



The development of Enterprise Risk Management in Japanese Insurance Industry

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We argue on the current status of Japanese Insurance ERM, Solvency framework and various technical issues to be solved in Japanese context which include mathematical or statistical modelling, calibration and corporate structure and culture.

First, we follow the history of risk management in Japanese insurance industry and solvency regulations. Japanese insurance companies have had a great challenge of risk management against the deterioration of financial strength after the collapse of financial bubble since 1990's. In particular, traditional life insurance companies have experienced negative interest gap for long under the ultra-low interest environment and developed specific ALM techniques and tools.

Second, Japan FSA has decided to develop the modernization of solvency regulation since around 2000 in accordance of global trend in insurance regulations. The first solvency regulation was introduced following US RBC framework in 1996. This regulation was revised in 2012 to aim at more strict and reasonable risk assessment. In the near future, Japan FSA is going further to introduce market-consistent insurance solvency regulation and ERM, ORSA. Japanese insurance industry is striving to develop its own risk management system and business structure.

We will explain current risk management practice followed by Japanese insurance companies and various problems in these activities, and a future prospect they are seeking for. In particular, we will investigate how different the risks inherent in Japanese insurance business which determine the nature of risk management are from those of other countries.

Keywords: Solvency regulation, ERM, ORSA, market-consistent valuation, risk appetite framework