Overview of the Amended Insurance Business Act

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I. Introduction

In response to fraudulent insurance claims and premium coordination practices in the non-life insurance sector, the Financial Services Agency ("**FSA**") convened an Expert Panel on Structural Issues in the Non-Life Insurance Sector in March 2024 to examine regulatory and supervisory measures aimed at preventing such misconduct. [1]

Following the publication of the panel's report in June 2024, the FSA established the Working Group on the Regulatory System Especially for Non-Life Insurance Business under the Financial System Council to examine issues that require legislative reform.[2] The working group's report was published on December 25, 2024. Based on the policy discussions therein, amendments to the Insurance Business Act[3] (the "**Act**") were enacted on May 30, 2025.

In addition, following the amendment of the Act, an amended Enforcement Order of the Insurance Business Act[4] was promulgated on December 19, 2025. The amended Regulations for Enforcement of the Insurance Business Act[5] were also promulgated on March 30, 2026. Both the amended order and regulations took effect on June 1, 2026.

II. Amendments to the Insurance Business Act

1. Overview

The principal amendments to the Act consist of the following five measures:

First, to prevent fraudulent insurance claims in the non-life insurance business:

(a) Certain organizational and governance requirements have been imposed on large corporate insurance agents handling products of multiple insurance companies (the "**Specified Large-Scale Shared Insurance Agents**"); [6]

(b) Certain organizational and governance requirements have been imposed on Specified Large-Scale Shared Insurance Agents that operate non-life insurance

1. FSA, Access FSA, No. 257 (January 2025), "Summary of the 'Report of the Working Group on Regulatory Systems Especially for Non-Life Insurance Business' under the Financial System Council," p. 5, available at https://www.fsa.go.jp/en/newsletter/accessfsa2025/257.pdf.
2. *Id.*
3. Act No. 105 of June 7, 1995, as amended.
4. Cabinet Order No. 425 of December 22, 1995, available at https://www.japaneselawtranslation.go.jp/en/laws/view/4947.
5. Ministry of Finance Order No. 5 of February 29, 1996, available at https://www.japaneselawtranslation.go.jp/en/laws/view/4948.
6. Specified Large-Scale Shared Insurance Agents refer to insurance agencies that meet the specified requirements, including receipt of aggregate annual commissions of at least JPY 2 billion from life insurance companies and/or non-life insurance companies in connection with insurance solicitation activities.

agency businesses while also being engaged in automobile repair businesses (the "**Concurrent Specified Large-Scale Shared Non-Life Insurance Agents**"), including measures to appropriately monitor their automobile repair operations to prevent undue influence on insurance claim payments; and

(c) Non-life insurance companies and insurance holding companies are required to establish certain governance and monitoring frameworks for insurance agents concurrently engaged in automobile repair businesses (the "**Concurrent Insurance Agents**").

Second, to promote a sound competitive environment in the insurance industry:

(d) The scope of the prohibition on the provision of special benefits by insurance companies and related entities has been expanded; and

(e) The regulations applicable to insurance brokers have been revised.

2. Organizational and Governance Requirements for Specified Large-Scale Shared Insurance Agents

Specified Large-Scale Shared Insurance Agents are now required to establish frameworks for the following requirements:

(a) Appoint a Compliance Officer for each office engaged in insurance solicitation;

(b) Appoint a Chief Compliance Officer at the head office to supervise the Compliance Officers;

(c) Establish a system to appropriately handle complaints relating to insurance solicitation from customers and other stakeholders;

(d) Formulate and publish insurance solicitation guidelines concerning their insurance solicitation;

(e) Conduct internal audits of their insurance solicitation;

(f) Receive and handle internal whistleblowing reports and have internal consultations relating to their insurance solicitation; and

(g) Report information in accordance with applicable laws and regulations to all affiliated insurance companies concerning any misconduct and compliance incidents involving them.

These requirements appear to reflect the concerns identified in recent fraudulent claims. In particular, certain insurance companies were reluctant to provide appropriate guidance and oversight to large agency partners that generated substantial revenues due to concerns about potential business repercussions. As a result, deficiencies in operational quality at those agencies were not adequately addressed. This contributed to unlawful or inappropriate solicitation practices. The amendments to the Act now impose governance obligations directly on the large-scale agents themselves.

3. Governance Requirements for Specified Large-Scale Shared Non-Life Insurance Agents with Concurrent Automobile Repair Businesses

Concurrent Specified Large-Scale Shared Non-Life Insurance Agents are required to establish the following:

(a) A framework for the appropriate oversight of their automobile repair operations to ensure that such operations do not improperly influence insurance companies' claim payment decisions;

(b) A system for appropriately handling complaints relating to their automobile repair operations from customers and other stakeholders;

(c) An internal audit system for their automobile repair operations; and

(d) An internal system to receive and handle whistle-blowing reports and have internal consultations concerning their automobile repair operations.

These measures were introduced in response to cases where improper repair-cost claims were submitted to insurance companies by insurance agents engaged in automobile repair businesses. The amendments are intended to ensure appropriate oversight of such repair operations and thereby prevent fraudulent insurance claims.

4. Regulations Applicable to Insurance Companies and Insurance Holding Companies

Insurance companies and insurance holding companies are required to establish the following systems:

(a) Requirements Applicable to Insurance Companies in Relation to Specified Large-Scale Shared Insurance Agents

Where insurance solicitation activities are entrusted to a Specified Large-Scale Shared Insurance Agent, insurance companies are required to formulate outsourcing policies and appoint responsible personnel to verify the agent's compliance with applicable laws and regulations.

This measure is intended to strengthen insurance companies' own governance frameworks in light of findings that certain insurance companies failed to provide appropriate oversight and guidance to highly profitable large-scale agency partners.

(b) Requirements Applicable to Non-Life Insurance Companies in Relation to Insurance Agents Engaged in Automobile Repair Businesses

Non-life insurance companies are now required to implement measures designed to prevent customers' interests from being unfairly harmed through automobile repair operations conducted by Concurrent Insurance Agents. Such measures include:

i. Establishment of a governance framework to ensure the fair and appropriate handling of insurance claim payments, including the appropriate segregation of the claim payment management function from the sales function; and

ii. Establishment of a system in accordance with applicable laws and regulations to monitor the measures implemented by Concurrent Specified Large-Scale Shared Non-Life Insurance Agents in their automobile repair operations.

These requirements reflect the concern that insurance companies failed to properly manage claim payments relating to repair charges submitted by large insurance agents that also operated automobile repair businesses, which resulted in excessive insurance payouts.

Notably, insurance companies are now required to monitor whether Concurrent Specified Large-Scale Shared Non-Life Insurance Agents have properly established the governance frameworks described above. This means that insurance companies must oversee not only insurance solicitation activities, but also certain non-insurance business activities conducted by such agents.

(c) Requirements Applicable to Insurance Holding Companies

Insurance holding companies are required to establish a system to ensure that their subsidiary non-life insurance companies implement the measures described in subsection (b) above. This requirement is intended to ensure the effective implementation of those measures through appropriate oversight at the holding-company level.

5. Expansion of the Prohibition on Providing Special Benefits

To promote fair competition within the insurance industry, the scope of the prohibition on insurance companies and related entities providing special benefits to policyholders or the insured has been expanded.

The prohibition has been extended to providing special benefits to entities that have a close relationship with a policyholder or the insured (e.g., parent company or subsidiary thereof). Prohibited conduct now also includes the purchase of goods or the provision of services on terms that are unreasonable in light of ordinary commercial practice.

6. Revision of Insurance Broker Regulations

As part of efforts to promote the use of insurance brokers and foster healthy competition within the insurance industry, certain regulatory requirements applicable to insurance brokers have been relaxed. In particular, the minimum security deposit required to be maintained by insurance brokers has been reduced from JPY 20 million to JPY 10 million. Insurance brokers are also now required to report misconduct and other significant incidents to the regulatory authorities.

III. Conclusion

In light of recent fraudulent insurance claims and premium coordination practices, the regulation of both insurance companies and insurance agents under the Act has been strengthened. In addition to legislative amendments, related supervisory guidelines have been revised resulting in increased regulatory scrutiny of insurance companies and insurance agents.

Hopefully, this article will contribute to a better understanding of the amended Act and assist readers in addressing the practical implications of the amendments.