

# Visions of a Sustainable Future

MS&AD Insurance Group is determined to cement its place in the top rank of the global non-life insurance industry—and has a clear vision of how to achieve that goal.

Insurance companies help to mitigate risk. That does not mean that they themselves operate in a risk-free environment. Tokyo-based MS&AD Insurance Group came into being in 2010 when a glut of non-life insurance companies in Japan drove profitability down to unsustainable levels. Created through the integration of Mitsui Sumitomo Insurance, Aioi Insurance and Nissay Dowa General Insurance, MS&AD had a challenging beginning, posting a loss in fiscal 2011 due to the Great East Japan Earthquake and floods in Thailand.

The company devoted the next few years to the concentrated pursuit both of growth and efficiency. “Our efforts came to fruition in fiscal 2017,” says Yasuyoshi Karasawa, Group CEO since 2014. “We’ve achieved efficiency through function-based reorganisation and cutting operating costs, rebuilt our domestic non-life profitability, and restored financial soundness.”

As evidence of this new-found robustness, Karasawa points to key insurance-industry metrics: a combined ratio<sup>1</sup> for the domestic non-life business of 92% and a healthy economic solvency ratio (ESR)<sup>2</sup> of 211%, despite incurred losses from US hurricanes in 2017.

### Creating Shared Value

With this reinforcement phase largely out of the way, this April Karasawa unveiled *Vision 2021*, a four-year management plan designed to reinforce MS&AD’s position as a world-leading insurance group. “In scale terms, we want to maintain our top 10 position in the Fortune 500

### Fortune Global 500: 2017 income ranking

(Ordinary income basis for Japanese insurance groups) (US\$ million)

Name of companies	Income
1 Berkshire Hathaway	\$223,604
2 Allianz	\$122,196
3 State Farm Insurance Cos.	\$76,132
4 Munich Re Group	\$68,700
5 Zurich Insurance Group	\$67,245
6 People’s Insurance Co. of China	\$66,732
7 AIG	\$52,367
8 MS&AD Insurance Group Holdings	\$49,239
9 Tokio Marine Holdings	\$48,292
10 Swiss Re	\$43,786

Source: Fortune Global 500 2017 Insurance Property & Casualty (Stock + Mutual)

1. The combined ratio is a core measure of profitability. It is calculated by dividing the sum of incurred losses and expenses by earned premiums.  
2. The economic solvency ratio (ESR) is an indicator of financial soundness. It is calculated by dividing net assets based on economic value by risk volume.



MS&AD can increase stability in the lives of individuals and dynamism in the business community.

### Yasuyoshi Karasawa

President and CEO, MS&AD Insurance Group Holdings, Inc.

single culture or value set is more effective at generating solutions,” he says, explaining why diversity is one of MS&AD’s core strengths. [See box top right.]

As for digitalisation, Karasawa stresses that it doesn’t mean using automation to take over people’s jobs. “For us, digitalisation means adding value to what people do to improve productivity and the customer experience via tailor-made, real-time products and payment systems.” To drive this digital transformation, Karasawa appointed a groupwide chief digitalisation officer in April 2018.

The make-up of the group has also been transformed through a spate of recent international deals. These range from the acquisition of U.K.-based Amlin, No. 2 in the Lloyd’s insurance market, in 2016, and First Capital, Singapore’s largest commercial property and casualty insurer, in 2017, to the purchase of a 6.3% stake in Challenger, Australia’s largest provider of individual annuity insurance, also in August 2017. “We can’t rely only on our domestic non-life businesses,” says Karasawa of the ongoing reshaping of the portfolio. “We must increase the share of growing business areas to achieve sustainable profitability. We now have a top-class platform in place for global organic growth; and that’s especially true for Asia, where we’re contributing by advising governments and sharing technologies.” Karasawa wants MS&AD’s international business and domestic life business together to generate roughly 52% of total profit by 2021, with the international business generating a 50% share by itself in subsequent years.

“We must work as a team, deploying our range of strengths to help make society more resilient and sustainable,” he concludes.

non-life companies,” he explains. “Qualitatively, we’re aiming for profits of ¥350 billion, ROE of 10% and stable ESR between 180% and 220% by 2021.”

These are ambitious targets. They derive from Karasawa’s overarching vision of how the world is changing—and how MS&AD must change to better serve its needs.

Society is currently facing a raft of unprecedented and evolving challenges—more complex and larger-scale disasters and accidents; climate change and depleting natural capital; demographic ageing and surging healthcare costs; and debilitating inequality. “With risk becoming ever more unpredictable, our job is to create resilient systems so we can detect risks early, educate people about them, and either prevent them happening or minimise their economic impact. Our products and services can help make society more resilient and sustainable,” Karasawa says.

Examples of the new forms of risk that MS&AD can help societies tackle include climate change-related issues, renewable energy and regenerative medicine. By responding fast to such changes, MS&AD can increase stability in the lives of individuals and dynamism in the business community.

To deepen engagement with this narrative of creating shared social and economic value, Karasawa has aligned it with the UN’s Sustainable Development Goals (SDGs). Here’s one example: With self-driving cars just around the corner, MS&AD wants to contribute to making the new mobility society accident-free. This goal overlaps with three SDGs: Good Health and Well-being, Sustainable Cities and Communities, and Partnerships for the Goals. [See box below.]

### Detailed Strategies for Change

Karasawa has three key strategies to turn *Vision 2021* into a reality. These are: to leverage the strengths of the entire group, to digitalise aggressively, and to reshape the business portfolio.

Leveraging the group’s strengths means two things: pursuing an even higher level of standardisation and sharing between the group’s non-life and life insurance, risk solutions and financial services businesses on the one hand while strengthening cooperation between group companies in 47 countries worldwide so that best practice percolates fast. “In our unpredictable world, there’s no longer a single ‘right answer’ to any problem. That’s why a group that’s not rooted in a

## MS&AD Holdings

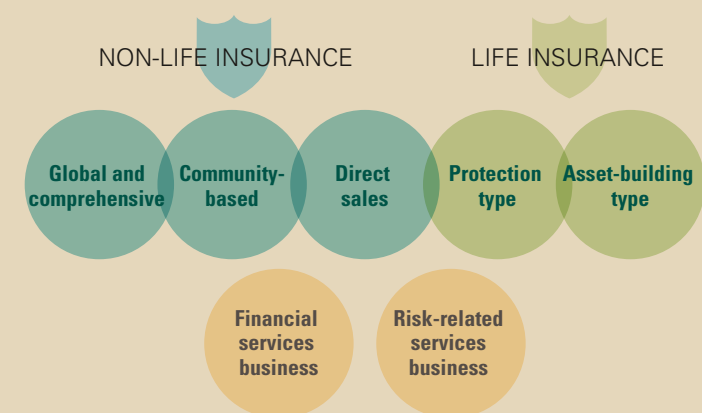
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## Strength in diversity

Diversity makes sound business sense. Why so? Because diverse groups are proven to do a better job of thinking differently. MS&AD is diverse in a whole variety of ways: first, it has a rich mix of companies, with three non-life and two life insurance companies merely in Japan, plus a highly diverse global network. It also has a range of partnerships with entities ranging from Japanese keiretsu groups and manufacturers like Sumitomo and Toyota to international insurers like Italy’s Generali and Spain’s Mapfre. But the company also benefits from diversity at the human-resource level, with a healthy 50/50 gender split and a broad spread of nationalities now that fully one-quarter of the group’s 40,000 employees are based outside Japan.

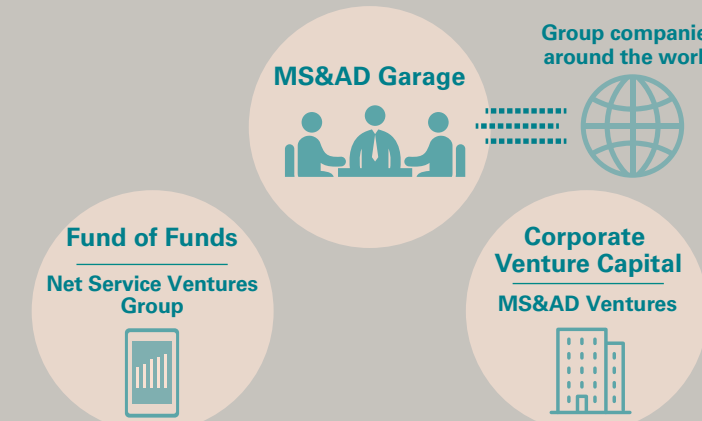
### A variety of operating companies



## Innovating with AI

Digital technology is disrupting business across the board. Insurance is no exception. To stay ahead of the curve, MS&AD is actively building alliances with digital innovators around the world. In April this year, for example, it installed AI-based fraud-detection software made by Shift Technology SAS, a French start-up. In a bid to gain faster access to the latest developments in digital technology and services worldwide, MS&AD established MS&AD Garage in Silicon Valley, California in January 2018. Now people from any of MS&AD’s global group companies can travel to the world’s digital innovation hub to meet with start-ups and partners and develop solutions for specific business issues for implementation once they get home.

### MS&AD in Silicon Valley



## Long-Standing Asian leader

MS&AD operates in 47 countries and regions worldwide. Geographically, Asia has long been an area of especial strength. The group has had a presence in Thailand since as early as 1934. Moving to the present day, MS&AD currently ranks top in the ASEAN region for gross written premiums. In fact, MS&AD is also the world’s only non-life insurance group with a presence in all 10 ASEAN countries (where growth will average a healthy 5% this year). Enhanced synergies with MS First Capital, Singapore’s top commercial property and casualty insurer acquired in 2017, and the ongoing purchase of a 37.5% stake in China’s BoComm Life Insurance should keep MS&AD dominant for years to come.

### Standing in Asian non-life insurance markets outside Japan



Source: Prepared by MS&AD based on the publicly announced corporate information from each country and region (reinsurance companies excluded)  
a. Simple sum ranking for FY2016 results with First Capital  
b. Ranking for foreign-based insurance companies  
c. Because data for FY2016 was not publicly available, the FY2015 ranking for Laos is shown

## DRIVING CHANGE

In March 2015, Aioi Nissay Dowa Europe purchased a majority shareholding in the Box Innovation Group (BIG), the UK’s biggest telematics company. (Telematics is a form of car insurance that uses driving data collected from the policy holder’s vehicle.) More than just a way into the UK telematics market, the deal was an opportunity for MS&AD to share innovative technology throughout its global network while also leveraging its close relationship with auto giant Toyota.

The vision has now become a reality. In January 2018, Toyota and Aioi Nissay Dowa jointly launched Japan’s first driving behaviour-based telematics automobile insurance. Based on the “active safety” concept, the insurance gives drivers active

incentives to drive more carefully. Premiums consist of two elements, one fixed and one variable, the latter of which can be cut by as much as 80% depending on good driving behaviour.

Reports issued after every journey provide a further incentive for safe driving. They evaluate key aspects of driving and highlight specific places on the route where dangerous driving occurred. Meanwhile, the car’s built-in data communication module automatically reports accidents, enabling staff at the automatic report desk to proactively contact the customer and arrange support when needed. Telematics is a great example of how innovation can provide enhanced safety and peace of mind.

