

# Credit Insurance Programs

## Promoting Smoother, More Diversified Funding for SMEs by Backing up the Credit Guarantee System

### Features of Credit Insurance Programs

- ◇ Various types of insurance are available in accordance with policy objectives.
- ◇ The SME Unit is expanding its Credit Insurance Programs in response to structural changes in the economic and financial environments.
- ◇ The SME Unit implements special treatments in a timely manner, responding to rapidly changing environments.

### Small Business Credit Insurance

#### ■ Acceptance of Insurance

When a guarantee provided by a CGC meets certain requirements, it is automatically insured by the SME Unit. The SME Unit accepts the insurance liability and in turn receives insurance premiums from the CGC concerned as compensation.

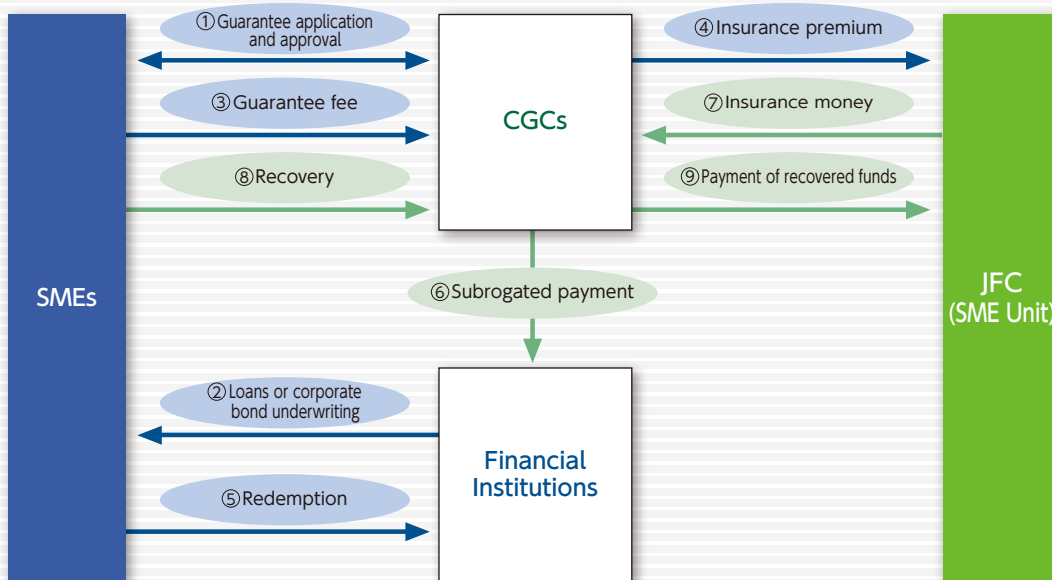
#### ■ Payment of Insurance Money

In case an SME cannot repay its loan to a financial institution or to redeem their corporate bonds, the CGC repays the financial institution concerned in lieu of the SME (subrogated payment). The SME Unit pays the insurance money (70%, 80% or 90% of the subrogated payment) to the CGC for repayment as a default.

#### ■ Payment of Recovered Money

After receiving the insurance money from the SME Unit, the CGC will attempt to recover the right of indemnity that was acquired through the subrogated payment, and, when a recovery has been made, refunds the SME Unit an amount in proportion to the insurance money received.

Flow of the Credit Supplementation System



Note: ①-⑤ indicate the flow from guarantee application to redemption while ⑥-⑨ show the flow from subrogated payment and beyond in the event of default.

## ■ Types of General Insurance

Type of insurance	Eligible companies	Type of insurable funds	Maximum amount (¥ million)	Coverage ratio	Premium rate (annual)
Ordinary Insurance	SMEs <sup>(Note 1)</sup>	Business funds	200 (400 for cooperatives)	70%	0.15%- 1.59% <sup>(Note 5)</sup>
No-collateral Insurance	SMEs	Business funds (unsecured)	80	80%	0.15%- 1.59% <sup>(Note 5)</sup>
Special Small Sum Insurance	Small-scale enterprises <sup>(Note 2)</sup>	Business funds (unsecured/no guarantor)	12.5	80%	0.40%
Liquid Asset-backed Insurance	SMEs	Business funds (only secured by liquid assets)	200	80%	0.46%
Environmental Pollution Preventive Facilities Insurance	SMEs	Environmental pollution preventive facilities-related funds	50 (100 for cooperatives)	80%	0.87%
Energy-saving Facilities Insurance	SMEs	Energy-saving facilities-related funds	200 (400 for cooperatives)	80%	0.87%
Overseas Investment Financing Insurance	SMEs	Overseas investment financing-related funds	200 (400 for cooperatives)	80%	0.87%
New Business Development Insurance	SMEs	New business development-related funds	200 (400 for cooperatives)	80%	0.87%
Business Revitalization Insurance	Revitalizing SMEs <sup>(Note 3)</sup>	Business revitalization funds	200	80%	1.59%
Specific Corporate Bond Insurance	SMEs <sup>(Note 4)</sup>	Business funds	450	80%	0.15%- 1.59% <sup>(Note 5)</sup>
Special Payment Contract Insurance	SMEs	Funds for specific payment liabilities	1,000	70%	0.15%- 1.59% <sup>(Note 5)</sup>

Notes: (1) Companies with capital of 300 million yen or less (50 million yen for retail and services; 100 million yen for wholesale); companies, individuals and SME cooperatives with a workforce of 300 or less (50 for retail; 100 for wholesale and services; and the number stipulated by relevant government ordinance for *ryokan* [traditional Japanese inn], etc.), that engage in specified businesses. (Special Small Sum Insurance and Specific Corporate Bond Insurance are excluded.)

(2) Companies, individuals and small cooperative business associations with a workforce of 20 (5 for commerce and services) or less, that engage in specified businesses and meet the requirements of relevant ministerial ordinance.

(3) Eligible for Ordinary Insurance and No-collateral Insurance when less than three years have passed from the application for civil rehabilitation proceedings or corporate rehabilitation proceedings to the decision approving a rehabilitation plan.

(4) Companies either with capital of 300 million yen or less (50 million yen for retail and services; 100 million yen for wholesale), or with a workforce of 300 or less (50 for retail; 100 for wholesale and services; and the number stipulated by relevant government ordinance for *ryokan* [traditional Japanese inn], etc.) that engage in specified businesses and meet the requirements of relevant ministerial ordinance.

(5) Insurance premium rates are divided into 9 categories according to SME financial standing and other management conditions.

## ■ Special Insurance Treatments

Special insurance treatments are designed to promote specific policy objectives by offering preferential insurance conditions.

As of July 31, 2009, 33 types of special treatment are available, the timely implementation of which supports SMEs with emergency funding needs.

## Loans to CGCs

JFC extends loans to CGCs which, in turn, deposit these borrowed funds in financial institutions together with loans from local gov-

ernments. These funds are used by financial institutions to promote provision of credit-guaranteed loans to SMEs.

## Special Insurance System for Midsize Enterprises

Operations under the Special Insurance System for Midsize Enterprises (introduced in December 1998) aim to support midsize enterprises facing difficulty in fundraising due to the failure of their financial institution. The system provides insurance on CGC guarantees relative to enterprises' business fund borrowings from

financial institutions.

This system has paved the way for CGC-guaranteed fundraising by midsize enterprises which otherwise would be ineligible for small business credit insurance. As such, the system functions as fundraising support for midsize enterprises.

## Transitional Operation of the Machinery Credit Insurance Programs

Underwriting of new Machinery Credit Insurance has been on hold since fiscal 2003, following the abolition of the Machinery Credit Insurance Law in April 2003. The SME Unit pays insurance

money and collects recoveries for insurable deals that were in force prior to the abolition of the program (Transitional Operation of the Machinery Credit Insurance Programs).