

UNOFFICIAL TRANSLATION

The formal press release document is in Japanese.

To whom it may concern,

May 25th, 2006

Sompo Japan Insurance Inc.
Hiroshi Hirano, President and CEO

Administrative Order imposed on Sompo Japan Insurance Inc.

Today, Sompo Japan Insurance Inc. ("Company ") received an order from the Financial Services Agency ("FSA ") to suspend a part of its business operations pursuant to Article 133 of the Insurance Business Law and to improve business operations pursuant to Article 132(1) of the Insurance Business Law.

We would like to take this opportunity to apologize to our customers and stakeholders for any concerns or inconvenience that this matter may cause.

The specifics of the administrative order are described below. The Company is making a response to the FSA 's administrative order among the Company 's highest priorities. The Company will clarify and confirm the responsibility of the Company 's management, introduce a Business Improvement Plan, and at the same time introduce and implement further internal controls and compliance measures within the entire organization so that the Company is able to prevent reoccurrence of the matter of the same kind.

1. Description of the Administrative Order (Summary)

(1) Partial Business Suspension Order pursuant to Article 133 of the Insurance Business Law

Execution of insurance contracts, marketing of insurance and surety bond (included are the business operations entrusted to non-life insurance agencies, to other insurance companies, and entrusted from other insurance companies, excluding contracts with automatic renewal provision and Compulsory Automobile Liability Insurance related matters) under the non-life insurance license will be suspended from June 12th(Mon) to June 25th(Sun).

With regard to the Yamaguchi Branch (including the sub-branches and non-life insurance agencies which are under their supervision), the business operations mentioned in above will be suspended from June 12th(Mon) to July 11th(Tue).

Execution of insurance contracts, marketing of insurance (excluding contracts with automatic renewal provision) in connection with the representation of life insurance

business operation will be suspended from June 12th (Mon) to July 11th (Tue).

Application for approval regarding incidental business operations, including representation of other insurance companies, application for approval regarding establishment of a foreign company or subsidiary which will be engaged in insurance business, application for approval or notification regarding development/alteration of insurance products and notification of establishment of overseas branches and representative offices will be suspended from May 26th (Fri) to August 25th (Fri).

(2) Business Improvement Order pursuant to Article 132(1)

Thoroughly review the business operations of each department and each branch, and introduce a business management control structure together with an internal monitoring structure on which appropriate action and indication can be done.

Reinforce control and management of overseas operations by the head office.

Fundamentally improve and reinforce the internal monitoring structure.

Fundamentally review and improve the compliance structure.

Fundamentally review and improve management's scrutiny and response to irregularities.

Establish a management structure to conduct marketing activities in compliance with the applicable laws and other regulations.

Conduct thorough investigations and apply necessary countermeasures of marketing activities so as to prevent reoccurrence of the matter of the same kind.

Fundamentally review and improve procedure structure for complaints from customers.

Introduce a fundamental countermeasure, including appropriate computer systems protections, regarding the handling of personal and sensitive information.

Clarify the responsibility of the executives and employees who were responsible for the matters which caused the aforementioned Business Suspension Order and Business Improvement Order.

2. The facts which caused the Administrative Order

(1) Investigation procedure and other matters regarding the failure in claim payments

The Company has reviewed the results (27,273 cases amounting 908.9Million Yen) of the Self-Imposed Internal Investigation concerning the failure in claim payments in connection with incidental expenses. Within the bulk of the reviewed claims that we initially concluded as non-payable, we have discovered claims which should be payable (1,128 cases amounting 120.5Million Yen).

Furthermore, failure of the payments were also found on drivers' and passengers' personal

accident coverage in connection with automobile insurance policies which were not in the scope of our Self-Imposed Internal Investigation (206 cases, amounting 25.7Million Yen) .

(2) Irregularity in connection with the underwriting of a Liability Insurance Contract

In connection with the underwriting of a liability insurance contract for a construction project at one of our overseas branches (Hong Kong), duplicative insurance policies were issued, one being different from original contract for the purpose of presentation to the principal developer of the construction project, and the another being the actual policy contract.

(3) Marketing control structure of entrusted life insurance business

With regard to the marketing activities of life insurance business entrusted by a life insurance company, there were incidents in which sub-branch managers requested their subordinates to improperly use the names of the third party as a policyholder when entering into new contracts (11 employees, 19 contracts involved), and employees themselves paying premiums when entering into new contracts, being aware of the impropriety (280 employees, 431 contracts involved).

(4) Possession of a large number of name stamps (Japanese hankos) of others, etc.

At a number of sub-branches and agencies, a large number of name stamps (Japanese hankos) of uninvolved individuals who had nothing to do with the business operations were possessed, and there were cases in which those name stamps were used without acknowledging to the client (23 contracts as the violation of Insurance Business Law), and used without getting the final consent of the client (2,947 contracts).

In addition, there was an incident in which, when name stamps of uninvolved individuals were discovered after receiving notice of the FSA examination, a Branch General Manager made a personal decision to dispose those name stamps, knowing that the FSA examination was being carried out.

Furthermore, even though there were frequent complaints and grievances concerning improper contract renewals without appropriate notice to clients, there were no effective remedial measures adopted.

(5) Personal information management structure

Because an appropriate technical security system was not implemented, personal information, including sensitive information, was easily accessible by employees who had no specific business accessing such information. Also, a number of ex-agencies (27 agencies) which terminated their agency contracts were still able to access individual information.

(6) Auditing structure

Internal audits and auditor audits were not able to identify or provide corrective measures for substantial managerial problems indicated above.

(7) Investigation and treatment of irregularities

Investigation of, and response to, irregularity was inappropriate. For example, unregistered marketing by an employee of an agency was not treated as irregularity.

(8) Status of implementation of the Business Improvement Plan, etc.

In accordance with the Business Improvement Plan, which was established as a result of the previous examination, Compliance Hotline was introduced, marketing materials were reviewed by a specialized departments and compliance structure for the production departments was reviewed, however, the enforcement of this measure was insufficient.

- Compliance Hotline was not used effectively because of the structure itself.
- Marketing materials which misrepresented insurance premiums and which may have misled the policyholder were used.
- There was a case where the application of excessive premium discount regarding the group contract had been found.

3. Countermeasures for prevention of reoccurrence and action plan

(Current status of Implementation and future action plan)

Concerning the facts mentioned in the section 2 above, the company has worked on the following items for improvement:

(1) Reinforcement of claim payments management

- Establishment of "Subcommittee for Claim Service Quality Improvement" to organize proper claim settlement business administration.
- Establishment of "Claim Handling Operation Management Department" to administer internal management and monitor claim payments.
- Establishment of "Products Committee" that strengthens the cooperation among product development department and other departments.
- Allocation of management resources (staff and IT system, etc.) for strengthening the administration of claim payments procedure.
- Strengthening the education and the training of all business personnel involved in handling claim payments.

(2) Reinforcement of life insurance marketing management structure

- Strengthening the review of handled contract such as inspecting the process of closing contracts.
- Reviewing the measures used in business promotion
- Full and thorough education concerning compliance

- (3) Proper handling of name stamps (Japanese hankos)
 - Thorough compliance by insurance salespersons and agency
 - Strengthening of internal audit function and examination system
 - Utilizing the data base in ‘Customers ’ voice ”
- (4) Strengthening of management in handling the personal information
 - Developing a strong and secure system by specific encoding of private information
 - Intensify the safety management measures on the agency ’s system
- (5) Strengthening of audit structure
 - Increase of the number of Auditors and improve their audit capabilities and techniques
 - Establish strong network between auditors and Internal Audit Section

In addition to the measures described above, the Company has been working on the scrutiny of irregularities, strengthening the structure of claim payments procedures and the administration of overseas subsidiaries and branches, expansion of administrative functions and setting up an intensive system of checks and balances, etc.

To enhance and further reinforce our internal management and compliance, the Company is willing to undertake the following measures in addition to the steps described above:

(1) Introducing Business Audit and Compliance Committee

In order to strengthen our internal control systems, prevent reoccurrence and comply with all applicable rules and laws, including the Insurance Business Law, the Company has reorganized the previous compliance committee and set up new ‘Business Audit and Compliance Committee, ”which is mainly composed of external independent experts and is directly reporting to the board of directors.

(2) Strengthening of structure responding to complaints

We will thoroughly analyze ‘customers ’ voice ” and strengthen staff and functions in order to more effectively prevent reoccurrence.

(3) Strengthening of audit structure

The Company will increase a number of staff for internal audits and include an assistant to the auditor.

4. Clarifying responsibility

Whenever an irregularity has occurred, the Company has scrutinized the responsibility of executives and employees who were actually involved in and has responded strictly by managing

the internal treatment of such personnel. The Company will again clarify management's responsibilities in conjunction with establishment of a business improvement plan which responds to Business Improvement Order.

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