

Learning from our experience and track record of more than 100 years and rapidly responding to challenges stemming from societal changes, we pledge to continue to contribute to society for the next 100 years.

President & CEO

Yasuyoshi Karasawa



Photographed at the rooftop garden of Mitsui Sumitomo Insurance Surugadai Building

Two goals in the medium-term management plan, “Vision 2021”

What the Group aims at in order to realize “a resilient and sustainable society”

The MS&AD Insurance Group was founded in April 2010 with the objective of “creating a world-leading insurance and financial services group”. Subsequently, we experienced the Great East Japan Earthquake in March 2011, there were devastating floods in Thailand where many Japanese firms have factories, and the Group saw its first loss in fiscal 2011. At the time, as the combined ratio of domestic non-life insurance business exceeded 100% and insurance underwriting did not yield profits, the occurrence of such massive natural disasters led the **ESR** (economic solvency ratio), which is an index of financial soundness, to fall below 150%, reaching a dangerous zone.

In the previous medium-term management plan “Next Challenge 2017”, which tried to extricate the Group from such a situation, profits from domestic non-life insurance businesses improved markedly. As for integration within the Group, we opted for “reorganization by function” in order to simultaneously achieve growth and efficiency. To this end, we clarified the concept of each company. Thus, while Mitsui Sumitomo Insurance has a global and comprehensive business model, Aioi Nissay Dowa Insurance’s model is based on close relationships with local communities. Through the division of roles, including class of insurance, sales channels, and sales territories, coupled with overseas expansion, the Group has been able to amplify its comprehensive strength. As a result, last year, which was the final year of our management plan “Next Challenge 2017”, the combined ratio of the domestic non-life insurance business recovered to 92%. In addition, while the insurance market as a whole experienced **historic high insurance claims** due to hurricanes in North America and typhoons in Japan, our Group’s ESR maintained about 200%, enhancing financial soundness to a level that will be unshaken even under considerable stress.

In the Group’s new medium-term management plan “Vision 2021”, which builds on such results, two big goals are set. One is to become a world-leading insurance and financial services group, which the Group has been aiming at since its birth. Specifically, this means achieving a scale that is consistently **ranked among the top ten non-life insurance groups by income in the property & casualty insurance category of the Fortune Global 500**. This also means achieving a quality with a certain level of capital efficiency (Group Adjusted ROE of 10%) and financial soundness (ESR of 180-220%). As an insurance company, in order to underwrite various risks and prepare to meet claims in case of emergency, it is necessary to secure sufficient capacity. Currently, the scale of the MS&AD Group is ranked 8th in the world, which is the highest ranking among Japan’s non-life insurance groups. While maintaining this position, we would like to steadily boost quality-related KPIs.

The other goal is to create **resilient systems** that can swiftly respond to any change in these times of rapid environmental flux. Due to the sudden emergence of new risks, existing risks becoming big not to mention complex, and changes in social structure, the needs of society change. Here, our mission is to support the development of a vibrant society and help secure a sound future for the planet through insurance and financial services business. Needless to say, to quickly detect changes in the world and to be able to appropriately respond to them, we ourselves have to become a resilient and sustainable group.

Key strategies to achieve the two goals

Pursuing the Group’s comprehensive strengths —

Finding the optimal solution for the Group as a whole that realizes growth and efficiency simultaneously

We have three non-life insurance companies (including direct type insurance) and two life insurance companies in Japan, and networks of subsidiaries, affiliates, and others in 47 countries and regions. Each company, under a clear business concept, gauges respective customer needs and aims at realizing seamless growth — this was the concept of Group integration in the form of **reorganization by function**.

ESR (Economic Solvency Ratio)

A solvency ratio based on economic value, ESR is an indicator of capital adequacy with respect to the risk amount.

➤ See the “Establishment of financial soundness” section (P. 28) for details

Historically High Damage from Natural Disasters

In fiscal 2017, considerable damage was caused by natural disasters around the world, with several typhoons and torrential rainfall in Japan, hurricanes in the U.S., wildfires in California, and massive earthquakes in Mexico. (According to a survey by Swiss Re, insured loss totaled ¥15 trillion.)

➤ See the “World Map of Natural Catastrophes” section (P. 67) for details

Fortune Global 500

A ranking of global companies by gross income that is released every year by Fortune magazine.

➤ See the “Positioning in Each Business Domain” section (P. 18) for details

Resilient Systems

A posture with the ability to flexibly and adroitly respond to changing situations and unforeseen circumstances, reduce adverse effects and speedily recover.

Reorganization by Function

Reorganization by function is an unprecedented style of restructuring for achieving growth and higher efficiency concurrently for the entire Group, including Mitsui Sumitomo Aioi Life Insurance, while mutually leveraging individual strengths and clarifying the business concepts of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.

➤ See the “Glossary of Insurance Terminology” section (P. 95) for details

Integration of Claims Service Systems

This initiative is a part of reorganization by function that commenced in stage 2 of Next Challenge 2017. Plans call for rolling out the new claims service system (BRIDGE), which was jointly developed by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, from fiscal 2019.

Digitalization

Digitalization is an initiative to use digital technology to improve the efficiency and convenience of processes and services, with the aim of transforming all the businesses of the Group.

Group CDO (Chief Digitalization Officer)

The Group CDO oversees departments in charge of promoting digitalization at each Group company around the world, sets up projects, and promotes initiatives to transform businesses through mutual collaboration across the Group.

Based on this concept, we have mostly completed system integration, shared back offices, integrated bases and sales networks in specific regions, and reorganized the international business and marine insurance between the two core non-life insurance companies during the first half of the management plan “Next Challenge 2017”. In the second half, we promoted the sharing of products and operating procedures as well as the integration of claims service systems, all in the pursuit of further efficiency. Steps have been taken to consolidate long-term third-sector policies in force on Mitsui Sumitomo Aioi Life Insurance.

In the new medium-term management plan “Vision 2021”, we will expand such developments to the entire Group and, through exercising the Group’s comprehensive strength, realize further cost reductions and qualitative improvements. We will pursue a business model of total optimization which simultaneously realizes growth and efficiency of the Group.

Promotion of digitalization — Real-time and tailor-made insurance products and services reflecting the customer perspective

One purpose in promoting digitalization is to raise productivity, but we believe it is rather more important “to deliver greater ‘value’ to the customer experience”. In offering products and services and expanding sales channels, we will pursue real-time and tailor-made features for customers. For example, we expect to build even better and closer relationships with customers when digitalization enables us to create mechanisms to customize types of insurance, the scope of compensation, and insurance premiums. To that end, it is crucial to take a futuristic approach such as open innovation. We intend to accelerate productivity improvement and raise the level of services by forming alliances with external institutions and different businesses, including industry-government-universities, investing in startups in Silicon Valley, and conducting joint research with our overseas partner companies.

To pursue these initiatives, speedy decision making is required. To promote digitalization strategy more effectively throughout our Group, we have appointed a Group CDO (Chief Digitalization Officer) from this fiscal year. Through this arrangement, we will rapidly propel initiatives that lead to reform of the entire business.

Reforming our portfolio — Aiming at diversifying regions and businesses from the perspective of risk diversification

During the period of our management plan “Vision 2021”, we intend to diversify our business portfolio by initially aiming at achieving 50% profit from the domestic non-life insurance business and 50% from the domestic life insurance and international businesses combined; and, as a next step, we aim at raising the profit of our international business to 50% of Group profit.

The domestic non-life insurance business, which generates most of the Group’s profit as of now, will aim at keeping a combined ratio of 95% or lower and maintain and expand the profit level to secure about 50% of entire Group profit during this medium-term management plan period.

In the future, transitioning to a portfolio from which 50% of profits are generated through the international business will become vital in maintaining a sound financial platform and earnings power.



In the domestic life insurance business, profits of the two life insurance companies have become stable through aggressively developing and selling products that meet market needs, and they are expected to generate about ¥45 billion on an annual basis during the term of the management plan “Vision 2021”.

The international business is expected to achieve annual profit of more than ¥100 billion through organic growth by fiscal 2021. Although MS Amlin registered severe financial results in fiscal 2017, the sum of profit of Amlin/Lloyd’s syndicate and the reinsurance subsidiary of Mitsui Sumitomo Insurance before integration was about ¥40 billion. While not a simple calculation as the risk amount of natural disasters was restrained because of integration, we can foresee that MS Amlin business will generate profit of about ¥45 billion considering cost reductions, initiatives currently being pursued to recover profitability, and synergies with Asian and US businesses.

In addition, the Toyota retail business, being undertaken by Aioi Nissay Dowa Insurance, will see profit expand, and, through a **close relationship with Toyota Motor Corporation**, steadily develop international business. In such a manner, the growth platform of international business to meet the target has already been put firmly in place.

Three perspectives and disciplines in conducting M&A

Insurance is a business of trust; it requires sustained determination; it is essential to have a mission at the core

In the management plan “Vision 2021,” we have laid the foundations for 50% of Group Adjusted Profit to be generated from international business in succeeding medium-term management plans, including both organic growth and inorganic growth.

We have three requirements in conducting M&A. The first is that a counterpart should share the same values as us. It is important for each firm to have empathy for the principles and philosophy (such as the actual aims of insurance business) of the other.

The second is that a counterpart should have a sustainable growth model. **The investment in China’s BoCommLife Insurance**, announced in May 2018, is a good example. In the case of China’s life insurance business, it was important to have a solid sales structure. Because BoCommLife Insurance is an affiliate of the Bank of Communications, it can offer sales through the bank’s branch network. If we provide good products using our know-how and create a good training system, it can surely achieve growth through its own network. Also, since it is a bank affiliate, the risk of itself exiting is low and therefore it is considered a sustainable business model.

The third is the diversification of risks. It is important whether risks are diversified according to domestic or overseas, non-life or life insurance, regions, and **perils**.

Meeting these three requirements is essential, and, if there is a good project with economic rationality, we will deal with it pro-actively. Also, from perspectives of capital leeway and the effective utilization of capital, M&A is a strategically high priority option for our Group.

Focus on Asia is a key of the Group’s growth strategy

Position in Asia that has been built over many years leads to global development

The original role of insurance is to support stability in people’s lives and dynamic business activities by compensating for economic losses when risks actually manifest themselves. Our Group has contributed to the development of the non-life insurance industry in Asia by making early advances into the area and transferring technology/know-how related to pricing and claims payments to the insurance industry in each particular country. Currently, we do underwriting business in all 10 ASEAN countries and have the largest network as a non-life insurance group. The population of ASEAN is about 640 million now, but, from a medium- to long-term perspective, the growth potential of ASEAN due to population growth and the formation of a middle class is considered quite large. In preparation for that time, in our view there is significant meaning behind the Group’s growth strategy

Close Relationship with Toyota Motor

Aioi Nissay Dowa Insurance aims to establish a business model that taps into new needs and markets, and regards its relationship with the Toyota Motor Group as an important growth strategy. For example, the company is working with Toyota Motor to jointly develop attractive products and services in tune with changes in the automobile industry, including the use of telematics and advanced safety technologies.

Investment in BoCommLife Insurance Company Limited of China

Mitsui Sumitomo Insurance has reached an agreement with the life insurance subsidiary of a leading Australian bank to purchase 37.5% of shares in BoCommLife Insurance Company Limited, a subsidiary of Bank of Communications Co., Ltd. in China. Growth is expected in China, the third largest life insurance market in the world, after the U.S. and Japan.

Peril

Peril is a specific cause of loss covered by an insurance policy.

Facility

Facility is often used to mean physical facilities, equipment and machines. Here, facility refers to the systems and organizations for insurance underwriting.

to be among the top three non-life insurers in major ASEAN countries, solidly supporting each country's insurance system and securing a firm presence.

These strengths in Asia will also benefit business expansion in other countries and regions where we do not have our own network. For example, in Latin America, the alliance with Mapfre, which is the largest non-life insurance company in Spain, enabled us to develop business that mutually utilizes our facilities in Asia and those of Mapfre in Latin America. We have been running similar business in alignment with QBE, Australia's largest insurance company, in the Oceania region; with AXA, France's largest insurance company, in Francophone Africa; and with Generali, Italy's largest insurance company, in Central and Eastern Europe. The reason these alliances work well is that our Group has strengths in Asia, and each partner provides its facilities in each region to our Group and in return can utilize the facilities of our Group in Japan and Asia. By making full use of this strength, we believe we can pursue efficient global development.

And, what we cannot ignore is China and India, which play a central role in the global economy. Both countries are incorporating digitalization technology into their markets at a tremendous speed and have huge growth potential. In order to develop life and non-life insurance business in these two countries and build firm footholds, it is important to form alliances with good local partners and steadily manage business. Indeed, as for non-life insurance in China, our group has a local subsidiary which has an established presence among foreign insurance companies in China, and we have been forming alliances with China's domestic second largest Ping An Insurance and third largest China Pacific Insurance. As for life insurance in China, we will develop business together with the Bank of Communications. In India, we will develop non-life insurance business through teaming up with the southern business conglomerate Murugappa Group and develop life insurance business with the New Delhi business conglomerate Max Group. China and India are each expected to be among the largest gigantic markets in the world in the future, and we would like to team up with partners which have a solid foundation backed by local capital, and together develop non-life insurance and life insurance businesses from a leading position in the respective markets.

Positioning of Sustainable Development Goals (SDGs) in "Vision 2021"

Realizing our mission

We have been pursuing our mission "to contribute to the development of a vibrant society and help secure a sound future for the planet by enabling safety and peace of mind through the global insurance and financial services business". What further embodies our mission is "the MS&AD story of value creation". This is a common understanding among all staff and helps us appreciate what our jobs mean in society.

We will contribute to realizing "a resilient and sustainable society" through our initiatives to resolve four issues: 1) diversified/large-scale accidents and disasters, 2) the global environment approaching the limit, 3) mounting burden of nursing/medical care associated with aging population, and 4) a decline in social vitality due to widening inequalities. Based on a view that these initiatives will increase the Group's corporate value, we have been developing our business activities in five business domains (domestic non-life insurance, domestic life insurance, international business, financial services, and risk-related services).

Such a line of thought squares with 'sustainable development goals', or SDGs, that the United Nations set in 2015 to be achieved by 2030. Therefore, in order to advance value sharing with various stakeholders, we have incorporated SDGs as our milestones with which to align the Group's business.

Since olden times, insurance has existed to help people, businesses, and local communities to be resilient and sustainable.

For example, while claims payments stemming from earthquakes and typhoons served as funds for restoring damaged property, what is important is that such payments were indispensable for rehabilitating the livelihoods of those affected and restoring local communities.

Sustainable Development Goals

In 2015, the United Nations adopted Sustainable Development Goals (SDGs) as targets that should be achieved by 2030 in order to sustain the development of international society. There are 17 goals and 169 targets that the world should prioritize as issues to be tackled, such as eliminating poverty and countering climate change.

> See P. 13 for details



To begin with, insurance exists only if there is a sustainable society. For example, among the UN's SDGs, there is one to "end poverty in all its forms everywhere". At first glance this appears to have nothing to do with insurance. After all, those who are busy making ends meet on a daily basis and do not have anything they need to protect will not have any strong need for insurance. But, with poverty diminishing and the middle classes increasing, there will be increasing opportunities in which the insurance industry and our Group can offer shared value.

Moreover, what is wonderful about SDGs is the participation by everyone. Everyone participates, sets goals, and moves toward them, through which overall optimization will be achieved. We feel strong empathy for the SDG message of "Leaving no one behind" and the basic ideas of universality (every country can change), inclusion (eradicate discrimination), impartiality (consideration for the weak), integration (achieve a balance among the economy, environment, and society), and transparency.

Setting SDGs as milestones will be quite meaningful for realizing the society that we should aim for.

Human assets that realize the story of value creation

Promotion of 'diversity and inclusion' (D&I)

To realize our mission, vision, and values, creation of shared value (CSV), and the story of value creation, it is necessary to nurture a good environment where employees can play active roles in a resounding fashion. For this purpose, we must seriously think about our management platforms and various systems and mechanisms. In the sense of preparing platforms to establish D&I, what is most important will be 'work style reforms'. Building a platform by which diversified employees can play active roles in a fair manner will be crucial for enhancing corporate competitiveness. To this end, it is vital to not only reduce working hours but also create a mechanism to raise productivity through utilizing digitalization to the utmost. If the improvement of business processes increases productivity and shifts employees to more value-added work, all employees will be able to feel they are achieving 'decent work' goals, namely, more job satisfaction.

A multinational team in Silicon Valley, consisting of three residential representatives from Japan and other members — including residential representatives and short-stay — from our overseas subsidiaries, has been promoting various activities. The other day, the person in charge of the multinational team asked us to think about further diversification of the team in terms of gender, age and nationality. As there are so many female heads and leaders in Silicon Valley, an organization with no women or only consisting of the Japanese, only young people, or only elderly is seen as odd.

At our Group's ASEAN entities, the nationality of employees is diverse, half of all employees are women, and half of management positions are also occupied by women. If this tendency becomes conspicuous in our locations in strategically important Asia, some will point out the contrast with our headquarters in Japan, where management positions are still mainly occupied by men, and overseas, where half of such positions are taken by women. Unless human assets that reflect diversity of age, careers, nationalities, and gender are able to play active roles, it is difficult to do business overseas. We should make better use of different ideas beyond borders to bolster the comprehensive strengths of the Group; furthermore, we should proactively incorporate wide and more universal ideas from employees, including those with disabilities, in the Group as a whole — such initiatives are essential. For this, we ourselves need to become a flexible organization that can accept diversity, and we need to

Diversity & Inclusion (D&I)

In order to maximize the MS&AD Group's strengths in diversity and diverse values, we believe it is essential that each person's individuality is respected, regardless of outward characteristics such as race, gender, age and physical appearance, nor inward characteristics such as religion, creed, background and values. While recognizing we are all different in some way, we will focus on the best parts of everyone.

➤ See P. 74 for details

CSV (Creating Shared Value)

CSV means creating economic value and shared value with society through corporate activities.

Decent Work

Decent work is defined as work that people are motivated to do. It refers to productive work in which human rights are protected, sufficient pay is earned, and social protections are properly afforded.

Backcasting

Originally used in the environmental field, backcasting starts with defining a desirable future and then works backwards to identify policies that will connect that specified future to the present.

have a culture that includes diverse human assets, each enhancing the other. To nurture such a corporate culture, from this fiscal year we have assigned an executive officer to be in charge of D&I and who will robustly promote D&I initiatives groupwide.

In promoting actual D&I initiatives, we believe it effective to set a numeric target first and use a **backcasting** approach. So as to achieve the numeric goal, it is important to thoroughly consider what type of human assets should be recruited, inclusive of mid-career recruitment, what training plans can be offered, and what career paths can be drawn. While Japan is still based on lifetime employment, the mobility of human assets in a good sense, namely, a person changes jobs, gains experience, and returns to the old job, could be advanced. In our Group, there are employees returning to us after leaving for a while, and we think that people who have business experience in other companies are also precious human assets.

To entrench D&I, we must be an organization in which mission, vision, and values are shared among all employees.

Appointment of future management

Next generation who will lead the Group should also be resilient and sustainable

While leaders in each Group company and the holding company might be required to have different qualities in some aspects, it is important for all to be able to flexibly respond to the rapidly changing environment, and thus it might be difficult for those trapped in old ideas to become leaders. In addition, it will be necessary to have a capacity to be on the front line, leading the company, as well as tolerance to firmly recognize diversity, and adaptability to convert such diversity into strengths.

Moreover, it is important to be evaluated by different people and from different perspectives. And, while we recognize that all current executive officers have the capacity to work at the top, we expect them to try to improve themselves by learning from others. Furthermore, in the future we might consider recruiting executive officers from other companies or our overseas subsidiaries. We need to receive feedback from various viewpoints, including those from outside, and identify human assets that suit the times and situation.

Image of the Group eyeing the future

Creating shared value (CSV) through insurance business model

In our management plan “Vision 2021”, our target is to have a presence in terms of scale and quality as “a world-leading insurance and financial services group”. The reason we focus on scale and quality is that we need to cover new risks and also current risks that have become enormous and complex. Unless we ourselves have scale and quality, we cannot respond to such diverse risks. To achieve “a resilient and sustainable society”, we need to always challenge risks using scale and quality comparable to rival companies.

For example, in the course of evolution in the automobile arena, such as automated driving, it is necessary to have insurance that actually corresponds to risks that newly arise. And, in the development of medical technology, such as advanced medical treatment, it is necessary to have insurance to transfer risks. To support someone who is challenging something we as a Group need to be resilient, and being resilient underlines the importance of maintaining a high level of quality. By 2030 and after, we will be required to always challenge various risks that arise in the process of aiming at achieving “a resilient and sustainable society”, and we have to build up our strength to fully bear such risks.



**We will generate
global-scale value that
leads to a bright future.**

Sensing the emergence of risks beforehand and informing customers and giving advice to prevent or reduce such risks is also, like providing risk cover through insurance, an important role we fulfill. For example, thrashing out risks surrounding business activities and providing a risk map, providing know-how regarding initiatives for disaster prevention and reduction will lead to realizing a society in which companies can develop stably. The lowering of insurance premiums coupled with disaster prevention and reduction activities, and a mechanism like telematics which provides incentives to drive safely, will contribute to realizing a society with fewer accidents. And, incentives to stop smoking through lower life insurance premiums will lead to longevity and a healthier society and support realizing a sustainable society. Along with our Group's value creation story, if we can detect risks and make them known, prevent accidents and losses, develop a system to minimize damage, and utilize digital technologies, we will be able to continue to provide insurance and financial services that contribute to a resilient and sustainable society.

From a global perspective, mainly in emerging economies, it is important to consider and make proposals as to what kind of insurance is necessary under each country's system. Through explaining Japan's residential earthquake and compulsory automobile liability insurance systems as well as operations of the General Insurance Rating Organization of Japan, making proposals as to how to construct a mechanism corresponding to the situation for each country, and advising how to set up self-help efforts and disaster prevention and reduction measures, we can contribute to resolving societal issues each respective country faces.

Concluding remarks

Looking globally, the environment surrounding companies has recently been changing every second, such as changes in the global environment, demographics, and industrial structure, the emergence of populism and widening inequalities in society, the evolution of IT, and emergence of new risks. In the business world, we need to promptly sense such changes and convert risks into opportunities. As was implied by Sun Tzu that it is sometimes better to be brisk and slapdash than painstaking but slow, it is important to take the first step ahead of competitors on a global basis. While it is not easy to step into uncharted territory, we have a history of more than 100 years and we will be able to predict the future through experience and track record of those years. We believe our group can contribute to society for the next 100 years centering on a strong sense of values built on past successes and lessons.

Old Proverb: Kochi ha Sessoku ni Shikazu

"It is better to be fast, even if performance is poor, than slow with good performance." This proverb came from the wise words of military strategist Sun Tzu, "In war, it is better to move quickly and finish quickly, even if tactics are poor." This means that depending on the situation, it may be preferable to move things forward quickly, even without skill, instead of sitting still.