

# 2019 Annual Report

**Kokumin Kyosai co-op**

National Federation of Workers and Consumers Kyosai Cooperatives

# A Message from the President

## To be an insurance cooperative that shares a true sense of joy and pride through Mutual-help

—What we did in the second year of our mid-term management plan, “New-Zetwork”—

Firstly, I would like to express my sincere gratitude for your support to Kokumin Kyosai Co-op.

I am honored to present this “Annual Report 2019” 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 Kokumin Kyosai Co-op and that you will continue to join us.

Fiscal 2018 was marked by a spate of violent natural disasters, including the Northern Osaka Earthquake, the torrential rains in western Japan, typhoons, and the Hokkaido Eastern Iburi Earthquake. During the year, we implemented a number of initiatives for the first year of New-Zetwork, a mid-term management plan for FY2018-2021.

Among other initiatives, we gave top priority to supporting our members and policyholders who suffered from these devastating disasters with the establishment of the disaster response headquarters and a declaration of a state of emergency to our offices nationwide. Faced with a record number of disaster insurance claims, however, we could not necessarily fully live up to the expectations of our members and policyholders in terms of swift claim settlement. Building on last year’s experiences, we commit ourselves to carry out a set of measures designed to improve our payment operations, thereby giving shape to our “Helpful thinking” for our members’ benefit.

As a major initiative for the first year of New-Zetwork, we worked to establish and expand new activities for our business and movement through Helpful thinking and Co-creation activities, which are the core ideas of our new operating model, Zetwork Style. Among the new initiatives for our business was Digital transformation project based on Helpfulness thinking. As part of this project, we made efforts to offer various services with helpful quality through the customer-centered approach. In terms of our new movement, we launched The Children’s Safety Project to offer not only economic security in case of emergency but also prevention and relief measures before and after accidents. Another new activity was setting up Human Resources Academy, an institution that trains human resources who can keep working in accordance with Zetwork Style.

In fiscal 2019, the second year of New-Zetwork, we rebranded ourselves as “Kokumin Kyosai co-op,” a new popular name designed to have more people to feel closer to us. To overcome severe circumstances surrounding us, we are committed to determining the right direction and creating the fundamental base of our successful future, which must be realized by New-Zetwork operation.



Through our efforts to popularize the new name “Kokumin Kyosai co-op” as well as to further expand Zetwork Style, we will devote ourselves to further foster our business and movement, which will share true joy and pride with our customers and employees.

Lastly, we are determined to create our future while always bearing in mind our mission “Creating a Safe and Affluent Society with Mutual Help” as well as our three principles: to serve members, to be honest, and to work hard.

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

Masami Hirota

廣田 政 巳

# Kokumin Kyosai Co-op is a Cooperative

Kokumin Kyosai Co-op is a popular name of National Federation of Workers and Consumers Kyosai Cooperatives.

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

## Mission Statement

*“Creating a Safe and Affluent Society through Mutual Help.”*

Unchanging values that Kokumin Kyosai Co-op should share with its members  
This reflects our fundamental spirit of “helping each other”.

## New brand “Kokumin Kyosai co-op”

We rebranded ourselves as “Kokumin Kyosai co-op”, a popular name designed to allow more people to feel closer to us, and to convey our mission and values more easily. We started to use this new name since June 2019.

## Kokumin Kyosai co-op

This name is directly derived from its Japanese version's sound and means that we are a cooperative organization to provide mutual aid for all citizens in Japanese.

- 1. *Kokumin* means For all citizens in Japan**  
We hope more people across Japan join our mutual aid movement.
- 2. *Kyosai* means Providing mutual aid system and the spirit of helping each other**  
We provide mutual aid needed by more and more people according to their individual lives.
- 3. *co-op* means Cooperative**  
We get people together and protect their lives with our mutual aid system.

# New-Zetwork

## <Mid-term management plan for FY2018-2021>

Given the recent circumstances, we have formulated *New-Zetwork*, our mid-term management plan for FY2018-2021, building on our achievements and challenges under Zetwork-60, our previous mid-term management plan (FY2014-2017). The new four-year plan is designed to fulfill our social mission to develop our movement and realize our philosophy with cooperative insurance at its core.



This logo denotes new Zenrosai, which made a new start at its 60th anniversary. The three C's—New-Communication, New-Cooperative, New-Culture—expresses our determination to support and further New-Zetwork.

## Aim

By establishing and expanding *Zetwork Style*, we will achieve the sustainable growth of our business and the development of our movement.

## What is Zetwork Style ?

Zetwork Style is a model for new activities that we conduct for our business and movement with **Helpful thinking** and **Co-creation activities** to cope with various changes in the environment surrounding us in a flexible and agile way.

Special focus is placed on:

- (1) The universal shape of Kokumin Kyosai Co-op's business and movement.
- (2) Practices to share and co-create new activities of our business and movement with members, affinity groups and even society at large.
- (3) The thinking and behavior of executives and full-time staff as well as part-time employees of the Kokumin Kyosai Co-op Group, who carry out new activities of our business and movement.

### Helpful thinking

Identifying the challenges and needs of our members, affinity groups, etc. at every opportunity to interact with them, working out solutions from their perspective that exceed their expectations, and then implementing these solutions.

### Co-creation activities

Bringing together the strengths of our members and affinity groups as well as other cooperative entities and thus complementing one another to address various challenges that could not be solved by Kokumin Kyosai Co-op alone, thereby creating common values in the process.

# Main Initiatives in FY2018

## Initiatives of New-Zetwork (mid-term management plan for FY2018-2021) in FY2018

Kokumin Kyosai Co-op's 127th General Meeting on August 28, 2018 adopted New-Zetwork, the mid-term management plan for FY2018-2021. Under New-Zetwork, we have been working to further strengthen and develop our business and movement through Helpful thinking and Co-creation activities based on our unwavering philosophy and principles.

### Responses to Major Disasters

During fiscal 2018, Japan was hit by a spate of major disasters. We gave top priority to support affected members and policyholders.

Among a number of typhoons that hit Japan, typhoon no.21 was the most devastating. We received some 86,000 claims associated with this particular typhoon, a record high for a single disaster. This was followed by typhoon no. 24, with 46,000 claims. This typhoon was preceded by the Northern Osaka earthquake and followed by the Hokkaido Eastern Iburi Earthquake.

In light of these successive disasters, we declared a state of emergency to all of our offices nationwide and gave top priority to supporting affected members and policyholders. We conducted all we could to pay insurance claims as quickly as possible. To this end, we introduced a simplified assessment method and claim settlement operation judging only from loss paper, and mobilized up to 300 personnel at peak days to the central payment base that was set up at the headquarters. In FY2018, we paid out totally 58.9 billion yen due to the occurrence of the main large-scale disasters.

\*Figures have been aggregated from our FY2018 results.

### Initiatives of the Zetwork Style

During fiscal 2018 (the first year of New-Zetwork), we worked on the development and phased implementation of the Zetwork Style, a model for new activities for our business and movement.

- In January 2019, we revised our automobile insurance to introduce a premium discount for the vehicles equipped with autonomous emergency braking (AEB), increase the discount rate for new cars regarding "Grade 6 and no prior policy," and improve road services for automobile insurance policy holders.
- At the same time, we launched The Children's Safety Project. Under the project, we donated crosswalk flags, the number of which was determined by the number of estimates of automobile insurance made by our members. On our website, we published digital picture books designed to raise road safety awareness for children and their parents.
- In May 2019, we expanded the scope of our paperless handling of the procedures for taking out policies and changing policy entries, and added a system function that allows for reference to policies using tablet terminals outside our offices.
- In April 2019, we set up HR Development Academy Bureau for developing human resources that support our business and movement through the practice of Helpful thinking and Co-creation activities.
- At the leadership of the Japan Co-operative Alliance (JCA), we have worked with JCA's member organizations to come up with specific measures to achieve two objectives—Promoting inter-cooperative collaboration and Creating better life and work in sustainable local communities—and to share good practices in local areas.



# Our Features

## Unique Origin

In the 1950s, ordinary workers were poor and vulnerable to risks, but they could not afford insurance products because it was too expensive for them. 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 Cooperative

Based on the cooperative principle, Kokumin Kyosai Co-op provides insurance and mutual help for its members under the supervision of the Ministry of Health, Labour and Welfare and the Consumers' Livelihood cooperative Society Law. Anyone can join the mutual aid groups if they subscribe to this principle and pay the membership fee.

## Promoting Workers' Welfare

Kokumin Kyosai Co-op 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. Kokumin Kyosai Co-op 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 Cooperatives



The Birth Place of Cooperatives:  
Rochdale Pioneers Museum (England)

## Kokumin Kyosai Co-op Group

### Kokumin Kyosai co-op

National Federation of Workers and  
Consumers Kyosai Cooperatives

Established in September 1957

Kokumin Kyosai Co-op underwrites insurance contracts for individuals directly. It comprises 55 primary cooperatives and three cooperative federations.

### Saikyosairen

Japan Reinsurance Federation of  
Consumers' Cooperatives

Established in January 1975

Saikyosairen underwrites reinsurance for workers' and consumers' cooperatives as well as many other cooperatives in Japan.

### Zenrosai Kyokai

National Association for Workers  
Welfare and Cooperative Insurance

Established in June 2004

Zenrosai Kyokai provides guidance, coordination and liaison work for workers' welfare and cooperative insurance.

# Democratic Management Structure

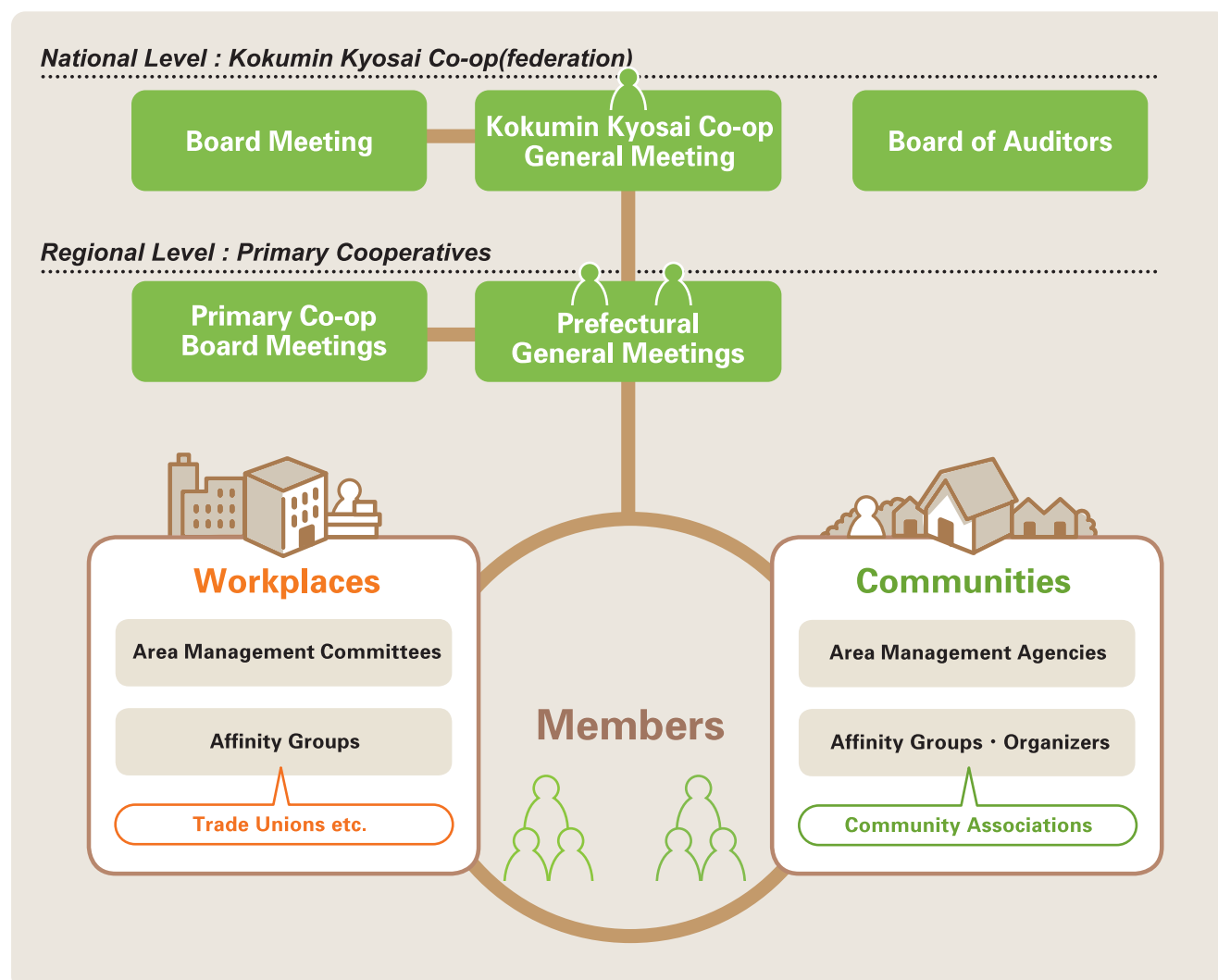
Kokumin Kyosai Co-op is a national federation comprised of 58 cooperative societies.

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 Area Management Committees/Agencies on a district basis. They send representatives to General Meetings at the prefectural and national levels.



General Meeting



## Risk Management System

Kokumin Kyosai Co-op 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.

# Markets



## Workplaces

Workers in affinity groups, mainly **trade unions**, become Kokumin Kyosai Co-op members.



## Communities

Consumers (people) in **local communities** become Kokumin Kyosai Co-op members through various channels (**Kokumin Kyosai Co-op shops, agencies**, advisors, and our website etc).

### Shops

We have 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.

#### Labour Bank

Both Kokumin Kyosai Co-op and the Labour Bank promote the cooperative movement and the workers welfare movement. The Labour Bank sells Kokumin Kyosai Co-op Fire Insurance, and Kokumin Kyosai Co-op discounts its premium for those who take out housing loans with the Labour Bank.

#### Car Repair Shops

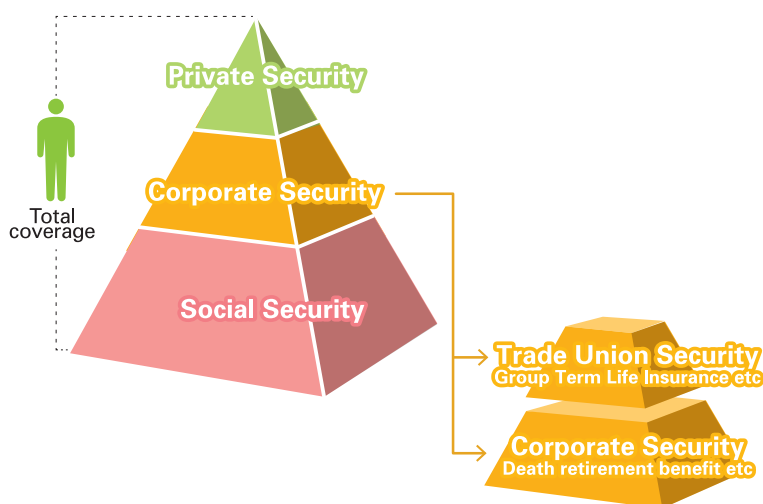
Kokumin Kyosai Co-op provides compulsory automobile liability insurance to the members through its partnership with car repair shops.

# Lifestyle Security Design Program

Kokumin Kyosai Co-op 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 coverage 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. Kokumin Kyosai Co-op 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 Automobile insurances.



### Private security

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













# Coverage

Kokumin Kyosai Co-op takes advantage of its cooperative characteristics, and provides total protection for the members, such as life, non-life, and liability insurances.

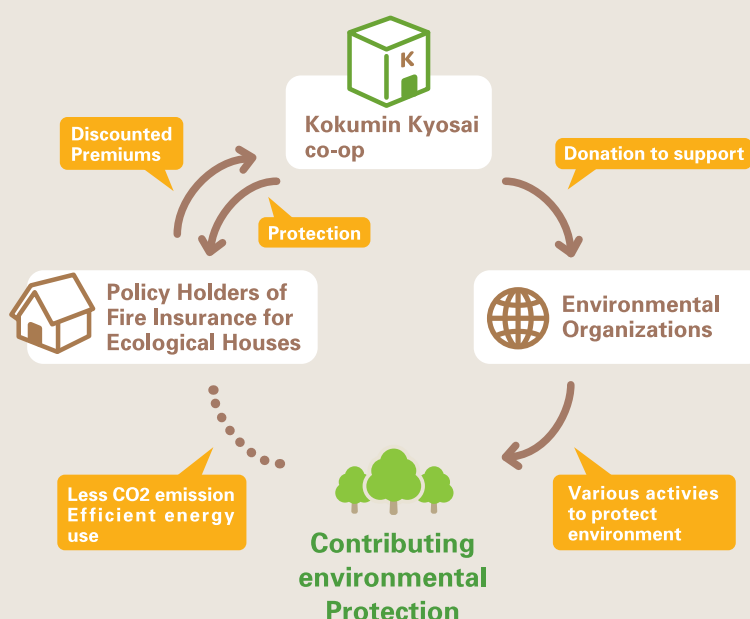


## Cooperative Insurance by Major Lines

<b>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>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 our 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.

# Social Contribution Activities

Kokumin Kyosai Co-op 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

### The Children’s Safety Project

The Children’s Safety Project is aimed at protecting children and their bright future from tragic traffic accidents. As a cooperative providing automobile insurance, we understand that children around 7 years old starting to go school are at risk of traffic accidents.

In FY 2019, we created a short film to announce our project launch and to raise awareness of risk prevention. We also donated crosswalk flags to children’s centers nationwide (108,840 flags in total in FY2018). The number of flag donations was based on the number of quote requests for automobile insurance from our members. Additionally, we published digital picture books on our website, which are designed to raise road safety awareness for children and their parents.



Crosswalk flag

### Exhibitions for Child Raising Events

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. Kokumin Kyosai Co-op provided original quiz games and reading sessions, both designed to raise awareness of loss reduction strategies in case of natural disaster.



## Other Activities



Forestation activities\*



Bosai Café (Loss Prevention Event)

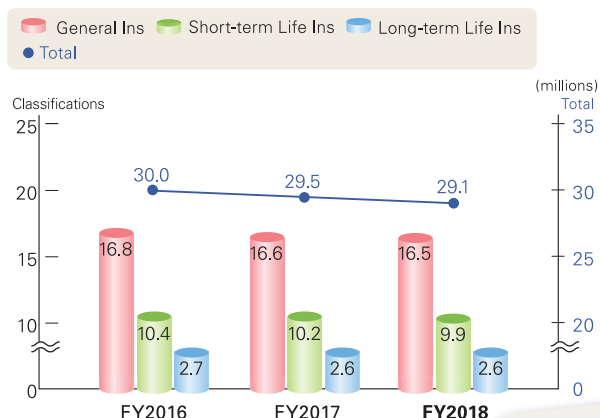


Cultural festival

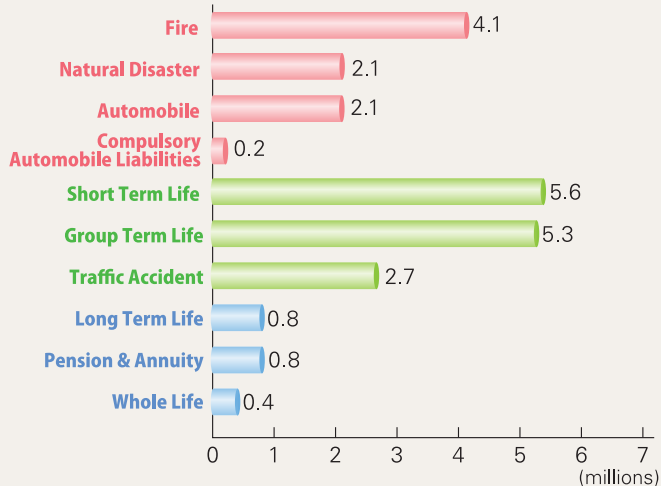
\*Activities for the regeneration of coastal disaster-prevention forests damaged by the Great East Japan Earthquake.

# Key Figures

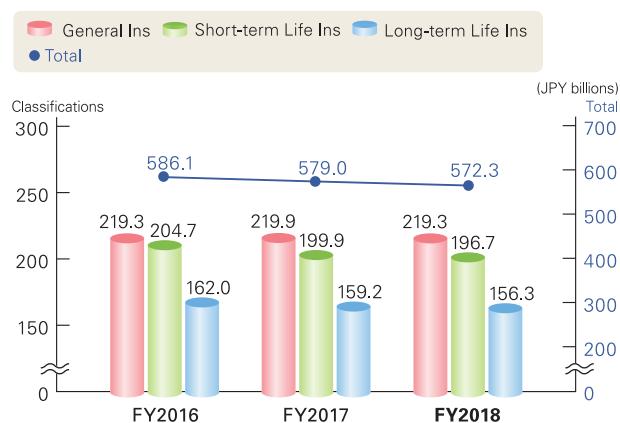
## Number of Policies-in-Force<sup>※a</sup>



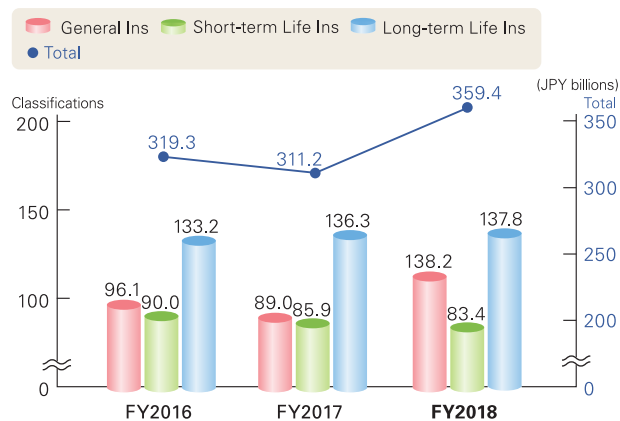
### by Main Lines



## Premiums Received<sup>※b</sup>



## Claim Payments<sup>※b</sup>



※a The figures are obtained by rounding down two decimal place. ※b The figures are obtained by rounding off two decimal place.

# Financial Highlights

## Balance Sheet <sup>※C</sup>

	FY2017 May 31st 2018	FY2018 May 31st 2019	
	JPY billions	JPY billions	USD millions*
<b>Assets</b>			
Cash and deposits	192	186	1,709
Money-in-trust and Monetary Claims	520	537	4,918
Securities	2,616	2,640	24,142
Loans	6	7	65
Investment real estate	1	2	18
Others	475	482	4,409
<b>Total Assets</b>	<b>3,813</b>	<b>3,856</b>	<b>35,264</b>
<b>Liabilities</b>			
Policy Reserves	3,201	3,224	29,480
Reinsurance accounts payables	3	3	30
Other insurance business liabilities	34	35	326
Others	134	134	1,227
<b>Total Liabilities</b>	<b>3,374</b>	<b>3,397</b>	<b>31,064</b>
<b>Net Assets</b>			
Membership capital	423	436	3,993
Co-operative share	182	183	1,677
Surplus	241	253	2,315
Satutory reserve	58	65	595
Voluntary reserve	134	150	1,374
Unappropriated surplus for the period	47	37	344
Valuation and translation adjustment	15	22	206
<b>Total Net Assets</b>	<b>438</b>	<b>459</b>	<b>4,199</b>
<b>Total Liabilities and Net Assets</b>	<b>3,813</b>	<b>3,856</b>	<b>35,264</b>

\* USD1=JPY109.36(as of May 31,2019)

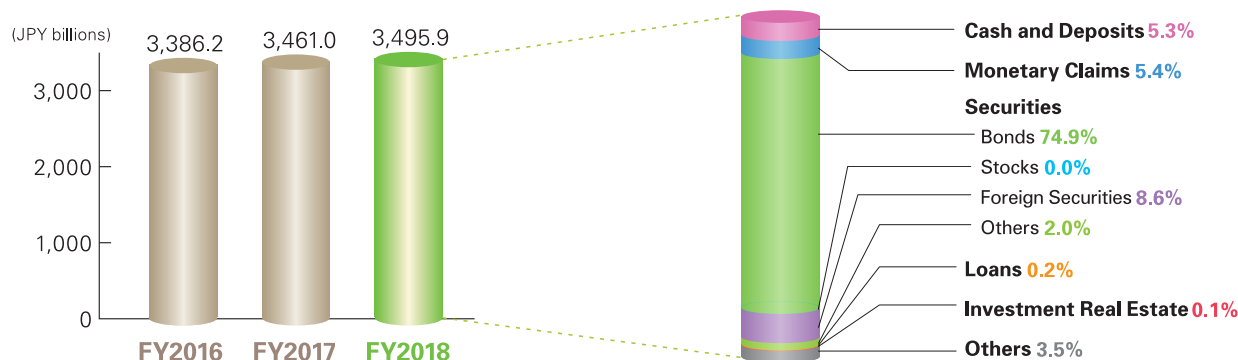
## Income Statement <sup>※C</sup>

	FY2017 May 31st 2018	FY2018 May 31st 2019	
	JPY billions	JPY billions	USD millions*
<b>Income</b>			
Premium and other income	588	585	5,354
Transfer from policy reserves	39	35	328
Investment income	52	51	474
Other ordinary income	1	1	12
<b>Ordinary Income</b>	<b>681</b>	<b>674</b>	<b>6,170</b>
<b>Expenses</b>			
Claims and Benefits	402	451	4,131
Transfer to policy reserves	59	22	202
Other ordinary expenses	128	138	1,266
<b>Ordinary Expenses</b>	<b>590</b>	<b>612</b>	<b>5,600</b>
<b>Extraordinary Income</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Extraordinary Expenses</b>	<b>8</b>	<b>8</b>	<b>81</b>
<b>Surplus before taxes</b>	<b>82</b>	<b>53</b>	<b>489</b>
Corporate and other taxes and adjustments	13	5	48
Transfer to dividends reserves	35	36	330
<b>Net surplus for the period</b>	<b>33</b>	<b>12</b>	<b>110</b>
Other adjustments	2	2	21
Payments from voluntary reserves	12	23	213
<b>Unappropriated surplus for the period</b>	<b>47</b>	<b>37</b>	<b>344</b>

\* USD1=JPY109.36(as of May 31,2019)

※C The figures are obtained by rounding down one decimal place.

## Asset Under Management <sup>※b</sup>



Our 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 <sup>※b</sup>

FY2016	FY2017	FY2018
50.7	50.9	50.0

## Yield on Investment <sup>※d</sup>

FY2016	FY2017	FY2018
1.54%	1.50%	1.46%

## Management Index

### Basic Profit <sup>※b</sup>

FY2016	FY2017	FY2018
145.0	164.3	113.0

### Solvency Margin Ratio <sup>※b</sup>

FY2016	FY2017	FY2018
1,661.2%	1,768.1%	1,810.1%

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

\*For fiscal 2018 onward, the solvency margin ratio is calculated based on different criteria: the introduction of the amount corresponding to the cooperative insurance risk in the third-area cooperative insurance. These calculation criteria are thus different from those for fiscal 2017.

### Adjusted Equity Capital <sup>※b</sup>

FY2016	FY2017	FY2018
846.3	915.0	945.2
22.8%	24.0%	24.5%

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

### Net Worth <sup>※b</sup>

FY2016	FY2017	FY2018
1,593.2	1,673.0	1,766.6
42.8%	43.9%	45.8%

\* 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).

※b The figures are obtained by rounding off two decimal place. ※d The figures are obtained by rounding off three decimal place.



# Annual Report 2019

## Kokumin Kyosai co-op

National Federation of Workers and Consumers Kyosai Cooperatives

**Address** : 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/>



“Idea and practice of organizing shared interests in cooperatives”  
has been registered on UNESCO’s Intangible Cultural Heritage list.