

Basic Policy on Corporate Governance

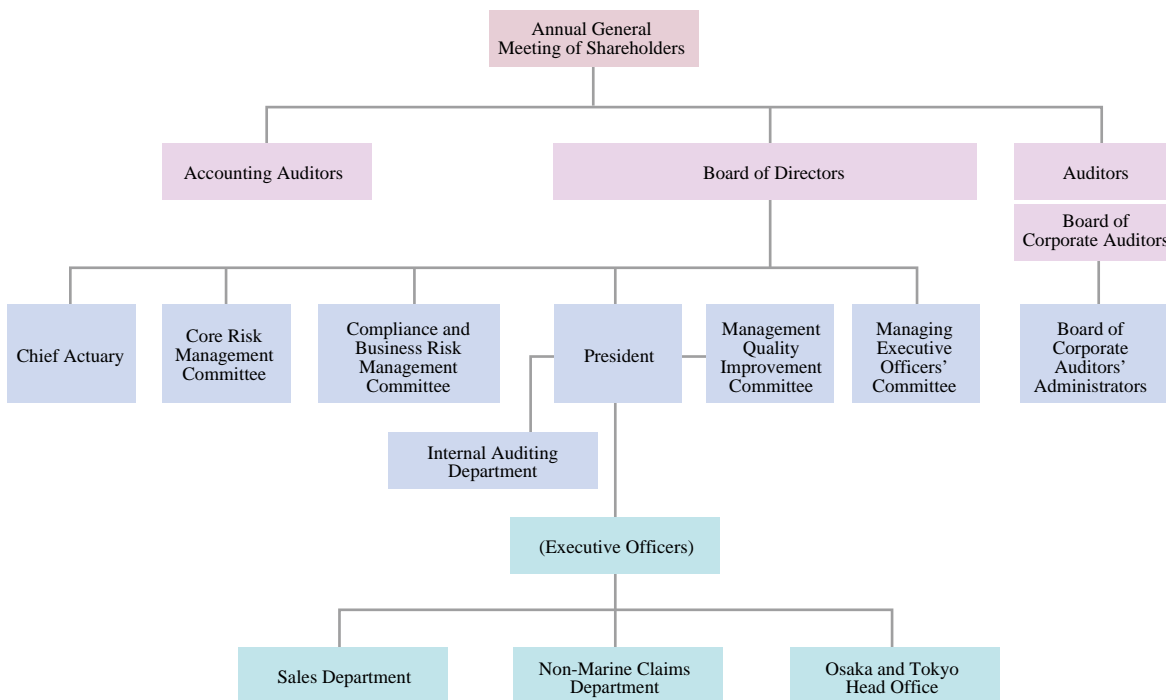
In seeking to be a CSR-oriented company, we place high priority on ensuring strict adherence to business ethics and on comprehensive legal compliance. To this end, we are pursuing strategies aimed at improving satisfaction levels among all stakeholders—including customers, agencies, shareholders and other investors—in our quest to maximize corporate value. Therefore, we are establishing an internal control system and strengthening our auditing approach as part of our ongoing efforts to reinforce and upgrade our corporate governance system.

Corporate Governance System

Nissay Dowa has adopted a corporate governance framework based on a system of audits. The Board of Directors is responsible for making decisions on important corporate matters and supervising the implementation of those decisions. Consisting of 10 members, including one external director, the Board met 13 times during the year under review. The Board of Corporate Auditors has five members, including three external auditors. Corporate auditors attend meetings of the Board of Directors and the Executive Officers' Committee, as well as other important internal gatherings to improve management oversight.

Executive

The Company has adopted an executive officer system, with the aim of separating the decision-making and oversight functions from the business execution function. By clarifying the separation of duties of directors and executive officers as well as decision-making criteria, we are working to build a system that will enable directors to perform their duties efficiently.



Establishment of an Internal Control System

Pursuant to the Company Law of Japan and Regulations for Enforcement of the Company Law, Nissay Dowa has formulated the basic internal control policy outlined below.

Basic Internal Control Policy

Based on its commitment to “realizing future happiness for all” as part of its corporate philosophy, Nissay Dowa seeks to ensure the happiness of customers, shareholders, agencies, employees, society and the planet.

By establishing a framework that ensures the legal and proper execution of business duties, we aim to gain the trust of society and ensure happiness for all, as enshrined in our corporate philosophy.

(1) System to Ensure Compliance of Directors and Employees with Laws, Regulations and the Articles of Incorporation

- 1) Compliance regulations are to set out fundamental principles and a code of conduct to be followed by all executives and employees at all times.
- 2) A committee is to be established to formulate companywide measures and policies concerning compliance and the appropriateness of business systems, and matters discussed by the committee are to be reported to the Board of Directors on a regular basis.
- 3) A department is to be established to oversee companywide compliance initiatives. That department is to monitor the implementation of compliance in collaboration with the Internal Auditing Department and is independent of all departments subject to audit.
- 4) A reporting channel is to be established for situations in which a Company executive or employee suspects violation of a law, internal rule or other regulation. In addition to the regular reporting channel, an internal reporting system is to be established enabling suspected violations to be reported to the Compliance Department or to an external solicitor’s office. The internal reporting system is to encompass subsidiaries and affiliates (“Group Companies”).
- 5) Antisocial behavior that could threaten order and safety of civil society is to be addressed in an assertive, organized manner in cooperation with lawyers, the police and others, as necessary.

(2) System for the Storage and Management of Information Related to Directors’ Duties

- 1) Representative directors are to record and store documents (including documents recorded electronically) related to the execution of their duties in accordance with regulations on document management.
- 2) Directors and corporate auditors are to be able to peruse these documents in accordance with regulations on document management.

(3) Regulations Concerning the Management of the Risk of Loss and Other Systems

- 1) Regulations are to be established to manage risk across the Company, and basic measures are to be established concerning risks that can have a serious impact on business operations.
- 2) To ensure the effectiveness of risk management, a committee is to be established to deliberate important matters relating to the integrated control and management of various risks.
- 3) The Board of Directors is to decide on measures for controlling the various risks, taking into account the discussions of the aforementioned committee.
- 4) Concerning risks, such as serious natural disasters, that can have a major impact on the Company’s ability to continue its business, regulations concerning risk management are to be established and a management system, covering both times of normal business and emergencies, is to be put in place.

(4) System to Ensure the Efficient Execution of Duties by Directors

- 1) Under the executive officer system, there is to be a clear separation between the business execution function and the important decision-making and supervisory function, and the responsibilities of directors are to be clearly defined.
- 2) A management committee is to be established to discuss matters relating to the execution of duties requiring multifaceted examination.
- 3) Regulations governing the Board of Directors, management committee and lines of authority are to be established. In addition to clearly defining standards for decision-making and the responsibilities of directors and executives, such regulations are to ensure the efficient execution of duties by directors through the reasonable delegation of authority to various departments.
- 4) The efficient execution of duties is to be verified at Board of Directors’ meetings held once a month, in principle.

(5) System to Ensure Appropriate and Reliable Financial Reporting

Representative directors are to establish a system to ensure appropriate and reliable financial reporting and a system to enable proper disclosure of information as determined by legal, regulatory and other requirements.

(6) System to Ensure the Adequacy of Operations of the Nissay Dowa Group

- 1) The compliance and management systems are to encompass all Group Companies to ensure the adequacy of operations of a unified Nissay Dowa Group.
- 2) Management regulations and clearly defined management systems are to be established for the various Group Companies.
- 3) The appropriateness and effectiveness of internal control and risk management systems of the various Group Companies are to be

verified and evaluated, and guidance provided on their improvement.

(7) Matters Concerning Support Personnel Requested by Corporate Auditors

Representative directors are to assign appropriate employees as “Board of Corporate Auditors’ Administrators” to support the work of corporate auditors when so requested.

(8) Matters Concerning the Independence of Board of Corporate Auditors’ Administrators from Directors

- 1) The Board of Corporate Auditors’ Administration Office is to facilitate the appropriate execution of duties by corporate auditors as directed by the Board of Corporate Auditors.
- 2) Corporate auditors and directors are to decide on matters concerning Board of Corporate Auditors’ Administration Office personnel, including performance reviews and personnel transfers.

(9) System for Reporting by Directors and Employees to Corporate Auditors and Other Systems Concerning Reporting to Corporate Auditors

- 1) Executives and employees are to respond without delay when requested by corporate auditors to report about matters concerning the execution of duties.
- 2) Directors are to report immediately to the Board of Corporate Auditors as soon as they become aware of any fact that may result in a major loss to the Company.
- 3) A system is to be established for reporting discussion topics and operational status of the internal reporting system to corporate auditors in a timely manner.
- 4) In addition to the above, corporate auditors are to be able to attend management committee meetings and any other important meetings to obtain important information in a timely and appropriate manner.

(10) Other Systems to Ensure Effective Auditing by Corporate Auditors

- 1) Representative directors and corporate auditors are to maintain mutual communication through holding regular meetings.
- 2) When deemed necessary by the corporate auditors, representative directors are to facilitate the services of external professionals, such as solicitors and certified public accountants.
- 3) Representative directors are to facilitate regular meetings between the corporate auditors, the Internal Auditing Department and the independent accounting auditor.

Internal Audit

In addition to corporate auditors’ monitoring of the performance of directors in accordance with the Company Law of Japan, Nissay Dowa has an Internal Auditing Department that conducts audits from perspectives described below. Corporate auditors and the Internal Auditing Department work together to share audit information in an effort to improve the quality of audits. The Claims Payment Management Department examines and verifies the status of insurance claim payments. Based on the results of its analyses, that department communicates with and checks the practices of other relevant departments. In these ways, the Company is stepping up efforts to ensure that payment of insurance claims is handled appropriately.

(1) Purpose of Internal Audits

The Internal Auditing Department, established as an entity independent of business execution, is responsible for conducting internal audits. Such audits are conducted to determine whether or not departments, branches, affiliates and other Group entities are working in an efficient, legally compliant and rational manner as they strive to achieve their respective performance targets.

The Internal Auditing Department also verifies and evaluates the appropriateness and effectiveness of internal control systems and risk management practices. As necessary, it provides advice and recommendations on ways to improve and correct problematic areas.

The Internal Auditing Department monitors the status of measures to address problems identified via internal audits, based on reports and other feedback from departments that are audited. The department also collects and analyzes the results of internal audits, requests improvements to the Company’s administrative division as necessary, and makes regular reports to the Board of Directors.

(2) Overview of Internal Audits

The Internal Auditing Department conducts audits of all relevant departments, including those related to sales and Non-Marine Claims, as well as the Company’s administrative division. Effective the year under review, it will conduct annual audits of all operations of the sales and Non-Marine Claims departments, with a focus on clarifying “solicitation management practices” and “claim payment status”.

The Internal Auditing Department also formulates annual “Internal Audit Plans” for the Company’s administrative division based on various risk profile evaluations, and ensures that those plans are successively implemented. In addition, the Internal Auditing Department conducts audits to evaluate the effectiveness of internal control procedures for financial reporting, as well as to determine the status of the Company’s assets with respect to self-assessment, amortization and provision of reserves. The Company continues to strengthen its internal control system. As of April 1, 2009, there were 29 employees involved in internal audits.