provisions to ensure that, in an emergency, policyholders of struggling insurers receive at least the guaranteed benefits to which they are entitled. Details can be found on the Protektor Lebensversicherung website [→]. Like any other German insurer, Protektor Lebensversicherung is subject to supervision by BaFin.

8.7 Nissan Mutual Life

The company, with its 1.2 million policies and approximately JPY 2,000 billion in assets under management, sold individual annuities paying a guaranteed interest of around 5%, without hedging. When yields on government bonds fell to a record low, a gap formed between the interest that Nissan Mutual Life promised to pay out and the interest it received on its own investments. In 1997, NML's operations were suspended by the Japanese Finance Minister and the FSA JP. Losses after resolution amounted to JPY 300 billion, of which one-third had to be borne by the policyholders and the remaining two-thirds were provided by the private sector. Aoba Life Insurance, newly established by the Life Insurance Association of Japan, ran off the portfolio of policies of the insolvent NML. Since 1999, Aoba Life Insurance has belonged to the corporate portfolio of the French holding company Artémis (François Pinault). The corporate portfolio of Artémis also includes Aurora Life (formerly Executive Life), which itself was a distressed company[203].

NML is a classic example of an insurer re-entering the market following temporary insolvency and a successful restructuring phase (recovery)[204].

A great many lessons can be learned from recent developments in Japan's insurance, and especially its life insurance sector: management of insurance companies under conflicting constraints and market conditions, guaranteed benefits (interest) and resolution of insurance companies. An overview can be gained by reading [JT,1] and [JT,2].

[203] The Executive Life investment portfolio was largely invested in high-yield (junk) bonds. In portfolio structuring terms, this resulted in a clear overallocation. It led to fire sales of investment positions and the insurer's temporary insolvency.

[204] Cf. also [LIEP,1: p. 216].