

Financial results / Mid-term overviews

Q: While net premiums earned are expected to increase by more than 10% under the FY2018 forecast, currently it seemed to increase by 7 to 8%. Would you tell us the progress by lines and businesses including rate-hike?

A: In insurance business, while crop insurance progressed almost flat, casualty, property and specialty lines steadily grow. In reinsurance business, although whole industry had heavy losses at a certain level due to natural catastrophes incurred in FY2017, such as hurricanes (Harvey, Irma and Maria) and wild fires in California, etc. rate-hike doesn't reach our expectations so far mainly due to the effects of cash inflow from hedge funds and pension funds, etc. However, for example, parts of Catastrophe (CAT) reinsurance achieved more than 10% rate-hike and we think SI loss ratio progressed more favorably against peers. In that sense, we assume that there is still room to improve in rate in CAT lines. On the other hand, specialty lines in reinsurance also steadily grow.

Q: In terms of profitability, loss ratio in 1Q FY2018 seems to be deteriorated against 1Q FY2017. If the main reason is that the reserve developed adversely, how do you expect changes of reserve going forward? In addition, what level of mid-term combined ratio do you see?

A: We think loss ratio in 1Q FY2018 was favorable level against the market condition. We basically calculate reserve statistically and we assume the reserve conservatively which would not affect the plan as much as possible. Of course, favorable reversal of reserve could positively affect profit.

As for mid-term combined ratio level, our favorable target is that loss ratio would be high 50% to low 60% and expense ratio would be high 20% to low 30%, as a result combined ratio would be low 90%.

In addition, with trends of US interest rate-hike, investment profit could be mid-term profit growth driver.

Q: What kind of lines do you expect to grow going forward? What lines do you expect to improve further in terms of profitability?

A: In insurance business, crop insurance market is almost matured. But since it is low-cost-capital business, we could boost further with bolt-on M&As, hiring additional underwriters and enhancing agri-Sompo, etc. Under the situation of US interest rate-hike, we assume casualty lines profitability would be improved, the lines would be more interesting. While we think we have achieved some rate-hike in specialty lines including casualty lines in insurance business, we will actively continue to improve profitability further to optimize rate level.

Q: Of which around +10 to 15% target growth in premiums, what is the breakdown of organic growth, M&As and others like?

A: Basically we will achieve the growth with organic growth. Others such as rate-hike would be additional factors.

Q: SI premiums in retail business expects to grow up to \$3.5billion in FY2020. How much CAGR do you expect?

A: Same as corporate business, we assume CAGR around +10 to 15%.

Q: With gradual changes of portfolio to specialty lines, expense ratio seems to be deteriorated in conjunction with an increase in high commission product. How do you see the situation?

A: We assume higher commission rate would continue in certain period of time. Higher commission rate is a task overall industry faces and should be controlled as much as possible. Aiming for optimizing commission rate, SI will enhance initiatives to improve profitability further such as value-creation for clients and proper relationship with brokers, etc.

Q: Do you have any plan to reduce CAT risk exposure going forward?

A: Partly because CAT exposure amounted to 30 to 40% in the past, we can assume that current level at around 10% as properly diversified under our SI portfolio. Therefore, we think the weight would be balanced well. Anyway, we control and manage portfolio properly looking carefully at trends of market and rate level. Since it is very important to control CAT exposure and reinsurance protection on an overall group basis including Sampo Japan Nipponkoa, we are considering together with SI and Sampo Japan Nipponkoa how we manage.

Collaboration with SOMPO holdings group

Q: How do you proceed to collaborate with SOMPO holdings group? How do you generate new business?

A: As one of the examples, we discuss ERM with HQ just after consolidation. Actually positive benefit such as revising upward ERM rating of SOMPO holdings to “strong” by S&P already realized. Other than that, we are progressing with what we can do which is like overall group underwriting consolidation related to reinsurance including SI with agility, as a task to reduce reinsurance cost on group wide basis. Also we will consider possible and effective collaboration for optimizing group CAT risks.

Q: How do you think about the collaboration with SOMPO holdings group in the technology field? For example, what kind of contribution do you think is possible for sales, underwriting, etc?

A: Since in Japan, especially Sampo Japan Nipponkoa, the main business is retail business, unique initiatives different from SI with mainstay corporate business will be necessary. However, in the aspects of sales and claims, we understand that it is possible to advance various initiatives in the technology field. While it seems difficult to fully integrate due to differences in business characteristics, SI plans to build an advanced technology platform with high flexibility in the next five years.

In the future, in order to expand the SI retail business, we will positively adopt the technology know-how which we obtained from upfront investment in Japan.

Q: Within SI products, what kind of products do you expect to provide in Japan? For example, would crop insurance be possible?

A: We actively collaborate on launching many kinds of businesses and lines in Japan. One of the examples is cyber and professional liability lines. We already started joint meeting with Sompo Japan Nipponkoa. Other than that, we will elaborate the opportunities to provide major global Japanese companies with SI unique products such as specialty lines leveraging SOMPO licenses even outside Japan.

Q: After entered into SOMPO holdings group, do you feel that M&A disciplines such as budgets and condition changed? For examples, more strict or relaxed?

A: We don't feel any change in M&A disciplines after joining SOMPO. In that sense, no difference in disciplines. Since before the acquisition by SOMPO, SI had strict disciplines and principles for M&A. After SI entered into SOMPO holdings group, if necessary, SI and SOMPO holdings consider M&A together and SI actually executed bolt-on M&A based on group M&A disciplines. We will continue to maintain strict disciplines when we consider M&A.