

POLICYHOLDER PROTECTION SYSTEMS

● Early Correction Safeguard System

Early correction safeguarding is a system designed to protect policyholders and ensure sound and appropriate operations at insurance companies. When an insurance company's solvency margin ratio falls below a certain level, depending on the circumstances, the regulatory agency may issue a directive to the insurance company to improve its operations.

An insurance company is subject to such a directive when its solvency margin ratio falls below 200%. The action standards and directives are categorized in the table on the right.

Depending on the assets and liabilities of the insurance company as well as the management improvement plans submitted to the regulatory agency, additional directives may be issued for classifications other than the solvency margin ratio in the table on the right.

● Bankruptcy Proceedings for Life Insurance Companies

When a life insurance company enters bankruptcy, the following two proceedings are taken to dispose of assets:

1. Corporate rehabilitation proceedings based on the court-guided rehabilitation law

These proceedings are taken under the supervision of a court of law.

First, the bankrupt insurance company petitions the court to start rehabilitation procedures (the commissioner of the FSA in Japan can also be petitioned). The court of law that receives this petition decides to start the procedures and appoints an administrator.

The court-appointed administrator formulates a rehabilitation plan for transferring policyholders while managing and examining the operations and financial assets of the bankrupt insurance company. Through the decisions of related parties, the court-appointed administrator requests authorization from the court of law. After authorization is granted, the administrator executes the disposal of assets based on the rehabilitation plan.

2. Government proceedings based on the Insurance Business Act

● Life Insurance Policyholders Protection Corporation of Japan

The Policyholders Protection Corporation is a corporate entity that was established in December 1998 through the Insurance Business Act. In the event that a life insurance company goes bankrupt, the Policyholders Protection Corporation will protect policyholders through a mutual support system.

● Members and Financial Resources

The Company and other life insurance companies that operate in Japan are members of the Policyholders Protection Corporation, and financial resources are, in principle, contributions paid by these members. However, until the end of March 2022, in the event that membership contributions from life insurance companies are insufficient as financial support to a life insurance company that goes bankrupt, the Japanese government may provide financial assistance to the Policyholders Protection Corporation through Diet deliberations.

■ Action Standards and Directives

Classification according to solvency margin	Directive
First classification Under 200% Over 100%	Directive to propose and implement a management improvement plan
Second classification Under 100% Over 0%	Directive to discontinue or limit policyholder dividends and/or directive to change calculation methods for new policies (anticipated rate of return, etc.)
Third classification Under 0%	Directive to halt all or a portion of operations

These proceedings are based on directives issued by the commissioner of the FSA.

The commissioner of the FSA orders the cessation of all or a portion of operations at the bankrupt insurance company and appoints an insurance administrator to dispose of financial assets under management and operations.

The insurance administrator manages and supervises the operations and financial assets of the bankrupt insurance company, creates plans for the management of operations and financial assets including the transfer of insurance policies, and seeks approval from the commissioner of the FSA. After approval is granted, the insurance administrator disposes of the assets according to the plan.

There are no clear standards as to which of the aforementioned procedures will be taken, and there are no differences in the indemnification through protective measures (see next page) between the two procedures.

● Main Operations

In the event of a bankruptcy of a life insurance company, the Policyholders Protection Corporation performs the following operations through a mutual support system for the purpose of protecting policyholders:

Primary Operations of the Policyholders Protection Corporation

1. Provides financial assistance to savior companies that take over insurance policies
2. Takes over insurance policies in the event that no savior company steps forward
3. Acts as a procedural representative for insurance policyholders in the event that the bankruptcy undergoes rehabilitation proceedings

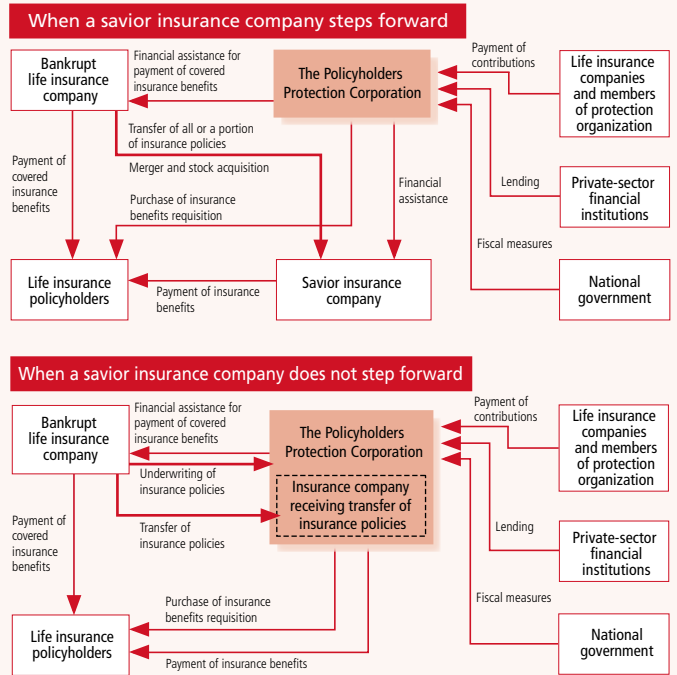
• Summary of Indemnification Coverage

In the event of a bankruptcy of a life insurance company, policy indemnification is to be provided as follows:

Type of insurance	Indemnification	
Individual insurance	General policies	Policy reserves × 90% ¹
	High assumed interest rate policies ^{2,4}	Policy reserves × (90% – Set rate) ^{1,3}
Group insurance	General policies	Policy reserves × 90% ¹
	High assumed interest rate policies ^{2,4}	Policy reserves × (90% – Set rate) ^{1,3}
	Portion related to separate accounts of group annuity policies	Not eligible for indemnification ⁵

- Notes: 1. Policy reserves are reserves for future insurance claims, annuity, and benefit payments, accumulated through insurance premiums and investment returns. The purpose of the system is to indemnify policy reserves, not to indemnify insurance claims, annuities, or other benefits. Accordingly, 90% of pension resource coverage attached to individual variable annuity insurance will not be eligible for indemnification.
2. High assumed interest rate policies^{2,4} are policies for which assumed interest rates constantly exceed standard interest rates^{2,2} over five years preceding bankruptcy.
- *1: Standard interest rates are determined by the commissioner of the FSA and the Finance Minister. The current reserve interest rate is 3%, which can be confirmed on the website of the Company or that of the Policyholders Protection Corporation.
- *2: When assumed interest rates are different for primary policies and riders within one insurance policy, decisions of whether or not such policies fall under the category of a high assumed interest rate policy are made for individual policies.
3. Set rate = (Sum of assumed interest rates for the previous five years, less standard interest rates) / 2
4. When insured are contributing insurance premiums and assumed interest rates are different among each insured, each insured is deemed to have concluded its own insurance policy. As such, it should be determined individually whether or not such a policy falls into the category of a high assumed interest rate policy. However, regarding defined contribution annuity insurance policies, regardless of whether or not the insured is contributing premiums, it should be determined whether or not each insured's policy falls into the category of a high assumed interest rate policy.
5. In rehabilitation procedures, it is possible to develop a rehabilitation plan under which policy reserves need not be reduced to cover this area (i.e., it can be determined whether or not the reserves should be reduced by individual rehabilitation procedures).

■ Framework of the Policyholders Protection Corporation



Information on policyholder protection in the last two pages, including the scope of policies eligible for indemnification and their coverage, is based on current legal statutes and is subject to change in the future in accordance with revisions to those legal statutes (as of July 2020).

WORLDWIDE NETWORK

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SUBSIDIARIES

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Insurance and Insurance Related	Nippon Life Insurance Company of America NLI Insurance Agency, Inc.	655 Third Avenue, 16th Floor New York, NY 10017, U.S.A.	Tel: 1-212-682-3000 Fax: 1-212-286-0938
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	Atlantic Region	200 Schulz Drive, 1st Floor Red Bank, NJ 07701, U.S.A.	Tel: 1-732-810-1066
	Central Region	20 North Martingale Road, Suite 150 Schaumburg, IL 60173, U.S.A.	Tel: 1-312-807-1120 Fax: 1-866-860-7511
	Western Region	515 South Figueroa Street, Suite 1825 Los Angeles, CA 90071, U.S.A.	Tel: 1-213-430-0801 Fax: 1-213-623-0064
	Ohio Office	6450 Poe Avenue, Suite 114, Dayton, OH 45414, U.S.A.	Tel: 1-844-486-8471
	Pennsylvania Office	1 Bethlehem Plaza, Suite 1010 Bethlehem, PA 18018, U.S.A.	Tel: 1-484-821-3979
	MLC Limited	105-153 Miller Street, North Sydney NSW 2060, Australia	Tel: 61-3-8634-4721 Fax: 1800-550-081
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	Melbourne Office	Level 16, 727 Collins Street, Docklands VIC 3008, Australia	Tel: 61-3-8634-4721 Fax: 1800-550-081
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	Nippon Life Schroders Asset Management Europe Limited	1 London Wall Place, London EC2Y 5AU, U.K.	Tel: 44-20-7658-6000 Fax: 44-20-7658-6965
	Nippon Life Global Investors Singapore Limited	138 Market Street #34-02 CapitaGreen Singapore 048946, Republic of Singapore	Tel: 65-6800-7000 Fax: 65-6384-7792

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	Great Wall Changsheng Life Insurance Co., Ltd.	5F No. 688 West NanJing Road, Jing An District Shanghai 200041, China	Tel: 86-21-3899-9888 Fax: 86-21-6247-0739
	Bangkok Life Assurance Public Company Limited	1415 Krungthep-Nonthaburi Road, Wongsawang, Bangsue, Bangkok 10800, Thailand	Tel: 66-2-777-8888 Fax: 66-2-777-8899
	PT Asuransi Jiwa Sequis Life	Sequis Tower Lt. 33 Jl. Jend. Sudirman Kav. 71, SCBD Jakarta 12190, Indonesia	Tel: 62-21-522-3123 Fax: 62-21-521-3579
	Grand Guardian Nippon Life Insurance Company Limited	11th Floor, Crystal Office Tower, Kyun Taw Road, Kamayut Township, Yangon, Myanmar	Tel: 95-1-9339377
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