

MS&AD Holdings Conference Call (February 14, 2019)

FY2018 3Q Briefing Q&A Summary

Below is a summary of the Q&A session from the IR conference call held on February 14, 2019.

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

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

MSI : Mitsui Sumitomo Insurance Co., Ltd.

ADI : Aioi Nissay Dowa Insurance Co., Ltd.

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

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

MS Amlin : MS Amlin plc

Q1: The impact of natural catastrophes and a deterioration in net investment income are expected in the fourth quarter at MS Amlin. Given that the earnings forecast for the entire year has not been revised, do you think these negative elements can be offset by other items? Also, you explained that you were planning to reverse reserves for part of your portfolio. Does this mean that your forecast has shifted to reversing reserves despite the accumulation of reserves becoming stricter due to the strengthening of supervision from this fiscal year?

A1: In the fourth quarter, we expect to see the impact of the California wildfires and others and a deterioration in net investment income. Meanwhile, although non-cat risks fell below the planned level in the third quarter, the effects of previous efforts to improve revenues and expenditures have become visible moving into the fourth quarter. Overall, reversals of reserves have not progressed as anticipated due to regulations, but the required levels have been reached in parts of our portfolio. Due to the large burden of the California wildfires and others, negative impacts are not fully covered by MS Amlin, but as the domestic non-life insurance business and the domestic life insurance business are performing comparatively well, we will undertake initiatives including in these areas.

Q2: What is the amount of MS Amlin's large losses including natural catastrophes in the third quarter?

A2: As you can see on page 12 of the materials, losses on overseas natural catastrophes totaled 13.7 billion yen in the third quarter. The losses on overseas natural catastrophes were zero in the second quarter, so this 13.7 billion yen is the amount incurred in the third quarter. In addition to one large loss exceeding \$20 million during the third quarter, it is our view that it was a quarter with more comparatively high-value losses referred to as medium-scale losses than in other years.

SQ2: I think the losses incurred at MS Amlin due to natural catastrophes in the third quarter amounted to around 100 million pounds. I think underwriting results for other than natural catastrophes must have deteriorated compared to the first and second quarters because there was 144 million pounds of

underwriting loss during third quarter. What were the contributing factors?

SA2: As shown in the slide, in addition to the multiple large incidents that I explained earlier, underwriting results deteriorated as a result of additional provision of reserves in a specific portfolio that we plan to transfer externally.

Q3: What is the situation regarding rate hikes in the reinsurance business for the January renewal?

A3: The size of the rate hike was around +1% for the reinsurance market as a whole, and the level at our company was roughly in line with the market. Renewal of North American natural catastrophe treaties that suffered large losses for these two years are concentrated in June and July, and did not make large impact on January renewals.

Q4: Could you provide your outlook for overseas natural catastrophes at MS Amlin and ADI?

A4: The California wildfires event was not sufficiently taken into account in the earnings forecast made last November, so this portion will exceed the amount overseas natural catastrophe fund had been looking at in the forecast. ADI has included the losses from the California wildfires in the third quarter results. So, if any other events than this occur in the fourth quarter, losses from overseas natural catastrophes possibly increase.

Q5: The Group adjusted profit of MS Amlin currently includes gains and losses arising due to fluctuations in the price of securities. Will any changes be made to the handling of these gains and losses?

A5: While it would be a different situation if there were some sort of special gains and losses, we do not have any plans to change how these are handled.

Q6: Please explain the possibility of MS Amlin's goodwill being impaired.

A6: Impairment of goodwill is not planned at this time. We believe there will be a certain degree of improvement in the figures for the loss on non-cat lines even in the fourth quarter. Although we will not determine impairment based on this alone, an overall improvement is being made and we want to take a slightly more medium- to long-term perspective.

Q7: Am I correct that the net incurred losses remain largely unchanged despite the 100 billion yen increase in losses on a direct basis due to Typhoon "Jebi" (No. 21) because reinsurance functioned?

A7: Your understanding is correct.

SQ7: Please confirm the domestic natural catastrophes that were accounted for in the third quarter.

SA7: Losses from Typhoon "Trami" (No. 24) occurred during September and October. Of these, losses arising in October were recorded in the third quarter.

Q8: What is the outlook for the hike in domestic fire insurance rates?

A8: We are considering the implementation of a rate increase in FY2019 according to the reference loss cost rate being raised by 5.5% last year.

SQ8: There are other companies that have indicated they expect to raise rates by more than 5.5%, but am I correct in my understanding that your company will not raise rates by more than 5.5%?

SA8: The final rates increase will be determined after taking into account the competitive environment, but our basic approach is that it is very important to improve profitability in order to ensure sustained coverage of natural catastrophe risks in our home market which we consider as our responsibility.

Q9: Are you considering using the domestic life insurance subsidiaries to cover the downturn in earnings in the international business, such as pushing back the timing of the accounting for expenses that had been planned for the fourth quarter?

A9: The two domestic life insurance subsidiaries are ahead of targeted levels at the end of the third quarter, and we expect this to continue for the full year. We do not especially make any adjustments in the timing of recording expenses.

Q10: Is it acceptable to assume that ESR has returned to a level near 210% due to the recovery of the stock market since January?

A10: The ESR level is shown on page 25 of the materials. ESR fell by around 10 percentage points at the end of December compared to September due to the Nikkei Stock Average falling to around 20,000 yen and the 30-year interest rate falling to 0.72%. At present, the 30-year interest rate has fallen to a slightly lower level than December, but as share prices have come back substantially, we see this as having a positive effect on ESR.

Q11: You did not purchase any treasury shares this time, but was that decision made based on a comprehensive consideration of factors such as the state of capital, with ESR falling to 202% at the end of December? Please explain your view.

A11: We intend to flexibly purchase treasury shares while considering factors such as the state of capital and the share price, so I will refrain from explaining the reasons for not purchasing treasury shares this time.

End