

MS&AD Holdings Conference Call (February 14, 2025) FY2024 3rd Quarter Year Results Briefing - Q&A Summary

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

MSI: Mitsui Sumitomo Insurance Co., Ltd.

ADI: Aioi Nissay Dowa Insurance Co., Ltd.

AUL: MS Amlin Underwriting Limited

MS Re: MS Reinsurance*

*Brand name launched by MS Amlin AG in September 2022

MSIG USA: Mitsui Sumitomo Marine Management (U.S.A.) ,Inc

MS Transverse: MS Transverse Insurance Group, LLC

Q1:	Regarding voluntary automobile insurance on P.12, while the number of accidents is decreasing, the average payout per claim is significantly increasing. Particularly regarding the average payout per claim, there is a deviation from the forecast announced a few months ago, as same as other insurers. Could you explain the reasons for this deviation?
A1:	Regarding the loss ratio of voluntary automobile insurance, there is not a significant deviation from the forecast in the third quarter, with frequency decreasing as expected and the average payout per claim for vehicles and property damage increasing by about 8% compared to the same period last year.
Q2:	Regarding AUL and MS Re, it seems that the full-year results can be predictable. In the third quarter, the combined ratio is better than the plan and seems to be progressing well, but is my understanding correct? Also, to what extent is the impact of the wildfires in California anticipated, and is there a possibility of an additional booking in FY2024 results?
A2:	As stated on P.19 and P.20, AUL's EI combined ratio as of the third quarter is 88.8%, and MS Re's is 90.0%. We anticipate the full year results in line with the forecasts. Regarding the wildfires in California, the market loss outlook ranges from approximately USD20 bil to USD40 bil. It is difficult to provide a firm estimate at this moment due to the impact of layers and liability amounts in reinsurance, and reinsurance protection in direct insurance. However, based on current information, it is possible that MSI, including AUL, MS Re, MSIG USA and MS Transverse, may incur over USD100 mil in incurred claims in the local financial results for FY2025. Additionally, in ADI's head office reinsurance business, there is a possibility of recognizing billions of JPY in incurred claims in the fourth quarter of FY2024. We will consider an additional booking in FY2024 based on the level of losses for MSI and ADI.
Q3:	Regarding voluntary automobile insurance, it was explained that there is no significant deviation between the accident frequency and the average payout per claim compared to the plan. However, as a general trend, I believe the average payout per claim will be still on the rise. In such a situation, is there any plan to

	review the insurance rate in a forward-looking manner, or is there no change in the approach to insurance rate setting? I am concerned that the rate revision may not keep up with the increase in the average payout per claim.	
A3:	The voluntary automobile insurance rate was significantly raised in January 2025. This incorporates a forward-looking increase in the insurance claim mainly driven by future inflation. We will continue to monitor the trend of the average payout per claim and consider product revisions and rate reviews as necessary.	
Q4:	Regarding the occurrence of overseas natural catastrophe losses and the forecasts, it appears that there is a margin in the natural catastrophe forecast on P.13. Do you expect natural catastrophe losses to be as expected at the end of the financial year due to Hurricane Milton and others in the fourth quarter?	
A4:	Regarding overseas natural catastrophes, Hurricane Milton will be booked in the fourth quarter with a three-month delay. Also, the results for the third quarter include Hurricane Helene. There is a possibility that in the fourth quarter, in addition to the losses from Hurricane Milton, other major natural catastrophe losses will be booked. However, even including those, it is expected to fall below the annual forecast, and we consider the progress to be favorable.	
Q5:	The profit progress for this fiscal year seems well. Why did not you revise the full-year forecast upward. How much are the losses for Hurricane Helene and Hurricane Milton?	
A5:	The progress rate for the third quarter tends to be structurally high due to the timing of investment income booking and operating expenses. With that premise, the domestic non-life insurance business is exceeding expectations in both insurance underwriting and asset management. The domestic life insurance business has been affected by valuation losses on bonds due to the rise in US interest rates, resulting in a lower progress rate compared to the second quarter. However, we expect the full year results as expected due to price fluctuation reserves. The international business is also progressing smoothly and exceeding company expectations. On the other hand, as an uncertain factor, there is the impact of wildfires in California. Hurricane Helene is included in the impact of overseas natural catastrophes on P.13. Regarding Hurricane Milton, we indicated a forecast of JPY10 to 15 bil combined for AUL and MS Re at the second information meeting, but it is expected to be below that forecast.	
	SQ1:	Even factoring in USD100 mil due to the impact of wildfires in California, it seems like full-year profits will exceed expectations. Are there any other uncertain factors?
	SA1:	The wildfire loss estimates are based on current information, so I think we can present a more detailed outlook as more information becomes available.

Q6:	What is the factors behind the decrease in ESR from 241% at the end of September to 230% at the end of December?	
A6:	There are several factors behind the decline in ESR. While the amount of integrated risk has decreased due to the sale of strategic equity holdings, the amount of integrated risk has increased due to the reinvestment into higher return assets and also the rise in domestic stock prices from the end of September to the end of December. Another factor is that foreign currency translation adjustment, one of the components of consolidated net assets, had increased at the end of September due to the depreciation of the yen, but had fallen at the end of December.	
Q7:	Regarding the progress of third-quarter profits and the full-year outlook, please give us the evaluation in comparison with the forecast announced in November last year.	
A7:	While the domestic non-life insurance business and international business slightly exceeded expectations, the domestic life insurance business fell short, so overall, it is almost as expected at the third-quarter point. Regarding the full-year outlook, we expect the domestic life insurance business to recover, so we believe it can exceed expectations. On the other hand, there are uncertain factors such as the possibility of snow damage and other large claims in the domestic non-life insurance business and additional booking for wildfires in California.	
Q8:	If the full year results will exceed the forecasts, what will be the impact on shareholder returns?	
A8:	We will return 50% of the group's adjusted profit based on the shareholder return policy. For additional returns, we will consider the necessity while looking at the ESR and cash situation at that time, as well as business investment plans.	
Q9:	ADI's underwriting profit (before reflecting the catastrophe reserve) has increased by JPY56 bil compared to the same period last year, and even excluding the impact of a decrease in natural catastrophe losses of about JPY16 bil, it has improved by about JPY40 bil. What are the factors behind this improvement?	
A9:	The Profit from underwriting from European subsidiaries have improved by approximately JPY15 bil. In addition, the profitability in Japan has improved due to rate revisions and other factors.	
	SQ1:	Were there factors such as fewer large losses this fiscal year?
	SA1:	The large losses have decreased compared to the previous fiscal year.
Q10:	Heavy snowfall is occurring in various places in Japan, but it seems to be occurring in areas where snow is originally expected, so is it safe to assume it will fall within the budget for average snow damage?	

A10:	I believe there will be more information coming in the future, but at this moment, I do not expect it to significantly exceed expectations.
Q11:	<p>You mentioned that the unrealized losses of the bonds are booked through bond replacement and the impact is excluded from group adjusted profits. Although losses do not seem to have increased from the second quarter to the third quarter, please explain the progress of the initiatives and the policy for the next term.</p> <p>Regarding ESR, while the sale of strategic equity holdings reduced risks, there also seems to be an increase in risk due to the accumulation of higher return assets. How much is the amount of increase in higher return assets?</p>
A11:	<p>Regarding the loss on sale due to bond replacement, we have stated 18.2 bil yen as the post-tax impact excluded from group adjusted profit on page 9. Bond replacement will be carefully executed while monitoring market interest rate trends, and each company plans to work on this towards the end of the financial year.</p> <p>The investment portfolio of higher return assets from April to December quarter is approximately JPY 400 bil for the group.</p>
Q12:	<p>It seems that the impact of the wildfires in California could exceed USD 100 mil, but compared to the past cases, the impact seems clearly smaller. Can we understand this as the effect of efforts to significantly reduce exposure over the past few years? Also, if the market loss significantly exceeds expectations, is there a risk that the loss estimate could further increase by reaching the attachment point.?</p>
A12:	<p>Since FY2019, we have significantly reduced exposure to natural catastrophes in North America, so we believe the impact of the current wildfires will be smaller compared to the past.</p> <p>At this point, we estimated the incurred claims considering the reinsurance coverage provided by AUL and MS Re. Even if the scale of market loss increases significantly, the estimated loss will not increase proportionally.</p>

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