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INSURANCE GROUP

## Acquisition of Shares of Box Innovation Group

- Full-fledged Entry into the U.K. Telematics Auto Insurance Market -

December 24, 2014

- I am Takaoki Endo, General Manager of the Corporate Planning Department of MS&AD Insurance Group Holdings, Inc.
- Thank you very much for participating in this briefing on the acquisition of shares of the Box Innovation Group, a major U.K. telematics auto insurance company, amid your busy schedule.
- Let me begin.

## 1. Overview of the BIG acquisition

### About the Transaction

■ Aioi Nissay Dowa Insurance Company of Europe Limited (hereafter, "ADE" \*1) will acquire 75.01% of the outstanding shares of Box Innovation Group Limited\*2 for 105 million pounds (approx. 20 billion yen) from existing shareholders.

■ Assuming that the transaction is approved by the relevant authorities, we expect to complete the acquisition sometime after February 2015.

■ ADE underwrites insurance products sold by Insure The Box (hereafter, together with Box Innovation Group Limited "ITB Group").

\*1:ADE is a wholly-owned subsidiary of Aioi Nissay Dowa Insurance Co., Ltd. ADE develops and promotes retail business with Toyota dealers in U.K. and in Europe

\*2:Box Innovation Group Limited is the holding company for Insure The Box Group, which deals telematics auto insurance in U.K.

- Please look at Page 1.
- I will provide an overview of the transaction.
- Aioi Nissay Dowa Insurance Company of Europe Limited (hereinafter referred to as "ADE"), a wholly owned subsidiary of Aioi Nissay Dowa Insurance Co., Ltd., acquired 75.01% of the outstanding shares of Box Innovation Group for £105,000,000 (approx. 20 trillion yen) from existing shareholders.
- Box Innovation Group Limited is a holding company of Insure The Box that conducts business as a Managing General Agent (MGA) of telematics auto insurance in the U.K., and to simplify my explanation, I will refer to it as the ITB Group.
- I will provide a more detailed explanation of the MGA business later.
- The actual transaction is expected to result in the completion of acquisition in February 2015 or later, assuming that approval is obtained from the relevant authorities.
- Insure The Box (hereafter referred to as "ITB") is a general agent conducting an MGA business, and does not take insurance risks, as ADE takes the insurance risks. Catlin, which is the largest shareholder of the ITB Group that is an insurance group with Lloyds' largest syndicate, presently takes risks of the insurance, but ADE is scheduled to take risks of the insurance after the completion of the transaction.

## 2. Objective of Acquisition of Box Innovation Group Limited and Impact on MS&AD Group Business Results

### Transaction objectives

- Through this full-fledged entry into the U.K. telematics auto insurance market, we aim to advance our growth strategy and realize earnings expansion.
- We aim to expand ADE's business operations in Europe, which center mainly on the Toyota retail business.
- We aim to diversify our business portfolio by venturing into areas in which the MS&AD Group is not currently involved.
- Utilizing telematics technology should also help us to achieve our corporate mission.

### Impact on MS&AD Group business results

- There will be no impact on MS&AD Group business results in FY2014
- The acquisition will be entirely financed from cash on hand (i.e., we will not be raising capital or borrowing from outside sources).

- Please look at Page 2.
- I will explain the objective of the transaction.
- The ITB Group conducts an MGA business in telematics auto insurance in the U.K. The U.K. telematics auto insurance market is expected to grow rapidly, and the acquisition of the ITB Group will lead to growth and increased revenue in the U.K. and contribute to the achievement of the medium-term targets of the MS&AD Group.
- Furthermore, by utilizing ITB's telematics in ADE's business model of expanding sales of automobile insurance to users of Toyota vehicles centered on Toyota dealerships, we will strengthen ADE's Toyota retail business in Europe.
- This transaction will mark the MS&AD Group's full-fledged entry in the U.K. telematics auto insurance market, but because this is an industry that the MS&AD Group has not worked on in the past, we believe that it will lead to the diversification of our business portfolio.
- Furthermore, because the utilization of telematics will contribute to the promotion of safe driving and the reduction of automobile accidents, I am confident that this transaction will lead to the realization of our Mission of "to contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business."
- Next, I would like to explain the impact on the business results of the MS&AD Group.
- As mentioned earlier, the transaction is scheduled to be completed in February of 2015 or later, and it will not have any impact on the business results of the 2014 fiscal year.
- The funds used for the acquisition of shares will be allocated from cash on hand in Aioi Nissay Dowa Insurance.

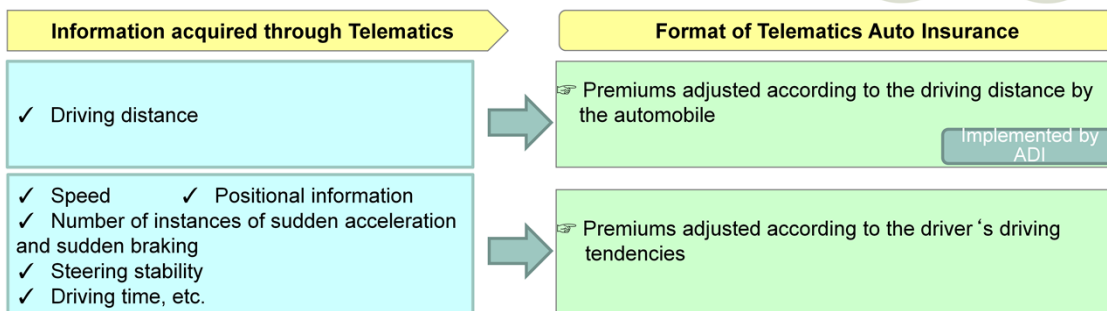
### 3. Overview of Telematics Auto Insurance

There is growing focus on the use of "Telematics" to collect data on driving tendencies such as driving distance, speed, acceleration and braking operation while driving and on "Telematics Auto Insurance" in which insurance premiums are set based on this.

Because "driving tendencies" is directly reflected in insurance premiums, this increases awareness of "safe driving" ⇒ Fewer accidents

#### <Reference> Examples of Use in Auto Insurance and Services

- ① Provision of services (automatic emergency reporting services linked to airbags, tracking services in the event of theft, delivery of traffic information and weather information in the area where a car is being driven,) using bidirectional communication systems in cars, etc.
  - ② ADI was the first to practically apply PAYD, "Pay As You Drive", for acquiring the driving distance through "G-BOOK" system in 2004. In April 2015, this undergoes a renewal as a product providing "safety, security and savings" in the form of "Connected Auto Insurance"
- \* There are examples of overseas auto insurance acquiring various driving tendency data such as speed, driving distance, driving time, and uses of accelerator and brake from car-mounted equipment, and using this data to adjust insurance premiums.



- Please look at Page 3.
- Before I provide an overview of the ITB Group, I will provide an overview of telematics auto insurance.
- Telematics auto insurance is a style of automobile insurance in which telematics are used to collect data on distance travelled and driving behavior such as speed, acceleration, and braking while driving, and insurance premiums are set based on this data.
- There are two types: one in which premiums are adjusted according to the distance traveled and the other in which premiums are adjusted according to driving behavior.
- Because driving behavior is directly reflected in insurance premiums when premiums are adjusted according to driving behavior, drivers are made more aware of safe driving, and this eventually leads to the reduction of traffic accidents, increasing focus from society.
- For reference, Aioi Nissay Dowa Insurance was the first in Japan to implement "PAYD (Pay As You Drive)" through Toyota's G-BOOK in 2004.

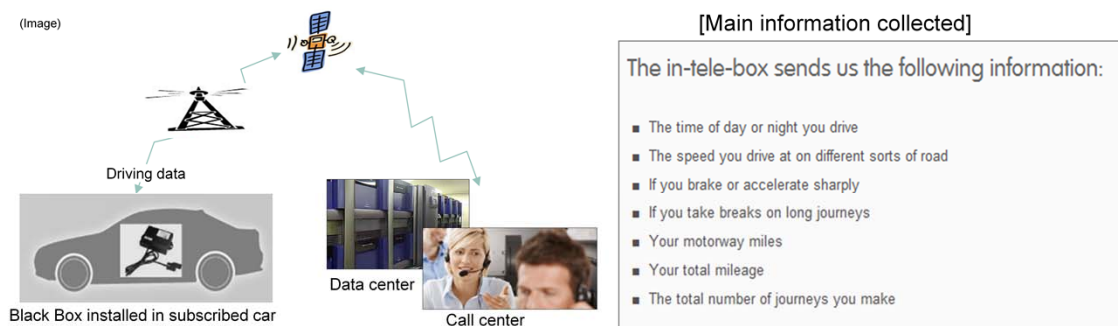
#### 4. Insure The Box Group Overview

Description of the company	<ul style="list-style-type: none"><li>•As a leader and the most advanced company in the field of telematics insurance in the U.K., Insure The Box—the main company under the BIG umbrella—is the U.K.'s biggest telematics insurance company.</li><li>•Insure The Box is an MGA which is a comprehensive insurance agent with all the functions of an insurance company except underwriting (risk-taking).</li><li>•The company's insurance risks are underwritten by Catlin (Lloyd's syndicate) and others.</li></ul>
Business track record	<ul style="list-style-type: none"><li>•All customers have devices installed in their vehicles, and in the five years since the business was launched, 300,000 have been sold. It currently has about 130,000 policies in force.</li><li>•It is estimated to have the top market share in telematics insurance in the U.K. (22% share of U.K. market in 2012)</li></ul>
Telematics technology	<ul style="list-style-type: none"><li>•As an MGA that develops all of its own telematics technology, it is a world-class company (biggest in U.K.).</li></ul>
Shareholders	<ul style="list-style-type: none"><li>•Catlin, Mr. Brockman and other members of the management team</li></ul>
Organization	<ul style="list-style-type: none"><li>•Box Innovation Group Limited, a Gibraltar-based company, and four subsidiaries including ITB under the BIG umbrella, divided by function.</li></ul>

- Please look at Page 4.
- Next, I will provide an overview of the ITB Group.
- The ITB Group is the U.K.'s largest telematics auto insurance company and has sold a total of 300,000 telematics auto insurance policies in the five years since its business was launched. The company's market share was 22% in 2012, and it is currently believed to have the top market share.
- The current shareholders are Catlin and the management of the ITB Group.
- The organization is made up of Box Innovation Group Limited as the holding company with four companies under its control. Please see the press release for details.

## 5. Efforts by Insure The Box

Insure The Box was established in 2009 and is the largest and leading company making advanced efforts in the area of U.K. Telematics Auto Insurance



- ① A proprietary device called a "Black Box" is installed in each insured car and receives driving data from the vehicle.
- ② The effect of reduced premiums through the use of Telematics is larger for young people with higher premiums, and many of the company's policyholders are young people.
- ③ Annual premiums of the company's new automobile insurance policyholders are reduced by an average of approximately £620 (approx. ¥120,000).

- Please look at Page 5.
- I will explain the efforts made by ITB in detail.
- To begin with, a proprietary device called a "Black Box" is installed in each insured car when signing up for a policy, and this device delivers driving data from the vehicle. When installing the device, it is possible to eliminate bad drivers such as illegitimate claims and modified vehicles because the actual vehicle is checked.
- The effect of reduced premiums through the use of telematics tends to be larger for young people with higher premiums.
- On average, new policyholders of ITB's automobile insurance are able to save £620 in insurance premiums per year.

## 6. Overview of Insure The Box's Product

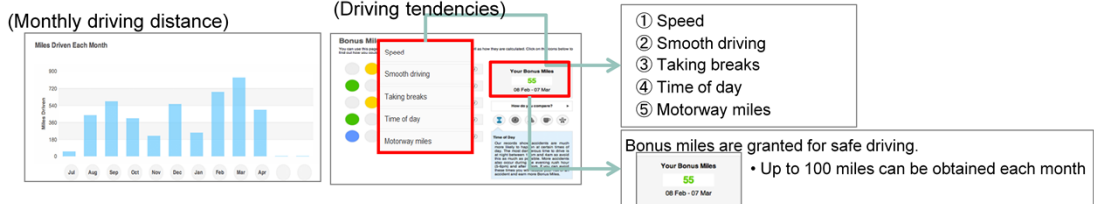
“Prepaid distance” automobile insurance with safe driving bonuses promoting safe driving by policyholders

### ① “Basic Miles” purchased when signing up

- Select from 6,000, 8,000 or 10,000 miles annual driving distances (Different premiums depending on the basic miles)  
<1 mile = Approx. 1.6km>

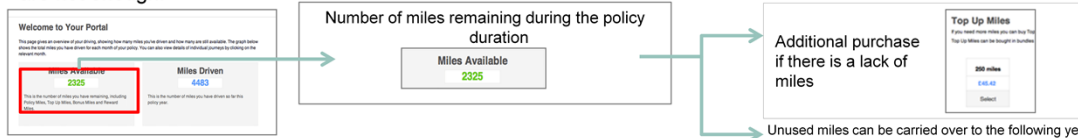
### ② Bonus miles acquired through safe driving

- Data on driving distance and driving tendencies is aggregated in the Black Box, and bonus miles are granted to good drivers.
- Policyholders can check the driving distance, driving tendencies and bonus miles acquired in the portal site.



### ③ Additional miles purchased if there is a lack of miles remaining

- Policyholders can check the number of miles remaining and purchase additional miles from the portal site if there are not enough.



■ Please look at Page 6.

■ I will provide an overview of the product.

■ The product is “prepaid distance” automobile insurance with safe driving bonuses promoting safe driving by policyholders.

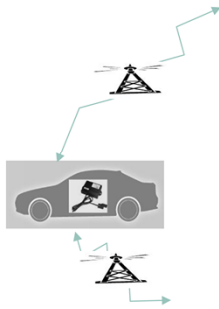
■ Advantages such as bonuses for distance driven are provided to good drivers based on the collected driving behavior data. Providing benefits to policyholders who are safe drivers by adding points instead of deducting them and by providing advice on safe driving through chat and social media leads to the provision of guidance on safe driving of all policyholders and the reduction of traffic accidents.



## 7. Unique Accident Service of Insure The Box

- “Emergency Service”: An emergency service responding to data received from the Black Box
- “Stolen Car Tracking”: Tracking and recovery of a stolen car based on information received from the Black Box

### [Emergency Service (Accident Alert)]



If a major accident is expected to have occurred based on information from the Black Box, the call center makes an outbound call to the mobile phone of the policyholder.

#### “If the vehicle is stationary after a strong impact”

- Because it is expected that a major accident preventing driving has occurred, an emergency call is made to the policyholder to check his/her safety, and support such as the arrangement of transportation is provided to the policyholder if required.

#### “If there is no response from the mobile phone”

- If there is no response, it is assumed that an injury has been sustained in the accident, and support for rescue activities is provided by placing an emergency call to the police and ambulance service as required

### [Stolen Vehicle Tracking Service (Theft Recovery)]

The vehicle is tracked and recovered using positional data from the Black Box based on a theft report from the insured vehicle.

- The vehicle is recovered by using positional and movement information on the insured car while working with the police.

(Note: Insure The Box boasts an extremely high recovery rate of stolen vehicles because the Black Box is installed in a place that cannot be seen from the outside.)

- Please look at Page 7.
- I will explain ITB’s unique service in case of car accidents.
- When an serious accident is assumed to have occurred based on data received, the call center immediately contacts the customer, and establishes a system for contacting an emergency hospital.
- In addition, positional data from devices in cars is utilized to provide unique services such as the provision of stolen vehicle tracking services.
- In this way, ITB differs from a business model of simple direct sales of telematics auto insurers because it aims to expand business using an excellent business model of communicating with customers and providing incentives for safe driving.
- This is also stated clearly in ITB's vision, and emphasis is placed on mitigating the negative effects of accidents by decreasing the number of accidents, saving lives, and increasing customers' awareness of safe driving through the provision of an unprecedented automobile insurance experience through the utilization of technology.
- Founder and CEO Mr. Michael Brockman, has worked on this business as his own dream saying “I want to reduce automobile accidents and save as many young lives as possible.”



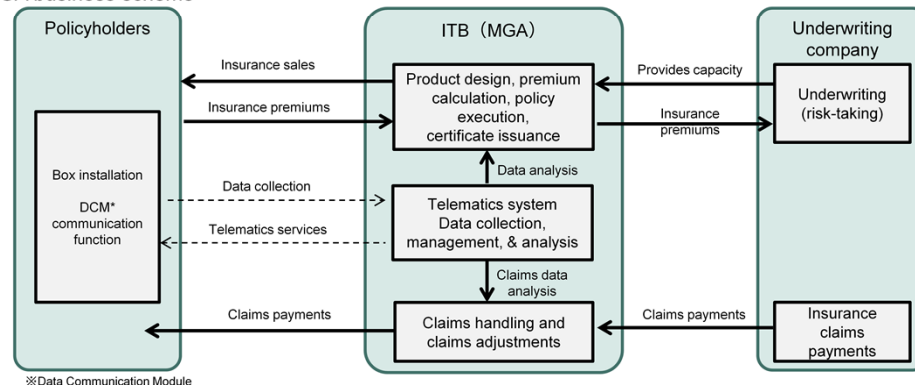
## 8. Overview of Managing General Agent(MGA)

### MGA functions

- An MGA is a comprehensive insurance agent that has all of the functions of an insurance company except underwriting (risk-taking).
- In addition to the typical insurance agency function, MGA provides insurance product design, claims handling, claims adjustments, etc. which are usually provided by insurance companies.

	Customer acquisition	Insurance sales	Claims handling	Customer service	Product design	Telematics system	Underwriting (terms & conditions)	Underwriting (risk-taking)	Claims adjustments	Claims payments
Insurance company	△	○	○	○	○	△	○	○	○	○
Agent	○	○	△	○	×	×	○	×	△	×
MGA(ITB)	○	○	○	○	○	○	○	×	○	△

### MGA business scheme



■ Please look at Page 8.

■ I will provide an overview of MGAs.

■ MGAs are general agents who have almost all functions of an insurance company with the exception of underwriting (risk-taking). In addition to typical agent work, they conduct operations normally handled by insurance companies, such as the design of insurance products, claims handling and claim adjustments. This may not be a familiar concept in Japan, but it is quite common in Europe and U.S.A.

## 9. Strategic Significance of the Acquisition

■ This full-fledged entry into the U.K. telematics auto insurance market will advance our growth strategy and bring about earnings expansion.

⇒ Increases revenue and profit from MGA business handling telematics auto insurance, an area where rapid growth is expected.

⇒ Increases ADE's insurance premiums and earnings, as it underwrites insurance through Insure The Box.

■ Advances the foreign growth strategy that was identified in our reorganization by function.

⇒ Strengthens ADE's European Toyota retail business thanks to telematics technology.

⇒ Acquires the expertise in Telematics technology held by Insure The Box and utilizes it throughout the entire MS&AD Insurance Group.

■ Diversifies our business portfolio by venturing into areas in which the MS&AD Group is not currently involved.

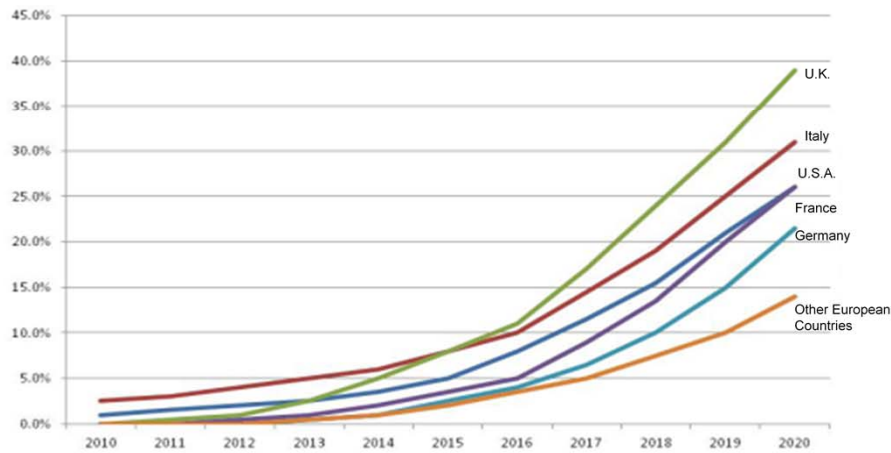
⇒ Matches the policy of "Actively investing in high growth and profitable areas in Japan and overseas" mentioned as a capital management policy in the Medium-Term Management Plan.

- Please look at Page 9.
- In closing, I would like to explain the strategic significance of the acquisition.
- The first aspect is that the acquisition will advance our growth strategy and bring about earnings expansion. As shown in the data on page 10, the telematics auto insurance market is expected to grow rapidly especially in Europe and U.S.A. In particular, it has been forecast that telematics auto insurance will account for almost 40% of automobile insurance in the U.K. by 2020.
- The second is the promotion of the overseas business strategy mentioned in the reorganization by function. In the plan for reorganization by function set out in "Next Challenge 2017," the medium-term plan of the MS&AD Group, Aioi Nissay Dowa Insurance will continue to strengthen its Toyota retail business within its overseas business. We believe that the ITB Group's telematics technology will bring about synergies utilized in the strengthening of ADE's European Toyota retail business and further strengthen overseas business.
- The third is diversification of the business portfolio. The capital management policy in the group's medium-term management plan also mentions "actively investing in high growth and profitable areas inside and outside Japan," and this acquisition is in line with this policy.
- That concludes my presentation. Thank you.

### (For reference) Overview of the market for telematics auto insurance

- The market for telematics auto insurance is expected to grow rapidly, and by 2020, the size of the global market is projected to exceed \$50 billion.
- Currently, Italy has the highest level of penetration for telematics auto insurance.
- Amongst western countries, the U.K. is expected to show the largest growth going forward.
  - ⇒ Telematics auto insurance is projected to account for nearly 40% of automobile insurance by 2020 in U.K.

Telematics auto insurance as a share of automobile insurance (Europe & the U.S.)



Source: MLIT (Ministry of Land, Infrastructure, Transport and Tourism)

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