

Union Mutual 社の資本の部の再構成の例

The following table presents the capitalization of the Insurance Company as of June 30, 1986 and the pro forma capitalization of the Corporation and the Insurance Company (consolidated) after giving effect to the Conversion, based on the Subscription Price and the estimated maximum Public Offering price per share of \$28 and the other assumptions set forth below. The pro forma calculations assume that the Conversion was completed as of June 30, 1986.

	(Dollars in millions, except per share data)		
	Historical Insurance Company	Estimated Pro Forma Adjustments	Pro Forma Corporation
Insurance Company's Surplus	\$727.4	(\$159.7) (a) (\$567.7) (b)	\$0.0
Stockholders' equity			
Preferred Stock, \$.10 par value			
Authorized - 10,000,000 shares			
None issued and outstanding			
Common Stock, \$.10 par value,			
Authorized - 120,000,000 shares;		\$3.2 (c)	
50,000,000 issued and outstanding(d)		\$1.8 (b)	\$5.0
Additional paid-in capital		\$849.6 (c)	
		\$490.6 (b)	\$1,340.2
Unrealized gains on equity securities, net of taxes		\$18.4 (b)	\$18.4
Retained earnings(e)		\$56.9 (b)	\$56.9
Total capitalization			<u>\$1,420.5</u>

(a) Estimated amount to be paid by the Insurance Company to Cash Option Policyholders who elect to take their Equity Shares in cash, assuming all Cash Option Policyholders elect cash.

(b) Reclassification of Insurance Company surplus as a result of the Conversion.

(c) Estimated net proceeds to the Corporation from the sale of Cash Shares and the Public Offering of a total of 32.4 million shares of Common Stock at \$28, the estimated maximum offering price, less estimated underwriting discount and expenses.

(d) Assumes Eligible Policyholders will be issued 17.6 million shares for their Equity Shares and 32.4 million shares of Common Stock will be issued in the Subscription Offering and the Public Offering.

(e) Retained earnings is the sum of net income (\$60.5 million) and participating individual life and annuity business net loss (\$3.6 million) for the six month period ended June 30, 1986.

Considerations on Actuarial Matters Regarding Demutualization of Japanese Mutual Life Insurance Companies

Demutualization Study Group

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Chapter 1 is the introductory part of this paper with references to overseas examples of demutualisations, the researches made by overseas actuarial bodies and the history of Japanese mutual life insurance companies. There are four sections and some sub-sections as follows.

- 1 Foreword
- 2 Overseas examples of demutualization
 - 2.1 U.S. examples (until 1996)
 - 2.2 U.K. examples (until 1996)
 - 2.3 Worldwide examples after 1996
- 3 Researches made by overseas actuarial bodies
 - 3.1 Society of Actuaries
 - 3.2 Institute of Actuaries
- 4 General description of mutual life insurance companies in Japan
 - 4.1 History and present state
 - 4.2 Characteristics of products
 - 4.3 Past pricing strategies
 - 4.4 Dividend rules and the level of surplus

Chapter 2 deals with various actuarial aspects of demutualization. Special emphases are on the proposal of allocation method which is assumed to be fair and equitable reflecting recent rapidly changing financial environment in Japan and a necessary policyholders' protection methodology which is suitable for assets and liabilities of Japanese mutual life insurers. There are six sections and some sub-sections as follows.

- 5 Reasons of demutualization
 - 5.1 Background of demutualizations in U.S.
 - 5.2 Background of demutualizations in U.K.
 - 5.3 Background of demutualizations in Japan

- 6 Basic understandings for the compensation of membership rights
 - 6.1 Insurance Business Law and interpretation
 - 6.1.1 Members eligible to receive shares
 - 6.1.2 Allocation of shares
 - 6.1.3 Allocation according to "Contribution"
 - 6.2 What is "Contribution"
 - 6.2.1 Aggregate amount of "Contribution"
 - 6.2.2 Value of a life insurance company
 - 6.2.3 Investors' view point for the value of a life insurance company
 - 6.3 Distribution of "Contribution" in a Japanese life insurance company
 - 6.3.1 Balance of "Contribution" among existing members
 - 6.3.2 Balance of "Contribution" between current and past members

- 7 Allocation methods
 - 7.1 Allocation Basis in U.S.
 - 7.1.1 Example of U.S. method
 - 7.1.2 Pros and cons of U.S. method
 - 7.2 Asset Share calculation in Japan
 - 7.3 Different treatments in Asset Shares for demutualization
 - 7.4 The amount of assets to be preserved for the contractual obligations
 - 7.5 Treatment of negative "Contribution"
 - 7.6 Relationship to segmentation
 - 7.7 U.K. and Australian methods
 - 7.7.1 Examples of U.K. and Australian methods
 - 7.8 Proposal for Japanese allocation basis
 - 7.8.1 Basic understandings for the class of policies in Japan
 - 7.8.2 Necessity of "Smoothing"
 - 7.8.3 Specific consideration in the treatment of saving type products
 - 7.8.4 An example of simplified calculation of allocation basis
 - 7.8.5 Allocation basis for other than individual policies
 - 7.8.6 Issues on the allocation based on the present law and regulation
 - 7.8.7 Summary

- 8 Protection of policyholders
 - 8.1 What is policyholders' protection in demutualization
 - 8.2 Current law and interpretations
 - 8.3 Policyholders' protection in U.S.
 - 8.3.1 Closed Block in U.S.
 - 8.3.2 Exceptions to Closed Block in U.S.
 - 8.4 Policyholders' protection in U.K.
 - 8.4.1 Fund management in U.K.
 - 8.4.2 Asset Share calculation in U.K.
 - 8.5 Desirable framework for policyholders' protection in Japan
 - 8.5.1 Considerations on distribution of surplus to participating policyholders on demutualisation
 - 8.5.2. Proposal for a fund management in Japan
- 9 Other Actuarial Issues
 - 9.1 "Surplus fund"
 - 9.1.1 Current law and interpretations
 - 9.1.2 "Policyholders Preference Account" in NY State 2nd method
 - 9.1.3 Determination of the amount of "Surplus fund"
 - 9.1.4 Effect of setting up "Surplus fund"
 - 9.1.5 Relationship between "With-Profit Fund" and "Surplus fund"
 - 9.1.6 Summary of "Surplus fund"
 - 9.2 Accounting issues
 - 9.2.1 Reconsideration of statutory financial statements on demutualization
 - 9.2.2 Proposal for the introduction of accounting method from the view point of prospective investors
- 10 Conclusion

Lastly, as Chapter 3, some reference materials are prepared.

1. Treatments of actuarial issues in overseas 19 demutualization examples
2. Summary of 'Demutualisation of A United Kingdom Mutual Life Insurance Company' (P.D. Needleman and G. Westall) *Journal of the Institute of Actuaries*, Volume 118, Part III, Number 471, December 1991
3. Summary of 'Actuarial Issues: Allocation of Consideration and the Closed Block' (Daniel J. McCarthy) *Practising Law Institute Commercial Law and Practice Course Handbook Series Number A-648*
4. Asset Share calculation in U.S.
5. Asset Share calculation in U.K.
6. Reclassification of insurance company surplus (UNUM example)

