

Mitsui Sumitomo Insurance	BL9001 – Insurance	
EL0402 – Improper Business or Market Practices	GBP – 3,345,000.00 LOSS	GBP – Pound Sterling
GB – UNITED KINGDOM	Western Europe	

Mitsui Sumitomo Insurance Company fined GBP 3.3 million for corporate governance failings

The UK Financial Services Authority (FSA) has fined London-based Mitsui Sumitomo Insurance Company (Europe) Ltd (MSIEu) GBP 3.3 million (USD 5.4 million, EUR 4.1 million) for serious corporate governance failings. The regulator also imposed a ban and a fine of GBP 119,000 on the insurer's former executive, Yohichi Kumagai.

In 2007, MSIEu, a subsidiary of Japanese insurance firm Mitsui Sumitomo Insurance Company Ltd (Japan), began providing wholesale insurance cover to non-Japanese firms operating in Europe and the Middle East, having previously only supplied Japanese companies in the region. By the end of 2010 half of its premiums came from non-Japanese business, largely from branches in France and Germany.

In April 2009, as part of a staff rotation policy, Kumagai was transferred from the Japanese parent company and appointed as executive chairman of MSIEu. He was appointed despite having limited experience of non-Japanese insurance business and UK regulatory obligations.

Soon after his appointment, the FSA wrote to Kumagai and MSIEu stating that expansion into the European markets would require "careful and focussed oversight from an appropriately skilled and experienced board." In addition, MSIEu was also warned that it would have to improve its systems and controls in order to effectively manage the risks inherent in the firm's expansion.

However, the FSA found that despite its written warning, MSIEu and Kumagai failed to implement an appropriate management structure and suitable risk controls at the firm within an adequate timeframe. These included:

- failing to ensure that key staff had the necessary experience, knowledge and time to fulfil their roles effectively;
- failing to hire a chief underwriting officer to control the expansion of the business;
- failing to implement a new IT administration system across the firm's branch offices in a timely fashion;
- weaknesses in the firm's branch oversight, reserving and aggregate management processes.

In all these inadequacies constituted what the FSA called "significant failings of corporate governance and control arrangements".

MSIEu qualified for a 30 per cent reduction for settling at an early stage of the FSA's investigation. The FSA would have otherwise imposed a penalty of GBP 4.78 million.

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Source(s): http://www.fsa.gov.uk/static/pubs/final/msicel.pdf http://www.fsa.gov.uk/library/communication/pr/2012/049.shtml http://www.insuranceage.co.uk/insurance-age/news/2173028/fsa-fines-mitsui-sumitomo-gbp35m-bans-chairman http://online.wsj.com/article/BT-CO-20120508-704770.html	Related Articles <i>There are no linked loss events</i>
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Event	Published in Media 08/May/2012	Date of Occurrence – From 01/Oct/2009	Date of Occurrence – To 31/Mar/2011	Discovery Date N/A	Date of Recognition / Settlement 08/May/2012
Loss Amount USD USD 5,415,555.00	Loss Amount EURO EUR 4,147,800.00	Provision No	Boundary Risk Other Risk		
Industry Event N/A	Scenario MISSEL - Mis-Selling & Business Practices	Product PD9800 - Non-Banking Product	Process PC1501 - Policies, Governance & Monitoring		
Parent Company N/A	ORX Member No	Role of Firm LS0303 - Employer	AMA Status N/A		
Cause 1 CS0204 - Management / Control of Staff	Cause 2 CS0403 - Inadequate Policy / Procedure	Cause 3 CS0304 - Organisational Controls			
Counterparty LS0211 - Regulator	Jurisdiction / Choice of Law LS0104 - United Kingdom	Environmental Volatility LS0406 - Not Identifiable			