

MS&AD Holdings Conference Call (February 14, 2018)

FY2017 3Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on February 14, 2018.

The following abbreviations of company names are used in this document.

MS&AD Holdings : MS&AD Insurance Group Holdings, Inc.

MSI : Mitsui Sumitomo Insurance Co., Ltd.

ADI : Aioi Nissay Dowa Insurance Co., Ltd.

MSI Aioi Life : Mitsui Sumitomo Aioi Life Insurance Co., Ltd.

MSI Primary Life : Mitsui Sumitomo Primary Life Insurance Co., Ltd.

MS Amlin : MS Amlin plc

Q1: Turning to your estimate for natural catastrophes at MS Amlin, what factors caused the amount to be higher than that estimated at the end of the first half?

A1: Regarding natural catastrophes that affected MS Amlin, as of November, when we revised our earnings forecasts, we did not factor in the wildfires that occurred in December among the two wildfires in California in October and December, so the difference from our target was about 9 billion yen. There was no substantial change with regard to hurricanes.

Also, we included the Mexican earthquakes and the Australian cyclone Debbie in "Others" in the table on page 6 of these materials, but as we factored in cyclone Debbie as a non-catastrophe loss, there was no impact on the difference from our targets.

Q (follow-up): Was the increase in losses from natural catastrophes caused by newly occurred natural catastrophes, whereas hardly any losses from individual accidents that had already occurred substantially exceeded your November estimate?

A: Yes, that is correct.

Q2: Regarding outstanding claims for lines other than natural catastrophes at MS Amlin, what kind of new incidents were there that led you to conclude that it would be necessary to increase the outstanding claims reserve compared to the stage of the first half? Also, what kind of changes were there during the three-month period?

A2: As we explained in the previous teleconference as well, we had expanded underwriting lines and channels for other than natural catastrophes in the face of the continued softening of the reinsurance market. We undertook this initiative during the past three or four years, and lack of stability could be seen in some areas because underwriting record was not enough. Therefore, on this occasion, we have been reflecting actual results recorded in categories where it takes time for insurance results to be revealed, such as liability insurance.

Q (follow-up): You explained that MS Amlin might increase the outstanding claims reserve in 4Q as well. How much do you think the loss will increase at the present time compared with the full-year forecast for a net loss of 55 billion yen?

A: At present, as we are prudently examining outstanding claims reserves including IBNR, we believe there are certain factors that will lower the result. Please understand that we cannot tell the figure.

Q3: How much did IBNR for lines other than natural catastrophes at MS Amlin increase in the third quarter, and will it increase further in the fourth quarter?

A3: The balance of lines other than natural catastrophes deteriorated by about 11 billion yen from our third-quarter estimate. Roughly 70% of this is attributable to the increase in individual losses and about 30% to the increase in IBNR. With regard to the fourth quarter, we are currently proceeding to calculate reserves cautiously mainly in the case of liability insurance.

Q4: I believe the initial forecast profit for MS Amlin in FY2017 was 30 billion yen, but what is your profit forecast for MS Amlin in FY2018? You explained that while reinsurance premium rates are rising, you have received many individual claims. Is it likely that the impact of individual claims will remain in FY2018 as well? Moreover, which types of individual claims are causing losses bigger than estimated?

A4: Individual losses include both property and other types. With regard to next fiscal year, natural catastrophes, which caused large losses this year, can be seen as a temporary factor and this area can become positive. As we are carefully screening contracts to be underwritten and proceeding to improve underwriting conditions and raise rates, it is difficult for us to expect top line growth. However, the contents of our portfolio are improving and we intend to restore the profit to the level we initially estimated during the two-year period of FY2018 and FY2019.

Q (follow-up): Even though you have factored in an increase in reinsurance premium rates, do you intend to achieve the profit of 30 billion yen over the two-year period?

A: Yes, that is correct.

Q5: At MS Amlin, what is the premium weighting for policies that you renewed in January? Also, is it correct that the level of 3.8%, which is the extent of the increase in premium rates for all policies that you renewed in January, will rise further in June and July, the time for the renewal of catastrophe (“CAT” hereafter) reinsurance treaties in the United States, which are expected to see a greater margin of increase?

A5: The weighting of premiums for policies that we renewed in January is just over 45%. The weighting for policies that will be renewed in June and July is roughly 30%. If we focus only on

CAT in the U.S., the January renewal portion and the June and July renewal portion have almost the same ratio. However, many of the North American CATs, which have become subject to payment of claims on this occasion, will be renewed in June and July. The margin of increase in premium rates for North American CATs that we renewed in January was around +18% for policies with claims history and around +12% on an overall basis. Once we complete the renewal period of June and July, the weighting relative to all policies with claims history will increase, so we assume that the margin of increase in premium rates will rise.

Q (follow-up): I believe that MS Amlin's premiums written are roughly 450 billion yen a year. Can we expect the amount derived from multiplying these annual premiums written by this 3.8% premium rate increase to appear as the effect of an increase in revenue driven by a premium rate hike?

A: As some policies extend over several years, the rate of increase in premium rates will not actually be equivalent to the overall premium growth rate.

Q6: Regarding the appetite for CAT risk going forward, is it correct to assume that the company's appetite will basically not change?

A6: Yes, that is correct.

Q7: What kind of situation will cause MS Amlin to record impairment of goodwill?

A7: The pillars of MS Amlin's earnings continue to be reinsurance centered on catastrophe risk and asset management. As we believe that its fundamental earning power is being maintained, it is not in a situation where impairment is necessary. Regarding impairment, we will monitor whether the situation concerning MS Amlin's business model changes dramatically or not.

Q8: Could you explain the impact of the snow damage in January and February?

A8: In January, there were snowfalls in the Tokyo metropolitan area, but it did not have a major impact compared to our targets. Regarding the impact of cold fronts and snowfalls from February onward, the number of reported accidents increased in impacted areas and there are likely to be some accidents that will be reported later. At present, however, we do not believe there will be any great impact relative to our targets. We will continue to monitor the situation.

Q9: Regarding the repurchases of your own shares, is it fair to assume that your stance has become broader because the company has a strong capital position and investments have been completed to a certain degree?

A9: As we previously mentioned regarding shareholder returns, our policy is not to return 50% of Group Core Profit for a single fiscal year automatically but to return approximately 50% in the

medium run. In addition, please understand that our policy is to repurchase our own shares flexibly and as opportunities arise, with due consideration to market conditions and the state of our capital.

Q10: When considering the annual total shareholder return, if Group Core Profit falls below the target, will this have an impact on the total return as well?

A10: Even if Group Core Profit is pushed down for a single fiscal year, our policy is to return approximately 50% in the medium run, and we will not decide returns automatically based on actual results for a single fiscal year. As for share buybacks we will also repurchase our own shares flexibly.

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