

## **Notice Regarding the Establishment of a Variable Annuity Reinsurance Subsidiary**

MS&AD Insurance Group Holdings, Inc. (President: Toshiaki Egashira; “MS&AD Holdings”) announces that it will establish a new Group company to provide reinsurance coverage of the variable annuity insurance sold by Mitsui Sumitomo Primary Life Insurance Co., Ltd. (President: Yukio Higuchi; “Mitsui Sumitomo Primary Life”).

The subsidiary will be established under Mitsui Sumitomo Insurance Co., Ltd. (President: Yasuyoshi Karasawa; “Mitsui Sumitomo Insurance”), with operations to commence in January, 2012, subject to approval by the relevant authorities.

Establishing this reinsurance subsidiary will enable Mitsui Sumitomo Primary Life to properly control the risks associated with variable annuity insurance, provide a stable product line, and enhance its system for developing new, even more attractive products.

Going forward, the Group as a whole will work to provide products in line with customer needs, with the goal of further cementing its standing in the individual pension insurance industry.

### 1. About the New Reinsurance Company

- Company Name/Location Established: MS Financial Reinsurance Limited; Bermuda
- Capitalization/Ownership: 6.0 billion yen; Mitsui Sumitomo Insurance (100% owner)
- Description of Business: Reinsurance coverage for variable annuity insurance
- Coverage Provided to: Mitsui Sumitomo Primary Life
- Start of Business: Scheduled for January 1, 2012

### 2. Responding to Risks Associated with Guaranteed Minimums

Mitsui Sumitomo Primary Life’s flagship variable annuity insurance products consist primarily of products that come with a guaranteed minimum payment, which guarantees death benefits, pension assets, etc. even in the event investment performance worsens.

Utilizing the expertise of Mitsui Sumitomo Insurance in financial transactions and risk management, the newly established reinsurance company will maintain proper control over the risks associated with these guaranteed minimum payments through derivatives and other financial market transactions. This will enable the establishment of a new risk management structure, making it possible to provide an even more stable line-up of variable annuity insurance products.

### 3. Mitsui Sumitomo Primary Life’s Individual Annuity Insurance Business

The MS&AD Insurance Holdings Group has positioned its life insurance business as an important growth area. Within that field, Mitsui Sumitomo Primary Life has been particularly successful, steadily expanding its performance as a leader in the individual annuity insurance industry by providing a strong balance between variable and fixed annuity insurance.

In addition, on April 1 of 2011, Mitsui Sumitomo Primary Life became a wholly-owned subsidiary of MS&AD Holdings, further enhancing cooperation within the Group, and providing even greater impetus for, and flexibility in developing its business.

END

Attachment: Diagram of the New Structure

■ Diagram of the New Structure

