Earthquake Insurance on Dwelling Risks

March 20, 2012

SOMPO JAPAN INSURANCE INC.
1. Earthquake Insurance on Dwelling Risks

(1) Subject and contract method of Earthquake Insurance

The subject for Earthquake Insurance on Dwelling Risks is dwelling houses (buildings used exclusively or partially as residences) and household goods (movables for domestic life). Contracts for Earthquake Insurance on Dwelling Risks are concluded attached to the main fire insurance policy and cannot be concluded separately.

(2) Scope of cover

Earthquake Insurance on Dwelling Risks will compensate for losses of building and/or contents caused by fire, destruction, burying or washing-away following an earthquake, volcanic eruption, or tsunami.

(3) Amount of coverage

The insured amount of Earthquake Insurance on Dwelling Risks is set between 30% and 50% of the insured amount of fire insurance. The upper limits are 50 million yen for dwelling houses and 10 million yen for household goods.
1. Earthquake Insurance on Dwelling Risks

(4) Appraisal

Categorize damage status into 3 groups for prompt payment.

<table>
<thead>
<tr>
<th>Insurable objects</th>
<th>Degree of loss</th>
<th>Amount of insurance claim paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential buildings, personal property</td>
<td>Total loss</td>
<td>100% of amount insured (up to the current price* of the insurable objects)</td>
</tr>
<tr>
<td></td>
<td>Half loss</td>
<td>50% of amount insured (up to 50% of the current price of the insurable objects)</td>
</tr>
<tr>
<td></td>
<td>Partial loss</td>
<td>5% of amount insured (up to 5% of the current price of the insurable objects)</td>
</tr>
</tbody>
</table>
1. Earthquake Insurance on Dwelling Risks

(6) Reinsurance scheme

In the event that a major earthquake happens, it can result in large payouts of insurance claim by insurance companies. Because there is a certain limit, to the ability of these companies to make payments, the government shares insurance responsibility with them through reinsurance.

![Reinsurance scheme diagram]

(Payable insurance claim)

- Up to 115 billion yen: 115 billion
- Up to 259.6 billion yen: 3.78 billion
- Up to 871 billion yen: 305.7 billion
- Up to 1 trillion yen: 4 trillion
- Up to 1.85 trillion yen: 397.55 billion
- Up to 5.5 trillion yen: 115.7 billion

95% JER, 5% Non life insurance companies, 5% The government
2. Statistics

**Numbers of policies**

Note: The number of earthquake insurance policies at the end of each fiscal year, excluding cooperative (Kyosai).

**Penetration ratio**

Note: The number of earthquake insurance policies divided by households on the Basic Resident Register in Japan at the end of each fiscal year, excluding cooperative (Kyosai).
3. The basic policy of the Earthquake Insurance Central Command

The GIAJ's basic policy and future measures for the Great East Japan Earthquake (hereinafter the Earthquake) were decided at a meeting of the Earthquake Insurance Central Command on March 17th, 2011. Under the policy, appropriate and prompt measures have been taken by the Japanese general insurance industry (hereinafter the industry).

【Basic Policies】

1. The Earthquake in east Japan was an unprecedented national crisis. The industry is to make unified efforts to achieve the purpose of earthquake insurance, which is to contribute to the stability of lives of the affected people.

2. While large areas and a large number of insured properties were damaged, the industry is to make unified efforts to achieve prompt, appropriate and fair insurance payments.

3. The industry is to respond to consultations from policyholders and affected people with empathy to reduce their burden as much as possible.
Ten months after the disaster, 98.8% of inquiries received have been settled. The total amount of claims paid for earthquake insurance on Dwelling Risks will be JPY 1.2 trillion. “To contribute to the stabilization of the lives of the affected people”, which is the objective of Earthquake Insurance, the industry has made concerted efforts for prompt payments of insurance claims.


<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Cases</th>
<th>Number of Policies</th>
<th>Number of Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hokkaido</td>
<td>1,240</td>
<td>1,240</td>
<td>1,240</td>
</tr>
<tr>
<td>Tohoku</td>
<td>8,059</td>
<td>8,059</td>
<td>8,059</td>
</tr>
<tr>
<td>Kanto, Chubu, and Shikoku</td>
<td>9,275</td>
<td>9,275</td>
<td>9,275</td>
</tr>
<tr>
<td>Kyushu</td>
<td>966</td>
<td>966</td>
<td>966</td>
</tr>
<tr>
<td>Total</td>
<td>20,648</td>
<td>20,648</td>
<td>20,648</td>
</tr>
</tbody>
</table>

Key Figures related to insurance claims due to the earthquakes and tsunami in eastern Japan, as of February 10, 2012.

*The figures below were gathered from domestic and foreign insurance companies.*

- $E$ (earthquake insurance)
- $F$ (tsunami insurance)
- $G$ (business interruption insurance)
- $H$ (return of premium insurance)
- $I$ (property insurance)
- $J$ (personal accident insurance)
- $K$ (life insurance)
- $L$ (automobile insurance)
- $M$ (marine insurance)
- $N$ (unemployment insurance)
- $O$ (health insurance)

Note: The number of policies includes both the number of cases and the number of policies. The number of cases includes only the number of cases.