Growth Strategy in Asian Business

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Hideyuki Tanaka
Managing Executive Officer
Mitsui Sumitomo Insurance Company, Limited
The International Business of MS&AD Group consists of the “International Non-Life Insurance Business” and the “International Life Insurance Business”. Today’s presentation is focused on “the Asian Business” of the International Non-Life Insurance Business segment.
Ever since the Group expanded into the Thai market in 1934, we have been building the network that enable to provide the insurance products to all countries in ASEAN region on the stable business foundation. Now the Group has established its strong presence in Asia.

Wide Customer Base
built through 85 years of operation
180,000 corporate customers,
1.53 million individual customers

Strong Presence
Ranked first in terms of premiums written
in the ASEAN region*

MS&AD 176 billion yen
A (Japan) 146 billion yen
B (France) 98 billion yen

Note : * Total premiums written in six major countries
(Singapore, Malaysia, Thailand, Indonesia,
The Philippines, and Vietnam).

Network covering the Entire Area
• A network of local companies and branches in all ASEAN member states that can provide direct insurance
• Alliances with major local partners

Diversified Portfolio
Breakdown of GWP in Asia (2018)

Auto, 44%
Fire, 23%
Marine, 9%
Other, 12%
Medical, 5%
Casualty, 5%

Classes

Brokers, 30%
Agencies, 24%
Direct, 13%
Bancassurance, 11%
Dealers, 11%

Channels **
Note : **Excluding The Philippines, Laos, Myanmar, South Korea and Sri Lanka.
2. Growth Potential and Challenges in the Asian Insurance Market

Both GDP and population are expanding in Asia resulting in considerable growth potential. Meanwhile, we have to improve profitability within the severe business environment due to tightening of regulations and intensifying competition.

**Growth Potential in the Asian Insurance Market**

<table>
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<tr>
<th>Real GDP growth rate of Asian countries (%)</th>
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<tr>
<td>8.0</td>
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<td>7.0</td>
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<td>6.0</td>
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<tr>
<td>5.0</td>
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<td>3.0</td>
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<td>2.0</td>
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**Population transition in Asian Region (thousands)**

Source: United Nations / World Population Prospects 2019

**Business Environment in the Asian Insurance Market**

- Strengthening of supervision and regulations (RBC, money laundering, IFRS, etc.)
- Liberalization of premium rates
- Intensifying competition
- Worsening asset management environment (falling interest rates, etc.)
- Frequent occurrences of natural catastrophes etc.

Challenge: Improvement of Profitability
3. Current Situation of the Asian Business and Outlook

Net premiums written has been growing steadily as a result of organic business expansion, the acquisition of MS First Capital, other M&A and their synergies resulting from M&A.

**Trend in Net Premiums Written**

(100 million yen)

CAGR 9.2%
3. Current Situation of the Asian Business and Outlook

Growing steadily aiming to become a leading company in Asia

**Expected Net Income in Vision 2021 Period**

(100 million yen)

- 2017
- 2018
- 2019 (Plan)
- 2021 (Forecast)

**Leading Company In Asia**

- Sustain No1 position in ASEAN region
- Build high presence in all countries in Asia
- Contribute to development of region/society
- Establish credible brand, rooted in region

Note: * Including special factors
4. Growth Strategies

- Promote initiatives for improvement of profitability as our challenge
- Capture “growth bonus” of population increase and economic expansion with the power of “the MSIG brand”

**Retail Market**
- Pursue strengths and improvement of profitability
  - Collaboration with platformers
  - Bancassurance

**Commercial Market and Infrastructure Business**
- Efforts in unexplored fields
  - Major local companies
  - International projects

**Emerging Countries**
- Tap into growing markets
  - Pan-Indian Ocean Economic Zone
  - Future growth in markets

**Digital Solutions**

**Pursue Group’s Comprehensive Strengths**

**Alliance with Major Local Partners and Additional Investments**

**Improvement of Profitability**
- Through initiatives in improvement of efficiency and cost reduction

The Growth Driver for the International Business
Accelerate initiatives for improving profitability. This will be achieved by our know-how and our key strengths stemming from the Head Office and our Group Companies.

**Outline of the Initiative for Improving Profitability**

- **Improvement of Loss Ratio**
  - Prudent Underwriting
  - Appropriate Payment of Insurance Claims
  - Efficient Sales Operations
  - Efficient Claims Handling

**Examples of initiatives for Automobile Insurance**

- Revision of rate/discount
- Revision of U/W guidelines
- Enhancement of accuracy in checking repair costs
- Utilize RPA
- Sales support systems for car dealers
- Video Chat

**Effect on Net Profit**

- Improvement of COR by 2%
- PAT increase of JPY3Bil in Asia
4. Growth Strategies (2) Retail Market

Promote Digitalization through Global Digital Hub (GDH) Singapore, cooperating with GDH Tokyo and MS&AD Ventures in Silicon Valley

**GDH Tokyo**
- Promote open innovation
- Develop innovative products/services
- Promote digitalization and educate staff regarding digital knowledge

**GDH Singapore**
- Pursue Digitalization in the retail market
- Address market features such as mobile popularization and the increase of digital native

**Silicon Valley**
- Find and invest into Startups with cutting-edge technologies
- Co-operation/Alliance with MS&AD group companies

**Utilize Digital Solution**

**Utilize Startups which MS&AD invested**

- AI
- Robotics
- Block Chain
- Big Data

- Our important Areas

**Singapore**

- Utilize Digital Solution
4. Growth Strategies (2) Retail Market

Promote initiatives based on a strong business base in ASEAN countries utilizing digital solutions

**Collaborations with Platformers**

(Asian countries)
Sell insurance products in collaboration with major ride-sharing companies.

(Indonesia, Thailand, Vietnam)
- Online Sales System
- Built-in Connect for insurance marketing, etc.

**Bancassurance**

Alliances with major local banks
- The Philippines
- Malaysia
- India
- Vietnam, etc.

**Digital Solutions**

- **Built-in Connect**
  (Digital platform for insurance sales)
e.g. Incorporate sales of insurance products into mobile applications of partner banks and for EC

- **AI Assistant**
  (Sales support system using AI)
e.g. Bank employees’ support of over-the-counter sales of insurance products in bancassurance

- **RisTech**
  (Base for analysis of big data)
e.g. Analytical customer data base on their bank loans to seek opportunities to sell insurance products
4. Growth Strategies  
(3) Commercial Market and Infrastructure Business

- Strengthen underwriting capabilities in collaboration with MS First Capital and MS Amlin as well as collaboration with Head Office
- Promote initiatives for infrastructure projects with the development of Asian economy

**Collaboration with MS First Capital and MS Amlin**

- Promote initiatives for underwriting related to large projects (chemical plants, etc.)
- Expand Specialty Insurance marketing. (D&O, Cyber, etc.)
- Utilize U/W know-how of MS First Capital for other group companies in Asia, etc.

**Collaboration with Head Office**

- Launch to sell products of Head Office (Credit, Weather, etc.) in Asia
- Utilize Group’s U/W Capacity
- Propose Global Insurance Programs to Asian Companies, etc.

**Pursue Group’s Comprehensive Strengths**

- Underwriting Capacity
- Underwriting Expertise
- MS&AD Global Network
4. Growth Strategies (4) Emerging Countries

**Population is approx. 53 million; GDP growth rate is around 7%**

**Approx. 400 Japanese companies established operations**
- 2015: Underwriting in a special economic zone licensed.
- July 2019: Investment of 10% shares of IKBZ (currently KBZ MS General Insurance) has been approved provisionally by the authority.

**Note:** IKBZ is an insurance company under KBZ Group, one of the largest conglomerates in Myanmar.

**Partner**
- Have one of the widest network of bases in Myanmar
- Operate a variety of business (bank, airline company, hotel etc.) as the group.

**Myanmar**

**India**
- 2016: Increased capital contribution ratio
- 2018: Second among the Company’s overseas bases, following MS Amlin, in terms of premium volume
- Major financial group in India
- Wide-ranging operations in southern India

**Sri Lanka**
- 2015: Invested in Ceylinco
- 2018: Additional investment, application of the equity method
- Market share is approx. 20% (largest financial group in the country)
- MSI invested in the life insurance field as well.

**Growth potential in Indian Ocean economic zone**

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<th>2020</th>
<th>2040</th>
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<tbody>
<tr>
<td>Population</td>
<td>2.6Bil</td>
<td>3Bil</td>
</tr>
<tr>
<td>GDP</td>
<td>9% of global GDP</td>
<td>12%</td>
</tr>
<tr>
<td>Exports</td>
<td>11% of global exports</td>
<td>16%</td>
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**Note:** Source: A 2013 study on the logistics infrastructure development project (Indian Ocean economic zone examination project) of the industry adapting to the earth’s environment and using technologies in Japan (March 2014, the Ministry of Economy, Trade and Industry)

**Sri Lanka: Global logistics hub**
One third of the container vessels and half of the oil tankers in the world are expected to pass off the coast of the country.
- 2015: Invested in Ceylinco
- 2018: Additional investment, application of the equity method

**Note:** Source: The World Bank Global Economic Prospect 2019-2021 annual average
• Asia is a dynamic market.
• MS&AD business and activities in Asia will provide value to Asian countries and communities, contribute to the development of society and life and to the sound development of the insurance industry through its business.
• In addition, tapping into business opportunities, we will accelerate growth of the MS&AD Group.

**Enters Early**
Established bases in each ASEAN country at an early stage while other Japanese companies enter the markets.

**Expands Base of Non-Life Insurance Business**
Acquired the non-life insurance business in Asia of AVIVA in the UK in 2004 and expand local business.

**Launches Life Insurance Business**
Invested in major life insurance businesses in different countries, including Malaysia, Indonesia, and India.

**Strengthens Base for Growth**
Strengthened a system for tapping into growth markets, acquiring First Capital, the largest non-life insurance business in Singapore, and investing into a life insurance business in China.

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To the New Era

Digitalization

MaaS
Sharing Economy
Appendix: Changes in the Combined Ratio

Changes in the combined ratio of Asian Business are as follows.

![Graph showing changes in the combined ratio from 2009 to 2018, with significant increase due to Thailand Flood in 2011. The ratio varies from 90.0% to 100.0% with a peak of 286.1% in 2011 due to the flood event.](image-url)