Merger between Meiji Life Insurance Co., Ltd. and The Yasuda Mutual Life Insurance Co., Ltd.

April 17, 2003

Fair Trade Commission

The Fair Trade Commission (hereinafter referred to as "FTC") received a request from Meiji Mutual Life Insurance (hereinafter referred to as "Meiji Life") and The Yasuda Mutual Life Insurance (hereinafter referred to as "Yasuda Life") for prior consultation regarding the proposed merger between them. The FTC examined the request and replied to the parties concerned that the proposed merger would unlikely violate the provisions under the Antimonopoly Act, judging from the explanations given by the two companies concerning the subject matter under the prior consultation (see Annex for details).

I. Outline of the merger

Meiji Life and Yasuda Life plans to merge their operations as mutual life insurance companies on January 1, 2004, with a view to achieving purposes such as efficiently reallocating their managerial resources, improving their growth potential, profitability and financial soundness, and meeting the diversifying needs of their customers. This is the first case of merger between so–called major life insurance companies of this country.

II. Assessment from the viewpoint of the Antimonopoly Act

1. Particular fields of trade

In definition of the particular fields of trade, examination was made from the viewpoint of whether or not the insurance services supplied by the parties are providing the same kinds of function and utility to the users. Where other players, such as trust banks and non–life insurance companies, were supplying certain substitutable services with the same function and utility as those provided by life insurance companies, for example, individual annuities insurance, particular fields of trade was determined in a manner including such substitutable services. Of determined particular field of trade, the FTC undertook detailed examination on the following two insurance services.

(1) Group term life insurance (i.e. an insurance against death to which company employees are encouraged to subscribe and for which they can sign up at their own discretion in accordance with the

terms of a group insurance contract concluded by their employer)

(2) Group credit life insurance (i.e. insurance designed to cover credit guarantee organizations that guarantee the obligations of housing loan users as well as credit-providing organizations such as banks)

2. Impact on competition

As a result of the proposed merger, the total market share and ranking of the parties concerned in the respective fields of trade, in terms of the combined total amount of insurance in force (see Note), will increase to approximately 39%, ranking first, for group term life insurance, and approximately 30%, ranking first, for group credit life insurance if only the existence of life insurance companies is taken into consideration. However, acknowledging the existence of the following situations, the FTC judged that competition might not be substantially restrained in each particular field of trade.

(Note: "The total amount of insurance in force" means the total of insured amounts under insurance contracts currently retained by life insurance companies.)

(1) Group term life insurance

a. Easiness with which users can change their insurers

Users, such as companies, normally deal with more than one life insurance company in order to spread risk. Furthermore, group term life insurance is a one-year contract and such users are reviewing the terms of contract every year. In addition, the life insurers' market shares in terms of the amount of newly written group term insurance contracts (see Note) are subject to wild fluctuations from year to year. These seem to prove that it is fairly easy for the users to switch their contracts to other life insurers if they are not satisfied with the premium charged and/or coverage provided by the existing contracts.

(Note: "The amount of newly written contracts" means the total of insured amounts under the new insurance contracts underwritten by life insurance companies during any particular year.)

b. Presence of competitors

There exist one competitor with a market share of approximately 15% and another competitor with a market share of approximately 10%, in terms of total amount of insurance in force. These competitors, respectively, enjoy higher market shares than the parties in the sector of individual insurance and are considered to possess will and capacity to capture a larger share of group term life insurance market.

c. Competitive pressure from the neighboring markets

As neighboring markets to group term life insurance, there exist the insurances sold by Post Offices to certain workers groups (postal life insurance) and the group term mutual aid life insurance marketed by cooperatives such as National Federation of Consumers' Cooperative Society of Workers' Unions. These insurance can be considered putting effective competitive pressure on group term life insurance. Group term life insurance is an insurance against death covering all or part of corporate employees. Although the insurance contract itself is concluded by the corporations, their employees are just encouraged to subscribe to the insurance scheme on an individual basis. Such employees have their own discretion to decide whether they join it or not, and pay their insurance premiums out of their own purse. It is, therefore, quite similar to life insurance for individual policyholders and can easily be switched to individual policies covering death. In this regard, individual life insurance (against death) can be perceived as a competitive pressure on group term life insurance in view of an individual employee.

(2) Group Credit Life Insurance

a. Easiness with which users can change their insurers

It is normal for users, such as banks, to deal with more than one life insurance company in order to spread risks. Furthermore, group credit life insurance is an annual contract, enabling users to review the terms of contract every year. In addition, the market shares of life insurance companies in terms of total amounts of newly written group credit life insurance are subject to wild fluctuations from year to year. These seem to prove that the contracts can be switched fairly easily to other life insurance companies if the users are not satisfied with the level of premiums charged or the terms of coverage provided by the existing contracts.

b. Presence of competitors

It is considered appropriate that the particular field of trade in respect of group credit life insurance should also include non-life insurances, such as housing loan guarantee insurance and housing finance insurance, which can be considered similar services to group credit life insurance in respect of utility and function. If so, the total share of parties concerned will be around 26% in terms of the combined total amount of insurance in force when estimated on the basis of the loan provided by banks and others. On the other hand, in this particular field of trade which includes trade in non-life insurances, there also exist some other major competitors with a market share of more than 10% in terms of total amount of insurance in force.

c. Competitive pressure from the neighboring market

As a neighboring market to group credit life insurance, there exists a group credit life special clause that can be attached to the group term mutual aid life insurance provided by the National Mutual Insurance Federation of Agricultural Cooperatives. This insurance with this special clause can exert an effective competitive pressure on group credit life insurance.

Annex

Merger between Meiji Life Insurance Co., Ltd. and The Yasuda Mutual Life Insurance Co., Ltd. (The Reply)

I. Parties

Meiji Life Insurance Co., Ltd. (hereinafter referred to as "Meiji Life") is the fourth largest life insurer with a share of approximately 10% in the entire life insurance market in terms of total amount of insurance in force. The Yasuda Life Insurance Co., Ltd. (hereinafter referred to as "Yasuda Life") is the fifth largest life insurer with a share of approximately 8% in the entire life insurance market in terms of total amount of insurance in force. After the merger, the combined market share will climb to approximately 18% in the entire life insurance market, and they will become the second largest insurance company.

II. Outline of the merger and relevant section of law

The parties plan to merge in January, 2004. Accordingly, the relevant article of law for this case is Section 15 of the Antimonopoly Act.

III. Purpose of merger

The parties has claimed that proposed merger aims at achieving purposes such as efficiently reallocating their managerial resources, improving their growth potential, profitability and financial soundness and meeting the diversifying needs of their customers.

IV. Particular fields of trade

1. Particular fields of trade

The examination to define the particular fields of trade was made from the viewpoint of whether or not each insurance services supplied by parties provide same or similar functions and utility to users. Such an examination took into account the purpose for which the insurance in question is utilized, namely whether its main focus is on paying indemnity in the event of death (as in the case of whole life insurance, whole life insurance with term insurance clause attached, etc.) or more on saving functions (as in the case of endowment insurance, saving insurance, etc.), as well as the client base and contract pattern of the insurance in question, namely whether its main target is individual clients or group clients.

As for individual annuity insurance (i.e. an insurance that pays a pension to the insured after he/she reaches a certain age, using paid premiums as capital) and group credit life insurance (i.e. an insurance designed for credit guarantee organizations that guarantee the obligations of housing loan users and for credit-providing organizations such as banks, etc.), there exist other services (in the form of trust, non-life insurance, etc.) that offer similar functions, utilities and substitutability to the life insurance services mentioned above in view of their purpose of utilization, client base and contract pattern. Such other services were included when determining what constitutes the particular fields of trade.

2. Outline of the insurance to which special attention was paid

Among the particular fields of trade determined in accordance with 1. above, taking into consideration possible situation in the market after the merger, special attention was given to group term life insurance (i.e. an insurance against death to which corporate employees are encouraged to subscribe and for which they can sign up at their own discretion in accordance with the terms of a group insurance contract concluded by the corporation, etc.) and group credit life insurance (designed for credit guarantee organizations that guarantee the obligations of housing loan users and for credit-providing organizations such as banks, etc.). The outlines of group term life insurance and group credit life insurance are as shown in the Appendix.

V. Examination as to the two kinds of insurance to which special attention was given

1. Group term life insurance

(1) Market situation

The total amount of insurance in force (see Note) in respect of group term life insurance is on the decline, and its market scale in 2001 was approximately 146 trillion 300 billion Yen (a decrease of 4.1% in comparison with the previous year).

After this merger, the combined market share and ranking of the parties in terms of the total amount of insurance in force will climb to approximately 39%, ranking No. 1.

(Note: "The total amount of insurance in force" means the total of insured amounts under the insurance contracts currently retained by life insurance companies.)

Rank	Company	Share
1	Yasuda Life	Approx 30%
2	Company A	“ 15%
3	Meiji Life	“ 10%
4	Company B	“ 10%
5	Company C	“ 5%
	Total share of other life insurers	“ 30%
(1)	Combined share of the parties	“ 39%
	Total	100%

(Source: Prepared by the FTC on the basis of materials provided by the parties)

(2) Factors considered

a. Easiness with which users can change their life insurer

It is normal for users such as corporations to deal with more than one life insurance companies in order to spread risks. Furthermore, group term life insurance is an annual contract, enabling the users to review the terms of coverage every year. In addition, the market shares of life insurance companies, in terms of total amount of newly written group term life insurance contracts (see Note), are subject to wild fluctuations from year to year. These seem to prove that it is fairly easy for the users to switch their contracts to other life insurers if they are not satisfied with the level of premium charged or the terms of coverage provided by the existing contracts.

(Note: “The amount of newly written contract” means the total of insured amount under the new insurance contracts underwritten by life insurance companies during any particular year.)

b. Presence of competitors

There exist Company A who is a competitor with a market share of approximately 15% in terms of total amount of insurance in force and Company B who is a competitor with a market share of approximately 10% in terms of total amount of insurance in force. Both of these competitors enjoy higher market shares than the parties in the area of individual insurance and are considered to possess will and capability to capture a larger share of group term life insurance markets.

c. Competitive pressure from the neighboring markets

(a) As neighboring markets to group term life insurance, there exist the insurances sold by Post Offices to specific groups of workers (postal life insurance) and the group term mutual aid life insurance marketed by cooperatives such as the National Federation of Consumers' Cooperative Society of Workers' Unions, both of which can be regarded to exercise effective competitive pressure on group term life insurance.

(b) Group term life insurance is an insurance against death covering all or part of corporate employees, etc. Although the insurance contract itself is concluded by the corporation, the employees are just encouraged to subscribe to the insurance scheme on an individual basis. Such employees can make their own decision to join the scheme or not, and pay the insurance premium out of their own purse. Group term life insurance, in this sense, quite similar to life insurance for individual policyholders and can easily be switched over to individual life insurance covering death. For this reason individual life insurance (against death) can be perceived as a competitive pressure on group term life insurance from the viewpoint of employees.

(3) Assessment from the viewpoint of the Antimonopoly Act

It is considered that competition in the field of trade of group term life insurance is unlikely to be substantially restrained by the proposed merger because users such as corporations are dealing with more than one life insurer in order to spread risks, and can easily switch contracts from one insurer to another, there exist competitors who are quite capable of capturing higher shares of group term life insurance market, and competitive pressures are being exerted by service provided in the neighboring markets.

2. Group credit life insurance

(1) Market situation

The total amount of group credit life insurance in force is on the increase and its market scale in 2001 reached approximately 166 trillion 60 billion Yen (an increase of 2.0% over the previous year).

After this merger, the combined market share and ranking of the parties among insurers in terms of the total amount of insurance in force will climb to approximately 30%, ranking No. 1 as shown below:

Rank	Company	Share
1	Company A	Approx 20%
2	Meiji Life	“ 15%
3	Yasuda Life	“ 15%
4	Company B	“ 15%
5	Company C	“ 10%
	Total share of other life insurers	“ 25%
(1)	Combined share of the parties	“ 30%
	Total	100%

(Source: Prepared by the FTC on the basis of materials provided by the parties)

(2). Factors considered

a. Easiness with which users can change their life insurer

It is normal for users, such as banks, to deal with more than one life insurance companies in order to spread risks. Furthermore, group credit life insurance is an annual contract enabling the users to review the terms of coverage every year. In addition, the life insurers' market shares in terms of the amounts of newly written group credit life insurance contracts are subject to wild fluctuations from year to year. These seem to prove that it is fairly easy for the users to switch their contracts to other life insurers if they are not satisfied with the level of premiums charged and/or terms of coverage provided by the existing contracts.

b. Presence of competitors

It is considered appropriate that the particular field of trade in respect of group credit life insurance should also include those non-life insurances (such as housing loan guarantee insurance, housing finance insurance, etc.) taking into consideration that they have similar functions and utility as well as substitutability to group credit life insurance. The parties' share, in terms of the combined total amount of insurance in force, will be approximately 26% in this particular field of trade which includes such non-life insurances market, if estimated on the basis of the amount of outstanding loan provided by banks and others. In this particular field of trade which includes non-life insurances, there also exist some other competitors such as Company A and Company B with a market share of more than 10% in terms of total amount of insurance in force.

c. Competitive pressure from the neighboring markets

As a neighboring market to group credit life insurance there exists a group credit life special clause that can be attached to the group term mutual aid life insurance marketed by National Mutual Insurance Federation of Agricultural Cooperatives, which can exert an effective competitive pressure on group credit life insurance market.

(3) Assessment from the viewpoint of the Antimonopoly Act

It is considered that competition in the field of trade of group credit life insurance is unlikely to be substantially restrained by the proposed merger because users such as banks are dealing with more than one life insurers in order to spread risks and can easily switch contracts from one insurer to another, there exist some other competitors with market shares of more than 10% in terms of total amount of insurance in force, and a competitive pressure is being exerted by services in the neighboring market.

VI. Conclusions

As to the group term life insurance and the group credit life insurance to which particular attention was paid in the examination, the proposed merger seems unlikely to substantially restrain competition in the respective fields of trade as explained in V above. As to other particular fields of trade which received our examination, it seems also unlikely that the proposed merger substantially restrain competition judging from the explanations made by the parties. The FTC concludes, therefore, that the merger in question is unlikely to violate the provisions of the Antimonopoly Act.

APPENDIX

1. Group term life insurance (outline)

<table>
<tr><td colspan="2">Coverage provided and its characteristics</td><td>This is an insurance against death which collectively covers a group of people who have certain common features under a single insurance contract. Its characteristics are that employees of corporation and members of certain group are encouraged to subscribe to the insurance scheme, that only those who wish to subscribe become insured (voluntary subscription), and that insurance premiums are borne by the insured themselves. Because of these patterns it strongly resembles individual life insurance. Premiums are generally cheaper than individual insurance due to its handling on a group basis.</td></tr>
<tr><td colspan="2">Requirements for the groups to be eligible for insurance</td><td>1. Minimum number of Insureds
(Certain standards are set according to the classification of groups)
2. Requirements as to Subscription Ratio
(Regardless of the minimum number of the insured required under 1. above, more than a certain percentage of those who are eligible must subscribe to the scheme)</td></tr>
<tr><td rowspan="3">Pattern of contract</td><td>Policyholder</td><td>The authorized representative of the corporation or group concerned</td></tr>
<tr><td>Insured</td><td>Those employees or group members who meet certain qualifications</td></tr>
<tr><td>Contract method</td><td>The contract is to be collectively executed by the corporation or group concerned</td></tr>
<tr><td colspan="2">Recipient of insurance money</td><td>The person designated by the employee or group member concerned (usually the bereaved family members of the employee or group member concerned)</td></tr>
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Premium rate	Varies according to the size of the corporation or group concerned, the age structure of the employees or group members, etc.
Payer of premium	In principle, the employee or group member concerned
Contract period	One year

2. Group Credit Life Insurance (outline)

Coverage provided and its characteristics		This is an insurance to cover the needs of enterprises and groups that guarantee the obligations assumed by users of housing loans and others. It is also utilized for such purposes as protection of lender's rights under home acquisition and scholarship assistance plan for corporate employees. This is a group insurance designed to pay to the debtor an insurance money equivalent to the amount of outstanding debt and thereby liquidate the debtor's obligations in the event of the debtor suffering death or certain serious disabilities before the debt is completely repaid.
Pattern of contract	Policyholder	The credit guarantee organization, credit-providing organization, etc. as the creditor
	Insured	The debtor
	Type of contract	1. Contracts in respect of loans provided by financial institutions 2. Contracts in respect of tie-up loans arranged by sales companies 3. Contracts in respect of internal loans for employees of enterprises
Recipient of insurance money		The credit guarantee organization, credit-providing organization, etc. as the creditor
Insured Amount		Outstanding amount of debt (which diminishes successively according to the balance of debt remaining to be repaid)

Payer of premium	The credit guarantee organization, credit-providing organization, etc. as the creditor
Contract period	One year