EU – JAPAN EPA

“The Insurance Industry”

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June, 2020

This presentation has been prepared with the sole purpose of simplifying the understanding of some parts of the EU-Japan EPA and bears no legal standing.
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Japan’s Market Landscape

Japan is the world’s 3rd largest insurance market.

- Nearly 9% of total world insurance market
- Japan’s life insurance market much larger than non-life market

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Life premiums</th>
<th>Nonlife premiums</th>
<th>Amount</th>
<th>Percent change from prior year</th>
<th>Percent of total world premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>$546,800</td>
<td>$830,315</td>
<td>$1,377,114</td>
<td>-0.1%</td>
<td>28.15%</td>
</tr>
<tr>
<td>2</td>
<td>P.R. China</td>
<td>317,570</td>
<td>223,876</td>
<td>541,466</td>
<td>16.2</td>
<td>11.07</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>307,232</td>
<td>114,818</td>
<td>422,050</td>
<td>-6.5</td>
<td>8.63</td>
</tr>
<tr>
<td>4</td>
<td>United Kingdom</td>
<td>189,833</td>
<td>93,499</td>
<td>283,331</td>
<td>-2.6</td>
<td>5.79</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>153,520</td>
<td>88,083</td>
<td>241,603</td>
<td>1.8</td>
<td>4.94</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>96,973</td>
<td>126,005</td>
<td>222,978</td>
<td>3.8</td>
<td>4.56</td>
</tr>
<tr>
<td>7</td>
<td>South Korea</td>
<td>102,839</td>
<td>78,378</td>
<td>181,218</td>
<td>2.4</td>
<td>3.70</td>
</tr>
<tr>
<td>8</td>
<td>Italy</td>
<td>113,947</td>
<td>41,562</td>
<td>155,509</td>
<td>-2.6</td>
<td>3.18</td>
</tr>
<tr>
<td>9</td>
<td>Canada</td>
<td>51,592</td>
<td>67,927</td>
<td>119,520</td>
<td>5.5</td>
<td>2.44</td>
</tr>
<tr>
<td>10</td>
<td>Taiwan</td>
<td>98,602</td>
<td>18,873</td>
<td>117,474</td>
<td>15.8</td>
<td>2.40</td>
</tr>
</tbody>
</table>

1Before reinsurance transactions. 2Includes accident and health insurance. 3Nonlife premiums include state funds; life premiums include an estimate of group pension business. 4Estimated. 5Provisional. 6April 1, 2017 to March 31, 2018. 7Nonlife premiums are provisional. 8Life premiums are estimated. 9Life premiums are net premiums.
Japan’s Market Landscape

The Insurance Regulator: FSA
Japan’s insurance market is regulated by the Financial Services Agency (FSA)

The Insurance Suppliers:
FSA categorizes insurance suppliers as:

A. Domestic Insurers: Licensed as a domestic insurance company.

B. Domestic Insurers with Foreign Capital: Licensed as a domestic insurance company, which includes firms with over 50% of foreign capital.

C. Foreign Insurers: Licensed on a branch or agent basis. Listed by FSA as branch-offices of foreign firms.
Japan’s Market Landscape

Japan’s Key Insurance Legislation:


• 1948 Act on Non-life Insurance Rating Organizations. Regulates operation of insurance rating organizations,


Japan’s Market Landscape

Japan’s Reinsurance Market:

In the reinsurance business...
- The reinsurer is the party which accepts inward reinsurance,
- The enterprise ceding the risks is the party placing outward reinsurance.
- Japan’s reinsurance landscape is populated partially by foreign firms specializing in reinsurance within the Japanese market.
Chapter 8 – Sub-Section 5
EPA Chapter 8 covers trade in services, investment and e-commerce

Treaty language on the finance and insurance industry is the content of Sub-Section 5. This includes:

- Insurance and insurance-related services
- Banking and other financial services
EU-Japan EPA Treaty Coverage

EPA 8.59(a(i)): The Insurance Market

Lists and defines **five** segments of the insurance industry. Services include:

1. Direct Insurance: Life
2. Direct Insurance: Non-life
3. Reinsurance
4. Insurance intermediation:
   - Brokerage
5. Services auxiliary to insurance
   - Consultancy
   - Actuarial risk assessment
   - Claim settlement services
EU-Japan EPA Treaty Coverage

**EPA 8.66: Postal Insurance**

- Language concerning the provision of insurance services by postal insurance entities is included in a separate article in the EPA.
- Separate from article covering financial services.

- The supply direct insurance services to the general public.
- Supply of insurance services relating to the collection, transport and delivery of letters or packages by a postal insurance entity NOT included.
Sub-Section 5 Protections

Treaty language in Sub-Section 5 includes a number of protections that apply to the insurance industry:

- EPA 8.60 establishes the right of European financial service providers to offer new financial services in Japan.
- EPA 8.62 establishes equal access and non-discrimination concerning self-regulatory organizations for financial services.
- EPA 8.63 protects information transfers and processing of financial information needed the conduct of the ordinary business of a financial service supplier.
- EPA 8.66 protects insurers against conditions of competition that are more favourable to the domestic postal insurance than to competing private insurance providers.
EU-Japan EPA Treaty Obligations

**EPA 8.66: Postal Insurance Obligations**

- EPA 8.66 (2, 3, and 4) protects insurance providers from **state-aid** and from **discrimination** favoring the postal insurance entity.

2: Conditions for supply of services and distribution channels for insurance NOT more onerous or unfavorable than conditions imposed on postal insurance supplier.

3: Postal and private insurance get same regulation and enforcement.

4: Postal insurance provider must publish annual financial statement. Also subject to same auditing standards as all insurance suppliers.
EU-Japan EPA Treaty Obligations

EPA 8.66: Postal Insurance Obligations: Exceptions

EPA 8.66 (5) outlines two key exceptions to the obligations imposed by the EPA. The non-discrimination provisions do not apply if:

- The postal insurance provider is not state-owned or controlled.
- The Postal insurance provider occupies less than 10% of the direct life and non-life insurance markets.
- Postal Insurance in Japan is 24.4% of Japan’s Insurance market.
EU-Japan EPA Treaty Obligations

**Additional Treaty Obligations**

Beyond Sub-Section 5, the EPA includes additional language that affects the insurance industry:

- EPA 9.2 protects the free movement of capital and of transactions (which can be temporarily interfered with during times of external financial difficulties).

**Major Caveat:**

- Annex 8-B outlines that coverage does not invalidate qualification requirements and procedures, technical standards and licensing requirements and procedures, which do not constitute a market access or national treatment limitation.
In Conclusion....

- Japan’s insurance market is the world’s 3rd largest.
- Foreign insurers already active in Japan’s market
- Life insurance is largest segment
- Japan’s regulator, the FSA recognizes:
  - Domestic Insurers.
  - Domestic Insurers with Foreign Capital
  - Foreign Insurers
In Conclusion....

• The EU-Japan EPA covers insurance markets, naming the segments:
  • Life
  • Non-life
  • Reinsurance
  • Auxiliary Insurance Services

• Postal insurance covered separately

• The EU-Japan EPA grants:
  • Access
  • Non-discrimination and Equal access to self-regulatory bodies
  • Protection from state-aid
  • Does NOT protect from local regulation, self-regulation, license requirements.
Thank you for your attention

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QUESTIONS?

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