

MS&AD Holdings Conference Call (February 14, 2020)

FY2019 3Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on February 14, 2020.

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

MSI : Mitsui Sumitomo Insurance Co., Ltd.

ADI : Aioi Nissay Dowa Insurance Co., Ltd.

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

MS Amlin : MS Amlin plc (MS Amlin Limited at present)

- Q1: Please tell us about the impact of the upward revision of the estimated amount of payout for Typhoon “Faxai” (No. 15).
- A1: The estimated amount of payout has increased mainly due to an increase in the unit price of payment. However, since coverage is provided by reinsurance, there is basically no effect on the net incurred loss.
- SQ1: How much do you expect the reinsurance costs for the next fiscal year to rise since the recovery amount from reinsurance exceeded initial expectation during this fiscal year?
- SA1: There is no change to the policy of appropriately utilizing the reinsurance for the purpose of improving our financial soundness and for stability of our profit and loss for the next fiscal year. We are currently in negotiation with reinsurers regarding contracts for the next fiscal year. Therefore, we cannot provide a specific figure for increased reinsurance costs. We will establish the most appropriate reinsurance scheme by taking into account capital efficiency and ROR.
- Q2: You recovered 12.7 billion yen in catastrophe bonds this year. Is this included in the earnings forecast that were released in the interim result?
- A2: It is reflected in the earnings forecast.
- Q3: Please tell us if the respective amount of reinstatement premiums for MSI and ADI and incurred losses from large loss incidents are trending within the range in the earnings forecast.
- A3: The reinstatement premium for MSI is around 5.0 billion yen in the interim period and around 11.0 billion yen at the end of the 3rd quarter. The reinstatement premium of reinsurance for ADI is around 4.0 billion yen in the interim period and around 8.0 billion yen at the end of the 3rd quarter. The incurred losses for large loss incidents have been trending within the range in the earnings forecast.
- Q4: With regard to the natural catastrophe losses overseas, how far you expect for the 4th quarter.
- A4: MS Amlin’s natural catastrophe losses are expected to be 17.0 billion yen full-year forecast. We expect it will come in the number overall.

- Q5: What is your assessment of the group adjusted profit almost achieving the annual plan at the 3rd quarter? Please tell us if this is in accordance with the annual plan after taking into account the effects of additional provisions such as underwriting reserves or above the plan.
- A5: The group adjusted profit by the 3rd quarter slightly exceeds the forecast, partially due to the timing of the sales of securities. There is no major change to the full-year group adjusted profit forecast because we are also expecting future operating expenses and some amount of losses.
- Q6: What are the special factors that will affect the group adjusted profit for the 4th quarter?
- A6: 30.0 billion yen in provisions for natural catastrophe liability reserves and 30.0 billion yen that reflects the tax effects of reorganizing the overseas businesses are included as assumptions underlying the earnings forecast.
- Q7: MS Amlin's underwriting profit has worsened in the last three months. Please tell us about the status of the measures to improve revenues and expenditures.
- A7: There have been downward pressures on the underwriting profit from the 2nd to 3rd quarters due to the impact of Hurricane Dorian. Aside from natural catastrophes, provisions for payment reserves for past-year contracts has settled down, and it is believed that measures to improve revenues and expenditures are working. However, losses from current-year contracts exceed the forecast at the beginning of the year due to multiple large losses.
- Q8: In terms of earnings progress for MS Amlin, the cumulative total up to the 3rd quarter is 8.6 billion yen, thus already exceeding the full-year forecast of 7.3 billion yen. Are there any negative factors in underwriting profit/loss, such as natural catastrophe losses and non-catastrophe large losses, in the 4th quarter, from October to December? Please confirm the underlying situation.
- A8: The full-year results for MS Amlin are still fluid because the accounts for the 4th quarter have not been finalized. We have not confirmed any natural catastrophes that are particularly large. In the 4th quarter, we anticipate certain costs related to foreign exchange accounting and reorganization, however, we believe that we can achieve our earnings forecast as a whole, including those factors.
- Q9: What is the outlook for MS Amlin's top line after FY2020, based on the results of the renewal rate in January 2020? Could you expect additional profits, if large natural catastrophes return to their average levels?
- A9: We believe MS Amlin was able to increase the premium rate at the same level as the reinsurance market. MS Amlin is focusing on their bottom-line and is working to steadily increase profits rather than significantly expand their top line.

- SQ9: I thought that MS Amlin's performance was flat. Would it be right to say that their business environment has improved?
- SA9: With regard to the top line, MS Amlin announced the withdrawal from the portfolios of unprofitable areas in September 2019, and we do not expect much growth in the top line. In terms of the bottom line, we believe that the loss ratio will improve and they will be able to steadily generate profits.
- Q10: Please tell us about the impact of the new coronavirus pneumonia. I think that there may be an impact on business interruption insurance for companies. What kind of effect will it have, and how big will the impact be? It will be OK if there is no impact at all, but please tell us your views on it.
- A10: Products that cover new coronavirus pneumonia include medical insurance, death benefit insurance and income guarantee insurance sold by MSI Aioi Life, and also include Group accident / medical insurance and overseas travel insurance sold by non-life Insurance companies as well. At this time, there is no significant spread of the infection in Japan, therefore, we do not expect any significant impact on business results. In addition, the group conducts stress tests for financial soundness that are based on the risk scenario where a pandemic occurs due to the outbreak of a new strain of influenza. Judging from the results of that test, even if the infection spreads in Japan, the impact on our financial health is expected to be very small.

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