

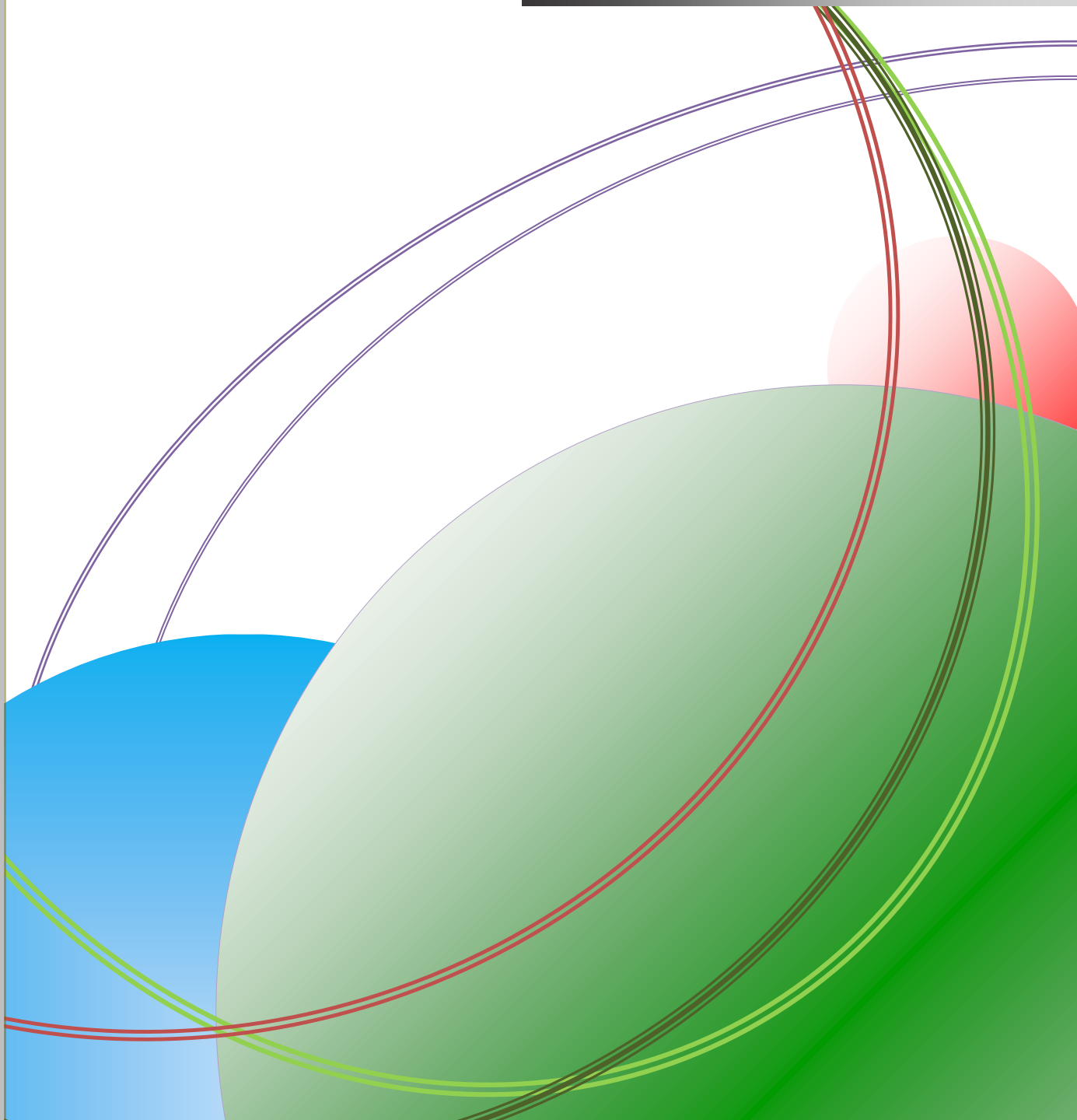
# SAIKYOSAIREN

Japan Reinsurance Federation of Consumers' Cooperatives

One for All, All for One

FACT BOOK 2018

*Report on FY2017 Results*



# President's Statement



Firstly, I would like to express my sincere gratitude for your cooperation and continued support of the business operations of Saikyosairen.

Based on the core principle of mutual cooperatives and its spirit in supporting each other, as an entity specializing in cooperative reinsurance, Saikyosairen contributes to the stabilization and development of our original members' business through the provision of cooperative reinsurance, facilitating fellow cooperatives to reinforce relationships amongst each other.

First of all, we would like to express our heartfelt sympathy for people affected by the natural disasters including the Osaka earthquake and the heavy rain in July 2018, and at the same time we would like to express our sincere respect to all the Kyosai groups who made every effort to respond to the affected members. As a reinsurance center, Saikyosairen will endeavor to be of assistance to all members.

FY2018 marks the last year of the Mid-term Management Plan which we have been working on since 2016. We will steadily address major issues, which are: "Expansion of new members and assumed business", "Further enhancement of services to assist members", and "Reinforcement of business infrastructure" to achieve our goals.

We are pleased to announce herein the publication of our disclosure paper "Fact Book 2018" to demonstrate our business overview, financial conditions and main activities of FY 2017. We hope that by reading this Fact Book you reach a better understanding of Saikyosairen as an organization and humbly ask for your continued cooperation.

August, 2018

A handwritten signature in black ink that reads "Tomoyasu Kato". The signature is written in a cursive, flowing style.

Tomoyasu Kato  
President of Saikyosairen

# SAIKYOSAIREN

Reinsurance Center for Japanese Cooperatives

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# Saikyosairen as a Cooperative

## About Saikyosairen

Saikyosairen is the only consumer cooperative that specializes in reinsurance business for cooperatives. Through Fire, Natural Perils, Life, Traffic Accident and Automobile reinsurance business, we contribute to the “stabilization of the management of member cooperatives and sound development of their business operations.” At the same time, we also make a great effort to fulfill our functions “to reinforce the collaboration between those members and other cooperatives” and “to support the business thereof.”

### 1. Outline

Formal Name	: Japan Reinsurance Federation of Consumers’ Cooperatives (abbr. Saikyosairen)
Established	: 13th January 1975
President	: Tomoyasu Kato
Regulated Law	: The Consumers’ Livelihood Cooperative Society Law
Authority	: The Ministry of Health, Labour and Welfare
Members	: 64 members*
Membership Fund	: JPY 6.7 billion*
Staff	: 17 staff*
Business Conducted	: Saikyosai (Reinsurance specialized for cooperatives)

\*As of 31st March 2018

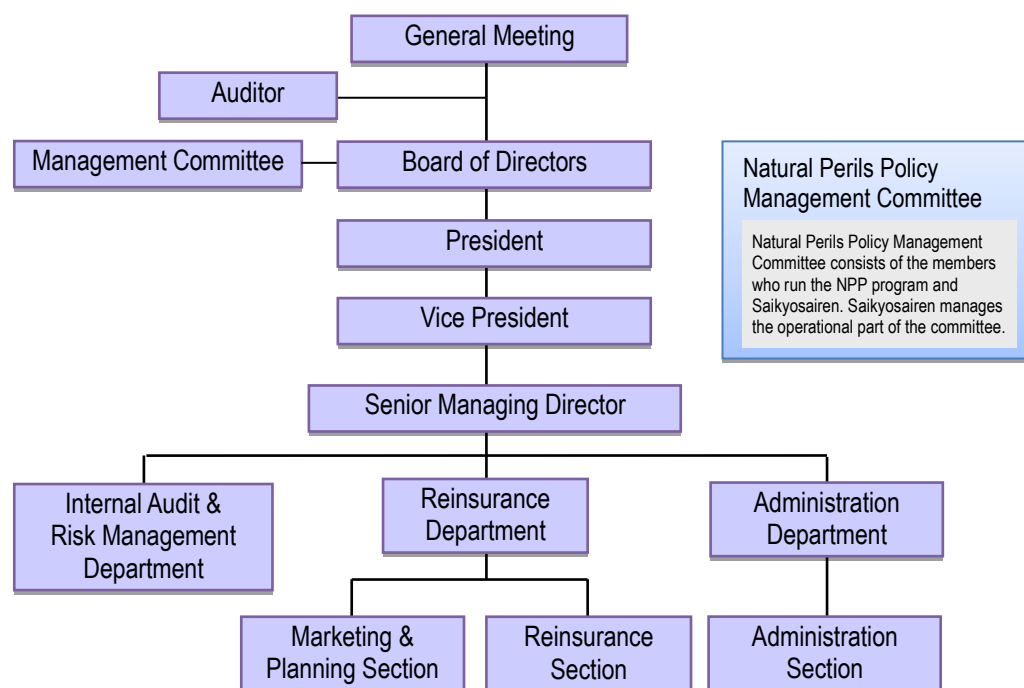
### 2. Organization Chart



**Tomoyasu Kato**  
President



**Katsumi Abeta**  
Senior Managing Director



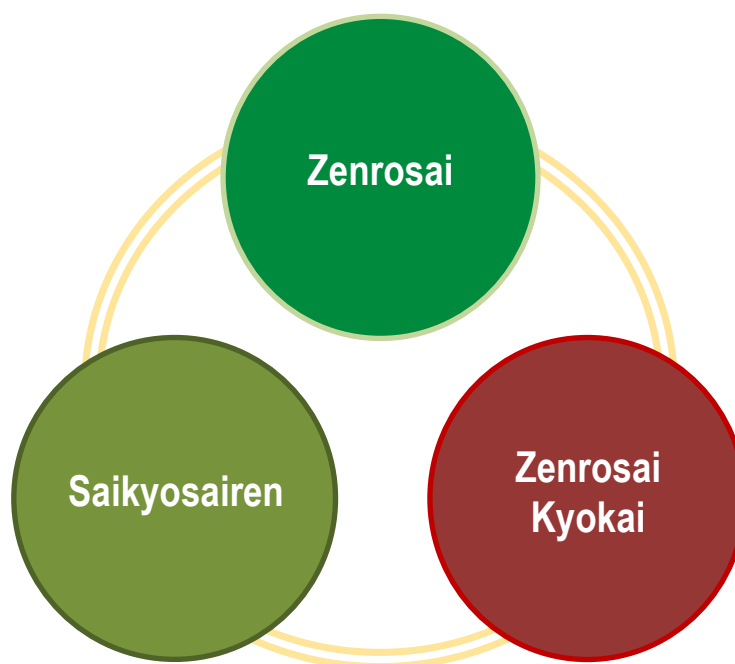
### 3. Member Cooperatives

※Total 64 members (As of 31st March 2018)

<b>Workers Cooperatives based on Prefecture</b>		<b>47 members</b>
Federation of Prefectural and Workers Cooperatives (members not listed)		
<b>Nationwide Workers Cooperatives based on Occupation</b>		<b>8 members</b>
Shinrin Rohren Kyosai	Japan All Forest Relating Industry Workers' Insurance Cooperative Society	
Jichiro Kyosai Seikyo	All Japan Prefectural and Municipal Workers' Cooperative Society	
Zensuido Kyosai	All Japan Water Supply Mutual Aid Cooperative Society	
Zentobacco Seikyo	All Japan Tobacco Workers' Cooperative Society	
Kyousyokuin Kyosai Seikyo	Teachers Mutual Aid Cooperative Society	
Zenkoku Koun Kyosai Seikyo	National Traffic Industry Workers' Mutual Aid Cooperative Society	
Dentsu Kyosai Seikyo	Telecommunications, Electronic Information and Allied Workers' Insurance Cooperative	
JP Kyosai Seikyo	Mutual Aid Cooperative for Postal Workers	
<b>Cooperatives based on Occupation</b>		<b>3 members</b>
Shuhan Seikyo	National Consumer Co-operatives for Liquor Stores	
Tobacco Hanbai Seikyo	The National Co-operation Society of Tobacco Retailers	
Boueisyoun Seikyo	Consumer Cooperative of Ministry of Defense	
<b>Cooperatives Federation</b>		<b>2 members</b>
Zenrosai	National Federation of Workers and Consumers Insurance Cooperatives	
CO-OP Kyosairen	Japan CO-OP Insurance Consumers' Cooperative Federation	
<b>Citizen's Cooperatives</b>		<b>2 members</b>
Kyoto Shimin Kyosai	Kyoto Citizens' Cooperative Society	
Kobe Shimin Seikyo	Kobe Citizens' Cooperative Society	
<b>Small &amp; Medium-sized Business Cooperatives</b>		<b>2 members</b>
Zenbeihan	Japan Rice Millers' and Distributors' Cooperative	
Nikkaren	National Federation of Fire Insurance Co-operatives for Small Business	

## 4. About Zenrosai Group

Saikyosairen is one of the entities in the Zenrosai Group. The Zenrosai Group consists of three core organizations.



**Zenrosai** ( Est. 29th September 1957)  
(National Federation of Workers and Consumers Insurance Cooperatives)

Zenrosai is a national federation established under The Consumers' Livelihood Cooperative Society Law, in operation of Kyosai business. It consists of 47 prefecture-based cooperatives, 8 occupation-based cooperatives and 3 cooperative federations.

**Saikyosairen** ( Est. 13th January 1975)  
(Japan Reinsurance Federation of Consumers' Cooperatives)

As the only entity to arrange 'Saikyosai' (Reinsurance specialized for cooperatives), Saikyosairen supports original members by providing 'Saikyosai' to assist securing the stability and development of their business operations as well as reinforcing the collaboration between each cooperative through its provision of 'Saikyosai.'

**Zenrosai Kyokai** ( Est. 1st June 2004)  
(National Association for Workers' Welfare and Cooperative Insurance)

Zenrosai Kyokai provides mutual aid services through the research and study of the life and welfare of workers. Services include municipality-associated Keicho insurance, Fire and Auto insurance for corporative bodies, as well as provision of Fire and Auto insurance as an insurance agency.

## 5. Associated Organizations

Saikyosairen is in league with the following organizations for the purpose of developing insurance business for cooperatives and activities among cooperatives and workers' welfare.

### The Japan Cooperative Insurance Association (JCIA)

JCIA promotes the sound development of the cooperative insurance business by contributing to stabilizing the lives and improving the welfare of people engaged in the agriculture, forestry and fisheries industries through providing information, publicity and consultation activities in respect of cooperative insurance business to its members.

### International Cooperative and Mutual Insurance Federation (ICMIF)

ICMIF is a global trade association representing cooperative and mutual insurers. It conducts various research and studies for its members. Saikyosairen joined ICMIF in September 2006 in order to further strengthen the relationship with cooperatives and mutual insurers around the world.

### National Council of Workers Welfare (Chuo Rofukukyo)

National Council of Workers Welfare is a central organization of welfare. It comprises of prefectural labor organizations, workers' welfare organizations, national federations of consumer cooperatives and Workers Welfare organizations.



Mr. Abeta, Senior Managing Director with Mr. Shaun Tarbuck, CEO of ICMIF at ICMIF Biennial Conference 2017 in London UK

## 6. History of Saikyosairen and Natural Perils Policy

Since 1975 when Saikyosairen was founded as “Tansan Kyosai Rengokai,” it has gone through the organizational changes described as below. Saikyosairen now assumes a role in the current organization as the “Reinsurance Center.”

<b>1975</b>	“Tansan Kyosai Rengokai” (Precedent organization of Saikyosairen) was formed to operate Auto insurance business.
<b>1980</b>	Reestablished as “Jidosha Kyosairen,” due to business expansion and unification with Rosairoren (Now known as Zenrosai)
<b>1987</b>	<p><b>Reorganization as “Zenrosai Saikyosairen”</b></p> <p>Started to write reinsurance business for Automobile, Motorized Bicycle, Fire, Comprehensive (Keicho), Traffic Accident and Life in December 1987.</p> <p>Ceased to accept the insurance business for Automobiles and Motorized Bicycle and transferred it to Zenrosai and each industrial cooperative member. Started to provide claims services and data processing for Automobile insurance as a commissioned business.</p>
<b>2000</b>	<p><b>Natural Perils Policy Launch</b></p> <p>Started to write Natural Perils reinsurance business and placed the reinsurance for the group in the international reinsurance market.</p>
<b>2004</b>	<p><b>Consolidation of Automobile Insurance Business into Zenrosai and Founding of Specialized Organization for Reinsurance</b></p> <p>Consolidated Automobile insurance business of Workers Kyosai Group into Zenrosai on 1st October 2004 and became the only Japanese organization that specialized in reinsurance business for cooperatives.</p>
<b>2006</b>	<p><b>Rebranding to “Saikyosairen”</b></p> <p>Renamed as “Japan Reinsurance Federation of Consumers’ Cooperatives” (abbr. Saikyosairen). Officially made a fresh start as “Reinsurance Center” for the entire Kyosai organizations.</p>





## 1. Reinsurance Sector

### (1) Types of Reinsurance (Saikyosai) and Services

Saikyosairen offers the following seven types of reinsurance under license from the Ministry of Health, Labour and Welfare.

Type of Reinsurance	Type of Service
Fire	Quota Share, Surplus, Excess of Loss
Natural Perils	Quota Share, Excess of Loss
Comprehensive (Mutual Aid Benefit aka Keicho)	Quota Share, Surplus, Excess of Loss
Life	Quota Share, Surplus, Excess of Loss
Traffic Accident	Quota Share, Surplus, Excess of Loss
Automobile	Quota Share, Excess of Loss
Compulsory Automobile Liability Insurance	Assume reinsurance of CALI within the Zenrosai group. Provide an administrative service for mutual pooling and report to the government in accordance with the Automobile Liability Security Act.

### (2) What is Saikyosai?

- ◇ Reinsurance provision for cooperatives (agreement between Saikyosairen and members)
- ◇ The purpose is to secure members' business stability through risk diversification

Saikyosai is a method available to cooperatives who runs insurance business, to transfer all or part of their risks. In essence, it functions as insurance coverage for cooperatives. In order for member cooperatives to offer long and stable coverage to their policyholders, the large potential losses must be accounted for, especially those of earthquake and windstorms.

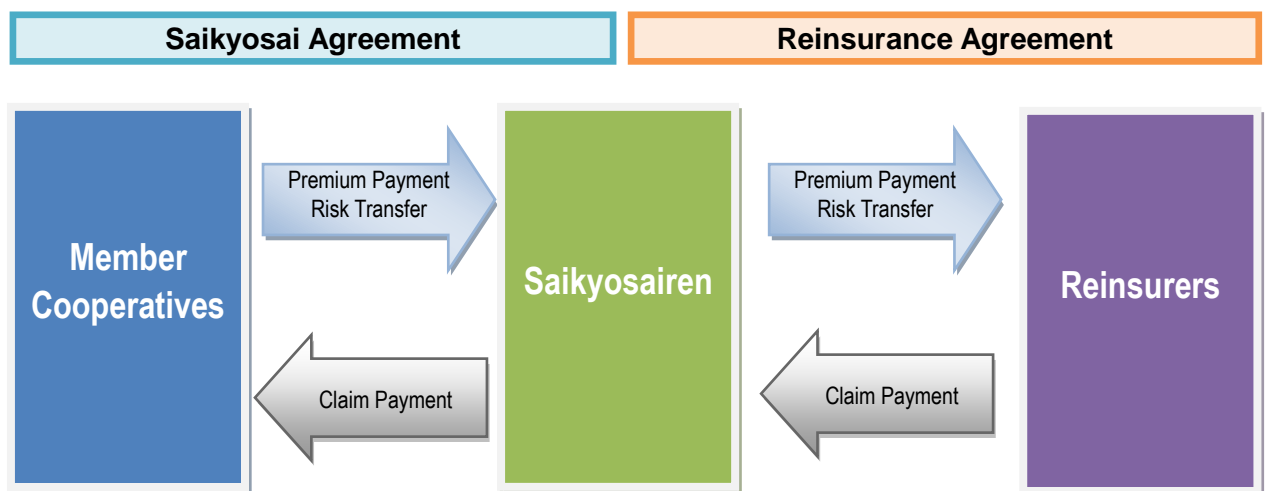
Saikyosai enables cooperatives to reduce risk retention, thus stabilizing its business and to provide variety of coverage for ever-diverse needs of their policyholders.

## 2. Ceding to Global Reinsurance Market

In order to maintain sound business operations, Saikyosairen utilizes global reinsurance markets to divert part of the assumed risks internationally.

Specifically, we recognize securing ways to transfer Earthquake and Windstorm aggregated risks to be our primary mission. Therefore, we work with reinsurers to establish reinsurance provisions that will ensure stability for the long term, whilst also promoting the values and principles of Japanese cooperatives to the Reinsurance market.

As a result, during the Tohoku Earthquake, due to the speedy recovery of reinsurance claims from our reinsurance partners, we were able to smoothly process reinsurance claims payments to our members.





# FY2017 Business Summary

## 1. Underwriting Results

The number of Natural Perils and Auto policies has increased from the prior year. However, that of Fire, Comprehensive, Traffic Accident decreased, so that the total number of policies has decreased by 0.1 million (-0.8%) to 18.3 million.

The total number of contract units decreased by 0.5% to 1.4 billion units.

	Fire	Natural Perils	Comprehensive	Traffic Accident	Life	Auto	CALI*	Consolidated Total
Number of Policies (Unit:10,000)	472.1	230.9	784.9	301.6	13.2	6.4	22.2	1,831.6
Variance from FY2016	-6.2	4.5	-8.0	-6.8	-0.5	0.9	1.4	-14.8
Growth (%)	-1.3%	2.0%	-1.0%	-2.2%	-4.1%	17.6%	7.0%	-0.8%
Number of Units (Unit:10,000)	90,696	48,072	2,646	6,996	151	6	22	148,591
Variance from FY2016	-942	437	-42	-191	-11	0.9	1	-749
Growth (%)	-1.0%	0.9%	-1.6%	-2.7%	-7.3%	17.6%	7.0%	-0.5%

\*CALI = Compulsory Automobile Liability Insurance

## 2. Profit and Loss Performance

### (1) Cooperative Reinsurance Sector ※CALI excluded

#### ① Net Reinsurance Premium

While the net reinsurance premium income of Fire and Traffic Accident was reduced following a decrease in business, that of Natural Perils increased by JPY 150 million. As a result, the total net reinsurance premium income increased by JPY 140 million (+1.7%) to JPY 8.3 billion from the prior year.

#### ② Net Reinsurance Claims

Total net reinsurance claims (including outstanding loss reserves) were reduced by JPY 3.7 billion to JPY 2.8 billion compared to the prior year when the Kumamoto Earthquake impacted Natural Perils.

**【Reinsurance Business Performance】**

(Unit: JPY millions)

	Fire	Natural Perils	Comprehensive	Traffic Accident	Life	Auto	Reinsurance Total	CALI	Consolidated Total
Net Reinsurance Premium	3,406	3,471	348	934	52	116	8,329	1,837	10,166
Variance from FY2016	-29	150	12	-21	-1	29	140	69	209
Growth (%)	-0.9%	4.5%	3.7%	-2.2%	-3.4%	34.5%	1.7%	3.9%	2.1%
Net Reinsurance Claim	2,230	-314	220	777	27	-55	2,885	1,565	4,451
Variance from FY2016	-157	-3,369	5	-123	-17	-80	-3,742	20	-3,722
Growth (%)	-6.6%	-110.3%	2.6%	-13.7%	-38.0%	-323.8%	-56.5%	1.3%	-45.5%
Operating Surplus	968	219	102	84	59	126	1,561	—	1,561
Growth (Amounts)	19	-45	86	56	50	144	313	—	313

(NB)

1. Net Reinsurance Premium = Reinsurance Premium - Ceded Reinsurance Premium (Paid) etc. + Ceded Reinsurance Premium (Received)
2. Net Reinsurance Claim = Reinsurance Claim - Ceded Reinsurance Claim(Recovered) + Provision of O/S Loss Reserve - Reversal of O/S Loss Reserve + Ceded Reinsurance Claim(Paid)
3. Operating Surplus = Net Reinsurance Premium - Net Reinsurance Claim + Investment Income - Investment Expenses - Operating Expenses ± Liability Reserves(Provision and Reversal)

## (2) Investment Income

Investment income was reduced by JPY 10 million decrease (-6.8%) to JPY 210 million from the prior year due to a decrease in interest income reflecting the continuous low interest rates environment. Investment return was 0.41% (FY2016: 0.46%).

## (3) Operating Expenses

Operating expenses increased by JPY 85 million (+26.9%) to JPY 400 million compared to the prior year as a result of an increase in the retirement benefit expenses associated with the change of the assumed interest rate for corporate pension funds.

## (4) Surplus

### ① Ordinary Surplus

Ordinary surplus increased by JPY 0.3 billion (+21.0%) to JPY 1.7 billion from prior year which results from an increase in the provision for policy reserve, while Net reinsurance claims were reduced. The surplus for the period increased by JPY 290 million (+27.8%) to JPY 1.3 billion from prior year after posting and adjusting for corporate tax.

### ② Unappropriated Surplus for the Period

With the surplus of JPY 50 million from FY2016 carried over to FY2017, the unappropriated surplus for the period resulted in JPY 1.3 billion (an increase of JPY 320 million compared to the prior year).

### 3. Financial Statements ※FY2017 ending on March 31, 2018

#### (1) Balance Sheet

(Unit: JPY thousands)

	FY 2016	FY 2017	Differences	Growth (%)
<b>I. Assets</b>				
1. Cash and deposits	23,569,357	25,881,393	2,312,036	9.8
2. Money-in-trust	-	-	-	-
3. Money due	6,000,000	6,000,000	-	-
4. Securities	23,234,067	22,968,517	-265,549	-1.1
5. Loans	-	-	-	-
6. Reinsurance accounts receivables	576,197	616,943	40,746	7.1
7. Other business assets	3,315,078	3,133,275	-181,803	-5.5
8. Advance payment provisions	8,949	13,091	4,142	46.3
9. Uncollected profits	38,897	35,192	-3,705	-9.5
10. Other assets	31,983	31,541	-442	-1.4
11. Fixed assets for business operation	1,670	9,950	8,280	495.8
12. Fund	88,026	88,026	-	-
13. Deferred tax asset	5,451,995	5,552,848	100,852	1.8
14. Allowance for bad debts	-	-	-	-
<b>Total Assets</b>	<b>62,316,223</b>	<b>64,330,782</b>	<b>2,014,558</b>	<b>3.2</b>
<b>II. Liabilities</b>	32,796,061	33,913,314	1,117,252	3.4
1. Policy reserves	29,072,223	31,559,828	2,487,604	8.6
2. Reinsurance accounts payables	1,500,808	607,524	-893,283	-59.5
3. Other insurance business liabilities	1,110,169	935,099	-175,070	-15.8
4. Expenses payables	4,610	5,820	1,210	26.2
5. Other liabilities	815,379	445,552	-369,826	-45.4
6. Allowance	107,194	158,296	51,102	47.7
7. Price fluctuation reserves	185,676	201,192	15,516	8.4
<b>III. Net Assets</b>	29,520,161	30,417,467	897,306	3.0
1. Members capital	28,996,072	30,011,541	1,015,468	3.5
(1) Membership fund	6,710,920	6,710,920	-	-
(2) Surplus	22,285,152	23,300,621	1,015,468	4.6
① Legal reserves	7,203,016	7,413,916	210,900	2.9
② Voluntary reserves	14,012,000	14,487,000	475,000	3.4
③ Unappropriated surplus for the period	1,070,135	1,399,704	329,568	30.8
(Surplus for the period)	1,054,096	1,346,643	292,546	27.8
2. Difference of value and etc.	524,088	405,926	-118,162	-22.5
<b>Total Liabilities and Net Assets</b>	<b>62,316,223</b>	<b>64,330,782</b>	<b>2,014,558</b>	<b>3.2</b>

**(2) Profit & Loss Account**

(Unit: JPY thousands)

	FY 2016	FY 2017	Difference	Growth (%)
<b>Ordinary Income</b>	10,186,843	11,679,172	1,492,328	14.6
1. Premium and other income	9,956,927	10,166,828	209,901	2.1
2. T transfer from policy reserves	-	1,297,869	1,297,869	-
3. Investment income	227,451	212,014	-15,436	-6.8
4. Other ordinary income	2,464	2,460	-4	-0.2
<b>Ordinary Expenses</b>	8,747,497	9,937,988	1,190,490	13.6
1. Claims paid and other payments	7,224,906	5,749,445	-1,475,460	-20.4
2. T transfer to policy reserves	1,204,949	3,785,473	2,580,524	214.2
3. Investment expenses	-	-	-	-
4. Operating expenses	317,641	403,068	85,427	26.9
5. Other ordinary expenses	-	-	-	-
Ordinary surplus	1,439,346	1,741,184	301,837	21.0
Extraordinary income	-	-	-	-
Extraordinary loss	65,597	15,516	-50,081	-76.3
Surplus before taxes	1,373,749	1,725,668	351,918	25.6
Corporate and other taxes	816,790	434,107	-382,682	-46.9
Adjustment of corporate and other taxes	-497,138	-55,083	442,055	-
Net surplus for the period	1,054,096	1,346,643	292,546	27.8
Retained earnings from prior period	16,038	53,060	37,021	230.8
Payments from voluntary reserves	-	-	-	-
Unappropriated surplus for the period	1,070,135	1,399,704	329,568	30.8

# IV Risk Management & Compliance

## 1. Risk Management

Saikyosairen identifies various risks surrounding organization management and business operations to execute appropriate risk management according to the characteristics of each risk.

We strive to strengthen our risk management to secure sound and adequate business operations as the top priority of our management.

Based on the Risk Management Policy formed by the Board of Directors per risk, each respective department establishes their own risk management regulations and procedures to implement on risk management. The Internal Audit and Risk Management Department sets a controlling office for risk management in order to implement a comprehensive and inter-department management.

## 2. Compliance

In recognition of Saikyosairen's public mission and social responsibility, we value our day-to-day work in compliance with laws and regulations to gain respect and trust among members through our fair and sound business operations.

In this respect, through ethical and legal compliance, as well as devotion of the utmost effort to serve members as a general rule, we have established 'Directors & Employees Code of Conduct' to encourage honesty and responsibility. That is then conveyed among our employees.

Moreover, in order to raise awareness for Compliance by all of our officers and employees, we have designated a "Month for promoting Compliance" every year and continue to carry out educational activities.

## 3. External / Internal Audit

We have appointed four auditors, including one full-time and three part-time auditors to verify the appropriateness of business operations, execution of business and accounting. This is done in cooperation with an independent auditor.

Internal Audit conducted by the Audit and Risk Management Department proposes suggestions and improvements by verifying and assessing the appropriateness of its implementation status on respective departments.

## 1. Supporting Member Cooperatives

Saikyosairen utilizes various channels to provide business support to our member cooperatives. Our support activities include but not limited to; providing training seminars and networking opportunities as well as facilitating lectures with topics related to cooperative insurance and reinsurance. They are tailored not only to the member cooperatives but also open to prospective members.



Seminar, "Impact on Kyosai business due to revision of law of claims and obligations which is a part of civil law"

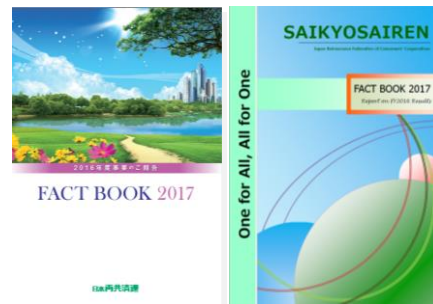
## 2. Disclosure

Saikyosairen discloses the following information for public viewing

Website (<https://www.saikyosairen.or.jp>)



Fact Book



You can see the Fact Book via our website both in Japanese and in English.



※available only in Japanese

“Sairen Dayori” Quarterly News Letter  
 ”Sairen Dayori” is issued quarterly informing our member cooperatives hot topics such as activity reports and business risks surrounding cooperative organizations.

## 3. Social Responsibility

Saikyosairen enacted environmentally friendly policies, such as reducing consumption and recycling paper, as well as reducing energy consumption. Saikyosairen has also purchased environmentally conscious office products.





## **SAIKYOSAIREN**

Japan Reinsurance Federation of Consumers' Cooperatives

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<https://www.saikyosairen.or.jp/english/index.html>