

Advancing with you

MS&AD Holdings

MS&AD INSURANCE GROUP

MS Amlin Underwriting Limited

July 19, 2022 (Tue)

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- 1. Progress on 2021**
- 2. Mid-year update on 2022**
- 3. Strategy towards 2025**

1. Progress on 2021 – Full Year Performance

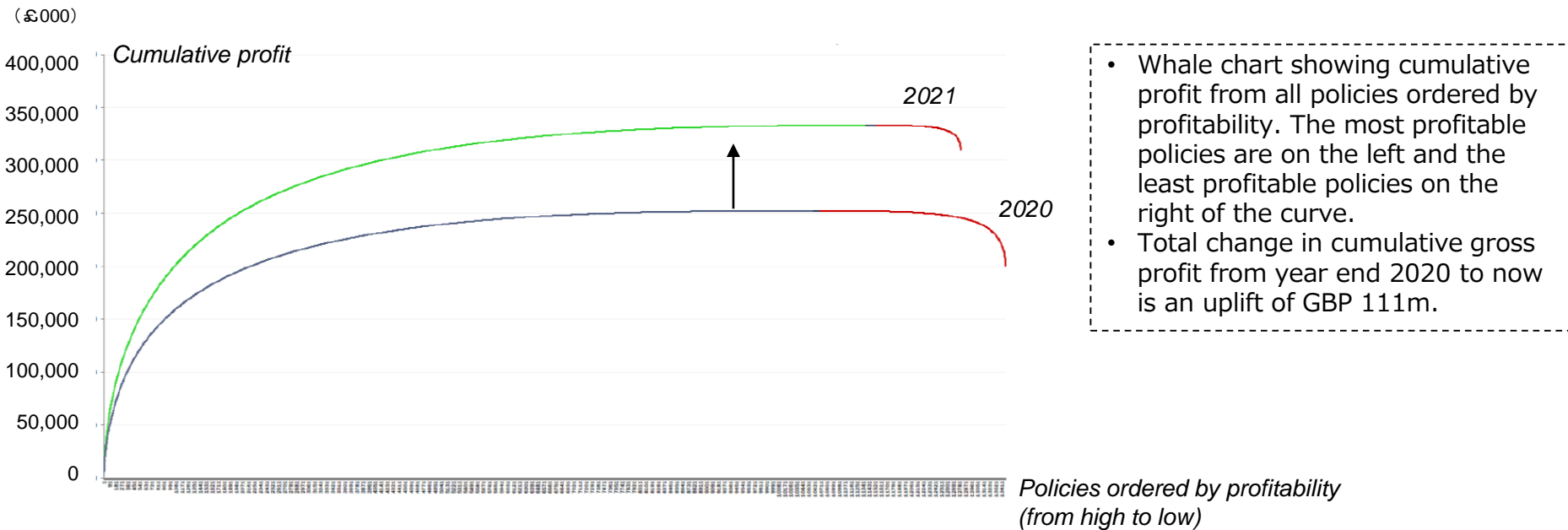
- ✓ After tax profit of £37m for the year, an improvement of £199m versus 2020
- ✓ Excluding discontinued classes, AUL produced a profit on the continuing classes of £127m
- ✓ Profitable underwriting result of £15m and 98% COR
- ✓ Majority of classes performing significantly ahead of plan
- ✓ Achieved rate movement of +8.5% against plan of +7.6%
- ✓ Syndicate performance in line with Lloyd's market (Loss ratio AUL 59% vs. Lloyd's 58%)
- ✓ Concluded remediation programme (Project Lisbon)

KPI	2021 Plan	2021 Actual	Var.
GWP £m	1,512	1,340	-172
Claims Ratio	54%	59%	+5pt
Underlying Claims Ratio*	47%	46%	-1pt
Acquisition Ratio	28%	26%	-2pt
Expense Ratio	14%	13%	-1pt
Combined Ratio	95%	98%	+3pt
Underlying Combined Ratio*	91%	89%	-2pt

* Excluding catastrophe and Covid-19 losses, prior period reserve changes (incl. management margin) and FX.

1. Progress on 2021 – Improvements in underlying performance

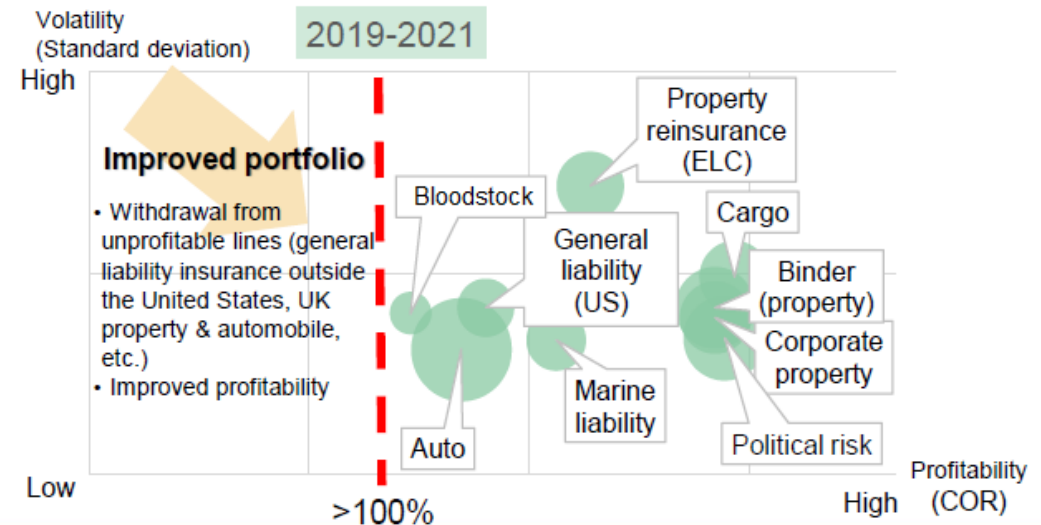
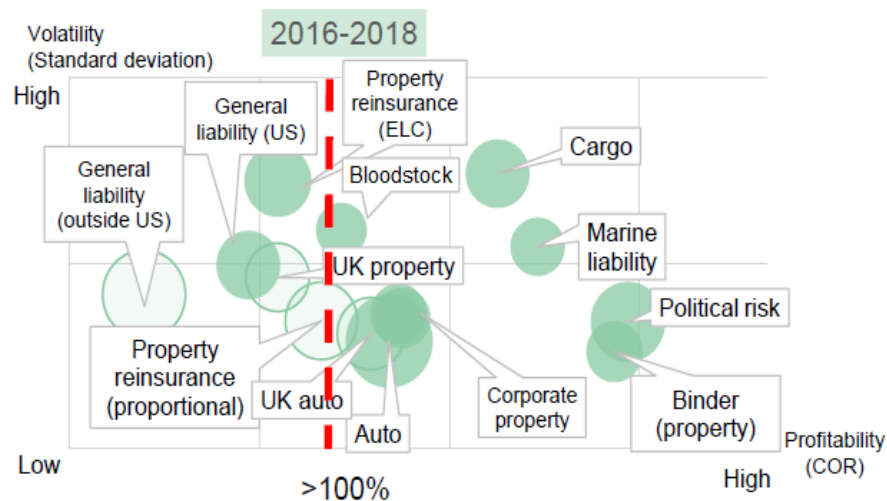
- ✓ Focus on risk selection and gross margin leading to significant change in cumulative gross profit



- ✓ The underlying loss ratio (non-cat gross earned LR) continues to improve
- ✓ Achieved higher rate than plan, the benefit of which will also flow through to 2022
- ✓ Strong performance in Natural Resources, Marine and Crisis Management divisions

1. Progress on 2021 – Improvements in underlying performance

- ✓ The majority of non-cat classes became more profitable as a result of portfolio improvements, rate improvements and better risk selection

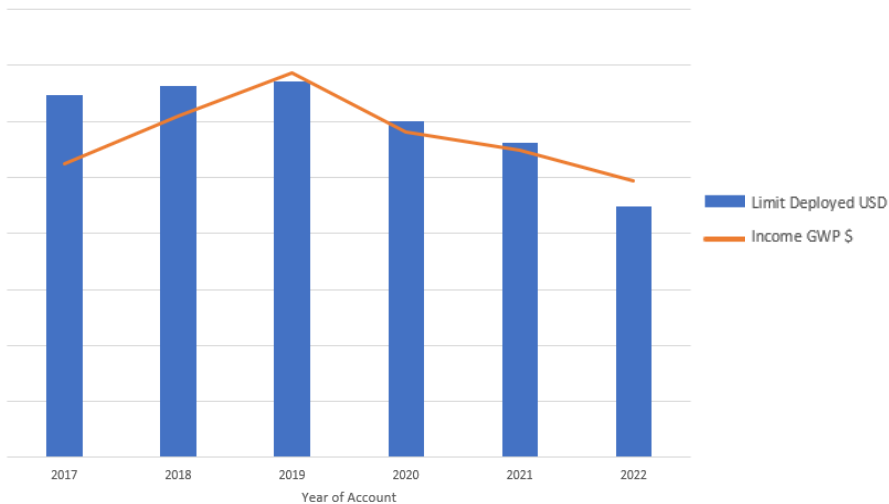


1. Progress on 2021 – Update on cat exposure in North America

- ✓ Reduction of exposure to severe convective storms (tornadoes, Derechos etc.) due to increased frequency/severity of events
- ✓ Reduce exposure in Florida and the Gulf Coast
- ✓ Continue to shift to higher attaching layers
- ✓ Continue to push for rate while maintaining disciplined underwriting approach

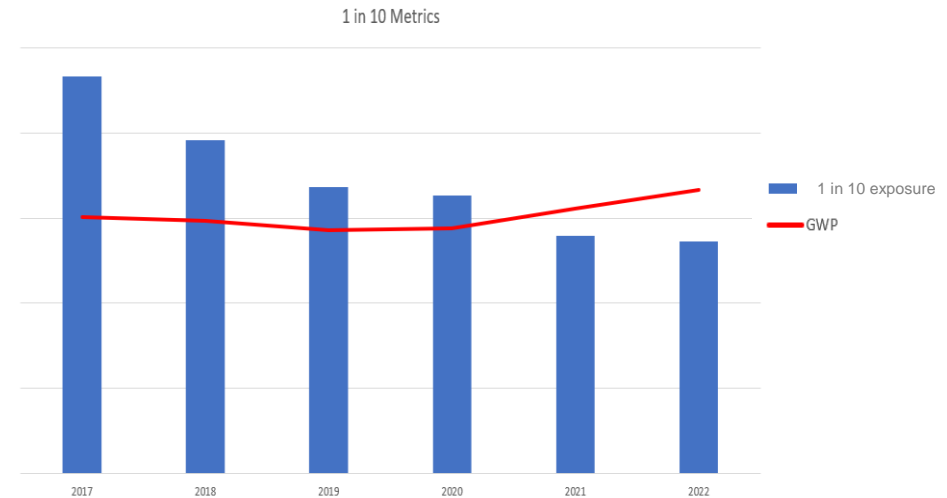


1) Lower limits deployed



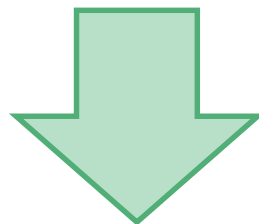
Example of major client segment with exposure reductions on lower layers

2) Less exposure while growing premium



2. Mid-year update on 2022 – Financial outlook

AUL's year-end financial results are expected to be impacted from the War in Ukraine as well as investment losses during Q1-Q2



MS AUL is pursuing the below activities to close the gap to plan

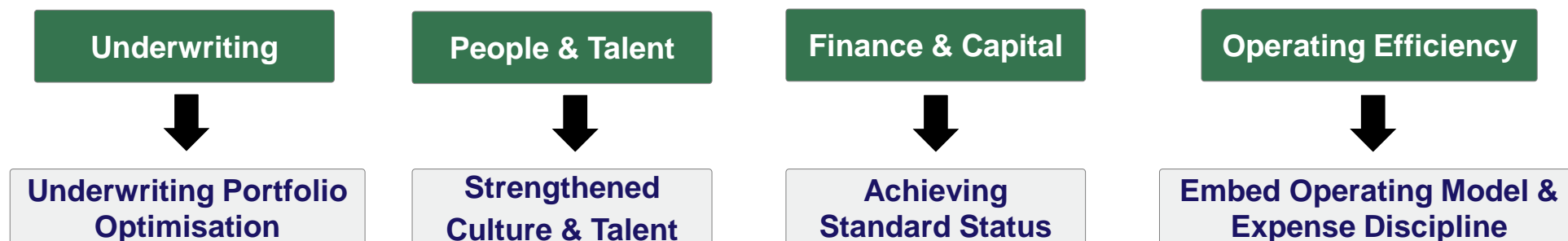
- Continued focus on underwriting profitability
- Operational efficiency through a multi-year BPO service provider removing no-value added activities
- Reinsurance solution for the discontinued classes of business
- Expense reduction initiatives that will be kicked off in 2022

2. Mid-year update on 2022 – Update on Ukraine and Q1

- There is significant uncertainty surrounding insurance losses due to the on-going situation, with the quantum of final losses being currently unknown
- AUL has been mostly affected in its Political Violence and Political Risks portfolios
- AUL has ceased renewing any exposed policies, scaled down its exposure whilst the situation on the border has escalated and has immediately responded to all sanctions on Russia
- Q1 results were significantly affected by booking Ukraine reserves in addition to negative return on investments as a consequence of geopolitical instability

2. Mid-year update on 2022 – Strategic Actions

- ✓ AUL continues to make progress in all areas of focus, with governance, planning and reporting framework established



Underwriting	<ul style="list-style-type: none"> • Key actions against poorly performing classes taken • Considering underwriting growth initiatives in 2022/23 • Exploring use of data analytics tool to gain insight into historic data
Finance & Capital	<ul style="list-style-type: none"> • Strengthened internal model (Major Model Changes) • Planning and executing reinsurance transactions for prior year reserves
Operations	<ul style="list-style-type: none"> • Considering outsourcing solutions to strengthen operating efficiency • Focusing on delivering 2022 expense reduction targets
People & Talent	<ul style="list-style-type: none"> • Leading organizational design of AUL Functions • Designed talent and succession framework • Implemented new graduate and apprentice scheme

3. Strategy towards 2025 – AUL's aspirations as part of MS&AD

Our goal is “To be a prestigious underwriting business, with a market presence worthy of our heritage and potential”

- Return to £1.8+ billion Gross premium levels in the medium term
- Drive profitability of MS&AD's international business by producing sustainable profits regardless of major events
- Enhance synergy among MS&AD group by providing AUL's expertise in specialty underwriting and other areas (ESG etc.)
- Contribute to sustainability by producing climate change policy that monitors policyholders carbon footprint and expanding into underwriting renewables

3. Strategy towards 2025 – Summary of ambition in 2025

- Achieve **premium of £1.8bn** with **COR around 90%** by growing profitable business lines such as Natural Resources or Crisis Management where AUL has a strong track record and is well-positioned to win.
- Continue to push for rate increases, especially in business lines where the market is expected to remain hard (e.g. Political Violence/Risk).
- Execute transfer of AUL's legacy exposure to third parties in order to reduce earnings volatility arising from prior year reserve, reduce risk capital, reduce operating and rationalize legacy systems.
- Reduce admin expenses and enhance operational efficiency through use of Business Process Outsourcing and automation of non-value adding tasks.
- Work with Lloyd's on modernizing and digitalizing the market in areas such as data, delegated authority management, claims or ESG.
- Review investment strategy and IT infrastructure in collaboration with service partner MS Amlin Corporate Services.