

Advancing with you

MS&AD Holdings

MS&AD INSURANCE GROUP

Acquisition Agreement on Transverse Insurance Group, LLC

A fronting carrier serving the US MGA market

Wednesday, August 10, 2022

MS&AD Group Overview

Holding company

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

Domestic Non-Life

MS&AD Mitsui Sumitomo Insurance 

MS&AD Aioi Nissay Dowa Insurance 

MS&AD Mitsui Direct General Insurance 

Domestic Life

MS&AD Mitsui Sumitomo Aioi Life Insurance 

MS&AD Mitsui Sumitomo Primary Life Insurance 

International

Non-Life Insurance

Regional Business

Asia

Europe

Americas

Telematics and Mobility

Head Office Reinsurance

Life Insurance

Financial Services

Risk-Related Services

Abbreviations of company names used in this presentation

MS&AD Holdings, Holding Company:	MS&AD Insurance Group Holdings, Inc.
MS&AD:	MS&AD Insurance Group
Mitsui Sumitomo Insurance, MS:	Mitsui Sumitomo Insurance Co., Ltd.
Transverse:	Transverse Insurance Group, LLC
AUL:	MS Amlin Underwriting Limited
AAG:	MS Amlin AG
TIMS:	Toyota Insurance Management Solutions USA, LLC
MSMM:	Mitsui Sumitomo Marine Management (U.S.A.), Inc.

Caution about forward-looking statements

Important Information

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4. Strengths of Transverse

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 - (2) Selection Process of MGAs
-

5. Transverse's Growth Going Forward

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-

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- Structure of the Transverse Group
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1. Executive Summary

● Background and Overview of the Acquisition

- Our group aims to expand its U.S. business other than non-cat risks. Our particular focus is on the U.S. MGA* market whose importance as a significant underwriting and distribution channel is rapidly growing.
- We have decided to acquire 100% of ownership interest in Transverse, a hybrid fronting insurance carrier that partners with MGA and other producers and reinsurers, and will consolidate it as a wholly owned subsidiary under our Group.
- Transverse holds a strong business network with a variety of distinguished MGAs and will serve as a platform for our group to incorporate the growth of the U.S. MGA market.
- The acquisition price is US \$400 million (around ¥53.8 billion).
- The acquisition will be funded through Cash on hand.

● Strategic significance

- Expand our business base in the U.S. by capturing growth opportunities in the U.S. MGA and other markets covering a wide range of industries and lines of business. Gain stable fee income from fronting commissions.
- Enhance operational efficiency through group synergies and leverage profit opportunities within the Group.
- Strategic allocation of group capital to high growth potential businesses



Financial impact

- | | | |
|--|--------|--------------------------|
| • Group adjusted profit / IFRS net profit: | FY2023 | around + US \$30 million |
| | FY2025 | around + US \$60 million |
| • Group adjusted ROE / IFRS adjusted ROE: | FY2023 | around + 0.1pt |
| | FY2025 | around + 0.2pt |

* MGA (Managing General Agent): Agency that has delegated authority from insurance company for underwriting etc. and performs operations that are substantially similar to those of insurance company, such as insurance solicitation, contract management, and reinsurance arrangements. They are strong in specific areas and has unique earnings base.

2. Overview of the Acquisition

Form of acquisition	Mitsui Sumitomo Insurance (or its U.S. subsidiary) acquires 100% of units from unitholders of Transverse and consolidates it as a wholly-owned subsidiary	
Price	Unit price of Transverse:	US \$400 million (around ¥53.8 billion) ^{*1}
	Advisory Fees etc:	around ¥0.4 billion
	Total acquisition cost:	around ¥54.2 billion P/E ratio of around 12 (based on FY2023 earnings forecast)
Terms	US \$400 million (around ¥53.8 billion) ^{*1} upon conclusion of Unit Purchase Agreement Adjustments to be made based on net assets as of end of December 2022 Additional payments to be made subject to post-acquisition performance (earn-out provision)	
Source of Funds	Cash on hand	
Timing	Planned completion in December 2022, subject to regulatory approval	

*US \$1 = JPY ¥134.61

3. Corporate profile of Transverse

Date of incorporation	June 26, 2018
Registered Office	Delaware, USA
Management	Erik Matson, Chairman and CEO
Number of employees*1	around 40
Gross Written Premiums*2	US\$222 million (around ¥29.9 billion*3)
Net Earned Premiums*2	US\$3 million (around ¥0.4 billion*3)
Net income*2	US-\$5 million (around -¥0.7 billion*3)
Net assets*2	US\$88 million (around ¥11.9 billion*3)
Rating *1	A- (A.M. Best)
Major Unitholders and Unitholding ratio	<div>Virgo Transverse Core LLC : 99.2%</div> <div>Other : 0.8%</div>

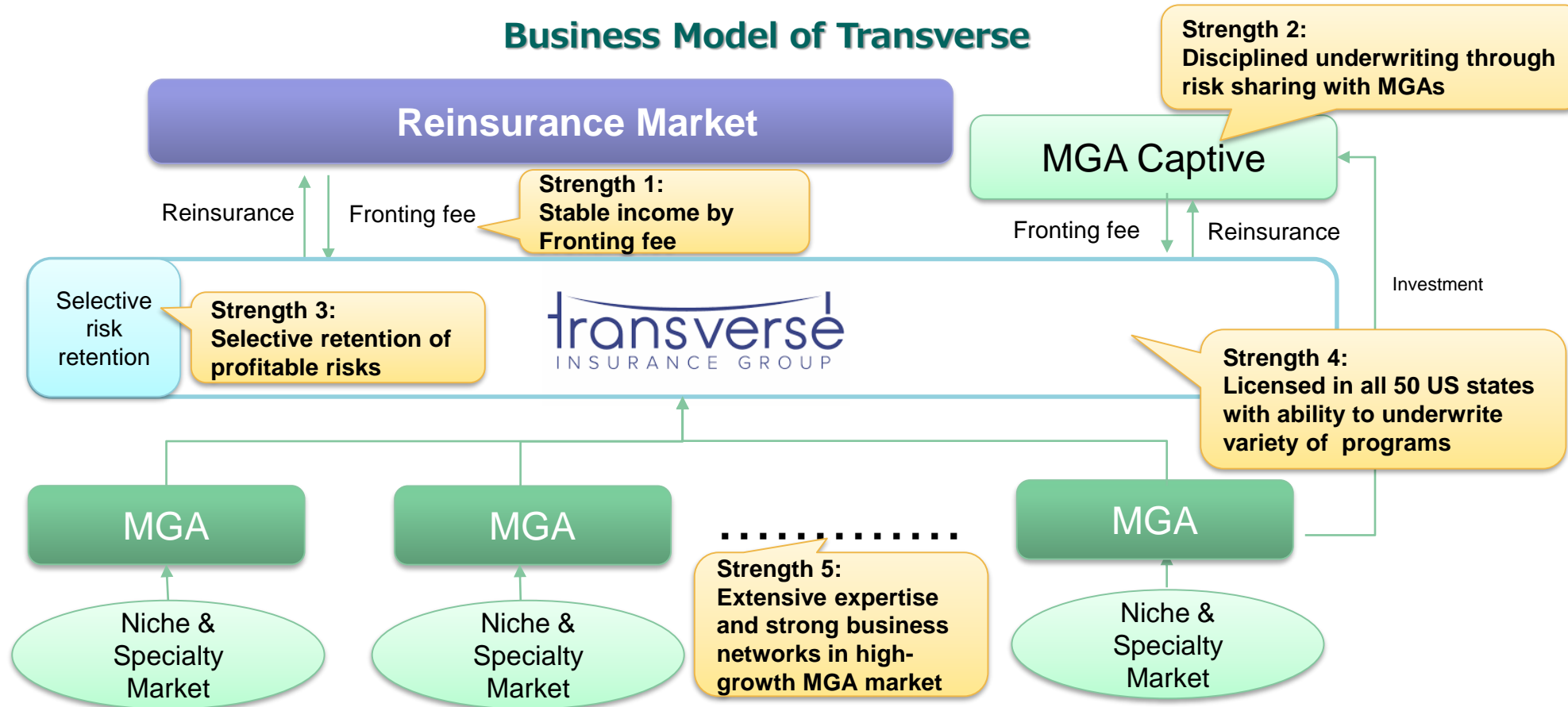


*1 As of end of June 2022 *2 As of end of December 2021 *3 US \$1 = JPY ¥134.61

4. Strengths of Transverse (1) Business Model

- Transverse is one of the leading fronting companies in the U.S. MGA market.
- The U.S. MGA market is rapidly growing with key drivers being: Continued market hardening in the E&S* market and insurance professionals newly setting up or transferring to MGAs. Under these circumstances, hybrid fronting insurance carriers providing flexible and tailored fronting and business matching services with reinsurers have emerged and are undergoing significant growth.

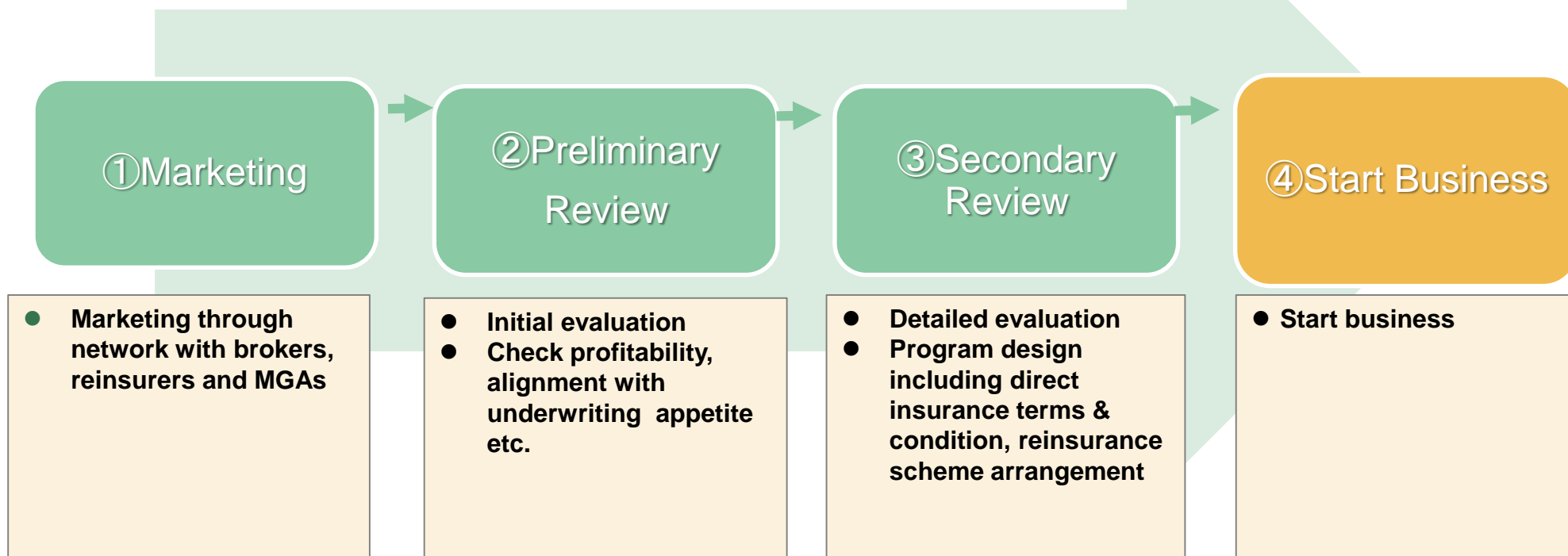
Business Model of Transverse



* E&S(Excess & Surplus) market : Market in which risks that are difficult to underwrite in the admitted market and require a high degree of expertise are underwritten under lax regulated supervision by the authorities of each state in the United States. Flexible setting of rates and underwriting conditions is possible.

4. Strengths of Transverse (2) Selection Process of MGAs

- Has a strong network of MGAs/programs by leveraging Transverse's highly experienced and knowledgeable team for the US MGA space.
- Builds a robust underwriting process and carefully selects MGAs/programs through rigorous Due Diligence, pursuing growth and diversifying its portfolio.



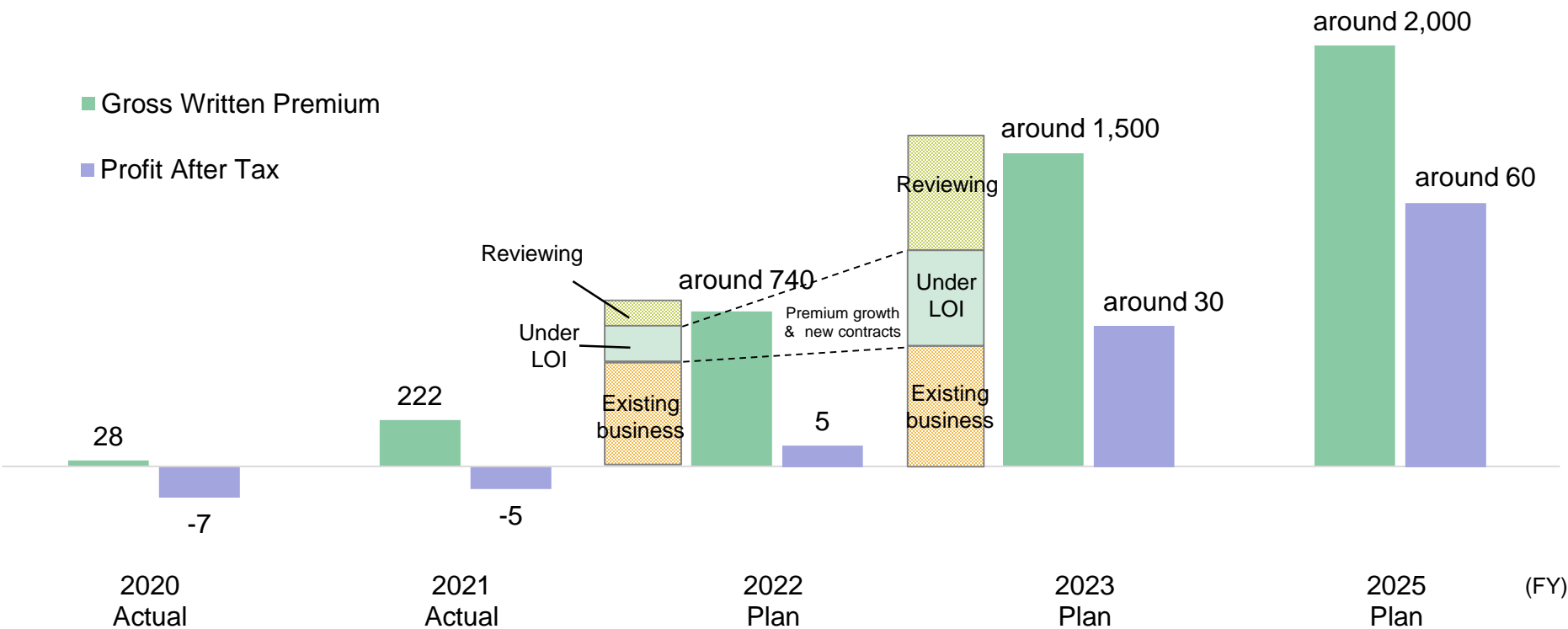
- Approx.10-20% of initial candidates pass through the process and start business.
- Prudent selection of MGA through internal process is highly evaluated by reinsurers

5. Transverse’s Growth Going Forward

- Transverse is expected to grow rapidly with the market growth of MGA/fronting and its strong network with MGAs and brokers.
- Accelerate Transverse’s growth by increasing business opportunities backed by the group’s strong credit rating and leveraging the group’s network and corporate resources.

Gross Written Premium & Profit After Tax

(M.US\$)



6. Strategic Significance of the Acquisition of Transverse

(1) Expand business foundation in the United States

- Capture business opportunities in U.S. MGA and other markets with remarkable growth as a surface not a point
- Enhance profit increase in the U.S. and diversification of revenue sources by gaining both commission and underwriting income from selective risk retention

(2) Group Synergies to strengthen the business foundation and expand business opportunities

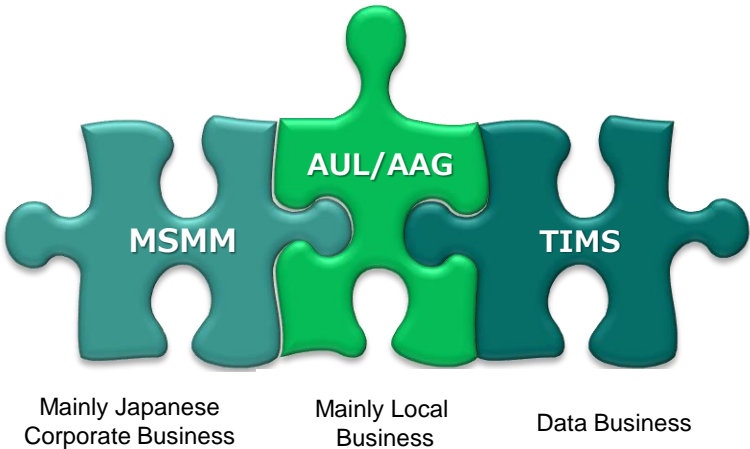
- Enhance creditworthiness of Transverse and gain new business opportunities backed by the Group's strong financial credit.
- Gain new sources for profit by incorporating new MGA businesses into the Group, while leveraging market intelligence on the MGA market and promising MGAs.
- Enhance operational efficiency by outsourcing and shared service within the Group .

(3) Investment in high-growth businesses

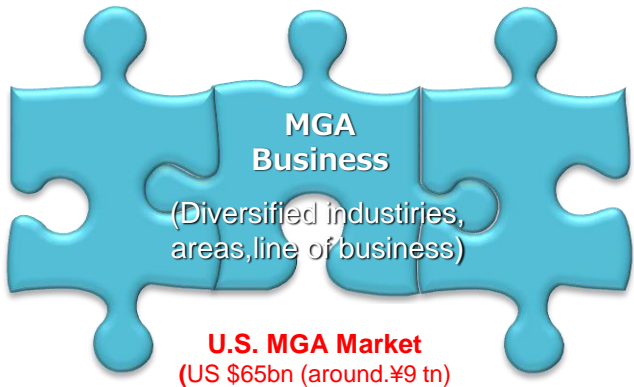
- Allocate capital to businesses with high growth potential

6. Strategic Significance of the Acquisition of Transverse
(1) Strategic expansion into the U.S.

Capture opportunities in the fast-growing
U.S.MGA Market



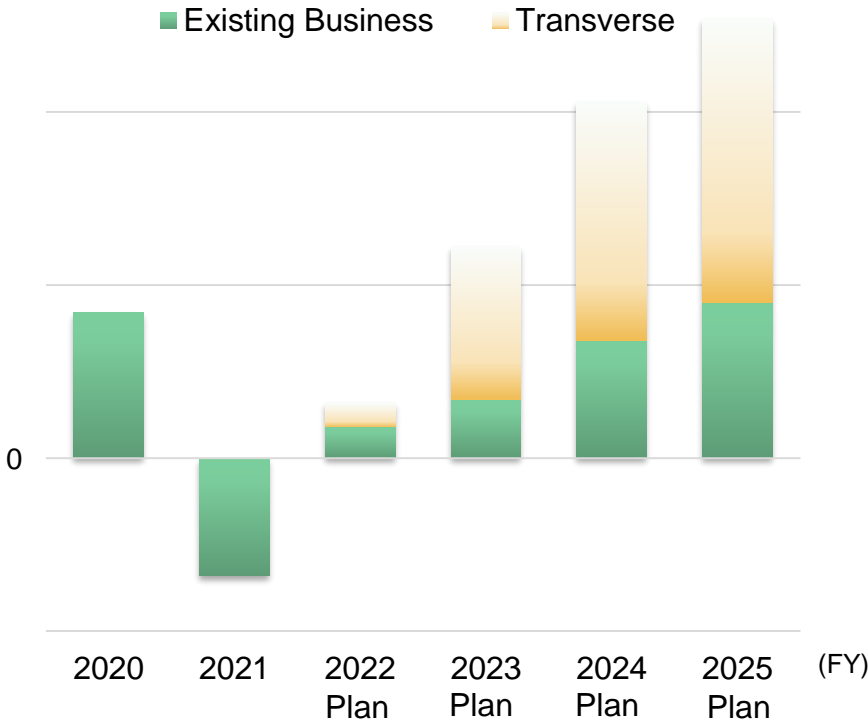
Accelerate business development in the U.S.
MGA market using Transverse as the Group's platform



Grow Earnings and Diversify Sources
of Revenue in the United States



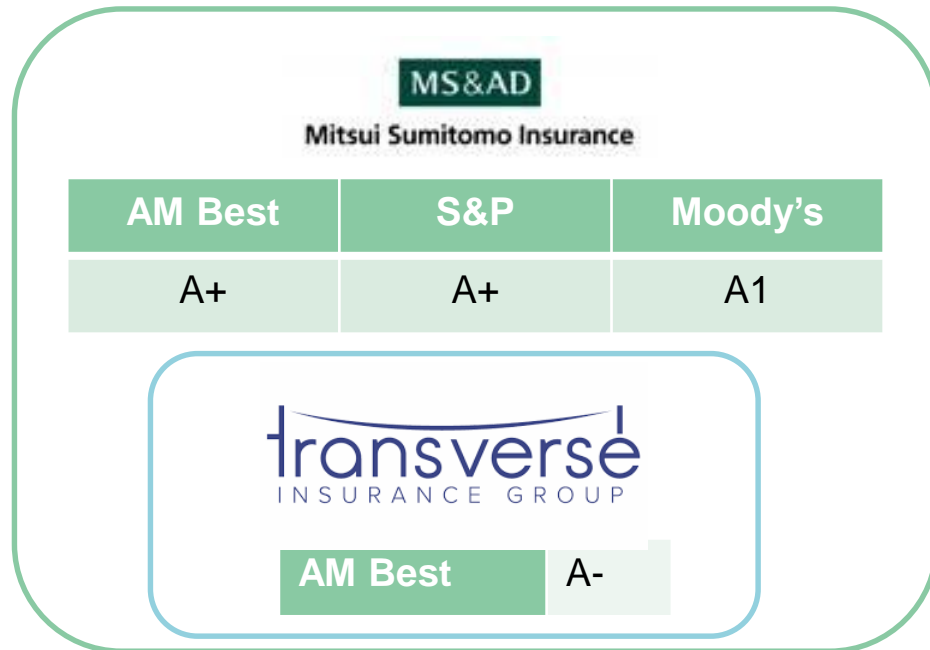
Illustration of Net Income Growth Potential
in the Americas



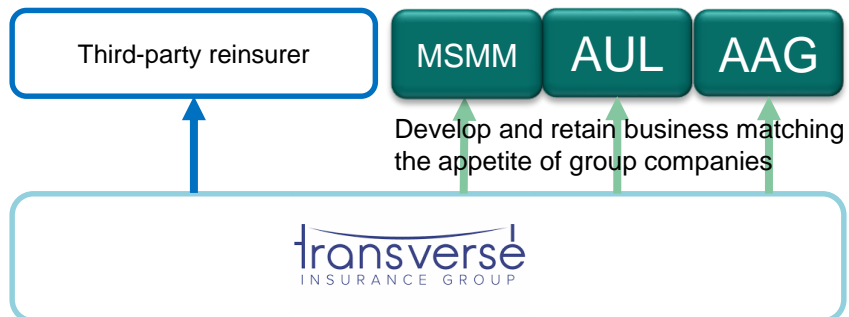
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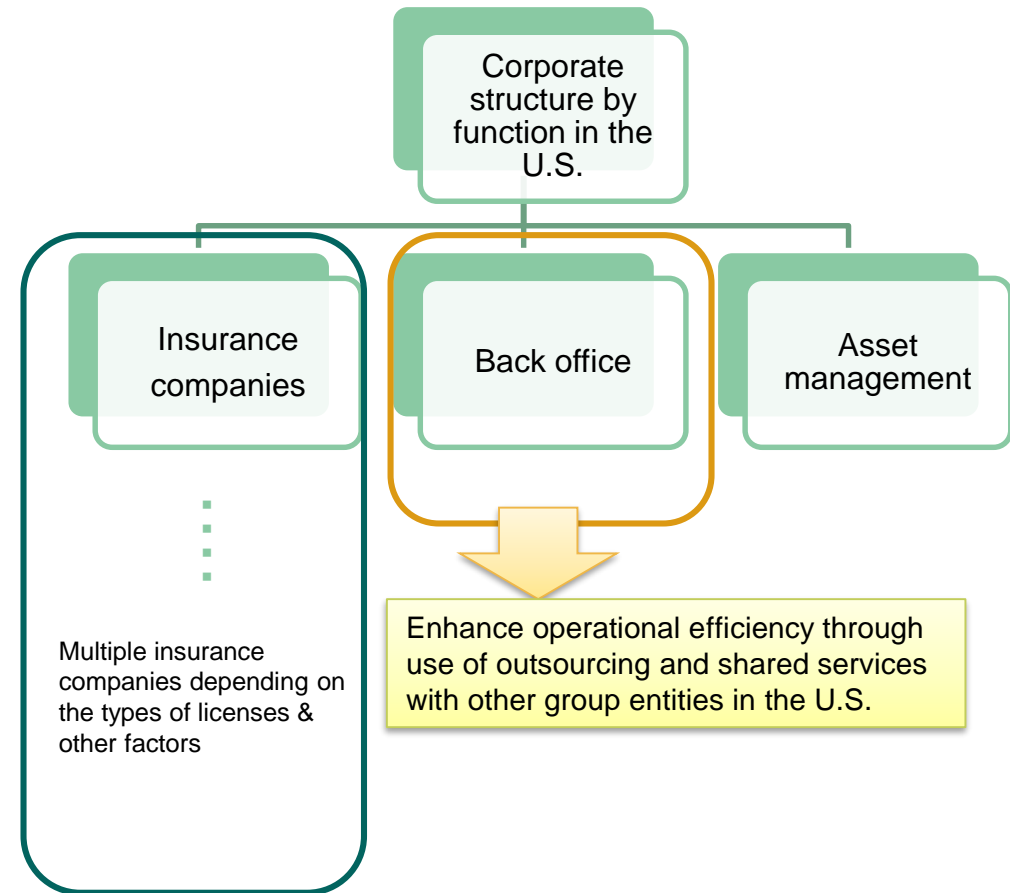
Strengthen Transverse's creditworthiness



Group retention of profitable risks



Enhance operational efficiency



7. Expected Financial Impact

	FY2023 (Outlook)	FY2025 (Outlook)
Impact on Group Adjusted Profit (FY2023), IFRS Net Profit (FY2025)* ¹	around +US\$30 million	around +US\$60 million
Impact on Group Adjusted ROE (FY2023), IFRS Adjusted ROE(FY2025)	around +0.1pt	around +0.2pt

*1. Included in the estimated profit increase of overseas businesses in the Medium-Term Management Plan (2022-2025).

End of FY2022 (Outlook)
Impact on ESR -2pt

Goodwill (including intangible fixed assets) : around 40 billion yen.

- Estimation by subtracting Transverse's net assets at the end of 2021 from total value of acquisition.
This is subject to change due to price adjustments based on net assets at the end of December 2022.

Comment from Erik Matson, Chairman and CEO of Transverse Insurance Group



We are all very excited about this development, and what it will mean for our future growth opportunities. This is a significant milestone for everyone involved in our growth journey and we're delighted to have found a home in MSI. Its balance sheet strength, rating, and international network will exponentially fast-track our development and innovation. This acquisition cements the success of our business and reiterates the value of our hybrid fronting model as a valuable tool that allows our partners to maximise the market cycle



Erik Matson

Chairman and CEO
Transverse Insurance Group LLC

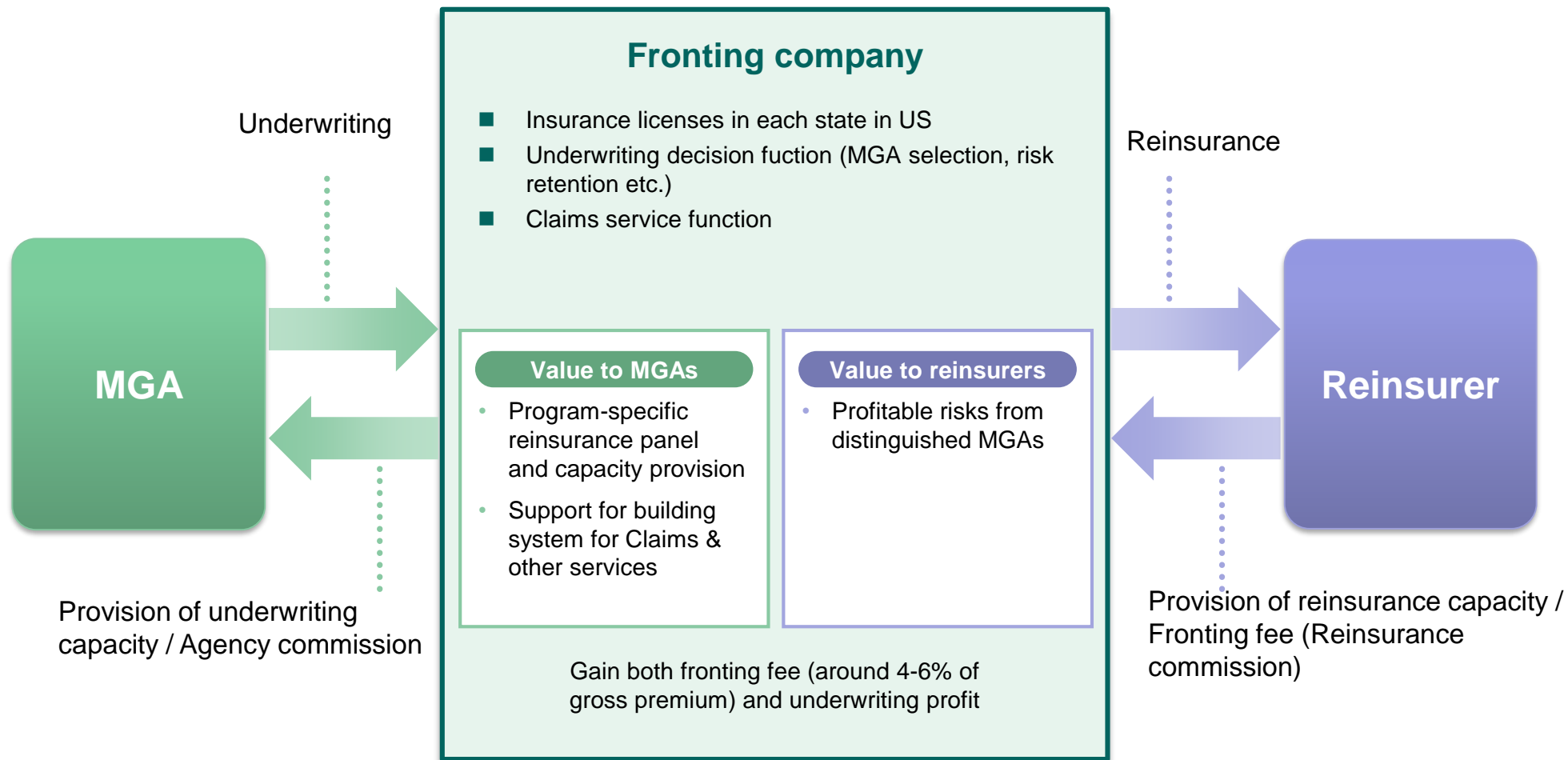
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Appendix

[Reference] Fronting Business Model (Illustration)

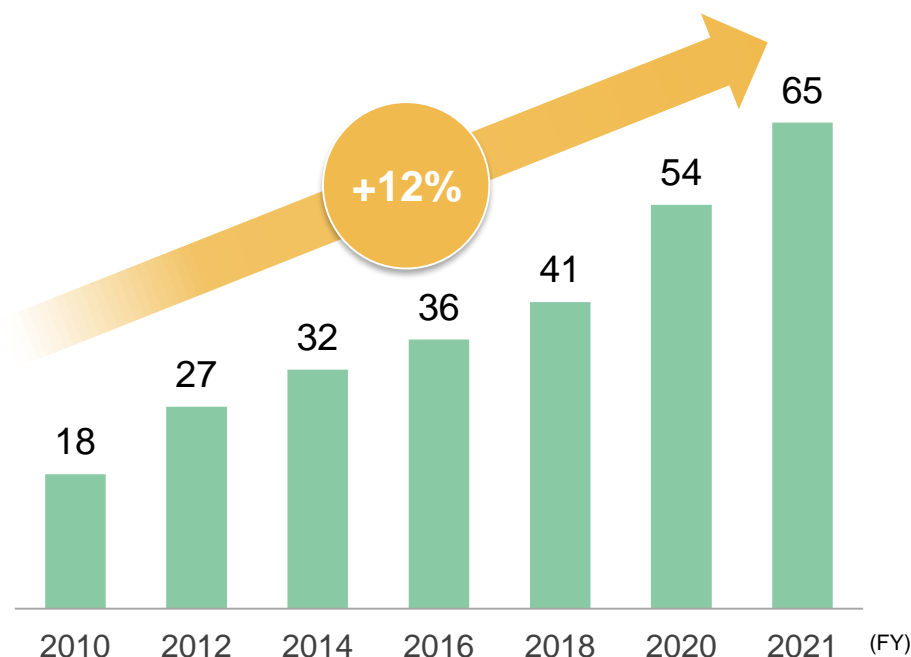


[Reference] Overview of U.S. MGA & Fronting Business

- The size of the U.S. MGA in 2021 was **US\$65 billion** (around JPY 9 trillion), around **3.6x** growth from 2010.

MGA market gross written premium

(B.US\$)

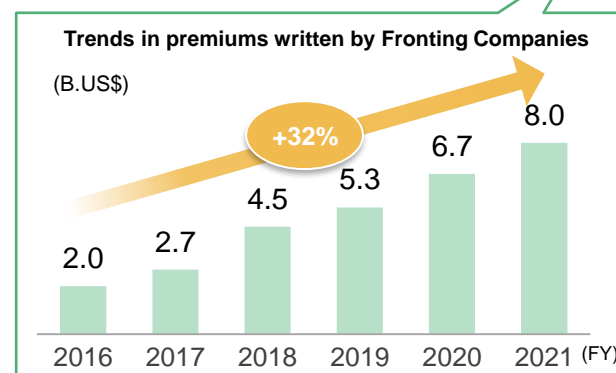
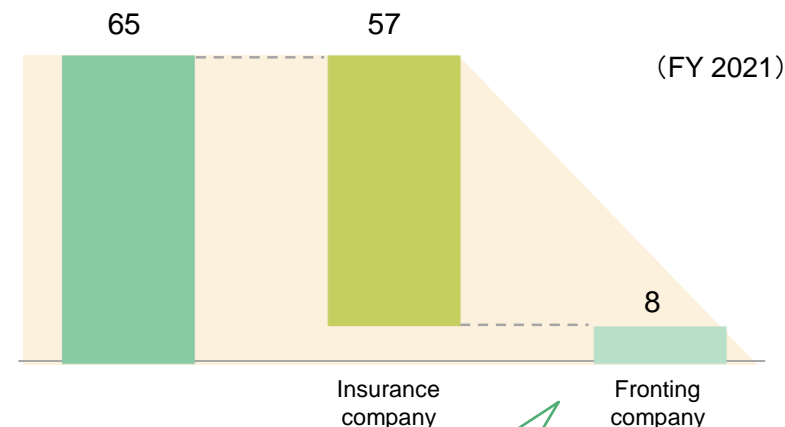


- There are more than 700 MGAs in the U.S. market, showing rapid growth.
- The E&S market, a key market for MGAs, has grown significantly.

Source: Dowling's U.S. Fronting Market Overview History & Evolution 2021 Report
Conning Managing General Agents Rising to the Challenge 2021 Report

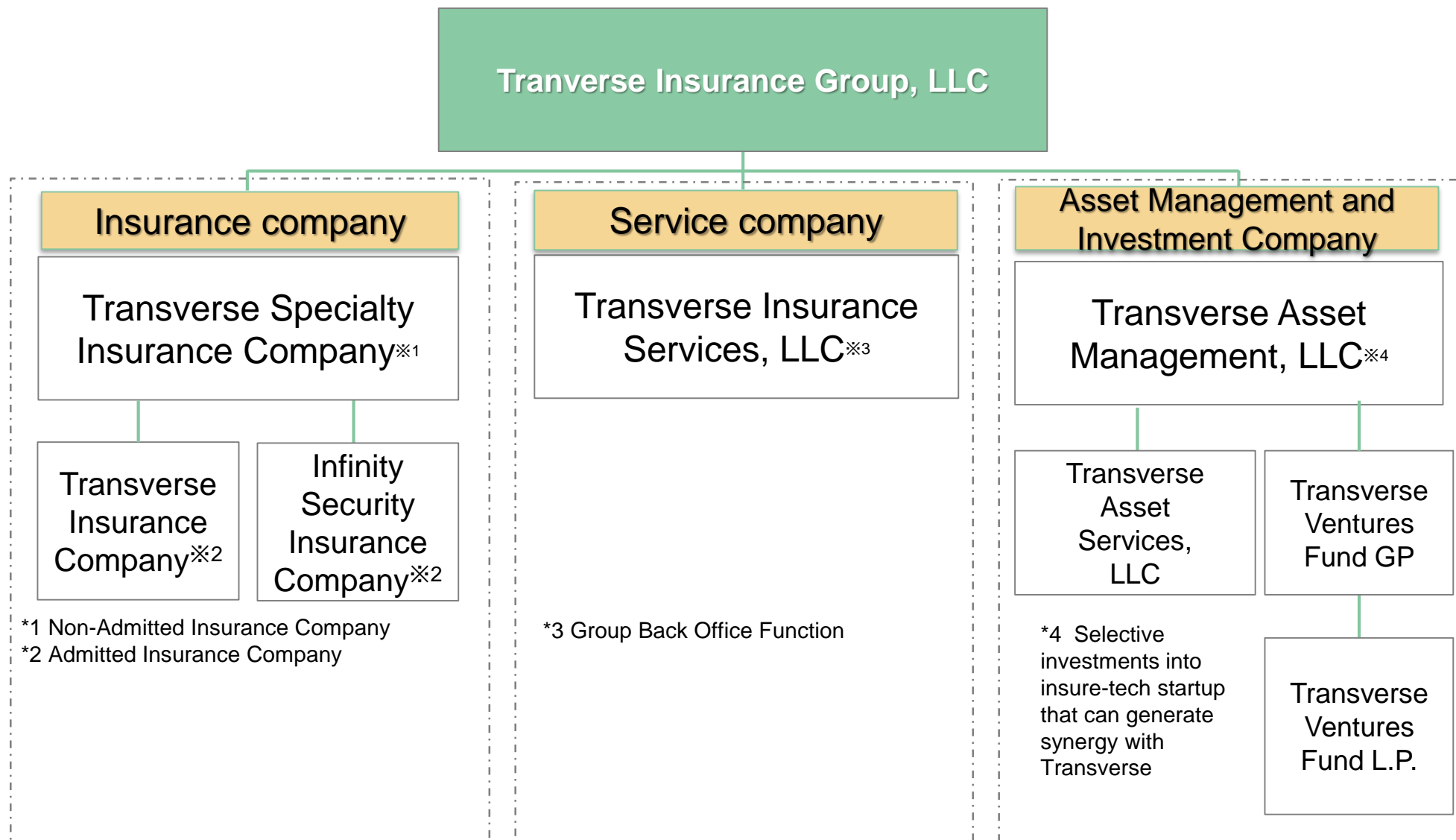
MGA Premium written by Fronting Companies

(B. US\$)





- The fronting market with its flexible capabilities is expanding rapidly in line with continued risk diversification.
- Whilst premium written by fronting companies is still small (US\$8Bil) compared to the overall size of the market, there is high potential for growth.

[Reference] Structure of the Transverse Group



[Reference] Transverse senior management

- Transverse's management holds unique expertise and extensive contacts in the U.S. MGA market.
- Committed to continue managing the company post-acquisition.

Senior Management	Background
Erik Matson Chairman and CEO 	<ul style="list-style-type: none">• Co-founder• 30 years of experience in the (re)insurance industry. Former President of AIG Americas (SME/all commercial lines) including Lexington Program Division. He has extensive network in the U.S. MGA market.
David Paulsson President 	<ul style="list-style-type: none">• Co-founder• 17 years of experience at Alternative-investment companies (Paragon Outcomes, Weston Capital, MayerCap, etc.)• Founded Cedilla Capital in 2015, an investment and advisory firm.