

Y 2013 Earnings Call

Company Participants

- Shiro Sasaki, Corporate Communications and Investor Relations Group
- Unidentified Speaker

Other Participants

- Jun Shiota, Analyst
- Masao Muraki, Analyst
- Natsumu Tsujino, Analyst
- Unidentified Participant

Presentation

Unidentified Speaker

Ladies and gentlemen, thank you very much for your patience. First of all, thank you very much for participating in Tokio Marine Holdings 2012 financial results, financial data conference. And during this course of the presentation all the lines except for the presenter's lines are on mute.

And also, please note that that we have reported (inaudible) and let me also remind you before we start with the conference that the presentation that reported today contains some forward-looking statements based on current forecast. However these include risks as well as uncertainties and therefore, please understand that the actual results may differ from what will be stated during the course of the conference call.

With that, we would now like to turn the floor to Ms. Sasaki.

Shiro Sasaki {BIO 19269575 <GO>}

My name is Sasaki, I come from the IR of Tokio Marine Holdings. Let me now explain the overview of fiscal year 2012 full year results as well as the full year projections of fiscal year 2013 for Tokio Marine Holdings, which we just announced today.

To explain the results as well as the projections, we are providing the following five documents for this meeting. First, financial [ph] report; second, information about major subsidiaries business results for the fiscal year 2012; third, PowerPoint document entitled overview of fiscal year 2012 results and fiscal year 2013 projections; fourth, supplement material for the conference call; fifth, financial settlements data. I would like to ask you to access our website, then from the home page under topics, access the page where we disclose those materials and get your own copy via download.

In this conference call, we will be using mainly PowerPoint documents and the supplemental material for fiscal year 2012 conference call to give you a presentation for about 30 minutes first. First, I will explain the overview of fiscal year 2012 results. Please turn to page three of the PowerPoint document.

Let me first explain about the consolidated ordinary income. In fiscal year 2012, consolidated ordinary income was JPY3,857.7 billion, year-on-year 12.9%, or increase by JPY441.7 billion. Main reason for the increase will be explained one by one.

First is the net premiums written of domestic and international non-life insurance business for fiscal 2012, which was JPY2,558 billion year-on-year, 10% increase or increase by JPY233.5 billion. This result came about due to expansion of underwriting and rate increase in both domestic and non-life business and international insurance business. On top of that, we have some contribution coming from Delphi in the United States whose P&L has begun to be consolidated from the third quarter of fiscal year 2012.

Next, life insurance premiums for domestic and international life Insurance business was JPY399.8 billion year-on-year, plus 16% or increase by JPY65.2 billion. Reasons were Tokio Marine & Nichido Life's steady increase of in-force policies, brisk sales of new products in Asia and Delphi's P&L being newly consolidated.

Next, investment income, which was JPY636.4 billion or year-on-year 70.7% or increase by JPY263.5 billion. The reason behind this is that due to the stock market royalty, there was some increase in investment gains on separate accounts at financial life. Just a note that same amount must be transferred to underwriting reserves, so investment gains on separate accounts become neutral on P&L.

Next I'd like to look at ordinary profit. Please turn to page four. Consolidated ordinary profit was JPY207.4 billion, year-on-year 29.4% or increase by JPY47.1 billion. I will now explain the major factors for the increase and decrease in ordinary profit for each business domain as shown on this slide.

In domestic non-life business, Tokio Marine and Nichido Fire experienced increase in underwriting profit. However, investment income declined resulting in ordinary profit decline of JPY55.6 billion year-on-year to be JPY160.7 billion. I will explain more about this in detail later.

Next I'd like to talk about domestic life business. Due to Tokio Marine and Nichido Life, a steady increase of in-force policies amount as well as rebound effect from financial life's additional provisions for underwriting reserve in 2011, ordinary profit increased. Overseas subsidiaries experienced expansion of underwriting while underwriting was done with discipline. So a reaction from occurrence of natural catastrophes in fiscal year 2011 and consolidation of Delphi as a result had a major increase in ordinary profit by JPY139.7 billion year-on-year.

In financial and general business, at the security subsidiary company, securitized products had its credit ratings being revised and loss provisions were made by JPY22.1 billion

resulting a decline in profit. In consolidation adjustment, because of the purchase method adjustment amount being reduced compared to last year due to reduction in sell down of business related equities, offsetting of consolidation adjustment related to large natural catastrophes last year and increase in dividend payment from subsidiaries, negative adjustment increased by JPY33.4 billion year-on-year.

Next, let me explain about the net income. Please turn to page five. For fiscal year 2012, consolidated net income was JPY129.5 billion year-on-year or increase by JPY123.5 billion. Compared to the increase of ordinary profit, the reason for the bigger increase in net income is due to the fact that for domestic non-life business, including Tokio Marine and Nichido Fire and Nisshin Fire and for domestic life business with TMNL, there was a reversal effect of fiscal year 2011 reduction of deferred tax asset associated with corporate tax rate decrease. Overseas subsidiaries also had increase in net income.

Let me now explain about the major subsidiaries, please turn to page six. Let me now explain about the fiscal year results for Tokio Marine and Nichido Fire Insurance Company. First is about net premiums written. Net premiums written continued to increase thanks to rate and product revision effect and effect of alliance with Meiji Yasuda Life Insurance Company. Net premiums written increased by 4.9% to be JPY86.6 billion.

Net incurred loss for private insurance declined by JPY7 billion yen. I will explain the factors one by one. First is natural catastrophe related incurred loss, which declined by JPY66.3 billion. On the other hand, non-natural catastrophe related incurred loss increased by JPY17.5 billion due to increase in net premiums written and occurrence of medium to large losses in fire line of insurance. Also because of yen conversion, provision for reserve for foreign currency denominated outstanding claims increased by JPY27 billion. Loss adjustment expenses increased by JPY14.5 billion due to expense for new claims service system leading to incurred loss decrease by JPY7 billion year-on-year.

Next, let me explain about the catastrophe loss reserve. Last fiscal year, reversal of catastrophe loss reserves due to progression of claims payments for the Great East Japan Earthquake. This fiscal year, due to the reaction from last fiscal year, there is more provisioning to be made by JPY66 billion. As a result, for this fiscal year, underwriting profit came to be JPY7.3 billion, or which is an increase by JPY8.5 billion year-on-year. Let me now explain about the E to I loss ratio, which we are showing on the bottom of the slide in a box.

Fiscal 2012 E to I loss ratio improved by three points year-on-year to be 66.8%. This is due to the auto insurance improving E to I loss ratio by 1.2 points as well as because of decline in incurred loss from natural disasters. On investment income, due to decrease in sales of business related equities and decreasing gains on FX forward and currency swaps owing to yen depreciation, net investment income decreased by JPY32.4 billion to be JPY187.3 billion.

As you can see, because decrease of investment income was bigger than increase in underwriting profit, ordinary profits declined by JPY55.9 billion to JPY156.1 billion. For net income, due to reaction from 2011 reduction of deferred tax assets associated with

corporate tax rate decrease, net profit increased by JPY35.4 billion to JPY58.6 billion. That explains the financial results for Tokio Marine and Nichido Fire Insurance Company.

Please refer to page seven, eight and nine about the written to paid basis combined ratio and factors for increase and decrease in net premiums written.

Please refer to page nine for Nisshin Fire's 2012 results. As for Nisshin Fire's underwriting profit, net incurred loss increased. On the other hand, net premiums written increased centering around auto and business expense was reduced. There was increase in reverse of catastrophe loss reserve in accordance with the increase in claims paid, resulting in underwriting profit increase by JPY1.9 billion to minus JPY1.1 billion.

For its net investment income, there was increasing gains on sales of business related equities and net investment income increased by JPY0.1 billion to be JPY26.4 billion. For net income, on top of the factors I just explained, due to reversal effect of 2011 reduction of deferred tax assets associated with the corporate tax decrease, net income increased by JPY7.3 billion to JPY2.6 billion.

Now I will explain about the fiscal 2012 results for Tokio Marine and Nichido Life Insurance Company; please turn to page 10. As an overview of sales activities, let me explain about the annualized premiums or ANP. On the slide, we are showing the trend of ANP and 2012 was no exception in keeping up the top line growth. For new policies ANP, we saw revenue growth on first-sector line and individual annuities throughout the year as well as favorable sales of medical kit are launched in January of 2013. As a result, new policy ANP increased by 40.7%. Let me now explain about the financial accounting. We saw an in-force policy amount increase by 12.2%.

Now let me explain about the financial accounting. Insurance premiums and other income increased by JPY61 billion to JPY566.5 billion due to favorable expansion of its in-force policies. Net income expanded due to increase in revenue and reversal effect of 2011 reduction of deferred tax assets associated with corporate tax rate decrease. Net income grew by JPY7.9 billion to JPY13.9 billion.

Next, I will explain about the fiscal year 2012 results for international insurance business. Please turn to page 11. To match the disclosure policy of IR and explaining about our international insurance business, this segment will show the overall comprehensive international insurance business figures, including Tokio Marine & Nichido Fire's overseas branch offices, equity method [ph] companies as well as some non-consolidated companies. This year's net premiums written expanded due to Delphi's contribution from the second half of the year as well as due to the organic growth of existing sites. Net premiums written increased by 47% to JPY734.4 billion.

Now let me talk about each business domain. Philadelphia had increase in new policies and upward rate revisions of renewal policies, which led to premium growth exceeding the market average and its net premiums written increased by 22% year-on-year. Delphi, because of its consolidation from the third quarter of fiscal year 2012, last year's figures

FINAL

Bloomberg Transcript

FINAL

are not shown, but on local currency basis, net premiums is growing both in life and non-life segments.

Kiln had increase in net premiums written mainly due to marine and property business and upward rate revisions in reinsurance business, which had net premiums written increase by 39% year-on-year. In Asia business, increase due to making the Thai non-life business to be wholly-owned subsidiary as well as thanks to rapid growth of the business centering around personal auto insurance against the backdrop of rapid economic growth. Net premiums written grew by 41% year-on-year. In reinsurance business, underwriting expanded in Switzerland and Australian branches as well as expansion of underwriting in areas other than nat-cat risk. Net premiums written grew by 39% year-on-year.

Next, let me explain about the adjusted earnings of international insurance business. Please turn to page 12. Adjusted earnings increased by JPY81.2 billion to JPY69.2 billion mainly due to the measures that we implemented to grow profit, new contribution of Delphi and also because we did not have the same natural cat losses as in FY2011. For a more detailed breakdown by business segment, please refer to the slide. Next, please proceed to page 13 to discuss the total adjusted earnings of our group in FY 2012. The total adjusted earnings increased by JPY228.6 billion year-on-year to JPY209.1 billion due to the following reasons.

We are disclosing adjusted earnings to give a clearer indication of profits and losses generated from our business activities during the course of the year. So in the P&C business, the adjusted earnings mainly consists of statutory net income.

We are also making some adjustments to take into account changes in (inaudible) reserves that are unique to P&C business such as cat loss reserve as well as sales evaluation gains and losses from assets that we hold such as equities in real estate, the net of which boosted net income, certainly feeding to our adjusted earnings positively when we also took into account the negative factors behind the net income in FY12 such as increase in provisioning for cat loss reserve to (inaudible) the outstanding balance and declining sales of business related equities. As a result, adjusted earnings increased more than increase of net income and adjusted earnings of domestic P&C business reached JPY48.3 billion, up by JPY74.4 billion year-over-year.

In the life business, we define growth of EV as adjusted earnings from the year. EV of Tokio Marine & Nichido Life increased by JPY13.3 billion year-on-year. While there was a positive impact from the change in tax rate in FY11 basically grew top line and increased the value of new business based on the decline in interest rate, they changed risk discount rate to be used for the calculation of value of in-force business. This also helped them to grow EV.

Tokio Marine & Nichido Financial Life also grew their EV by JPY81.9 billion year-on-year primarily because fee revenue increased, thanks to the improvement of investment environment. For the international insurance and financial and general business, adjusted earnings changed over the year due to the reasons that I mentioned earlier.

Now, this concludes my presentation on the overview of the actual financial performance of FY12. Let me next explain to you the projection for FY13 on page 16. As we included in the material titled Information About Major Subsidiaries Business Results for the year ended March 31st, 2013, net premiums written in FY13 is projected to become JPY2,710 billion, up by JPY151.9 billion year-on-year. Life premiums are expected to increase by JPY50.1 billion over the year to JPY460 billion.

Next, let's explain to you the consolidated ordinary profit projection for FY13 shown on the slide. Ordinary profit is projected to increase by 30.1% or JPY62.5 billion year-on-year to JPY270 billion. In the domestic P&C business, ordinary profit is expected to increase by JPY52.5 mainly due to the projected increase in Tokio Marine & Nichido Fire's profit. At Tokio Marine & Nichido Fire, while the investment income is expected to decline, underwriting profit is projected to increase significantly. So the ordinary profit is projected to reach JPY209 billion, up by JPY52.8 billion. I will amplify on this later.

Next, domestic life business. Ordinary profit of Tokio Marine & Nichido Life is expected to decline by JPY11 billion. This is because while their in-force book is expected to grow continuously, provision for standard underwriting reserves is projected to increase due to the decline in standard interest rates. Tokio Marine Financial Life also expects their ordinary profit to decline by JPY5 billion year-on-year. Though the market recovered during the last fiscal year, we expect the market to stay flat this fiscal year and therefore we expect our costs to increase.

Ordinary profit of our international insurance business is expected to increase by JPY17.8 billion to JPY115.2 billion, thanks to full-year contribution of Delphi as well as a depreciation Japanese yen from the end of December last year, which is the end of our business year for our international business through the end March this year. And in the financial and general business, the profit is expected to increase. This year we do not expect to provide loss reserve as recognized in last year related to guarantee obligation at our securities subsidiary. For consolidation adjustments, negative adjustment is projected to increase due to an increase in intra-group dividend as well as amortization of goodwill.

Please next go to page 16 to review our consolidated net income projection. In FY 2013, consolidated net income is projected to increase by 31.2% or JPY40.4 million year-on-year to JPY170 billion. In addition to the positive and negative factors behind ordinary profit, at Tokio Marine & Nichido Fire, we assume that valuation losses of equities and securities subsidiary recognized in FY12 will disappear, but since the positive adjustment made for the valuation losses and consolidation adjustment will also disappear, the impact to our P&L is going to be neutral.

Next, please go to page 17 to discuss financial projections by company. First, Tokio Marine & Nichido Fire. Net payments written is expected to increase by 2.2% or JPY41.3 billion over the year mainly through the lines of voluntary and compulsory automobile insurance. engineering. Net losses incurred for all the private insurance are projected to by JPY36.1 billion. In relation to the expected decrease in losses incurred by natural disasters, we also took note of the fact that during FY12, provision to reserve for outstanding claims not using foreign currencies increased due to the depreciation of Japanese yen. Net losses incurred by natural disasters are projected to become JPY35 billion.

FINAL

Business expenses are projected to increase by JPY11.7 billion mainly due to the expected increase in agency commission associated with top line growth. Provision for cat loss reserves is expected to decrease by JPY8.9 billion year-on-year because we expect that payout of claims related to the past catastrophic events such as Thai Flood and Hurricane Sandy will progress in FY 2013.

As a result, underwriting profit is expected to increase by JPY66.6 billion to JPY74 billion. For private insurance, loss ratio on an earned to incurred basis is expected to improve by 4.0 points year-on-year to 62.8% due to the expected decrease in incurred losses as well as expected increase in earned premiums.

Next, investment income is expected to drop by JPY30.4 billion to JPY156.9 billion mainly because sales gains of securities are expected to decline. We also estimate that we would sell JPY100 billion worth of business-related equities this fiscal year.

Based on these projections for underwriting profit and investment income, ordinary profit is expected to increase by JPY52.8 billion to JPY209 billion and because we are now expected to post the valuation losses of our affiliated companies equities again this year, net income is projected to increase by JPY78.3 billion to JPY137 billion.

Now, this is the highlights for Tokio Marine & Nichido Fire. We have included more details of our projection of combined ratio on the written and paid basis as well as net premiums written on pages 18 and 19. Please refer to them at your convenience.

Next, please proceed to page 20 to review projections for Nisshin Fire. Net income of Nisshin Fire is expected to stay flat from the previous year at JPY2.6 billion due to the expected decrease in sales gains of business related equities. Investment income is projected to decline. In the meantime, underwriting profit is expected to improve, thanks to improvement of business expenses.

Next, let us look at projections for Tokio Marine & Nichido Life on page 21. This year forecasting on profitability, we will place even stronger emphasis on first-sector products. As a result, unit price is expected to decline, but we still intend to achieve another strong performance and keep annualized net premiums of new policies flat from a year ago. ANP of in-force policies is projected to increase by 10.2% year-on-year based on the steady acquisition of new policies. Insurance premiums and others are expected to increase by JPY53.3 billion year-on-year to JPY619.9 billion due to the steady growth of in-force book, as I explained earlier.

Net income is projected to decline by JPY6.8 billion year-on-year to JPY7.1 billion. While insurance premiums are expected to increase, provisions to underwriting reserves are expected to increase in conjunction with the decline in standard interest rates.

Next, let me discuss the projection for our international insurance business on Page 22. In FY 2013, total net premiums written of our international insurance is projected to increase by 25% to JPY920 billion. In addition to the full-year contribution of Delphi, each business including Philadelphia and our Brazilian and Asian operations are expected to grow their

revenue. Details behind the projections for our major businesses are provided in the material. Please refer to them at your convenience.

Next, please allow me to discuss projection on adjusted earnings of international insurance business on Page 23. In FY 2013, adjusted earnings are projected to increase by JPY20.8 billion year-on-year to JPY90 billion. Besides the Delphi's contribution on a full-year basis, Kiln and Asian operations are expected to grow their business and profit.

Lastly, let me touch upon the total adjusted earnings projected for our entire group in FY 2013 on page 24. The total adjusted earnings for entire group is projected to increase by JPY16.9 billion to JPY226 billion yen due to the following reasons. At Tokio Marine & Nichido Fire, adjusted earnings are projected to increase due to the expected decrease in incurred losses from natural disasters and because we do not assume to increase provision for reserves for outstanding claims denominated in foreign currencies again this year given the weaker Japanese yen. Adjusted earnings of Tokio Marine & Nichido Life are projected to decline. While the business is expected to achieve steady growth continuously, positive factors in FY12 in conjunction with the decline in risk discount rate is not expected to repeat. Adjusted earnings at Financial Life are expected to decline because during the course of last year, investment environment improved and in turn boosted their earnings and there is no additional point to be made for international and financial life business.

This concludes my presentation and I would now like to entertain your questions.

Questions And Answers

A - Unidentified Speaker

Thank you, Ms. Sasaki. Now I would like to get into the Q&A. Now the operator is explaining about how to dial in a question in Japanese. This is only applicable to the questioners in Japan. So please hold on the line. Wait till the MC [ph] come back for the non-Japanese participants.

Operator

The first question is from Mr. Otsuka [ph] of Nomura Securities.

Q - Unidentified Participant

My name is Otsuka. Thank you for this opportunity. I have two questions. The first question is about slide number six. For Tokio Marine & Nichido Fire, the underwriting profit for 2012, it was JPY7.3 billion for fiscal 2012. And compared to your original expectations, I believe this number is slightly lower than your original forecast about the factors. That is my first question.

A - Unidentified Speaker

FINAL

Would you like to ask your questions one by one? Okay. So let me answer your first question first. My name is (inaudible) I am from the Corporate Accounting of Tokio Marine & Nichido. Pertaining to your question, I believe there are two factors behind it. The first factor is the foreign exchange for the -- as of the third quarter, the current Fx rate has moved over the yen depreciation, and therefore there was an increase in provision for reserves for the foreign currency denominated outstanding claims. That's one reason.

The second reason is that for the catastrophe loss reserve, the reversal amount was less than we expected. For catastrophe loss reserve, the reversal amount was less than we had expected. The backdrop to this is that compared to our forecast, the increase in income was larger. Therefore the loss ratio came to be a little less. That was the main reason for the loss reversal. Does that answer your question?

Q - Unidentified Participant

Yes, it does. So along the same line of logic, for this fiscal year, for fiscal 2013, the foreign currency, I believe, is that you are assuming yen depreciation for this fiscal year. So are you assuming yen depreciation or are you expecting flattish?

A - Unidentified Speaker

You are talking about 2013?

Q - Unidentified Participant

Yes.

A - Unidentified Speaker

For 2013, the expected Fx rate is that we are taking the Fx rate as of the end of March, that is the assumption.

Q - Unidentified Participant

So are you expecting flat for the Fx rate?

A - Unidentified Speaker

Yes. However, compared to the most recent trend, yen has depreciated even further even since the end of March. However, that difference has not been reflected on to today's presentation.

Q - Unidentified Participant

I have the second question. My next question is on page 19, that is about Tokio Marine & Nichido Fire automobile insurance business. Please enlighten me on this particular line of business. Looking at projections for 2013, the frequency is expected to increase. However, the revenue is expected to increase because of the premium increase. And please help me clarify one thing. There has been some newspaper article with regards to your company's price revision this fiscal year. May I understand that decision has not been made yet to increase prices this year yet, but has that been factored into as an

assumption behind this plant or what kind of benefit do you expect to see in terms of the price increase that you did so far and are continuing into this fiscal year?

A - Unidentified Speaker

My name is (inaudible) from personal lines underwriting department. With regards to the expected increase of the revenue of automobile business this fiscal year, first of all, with regards to the price increase this year, of course, we are seeing a steady improvement in terms of profitability and yet we believe that we need to continue to take measures in order to improve the profitability. And from that perspective, we are currently exploring various opportunities including potential price increase and yet we are not able to comment specifically as to what we are scheduled to do this fiscal year.

And when it comes to the assumptions or the expectations behind the fiscal year 2013 projection, like I just mentioned, we are currently exploring various avenues in order to improve the profitability, and with that, we have included certain positive improvement effects of the profitability improvement measures.

And secondly, with regards to the expected continuing positive effect of the price increase, now in October last year we conducted another price increase for the previous price increases. And I am sure that there will be some positive effects that we are going to feel this fiscal year as well and that is what we meant to say with that particular phrase on the material. Thank you.

Excuse me. In the last question, I would like to make a correction. As for the catastrophe loss reversal being smaller than we had anticipated, that was the answer to your question. The backdrop to this is that I said that it is due to the increase of the revenue. However, to be more specific or to be precise, the reversal amount for the fire line of insurance, the incurred loss for the fire was less than expected. Therefore, there was less reversal being made for the fire line of insurance. Let me make that connection. Thank you.

Operator

Please ask the next question, comes from JP Morgan, Ms. Tsujino. Please ask your question.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

For the Tokio Marine & Nichido Fire's underwriting, yen depreciation effect and also the Thai flood payment, I believe that as of the third quarter, the expected loss is actually less than what you had anticipated as expected loss out of the third quarter, but if you exclude those factors, then the revised number, so the underwriting result we were looking at as of the third quarter, I believe the actual result was better than what we expected as of the third quarter. This is only my assumption gathering all of the data available. So is that the correct view? And also what were the actual factors making up the difference? And I will ask my second question later.

A - Unidentified Speaker

My name is Ohashi [ph]. I come from the Corporate Accounting department of Tokio Marine & Nichido. Pertaining to your question, as of the third quarter, what we had announced, the assumption or the forecast we had announced as of the third quarter versus the actual result at the end of the year, if you exclude those exceptional factors it was better at the year-end, and I believe we were indeed better than we forecasted in the third quarter.

The biggest factor behind this, is that, for the other lines, the miscellaneous lines the loss that we had expected did not fully come out, also the large losses didn't occur as much as we had expected. And so those things were actually better in actuality compared to our forecast as of the third quarter.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

And then I like to move on to my next question. So in a way I believe that there will be some noises if you will, for the fiscal year 2013, you will continue to pay claims the benefits related to the (inaudible). And I think that you perhaps included some moderate improvement on the underwriting results by some billion yen and I think that at the same time you have probably assumed certain major losses to be incurred, is that correct?

On year-on-year basis have you perhaps included a bigger budget for large-scale disasters than to last fiscal year. And also looking at the projection for FY 2013, looking at the loss ratio on earn-to-incurred basis excluding the natural cat extraordinary losses, I think there is an Excel Sheet and I think that actual is 58.8% [ph] and what is the expected level of loss ratio for 2013?

A - Unidentified Speaker

Yes. My name is (inaudible) from Corporate Accounting department. For fiscal year 2013, as we put together projections, how we have factored in the potential development around the large scale losses that were incurred in the last year. Now so far we have a normal year for fiscal year 2013. In other words, we have not included any extraordinary budget for the things that are not definitive with this at this point in time. We have not included that as an extraordinary factor, so meaning that are expecting an increase on year-on-year basis. (inaudible) of the other line of business that I think it is going to be -- there is going to be an increase.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

But what about the expected earn-to-incurred loss ratio for the automobile?

A - Unidentified Speaker

Yes, for the automobile, on the earn-to-incurred basis excluding natural cat. I am referring to this particular ratio that is disclosed on Excel sheet, we are assuming 62.8% [ph]. You are asking loss ratio on earned-to-incurred basis?

Q - Natsumu Tsujino {BIO 2234779 <GO>}

Yes.

A - Unidentified Speaker

Assuming that 68.8% of actual is expected to become 67.8%, yes.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

That is also my question.

Operator

Next question is from Daiwa Securities. Mr. Shiota.

Q - Jun Shiota {BIO 4127431 <GO>}

My first question. As of the fourth quarter for auto insurance the claims, reported number of claims in the auto insurance, what was the situation in the fourth quarter?

A - Unidentified Speaker

My name is Yosano [ph], I come from the Personal Lines Underwriting Department. For the fourth quarter, for the claims being reported, a decline year-on-year. And the factors for that it is because of the heavy snow. We did have some heavy snow in fiscal year 2012. However, compared to the same season last year there was less impact coming from the heavy snow in fiscal 2012.

The other point is that, as of, in March, towards March, the accident declined towards March. On this point, in March, the winter warmed up earlier than the years ago years, so there was less impact coming from the accumulation of the snow on the ground and I believe that led to less accidents being reported.

Q - Jun Shiota {BIO 4127431 <GO>}

You have just explained about weather factor. But in October last year because of the revision being made in October is it that you are seeing some effects coming from the revision that took place in October?

A - Unidentified Speaker

In October 2012, we revised a grade rating system and the purpose of this grade rating system revision is to ensure fairness and this is not necessarily to reduce the reported claims.

However, after the introduction of the new grade rating system looking at the situation of the reported claims, of course the only data we have is from October and after. And also whether to make claims or not, I wonder or I don't know, if that decision, how much of that decision has been made due to the grade rating system revision, there is no way to deviate [ph] that factor, but I believe that due to the rate -- the grade rating system revision, I believe that it had some positive impact on reducing the claims paid for the auto insurance.

Q - Jun Shiota {BIO 4127431 <GO>}

My second question is as follows, with regards to page 11 of the material which -- and also which is about the price increase for the reinsurance business, which has led to the increase in revenue. Now, what is your outlook for this fiscal year for the reinsurance business?

A - Unidentified Speaker

My name is (inaudible) from International Business Development department. With regards to the premium of particularly re-insurance business that is your question, right?

Q - Jun Shiota {BIO 4127431 <GO>}

Yes.

A - Unidentified Speaker

And based on the actual experience in January, well, last year, we had Hurricane Sandy -- looking at the situations around the renewal of policies, I believe 5% to 10% increase has been seen on premium for the policies with accident periods and less on the policies without any accident experience, the rate has been almost flat or slightly increased. And so we are now seeing a similar magnitude of an increase as it has been speculated outside.

And generally speaking, the insurance companies' capital has now been severely undermined in general and therefore we have now seen a clearly renewal trend where the re-insurance premium is increasing. And in addition to that, I would note that in the insurance market the so called cap bonds and other alternative capitals and capacity are been available. So going forward, in June and July, when we expect to see the renewal policies for US cat, of course, we do need to monitor how the pricing trend is going to turn out. Does that answer your question?

Q - Jun Shiota {BIO 4127431 <GO>}

As far as this fiscal year is concerned, therefore you are not expecting any particular increase on price or the premium?

A - Unidentified Speaker

As an assumption behind, a projection through this fiscal year's performance, we have not assumed any particular increase or decrease on the premium or the pricing feature?

Thank you.

Operator

Next question is from Mr. Masao Muraki of Deutsche Securities.

Q - Masao Muraki {BIO 3318668 <GO>}

My first question has to do with the international insurance business. If you go to page 24, and if you look at the adjusted earnings for 2012 compared to the beginning of the year forecast and also the mid-term funding really the North American business, I think is going to have a lot of upward revision. Other than Philly and Delphi, it looks like there is a lot of upward trend for the profit coming from those North American businesses and that must be because of the reversal of the claims reserve or does it include any other one-off factors including or excluding the Fx effect?

A - Unidentified Speaker

My name is Moriama [ph]. I come from the International Business Development department. You are very correct. In each of the North American business, there was a reversal for the underwriting reserve and that is the main reason for the upward revision. And for the new year, for the North American business, I guess you are expecting decline in profit and so this factor is only one-off. It's only good for one year. That is correct. That reaction is going to appear in fiscal 2013.

Q - Masao Muraki {BIO 3318668 <GO>}

The second reason has to do with the Anshin Life, Tokio Marine & Nichido Life. On page 21, you are saying that the standard interest rate is going to be reduced and therefore there will be additional provision to be made to the underwriting reserve and that is the main reason for expectation of decline in profit. And is it going to be so much more than that triggers the actual standard provisioning being made to the underwriting reserve? In other words, is this amount of provisioning, the additional provisioning to be made is so much more than your standard regular provisioning?

A - Unidentified Speaker

My name is Osaki [ph] from the IR. For 2013, for Anshin Life, when we think about the ordinary income and underwriting profit and the reason for the decline in the profit, it is because of the decrease in standard interest rate and increase in provisions for underwriting reserve. If I tell you the scale of this additional provision, it is almost equal to the expected decline in profit. So it is not such a large factor. Does that answer your question?

Q - Masao Muraki {BIO 3318668 <GO>}

Yes, I understand the situation very well. Thank you.

Operator

The next question is from Mr. Majima from Tokai Tokyo Research Center [ph].

Q - Unidentified Participant

Thank you. I have two questions. Number one, looking at this fiscal year's projection, Tokio Marine & Nichido Fire, earned premium is expected to increase according to your presentation. Due to seasonal reasons in February and also in March, was there a major increase in revenue and is that the reason behind it? Or we have the course of last one

year the premium increased and therefore do you think that the earned premium is going to increase this year? Which one of the two is the reason?

A - Unidentified Speaker

My name is (inaudible) from Corporate Accounting department. Your question is with regards to the extraordinary increase in revenue in February and in March or are we expecting rather a steady increase in revenue this fiscal year is essentially the matter. Essentially, alliance with a vice company and also the premium revision through the compulsory automobile liability insurance and also in the fire line of business as well, the revenue is expected to continue to increase and these are the reasons behind our projection and therefore rather than extraordinary factor that we assumed, we believe that we will be able to grow the earned premium based on the steady and continuous growth. Thank you.

Q - Unidentified Participant

The second question is with regards to the losses expected through this fiscal year, you are the lead manager, I think, the insurance for 787 aircraft essentially insurance. And I think the repair work has been done and I think that airline companies are going to file claims, and of course this is primarily the liabilities to be covered by the manufacturers themselves. But airline companies have taken up insurance policies through the aircraft. And I think that there could be some payment made for the aircraft, but is that correct or am I wrong in assuming this?

A - Unidentified Speaker

I think you are specifically referring to the issue of batteries. And because therefore the question is related to some specific policy that we are underwriting for a particular customer, we are unable to give you a specific answer to that question. Thank you.

Q - Unidentified Participant

Thank you very much. That's all my questions.

A - Unidentified Speaker

It seems like there is no more questions. So I'd like to repeat. If you -- the operator is explaining how to (inaudible) a question from the Japanese participants. Please hold on the line for non-Japanese participants.

Let me make a correction regarding a previous question. May I? For 2013, the earned premium increase factor for 2013, I said that there was a revision for (inaudible). However, compulsory auto liability insurance itself, the amount of the increase will be there and the rate increase will be there. However, it is not going to be part of the earned premium increase. Therefore, the factor has to do with things other than (inaudible) such as the private line, auto as well as fire. So let me make that correction.

Any other questions from the floor? It seems like there is no more question. I will hand over the microphone back to Mr. Sasaki.

A - Shiro Sasaki {BIO 19269575 <GO>}

Thank you very much for participating in the telephone conference to talk about the overview of the 2012 results and the 2013 projections. If you have any further questions or if you need any clarifications, do not hesitate to contact the IR Group of Tokio Marine Holdings. Thank you very much again for your participation.

Operator

This concludes the telephone conference for Tokio Marine Holding's overview of 2012 results and 2013 projections. I thank all of the participants once again for your diligence and please hang up the lines now. This is the end of the telephone conference. Thank you.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript