

October 3, 2019
Tokio Marine Holdings, Inc.
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Acquisition of an U.S. Insurance Group, Privilege Underwriters, Inc.

Tokio Marine Holdings, Inc. (President and Group CEO: Satoru Komiya, “TMHD”) today announced the signing of a definitive agreement to acquire 100% of the outstanding shares of Privilege Underwriters, Inc. and its subsidiaries (“Pure Group”), a U.S. insurance group specialized in the U.S. High Net Worth (“HNW”) insurance market, through TMHD’s wholly owned subsidiary, HCC Insurance Holdings, Inc. (“TMHCC”) (hereinafter: “the Acquisition”). The Acquisition is expected to be completed in the first quarter (January to March) of 2020, subject to regulatory approvals.

1. Background

- (1) As a global insurer, Tokio Marine Group has been focusing on expanding scale and profitability of its international business as the key growth driver of the overall group. We have been pursuing organic and strategic M&A initiatives in both developed and emerging markets in order to capture growth opportunities in the global insurance market and to build a further diversified business portfolio.
- (2) Since 2008, through the acquisitions of Kiln Ltd., Philadelphia Consolidated Holdings Corp., Delphi Financial Group, Inc. and HCC Insurance Holdings, Inc., Tokio Marine Group has created a diversified global portfolio in the developed markets, especially focusing on specialty primary insurance business. We have also been actively seeking growth opportunities in emerging markets where we expect to see attractive mid-to-long term growth as seen in our recent acquisition of Insurance Australia Group Limited’s P&C business in Thailand and Indonesia as well as our minority investment in Hollard Group which engages in both life and P&C business in South Africa and other Sub-Saharan countries.
- (3) At the same time, we have also taken actions to align our business portfolio with the current global business environment and our business strategy, as shown in the divestment of our reinsurance business Tokio Millennium Re in March 2019, to focus on our core strategy of expanding profitable and stable primary insurance business, notably specialty insurance.

- (4) Pure Group is a specialist group of companies serving the P&C insurance needs of the HNW customers across the U.S. Since its foundation in 2006, led by its talented and highly regarded management team with in-depth experience in the business, Pure Group has achieved rapid growth in excess of the general U.S. P&C insurance market, becoming one of the top 3 HNW specialist with superb industry recognition.
- (5) The Acquisition will contribute to sustainable profit growth and capital efficiency of Tokio Marine Group through Pure Group's continued high growth potential in the world's largest P&C insurance market, as well as its stable fee-based business and low capital intensity. Pure Group's business has limited overlap with our existing U.S. business and the expansion into this niche specialty business complements and further diversifies our business portfolio in terms of revenues, profits and customer segments.

2. Overview of the Acquisition

- (1) **Acquisition Target:** Privilege Underwriters, Inc. (TMHD will acquire 100% of Privilege Underwriters, Inc.'s outstanding shares through TMHCC)
- (2) **Acquisition Terms:** USD 3.1Bn (approximately JPY 325.5Bn)
Based on Pure Group's expected profit after tax of c. USD 95M in FY2020, and c. USD200M in FY 2023, the implied PER against FY2020 profit is c. 33x*.
(* in line with that of a listed comparable company)
After careful analysis and review of Pure Group's assets, business operations and prospects, TMHD considers this acquisition price fair and reasonable.
- (3) **Financing:** The Acquisition will be financed through the utilization of Tokio Marine Group's cash-on-hand and external financing (no equity financing, but will consider issuance of subordinated bonds).
- (4) **Acquisition Process:** TMHCC will acquire 100% of outstanding shares of Privilege Underwriters, Inc. from the current shareholders. The acquisition is expected to close in the first quarter (January to March) of 2020 subject to regulatory approvals.

3. Overview of the acquisition target

(1) Company name	Privilege Underwriters, Inc.
(2) Headquarters	White Plains, New York
(3) Name of President and CEO	Ross Buchmueller
(4) Nature of business	Holding company of a management

	company, an insurance company, etc.	
(5) Date of establishment	January 5, 2006	
(6) Ultimate owners and ownership percentage (As of September 30, 2019)	Stone Point	51%
	KKR	34%
	AXA XL	10%
	Management and others	5%
(7) FY 2018 key consolidated financials		
Fee income	USD 229M	
Profit before tax	USD 73M	
Profit after tax	USD 52M	
Net assets	USD 87M	
Premiums under management*	USD 963M	

*Premiums managed by the management company

4. Business model, major products, services, and distribution channels of Pure Group

(1) Business model (Appendix 1)

Overview of Pure Group's major businesses are as follows.

- (a) Insurance contracts are written by the Reciprocal Exchange which is an organization based on mutual support of the policyholders. However, the Reciprocal Exchange is outside of the scope of the Acquisition, as it is owned by the policyholders.
- (b) The Reciprocal Exchange cedes majority of its risk to the reinsurance market, and also shares with the insurance subsidiary of Pure Group. The capital of the Reciprocal Exchange is primarily contributed by the policyholders.
- (c) Pure Group's major business is managing operations of the Reciprocal Exchange (i.e. underwriting, claims, marketing etc.) in accordance with the attorney-in-fact contract. The management fees received in return for the services is the primary source of income for the Group.

Note: Pure Group's other income sources are fee income from the brokerage, fine arts claim services, and income/losses from the reinsurance business in which the insurance subsidiary assumes reinsurance premium from the Reciprocal Exchange.

(2) Major products, services, and distribution channels (Appendix 2)

Major Products*	Homeowners (57%), Auto (23%), Inland Marine (9%), Others
Major Services	✓ Concierge service (single point of contact throughout the policy period including claim handling)

	<ul style="list-style-type: none"> ✓ Inspection of homes to assess appropriate insured value and provide advice for loss prevention before and after claims ✓ Provide services to mitigate losses in the event of natural catastrophes
Major Distribution Channel	National insurance brokers, HNW insurance specialist brokers, Partnership with major insurers, etc.

*figures in parenthesis represent the % of product of FY2018 premiums under management by the management company

(3) Reciprocal Exchange: Please refer to Appendix 3 for details of a reciprocal exchange.

5. Characteristics and Strength of Pure Group

(1) Business model with stable fee-based income and low capital intensity

The major characteristics of Pure Group's business are (a) the reciprocal structure encouraging alignment of interests between policyholders and the Reciprocal Exchange, (b) majority of income generated from fees earned through the management of the Reciprocal Exchange, (c) capital contribution primarily from policyholders and utilization of reinsurance. These characteristics enables Pure Group to realize high customer loyalty and business model with stable fee-based income and low capital intensity.

(2) Rapidly growing P&C insurance provider specialized in the U.S. HNW insurance market (Appendix 4 & 5)

The HNW insurance market is one of the few business segments in the U.S. insurance market experiencing high growth, as the number of HNW individuals is increasing at a faster rate than the overall population. Pure Group has achieved rapid growth of around 30% CAGR in the past 5 years and has reached circa. USD 1Bn in managed premiums in 2018.

(3) Top tier customer satisfaction and renewal ratio within the industry (Appendix 6)

With highly segmented risk-based pricing based on detailed underwriting policy and high-quality claims and value-added services that it provides, Pure Group achieves top tier customer satisfaction and renewal ratio within the industry.

(4) Talented and highly regarded management team with in-depth expertise and experience in the HNW insurance business

Pure Group's management team has deep expertise and experience in the HNW insurance business. Especially, Ross Buchmueller, founder and President & CEO of Pure Group, has more than 30 years of experience in the HNW insurance market with

an excellent track record, working for the top U.S. HNW insurer Chubb and also established AIG's HNW insurance division before founding Pure Group in 2006. All key management, including the CEO, will continue to serve in their roles post acquisition.

6. Strategic Rationale of the Acquisition

(1) Further expansion of specialty primary insurance business in the U.S. (limited overlap with our existing business with high degree of complementarity)

In addition to meeting our M&A criteria (*), the transaction is consistent with our M&A strategy and contributes to further expansion of the specialty business in developed countries, a core focus area of our international insurance business. The business also has limited overlap with our existing business.

(*) Our M&A criteria

- Solid business model
- Sustainable high profitability
- Cultural fit (Existence of excellent management who can share our corporate philosophy)

(2) Contribution to sustainable profit growth and capital efficiency

The acquisition will allow Tokio Marine Group to further expand our international business in both scale and profit. In addition, Pure Group's stable fee based income as well as its business with limited overlap and high degree of complementarity with our existing U.S. business, will further diversify our business portfolio and improve our capital efficiency.

(3) Generation of synergies by combining strengths of the two groups

By combining Tokio Marine Group's strength with Pure Group's high-quality customer base in the HNW insurance market, we will implement the following initiatives to create synergies.

- Expand Pure Group's customer base by strengthening the creditworthiness of Pure Group as it leverages our financial strength.
- Provide reinsurance, etc. to Pure Group to increase its capacity and retain profit within Tokio Marine Group.
- Cross-selling of specialty insurance products developed by our existing U.S. group companies to Pure Group customers.

7. Our Advisors

Financial Advisor:

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. / Morgan Stanley & Co. LLC

Legal Advisor:

Sullivan & Cromwell LLP

Accounting/Tax:

KPMG LLP

Notes on Forward-Looking Statements

This presentation incorporates forward-looking statements that reflect current opinions, plans, outlooks, and forecasts regarding future events and business performance in connection with the Tokio Marine Group and the Pure Group. These statements are based on assumptions and judgments made by Tokio Marine in light of currently available information, and because these assumptions and judgments may be significantly influenced by known or unknown business, economic, or competitive risks, as well as other similar risks, uncertainties, or contingencies, it is possible that actual events, business performance, and other similar outcomes will differ significantly from details provided in forward-looking statements.

Key elements that may cause actual events, business performance, and other similar outcomes to differ significantly from details provided in forward-looking statements include, but are not limited to, the following: (1) the possibility that any events which terminate the acquisition agreement, change of circumstances or any other similar events or circumstances will arise; (2) the possibility that supervisory authority permits or approvals related to the acquisition cannot be obtained, that such permits or approvals cannot be obtained in accordance with the envisaged terms and conditions or schedule, or that strict regulatory or other terms and conditions will be imposed on such permits and approvals; (3) the possibility that any party of the acquisition agreement will be unable to fulfill the conditions for implementing the acquisition or that the closing date for the acquisition will differ from that forecasted; (4) the possibility that working expenses borne, loss of customers, or business disruption (including, but not limited to, difficulties in maintaining relationships with employees, customers, etc. and related matters) after public announcement of this acquisition will exceed that anticipated; (5) the possibility that the Pure Group will not be able to retain its key personnel; and (6) the possibility that expenses, charges, and other amounts paid in connection with the proposed acquisition will differ from those anticipated.

This presentation's forward-looking statements are current as of the date of this presentation or as otherwise clearly indicated, and, by making forward-looking statements in the presentation, Tokio Marine do not make any representation or guarantee to the effect that any current opinions, plans, outlooks, or forecasts will be realized. In addition, Tokio Marine bear no obligation to update or revise any forward-looking statements on or after the date of this presentation due to the emergence of new information, progress of circumstances in the future, or for any other similar reason, unless required under law or under other similar rules.

