



SOMPO  
INTERNATIONAL



SOMPO  
HOLDINGS

Innovation for Wellbeing

# Sompo International Overview

October 9, 2018



Mike McGuire, Chief Financial Officer

## Discussion Topics

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1. Introduction
2. Overview of Sompo International
3. Sompo International Business Segments
4. Sompo International Financial Highlights
5. Conclusion and Q&A

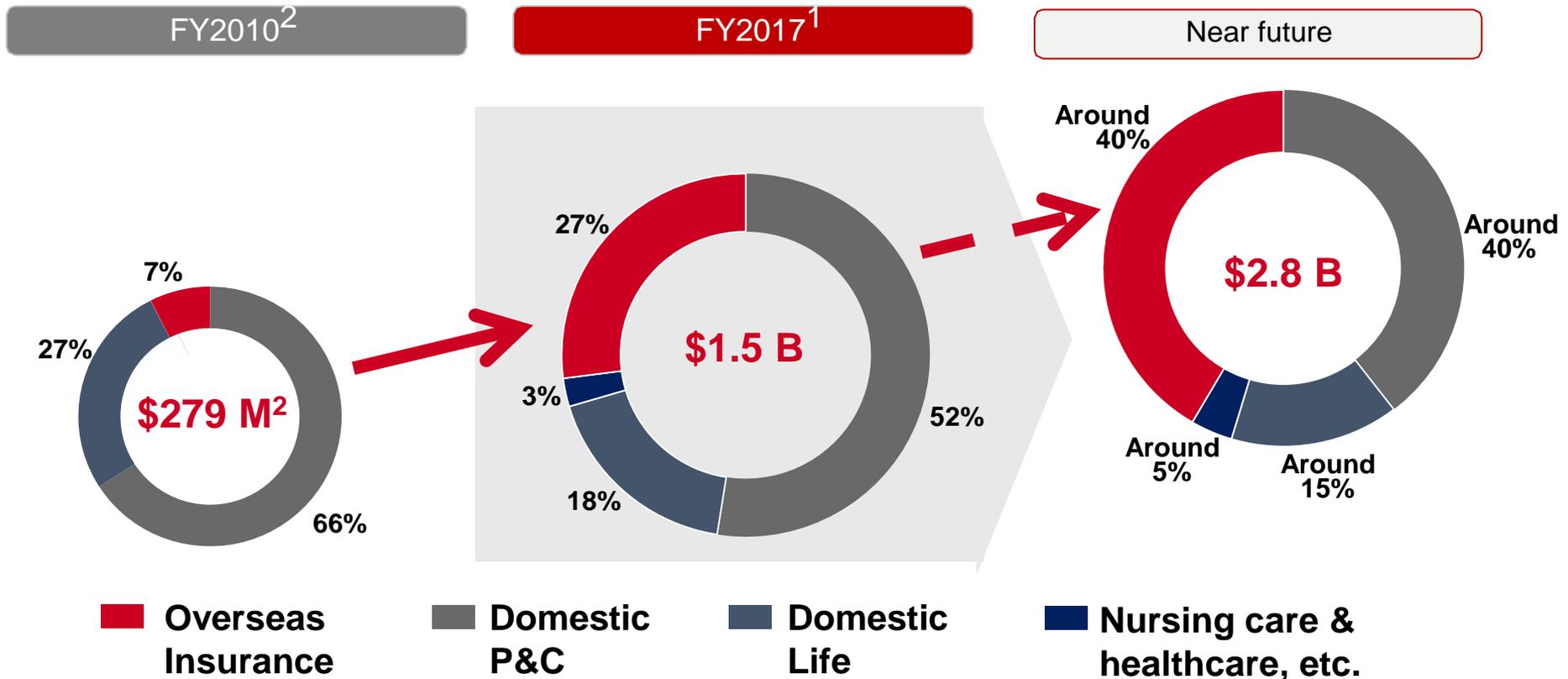


**Mike McGuire**  
Chief Financial Officer,  
Sompo International  
*Bermuda*

**Mike McGuire** is the Chief Financial Officer of Sompo International Holdings Ltd. and Chief Executive Officer of Blue Capital Management Ltd., both wholly-owned subsidiaries of Sompo Holdings, Inc. Mr. McGuire has been with Sompo International and its predecessor company Endurance Specialty Holdings Ltd. since early 2003. Prior to joining Endurance, Mr. McGuire spent almost 10 years at Deloitte where he had a broad range of public accounting experience in audit and advisory roles in the United States, Bermuda and Europe, including providing transaction accounting, structuring and due diligence services for mergers and acquisitions. Mr. McGuire is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

# Expanding Profit Contribution from Overseas Business

**Sompo Holdings Group's vision is to become a global top 10 insurance group by diversifying risk and expanding overseas business (i.e., Sompo International), with the overseas profit contribution expected to increase from 7% to 40%.**



<sup>1</sup> Year in which Sompo International was launched following the acquisition of Endurance

<sup>2</sup> Estimate based on current definition of adjusted profit

# Overview of Sompo International



**Sompo International is a leading global specialty provider of property and casualty insurance and reinsurance and currently manages Sompo's commercial Property, Casualty and Specialty products outside of Japan.**

## SOMPO INTERNATIONAL



## FINANCIAL STRENGTH RATINGS



# Sompo International's P&C Executive Team



**John Charman**  
Chairman &  
Chief Executive Officer

*With extensive experience in their respective areas of expertise, Sompo International's P&C Executive Team is committed to leading a strong, well diversified business.*



**Jack Kuhn**  
Chief Executive Officer,  
Global Insurance and  
Chief Underwriting Officer,  
Commercial P&C



**Stephen Young**  
Chief Executive Officer,  
Global Reinsurance



**John Del Col**  
General Counsel



**Nigel Frudd**  
Chief Strategy Officer



**Chris Gallagher**  
Chief Risk Officer and  
Group Actuary



**Brian Goshen**  
Chief Administrative Officer



**Takashi Kurumisawa**  
Chief Executive Officer,  
SI (Europe)



**Mike McGuire**  
Chief Financial Officer

## The new Retail platform within Sompo International will:

- Operate under the oversight of the Sompo International Board of Directors with a new governance structure
- Share expertise across the company's retail businesses around the globe
- Collaborate on the development of future products and underwriting models

## Sompo International's Retail Executive Team:



**John Charman**  
Chairman & Chief Executive Officer,  
Sompo International  
*Bermuda*



**Nigel Frudd**  
Chief Strategy Officer,  
Sompo International  
*Bermuda*



**Recai Dalas**  
Chief Executive Officer  
& Director,  
Sompo Japan Sigorta  
*Turkey*



**Francisco Caiuby  
Vidigal Filho**  
Chief Executive Officer &  
Director,  
Sompo Seguros S.A.  
*Brazil*



**Yuji Kawauchi**  
President/ Managing  
Director,  
Sompo Holdings (Asia)  
*Singapore*



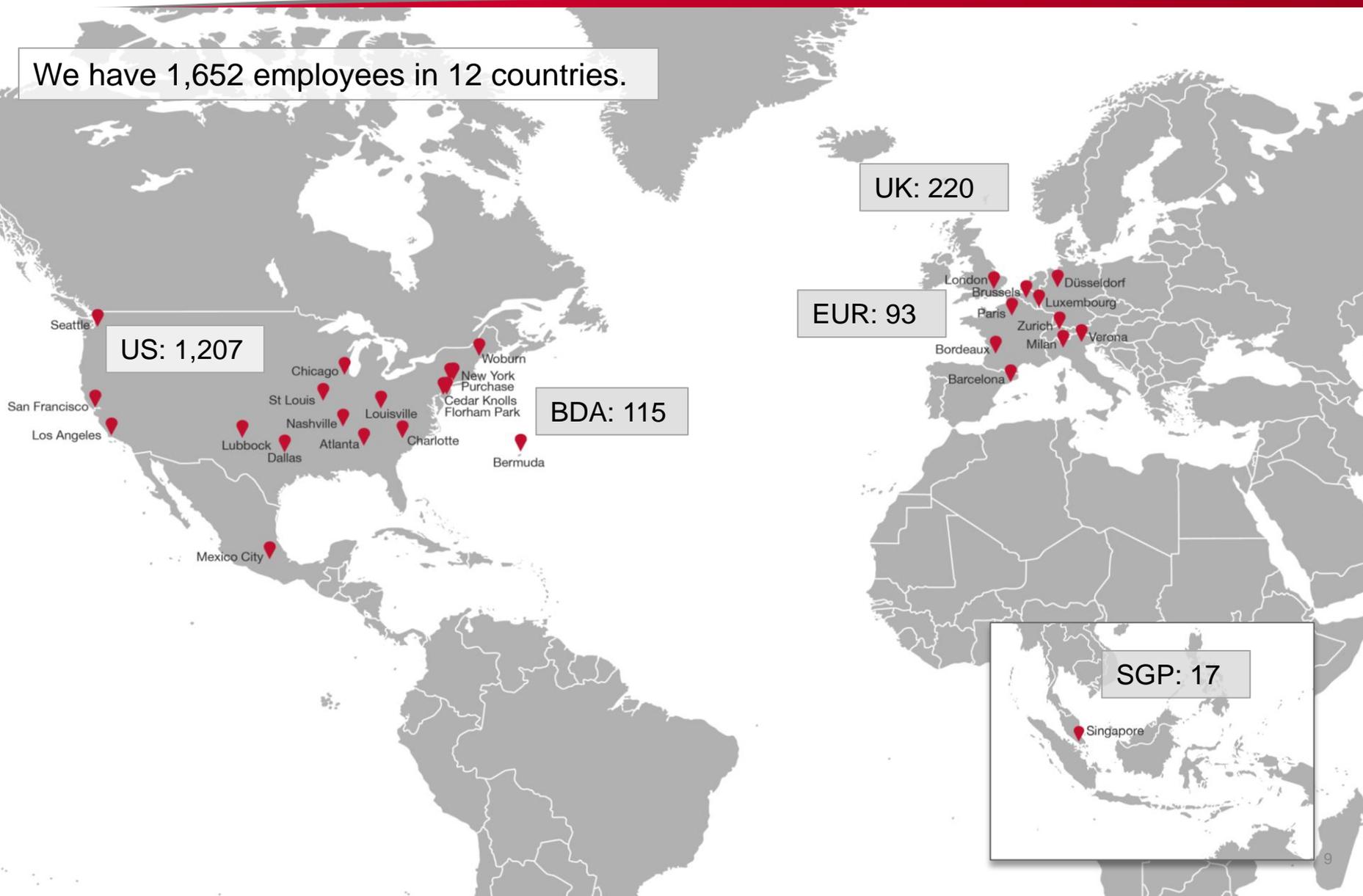
**Katsuyuki  
"Dave" Tajiri**  
Executive Officer,  
Sompo Holdings  
*New York City*



**Daniel Neo**  
Regional COO,  
Sompo Holdings (Asia)  
*Singapore*

# Sompo International's Current Global Footprint

We have 1,652 employees in 12 countries.



Sompo International (SI) will lead the profit growth of Sompo Holdings Group by:

Expanding geographically and into additional lines of business with a focus on the specialty insurance segment

- October 2017: Launched “AgriSompo”, an integrated platform to provide global agriculture insurance and reinsurance solutions
- March 2018: Acquired Italian Agriculture provider, A&A, S.r.l.
- June 2018: Acquired US based Lexon Surety Group
- September 2018: Launched Continental European insurance subsidiary
- September 2018: Launched “SomPro” a global financial and professional lines platform encompassing insurance and reinsurance capabilities

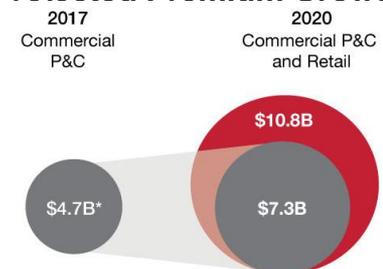
Growing Sompo’s overseas business based on integration of SI’s know-how and Sompo’s resources

- 2017: Launched global clearing system to unify commercial P&C underwriting throughout Sompo’s Overseas businesses under SI
- April 2018: S&P upgraded Sompo International’s operating subsidiary ratings to A+ in April 2018, citing the company’s increased strategic importance to Sompo Holdings, Inc. S&P’s ERM evaluation of Sompo Holdings improved
- 2018: Completed integrations of Sompo America and SJNK Europe. SI’s underwriting and product capabilities now offered to Sompo Holdings global client base.

Building an integrated global platform comprised of the current Commercial P&C platform and a Retail platform

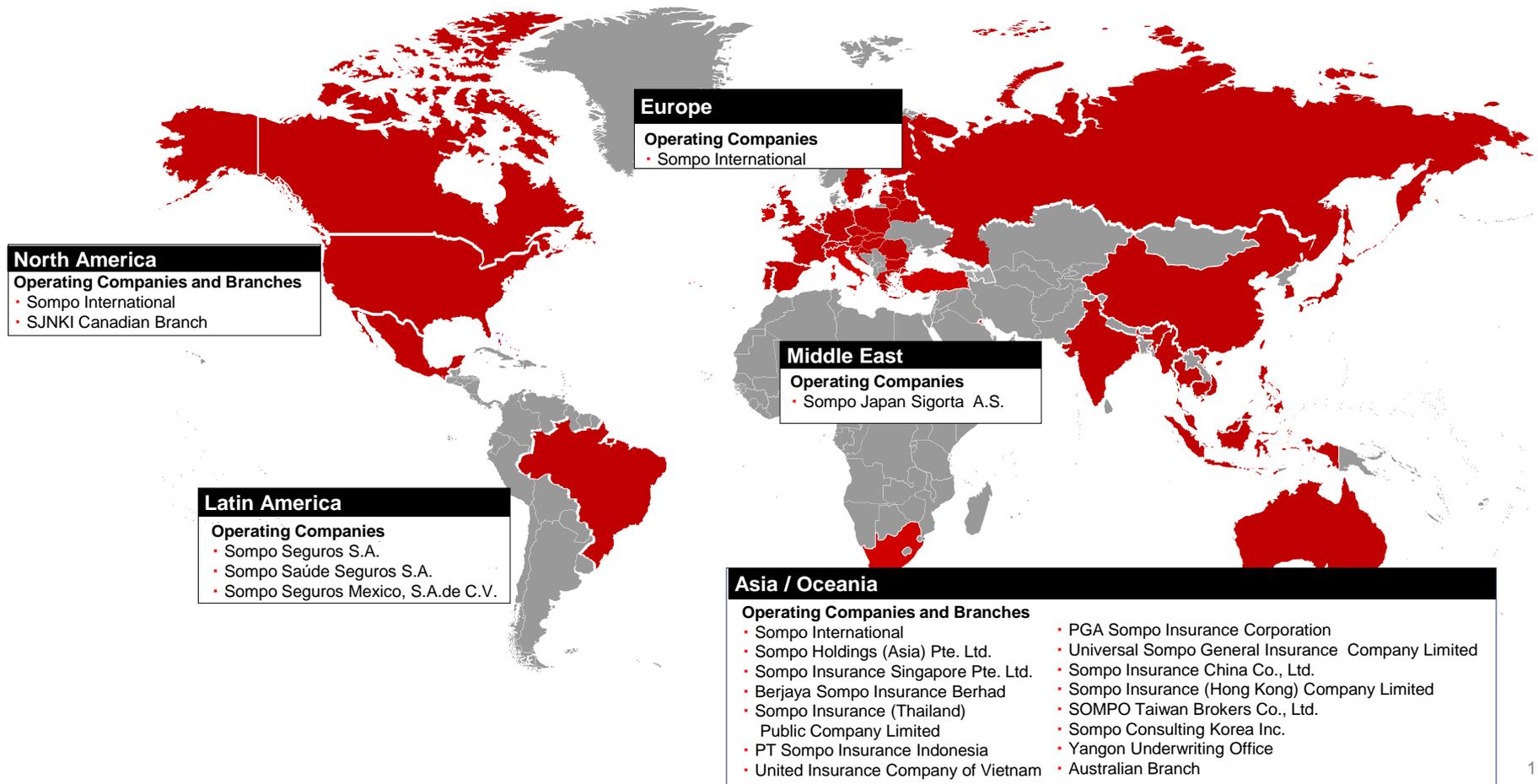
- SI has launched a new Retail platform to bring in remaining overseas businesses under SI by the end of 2020.
- Personal lines focus of SI Retail complements SI’s existing Commercial P&C business and brings new opportunities for growth, scale and diversity.

### Projected Premium Growth



**We plan to bring Sompo Holdings' subsidiaries outside of Japan under the oversight and control of Sompo International by the end of 2020.**

**45 licensed entities and 8,741 employees worldwide**



- Sompo International has deep M&A expertise and expects to leverage these skills to accelerate strategic growth and diversification of Sompo Holdings.
- SI's M&A activities are integrated with and overseen by Sompo Holdings' M&A Committee. SI has leading role in M&A strategy and execution for the group.
- M&A activity is guided by the following core principles:
  - M&A must enhance business profile, diversification and profitability of Sompo Holdings Group.
  - M&A must not negatively affect group reputation, credit ratings, risk profile or tax position.
  - Maintenance of strict discipline in what price/valuation we are willing to pay. Acquisitions must be strategically **and** financially beneficial.
  - Detailed due diligence is required for all transactions (legal, financial, operational, actuarial, tax, etc.).
  - We control acquisition process “in house”. Outside advisors support but do not lead M&A.
  - We will be creative and innovative in structuring and financing acquisitions from a governance, corporate finance and tax perspective.
  - We are receptive to joint ventures or minority shareholdings provided our stringent governance and risk management requirements are met.
  - Effective integration is critical. We must implement effective oversight, governance and control to meet our high standards, but also maintain efficiency to allow acquired businesses to prosper without undue bureaucracy.

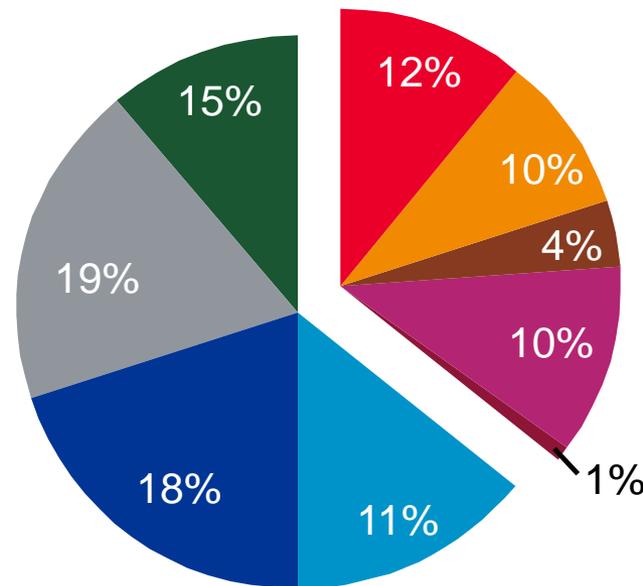
# Sompo International Business Segments



*Trailing 12 Months Ended March 31, 2018*  
**Gross Premiums Written = \$5.4 Billion<sup>1,2</sup>**

## Insurance (63%)

- Agriculture
- Casualty & Other Specialty
- Property, Marine, Energy & Aviation
- Professional Lines



## Reinsurance (37%)

- Casualty
- Catastrophe
- Property
- Specialty
- Weather

1) In 2017 Sompo America was integrated into Sompo International and include the related trailing twelve month Gross Premiums Written of \$432.3 million.

2) Includes weather derivative premiums.

# Insurance Leadership Team

*With a global presence, our specialized Insurance teams collaborate to deliver exceptional service to our clients across products lines and distribution channels*



Chief Executive Officer  
Global Insurance,  
Sompo International and  
Chief Underwriting Officer,  
Commercial P&C  
**Jack Kuhn**

**Sompo Global Risk Solutions**



Chief Executive Officer  
Sompo Global Risk Solutions  
**Michael Chang**

- Property
- General Liability
- Multiline/Package
- Auto
- Workers' Compensation
- Umbrella/Excess Casualty
- Professional Lines (Real Estate, Hospitality and Japanese Interest Accounts)
- Builders' Risk
- Environmental
- Surety
- Cyber & Network Risk
- Weather Protection

**London Market & Europe Insurance**



Chief Executive Officer,  
London Market & Europe  
Insurance  
**Graham Evans**

- Accident & Health
- Aerospace
- Casualty
- Cyber & Network Risk
- Energy
- Marine
- Political & Financial Risk
- Professional Lines (Professional Indemnity, Management Liability, Financial Institutions)
- Property
- Transaction Risk

**U.S. Insurance**



Chief Executive Officer  
U.S Insurance  
**Christopher Sparro**

- Aviation via W. Brown Associates
- Commercial Property
- Cyber & Network Risk
- Excess Casualty - E&S
- Excess Casualty - Retail
- Healthcare Liability
- Inland Marine
- Middle Market Property
- Ocean Marine
- Primary Casualty - E&S
- Professional Lines (Commercial Management Liability, Sompo Pro, Financial Institutions)
- Property - E&S
- Small Commercial & Program Business (Sompo Express)
- Surety

**Bermuda Insurance**



Chief Executive Officer  
Global Insurance and  
Chief Underwriting Officer,  
Commercial P&C  
**Jack Kuhn**

- Cyber & Network Risk
- Direct & Facultative Property
- Excess Casualty
- Healthcare Liability
- Professional Lines (Commercial Management Liability, Sompo Pro, Financial Institutions)

**ARMtech**



President &  
Chief Executive Officer  
ARMtech Insurance  
Services Ltd.  
**Michael Smith**

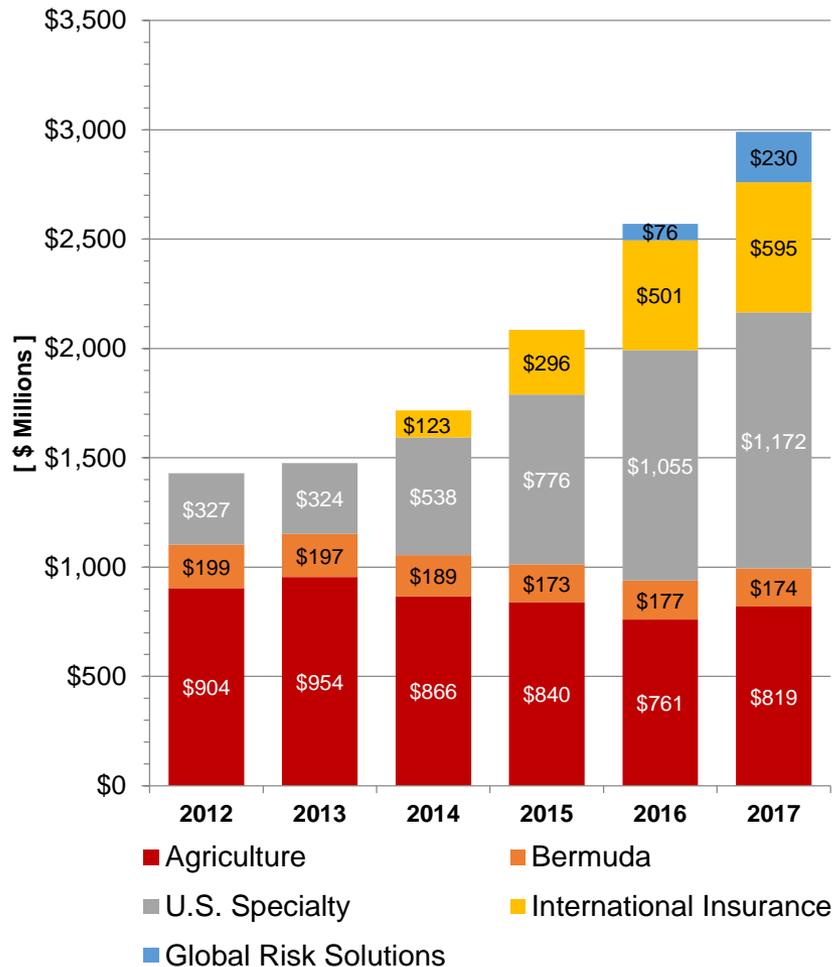
- Multi Peril Crop Insurance (MPCI)
- Crop Hail
- Livestock Risk Protection

# Insurance Portfolio Overview

## Strong Growth, Balance and Diversification

### Insurance Gross Premiums Written

Larger More Balanced Portfolio of Business



- Agriculture** - Our U.S. crop insurance subsidiary, ARMtech, offers federally sponsored multi-peril crop insurance, crop hail, livestock risk protection and other agricultural risk management products through independent agents.
- U.S. Specialty** - Servicing clients from small businesses to multi-nationals, our specialized teams offer a diversified set of insurance products through our network of wholesale and retail brokers, and MGUs. *Products include Aviation, Property, Cyber & Network Risk, Primary/Excess Casualty, Healthcare Liability, Inland/Ocean Marine, Professional Lines, Small Commercial & Program Business and Surety.*
- Bermuda** - Working through an international network of brokers, we serve insureds ranging from mid-sized companies to the largest multinational corporations. *Products include Cyber & Network Risk, Direct & Facultative Property, Excess Casualty, Healthcare Liability and Professional Lines.*
- International Insurance** - Working through our UK and Continental European platforms (including Lloyd's) and our broad distribution network outside of North America, our International Insurance platforms offer diversified specialty products around the globe. *Products include Accident & Health, Aerospace, Casualty, Cyber & Network Risk, Energy, Marine, Political & Financial Risk, Professional Lines, Property and Transaction Risk.*
- Global Risk Solutions** - Serving the Real Estate, Hospitality, Financial Institutions, and Professional Services industries and the U.S. operations of Sompo's Japanese clients, we work exclusively through retail brokers, focusing on middle-market and large accounts. *Products include Property, General Liability, Package, Auto, Workers Comp, Umbrella/Excess, Professional Lines, Surety and other Specialty lines.*

# Reinsurance Business Leaders

*With a global presence, our specialized Reinsurance teams are empowered to deliver superior underwriting capabilities to our clients across products and geographies.*

**Stephen Young**



Chief Executive Officer  
Global Reinsurance,  
Sompo International

**Stefan Beine**



EVP & Head of  
Europe  
Non-Specialty  
Reinsurance

**David Bigley**



EVP, CUO & Head of  
Global Catastrophe  
Reinsurance

**Christopher Donelan, CPCU, ARe**



President & CUO  
North America  
Reinsurance & Head  
of Global Casualty  
Reinsurance

**Rene Lamer**



Chief Executive,  
Singapore Branch

**Martin Malinow**



President,  
Sompo Global  
Weather

**Adrian Poxon**



EVP & Head of  
Global Specialty  
Reinsurance

**Christoph Virchow**



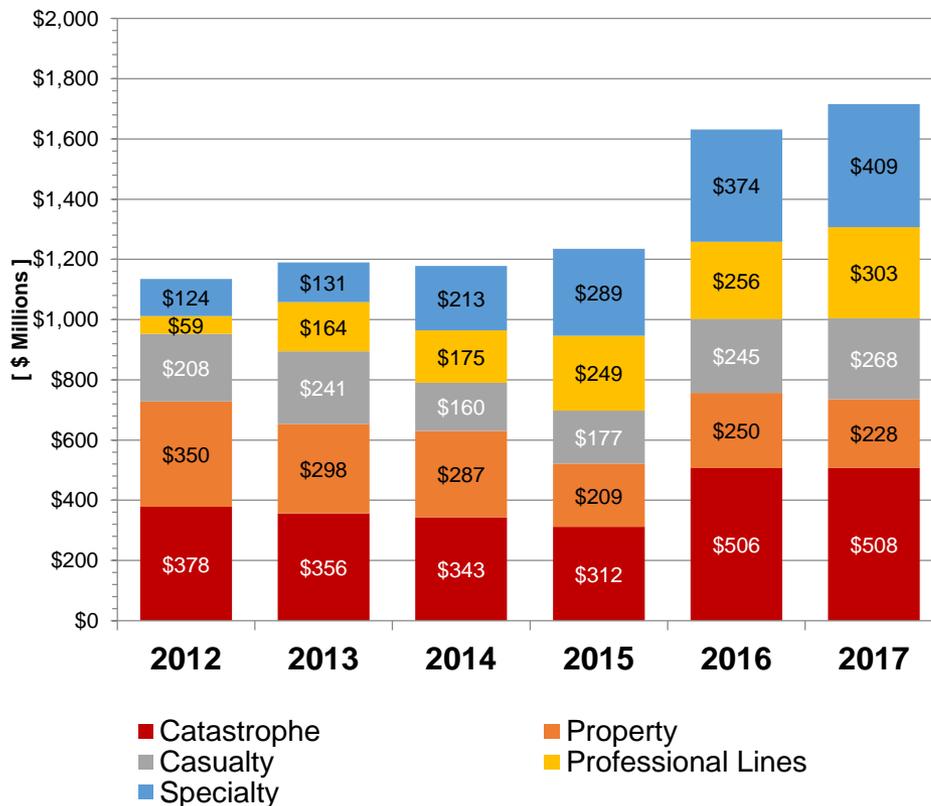
EVP & Head of  
Global Specialty  
Reinsurance

# Reinsurance Portfolio Overview

## Balance, Diversification and Cycle Management

### Reinsurance Gross Premiums Written

*More Diversified and Profitable Portfolio of Business*



- Catastrophe** – With a diversified global catastrophe portfolio, we offer a broad array of individualized catastrophe products including traditional coverage as well as collateralized reinsurance structures through our wholly owned asset manager, Blue Capital.
- Property** – Our Global Property team offers proportional and excess property reinsurance of residential, commercial and industrial exposures.
- Casualty** – Our team of dedicated casualty underwriters support both proportional and non-proportional reinsurance programs across the full spectrum of the liability market.
- Specialty** – Within Specialty, we write Agriculture, Aviation & Space, Engineering, Marine & Energy, Mortgage & Financial Reinsurance, and Trade Credit, Surety & Political Risk products.
- Professional Lines** - Located in key markets globally, we support both excess of loss and proportional reinsurance programs with a broad range of products.

# Sompo International Financial Highlights

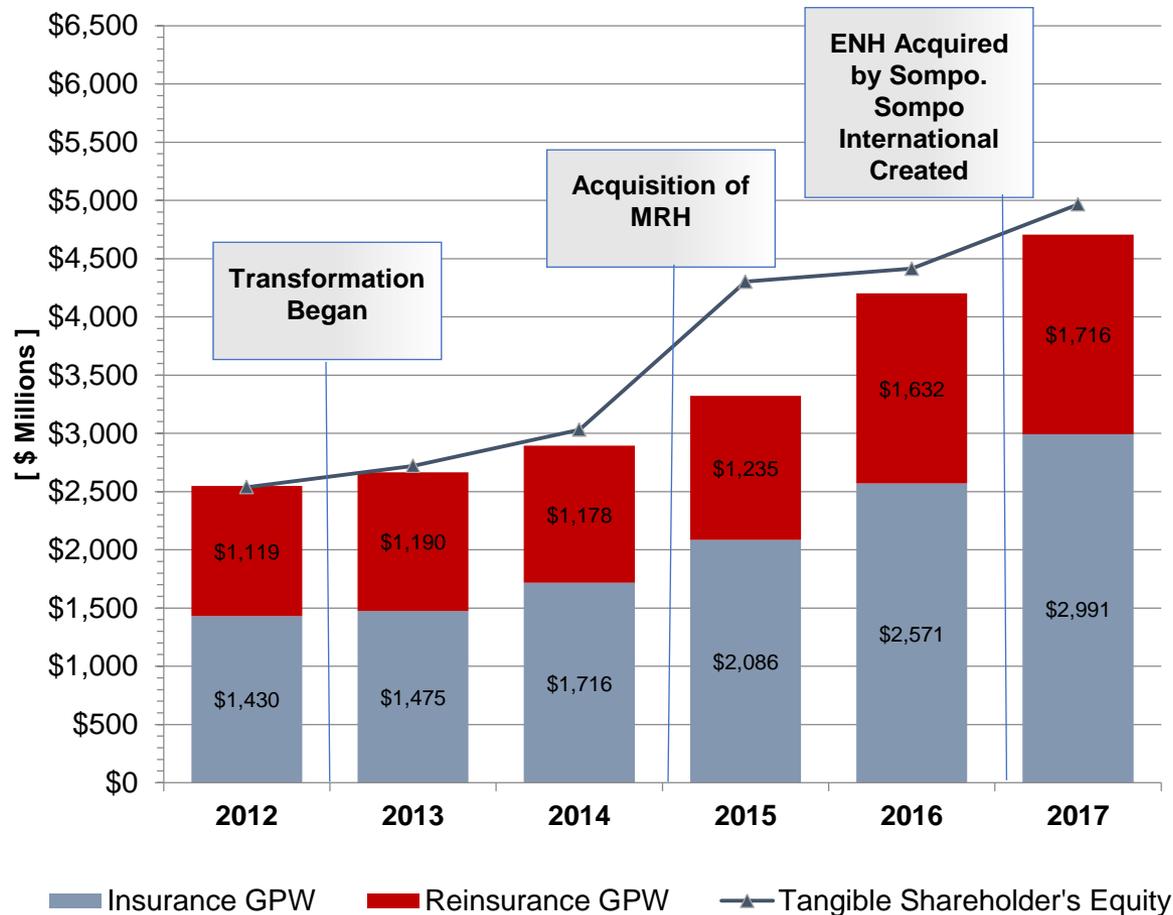


# Sompo International's Strong P&C History

## Underwriting Expertise Driving Increased Scale and Profitability



### Sompo International Gross Premiums Written and Equity



- Premium and equity levels have almost doubled in last 5 years driven by:
  - Investment in industry leading talent
  - Strong specialty underwriting focus
  - Successful acquisition integrations
  - Best in class leadership team with strong execution
- Current plans anticipate continued CAGR of 10% - 15% for gross premiums written over the next several years

# Sompo International's P&C Financial Highlights



	<i>(In millions of U.S. dollars)</i>		
	QUARTER ENDED MARCH 31, 2018	YEAR ENDED DEC 31, 2017	YEAR ENDED DEC 31, 2016
<b>SOMPO INTERNATIONAL</b>			
Gross Premiums Written <sup>1</sup>	\$2,193.6	\$5,108.1	\$4,202.2
Net Premiums Written <sup>1</sup>	\$1,284.1	\$2,877.3	\$2,369.9
Total Assets	\$20,320.7	\$19,057.3	\$14,122.9
Loss Ratio	59.3%	81.5%	55.9%
Expense Ratio <sup>-</sup>	36.2%	30.8%	32.2%
Combined Ratio <sup>2</sup>	95.5%	112.3%	88.1%
Tangible Shareholder's Equity <sup>3</sup>	\$4,969.1	\$4,965.7	\$4,414.1
<b>SOMPO INTERNATIONAL INSURANCE</b>			
Gross Premiums Written <sup>1</sup>	\$1,167.8	\$3,392.1	\$2,570.5
Net Premiums Written <sup>1</sup>	\$512.3	\$1,497.0	\$1,056.3
<b>SOMPO INTERNATIONAL REINSURANCE</b>			
Gross Premiums Written	\$1,025.8	\$1,716.0	\$1,631.7
Net Premiums Written	\$771.7	\$1,380.3	\$1,313.7

For more detailed financial information, please visit [www.sompo-hd.com/en/ir/financial](http://www.sompo-hd.com/en/ir/financial)

<sup>1</sup> In late 2017 Sompo America was integrated into Sompo International. Sompo America accounted for \$118.9 million of Gross Premiums Written for the quarter ended March 31, 2018 and \$413.9 million for full year 2017.

<sup>2</sup> One-time merger cost is excluded as a special factor in expense ratio and combined ratio in FY2017.

<sup>3</sup> Tangible Shareholders' Equity excludes non-controlling interests.

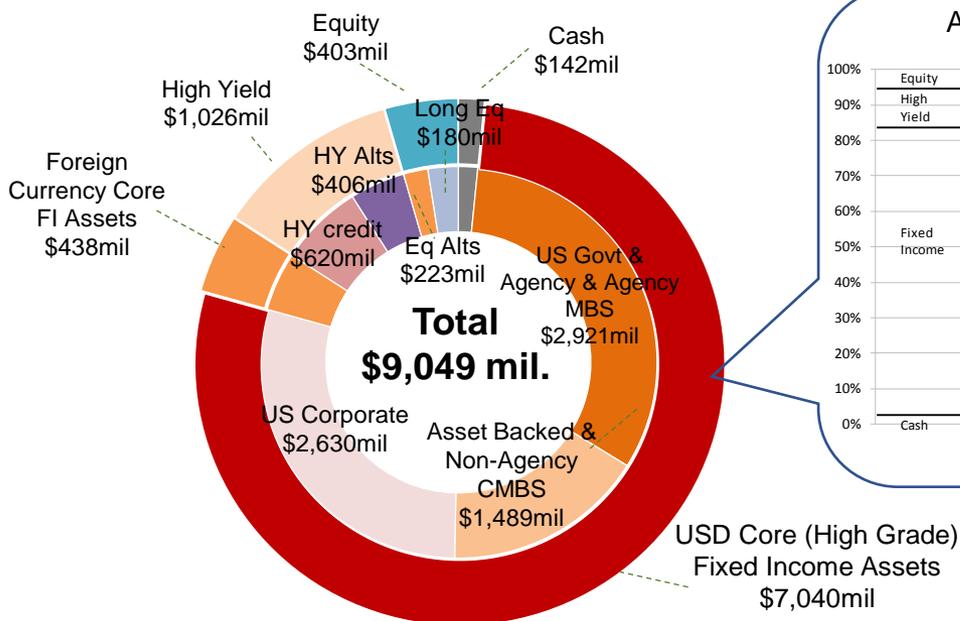
# Asset Portfolio\* – Sompo International

March 31, 2018

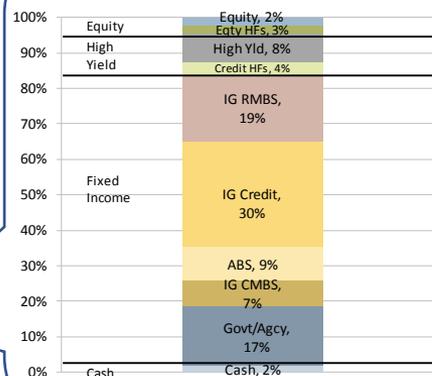


- ◆ Enhancing shareholder value, preservation of capital and maximizing risk adjusted returns.
- ◆ Emphasis on liquid, high quality assets to meet company liabilities.
- ◆ Given current valuations and company objectives, reduced allocation to public equities.

Total Asset Portfolio **Asset Allocation**



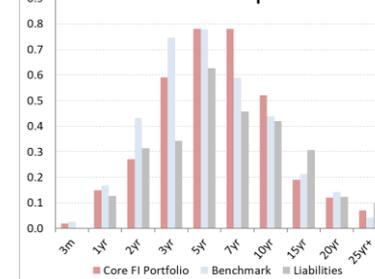
Asset Allocation



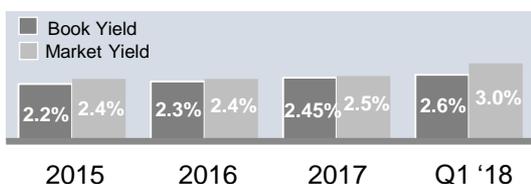
\$7bn USD Core FI **Duration** (years)

	End of Dec. '16	End of Dec. '17	End of March '18
Asset	3.4	3.6	3.6
Liability	2.6	2.9	2.8

Yield Curve Exposure



USD/GBP/Euro Core FI **Book & Market Yield**



Trend of Income Yield (NII / Total investment assets)



All Fixed Income – Composition by **Ratings**

Rating	Composition
IG(Above BBB-)	94%
HY(Below BB+)	6%

\* Excludes Operating cash

# Commentary on March 31, 2018 Results and Market Conditions

- SI had a very solid first quarter as gross premiums written were \$2.2 billion or 23.3% higher than first quarter 2017 partly driven by the inclusion of Sompo America
  - Our combined ratio of 95.5% included low levels of development related to Hurricane Irma
  - Continued drive for scale, efficiency and continuous improvement in systems/infrastructure
- SI's investment portfolio has performed well in period of increasing (more normal) volatility and our diversified asset allocation, strong portfolio oversight and active management has enabled us to capture increasing yields which are driving improvements to our investment income. Total Invested Assets and Cash in SI now over \$10.0 billion and the portfolio is well positioned to benefit from rising interest rates in US markets.
- Market conditions remain very competitive, but SI is leading market in driving rate improvements.

# Conclusion and Q&A



# Conclusion

- Sompo International is an excellent platform for future growth of Sompo's overseas business:
  - Industry leading underwriting talent
  - Diversified across insurance and reinsurance by product and geography
  - Excellent financial strength with prudently managed balance sheet
- Global Integration of Sompo International with Sompo Holding's overseas businesses will be a key differentiator in marketplace:
  - Oversight and governance is efficient and effective
  - Underwriting activities are integrated globally to maintain high quality, consistency and profitability
  - Global network and product expertise provide unique growth opportunities
- Sompo International will be a key driver for Sompo Holdings to become a leading global insurer

# Questions?

## **Note Regarding Forward-looking Statements**

The forecasts included in this document are based on the currently available information and certain assumptions that we believe reasonable. Accordingly, the actual results may differ materially from those projected herein depending on various factors.

### **Contacts**



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