Acquisition of Shares of Box Innovation Group, a Major U.K. Telematics Auto Insurance Firm

Aioi Nissay Dowa Insurance Co., Ltd. (President: Hisahito Suzuki, hereafter “ADI”), a subsidiary of MS&AD Insurance Group Holdings, Inc. (President: Yasuyoshi Karasawa, hereafter “MS&AD” or “the Group”) announces that it has reached an agreement to acquire 75.01%*1 of the total outstanding shares of Box Innovation Group Limited (CEO: Michael Brockman, hereafter, “BIG”), which is based in Gibraltar, for £105 million (the “Transaction”). The Transaction is subject to customary regulatory approvals by the relevant authorities. The acquisition will be made through Aioi Nissay Dowa Insurance Company of Europe Limited (hereafter, “ADE”), a wholly-owned subsidiary of ADI. The Transaction has been agreed to by BIG’s current shareholders, including Catlin Insurance Company Ltd. (a subsidiary of Catlin Group Limited*2) and BIG’s manager shareholders.

*1 All shares held by Catlin Insurance Company Ltd. and certain portion of the shares held by other shareholders including the current managers.

*2 Listed on the London Stock Exchange. The insurance group includes the largest Lloyd’s syndicate.

BIG is the holding company for Insure The Box Limited (hereafter, together with BIG “ITB Group”), which operates in the U.K. as a Managing General Agent*3 for telematics auto insurance. With its purchase through ADE of BIG, ADI will mark its full-scale entry into the U.K. telematics auto insurance market, further expanding the foundation of its retail business in Europe and gaining new expertise.

*3 Overview of the Managing General Agent (MGA): An MGA is a comprehensive insurance agency that has all of the functions of an insurance company except underwriting. In addition to typical agency operations, the MGA is also able to provide a wide range of other insurance-related services normally handled by an insurance company, including insurance product development, claim handling and claim investigation.

1. Background of the Share Acquisition

   By expanding its overseas business, one of its primary business domains, MS&AD Insurance Group aims to achieve growth for the Group as a whole. As part of its Next Challenge 2017 medium-term management plan, MS&AD is promoting a growth strategy for its overseas business aimed at fully exploiting the respective strengths of Mitsui Sumitomo Insurance Co., Ltd. and ADI through a reorganization by function. The strategy calls for an expansion in scale, with ADI centering growth around the Toyota retail business.

   In addition, with the rapid evolution of automotive information technology, services and telecommunications systems, and the projected expansion of the telematics auto insurance market, primarily in the Western countries, acquiring telematics technology has become a priority for large insurance companies.
In light of the above, ADI has extensively reviewed a range of acquisition options which would allow it to best exploit the advances in insurance that telematics brings and which are complementary to ADI’s already established usage-based insurance offering (PAYD: Pay As You Drive) in the Japanese domestic automobile insurance market. Through this extensive review of potential acquisition targets, it was concluded that BIG, the largest Managing General Agent for telematics auto insurance in the U.K., offered a unique opportunity to build immediate scale and acquire best-in-class technology with significant future potential.

2. Objectives of the Share Acquisition

   (1) Entry into the U.K. telematics auto insurance market, and synergies for ADE:

   Whilst the telematics auto insurance is currently estimated to represent less than 5% of the total number of auto insurance policies in the U.K., it has become clear that advances in technology are likely to result in rapid growth in future. At the same time, a significant amount of time is required to develop and put in place the infrastructure and platforms needed to commercialize telematics auto insurance, and further, the complex nature of data collection and product development require specialized expertise. Given the expected strong market growth potential and the significant lead time and effort required for establishing the right infrastructure, an acquisition of a pre-established telematics-based business with a leading platform was deemed to be the most effective route to market entry.

   With its acquisition, through ADE, of ITB Group, which has such specialized expertise in telematics auto insurance, ADI marks its full-scale entry into the U.K. telematics auto insurance market, and confirms its commitment to advancing its growth strategy and expanding income from overseas operations.

   With its Toyota retail business in Europe, ADE also expects to see synergies through the utilization of telematics technology and expertise in the European auto insurance market, which will significantly expand its current business. The use of telematics technology in attracting customers through Toyota dealers in the European market, a key market for ADE, will lead to a strengthening of ADE’s retail business with Toyota dealers - one of the key strategies for reorganization by function.

   (2) Acquisition of expertise in telematics technology

   Run by management with specialized knowledge, ITB Group has enjoyed solid business growth since its founding through more informed pricing, reducing accidents. The collection and analysis of driving behavior data has helped ITB refine its premium rates, while the utilization of information from in-vehicle devices has helped reduce accidents. MS&AD Insurance Group believes that utilizing telematics technology to promote safe driving and contribute to a reduction in automobile accidents will lead to the achievement of its corporate mission, which is “to contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.”
Through its acquisition of ITB Group’s business, MS&AD Insurance Group will also acquire its expertise in telematics technology and utilize it for the Group as a whole, including in Toyota’s retail business, which ADI is expanding into various countries.

3. Overview of the Company Acquiring the Shares

ITB Group is the largest telematics auto insurance firm in the U.K. by market share, and in the five years since it began its business has sold a cumulative 300,000 telematics auto insurance policies.

(1) Company name: Box Innovation Group Limited
(2) Head office address: Montagu Pavilion, 8-10 Queensway, Gibraltar
(3) Website Address: http://www.insurethebox.com/
(4) Representative name and title: CEO, Michael Brockman
(5) Description of business: Management of subsidiaries
(6) Capitalization/capital surplus: 9.92 million pounds (approx. 1.8 billion yen)
(7) Date established: July 22, 2011
(8) Shareholders: Catlin, current managers and others
(9) Relationship between listed company (MS&AD Insurance Group Holdings, Inc.) and company in question:
   - Equity relationship: None
   - Personnel relationship: None
   - Transactional relationship: None
(10) Organizational overview

(Ref. 1: Overview of telematics auto insurance)

“Telematics” is a term coined from the combination of telecommunication and informatics, and refers to the provision of information services by incorporating telecommunication systems in automobiles and other moving vehicles.

Telematics auto insurance utilizes telematics to collect data on driving distance, driver speed, accelerator and brake operation and other driving tendencies, and then uses that data as a basis for setting auto insurance premiums.

In the Western countries, telematics auto insurance is estimated to represent less than 5% of auto insurance premiums, however, the market is projected to rapidly expand. In the U.K., where significant growth is expected, some forecasts anticipate telematics-based auto insurance to account for close to 40% of the auto insurance market by 2020.