

## Country Analysis Report - Japan

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<b>Japan 2011</b>	<p>In the fiscal year 2011 which ended in March 2012, the premium income for Engineering Insurances in Japan increased by 6.8% from JPY63,775 million to JPY68,101 million.</p> <p>The trends of premiums of each business line in 2011 are as follows;</p> <ul style="list-style-type: none"> <li>/ The premium of MB decreased by 0.9% (almost same as 2010).</li> <li>/ The premium of EAR decreased by 3.2% due to the shrinkage of investment in plant, equipment and machinery.</li> <li>/ The premium of CAR increased by 11.6% due to the increase of construction and civil works for re-establishment after the heavy earthquake on 11th March 2011.</li> </ul>	<p>In the fiscal year 2011, the claims (incurred loss) amount of the Engineering Insurances in Japan increased by 15.9% from JPY29,213 million to JPY33,871 million. The main reason of this rise is that incurred loss on the heavy earthquake on 11th March 2011 increased and a few heavy typhoons made landfall in Japan last autumn.</p>	<p>In the fiscal year 2011, the loss ratio of EAR and CAR rose from 45.8% in 2010 to 49.7% in 2011, but underwriting result of engineering line remains profitable.</p>	<p>The original expectation was that the Japanese economy would recover slowly due to slight growth in public / housing construction and investments in plant and equipment. However the heavy earthquake on 11<sup>th</sup> March 2011 changed this expected trend.</p> <p>On the other hand, we can see a few good trends for engineering insurance business as below:</p> <ul style="list-style-type: none"> <li>/ Construction and expansion of thermal power plants on gas for eliminating a power shortage because almost all of the nuclear power plants in Japan have shut down because of a stricter inspection regimen and the strong public attitude against nuclear energy.</li> <li>/ The feed-in tariff system (FIT) that electricity power companies are forced to buy, at the fixed rates, electricity generated by renewable energy plants such as solar power, hydro power, and wind power etc. started in July.</li> </ul> <p>Therefore, a lot of companies in other business sectors are planned to enter the power generation market with renewable energy.</p> <p>The trend of MB line will continue to be on the downside for a while because existing business trends to be transferred to property insurance coverages.</p>