



Tokio Marine Holdings

*To Be a Good Company*

# Global Leader in Specialty Insurance

## Tokio Marine *Insights:*



January 26, 2023

## Today's speaker from TMHCC



**Susan Rivera**

***Chief Executive Officer***



# Global Leader in Specialty Insurance

**Susan Rivera**  
CEO  
Tokio Marine HCC

# Executive Summary

**TMHCC: Global Leader in Specialty Insurance with over 48 years of deep technical expertise**



## TMHCC Overview

- \$6.8 billion GWP in 180 countries
- 3,800 employees
- Over 100 product offerings
- 60+ acquisitions
- Stable leadership

## Consistent Performance

- A record earnings year in 2021 (GWP \$6.8B / +23% growth, Pretax Earnings \$642M, CR 87.9%)
- Consistent market leading performance (GWP +13.2% / 5-year CAGR, CR 89.3% / 5-year average)
- Outstanding performance against peers
  - TMHCC vs peers CR: 6.3 points better over five years
  - TMHCCI vs Lloyds CR: 22.9 points better over five years, GWP: +26.2% vs. +6.1% (5-y CAGR)

## Expanded Our Specialty Offerings

- Acquisition of new specialties
- Bolt-on acquisitions
- Greenfield operations
- Operational investments

## Challenges and Diversified Portfolio

- Challenges emerged and were dealt with promptly and professionally (Affordable Care Act, prevented planning, COVID-19, construction defect, ransomware attacks, etc.)
- These challenges were softened by other lines of business that outperformed

## Capitalized On the Hard Market

- Confidence in underlying profitability allowed TMHCC to outexecute (Achieved higher growth than rate increase during 2018, 2019 and 2021)
- International expansion and performance has been superb

## Solid Enterprise Risk Management

- Proactive management of risk tolerance (Earnings volatility, capital, liquidity, reinsurance, etc.)
- New emerging risks require continual investment in deep technical expertise

## Group Synergies

- Achieved significant synergies and worked collaboratively
- Significant credibility from global presence and superior financial strength

## Future

- Remain committed to strategies that have proven successful for TMHCC (Laser focus, unique business model, people, diversification, culture, profitability vs. market share)
- Exploit new growth opportunities through data, technology and technical expertise

# Tokio Marine HCC – Global Leader in Specialty Insurance



**48 Years**  
of Specialty Service

**Over 100**  
Product Offerings

**\$6.8**  
Billion  
GWP  
(2021)

**3,800**  
Employees

**60+** Acquisitions

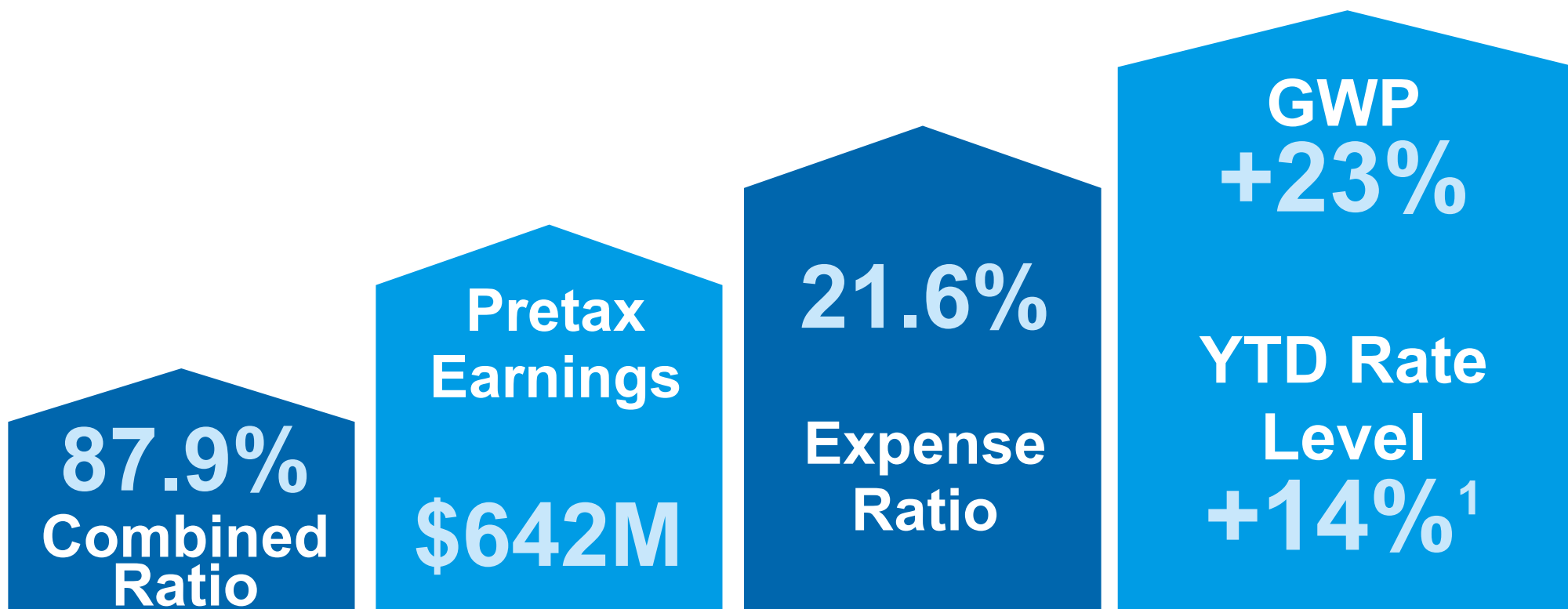
**180** Countries

**A++ AM Best, A+ S&P, AA- Fitch**



# 2021: A Record Earnings Year

Benefited from Fourth Year of Positive Rate Environment



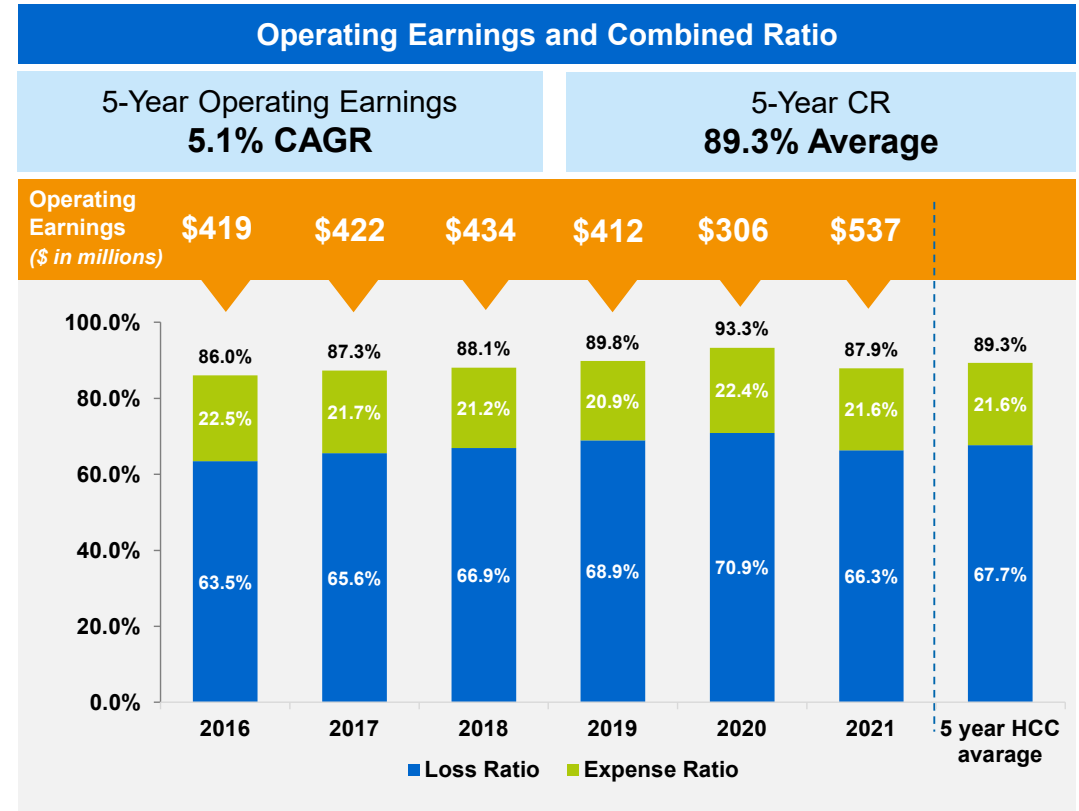
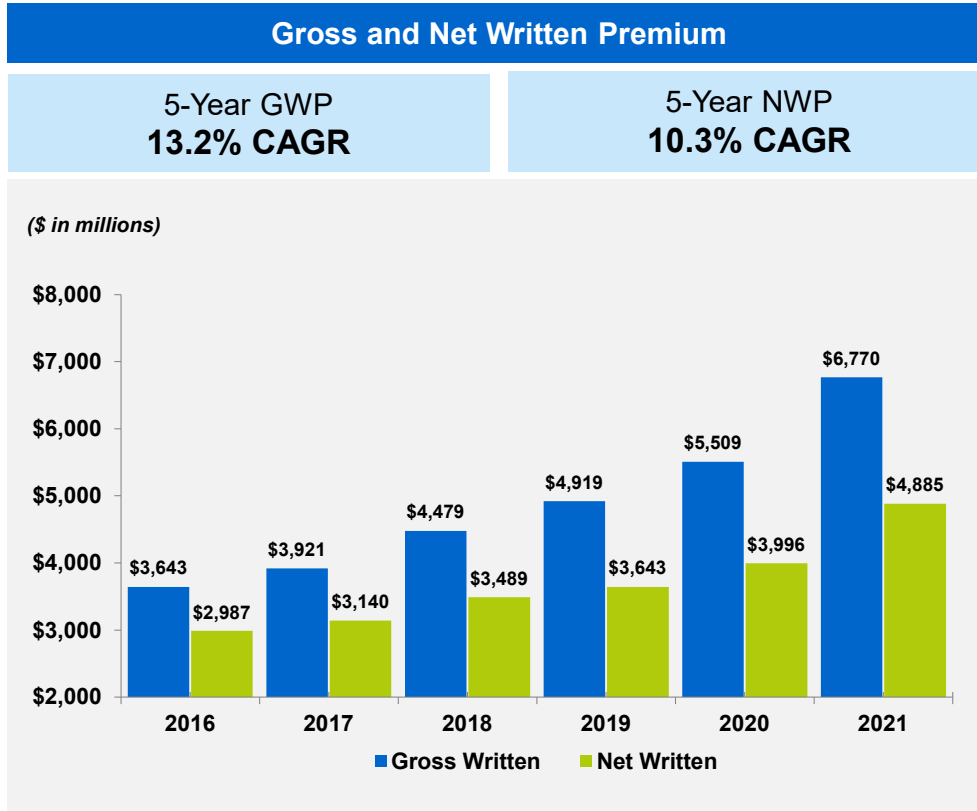
<sup>1</sup> Year to date as at December 31, 2021.



## Performance since 2016

- Market leading performance through the cycle
- International vision and performance has been nothing short of superb
- Fundamental success factors have remained in place

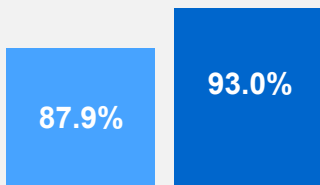
# Market Leading Performance through the Cycle





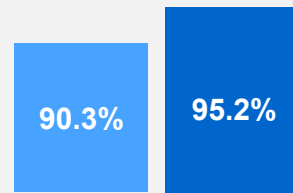
# TMHCC versus Peer Group (2017-2021)

**5.1 CR points**  
difference versus peers  
over last year



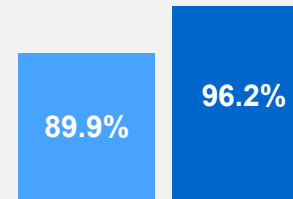
**TMHCC Peers<sup>1</sup>**

**4.9 CR points**  
difference versus peers  
over last three years<sup>2</sup>



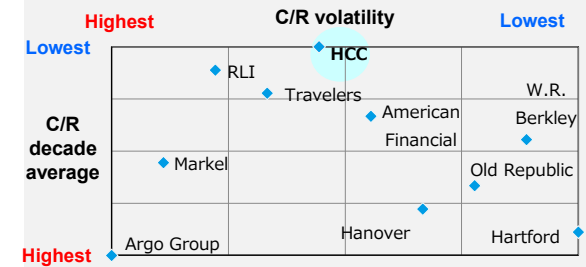
**TMHCC Peers<sup>1</sup>**

**6.3 CR points**  
difference versus peers  
over last five years<sup>2</sup>



**TMHCC Peers<sup>1</sup>**

**Stable profitability<sup>3</sup>**



<sup>1</sup> Calculated by TMHCC using S&P Market Intelligence and SEC filings for peer companies. Peers reflects average for peer companies being AFG, ARGO, MKL, HIG, ORI, RLI, TRV, WRB, THG at December 31, 2021.

<sup>2</sup> Reflects average for three-year and five-year results.

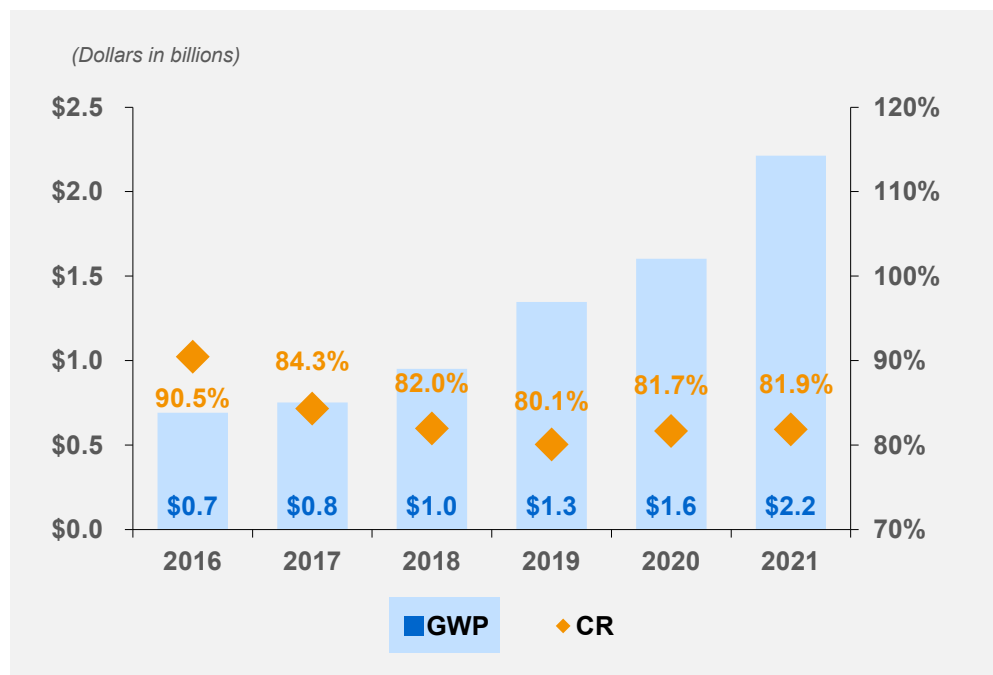
<sup>3</sup> Created by Tokio Marine from Company Reports, Dowling & Partners Analysis based on data through 12/31/21.

**We consistently execute well in our experienced, specialty underwriting and claim work.  
We operate effectively and efficiently gaining competitive advantage with lower-than-average expense ratios.**

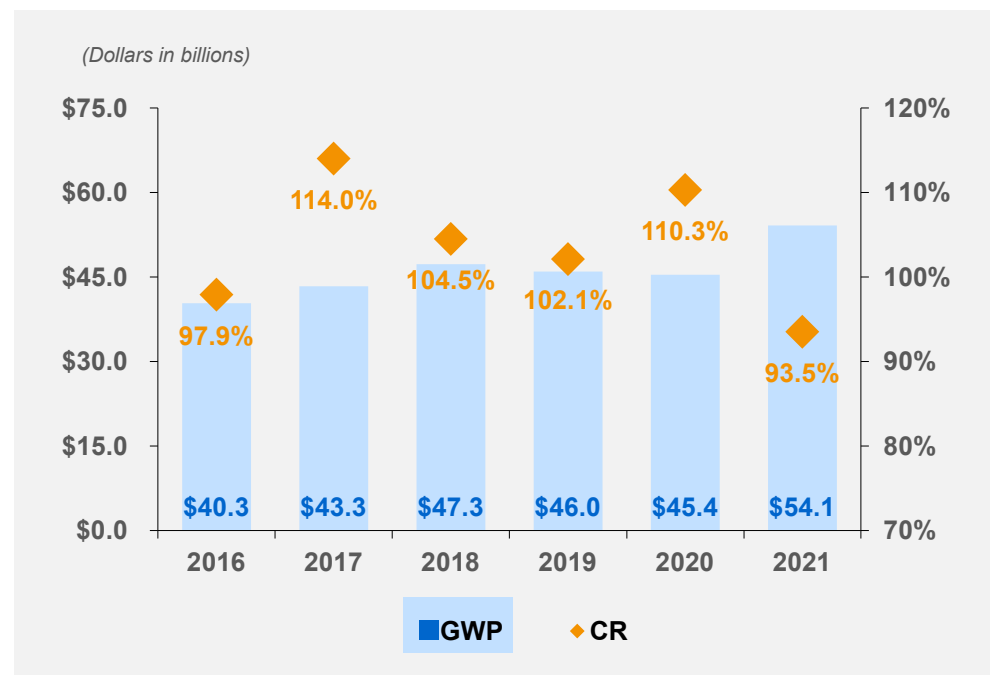
# TMHCC International versus Lloyds



| TMHCC International             |                                   |
|---------------------------------|-----------------------------------|
| 5-Year GWP<br><b>26.2% CAGR</b> | 5-Year CR<br><b>82.0% Average</b> |



| Lloyds                         |                                    |
|--------------------------------|------------------------------------|
| 5-Year GWP<br><b>6.1% CAGR</b> | 5-Year CR<br><b>104.9% Average</b> |

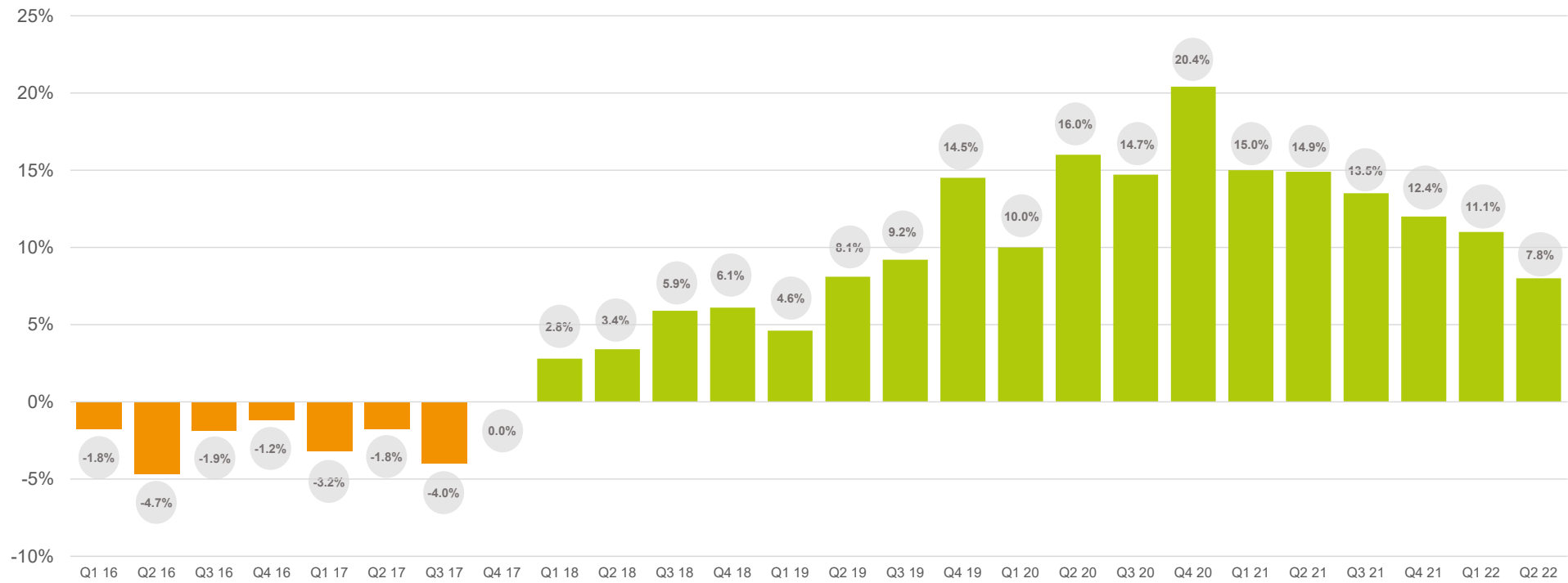




## Capitalized on the Hard Market from a Position of Strength

- Confidence in our underlying profitability allowed us to outexecute

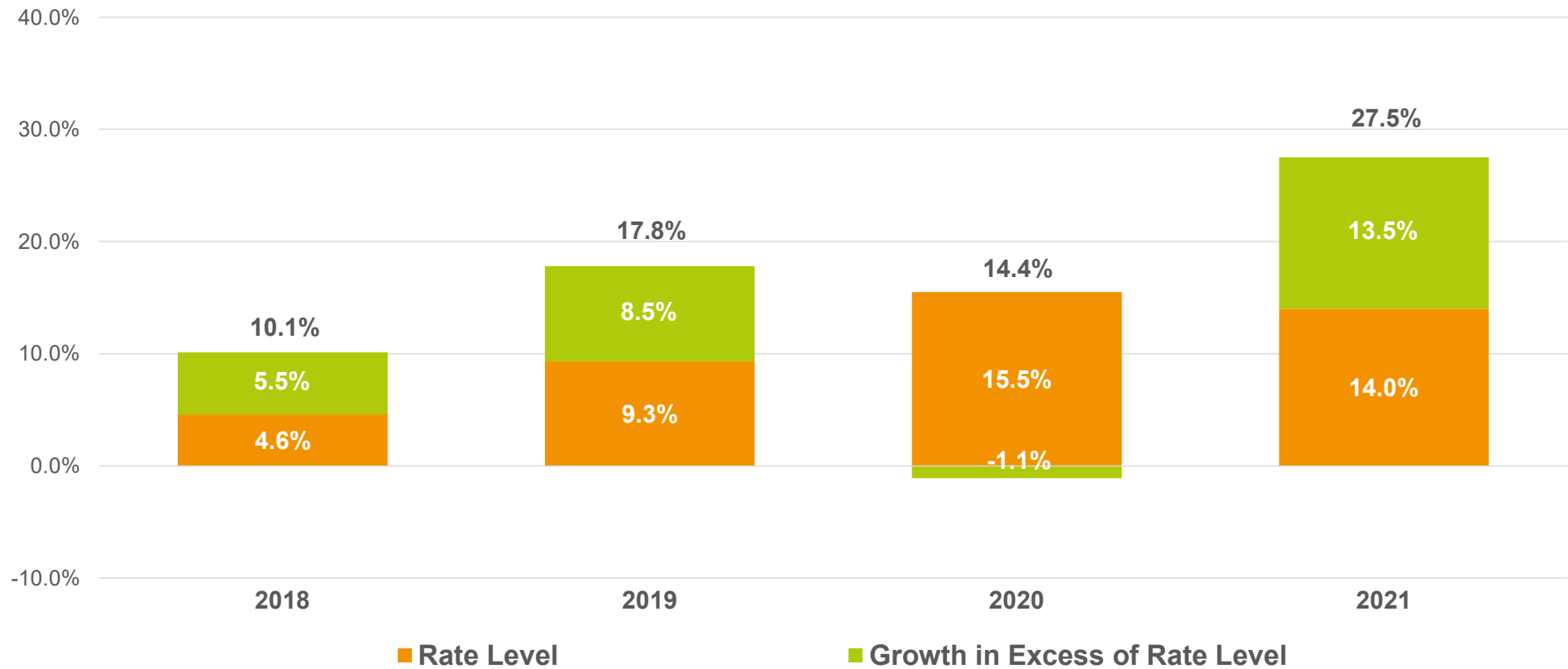
# Rate Level Changes by Quarter



**Excludes Crop, Accident & Health and Surety & Credit**

# GWP Growth Breakdown

## Rate Level Versus Growth in Excess of Rate Level



Excludes Crop, Accident & Health and Surety & Credit

# Market Leading Positions<sup>1</sup>



| U.S. Medical Stop Loss |               |              | U.S. Agriculture |                 |              | U.S. D&O |                           |              | U.S. Surety |                           |              | U.S. Cyber Combined |                           |              | Renewables  |             |        |
|------------------------|---------------|--------------|------------------|-----------------|--------------|----------|---------------------------|--------------|-------------|---------------------------|--------------|---------------------|---------------------------|--------------|---|-------------|--------|
|                        | Insurer       | Market Share |                  | Insurer         | Market Share |          | Insurer                   | Market Share |             | Insurer                   | Market Share |                     | Insurer                   | Market Share |   | Insurer     | GWP*   |
| 1                      | Cigna         | 14.8%        | 1                | Rain & Hail     | 19.5%        | 1        | AXA                       | 15.3%        | 1           | Liberty Mutual            | 12.7%        | 1                   | Chubb                     | 9.8%         | 1   | Axis        | \$160M |
| 2                      | United Health | 10.5%        | 2                | NAU             | 16.0%        | 2        | Chubb                     | 9.1%         | 2           | Travelers                 | 12.7%        | 2                   | Fairfax                   | 9.0%         | 2   | GCube(TMHC) | \$133M |
| 3                      | Sun Life      | 7.9%         | 3                | Rural Community | 15.1%        | 3        | AIG                       | 8.1%         | 3           | CNA                       | 6.8%         | 3                   | AXA                       | 8.7%         | 3   | RSA         | \$80M  |
| 4                      | CVS           | 7.3%         | 4                | Great American  | 8.8%         | 4        | Tokio Marine <sup>2</sup> | 6.5%         | 4           | Zurich                    | 6.8%         | 4                   | Tokio Marine <sup>4</sup> | 5.2%         | 4   | Perse       | \$40M  |
| 5                      | Anthem        | 6.5%         | 5                | CGB             | 8.2%         | 5        | Fairfax Financial         | 5.8%         | 5           | Chubb                     | 5.3%         | 5                   | AIG                       | 5.0%         | 5   | Markel      | \$30M  |
| 6                      | TMHCC         | 6.2%         | 6                | ARMtech         | 7.5%         | 6        | Berkshire Hathaway        | 4.1%         | 6           | Tokio Marine <sup>3</sup> | 4.1%         | 6                   | Travelers                 | 4.8%         | 6   | Travelers   | \$20M  |
| 7                      | HCSC          | 4.9%         | 7                | Farmers Mutual  | 6.6%         | 7        | WR Berkley                | 4.0%         | 7           | The Hartford              | 3.3%         | 7                   | Beazley                   | 4.2%         | 7   | AIG         | \$20M  |
| 8                      | Voya          | 4.2%         | 8                | Hudson          | 5.3%         | 8        | Sompo                     | 3.7%         | 8           | Fairfax                   | 2.9%         | 8                   | CNA                       | 3.8%         | 8   | Aviva       | \$15M  |
| 9                      | Highmark      | 3.2%         | 9                | Crop Risk       | 5.1%         | 9        | Zurich                    | 3.5%         | 9           | Intact Financial          | 2.8%         | 9                   | Arch                      | 3.5%         | * GWP for competitors based on 2021 market estimates. |             |        |
| 10                     | Sumitomo      | 2.8%         | 10               | ProAg(TMHC)     | 4.7%         | 10       | CNA                       | 3.5%         | 10          | Sompo                     | 2.7%         | 10                  | AXIS                      | 3.3%         |   |             |        |

1: Source: MSL - National Association of Insurance Commissioners (NAIC); Agriculture - USDA Risk Management Agency; U.S. D&O, U.S. Surety and U.S. Cyber - SNL.

2: Tokio Marine share of 6.5% consists of TMHCC 3.4% and PHL 3.1%.

3: Tokio Marine share of 4.1% consists of TMHCC 2.0% and PHL 2.0%.

4: Tokio Marine share of 5.2% consists of TMHCC 3.5%, PHL 1.1%, SNCC(DFG) 0.3% and PURE 0.2%.

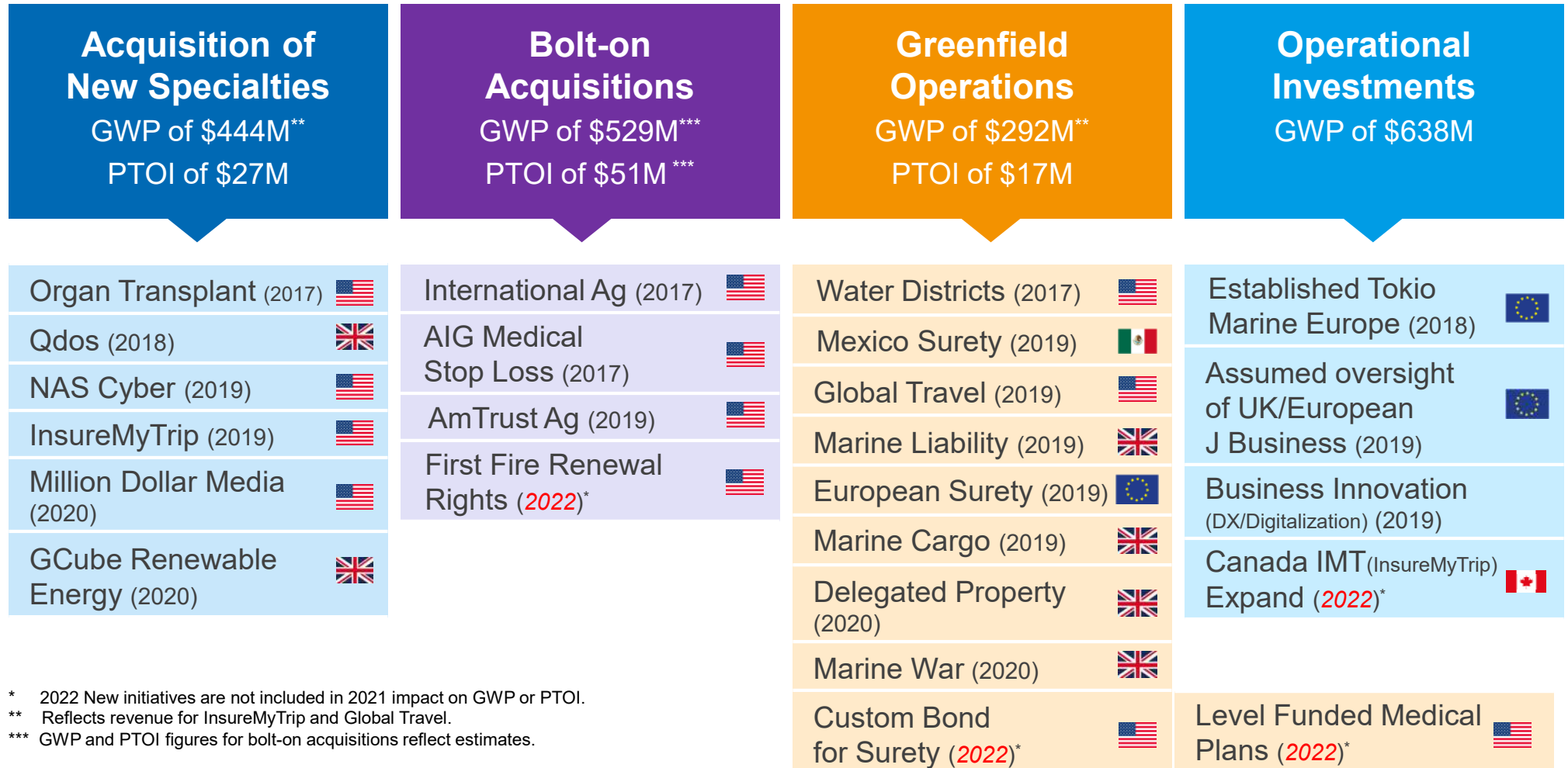


## Expanded our Specialty Offerings

- We continued to invest in a diversified and expansive portfolio of specialty offerings
- Our actions were well-timed and positioned us to take advantage of the insurance cycle

# Business Investments Further Diversify our Portfolio

## 2021 Impact on GWP and PTOI\*

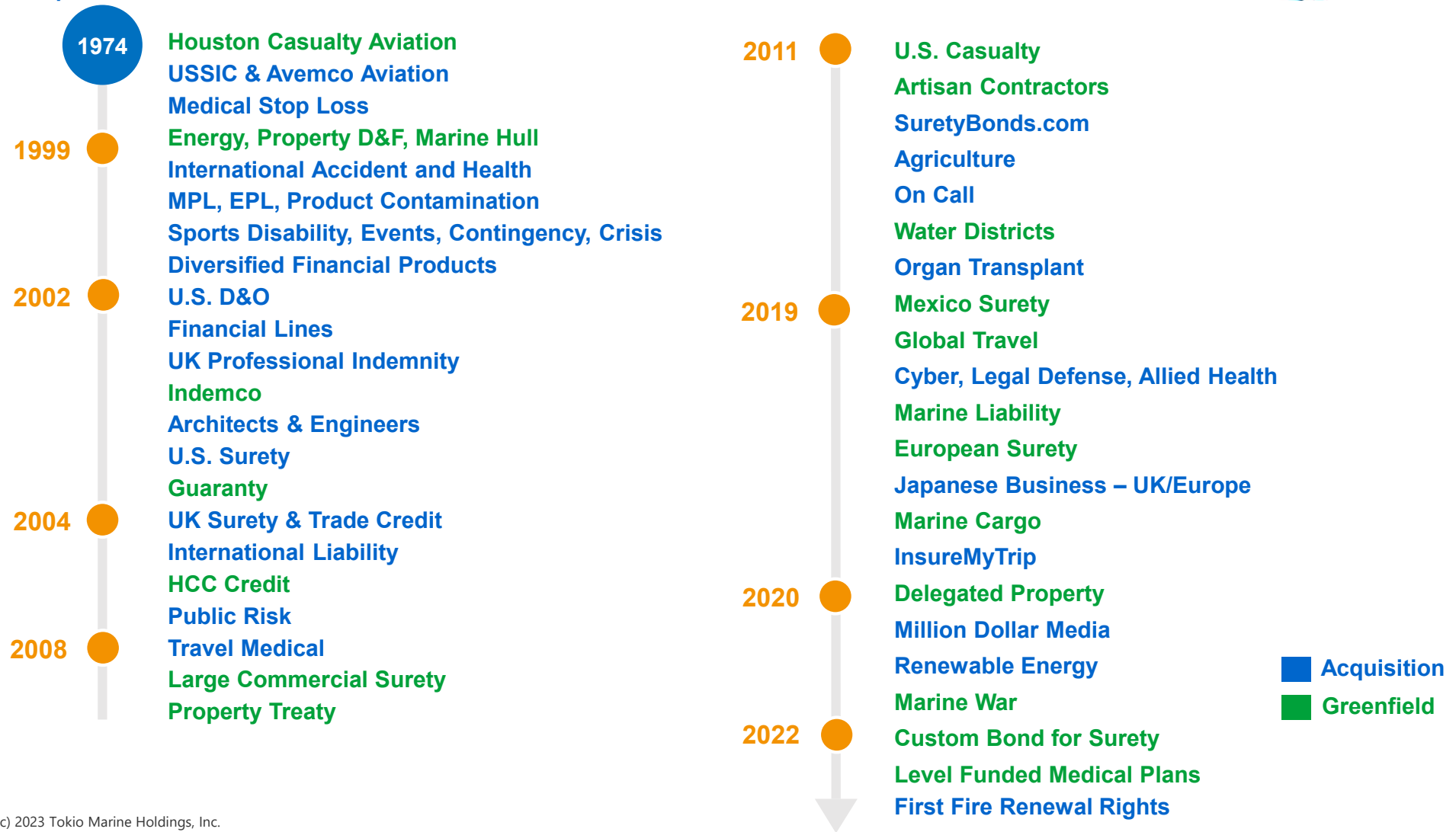


\* 2022 New initiatives are not included in 2021 impact on GWP or PTOI.  
 \*\* Reflects revenue for InsureMyTrip and Global Travel.  
 \*\*\* GWP and PTOI figures for bolt-on acquisitions reflect estimates.



# Rich History of Adding Specialty Products/Services

## Acquisition and Greenfield





## The Power of our Diversified Portfolio Helped us Navigate the Insurance Landscape

- Challenges emerged and were dealt with promptly and professionally
- These challenges were softened by other lines of business that outperformed

# Business Challenges in our Portfolio since 2016

| <b>Stop Loss</b><br>Affordable<br>Care Act (ACA)   | <b>Crop</b><br>1:20 Year<br>Prevented Planting  | <b>Event<br/>Cancellation</b><br>1:100 Year Pandemic   | <b>Primary<br/>Casualty</b><br>Construction Defect  | <b>Cyber</b><br>Ransomware<br>Attacks  |
|--|---|--|---|--|
| 2019   | 2019  | 2020   | 2018-2021   | 2021-2022  |
| <ul style="list-style-type: none"> <li>• <b>Issue:</b> ACA created increased severity with unlimited exposure</li> <li>• <b>Impact:</b> Industry loss ratio post-ACA grew from 73.7% in 2013 to 80.5% in 2020</li> <li>• <b>Response:</b> Drastic underwriting actions taken in 2019 to address increasing severity and frequency of claims</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Issue:</b> Wet conditions impacted ability to plant crops</li> <li>• <b>Impact:</b> Resulted in &gt;110% Ultimate 2019 CR</li> <li>• <b>Response:</b> Pushed rate increases for private products, improving all aspects to drive profitability</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Issue:</b> Pandemic caused unprecedented cancellations</li> <li>• <b>Impact:</b> Lead underwriter position resulted in large loss</li> <li>• <b>Response:</b> Superior management of complex claims and reinsurance collections on ~1,500 claims; coverage limited to largely natural cat going forward; Rates up; strong reinsurance support</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Issue:</b> Delayed reporting due to 10-year statute of limitations</li> <li>• <b>Impact:</b> Reserve adds during 2017-2021</li> <li>• <b>Response:</b> External actuarial advisor engaged in 2018; claims management brought in-house in 2019; exited business in 2021</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Issue:</b> Increased frequency and severity of cyber events</li> <li>• <b>Impact:</b> Resulted in higher-than-expected losses</li> <li>• <b>Response:</b> Requiring minimum cyber resilience; investing in technology scans, predictive analytics and detailed claim/data review; monitoring systemic risk accumulation</li> </ul> |

# 2020 Impact of COVID-19: Direct and Indirect

## Direct COVID-19 Losses (≈\$230M)

- **Event Cancellation**
  - ✓ Diversification through Reinsurance
- **Business Interruption**
  - ✓ International: Property D&F, Property Treaty, UK Delegated
  - ✓ Specialty: Restaurant Recovery, Sports & Rec Package
  - ✓ Contagion Sub-Limits
- **Evacuation, Medical**
  - ✓ Medical Insurance Services
  - ✓ Accident & Health
  - ✓ Kidnap & Ransom

## Minimal to No Direct Impact on Major Lines

- Medical Stop Loss – negated by decline in elective procedures
- D&O and Related

## Economic Recession – Profitability Impact (≈\$10M)

- Credit & Surety
- Guaranty
- D&O and Related

## Economic Recession – Premium Impact (≈\$20M)

- Medical Stop Loss – census impact
- Transaction Risk Insurance
- Energy
- Primary Construction
- Employment Practices
- InsureMyTrip, On Call and Medical Insurance Services

## Economic Recession – Partial Impact (<\$10M)

- ProAg: increase in FCIC cession due to steep decline in commodity prices

**2020 Net Direct Impact was 6-point increase in Combined Ratio and within our Risk Tolerance for a 1:100 year event. Swift actions taken to re-underwrite and address COVID-19 exposed lines.**

## Exceptional Outperformance in our Portfolio (2017-2021)

### Businesses with Combined Ratio below 90%

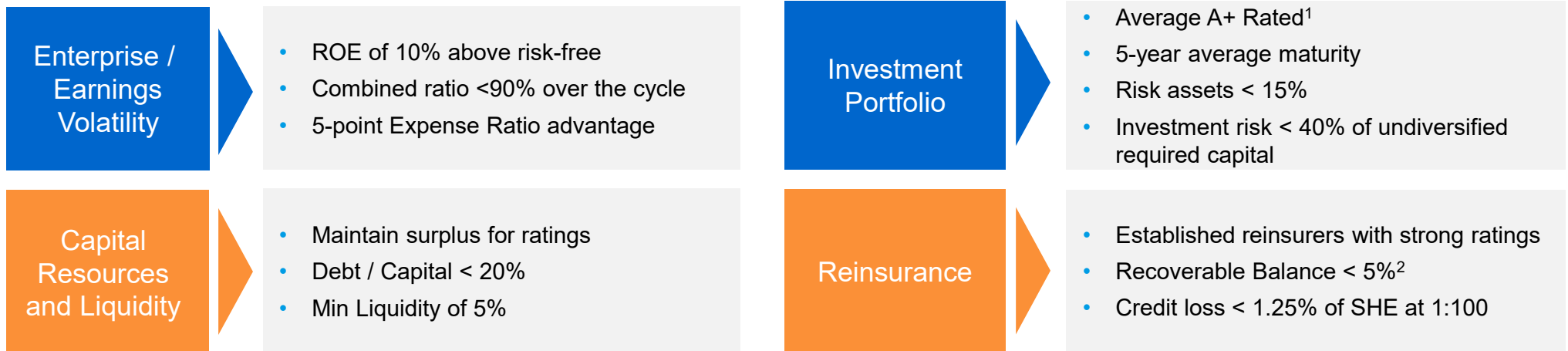
- Guaranty
- HCC Specialty – Disability
- HCC Credit
- Property Treaty
- U.S. Surety
- Professional Lines
- International Surety
- International Casualty
- U.S. D&O
- International A&H
- Marine & Energy
- Aviation
- UK Credit
- Financial Lines
- Public Risk



## Lessons Learned Show us Anything can Happen

- Risk needs to be measured and managed
- New emerging risks require continual investment in deep technical expertise

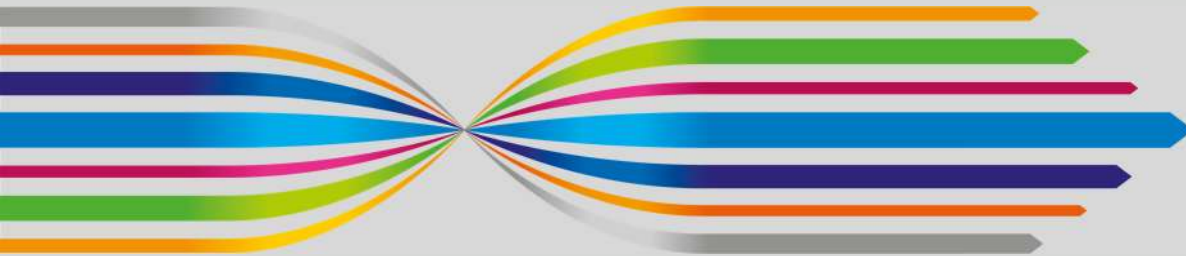
# Proactive Management of Risk Tolerances



Viewed by A.M. Best as very strong. Tokio Marine HCC's Enterprise Risk Management framework is an integral part of our business and financial management.

<sup>1</sup> Weighted average credit quality of rated fixed maturity investment securities.

<sup>2</sup> Recoverable Balance due from any reinsurer should not be greater than 5% of the reinsurer's capital and surplus.



## Value Derived from TM Holdings

- Achieved significant synergies and worked collaboratively
- Significant credibility gained from global presence and superior financial strength

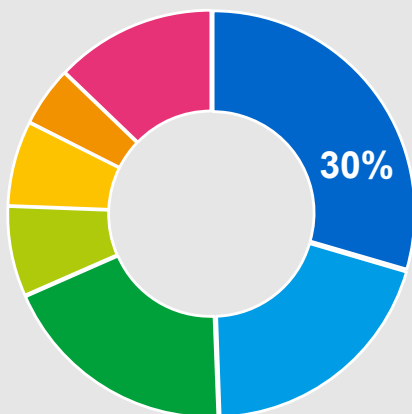


# Group and TMHCC Synergies



**\$109+ million**  
in annual profits/savings  
(As of Dec 2021, past 1 year synergy, after tax)

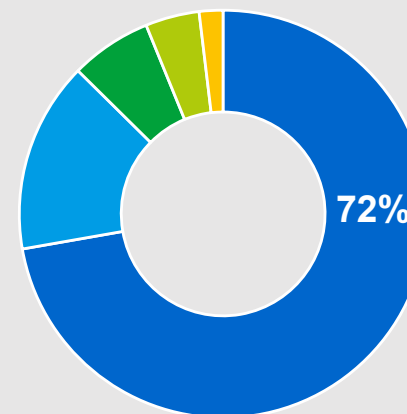
**Group Synergy**  
Annual profits/savings (2021)



■ TMHCC ■ GC1 ■ GC2 ■ GC3 ■ GC4 ■ GC5 ■ Others




**\$363+ million**  
in new premium  
(As of Dec 2021, cumulative since 2015)

**Revenue Synergy**  
Annual Profits Contribution (2021)



■ TMHCC ■ GC1 ■ GC2 ■ GC3 ■ Others

# Type of Revenue Synergies

|   |                           |   |   |      |                 |               |
|---|---------------------------|---|---|------|-----------------|---------------|
| 1   | <b>Cross-selling</b>      | Cross-sell to TM existing (non-TMHCC) clients                             | D&O   | MSL  | Credit          | Surety        |
| 2   | <b>Joint Approach</b>     | Seize new opportunities through joint approach with other group companies |   |      |                 |               |
| 3   | <b>Regional Expansion</b> | Expand our global capability using TM network                             | D&O   | TRI* | Credit          |               |
| 4<br><b>Strategic Use of Group Capital, Resources &amp; Expertise</b> |                           | Use group capital and expertise to enhance market presence as a group     | Major Event   |      | Mega Disability | Marine Energy |
|   |                           | Use group capital to attract new business                                 |    |      |                 |               |
|   |                           | Use group resources / network to retain profits within the group          |   |      |                 |               |
|   |                           | Provide expertise as a market leader to capture future new opportunities  |   |      |                 |               |
| 5   | <b>Others</b>             | Treaties from other GCs, Group Life, Fidelis, etc.                        |   |      |                 |               |

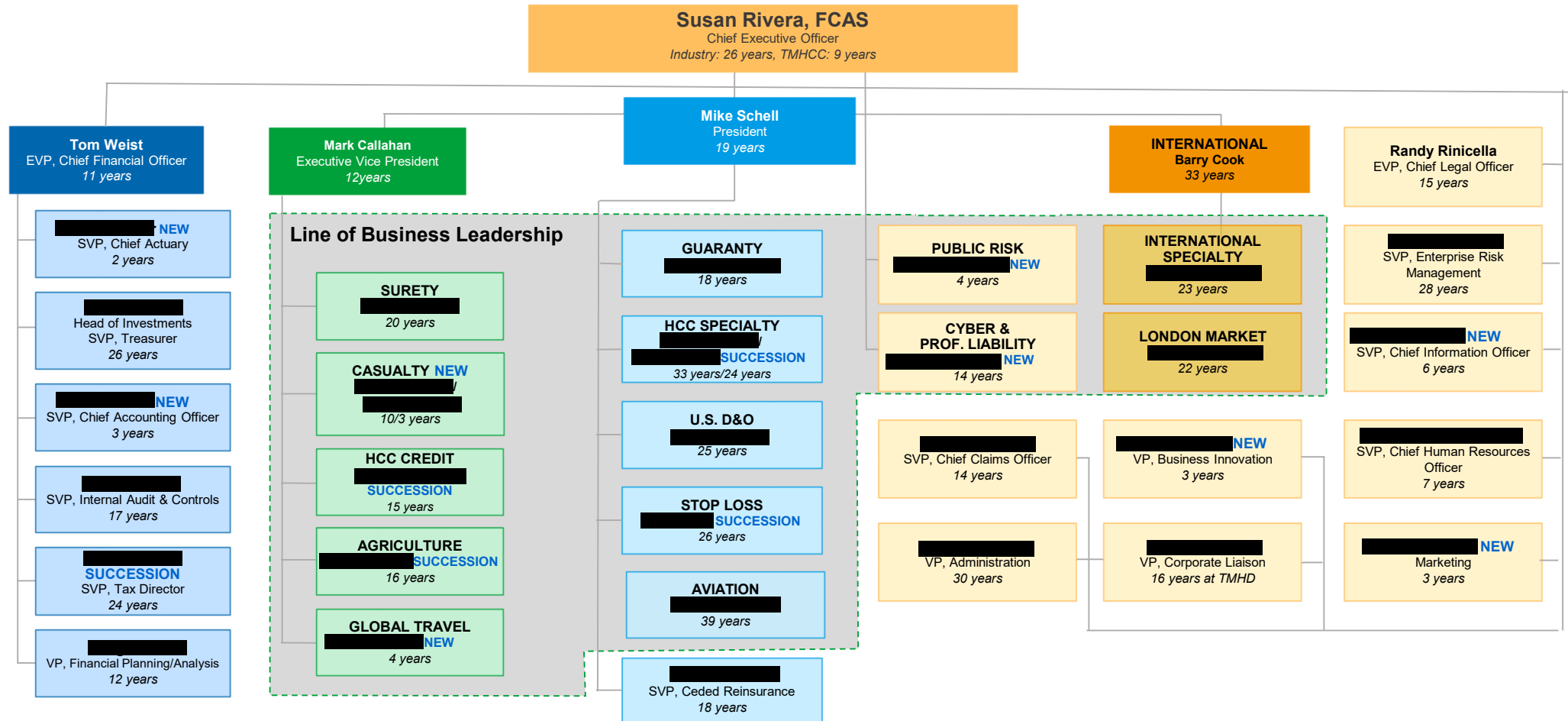
\* Transaction Risk Insurance



## Stable Leadership

- We retained an empowered Leadership team that is committed to TMHCC
- Our additions to staff strengthen our deep technical expertise and add further value

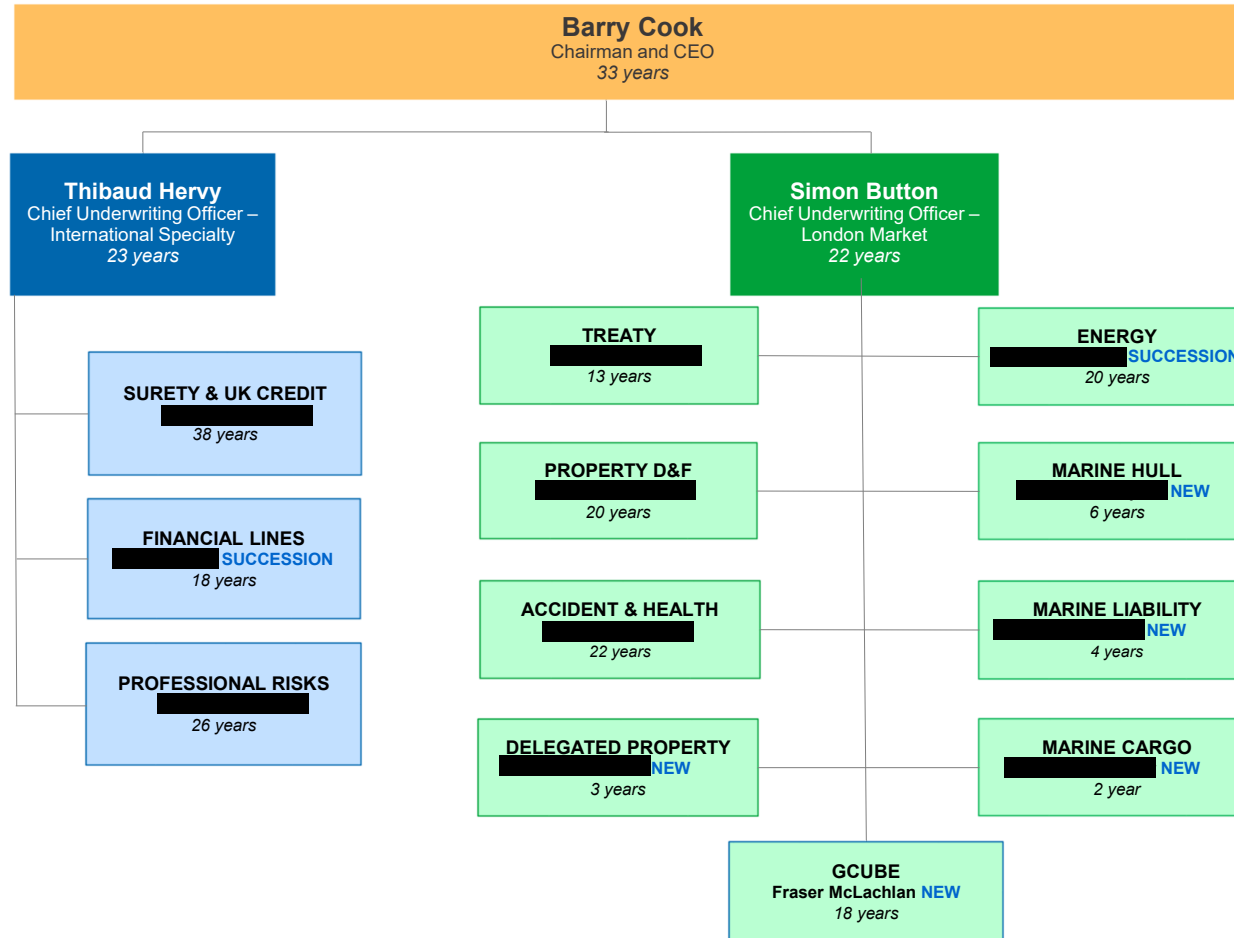
# Engaged, Loyal Leadership



Other than Casualty and CIO, all “NEW” adds to this chart are due to promotions / retirements or due to new products / new positions / acquisitions.

“SUCCESSION” adds are long-tenured employees who were part of planned successions.

# Engaged, Loyal Leadership: International



All “NEW” adds to this chart are due to promotions / retirements or due to new products / new positions / acquisitions.

“SUCCESSION” adds are long-tenured employees who were part of planned successions.

## The Future

- Remain committed to strategies that have proven successful for TMHCC
- Exploit new growth opportunities through data, technology and deep technical expertise

# Meaningful Competitive Advantages Set Us Apart

## Laser Focus

- Specialty products and services
- Bottom-line results over top-line growth is core
- Deep technical expertise & analytics
- Low expense ratio without sacrificing quality

## People

- Leadership is respected and stable
- Entrepreneurial and accountable
- Unparalleled talent, responsive
- Learning & development, health & wellness, engagement & inclusion

## Unique Business Model

- Flat, decentralized, rapidly adaptable
- Empowered
- Interests aligned
- Global capabilities

## Diversification

- Low correlation
- No one line dominates risk profile
- Successful M&A strategy
- SME to Fortune 500
- Differing distribution approaches

## Consistent Performance

- Sound and stable results
- A++ AM Best, A+ S&P, AA- Fitch
- Solid Enterprise Risk Management

## Culture

- To Be a Good Company
- Building superiority through collaboration, technology, innovation and data
- Expanding our knowledge and support of our communities and insurance partners on environmental and social issues

## Core to Being a Specialty Underwriting Company

Our underlying profitability comes from **a targeted, laser focus**. We have had our challenges, but have dealt with them and have **seen real strides in a number of our LOBs**

Generally, in a 10-year cycle, there will be 7 to 8 **“soft market years”** and only 2 to 3 **“hard market years”**

During the hard market, companies need to **exploit favorable conditions** and **increase exposure** in addition to riding the wave of rate increases

**TMHCC has done this well** in the hard market from 2019-2022

On the other hand, rates may plateau or reduce going forward, and if so, we will need to **prepare for the next phase of the cycle** where rates will soften

**It will be challenging**, and we may have to shrink our market share to retain our profitability

**Protecting profitability** at the expense of market share is **core to our success** and a key factor in our long-term profitability and growth





# TMHCC Ongoing Priorities



## Capitalize on Opportunities

- Focus on Underwriting Excellence and Value-Added Expertise, Supported by Data Analytics
- Capitalize on Market Consistency and Value brought to the Market
- Evaluate Opportunities to Add Deep Technical Expertise through Bolt-on Acquisitions or Greenfield Operations



## Attack Challenges

- Support and Drive Business Resilience to Proactively Attack Challenges
- Softening Rate Environment
  - Ransomware Trends
  - Loss Cost Trends
  - Ongoing Pandemic Effects
  - War on Talent
  - Competition from Insurtechs



## Invest in our Future

- Advance Technical Expertise in Developing LOBs (Cyber, Renewables)
- Invest in Core Technology and Digital Initiatives
- Instill a Data Culture, Accelerate Analytics Capabilities and Collaborate
- Actively Address People Strategy Given War on Talent and COVID-19 Working Environment

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**Investor Relations Group, Corporate Planning Dept.  
Tokio Marine Holdings, Inc.**

**URL : [www.tokiomarinehd.com/en/inquiry/](http://www.tokiomarinehd.com/en/inquiry/)**

**TEL : +81-3-6704-4547**

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