insurers compete with large, aggressive sales forces. The inability of foreign firms to market and distribute their products as effectively as the well staffed Japanese firms has caused foreign firms to improvise, sometimes selling products in department stores or with other services.

The approval process for new insurance products is an area of concern to foreign firms. The Ministry of Finance and the Life Insurance Association of Japan take up to four years to review a new product, during which time competing firms are free to develop similar products. Once a new product is finally introduced to the market, the competitive advantage of the firm that originally developed it is gone. A concern of U.S. insurers is the considerable influence insurance councils and industry associations have over what new products are introduced. There has been little foreign participation in the councils and associations.

A comprehensive insurance system reform bill is to be submitted to the Diet in 1995. Bilateral talks on insurance have been going on between the U.S. and Japan since last year, with the U.S. hoping to influence the Japanese regulatory review. Issues the U.S. has pressed for include: liberalization of the life and non-life insurance markets in addition to the "third area" liberalization proposed by Japan, which includes personal accident and disability insurance already penetrated by U.S. firms; commitments from the Japanese government to increase procurement of foreign insurance; a lifting of the restrictions that prevent life insurance companies from offering non-life policies, and vice-versa; and a more transparent Ministry of Finance procedure for reviewing licence applications.[101]

Early indications are that at least some of the concerns raised by foreign insurance companies will be addressed by the new regulations. A "developer's benefit" will be granted in order to encourage the development of new products, licencing procedures are to be shortened and made more transparent, and the government will consult foreign firms regarding the reform process.

[101] See *Inside U.S. Trade,* Inside Washington Publications, Washington, D.C., April 23, 1993, pp. 17-8, July 23, 1993, p. 8; and U.S. International Trade Commission, "U.S.-Japan Relations After the Summit", in *International Economic Review,* U.S. International Trade Commission, Washington, D.C., April 1994, p. 21.