Chapter III

Trade and Investment
Insurance System of Japan
International Trade and Investment Insurance
System of JAPAN

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       2) Structure of the Trade and Investment Insurance Special Account
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1. INTRODUCTION (Outline of Trade and Investment Insurance System)

(1) Brief History of EID/MITI's Insurance System

1950 Establishment of *General Export Insurance System* to cover the losses by exporters due principally to preshipment risks. *The Export Credit Insurance Law and the Export Credit Insurance Special Account Law* were enacted.

1951 Establishment of *Export Proceeds Insurance System* to cover the losses suffered by exporters due to inability to reclaim export payment.

1953 Establishment of *Export Bill Insurance System* for losses in case where the cargo exchange bills can not be paid along with bill maturity. The Export Credit Insurance Law was renamed as the Export Insurance Law.

1956 Establishment of *Overseas Investment Principal Insurance System* for risks along with acquisition of stock or other shares overseas.

1957 Establishment of *Overseas Investment profit Insurance System* for risks along with remittance to Japan of fruits of overseas Investment.

1970 Combining Overseas Investment Principal Insurance and Overseas Investment profit Insurance to *Overseas Investment Insurance and* expanding coverage to wider range of Investment such as long term loans and property rights.

1974 Establishment of *Exchange risk Insurance System* for exchange risks such as long term deferred export proceeds.

1977 Establishment of *Export Bond Insurance System* for losses incurred due to demand from overseas orderer for unfair calling of bonds.

1981 Expansion of General Export Insurance, Technical and Other services and Supply Contract Insurance were introduced.
1987 Establishment of *Prepayment Import Insurance System* for losses related to the prepaid amount of imports and also expansion of Export Proceeds Insurance, Intermediary Trade Insurance System were introduced. The Export Insurance Law was renamed as *the Trade and Investment Insurance Law*.

1991 Establishment of *Short-term Comprehensive Insurance* for losses covering risks—both inability to export and collect of the export proceeds for individual exporters who made supplementary agreement with EID/MITI.

1993 Combining General Export Insurance, Export Proceeds Insurance and Intermediary Trade Insurance and integrating into a single insurance policy as a General Trade Insurance

1993 Establishment of *Overseas Untied Loan Insurance System* for losses due to the uncollectible long-term loans.

(2) Institutional Framework and organization Set Up

(1) Law Scheme of EID/MITI's insurance System

The International Trade and Investment Insurance system is operated by following statutes with the Trade and Investment Insurance Law as its organic act.

(a) **Trade and Investment Insurance Law (Law No. 67 for 1950)**

This Law is a fundamental part for the trade insurance system and stipulates the purpose, definition, the type of trade and investment insurance, the premium rate and contract limitation.

(b) **Trade and Investment Insurance Law Enforcement Ordinance**

(Cabinet Ordinance No. 141 for July 1953)
This ordinance prescribes the type of cargo, the basic premium rate, and the percentage of indemnity.

(c) **Insurance Policy Clause**
This policy Clause describes the terms and condition of contract such as the scope of indemnity and amount of loss etc. in each type of insurance.

(d) **Supplementary Agreement**
Under the comprehensive Insurance scheme, EID/MITI made special agreement with export association on behalf of individual exporters. This agreement describes the details of Insurance contract.

(e) **Rules for Underwriting**
This rules are very important as it prescribes our cover policy for each country in detail such as Total Commitments Limit, Insured Percentage, Usance Period (of payment), and Requiring ILC(irrevocable letter of credit)

(f) **The Trade and Investment Insurance Special Account Law (Law No.68 for 1950)**
The International Trade Insurance system is operated by a special account premised on self-paying basis (principal of balancing income and expenditure) and this law stipulates the accounting procedures.

(g) **The Trade and Investment Insurance Special Account Law Enforcement Ordinance (Cabinet Ordinance No. 205 for June 1950)**
The Ordinance prescribes the method of profit and loss account in the special account and the like.

(2) **Structure of The International Trade and Investment Insurance Special Account**

```
  National Government Account (Budget)
     /\ Capital (Compensation only in case of Debt Reduction)
      
  Government Trust Fund
     /\ Borrowing
      
     Repayment
```
(3) Organizations

The Export, Import and Investment Insurance Department of Ministry of International Trade and Industry (EID/MITI) is an authority which carries out establishing and amending the insurance system, making decisions on policies concerning the operation of insurance and underwriting policies for individual countries, and conducting negotiations on rescheduling. And simultaneously, EID/MITI is the underwriting organization in Japan actually engaged in insuring export credit and outward investment and in underwriting political risks in a significant way in such transactions. EID/MM is a real underwriter, which is issuing policies, collecting premium, giving limits and paying claims.

Japan Trade and Investment Insurance Organization (JTIO) is entrusted a part of work which relates to EID/MITI's insurance business activities.

Export, Import and Investment Insurance Department
Ministry of International Trade and Industry

International Trade Administration Bureau

<table>
<thead>
<tr>
<th>Division/Movement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Insurance Division</td>
<td>Overall coordination of each division of trade and investment insurance</td>
</tr>
<tr>
<td></td>
<td>Accounting for a trade and investment insurance special account</td>
</tr>
<tr>
<td>Executive Director of Debt Relations and Underwriting Policy</td>
<td>Coordination of debt relations with foreign countries and other related activities</td>
</tr>
<tr>
<td>International Affairs and Country Policy Office</td>
<td>Analysis of country risk</td>
</tr>
<tr>
<td></td>
<td>Collecting and exchanging information with overseas institutions</td>
</tr>
<tr>
<td>Policy Planning Office</td>
<td>Planning of various measures for trade and investment insurance</td>
</tr>
<tr>
<td>Short Term Insurance Office</td>
<td>Evaluation and underwriting of short-term insurance, credit supervision, appraisals and recoveries relating to commercial risk</td>
</tr>
<tr>
<td>Claims and Recoveries Office</td>
<td>Credit control, appraisals and recoveries relating to political risk</td>
</tr>
<tr>
<td>Information Systems Office</td>
<td>Use and development of computer system</td>
</tr>
<tr>
<td>Long Term Investment Insurance Division</td>
<td>Evaluation and underwriting of long-term insurance with a policy period of two years or more</td>
</tr>
<tr>
<td>Overseas Investment Insurance Office</td>
<td>Evaluation and underwriting of Overseas investment insurance and Overseas Untied Loan Insurance</td>
</tr>
<tr>
<td>Project Finance Office</td>
<td>Evaluation and underwriting of transactions relating to project financing</td>
</tr>
<tr>
<td>Paris Office</td>
<td></td>
</tr>
<tr>
<td>New York Office</td>
<td></td>
</tr>
</tbody>
</table>
2. Types, Features of EID/MITI's Insurance System

(1) The insurance system is generally operated based on seven types of insurance policies

1. General Trade Insurance
   Combination of General Export Insurance, Export Proceeds Insurance and Intermediary Trade Insurance - initiated in 1992
   *General Trade Insurance System*
   - General Trade Insurance
   - Specific (Individual) Insurance
     - Comprehensive Insurance (Blanket coverage)
     - For individual commodities and associations:
       - Facilities and Equipment
         (Machinery, Electric cable, Automobile, Rolling stock, Ships)
       - Consumable goods
         (Steel, Chemicals, Textile)
     - For individual firms:
       - General short-term insurance
       - Technical cooperation
       - Loan contracts

2. Exchange Risk Insurance

3. Export Bill Insurance

4. Export Bond Insurance

5. Prepayment Import Insurance

6. Overseas Investment Insurance
7. **Overseas United Loan Insurance**

(2) **Reason for Indemnity Under General Trade insurance**

**Political Risk**

(a) Imposition of restrictions or prohibition of foreign exchange transaction in a foreign country.
(b) Imposition of restriction or prohibition of imports by the country of destination
(c) Interruption of foreign exchange transactions due to war, revolution, or civil unrest in a foreign country.
(d) Inability to export goods to the country of destination due to war, revolution or civil unrest in that country.
(e) Interruption of transportation to the country of destination due to occurrences arising outside of Japan.
(f) Debt rescheduling agreement between the governments concerned or delay of foreign currency remittance which is imputed to the paying country.
(g) Any other occurrences arising outside of Japan which cannot be imputed to the relevant party to the export contract etc..
(h) Imposition of export restrictions or prohibition based on the Foreign Exchange and External Trade Control Law. (only Pre-shipment risk)

**Commercial Risk**

(i) In cases where the other party to the export contract, etc. a foreign government, foreign local government entity or similar body, the unilateral cancellation of the relevant export contract, etc. by the relevant other party or the cancellation of the relevant export contract, etc. by the insured due to the excessive requests from the other party. (only pre-shipment risk)
(j) Bankruptcy of the other party to the export contract, etc. or loan contract, etc.
(k) Any reason similar to the bankruptcy of the other party to the export contract, etc. (only pre-shipment risk)
(l) Delay of six (6) months or more in the performance of obligations by the other party to the export contract, etc. or loan contract Only post-shipment)
EID/MITI treat cases that fall in compensation conditions of (a) to (h) of the policy as **Political Risks**, Which cannot be imputed to the relevant party to the export contract etc., or loan contract- while cases that fall in compensation conditions of (i) to (l) are treated as **Commercial Risks**, treated as risks whose cause the party to the export contract etc., shall be held accountable for.

The relationship of the risks to be indemnified and reason for indemnity is as follows;

- **Inability to export (pre-shipment)**
  - Condition (a) to (h) [Political Risks]
  - Condition (i) to (l) [Commercial Risks]

- **Inability to Collect (post-shipment)**
  - Condition (a) to (g) [Political Risks]
  - Condition (j) to (l) [Commercial Risks]

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**Specific Insurance and Comprehensive Insurance**

Specific Insurance---Persons who intend to apply for insurance coverage select transaction for insurance and apply.

Comprehensive Insurance---Persons who intend to apply for insurance coverage apply in respect to all export contracts to be signed within a certain period of time.
Advantage of Comprehensive Insurance

Specific Insurance

- Can select transaction
  - Higher risk
  - Higher premium rate

Comprehensive Insurance

- Cannot select
  - Low risk
  - Lower premium rate
  - Higher percentage of coverage

Commercial risk under General Trade Insurance (Pre-shipment), Export Bond Insurance ---% higher
## Exporters’ Associations and Goods Covered by Comprehensive Insurance for Capital Goods

<table>
<thead>
<tr>
<th>Name of Association</th>
<th>Special agreement goods</th>
<th>Lower limit of export contract value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Machinery Export’s Association</td>
<td>Plant machinery, electric machinery</td>
<td>¥25 million or more</td>
</tr>
<tr>
<td>Japan Rolling Stock Exporter’s Association</td>
<td>Rolling stock</td>
<td>¥10 million or more</td>
</tr>
<tr>
<td>Japan Ship Exporter’s Association</td>
<td>New or remodeled ships</td>
<td>¥50 million or more</td>
</tr>
<tr>
<td>Japan Electric Wire and Cable Exporter’s Association</td>
<td>Electric wire and Cable</td>
<td>¥10 million or more</td>
</tr>
<tr>
<td>Japan Automobile Manufacturers Association, Inc</td>
<td>Automobiles</td>
<td>---</td>
</tr>
</tbody>
</table>

### Insured Amount of Comprehensive Insurance for Capital Goods

<table>
<thead>
<tr>
<th>Classification</th>
<th>Pre-shipment</th>
<th>Post-shipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political risk</td>
<td>80% of export proceeds (FOB)</td>
<td>97.5% of export proceeds (90 %) for intermediary trade)</td>
</tr>
<tr>
<td>Commercial risk</td>
<td>80% of export proceeds (FOB)</td>
<td>90% of export proceeds (80% for intermediary trades)</td>
</tr>
</tbody>
</table>

## Exporter’ Association and Goods Covered by Comprehensive Insurance for Consumer Goods

<table>
<thead>
<tr>
<th>Name</th>
<th>Special agreement goods</th>
<th>Lower limit of export contract value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Cotton Textile Exporter’s Association</td>
<td>Cotton yarn and fabrics</td>
<td>¥150,000 or more</td>
</tr>
<tr>
<td>Japan Silk and Synthetic Textile Exporter’s Association</td>
<td>Silk fabrics, synthetic cloth</td>
<td>¥150,000 or more</td>
</tr>
<tr>
<td>Japan Woollen and Linen Textiles Exporter’s Association</td>
<td>Wool and hemp products</td>
<td>¥150,000 or more</td>
</tr>
<tr>
<td>Japan Textile Products Exporter’s Association</td>
<td>Textile produces</td>
<td>¥150,000 or more</td>
</tr>
<tr>
<td>Japan Iron and Steel Exporter’s Association</td>
<td>Iron and steel</td>
<td>------</td>
</tr>
<tr>
<td>Japan Galvanized Iron Sheet Exporter’s Association</td>
<td>Galvanized iron and steel sheet</td>
<td>------</td>
</tr>
<tr>
<td>Japan Wire Products Exporter’s</td>
<td>Steel wire products</td>
<td>------</td>
</tr>
<tr>
<td>Association</td>
<td>Product</td>
<td>Insured Amount of Comprehensive Insurance for Consumer Goods</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td>Japan Chemical Exporter’s Association</td>
<td>Chemical Products</td>
<td>US$ 10,000 or more</td>
</tr>
</tbody>
</table>

Insured Amount of Comprehensive Insurance for Consumer Goods

<table>
<thead>
<tr>
<th>Name of Association</th>
<th>Pre-shipment</th>
<th>Post-shipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Cotton Textile Exporters Association</td>
<td>30% of export proceeds</td>
<td>30% of export proceeds</td>
</tr>
<tr>
<td>Japan Silk and Synthetic Textile Exporter’s</td>
<td>30% of export proceeds</td>
<td>30% of export proceeds</td>
</tr>
<tr>
<td>Japan woolen and Linen Textiles Exporter’s Association</td>
<td>30% of export proceeds</td>
<td>30% of export proceeds</td>
</tr>
<tr>
<td>Japan Textile Produce Exporter’s Association</td>
<td>30%, 40% or 60% of export proceeds</td>
<td>30%, 40% or 60% of export proceeds</td>
</tr>
<tr>
<td>Japan Iron and Steel Exporter’s Association</td>
<td>30% of export proceeds</td>
<td>30% of exports proceeds</td>
</tr>
<tr>
<td>Japan Galvanized Iron Sheet Exporter’s Association</td>
<td>30% of export proceeds</td>
<td>30% of exports proceeds</td>
</tr>
<tr>
<td>Japan Wire Products Exporter’s Association</td>
<td>30% of exports proceeds</td>
<td>30% of exports proceeds</td>
</tr>
<tr>
<td>Japan Special Steel Exporter’s Association</td>
<td>40% of exports proceeds</td>
<td>40% of export proceeds</td>
</tr>
<tr>
<td>Japan Chemical Exporter’s Association</td>
<td>30% of exports proceeds</td>
<td>30% of exports proceeds</td>
</tr>
</tbody>
</table>

Parties Concerned with Insurance Contract
Insurer--------Parties who assume obligations to pay insurance claims when an insured occurs. For Trade Insurance, the insurer is the government.

The insured ----Parties who incur losses and hold insurable benefits when an insured risk occurs. For Trade Insurance, the insured is an exporter.

Policy holder---Parties who sign an insurance contract and assume to pay premiums

   For Comprehensive Insurance for an exporters’ association, the policy holder is not the insured but an exporters’ association and the insured is an exporter.
Inability to export
Inability to collect proceeds

Government (Insurer)

Exporter (The insured)

Exporter's association (Policy holder)

Importer

Comprehensive special

(2)'Insurance contract

(3)'Premium

(1)'Notice of conclusion of export

(1)'Export contract

(3)'Premium

(5) Request for payment of claims

collect proceeds
**Premium Rates for general Trade Insurance**

1. Basic Premium Rates  
(Units %)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Transactions covered</th>
<th>Pre-shipment</th>
<th>Post-shipment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Political risk</td>
<td>Commercial risk</td>
</tr>
<tr>
<td>Special Insurance</td>
<td>Export contract</td>
<td>0.208</td>
<td>0.043</td>
</tr>
<tr>
<td></td>
<td>Technical service supply or loan contract</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td></td>
<td>Intermediary trade contract</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Comprehensive Insurance</td>
<td>Comprehensive insurance for consumer goods</td>
<td>0.029</td>
<td>0.010</td>
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<tr>
<td></td>
<td>Comprehensive insurance for consumer goods</td>
<td>0.059</td>
<td>0.021</td>
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<tr>
<td></td>
<td>Short-term general insurance</td>
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</tr>
<tr>
<td></td>
<td>Technical service supply contract</td>
<td>-----</td>
<td>-----</td>
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<tr>
<td></td>
<td>Buyers’ credit insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intermediary trade contract</td>
<td>-----</td>
<td>-----</td>
</tr>
</tbody>
</table>

2. Calculation Method for Premiums

Premiums = Insured amount for political risk x Premium Grade of political risk x Premium grade by country + Insured amount commercial risk x Premium Rate for commercial risk.
Premium Rate by Country

Discount or extra premium rates are applied according to the degree of risk. Rate classification and rate applied for each country.

(1) Specific General Trade Insurance (political risk) --- 8 grade from 0.5 to 5.0
(2) Comprehensive General Trade Insurance (political risk) --- 8 grades from 0.5 to 0.8
(3) Export bill insurance --- 9 grades from 1.0 --- 3.0
(4) Prepayment Import Insurance --- 5 grades from 0.8 to 2.0

<table>
<thead>
<tr>
<th>Grade</th>
<th>Type of Insurance</th>
<th>Specific General Trade Insurance</th>
<th>Comprehensive General trade Insurance</th>
<th>Export bill Insurance</th>
<th>Prepayment import Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower risk</td>
<td>A</td>
<td>0.5</td>
<td>0.5</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>1.0</td>
<td>1.0</td>
<td>1.2</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>1.5</td>
<td>2.0</td>
<td>1.4</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>2.0</td>
<td>3.0</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>E</td>
<td>2.5</td>
<td>3.8</td>
<td>1.8</td>
<td>2.0</td>
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<tr>
<td></td>
<td>F</td>
<td>3.0</td>
<td>4.5</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>4.0</td>
<td>6.0</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>H</td>
<td>5.0</td>
<td>8.0</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Higher risk</td>
<td>I</td>
<td></td>
<td>3.0</td>
<td></td>
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</tr>
</tbody>
</table>

Example of Premium Calculation

Date of export contract: December 5, 1996 (TTB¥11.65/US$)
Export contract amount: CIF US $ 1,500,000.00 (FOB US $ 1,495,000.00)
Payment term s: DPS% days after BL date
Date of Shipment: March 15, 1997
Rating of buyer: Grade EA

Importing country/paying country: Grade D

* General trade insurance (Specific)
<table>
<thead>
<tr>
<th>Model</th>
<th>Insured Value</th>
<th>Insured Percentage</th>
<th>Premium Rate</th>
<th>Multiplication Ratio by Country</th>
<th>Premium Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre Shipment-Country Risk</td>
<td>¥166,916,750</td>
<td>95.0%</td>
<td>0.208%</td>
<td>2.0</td>
<td>¥659,654</td>
</tr>
<tr>
<td>Commercial Risk</td>
<td>¥166,916,750</td>
<td>60.0%</td>
<td>0.043%</td>
<td>1.0</td>
<td>¥43,064</td>
</tr>
<tr>
<td>Post Shipment-Political Risk</td>
<td>¥167,475,000</td>
<td>97.5%</td>
<td>0.253%</td>
<td>2.0</td>
<td>¥826,237</td>
</tr>
<tr>
<td>Commercial Risk</td>
<td>¥167,475,000</td>
<td>90.0%</td>
<td>0.033%</td>
<td>1.0</td>
<td>¥49,740</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>¥1,578,695</td>
</tr>
</tbody>
</table>

♦ Short-term Comprehensive Insurance

Comprehensive Insurance for capital goods

<table>
<thead>
<tr>
<th>Model</th>
<th>Insured Value</th>
<th>Insured Percentage</th>
<th>Premium Rate</th>
<th>Multiplication Ratio by country</th>
<th>Premium Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre Shipment-Country Risk</td>
<td>¥166,916,750</td>
<td>80.0%</td>
<td>0.059%</td>
<td>3.0%</td>
<td>¥236,354</td>
</tr>
<tr>
<td>Commercial Risk</td>
<td>¥166,916,750</td>
<td>80.0%</td>
<td>0.021%</td>
<td>1.0%</td>
<td>¥28,042</td>
</tr>
<tr>
<td>Post Shipment-Political Risk</td>
<td>¥167,475,000</td>
<td>97.5%</td>
<td>0.071%</td>
<td>3.0%</td>
<td>¥347,803</td>
</tr>
<tr>
<td>Commercial Risk</td>
<td>¥167,475,000</td>
<td>90.0%</td>
<td>0.015%</td>
<td>1.0%</td>
<td>¥22,609</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>¥634,808</td>
</tr>
</tbody>
</table>

Transactions Covered by Short-term General Insurance

(1) Export contract

   (Japan) Exporter → Export → (Foreign country) Buyer
   Collection of export proceeds

(2) Resale contract

   (Japan) Exporter → Buyer of resold goods
   Collection of export proceeds (commercial)
(3) Entrepot (Transit) trade contract

(Japan) (Foreign Country A) (Foreign Country B)

Export Shipment

Collection of export proceeds (Political or commercial risk)

(4) Intermediary trade contract

(Foreign country A)

(Intermediary trader) Exporter Buyer

Purchase contract Shipment

Collection of export proceeds Proceeds (Political or commercial risk)

Options of Short-term Comprehensive Insurance

I. Contracts subject of insurance

1. 100% intermediary trade contract (without Japanese goods)

2. Resale contract and re-export contract

Resale contract

Re-export contract
II. EM/EF rating buyer’s commercial risk after shipment  
   (Insurable usance) Six months or one year
III. Result rating
   1. Discount of premium by insurance records: Discount of comprehensive rate or insured amount
   2. Discount/surcharge by loss rate: Holder of a special agreement or divisions of holder
IV. Special agreement----------------One special agreement for all the export contracts
    ------Independent Division
    ------Specific merchandise

**Premium Rates for Short-term General Insurance**

1 Basic Premium Rates

<table>
<thead>
<tr>
<th>Type of contract</th>
<th>Type of risk</th>
<th>Pre-shipment</th>
<th>Post-shipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>Political</td>
<td>0.059%</td>
<td>0.038%</td>
</tr>
<tr>
<td>Export</td>
<td>Commercial</td>
<td>0.021%</td>
<td>0.008%</td>
</tr>
</tbody>
</table>

2. Calculation Method for Premium

\[
\text{Premium to be paid} = \text{Insured amount} \times \text{Premium rate} \times \text{Premium grade by Country} \\
\text{(Political)}
\]

- Pre-shipment
  - + Insured amount for commercial risk \times \text{Premium rate} \times \text{Premium grade by country} (Commercial risk)
  - + Insured amount for political risk \times \text{Premium rate} \times \text{Premium grade by country} (Political risk)
- Post-shipment
  - + Insured amount for commercial risk \times \text{Premium rate} \times \text{Premium grade by country} (Commercial risk)
  - + Discount or extra premium rate
Example for Calculating Premiums of Short-term General Insurance ---(I)

1. Precondition

(1) Export contract

<table>
<thead>
<tr>
<th>Importing country</th>
<th>Date of contract</th>
<th>Scheduled date of shipment</th>
<th>Contract amount</th>
<th>Payment method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political risk</td>
<td>January 10, 1994</td>
<td>March 1, 1994</td>
<td>US$5000,000</td>
<td>D/A 90 days after B/L</td>
</tr>
<tr>
<td>Premium grade</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By country ---0.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) Date of insurance contract: January 11, 1994

(3) Insurance Period: 50 days from the date of the insurance contract to the scheduled date of shipment and 90 days from the scheduled date of shipment to the Payment date for export proceeds

(4) Buyer’s Rating: EA rating in the foreign buyers list, Premium grade by country

: for commercial risk  Pre-shipment --- 1.0 (in all cases)

Post-shipment --- 1.0

(5) Exchange rate: TTB opening price on the date of the export contract ---¥ 111.45/US$
Example for Calculating Premiums of Short-term General Insurance ---(II)

2. Calculation of Premiums

<table>
<thead>
<tr>
<th>(Contract Amount)</th>
<th>(Exchange rate)</th>
<th>(Insurable value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$500,000</td>
<td>¥111.45/US$</td>
<td>= ¥55,725,000</td>
</tr>
</tbody>
</table>

Preshipment

<table>
<thead>
<tr>
<th>(Insured percentage)</th>
<th>(Insured amount)</th>
<th>(Premium rate)</th>
<th>(Premium grade by country for political risk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 55,725,000</td>
<td>X 80%</td>
<td>= ¥ 44,580,000</td>
<td>X 0.059% X 0.5 = ¥ 13,151</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Premium grade by country for commercial risk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 55,725,000</td>
</tr>
</tbody>
</table>

Postshipment

<table>
<thead>
<tr>
<th>(Premium grade by country for political risk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 55,725,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Premium grade by country for commercial risk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 55,725,000</td>
</tr>
</tbody>
</table>

Premium to be paid (1+2+3+4) = ¥ 48,828
Rate Review of Short-term General Insurance

- Application of discount or extra premium rates is based on the results of the past three years (calculated using the moving average method).

- In principle, the rating moves up or down one rank every year.

However, when the rating moves up or down four ranks or more, the rating should only be moved two ranks.

- This procedure is applied from the fourth fiscal year after the special agreement has been concluded.

<table>
<thead>
<tr>
<th>Loss rate</th>
<th>Adjustment percentage of insurance results</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 ~ 19</td>
<td>-50%</td>
</tr>
<tr>
<td>20 ~ 39</td>
<td>-40%</td>
</tr>
<tr>
<td>40 ~ 59</td>
<td>-30%</td>
</tr>
<tr>
<td>60 ~ 79</td>
<td>-20%</td>
</tr>
<tr>
<td>80 ~ 97</td>
<td>-10%</td>
</tr>
<tr>
<td>98 ~ 102</td>
<td>-0%</td>
</tr>
<tr>
<td>103 ~ 110</td>
<td>+10%</td>
</tr>
<tr>
<td>111 ~ 120</td>
<td>+20%</td>
</tr>
<tr>
<td>121 ~ 140</td>
<td>+40%</td>
</tr>
<tr>
<td>141 ~ 160</td>
<td>+60%</td>
</tr>
<tr>
<td>161 ~ 180</td>
<td>+80%</td>
</tr>
<tr>
<td>181 ~ 200</td>
<td>+100%</td>
</tr>
<tr>
<td>201 or more</td>
<td>+100% or more</td>
</tr>
</tbody>
</table>
Short-term Transaction and Medium and Long-term Transaction

Short-term transaction--- Transaction in which the proceeds of an export contract are paid within two years after shipment

- Specific insurance for General Trade Insurance
- Comprehensive insurance for an exports’ association
- Short-term Comprehensive insurance
- Export Bill Insurance

Medium and Long-term Transaction --- Transaction in which the proceeds of an export contract are paid two years or more after shipment. Such transitions should comply with the OECD guideline. Furthermore, the case below is classified as follows: when 20% or less of the proceeds is paid separately at a later date as a retention, this portion is classified as a transaction whose payment is made two years or more after shipment and the portion which is paid within two years from the first day for calculating the number of days is classified as a short-term transaction.

- General Trade Insurance
- Overseas Investment Insurance
- Overseas Loans Insurance
Outline of Export Bill Insurance

1. Export contract
2. Shipment
3. Negotiation of documentary bills
4. Notice
5. Sending of documentary bills
6. Presentation of documentary bills
7. Inability to make payments
8. Inability to make remittances
9. Payment of insurance claims

Insurance contracts are concluded at the beginning of each fiscal year.

Overseas Investment Insurance Investments Covered
Investment type 1
Equity investment

Investment type 2
General purpose loan
(no restrictions on type of business to subsidiaries)

Investment type 3
Acquisition of fixed assets
Which are provided for the directly managed by a Japanese corporation

Investment type 4 Surety obligations of the investment type 2.

Risks Covered by Overseas Investment Insurance

(1) Nationalization by a foreign government
(2) Inability to continue business due to war, revolution or civil common
(3) Inability to make remittances

Outline of Overseas Loans Insurance
Loans Covered by Overseas Loan Insurance (1)

Loans Covered by Overseas Loan Insurance (2)

“Not controlled” is determined according to the percentage of shares held (50% or less) or the percentage of executive officers (50% or less)
Untied Loan

(Japan)

Export Bond Insurance

1. Conclusion of export contract
2. Request to issue bonds
3. Issuance
4. Insurance contract
5. Request for payment
6. Payment

(Foreign country)

Borrower
(Corporations not controlled by Japanese corporations)

- Exports form 3rd countries
- Goods to replace imports
- Construction of infrastructure
- Refinancing

Outline of Prepayment Import Insurance

Exporter

Overseas ordering party

Bank or nonlife insurance company

Government

Lender
1. Advance payment foreign country import contract
2. Insurance contract
3. Prepayment of proceeds of the
4. Inability to import
5. Request for reimbursement of advance
6. Failure to repay
7. Claim-filling
1. The Export Credit Agencies (ECA) in JAPEN and Their Functions
   1) EID/MITI: export insurance and export credit policy
   2) J-EXIM: finance

2. Cooperation between the EID/MITI and the J-EXIM

Three main policies are as follows:
1) to provide insurance covering medium/long (more than two-year) term trade contracts.
2) to apply arrangement on guidelines for officially supported export credits of OECD
3) to provide insurance in cooperation with J-EXIM (on pure finance, no pure cover).

*E/L: Export License approved by Export Division of MITI
3. Basic Pattern of Supplier’s Credit

Domestic Finance → External Finance

- J-EXIM
  - Loan 70%
  - (Co-Finance)
- J.P. Banks
  - (risk taker)
- EID/MITI

J.P. Banks: Japanese Private Banks

4. Basic Pattern of Buyer’s Credit

Export 100% → Importer

- Exporter
  - Payment in Cash
  - (Co-finance) 60%
  - (Risk taker)
  - J-EXIM
  - J.P.
  - Loan 60%
  - Insurance

- Importer
- J-EXIM
- J.P.
- EID/MITI
3. Development, Promotion and Marketing of Products

(1) Development of New Products

1) Short-Term comprehensive Insurance
This type of insurance, which provides comprehensive insurance for cooperation, was established in July 1991. This insurance covers trade contracts in which the settlement period for proceeds is less than two years and comprehensively covers political risks involving the inability to export and collect proceeds, as well as other wide-ranging commercial risks. In addition, it covers risks contingent on an intermediary Contract, Resale Contract (in the same country) and Resale Contract (Transit Trade).

2) Overseas United Loan Insurance
This insurance covers losses incurred by Japanese financial institutions, Trading companies or other entities through their inability to collect on loans, etc., or through their performance of surety obligations or their inability to collect amount to be acquired by exercising the right of indemnity due to political risks (inability to remit funds due to war, civil war, restrictions or prohibition of foreign exchange transactions in a country in which such loans have been extended) or commercial risks (for example, the bankruptcy of a party to whom such loans have been extended or a delay of six months or more in the performance of obligations by such party), when such financial institutions, trading companies or other entities have extended long-term loans (those which do not contribute to an increase in exports from Japan and are extended to foreign cooperation not controlled by a Japanese cooperation, foreign government of foreign nationals) for projects to benefit economic development in developing countries.

(2) Introduction of New Underwriting Scheme for Market Promotion

1) Covering for Medium an Long – Term commercial Risk without Letter of Guarantee (NO-L/G)
In principle, EID/MITI requires the applicants for medium-and long-term commercial and political risk insurance to have a L/G issued by the government or a First-class bank.
This principle is based on a concept that L/G secures both commercial risk an political risk.

Reason for securing political risks
- Government-guaranteed Medium and Long-term transaction would be recognized without any trouble even if it is debt goes to rescheduling.
- Also, in case if war or revolution etc. in host country, we are expecting the debt to be treated by new government favorably as an official debt.

However, as developing countries undergo privatization, it becomes very difficult to obtain a government L/G. For this reason it is time for EID/MITI to consider the possibility of covering political risks as well as commercial risks without government L/G. Then we have to prepare several basic components inside EID/MITI for covering commercial risks, as a checking body, for risk assessment of each buyer in detail, and rating system for commercial risk accordingly with the credit worthiness of buyer.

Therefore, we can not cover commercial risks without L/G instantly under the present circumstances.

We intend to make an effort to accumulate our experience and know how concerning commercial risk. So we are going to cover only reliable cases. We have started to cover with this system since last year.

2) Exchange Rate Compensation System
EID/MITI introduced new compensation system for the Exchange Risk in the Export Proceeds Insurance.

For the Export Proceeds Insurance, which covers the risk of uncollectable export proceeds, EID/MITI has been using yen exchange rate based at the time of the contract.

However, in developing countries, due to their rapid growing economies, the lack of proper infrastructures are a serious concern for the further development in these countries. Under such circumstances, the exporter or contractor used to keep their books in dollar terms, but if
yen were further depreciated against US dollar from the contract time, the exporters will not
be able to recover the risk in dollar terms.

To reply to this request, EID/MITI has introduced New Exchange Rate Compensation
System. For the time being, we are applying this system for the medium and long term
businesses mainly for the project finance case. We now can cover the fluctuation of yen up to
twice the amount of the insured value at the time of the contract.

Moreover, together with the above system, we also introduced a comprehension system to
cover the loses for the fluctuation of interest within some range. Now the interest portion of
insurable value can be changed up to 20% of the application rate in response to the
fluctuation of the market rate.

The Interrelation between Exchange Fluctuation and Trade Insurance (Insured Value = $ 100 million)

<table>
<thead>
<tr>
<th>Time of the contract (1 $=¥ 100)</th>
<th>Occurrence time of Insured Risk / Depreciation (1 $=¥ 120)</th>
<th>Occurrence time of Insured Risk / Appreciation (1 $=¥ 80)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss Amount</td>
<td>¥ 12,000 million ($ 100m)</td>
<td>¥ 8,000 million ($ 80 )</td>
</tr>
<tr>
<td>Claims Amount</td>
<td>Applied rate</td>
<td>Claims</td>
</tr>
<tr>
<td>Former System</td>
<td>1 $ = ¥ 100</td>
<td>$ 1 m - ¥ 100</td>
</tr>
<tr>
<td>New Exchange Rate compensation System</td>
<td>1 $ = ¥ 120</td>
<td>$ 1.2 m - ¥120</td>
</tr>
<tr>
<td>Ratio of Coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former System</td>
<td>83 %</td>
<td>100 %</td>
</tr>
<tr>
<td>New Exchange Rate compensation System</td>
<td>100 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

※ Ratio of Coverage = Insurance Amount / Loss Amount

4 Claim and Recovery

(1) Insurance Claim and Recovery (with Focus on Political Risks)
1) Procedures for Insurance Claim and Recovery
   (an example of General Trade Insurance)
2) Obligation for Claim and Recovery

After submission by the insured of the notification, EID/MITI will determine whether the cause of damage is due to political risk or commercial risk. In principle, such determination will be made on the basis of such occurrence of insured cause being attributable to the responsibility of the party or parties to the export contract.

In principle, the insured is to request insurance claim payment within six (6) months after the occurrence of insured cause.
The insured will be obliged to recover the loss after the insurance claim payment, keeping EID/MITI informed of the performance of his obligation, and making efforts in exercising the right of damage compensation demand.

As a consequence of such efforts, the insured will be required to make payment to the national treasury of any money recovered (general scheme of recovery).

Also, in contrast to this obligation of the insured, EID/MITI is also adopting the method of acquiring the right of credit in connection with the causes arising from the Paris Club rescheduling, making such credit a portion of remittances form the debtor country (recovery through subrogating operations).

Recovery of credits through subrogating operation amounted to 60.1 billion yen, or about 61%, of the total amount of 98.3 billion yen recovered in FY1995. On the basis of the number of claims, such recoveries accounted for approximately 13,000, or 58% of the approximately total about 22,000 cases.

The credit to be acquired by the government is in principle all credit of the Paris Club rescheduling. Until the present, the government has made such efforts with twenty-two (22) countries.

3) Recovery through Subrogating Operation

As mentioned in (2) above, in the Japanese Trade Insurance system, the insured is obligated to expedite and recover the insured commercial debt. Regarding the Paris Club rescheduling, obviously such expediting efforts are not always proving fruitful due to the policies of the debtor country which restrict foreign exchange remittances.

The government (EID/MITI) acquires the credit of the insured when insurance claim payments are made, and conducts high level negotiations with the country’s government for expediting and recovery.

Upon acquisition of credit, the insured and the government are to agree to the sharing of any amount recovered at a certain ratio, thus making credit management on individual settlement basis unnecessary and simplifying payments to national treasury.
Method for Calculating Claims Payable for General Trade Insurance

I  Inability to export goods

Loss = Amount which cannot be collected - Value of disposal - Expenses which have not been paid 

Claim payment = Loss amount × 95% ≤ Insured amount

II  Inability to collect proceeds

Loss amount = Amount which cannot be collected 

Claims payable = Loss amount × Insured amount 

Insurable value

Method for Calculating Recovery to inability to collect export proceeds

1. When recovery is made in respect to inability to collect export proceeds

   \[
   \text{Amount recovered} \times \frac{\text{Claims paid}}{\text{Amount recovered} - (A - B) \times \frac{\text{Loss}}{\text{Loss amount}}} 
   \]

2. When recovery is made through the disposal of goods which cannot be exported

   \[
   \text{Claims paid} \times \frac{(\text{Resale amount} - \text{Appraised amount of the goods}) \times \frac{\text{Loss}}{\text{Loss amount}}}{\text{Loss amount}} 
   \]

3. When recovery is made in respect to inability to export goods

   \[
   \text{Claims paid} \times \frac{\text{Amount collected} \times \frac{\text{Loss}}{\text{Loss amount}}}{\text{Loss amount}} 
   \]

(Note)
(2) Current Status of Insurance Claims and Recovery in JAPAN

1) Occurrences of trade insurance claims
On viewing the recent occurrences of trade insurance claims in Japan in terms of causes that can be indemnified, the majority of insurance claims on a total claim amount basis were for political risks, accounting for about 98%, in the amount of 211.6% billion yen out of the total amount of insurance claims in FY 1995 of 215.5 billion yen, while 890 claims, approximately 75% of total claims in terms of numbers of claim cases, were for political risks.

When examined in terms of insurance types, 773 claims, or about 65% of that total number of claims, were for Export Proceeds Insurance, which accounted for 82% of political risk claims themselves, in terms of claim case numbers.
On a total insurance claim amount basis, Overseas Investment Insurance, entirely comprised of political risks, accounted for 71% of the total insurance claim amount, amounting to 153.2 billion yen, or as high as 72% of the political risk claims.

[Table: Share of Political Risk of Total Occurrence of Trade Insurance Claims]
(units: hundred million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY 1994</th>
<th></th>
<th>FY 1995</th>
<th></th>
<th>P.RISK/ TOTAL %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>P.RISK</td>
<td>TOTAL</td>
<td>P.RISK</td>
<td></td>
</tr>
<tr>
<td>General Export Insurance</td>
<td>(A) 28</td>
<td>4</td>
<td>(B) 2</td>
<td>2</td>
<td>61.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>13</td>
<td>8</td>
<td>99.4</td>
</tr>
<tr>
<td>Export Proceeds Insurance</td>
<td>(A) 1428</td>
<td>1461</td>
<td>(B) 773</td>
<td>728</td>
<td>94.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>95.5</td>
</tr>
<tr>
<td>Export Bill Insurance</td>
<td>(A) 181</td>
<td>6</td>
<td>(B) 221</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>Overseas Invest. Insurance</td>
<td>(A) 16</td>
<td>16</td>
<td>(B) 32</td>
<td>32</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>74</td>
<td>74</td>
<td>100.0</td>
</tr>
<tr>
<td>Prepayment Import insurance</td>
<td>(A) 0</td>
<td>0</td>
<td>(B) 2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Intermediary Trade Insurance</td>
<td>(A) 70</td>
<td>65</td>
<td>(B) 144</td>
<td>121</td>
<td>84.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15</td>
<td>15</td>
<td>89.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(A) 1723</td>
<td>1507</td>
<td>(B) 1185</td>
<td>890</td>
<td>75.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1026</td>
<td>101</td>
<td>98.2</td>
</tr>
</tbody>
</table>

(A) Number of Claims, (B) Total Amount of Claims
Although there had been a considerable decrease in the number of insurance claim cases in FY1995 over the previous year, the total amount of insurance claim payment had doubled due to drastic increase in Overseas Investment Insurance.

2) Current Status of Insurance Claim Payment
Payment of insurance claims in Japan amounted to 57.1 billion yen in FY 1995, a considerable decrease of 23.5 billion yen, or about 30%, from the 80.6 billion yen total of FY 1994. Most insurance claim payments were for political risk claim, which amounted to 56.3 billion yen, or 99% of total payments in FT 1995 and 79.5 billion yen, or 99% in FY 1994.

Regarding individual types of insurance, payment of claims under Export Proceeds Insurance accounted for 88% or total payments and payment of political risk related claims accounted for 87% of total payments.

[Table: Share of Political Risk Claims of Total Payment of Insurance Claims]
(Units: hundred million yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Export Insurance</td>
<td>(A) 119</td>
<td>(B) 2</td>
<td>(A) 51</td>
<td>(B) 3</td>
<td>76.5</td>
</tr>
<tr>
<td></td>
<td>(B) 2</td>
<td>(B) 2</td>
<td>(B) 3</td>
<td>(B) 3</td>
<td>92.1</td>
</tr>
<tr>
<td>Export Proceeds Insurance</td>
<td>(A) 647</td>
<td>(B) 756</td>
<td>(A) 1006</td>
<td>(B) 504</td>
<td>99.7</td>
</tr>
<tr>
<td></td>
<td>(B) 645</td>
<td>(B) 752</td>
<td>(B) 1003</td>
<td>(B) 499</td>
<td>99.1</td>
</tr>
<tr>
<td>Export Bill Insurance</td>
<td>(A) 185</td>
<td>(B) 7</td>
<td>(A) 61</td>
<td>(B) 2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(B) 2</td>
<td>(B) -</td>
<td>(B) 0</td>
<td>(B) 0</td>
<td>0</td>
</tr>
<tr>
<td>Overseas Invest. Insurance</td>
<td>(A) 16</td>
<td>(B) 29</td>
<td>(A) 32</td>
<td>(B) 54</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>(B) 16</td>
<td>(B) 29</td>
<td>(B) 32</td>
<td>(B) 54</td>
<td>100.0</td>
</tr>
<tr>
<td>Prepayment Import Insurance</td>
<td>(A) 1</td>
<td>(B) -</td>
<td>(A) 2</td>
<td>(B) 2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(B) 0</td>
<td>(B) 0</td>
<td>(B) 0</td>
<td>(B) 0</td>
<td>0</td>
</tr>
<tr>
<td>Intermediary Trade Insurance</td>
<td>(A) 9</td>
<td>(B) 12</td>
<td>(A) 35</td>
<td>(B) 9</td>
<td>74.3</td>
</tr>
<tr>
<td></td>
<td>(B) 6</td>
<td>(B) 12</td>
<td>(B) 26</td>
<td>(B) 7</td>
<td>84.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(A) 977</td>
<td>(B) 806</td>
<td>(A) 1185</td>
<td>(B) 571</td>
<td>92.8</td>
</tr>
<tr>
<td></td>
<td>(B) 769</td>
<td>(B) 795</td>
<td>(B) 1100</td>
<td>(B) 563</td>
<td>98.6</td>
</tr>
</tbody>
</table>

(A) Number of claims, (B) Total amount of claims
As mentioned above, most insurance claim payments were for political risk claims, while the majority of current payments are due to the Paris Club rescheduling. This applies to No. 6 of Reason for Indemnity of Article 3 of the General Trade Insurance Policy.

Insurance claim payments arising from rescheduling decreased to 57.3 billion yen in FY 1994 and to 35.6 billion yen in FY 1995, whereas they represented high weight ratios of 71% and 62% of total payments in FY1994 and FY 1995, respectively. In FY1991 and FY19892, insurance claim payments for causes other than rescheduling had high weight ratios, due to the influence of the Gulf War and the collapse of the former Soviet Union.

[Table: Trade Insurance Claim Payments in the past five years]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL PAYMENT</td>
<td>3,419</td>
<td>1,482</td>
<td>1,280</td>
<td>806</td>
<td>571</td>
</tr>
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<td>534</td>
<td>778</td>
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3) Collection of Claimable Assets (Recovery)

Collection of claimable assets in Japan amounted to 98.3 billion yen in FY1995, a considerable increase of 13.0 billion yen from the 85.3 billion yen in FY1994. Most collections were of political risk claims, which amounted to 97.0 billion yen, or 98% of total collections in FY1995.
[Table: Share of Political Risk of Total Collection of Claimable Assets]

(units: hundred million yen)

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<td>(B) 853</td>
<td>(A) 22433</td>
<td>(B) 983</td>
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</table>

(A) Number of claims   (B) Total amounts of claims

Flow of Paris Club Rescheduling (No. 1 Implementation)

1. Request for credit facility
2. Approval (Stand-by Credit, etc)
3. Paris Club secretariat
4. Paris Club meeting
5. Signing “AGREED MINUTES (*)”

Debtor country
Creditor countries
IMF

World Bank/MK(observer)

“AGREED MINUTES”: The document which described the agreed conditions of rescheduling

No. 2 Implementation)
(7) Meeting with the Insured/ Credit Survey

(8) Sum-up the collecting data

(9) Bilateral negotiation (confirm the details of each debt, fix debt amount & fix the interest rate, etc.)

(8) Signing the F/N (*)

(11) Sending the repayment schedule

(12) Starting repayment

(Japan)

EID/MITI
MOFA
J. EXIM, etc.

(Debtor country)

Ministry of Finance
Central bank, etc.

(*) E/N: The Exchange of Note; The document which described Bilateral Agreement