

2016  
Annual  
Report



**ZENROSAI**

National Federation of Workers and Consumers Insurance Co-operatives

# Zenrosai is a Co-operative

Zenrosai stands for  
the National Federation of Workers and Consumers Insurance Co-operatives:

It is a not-for-profit organization, owned, managed, and utilized by its members.  
Zenrosai provides both life and non-life insurance to improve members' security in life.

## Mission Statement

*“Towards a Safe and Affluent Society  
with Mutual Help”*

Unchanging values that Zenrosai should share with its members

### Safe

This refers to **the outcome of mutual help**. It also refers to the fact that overcoming social insecurity remains an essential, unchanging value from now into the future.

### Affluent

This refers to **both economic and spiritual enrichment**. It also refers to the traditional role of the co-operative insurer to enable spiritual peace of mind by securing more economical coverage through the viewpoint in which Zenrosai started from: “affordable insurance for workers.”

### Society

This refers to **the approach of not only improving the lives of individual members but also contributing to society as a whole** based on the historical process in which Zenrosai started out as a workers' welfare movement. It also refers to the intention of the co-operative movement—to expand the scope of helping each other through co-operative insurance and taking action to realize a better society.

### Mutual

This refers to **the members of Zenrosai as well as all employed people and consumers**. It also connotes the meaning of “all” in accordance with the ideal of co-operatives, “All for One.” Furthermore, it also incorporates the meaning of promoting voluntary participation of members.

### Help

This refers to **the cornerstone of Zenrosai since it was founded for the purpose of workers helping each other**. It also emphasizes that the unchanging reason for the existence of Zenrosai lies in the continuation of its status as a co-operative insurer over the next 50 years and keeping its spirit of helping each other.

# A Message from the President

## A Year of Accelerated Evolution

### - For the first half of Full-scale Operation of Zetwork-60 -

I am honored to present this “Annual Report 2016” to provide an overview of our business, financial condition, and our various activities. I hope that this report will give you a better understanding of ZENROSAL and that you will continue to support us.

I would like to begin by expressing my sympathy to the victims of the Kumamoto Earthquakes in April and the numerous typhoons that hit Japan from August through September in 2016. Together with expressing our sincere best wishes to all victims of these disasters, we also intend to fulfill our social mission as a mutual aid provider, in order to enable the victims to rebuild their lives and to promote restoration and recovery in the affected areas as quickly as possible.

During FY2015, the second year of Zetwork-60 (“Z-60”), our medium-term management plan, we were able to build a new foundation for ZENROSAL. As we aim to transform the organization on our 60th anniversary in 2017, we have been pursuing the plan’s key policies of “Three Reforms (reform of business structure, organizational restructuring, and awareness raising)” and FY2015 was about “intensification” of the Z-60 reforms.

We consider FY2016 to be a year of accelerated evolution of the Three Reforms in order to implement Z-60 fully, as we revise our strategies and transform our tactics under the plan that we intensified during FY2015, to reflect the changing conditions over this period.

In FY2017, the final fiscal year of Z-60, we intend to generate the true value of our initiatives over this four-year period, to realize the most important objectives of business recovery, and to establish a consistently sound business foundation.

We will also begin initiatives intended to pass along to future generations the achievements of ZENROSAL’s 60-year history and to begin the formation of a new med-term management plan to indicate clear courses of action for the new ZENROSAL in FY2018 and beyond.

In conclusion, as we aim to complete the implementation of Z-60, it is our goal to earn the sympathy, involvement, and trust of all our members and powerfully to put into practice the ZENROSAL Mission Statement of “Towards a Safe and Affluent Society with Mutual Help.”

I request your continued support and patronage in the future as well.



Hiroshi Nakaseko



# FY2015 in Brief

-**Two major earthquakes** (magnitudes 6.5 and 7.3) struck Kumamoto prefecture in the south west of Japan on April 14 and 16, 2016. Zenrosai mobilized staff from all areas of Japan to help members in the area with loss adjustment, and paid 35,443 claims totaling JPY 12 billion (USD 108 million). In May, Zenrosai presented a donation of JPY 30 million (USD 270,000) to be utilized for the victims of the earthquakes.

\* Figures in US dollars are based on the interbank rate as of 31st May 2016: Japanese Yen 110.49 shall be a US dollar.

-We have revised **Automobile Insurance** in order to better adjust risk and to have fair premiums for all the policyholders. This includes a revision of premiums, the introduction of a new grading system, and new add-on options to meet the needs of our members.

-As for the on-going **Mid-term Management Plan "Zetwork-60,"** we have been continuously working on the three reforms (See diagram below). One of the major achievements of the year was the strong sales of the newly introduced add-on options of our Fire Insurance. In particular, the compensation plan for neighbors' houses catching fire from Zenrosai's policyholders' houses has been especially well-received.

## Zetwork-60

### Zenrosai's Mid-term Management Plan from FY2014-FY2017

Marking our 60th anniversary in 2017, we have set **two priority goals** achieved by **three reforms** in Zetwork-60.

We aim to become a more appealing co-operative by earning the Sympathy, Participation, and Trust of our members and society.

#### The two goals



**Business Recovery**



**Establishment of a Continuously Sound Business Foundation**

#### The three reforms



**Business Structure**



**Organizational Restructuring**



**Awareness Raising**

# ■ This is Zenrosai

## ■ Unique Origin

In the 1950s, many people were poor and vulnerable to risks, but they could not afford insurance because it was too expensive for ordinary workers. Therefore, they started to form mutual assistance activities among members taking precaution against risks in communities. Since then, it has developed into a modern security system - insurance.

## ■ As a Co-operative

Based on the co-operative principle, Zenrosai provides insurance and mutual help for its members under the supervision of the Ministry of Health, Labor and Welfare and the Consumers' Livelihood co-operative Society Law. Anyone can join the circle of mutual aid if they subscribe to this principle and pay the membership fee.

## ■ Promoting Workers' Welfare

Zenrosai has been working hand in hand with trade unions for the workers' welfare movement. The movement in Japan is organized through the voluntary activities of workers based on their own philosophy of mutual aid and solidarity. Zenrosai was organized and has been run mainly by trade union members; however, its service extends to all workers in the community now.



Toyohiko Kagawa, the Father of Japanese Co-operatives



The Birth Place of Co-operatives: Rochdale Pioneers Museum (England)

## ■ Zenrosai Group

### Zenrosai

National Federation of Workers and Consumers Insurance Co-operatives

Established in September 1957

Zenrosai underwrites insurance contracts for individuals directly. It comprises 55 primary co-operatives and three co-operative federations.

**Zenrosai Executives**

 <p><b>Hiroshi Nakaseko</b> <i>President, Board of Directors</i></p>	<p><b>Toshihiro Rikiishi</b> <i>Vice President</i></p> <p><b>Masami Hirota</b> <i>Vice President</i></p> <p><b>Shin Okayama</b> <i>Vice President</i></p> <p><b>Kazuyuki Oda</b> <i>Vice President</i></p> <p><b>Hideaki Tokunaga</b> <i>Vice President</i></p> <p><b>Shuji Hada</b> <i>Managing Director, Board of Directors</i></p> <p><b>Chihiro Ikusawa</b> <i>Managing Director, Board of Directors</i></p>
 <p><b>Hideo Hara</b> <i>Senior Managing Director, Board of Directors</i></p>	
 <p><b>Hiroshi Sakita</b> <i>Senior Managing Director, Board of Directors</i></p>	

### Zenrosai Kyokai

National Association for Workers Welfare and Co-operative Insurance

Established in June 2004

Zenrosai Kyokai provides guidance, coordination and liaison work for workers' welfare and co-operative insurance.

### Saikyosairen

Japan Reinsurance Federation of Consumers' Co-operatives

Established in January 1975

Saikyosairen underwrites reinsurance for workers' and consumers' co-operatives as well as many other co-operatives in Japan.

# Democratic Management Structure

Zenrosai is a national federation comprised of 58 co-operative societies.

It is owned, managed, and utilized by its members. As it is essential for us to maintain members' participation in its management, we set up an integrated democratic structure.

In order to conform to the members' will, members form the Area Management Committees/Agencies on a district basis. They send representatives to General Meetings at the prefectural and national levels.



General Meeting (August 2016)



## Risk Management System

Zenrosai has categorized its risk exposure into three types (Crisis risk, Management risk, and Compliance risk) and established divisions accordingly, which work in cooperation with each other to enhance our integrated risk management.

## Compliance

Cooperative insurance business is public-oriented in its nature and relies on the trust and support of its members. Therefore, we have strengthened our compliance structure by introducing committees and officers both at national and regional levels, rules and guidelines, and a help-line for whistleblowers' protection.

# Zenrosai's Markets



## Workplaces

Workers in affinity groups, mainly **trade unions**, become Zenrosai members.



## Communities

Consumers (people) in **local communities** become Zenrosai members through various channels (**Zenrosai shops, agencies, advisors, and our website etc.**)

### Zenrosai Shops

We have more than 200 shops, in which both existing and future members can get advice on insurance, apply for contracts, and make claims.



### Agencies

#### JCIF

Japan CO-OP Insurance Consumers' Co-operative Federation  
We provide our House Insurance and Long-term Individual Life Insurance to the members of JCIF and its member societies.

#### Labor Bank

Both Zenrosai and the Labor Bank promote the co-operative movement and the workers welfare movement. The Labor Bank sells Zenrosai's House Insurance, and Zenrosai discounts its premium for those who take out housing loans with the Labor Bank.

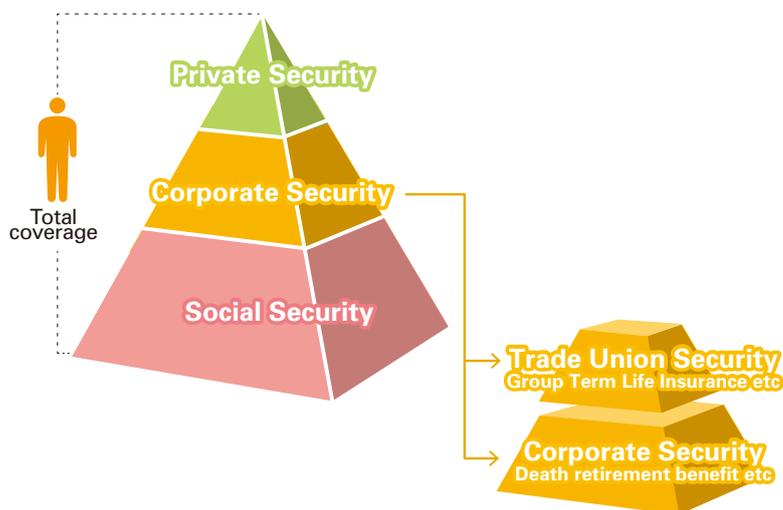
#### Car Repair Shops

Zenrosai provides compulsory automobile liability insurance to the members through its partnership with car repair shops.

# Lifestyle Security Design Program

Zenrosai provides its members with, what we call, the Lifestyle Security Design Program.

It is important to prepare ourselves for risks by thinking about security, taking into consideration all the security we need. The goal of the program is to enhance security and reduce household expenditure, and through consultation with our members, consider the insurance coverage they truly need to prepare for uncertainties in a reasonable way, through planning and implementing a life plan suited to their own needs.



### Social security

**Social Security** programs are provided by the government. In Japan, we have comprehensive basic security, such as the national health insurance system, the public pension plan, and the national care insurance scheme for the elderly and disabled.

### Corporate security

**Corporate security** can be provided by companies and/or their trade unions. Zenrosai promotes "Trade union security," ensuring the lives and livelihoods of the members of trade unions through various products such as Group term life, Fire, and Car insurances.

### Private security

**Private security** indicates insurance, which is the amount of total coverage after deducting the amount of social and corporate securities.

# Zenrosai Coverage

Zenrosai takes advantage of its co-operative characteristics, and provides total protection for the members, such as life, non-life, and liability insurances.

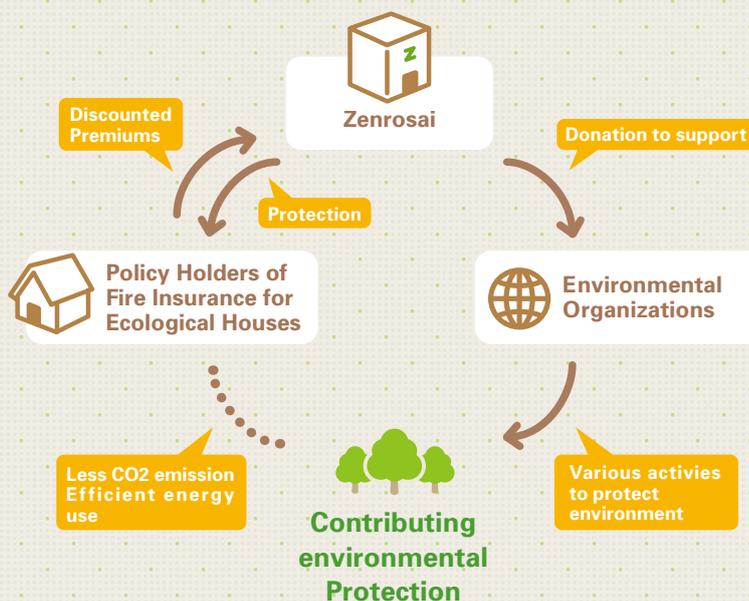


## Insurance by Major Lines

<b>Term Life Insurance</b> <b>Group Term Life Insurance*</b>		A wide range of coverage such as death, disability, nursing care, and medical expenses for all age groups.
<b>Whole Life Insurance</b>		
<b>Pension &amp; Annuity</b> <b>Group Pension Plan*</b>		Savings for retirement with protection during its premium payment years.
<b>Fire Insurance</b>		Protection for houses and households against damage caused by fire.
<b>Natural Disaster Insurance</b>		Add-on option for Fire Insurance covering damage caused by earthquakes or other natural disasters.
<b>Automobile Insurance</b>		Coverage of the driver and fellow passengers, liability for third parties, and vehicle damage.

\*Group insurance is provided through affinity groups to members in workplaces.

### Featured Product : Fire Insurance for Ecological Houses



Reflecting increasing environmental awareness, more and more members are buying this product each year. It allows us, along with members, to contribute to environmental protection through Zenrosai's main business – insurance.

We provide Fire Insurance with discount premiums for ecological house owners, such as all-electric houses and solar powered houses. Based on the number of these policies and our financial outcomes, we also give donations to environmental organizations every year. In FY2015, We donated JPY 15 million (USD135,000) to three organizations.

# Voice of Member

We appreciate any comments from our members. Since 2006, we have started storing the comments into our database so they can be shared with all staff nationwide. We have put a lot of effort into business improvement activities based on comments from our members. We have analyzed them, and have revised products and services.



 **A Voice from our Member**

My house was damaged by an earthquake. Zenrosai staff members came to investigate the damage, and explained about the claim payment. But I could not understand it clearly.

**Improved Content**

When a big natural disaster occurs, the entire Zenrosai staff is mobilized for loss adjustment. We have made a check list to make sure that every staff member can provide sufficient explanations at the same level to our members.

 **A Voice from our Member**

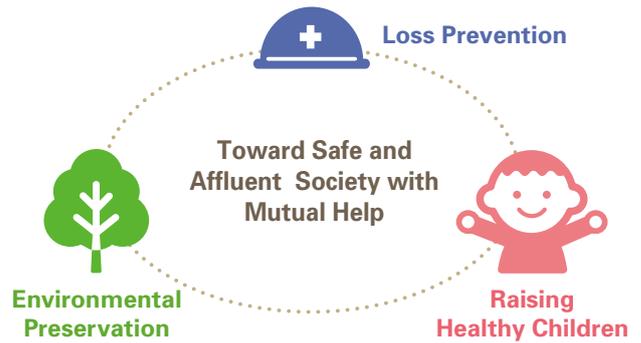
I expect Zenrosai to consider providing elderly-friendly services.

**Improved Content**

In Zenrosai, people aged 65 or over are considered to be elderly. We have been conducting studies on improving the quality of handling such members at our shops or during phone conversations, creating reader-friendly brochures and business forms, and undertaking a review of procedures for making claims.

# Social Contribution Activities

Zenrosai is carrying out activities to contribute actively to the community. The areas of **'Loss Prevention Activity,' 'Environmental Preservation Activity,'** and **'Raising Healthy Children Activity'** are designated as priority areas for building and passing on a safe and affluent society.



## Major Activities in FY2015

### Exhibitions for Child Raising Events

**9,900**  
people

We have joined social events hosted by "SUKOYAKA Cheering Group for Raising Children," which supports raising children in a hopeful society, as we share our CSR aims. Zenrosai provided original quiz games and reading sessions, both designed to raise awareness of loss reduction strategies in case of natural disaster.



### Picture Books for Children \*

**2,636**  
books

Zenrosai presented 2,636 picture books to the children in the area hit by the Great Tohoku Earthquake in 2011. This activity was a Christmas charity project with two NPOs, and all those books were donated by Zenrosai staff nationwide. The books were delivered by a little yellow bus to the children, wishing them for a happy Christmas memory.



## Other Activities



**805**  
people

KIZUNA concerts and performances\*



**4**  
schools

Forest development activities by children\*



**56**  
places

Bosai Café (Loss Prevention Event)



**73**  
NGOs

Community contribution grants



**16,524**  
people

Zenrosai cultural festival

\*Activities for the survivors and evacuees of the Great Tohoku Earthquake in 2011.

# Co-operatives in Japan



In Japan, there are many types of co-operative organizations. Unlike some other countries, there is no one act or common supervisory authority for co-operatives in Japan. So each sector is set up under the supervision of different government agencies, and under different governing acts.

Sector	Supervisor	Cooperative
Agriculture	Ministry of Agriculture, Forestry and Fisheries	Agricultural cooperative association, insurance etc.
Fishery		Fishermen's cooperative association, insurance etc.
Forestry		Forestry association, insurance
Consumer	Ministry of Health, Labor and Welfare	Consumer, insurance, university cooperative, etc. <b>ZENROSAI</b>
Commerce & Industry	Financial Services Agency; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism, etc.	Fire insurance, business cooperative, etc.

## Cooperation among Co-operatives

### JJC (Japan Joint Committee of Co-operatives)

JJC was established in 1956 as a connecting body of Japanese member societies of the International Co-operative Alliance (ICA). JJC is comprised of 15 co-operatives at national level from various sectors. Zenrosai has been a member society since 1992.



### Business tie-up with Labor Bank and JCIF (Japan CO-OP Insurance Consumers' Co-operative Federation)

As voluntary organizations for workers' welfare, Labour Bank and Zenrosai have provided financial and insurance services over fifty years. In March 2009, the two organizations announced a joint declaration "New consumers' welfare." Labour Bank has been promoting "Mortgage Fire Insurance" since 2009, and started promoting "Fire Insurance" from 2010 as Zenrosai's agent. Also, we are conducting product tie-ups and marketing activities for life and fire insurance business with JCIF.

### JCIA (Japan Co-operative Insurance Association)

In Japan, co-operative insurers operate under different laws and supervising bodies according to their sectors, such as consumer, agriculture and fishery. JCIA was established to promote the sound development of co-operative insurance as a whole, regardless of the differences in sectors. Zenrosai has been one of the founding members of JCIA since 1992.

# International Affairs

Zenrosai thinks that cooperation and solidarity is essential, among not only Japanese co-operative societies but also those all over the world. As we believe the development of co-operative movement contributes to peace, enhances social justice and improves people's living and welfare, we affiliate to the co-operative bodies to participate in various activities.

## ICA

ICA (International Co-operative Alliance) is an independent, non-governmental organization that unites, represents and serves co-operatives worldwide. It was established London in 1985, and became the world's largest non-governmental organization. Currently, the ICA has member organizations from more than 100 countries, representing approximately one billion individuals worldwide.



## ICMIF

ICMIF (International Cooperative and Mutual Insurance Federation) is a specialized body of ICA for co-operative insurers. The important and common bond uniting ICMIF members is that they place the interest of policyholders/members before those of shareholders. ICMIF currently has more than 220 members from over 70 countries. Zenrosai joined in 1962, and also participates in the Board of Directors and its formal extension body the Development Committee.



ICA Conference 2015 in Antalya



Mr. Nakaseko, President of Zenrosai, at the ICMIF Conference 2015 in Minneapolis, US

## ICMIF AOA

AOA (Asia and Oceania Association) was established in 1984 to promote cooperative and mutual insurance activities, mutual friendship and exchange of information among ICMIF members in the Asia and Oceania region. Zenrosai is an active member to promote co-operative insurance in this region.



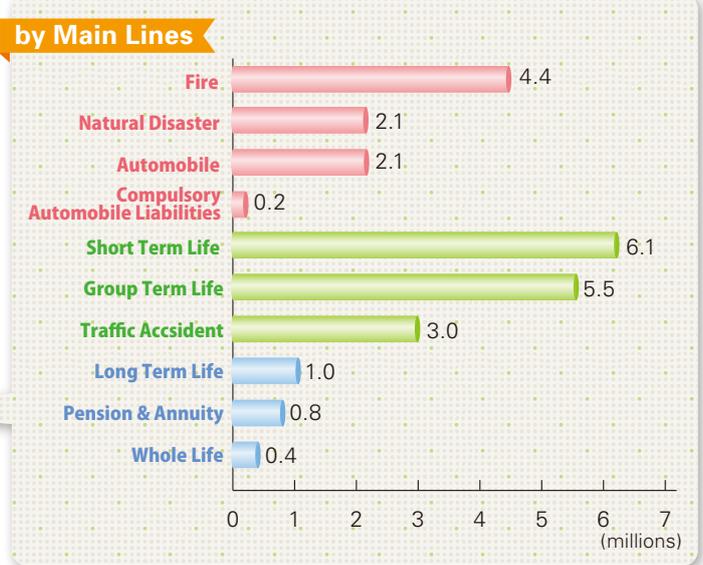
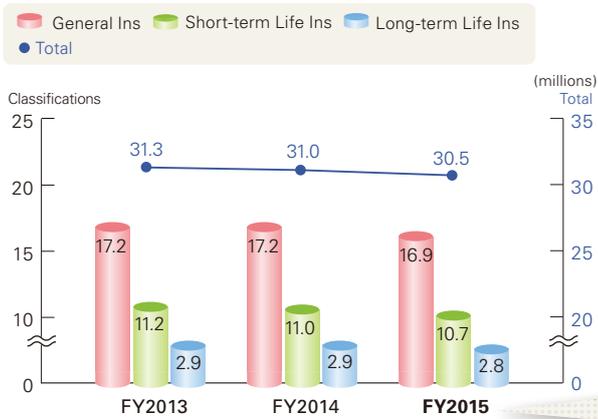
AOA seminar 2016 in Tokyo



AOA networking event in 2016 in Manila, the Philippines

# Key Figures

## Number of Policies-in-Force

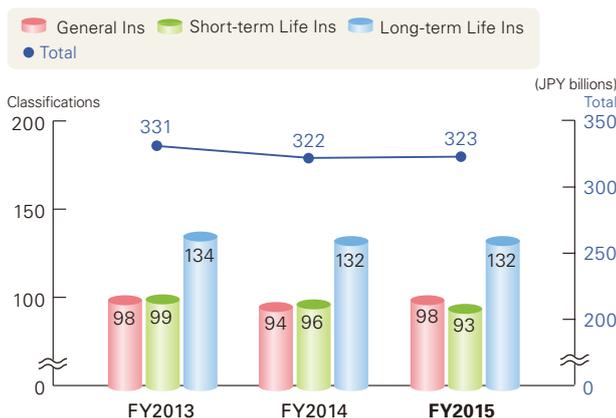


## Premiums Received



The total number of policies-in-force decreased by 540,000 (1.7%) in FY2015. It was mainly due to the drop in Term Life Insurance (both Individual and Group) and Traffic Accident Insurance. Meanwhile, Natural Disaster Insurance and Compulsory Automobile Liabilities led to an uptick in these numbers.

## Claim Payments



Claim payments in FY2015 increased by JPY 1.2 billions (0.4%) to JPY 323 billions.

As for the Kumamoto Earthquake in April 2016, we received more than 35,443 claims and the total amount of claim and ex-gratia payment was JPY 12 billions (as of August 2016).

# Financial Highlights

## Balance Sheet

	FY2014	FY2015	
	May 31st 2015	May 31st 2016	
	JPY billions	JPY billions	USD millions*
<b>Assets</b>			
Cash and deposits	151	190	1,720
Money-in-trust and Monetary Claims	279	376	3,400
Securities	2,651	2,603	23,560
Loans	7	6	51
Investment real estate	2	2	17
Others	425	437	3,957
<b>Total Assets</b>	<b>3,515</b>	<b>3,614</b>	<b>32,705</b>
<b>Liabilities</b>			
Policy Reserves	3,013	3,081	27,881
Reinsurance accounts payables	3	4	32
Other insurance business liabilities	30	31	277
Others	108	112	1,012
<b>Total Liabilities</b>	<b>3,154</b>	<b>3,227</b>	<b>29,202</b>
<b>Net Assets</b>			
Membership capital	336	362	3,272
Co-operative share	181	182	1,645
Surplus	155	180	1,627
Satutory reserve	42	48	434
Voluntary reserve	78	98	888
Unappropriated surplus for the period	36	34	305
Valuation and translation adjustment	25	26	231
<b>Total Net Assets</b>	<b>361</b>	<b>387</b>	<b>3,503</b>
<b>Total Liabilities and Net Assets</b>	<b>3,515</b>	<b>3,614</b>	<b>32,705</b>

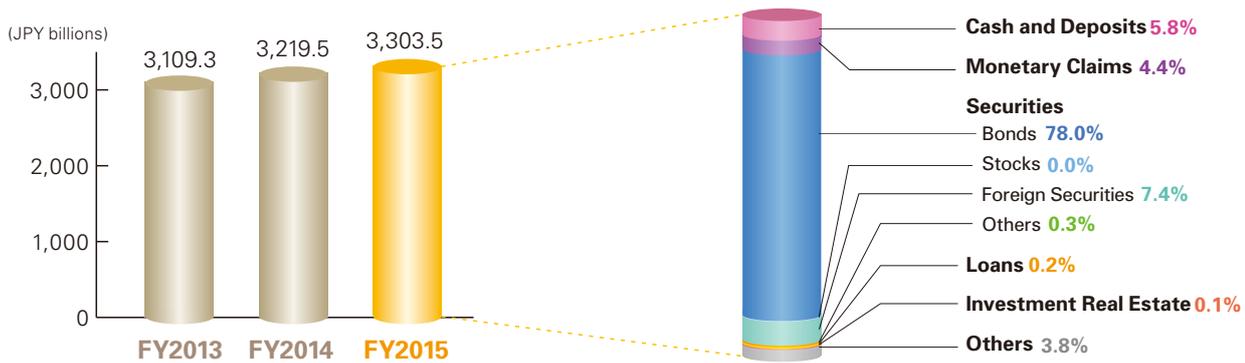
\* Figures in US dollars are based on the interbank rate as of 31st May 2016: Japanese Yen 110.49 shall be a US dollar.

## Income Statement

	FY2014	FY2015	
	May 31st 2015	May 31st 2016	
	JPY billions	JPY billions	USD millions*
<b>Income</b>			
Premium and other income	605	601	4,855
Transfer from policy reserves	40	37	298
Investment income	55	54	435
Other ordinary income	1	1	10
<b>Ordinary Income</b>	<b>701</b>	<b>693</b>	<b>5,599</b>
<b>Expenses</b>			
Claims and Benefits	418	419	3,390
Transfer to policy reserves	68	66	536
Other ordinary expenses	124	125	1,011
<b>Ordinary Expenses</b>	<b>610</b>	<b>611</b>	<b>4,937</b>
<b>Extraordinary Income</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Extraordinary Expenses</b>	<b>10</b>	<b>9</b>	<b>71</b>
<b>Surplus before taxes</b>	<b>81</b>	<b>73</b>	<b>591</b>
Corporate and other taxes and adjustments	12	10	81
Transfer to dividends reserves	37	38	311
<b>Net surplus for the period</b>	<b>31</b>	<b>25</b>	<b>198</b>
Other adjustments	4	2	17
Payments from voluntary reserves	2	7	57
<b>Unappropriated surplus for the period</b>	<b>36</b>	<b>34</b>	<b>272</b>

\* Figures in US dollars are based on the interbank rate as of 31st May 2016: Japanese Yen 110.49 shall be a US dollar.

## Asset Under Management

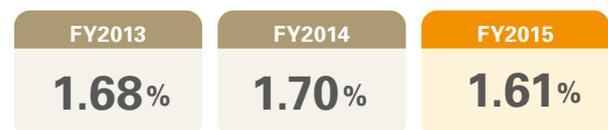


Zenosai's asset management has been employed mainly on government and corporate bonds which promise stable and long-term profits, which is based on our management policies and the perspective of ALM (comprehensive assets and liabilities management).

## Investment Profit



## Yield on Investment



Our net profit from asset management decreased by JPY 1.5 billion from the previous year to JPY 51.9 billion, while our yield on investment was 1.61%.

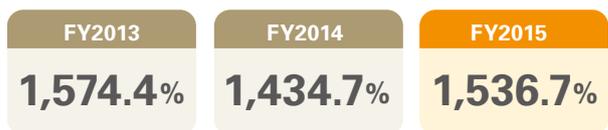
## Management Index

### Basic Profit



Basic profit increased by JPY 3.2 billion from the previous year to JPY 143.6 billion due to the improvement of risk premium profit.

### Solvency Margin Ratio



The ratio rose as a result of additional liability reserves and contingency reserves.

\*Since Zenosai provides both life and non-life insurance, our solvency margin ratio cannot be compared simply to those of other life or non-life insurers.

\*The new calculation has been applied from FY2014 in order to improve reliability, so that standards are different from 2013.

### Adjusted Equity Capital



Due to the increase in equity capital and the reserves, the resulting adjusted equity capital increased by JPY 60.3 billion to JPY 789.8 billion, for an adjusted equity capital ratio of 21.9%.

\*Adjusted equity capital includes the followings; equity capital, contingency reserves and price fluctuation reserves.

### Net Worth



Net worth increased due to increases in additional liability reserves, which indicates a good financial state with a net surplus of assets.

\*The net worth is the amount of equity broadly defined, including contingency reserves and other reserves, plus unrealized profit and loss. Put another way, it is the amount of total assets on a mark-to-market basis minus liabilities (not including those with the nature of capital, such as contingency reserves).

# Annual Report 2016

## ZENROSAI

National Federation of Workers and Consumers Insurance Co-operatives

**Address :** ZENROSAI building, 2-12-10, Yoyogi, Shibuya-ku, Tokyo 151-8571, JAPAN

**TEL :** +81-3-3299-0161 **FAX :** +81-3-5371-2685

**Website :** <http://www.zenrosai.coop/english/>

**Contact person :** Ms Kanae Fujii

**Email :** [fujii\\_kanae@zenrosai.coop](mailto:fujii_kanae@zenrosai.coop)



Zenrosai Official  
Character "Pitt"

