MS & AD Insurance Group Holdings
Thematic Meeting - MSIG Asia Growth Ambition-
Brief Summary of Q&A session

The following are the key Q&A highlights from the Thematic Meeting held on January 14, 2025.

Q1: You showed a strong bottom-line result in Asia since acquiring First Capital. It seems that MS First Capital has had significant premium growth while ceding much to reinsurers. Are there any plans to retain more to increase profits? Additionally, could you elaborate how much synergy within Asia and with other regions' entities?

A1: MS First Capital effectively manages its retention level and earns attractive profit commissions from reinsures, which helps maintain stable profitability even in the face of significant claims, whereas high retention makes volatility in profit.

Given MS First Capital's strong underwriting results, we see the potential for further refinement, but at this juncture we prioritize stability and maintaining relationship with reinsurers.

Regarding the synergies between MS First Capital and the Asia entities, we have observed significant progress. Immediately after the acquisition, we initiated synergy initiatives, which have had a notably positive impact on our results. We aim to further enhance these initiatives by deepening the collaboration between MS First Capital and the Asia entities.

Also, the Chairman and the CEO of MSIG Asia serve on the Group's International Business Steering Committee, meeting biannually with CEOs from various regions to foster synergy, leading to numerous collaborative initiatives.

One of the key initiatives is TENKAI, a program for sharing the best practice and business model within the Group. For example, the U.S. entities, with their expertise in working with Managing General Agents (MGAs), have shared their expertise and introduced prominent MGAs to us, which contributes significantly to our initiatives in Asia.

Q2: While maintaining a combined ratio below 80%, premium growth has been modest. Could you provide insights into the competitive environment with local/international non-life insurers?

A2: There were several factors, including the loss of bancassurance deals with major banks years ago, where major competitors offered higher upfront fees. However, our customer retention remained strong due to satisfaction with our services, particularly in claims handling. Market deregulation in some countries, for instance Malaysia, also led to premium rate reductions.

Under these circumstances, our focus is on profitability, which means we have been avoiding high-risk business that does not meet our appetite. While this cautious approach may have limited top-line growth, it ensured stable profitability and positioned our region as a key profit contributor to our Group.

Q3: Regarding synergy, is there anything you can share with us in the area of system infrastructure across the region?

A3: We are exploring cost optimization opportunities while maintaining agility through independent country operations and local vendors. However, we recognize the need for regionally common digital marketing tools and platform to reasonable extent in order to capture business opportunities on digital channels. We are working on a unified data sourcing base and developing a common platform, considering the appropriate core systems to align with the platform. A regional RPA procurement has been also implemented, creating a shared library that allows entities to adopt cost-saving solutions developed elsewhere in the Group.

Q4: Could you provide the specific profit target figures for 2029? Since the 15% CAGR (Compound Annual Growth Rate) is higher than the market growth, please clarify how much of this growth is expected to come from inorganic growth including M&A?

A4: About 60-70% of our CAGR is expected to come from our organic growth, with the rest coming from our new growth initiatives including M&As.

Q5: Could you explain your M&A strategy? Do you have a budget for it in the coming years?

A5: We are focusing on high-population growth countries, such as Vietnam and Indonesia, while we are exploring other countries' opportunities too. Our M&A expert team, established two years ago in Singapore with support from Japan headquarters, has identified various potential targets, including traditional insurers, FinTech and InsurTech companies. A recent case is our investment in Serenity Health Partners, showcasing our flexible and strategic approach.

Our M&A strategy focuses on targeting insurers with strong ecosystems with extensive market bases and solid distribution channels, such as local mega banks. We are also interested in Fintech and InsurTech companies that have strong ties to digital platforms to enhance our customer reach.

Currently, we do not have any specific budget for M&A, as it will depend on market conditions and valuations.

Q6: In the material, it is indicated that MS&AD is listed as number one in direct premiums across ASEAN. How do you derive the data? Specifically, does it include life insurance joint ventures, such as Max life in India? And could you clarify the key countries where you have significant market share and profit contributions?

A6: The presentation focused solely on general insurance, not including life business. Our key markets for profitability are Singapore, Malaysia, and Thailand. In Singapore, we have MS First Capital, the market leader, and MSIG Singapore. In Malaysia, we are ranked fifth. In Thailand, both MSIG Thailand and the Thailand branch contribute to a strong position in the market.

As additional information, we have also put a priority on our Asia life business, which is expected to grow alongside the increase in the middle-class population. We anticipate synergies between general insurance and life insurance, such as cross-selling.

Q7: You've mentioned moderate premium growth due to a focus on underwriting margins. Could you provide examples of countries where you've successfully improved the combined ratio compared to industry averages or competitors?

A7: MS First Capital is a significant contributor to profitability, with MSIG Malaysia and the Thailand branch consistently achieving low combined ratios. For example, MSIG Malaysian has maintained excellent combined ratios in the 80% range over the past decade with good control over motor business.

Q8: You highlighted India as a promising market due to its demographic advantages and low insurance penetration, but you also acknowledged the challenges for foreign companies. Could you share your strategy in India?

A8: Our joint venture partner, the Murugappa Group, has a deep understanding of Japanese business culture, which aligns with our long-term growth strategy. We see untapped opportunities within their ecosystem that can support our business expansion.

India's vast geography allows us to extend our distribution network beyond our current focus areas, southern part of India, which will result in increasing our market presence. Our regional management office will enhance our relationships with large corporate accounts, particularly in the IT and pharmaceutical sectors. With the expertise of our Chief Underwriting Officer and our experience in the market, we are well-equipped to drive growth with Chola MS.

We are confident in our growth potential in the Indian market despite its challenges. One key strategy is to leverage our large motor portfolio by improving the loss ratio to unlock significant profits. MSIG Asia has a strong Enterprise Risk Management (ERM) team and started assisting Chola MS to well monitor motor profitable in competitive business scene.

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