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MS&ADホールディングス

MS&AD INSURANCE GROUP

FY 2022 IR Day

Initiatives for Profit Improvement in Fire Insurance

**MS & AD Insurance Group Holdings, Inc.
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First Quarter result and Full Year Outlook for Fiscal 2022 (Underwriting Profit)

- Underwriting profit of domestic non-life insurance(before catastrophe reserve) was decreased by 85.6 billion yen due to (1)loss increase of voluntary automobile insurance compared with FY2021(less accidents following to COVID19) (2)Hail impact of 1st Q while natural catastrophes did not tend to occur.
- EI loss ratio(excluding the impact of natural catastrophes) increased compared with FY2019, but has been in line with the annual forecast.
- The increase(+4.7pp) of EI loss ratio (Casualty and inland transit) was mainly due to foreign currency exchange impact(approx. 5.5pp)

Underwriting profit of two major domestic non life insurance

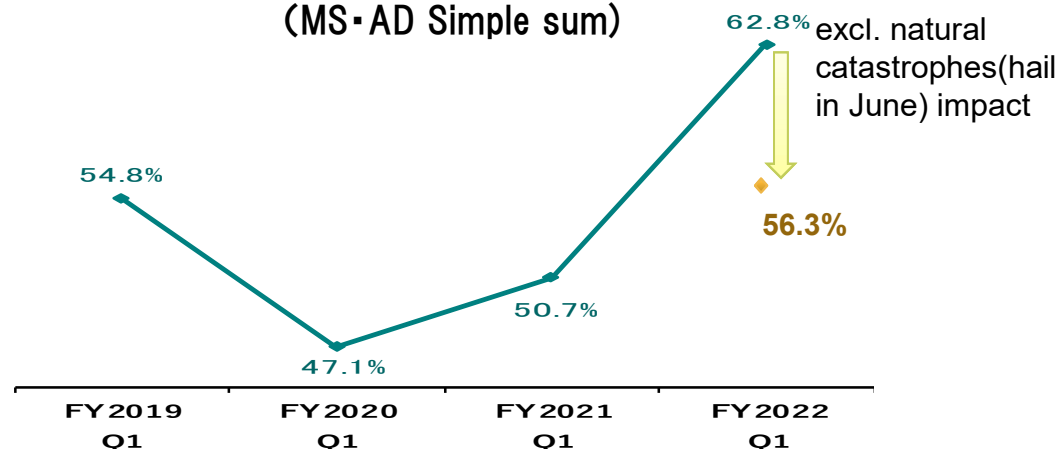
	Simple sum		(¥ bn)
		YoY	
Net premium *1	713.9	1.4	
Earned Premium written※2、※3	640.0	9.5	
Incurring loss(incl. loss adjustment expenses)※2 (－)	434.7	91.9	➡
Expenses and others※2 (－)	231.1	4.1	
Underwriting profit/loss prior to reflecting catastrophe reserve	-5.9	-85.6	

*1: All lines *2 Excluding residential EQ and CALI(compulsory auto liability insurance)

*3: "Earned premiums" are calculated with adjustments including unearned premiums (excl. natural catastrophe policy reserves) and reserve funds

EI loss ratio of voluntary auto insurance(incl. loss adjustment expenses)

(MS・AD Simple sum)



【Factor of incurred loss increase】 (¥ bn)

Loss Increase in voluntary automobile insurance	19.4
Natural catastrophes(hail in June) in Japan	38.4
Foreign currency exchange	19.2
Total(including the other factor)	91.9

【EI Loss ratio outlook for FY2022】

	Simple sum	YoY
	(¥ bn)	
Fire and allied	68.0%	-12.5pp
Marine	51.0%	-11.8pp
Personal Accident	55.5%	0.7pp
Voluntary Automobile	60.1%	3.2pp
Other	58.9%	-0.3pp
Total(exc. CALI and residential EQ)	60.7%	-0.6pp
(excl. natural catastrophes impact)	57.5%	-0.8pp

First Quarter result and Full Year Outlook for FY 2022 (Impact of Natural Catastrophes)

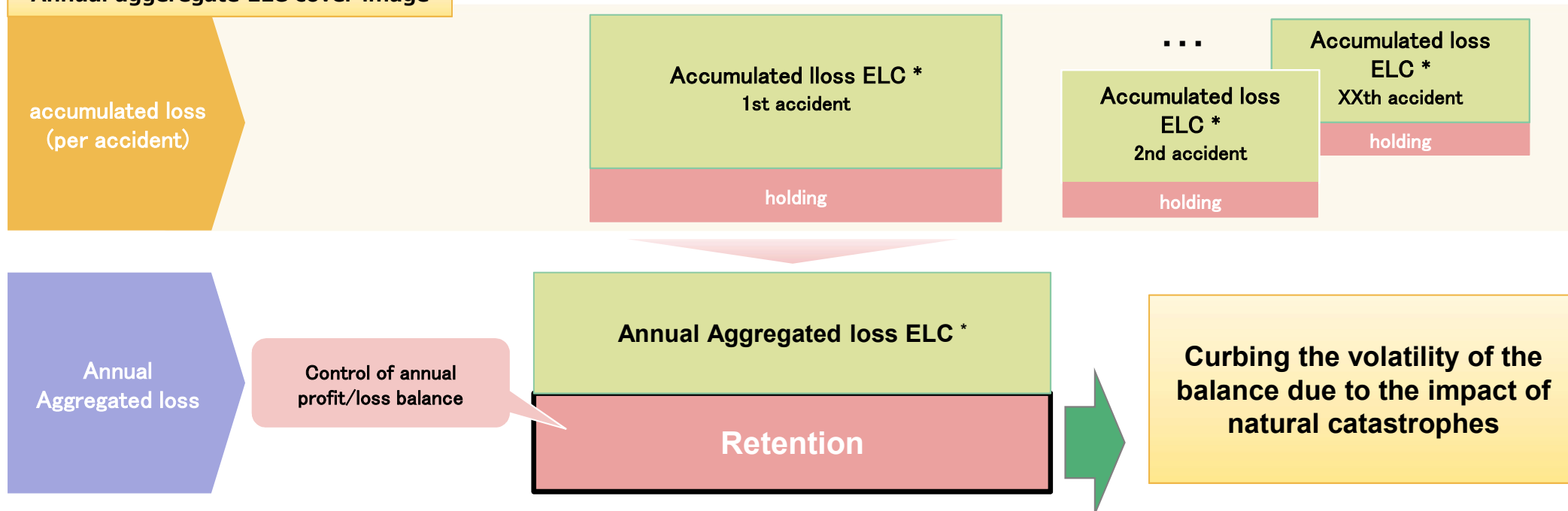
- The hails losses in June relatively high because the hail loss occurred in the area where MS&AD has kept high market share and channel. Following to this hail losses, the incurred loss against natural catastrophes budget shows high progress but with the reinsurance recovery, the volatility full year profit will be curbed.

Status of Domestic Natural Catastrophe Losses in the First Quarter

	Incurred Loss			Incurred Loss (¥ bn)
	FY2021 1st Q	FY2022 1st Q	YOY	Annual Outlook
Mitsui Sumitomo Insurance	0.1	19.3	19.2	40.0
Aioi Nissay Dowa Insurance	0.0	19.2	19.2	32.5
Total	0.1	38.5	38.4	72.5

*Fire (excluding earthquakes) EI combined ratio 137.9% (2021 1st Q: 106.7%). Simple sum of the non-consolidated figures of MSI and ADI.

Annual aggregate ELC cover image



Social mission of fire insurance and Current Progress of initiatives for profit improvement

Social mission of fire insurance

- **As a safety function indispensable to society, it will provide security and safety in a permanent manner.**
- **Protect all people in the mother market from intensifying and frequent natural disasters.**

Results of initiatives for profit improvement in fire insurance

- **Efforts to improve profitability, including insurance premium rate revisions, have made steady progress toward eliminating the deficit in underwriting profits. We expect to gain the profit in the mid-term management plan period.**
- **The profit improvement initiatives such as reduction of the maximum insurance period (maximum 5 years) in October 2022 accelerated the effectiveness of the initiatives. The risk portfolio has improved significantly.**

Ongoing issues

- **Following the return of insurance underwriting profits, we will continue initiatives toward VA positive.**

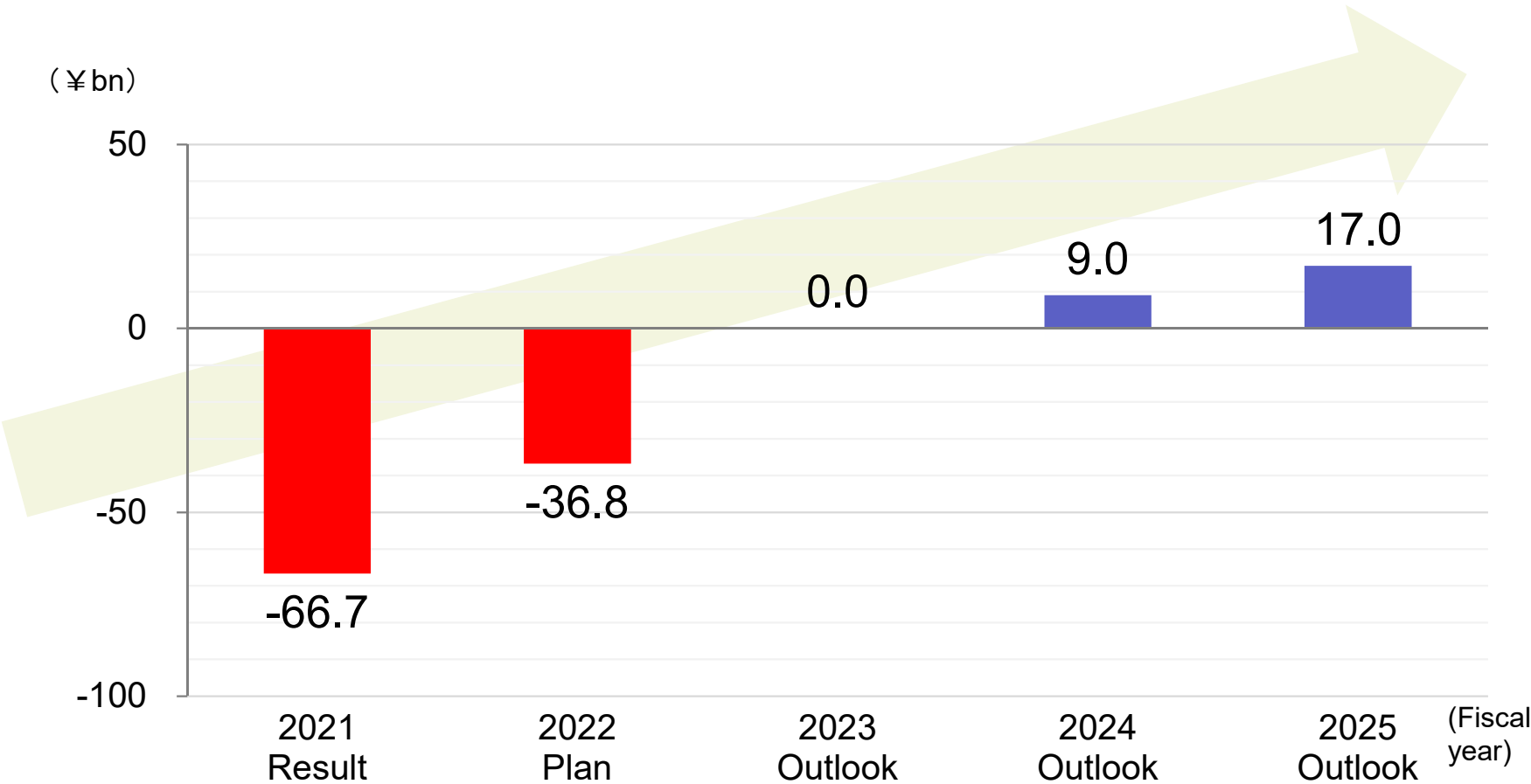
Major initiatives

- **Eradication of fraudulent insurance claims by specified business operators.**
- **Strengthen the support for loss prevention and mitigation measures through the use of digital technology (RisTech, cmap, etc.).**
- **Continued efforts such as segmenting the insurance premium rate of flooding considering the discussion in the meeting of experts.**

Forecast of fire insurance profitability plan

Forecast of domestic fire insurance underwriting profit (prior to reflecting catastrophe reserve) *

Plan to break even in FY 2023 and return profitability after FY 2024



※ Simple sum of the non-consolidated figures of MSI and ADI
(Management accounting basis. Excluding foreign fire class such as head office reinsurance).

Summary of Fire Insurance Products and Rates revision in FY2022

Summary of Products and Rates revision (Effective from October 1, 2022)

Concept of revisions

- **Rate revision(increased by an average of 9%) reflecting the revision of Reference Loss Cost Rates and the results of loss ratio.**
- **To ensure price competitiveness, we also implemented revision of the standard rates of agent commission and increased the rate disparity due to age of buildings.**

< Personal area >

- Overall rates increased mainly for old buildings with high loss ratio.
- Shorten the period of insurance to maximum five years and curtail long-term contracts.
- To prevent fraudulent claims, a recovery obligation was introduced as a measure against specified traders.
- Enhance price competitiveness for new construction with good loss ratio.

< Commercial area >

- Precised area segmentation of insurance premium rates for flood risks in Fire & allied or Small and Medium Enterprises
- Enhance price competitiveness and improve profitability at the same time by increasing rate segmentations by region, industry and size

Effect of previous 3 revisions (revised in October 2019, January 2021 and October 2022)

■ Outlook of underwriting profit increase (before extraordinary cat reserve) *

Year	2021	2022	2023	2025	Final
cumulative effect (bn ¥)	17.0	26.0	45.0	55.0	89.0

*Simple sum of the non-consolidated figures of MSI and ADI
(Accumulated basis, rounded down to the nearest 1 billion yen)

Expected revision after FY2023

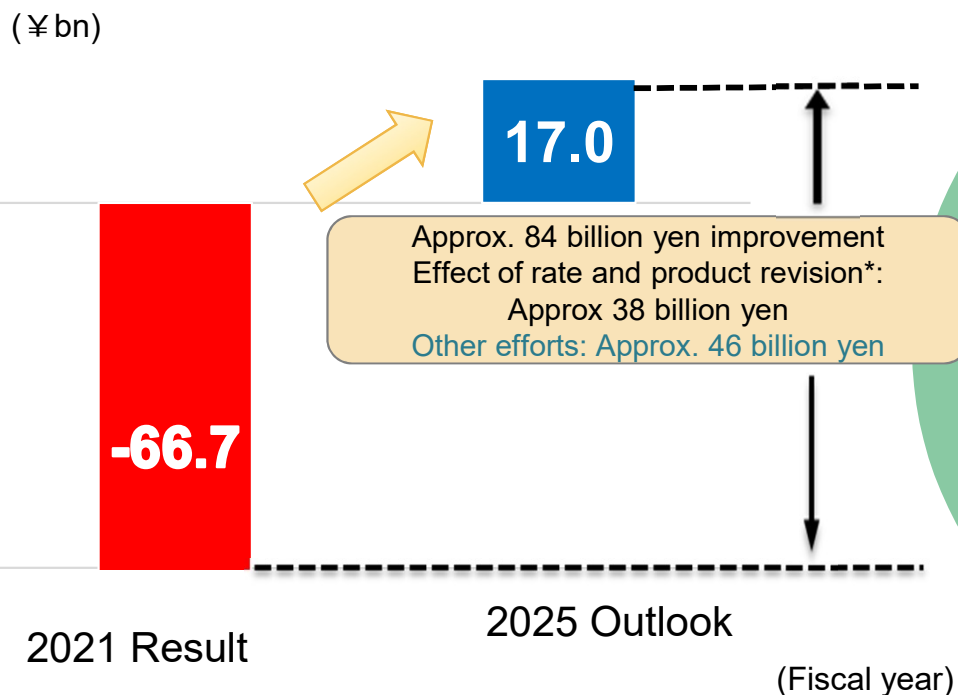
- **Even after the underwriting profit will be recovered, we will continue to our efforts to improve profitability and make a VA plus. Further product and rate revisions will also be considered.**

Other Initiatives

The summary of initiatives for Profit Improvement

- In addition to products and rates revisions, we will strengthen various measures to improve profitability.

Outlook for improvement of profitability during the mid-term management plan(Increase in underwriting profit)



Major initiatives other than products and rates revision



Measures to strengthen profitability by the collaboration of sales and claim division with the agents

- Strengthen measures for the high loss ratio clients(risk survey, etc.)
- Loss prevention and mitigation proposals using DX such as RisTech, cmap and drone loss investigation



Measures against fraudulent claims by specified traders

- List specific traders
- Enhanced claim assessment



Measures against fire insurance for condominium management

- Continue to strengthen measures to improve losses
- Review of terms & conditions

In addition to the initiatives of loss prevention for natural catastrophes, aging of buildings and others, we will enhance multilateral initiatives including top-line increase and business-cost reductions (including revision of agent commission, etc).

*Cumulative effect of product and rate revision in Oct 2019, Jan 2021 and Oct 2022.