Q1 2015 Earnings Call

Company Participants

- Shiro Sasaki
- Unverified Participant

Other Participants

- Futoshi Sasaki
- Masao Muraki
- Natsumu Tsujino
- Taichi Noda
- Tatsuo Majima
- Wataru Otsuka
- Yusuke Yabumoto

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you very much for participating in Tokio Marine Holdings' FY 2015 First Quarter Financial Results Conference Call. Please be advised that during the presentation, all the lines other than the speakers' lines are set on mute. And this conference call is being recorded.

Before we begin the conference call, let me remind you that the presentation today may contain forward-looking statements based on the current projections, and they may entail risks, as well as uncertainties, and actual results may differ from the current projections.

With that, let us start the conference call. Mr. Sasaki, please.

Shiro Sasaki {BIO 19269575 <GO>}

My name is Shiro Sasaki, Group Leader of Corporate Communications and Investor Relations Group of Tokio Marine Holdings. I would now like to give you the overview of Tokio Marine Holdings financial results during the first quarter of FY 2015, which we announced today.

We will use the following forward materials: First, financial report; second, PowerPoint slides entitled Overview of First Quarter of FY 2015 Results; supplemental material for this conference call; and data sheet. To obtain these materials, please go to our website. On the homepage, please find Topics, and go to the page where material for this conference call is listed. Today, I will primarily refer to the PowerPoint slides entitled Overview of the First Quarter of FY 2015 Results to give you an overview for the first 20 minutes or so.

So, let's start from page two of the PowerPoint material. This is the overview of our consolidated results. Net premiums written were ¥841.2 billion, up by 8.8% or ¥68.3 billion year-on-year. This growth is attributable to the topline growth mainly in the automotive business in the domestic non-life business, steady expansion of underwriting business by our international subsidiaries as well as positive benefits of weaker Japanese yen.

In the Life Insurance business, combining Japanese and international business, insurance premiums overall were ¥8.4 billion, down by 92.6% or ¥105.6 billion year-on-year. This decline is mainly because as the investment environment improved, surrender of variable annuities of former Financial Life increased. However, new business and total in-force amount of TMNL steadily increased. And excluding the impact of the surrender of the variable annuities, although it is not listed on this material, the topline rather grew by ¥15.9 billion year-on-year. Consolidated ordinary profit increased by 8.4% or ¥9.6 billion to ¥125.9 billion. Net income attributable to owners of parent company increased by 1.1% or ¥1 billion over the year to ¥89.4 billion. Meanwhile, our group-wide profit KPI adjusted net income grew by 33.3% or ¥30.5 billion year-on-year to ¥122.2 billion.

Next, let us analyze how the consolidated ordinary profit changed from a year ago. Please turn to page three. Within the domestic non-life business, at TMNF first, while the earned premiums increased mainly in the automotive business, net provisions for cat loss reserves increased, and dividend income from overseas subsidiaries decreased. As a result, ordinary profit declined by ¥34.2 billion. As a result, ordinary profit of the domestic non-life segment in total declined by ¥35.1 billion year-on-year. Let me come back on more details later.

Within the domestic life business, while the in-force policy increased due to the steady acquisition of new business, expenses related to the new business increased. As a result, ordinary profit declined by ¥100 million year-on-year. In the international insurance business, due to the steady progress of various growth initiatives and positive benefits of the depreciation of the Japanese yen, ordinary profit grew by ¥15.4 billion year-on-year.

As for consolidation adjustments, negative adjustments decreased by ¥29.6 billion from a year ago. This is because dividend that TMNF received from their consolidated subsidiaries decreased. And accordingly, elimination of intra-group dividends decreased. So, this is the overview of our consolidated financial results.

Next I would like to give you the highlight of business results of our major subsidiaries. Please go to page four. This is the overview of FY 2015 first quarter results of TMNF. Upper arrows on the slide show positive factors and downward arrows show negative factors to the financial results. First, let us look at major factors behind the changes in underwriting results.

Net premiums written increased particularly in the automotive business but across all the lines of business. Net premiums written of private insurance increased by 5.2% or ¥22.8

billion year-on-year. As a result, net premiums earned grew by ¥23.8 billion and made a positive contribution to the profit growth. For more details by line of business, please refer to page six later.

Net incurred losses of private insurance increased by ¥14.2 billion year-on-year, mainly due to the following reasons. Losses incurred by natural disasters which happened during the course of the first quarter increased by ¥5.2 billion, mainly due to an increase in natural cat events outside Japan. And while during the first quarter last year Japanese yen appreciated, during the first quarter this year Japanese yen depreciated. As a result, provision for reserves for outstanding claims in foreign currencies increased by ¥3 billion. In addition to these factors, since the number of policies in-force increased, losses incurred went up by ¥5.8 billion from a year ago. Business expenses of private insurance increased by ¥8.3 billion year-on-year, mainly due to an increase in agency commission in accordance with topline growth.

Next, let us review cat loss reserves. During the first quarter of this year, in the fire line of business, we did not take down the cat loss reserves different from last year when we did take down the reserves as we paid claims related to the heavy snow in February last year and net provision for the reserve increased this year. Also in the auto business, due to the improvement of loss ratio, there was no withdrawal of the reserve and net provision for the reserve increased by ¥27.5 billion year-on-year. As a result, underwriting profit decreased by ¥21.7 billion over the year to ¥20 billion and when we exclude the impact of cat loss reserves, underwriting profit increased by ¥5.7 billion year-on-year to ¥52 billion.

Next, let us review net investment income and other, as dividend income from overseas subsidiaries decreased, interest in dividend income dropped. As a result, net investment income and other decreased by ¥13.7 billion year-on-year to ¥70.9 billion. I would also note that we sold approximately ¥34 billion worth of business-related equities during the first quarter. Please also be advised that most of the dividends received from our overseas subsidiaries is eliminated on a consolidated basis. Based on all of these factors, net income decreased by ¥36 billion to ¥69 billion.

Next, let us discuss our combined ratio. Please turn to page five. First, loss ratio of private insurance on an earned/incurred basis. Compared to a year ago, losses incurred by natural cat increased mainly overseas and provision for reserves for outstanding claims in foreign currencies increased due to falling Japanese yen. As a result, net losses incurred, including loss adjustment expenses increased by ¥14.2 billion. And loss ratio of private insurance on an earned/incurred basis went up by 0.3 points to 54.6%.

Next, business expense ratio. While there were some positive factors such as topline growth, performance-linked bonus increased and we made some new investment to solidify our management platform and to achieve future growth. As a result, business expense ratio increased by 0.2 points year-on-year to 32.6%. All in all, combined ratio of private insurance on an earned/incurred basis increased by 0.5 points year-on-year to 87.2%.

For more details, net premiums written and loss ratio by line of business is shown on page six, and details of net investment income and other is included on page seven for your later reference.

Next, I will explain Nisshin Fire. Please turn to page eight. Despite the growth on the net premium written for the auto policies, underwriting profit for Nisshin Fire & Marine was down by ¥600 million, to ¥4.2 billion, mainly due to the absence of a drawdown of the cat loss reserve which was implemented in February last year, associated with the claims payment of the snowstorms. Investment income was down by ¥100 million, to ¥400 million, largely due to the lower derivative gains and losses, stemming from the weaker yen. In sum, the first quarter net income was down by ¥400 million to ¥3.1 billion due to the reasons that I just explained.

Now, let me explain the result of TMN Life on page nine. I will start with the annualized premiums or ANP. New policies ANP continued to enjoy high growth, increasing by 17.2% year-on-year. Thanks to the great performance of first and third-sector insurance products, as well as sales growth achieved with the individual annuities. Under a favorable market condition, we saw an increase in the surrender of variable annuities and payout after achieving our targeted level, which resulted in the annuities year-on-year growth of in-force policies ANP at 0.8%. Stripping out the impact of variable annuities, the ANP grew strongly by 14.4% year-on-year.

And next, let me walk you through the key figures in financial accounting. Despite the higher insurance premiums, thanks to the growth of new business, cost associated with the new policies also went up, and as a result, first quarter net income was almost flat from last year at ¥3.1 billion. Core operating profit was down by ¥800 million to ¥6 billion mainly due to an increase in expenses associated with new policies and other cost items.

Now, let me move on to the performance of our overseas insurance business on page 10. The figures on this slide include everything associated with the overseas business. For example, anything that is underwritten by the overseas branches of Tokio Marine & Nichido Fire, equity affiliates, non-consolidated companies to be aligned with the other IR disclosures. Net premiums improved by 13% year-on-year to ¥348.7 billion, thanks to the progress made by respective businesses on the growth initiatives and also by weaker yen.

Now, let me give you divisional breakdown. Net premiums written in North America grew by 21%, thanks mainly to the premium hike on renewals and new policy growth both at PHLY and Delphi. Although, Europe was impacted by the softening market, Tokio Marine Kiln's business expansion led to a growth of 3%. And America was down by 2% due to the currency impact despite the revenue growth in local currency led by the robust auto policy sales in Brazil.

While Asia was impacted by the weak new vehicle sales in Thailand, the region enjoyed 13% growth, thanks to the sales growth of auto policies in India and China. Reinsurance market was somewhat hit by the softening trend. But by expanding the underwriting capacity for risk other than the natural disasters, reinsurance business grew by 18%. Life business was down by 12% mainly due to the suspension of some products in Singapore.

Now, let me also talk about the profit for the respective (15:49). Business unit profits for the overseas insurance business grew by ¥8.9 billion year-on-year to ¥37.5 billion driven by the progress made on the growth initiatives, less natural catastrophes than last year and the depreciation of the yen.

Let me also talk about the respective regions. In North America, the profit grew by ¥10.3 billion. Profit for PHLY was up, thanks to the expansion of the underwriting capacity and decrease in natural catastrophes. Delphi also enjoyed higher investment income. Profit in Europe was down by ¥2.6 billion after going through a temporary large tax burden period last year, as well as having several large losses this fiscal year.

In Latin America, profit was up in local currency, and thanks mainly to the growth in investment income which was driven by the interest rate hike. However, due to the currency translation, profit was almost flat from last year. Profit in Asia grew by ¥1 billion due to weaker yen and other reasons. Profit for the reinsurance business was down by 30% due to the absence of the reserves drawdown which was done last year and foreign exchange losses with stronger U.S. dollar and weaker Aussie dollar. Profit for the life business was up by ¥800 million, mainly due to the growth in unrealized gains, thanks to the equity market appreciation such as in Singapore and others.

Please refer to page 12 for further details on the results of PHLY and Delphi. Now, let me cover the first quarter adjusted net income for the whole Group on page 13. And this page covers the adjusted net income for the whole Group. Adjusted net income is a clear representation of the profit base that is generated from the underlying business by making some adjustments to the quarterly net income from the consolidated financial statements. The way in which this is done, if we take out the impact of loss (18:29) reserve, such as the cat loss reserves that is very unique to the P&C business, and adjust for any disposal gains or losses on asset divestiture and valuation losses.

Adjusted net income for the first quarter grew by ¥30.5 billion or 33.3% year-on-year to ¥122.2 billion. The main factors behind the increase was the growth of the underwriting profit to the domestic P&C business after stripping out the impact of the cat loss reserves, stronger investment income at Tokio Marine & Nichido Fire, excluding the dividend income from the overseas subsidiaries, and profit growth for the overseas business.

Let me also clarify the major changes in the reconciliation from the accounting quarterly net income to adjusted net income comparing this year versus last year. The provisioning of cat loss reserves increased this year compared to last year, and this had a positive impact of ¥21.4 billion on the adjusted net income this year. Last year, there was a negative ¥6.3 billion contribution on the other extraordinary gains and losses valuation allowance line associated with the expensing of the taxable impairment losses on Tokio Marine & Nichido Fire's equities. The absence of this is giving us an increase of ¥6.3 billion to the adjusted net income this year.

This is the end of my presentation. Now, I would like to open the line for your questions. Thank you very much for your attention.

Unverified Participant

Thank you very much, Mr. Sasaki. We would now like to begin the Q&A session. For participants from overseas, the operator is now explaining how to place questions; from Japan, please be patient for a while. Once again, for participants from overseas, the operator is explaining how to place questions. For domestic participants, we thank you for your patience.

Q&A

Operator

The first question is from Mr. Otsuka from Nomura Securities.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Thank you for this opportunity. With regards to domestic P&C business and international business, I would like to ask you questions. This is actually a common question to you both, but against the full-year budget, how do you appreciate your progress during the first quarter? On page four, for domestic P&C business first, excluding the cat loss reserve, underwriting profit full-year target is ¥131.7 billion, I believe. However, you have already achieved ¥52 billion already and therefore I believe that you made a very good progress during the first three months already. But how do you see the balance of the year? That is my first question.

And similarly on page 11, for international insurance business, the profit that you made was ¥37.5 billion against the full-year target of ¥127 billion excluding forex impact. I believe that you were rather expecting a negative growth for this full-year, this fiscal year, and yet even excluding the currency impact during the first quarter, you did achieve positive growth on year-on-year basis. So, you seem to be also achieving a good progress here. But how do you appreciate the current conditions for the international business at the moment?

A - Operator

My name is Nakai (22:50) from accounting department. Let me first of all explain to you the domestic P&C business at TMNF. Profit that we achieved in the first quarter vis-à-vis the full-year target, we seem to have made a good progress, so how do we assess where we stand at the moment. I think it's a good question. Normally, for our P&C business, we have some seasonality. For example, we have fewer cases in the first quarter and we don't have much snow damage typically in the first quarter. And therefore, the profit in the first quarter seems to be better than the other quarters. And on the other hand, down the road, as we close the second quarter and third quarter, respectively, on the quarterly basis, the profit is expected to come down somewhat, and therefore, we are doing well. And of course, we have achieved good results in achieving the full year budget.

My name is Iwata (23:58) from International Business Development Department. As you have correctly pointed out, we have achieved 30% of the full year budget. During the first quarter, some of the extraordinary factors include natural cats. We budgeted for ¥46 billion on the full-year basis, and the actual losses by natural cat events was smaller, and therefore that had a positive impact of ¥24 billion (24:35) to the bottom line. And also there were some take down of the reserves by a little bit more than ¥1 billion or so. So excluding those factors, looking at the underlying trend of the business, all in all, we have achieved 25% to 26% of the full year budget which is almost a quarter of the full-year budget. So we're pretty much on track. I hope it answered your questions.

Q - Wataru Otsuka {BIO 16340098 <GO>}

So, just for the clarification purpose, if I may ask, for those domestically and also internationally, your company's view is that you are on track, you are in line with the original projection. Is that a fair understanding? And secondly, typhoon 11 and 12, the ones that hit Japan – in Japan, do you have a rough estimation of the losses incurred by these two typhoons?

A - Operator

For domestic and also international business, yes we do understand that we are performing in line with the original plan. And as for typhoons 11 and 12, we have not calculated the losses incurred by the typhoons accurately. However, we believe that some billion yen worth of losses have been incurred by these two typhoons in our current estimation.

Q - Wataru Otsuka {BIO 16340098 <GO>}

Thank you.

Operator

The next question is from Deutsche Securities, Mr. Muraki.

Q - Masao Muraki {BIO 3318668 <GO>}

My first question is about the annualized business in Japan. The loss ratio for the auto policies, on incurred basis, compared to first quarter last year is improving. For the full year plan, I think you're projecting just a slight increase versus the plan. Is the loss ratio better than expected? And for the overseas event or the natural catastrophes versus what is recognized for Tokio Marine & Nichido Fire, what are the events that are recognized by TMNF? And for the HCC acquisition, the pricing range for that, at this point how are you planning to fund the acquisition money?

A - Operator

My name is (27:20) Personal Lines Underwriting Department. On the first point regarding the loss ratio of the auto policy, first quarter was good. But for the full year plan, it's almost flat, but was increased from last year And so how we see this today as a structure in the first half, we proved that there was a bigger contribution of direct auto policy. And so, that's why we saw an improvement in the loss ratio for the auto policies. But if you look closely, in the first quarter, the (27:52) action is also improving. So, compared to our plan, it is slightly better than expected. At the same time, we have not fully calculated everything (28:05) the application for the claims for the month of July, it looks like it's slightly deteriorating from the first quarter.

So, at this point, we cannot say that the loss ratio will continue to fare better than expected. So, we will need to closely monitor the situation. But on the second point regarding the natural disasters, we said it is recognized by TMNF. So, there was hail damage in Australia and this was risk underwritten by TMNF. So, the natural disaster in Australia for this hail damage is covered by TMNF. And on the third point regarding the acquisition funding for HCC, most of the unnecessary money will be funded internally. And as for the detail, we're looking at the medium to longer-term funding mix and we will finalize the plan.

Q - Masao Muraki {BIO 3318668 <GO>}

In that sense the level of borrowing will not increase due to the acquisition, is that correct?

A - Operator

It could go up.

Q - Masao Muraki {BIO 3318668 <GO>}

So, the acquisition money is mostly going to be funded internally or you will monetize some of the liquid assets and small portions may be funded through borrowings, is that right?

A - Operator

Yes.

The next question is from Mr. Noda from Goldman Sachs.

Q - Taichi Noda {BIO 16478436 <GO>}

I would like to ask you two questions. First – well, actually, this is separate from the two questions that I wanted to ask you. But following up on the question that Mr. Muraki asked earlier, you talked about hail risk. Is this the one that happened in January through March period? Is that something that you recognized during the first quarter of this fiscal year? So, when did it happen and when did you recognize that? So that is one additional question.

And coming back to my questions, my first question is related to sales of business-related equities. You sold ¥34 billion worth, as indicated on page seven. This, I believe, is a much bigger sale compared to last year. Was there any particular factor in addition to the fact that the equity prices increased?

And my second question is related to TMNL. After it merged with TM Financial Life, I believe that more of the variable annuities have matured already or being surrendered already. So do you think that the situation around variable annuities could be turned around to make a positive contribution to profit? And is it possible that the TMNL recognized some profit by taking down the cat loss reserve as well? And I believe that there was decrease by about ¥200 billion or so in the first half. So is there any potential of you taking down the cat loss reserves.

A - Operator

My name is Nakai (31:41) from Corporate Accounting Department. The one which happened in April was better than the loss this time around. Thank you.

My name is Kinoshita (31:57) from Financial Planning Department of Holdings. With regards to the equity sales, we did ended up in selling more than we initially expected. However, again, our full-year target is to sell more than ¥100 billion worth. So we would like to continue to follow through this plan to ensure that we can exceed ¥100 billion milestone on a full-year basis. So in that sense I believe that we are pretty much in line with the plan.

My name is Okada (32:27) from Corporate Planning of TMNL. You pointed out that more annuities are being surrendered, and essentially risks are being hedged by reinsurance. And therefore, we believe that the impact to our financial results is rather limited down the road.

Q - Taichi Noda {BIO 16478436 <GO>}

Okay. Thank you.

Operator

Our next question is from Ms. Tsujino of JPMorgan.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

First on the overseas natural disasters, the ones that you book at overseas subsidiaries. Based on the explanation, pre-tax the first quarter natural disaster, I think, is ¥4 billion to ¥5 billion of loss. Can you give me the number for the natural disaster and also for cat overseas?

And the second question is for TMNF from the underwriting profit, if you take out the (33:40) nat cat loss and the currency impact and the net provision of the nat cat loss reserve, it will be about ¥60 billion.

A - Operator

Our net income assumption is under ¥70 billion for the full year. I think the underwriting reserve may have come down as a burden and the rate hike had a bigger impact. I think it has given us those reasons, but excluding the cat loss reserve and excluding other extraordinary items, the adjusted net income looks quite positive.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

But is it in line with your expectation, or is it better than expected?

A - Operator

On the first point regarding the nat cat loss reserve, it's ¥5.8 billion.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

I was asking for the overseas subsidiaries' cat loss was ¥46 billion, but it was less. So I think on the adjusted net income, it looks better by ¥2 billion to ¥3 billion. The pre-tax loss expected for ¥46 billion for overseas, what was the actual number?

A - Operator

So, for the full year, we are planning ¥46 billion. In the first quarter, the actual was ¥6.1 billion cat loss incurred. It's slightly bigger. It was due to the cold snow in (35:36) North America in February. That had an impact of ¥3 billion.

And on the second point on the profit level of TMNF. TMNF looks higher than expected. But as we explained earlier, it has some seasonality that had a bigger impact and also level of natural disasters. And those are the reasons why the first quarter profit looks slightly better than expected.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

The burden on the underwriting reserves I think was down by ¥4.6 billion year-on-year. Is there a particular reason for this?

A - Operator

And for the auto policies, the provisioning on the ordinary underwriting reserves came down. But for the full year for the auto policies we expect the additional provisioning to be lighter. So, we're quite comfortable with the progress we're showing today.

The next question is from Mr. Sasaki of Merrill Lynch Japan.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

My name is Sasaki from Merrill Lynch. I just wanted to ask you one question, different from financial results actually, with regards to governance report. When do you intend to disclose that? Do you have any schedule in your mind? As of today, I believe you're the only one that is yet to disclose that based on new code. So when do you think the new updated code-based governance report is scheduled to come out?

A - Operator

Well, actually at 2:30 PM today we issued our report. If you go to our website, therefore, I believe that you can find our Corporate Governance Report. So I hope that you would take a look.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Okay. With regards to business-related equities, what kind of statements did you include in the report? I don't think that the report was actually uploaded to the website of TMG, so if you could perhaps give me some brief overview as to what kind of statements you have included?

A - Operator

My name is Kinoshita (38:07) from Financial Planning Department. With regards to the proxy right exercise, we have made some disclosures. And also with regards to its return of economy of us holding equities, we do have to check on that every year with our board of directors. That is another statement that we included in the report.

And with regards to standards of us exercising proxy rights, we already disclosed our policy as part of the stewardship code last year. And so we made similar statement included in the report this time around.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

With regards to the assessment of the functions of the BOD, have you incorporated any different or new or additional statements in the report this time around?

A - Shiro Sasaki {BIO 19269575 <GO>}

I am Sasaki from IR. With regards to business-related equities, let me read the statement out for you. With regards to business-related equities, every year at our board of directors for major holdings, we assess the risks and returns in order to check the economy of us holding those equities. That is a statement that we have included in the report.

Q - Futoshi Sasaki {BIO 17564798 <GO>}

Okay. Thank you very much.

Operator

Next question is from Majima, Tokai Tokyo Research Center.

Q - Tatsuo Majima {BIO 15338044 <GO>}

This is a follow-up question to the previous ones. It's not related to the results. Regarding the acquisition funding for HCC, you mentioned that you will be using internal cash, but within the group, I think TMNF is only entity with robust cash. I guess it will be subject to if you will be using the deposits. But I think you need to keep that for the potential clients in the future. So, in that sense when you say internal cash, how much internal cash is available? So do you have enough cash? Looking at the balance sheet, can you identify which are the internal cash that's been available?

A - Operator

So, we made the announcement in the early part of June. We also made this explanation, but for the acquisition price, we were looking at ¥140 (40:50) billion using the currency exchange rate of ¥125 against $1. And regarding the financing of this money, we have no intention to issue new equity. And we have two options. One is that we use the internal cash within the group and then, third will be external funding. I think those were the explanations that we gave.

And in terms of the proportion and the details, at this point we cannot offer you anymore specific details. But when we as a group, TMNF will be the major entity, but overseas we have some dollar-denominated cash that will be available. So, we are considering to make use of that. So, there are various items on the balance sheet, but it's difficult for us to just point out which are the items that are readily available as cash. But things that are not liabilities is something that will be available for us to use.

Q - Tatsuo Majima {BIO 15338044 <GO>}

Thank you very much.

A - Operator

There seems to be no question at the moment, so the operator is repeating how to place questions for the Japanese participants once again. We thank you for your patience.

The next question is from Mr. Yabumoto of Mizuho Securities.

Q - Yusuke Yabumoto {BIO 16424475 <GO>}

Thank you. I would like to ask you two questions quickly. First, domestic P&C. And another one related to International. First, in the domestic P&C business, the commission ratio seems to have increased, and I think it's related to personnel cost, but what are the particular cost items that increased, and what is your future outlook going forward? And second question is related to International business. Major loss in Europe. What kind of loss was it? And what was the magnitude of the loss?

A - Operator

On your first question related to business expense ratio which has increased. First of all, the personnel cost and non-personnel cost both increased. And commissions also increased by 0.1 point in percentage terms. And with regards to personnel cost, essentially the performance-linked payment increased. And with regards to non-personnel cost, on the other hand, we have been making some investment in order to solidify our management platform and to achieve further growth. And we have a full-year investment plan and we have made some investment during the first quarter as well.

My name is Iwata (44:02) from International Business Development Department. To your second question, other risks and natural cat risks, so normal property and fire-related accidents caused some losses in terms of number of events; several accidents. And in terms of magnitude, around ¥1 billion.

Q - Yusuke Yabumoto {BIO 16424475 <GO>}

Okay. Thank you.

Operator

The next question is from Mr. Muraki from Deutsche Securities.

Q - Masao Muraki {BIO 3318668 <GO>}

I have additional question. Maybe difficult to answer because I'm asking (44:46). For TMNF, auto policy sales of non-fleet in units. You are the only one (44:59) the other peers are just flat – they were actually decreasing the number of fleet. It's not just happening this quarter, but it's been a trend for some time. How are you interpreting this trend?

And also for TMN Life, the in-force ANP growth – your growth is outperforming the peers. How are you assessing this trend and how sustainable is this?

A - Operator

So, my name is 45:42) from Personal Lines Underwriting Department. For the non-fleet, we are the only one that's doing well in the industry. We have been enhancing the South American strategy to capture the opportunities. And as a result of that, I believe we were able to increase the units. And also, with the rate revision, last year, the rate hike was notably moderate compared to the others. So, that may have a positive impact on our business.

Q - Masao Muraki {BIO 3318668 <GO>}

Now for the auto non-fleet, in reality there may not be a big difference, but based on the media, the others have listed some rate reduction. But do you believe there would be an impact in the share from auto?

A - Operator

Some of the competitors have indicated a small rate reduction. But looking at the difference and the current premium level, I don't think this will have a big impact.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you very much.

A - Operator

My name is (47:06) from Corporate Planning Department from TMN Life. Regarding the growth of the ANP in the first quarter for the individual annuities, we have lowered the exchange rate effective July 2, so we were expecting (47:21) in that, but we actually enjoyed some upside. And for the growth excluding the long-standing (47:35) products, we were expecting to grow by 10% year-on-year, right now because it's 6.7%, it's underperforming that plan. But recently, we have launched the new cancer product. So it's coming back to our projected plan. So, for the full year, we expect to achieve the 10% growth and it's excluding the NPR for the long-dated savings type product.

Q - Masao Muraki {BIO 3318668 <GO>}

Thank you very much for that answer.

A - Operator

There seems to be no question at the moment, so the operator is repeating how to place questions once again to domestic participants.

My name is (48:33) from Corporate Planning Department of TMNL. I seem to have mentioned surrender of annuities. However, in line with the deduction of the – because we decreased assumed rate of interest, there was last-minute demand for the individual annuities. Sorry about that.

The next question is from Ms. Tsujino from JPMorgan.

Q - Natsumu Tsujino {BIO 2234779 <GO>}

If I may ask you another question on TMNL, ANP of new policies, and if you just single out individual policies, I think it increased by 3.4% year-on-year. The rate of growth seems to be now decelerating somewhat. And if you look at the amount of new policies acquired just looking at the individual policies, it increased by 8.1%. In terms of the amount of new business acquired, I believe that it's used to achieve double-digit rate of growth, for example in the case of last year. So, the rate of growth seems to be decelerating, just singling out the individual policies. However, if you look at the total in-force amount, I believe that the surrender rate is rather low, and therefore, you seem to be keeping a relatively good rate of growth. So looking at the sales of individual policies, have you noticed any changes in the market?

A - Operator

Yes. My name is (50:01) from Corporate Planning Department of TMNL. Just singling out individual policies, we only achieved 3.4% growth. We seemed to be weaker than what we used to achieve. As I mentioned earlier, there are two types of long-term savings products. One is individual annuities and the other is the long-term discount whole life policies.

However, these types of policies are now excluded in our full year assumption of achieving CAGR 10%. And the long-term discount of products is not focused in our sales and therefore, the actual sales is about 70% of what it was last year. And this is pretty much in line with our initial expectation, but we have less focus actually on the sales cautiously of this type of particular sales. And therefore, excluding this type of products on individual polices, the rate of growth was – so, overall the ANP of new policies grew only by 3.4%. However, excluding the long-term policy in particular, it did actually grow by 6.7%. And so, just looking at the first quarter, actually we felt this seems to be somewhat weak. However, on the July 2, we launched two new cancer products. And at the moment, as of the end of July, according to our preliminary number – that is only data that we have at the moment. And according to that data point, excluding the two types of long-term products, we have already recovered the rate of growth to more than 10%. So, we believe that we are now in a good position to achieve the full-year growth rate target. Thank you.

There seems to be no further questions. And so the operator is explaining how to place another question. So, for the registered participants, please be patient.

It seems like there are no further questions. I will turn over to Mr. Sasaki.

A - Shiro Sasaki {BIO 19269575 <GO>}

Thank you very much for participating in a telephone conference call for the first quarter results of fiscal 2015 for Tokio Marine Holdings. If you have any further questions or something that you want to clarify, please contact the IR team. Thank you very much for your attention today.

Operator

...today's telephone conference for Tokio Marine Holdings' first quarter result announcement for 2015. Thank you very much for your participation today. And now you could be disconnected.