9	51.9	-8.3
Yasuda	71.6	2.2	0.7	47.4	0.1	-0.2	68.9	67.2	0.0	-5.9	2.6	-13.7	72.0	1.0	16.7	52.7	69.4	0.4	2.6	55.6	-39.8
Taiyo	73.0	3.2	1.0	-7.6	0.0	-5.8	57.3	54.2	6.0	-3.4	9.7	-52.5	73.1	1.0	1.6	55.7	57.3	0.0	15.8	25.2	-5.1
Daido	29.3	2.7	0.5	-0.7	1.1	-0.7	20.6	17.1	1.2	-2.6	6.3	-14.6	29.4	1.0	5.2	17.6	22.9	1.1	6.5	95.2	41.7
Kyoei	54.3	3.6	1.2	-10.0	16.8	-18.4	31.5	27.4	4.7	-4.7	1.2	-14.2	56.3	1.0	18.8	31.6	50.4	2.0	6.0	25.8	-31.3
Fukoku	33.5	2.5	0.7	0.7	2.1	2.0	12.9	9.5	0.8	-1.7	17.7	-9.1	33.6	1.0	4.4	10.6	15.0	0.0	18.6	54.2	24.2
Chiyoda	168.6	12.6	4.8	58.2	14.7	-1.6	126.2	73.8	0.0	-13.2	27.7	-0.8	208.7	1.2	50.1	130.9	181.0	40.1	27.7	27.9	4.1
Nichidan	69.4	7.2	2.0	31.3	19.8	13.5	35.3	31.5	0.6	-6.3	13.8	-7.4	69.5	1.0	26.4	28.8	55.1	0.0	14.3	65.6	17.2
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	24.4	8.7	2.2	13.7	2.7	-0.2	7.7	3.6	0.0	-0.8	14.0	11.1	25.5	1.0	3.9	19.1	23.0	12.7	2.5	31.8	-14.8
14 majors total	1,445.0	3.0	0.8	226.4	101.2	-24.2	948.7	668.8	26.1	-132.5	368.9	-285.6	1,497.5	1.0	267.1	842.6	1,109.8	59.9	387.7	56.5	-5.2
Aoba	22.0	7.1	2.1	-8.3	4.4	-9.9	16.2	14.6	0.0	-0.5	1.4	-12.5	22.0	1.0	8.7	11.9	20.7	0.0	1.4	106.7	43.4
Heiwa	17.4	10.7	3.2	2.5	2.4	0.4	14.4	1.9	0.2	-0.2	0.3	0.3	18.2	1.0	12.9	4.7	17.7	0.8	0.6	35.5	0.9
Daiwa	10.2	21.5	3.6	2.9	0.1	-0.1	2.9	-1.6	0.1	0.0	7.1	4.5	10.4	1.0	1.4	1.7	3.2	0.2	7.2	39.4	1.3
Taisho	8.0	16.3	3.9	-0.2	0.7	0.6	5.0	-1.2	0.0	-0.7	2.3	1.0	8.2	1.0	3.6	3.0	6.5	0.8	1.6	42.1	-1.9
Sony	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Saison	1.8	1.4	0.3	-0.5	0.3	-0.7	1.0	1.0	0.0	-0.8	0.5	-0.1	1.8	1.0	0.9	0.6	1.5	0.2	0.3	43.7	-24.9
Total	1,504.5	3.1	0.8	222.8	109.1	-33.9	988.2	683.6	26.5	-134.6	380.5	-292.2	1,558.2	1.0	294.7	864.6	1,159.3	61.9	398.7	56.8	-4.6

Note: Reserve ratio = (Loan-loss reserves + reserve for loss on loan sales + reserve for assistance of specific borrowers) / (Loans to bankrupt or reorganizing borrowers and equivalents + risk loans + loans requiring administration) × 100

## 5. Financial Health Indicators

With solvency margin ratios (solvency margin / total risk amount ÷ 2) at 3 of the life insurers actually topping 1,000% during FY99, the overall financial soundness of the 14 majors has improved (Table 12). All the 14 are over the vital 200% mark to qualify as financially sound and able to fulfil payment obligations. However, in many cases the life insurers are overly reliant on counting subordinated debt towards their solvency margin figure (capital). Some believe that a “real” solvency margin should be used instead that ignores subordinated debt and unrealized profits in order to give a truer indication of financial conditions.<sup>2</sup>

- The Financial Supervisory Agency introduced another indicator in January 1999 that recognized counting contingency reserves and price fluctuation reserves, traditionally regarded as liabilities, towards capital. Together with unrealized profit / loss this figure was supposed to give a truer picture of the positive / negative net worth of a life insurance company.

**Table 12 Solvency Margin Constituents**

[For reference]

(Units: JPY billion)

	Solvency		Total risk amount		Solvency margin		Subordinated debt			Equities unrealized P/L		Real estate unrealized P/L	
	% y-y		% y-y		ratio (%)		Chg. y-y	As % of solvency margin	As % of solvency margin	As % of solvency margin	As % of solvency margin	As % of solvency margin	As % of solvency margin
						Chg. y-y (% points)							
Nippon	7,014.0	24.8	1,280.2	-3.2	1,095.8	245.9	0.0	0.0	0.0	4,159.3	59.3	165.4	2.4
Dai-ichi	3,619.5	25.3	836.3	-4.2	865.6	203.5	100.0	0.0	2.8	1,746.7	48.3	-19.2	-0.5
Sumitomo	2,311.9	21.3	684.3	5.8	675.7	86.2	395.0	0.0	17.1	632.4	27.4	-185.3	-8.0
Meiji	1,850.6	0.9	506.3	-2.5	731.0	25.0	0.0	0.0	0.0	857.3	46.3	-0.1	0.0
Asahi	1,332.9	0.8	363.8	-5.3	732.7	43.9	273.0	0.0	20.5	172.2	12.9	147.9	11.1
Mitsui	897.4	27.4	265.2	-2.2	676.7	157.1	145.0	0.0	16.2	304.9	34.0	-40.5	-4.5
Yasuda	1,166.0	18.2	288.4	6.3	808.5	81.3	111.3	11.3	9.5	364.9	31.3	12.2	1.0
Taiyo	871.2	2.8	165.9	-14.9	1,050.3	181.2	85.0	0.0	9.8	303.2	34.8	-20.3	-2.3
Daido	622.2	-1.6	123.9	-2.2	1,004.2	6.2	0.0	0.0	0.0	160.3	25.8	0.5	0.1
Kyoei	137.6	-42.0	130.7	-5.4	210.6	-132.6	45.5	0.0	33.1	-64.2	-46.6	14.9	10.8
Fukoku	480.2	4.7	105.9	-5.2	906.5	85.9	32.5	0.0	6.8	131.1	27.3	77.6	16.2
Chiyoda	166.7	-43.2	126.7	-14.5	263.1	-133.0	87.9	-49.2	52.7	-132.5	-79.5	-50.9	-30.5
Nichidan	197.2	7.8	92.6	-4.4	425.9	48.4	45.0	21.0	22.8	-0.6	-0.3	-29.4	-14.9
Daihyaku	-	-	-	-	-	-	-	-	-	-	-	-	-
Tokyo	103.4	-13.8	46.3	-7.7	446.7	-32.0	40.0	0.0	38.7	-42.1	-40.8	33.4	32.3
14 majors total	20,770.7	15.2	5,016.6	-2.7	-	-	1,360.2	-16.9	6.5	8,592.9	41.4	106.1	0.5
Aoba	18.8	-22.0	14.7	-13.9	256.3	-26.5	0.0	0.0	0.0	0.0	0.0	N.A	-
Heiwa	58.2	8.2	16.8	-9.4	691.9	112.7	0.0	0.0	0.0	6.6	11.3	24.3	41.8
Daiwa	25.5	-29.5	8.2	-14.6	622.9	-132.4	0.0	0.0	0.0	7.1	28.0	4.0	15.7
Taisho	1.9	-83.9	5.7	-8.8	67.7	-316.9	4.5	0.0	234.5	-3.7	-193.0	N.A	-
Sony	154.0	21.5	21.4	20.9	1,437.1	8.0	0.0	0.0	0.0	3.0	1.9	N.A	-
Saison	25.9	-18.0	15.0	-4.5	345.1	-56.6	0.0	0.0	0.0	-0.5	-1.8	-3.2	-12.3
Total	21,055.1	14.9	10,115.0	93.0	-	-	1,364.7	-16.9	6.5	8,605.5	40.9	-	-

Note: 90% of unrealized profit and 100% of unrealized loss on equities, and 85% of unrealized profit and 100% of unrealized loss on real estate are counted toward solvency margin.

Here we have analyzed the financial statements of Japan's life insurance companies for FY99 on a parent only basis. Though they have also announced consolidated figures since FY98, considering that the parent – consolidated ratio on a total assets basis for the 14 majors is in the range 1.00 ~ 1.06, here we have decided to omit treatment of their consolidated figures.

## Conclusion

The most urgent priority for Japan's life insurers in order to escape their current plight is, in addition to a restoration of their perceived credit worthiness, an increase in premium income = a stronger performance in their traditional insurance operations. They need to stop harping on past successes and fully realize the limitations of their traditional business model. Japan's society is now aging, having fewer children, and the ongoing recession is capping growth in personal incomes. Consequently the needs of life insurer customers are also shifting from comprehensive insurance products to more precisely targeted life-enhancing products such as health insurance and pensions. Japan's life insurance industry needs to be quicker to react to a changing environment.