

SOMPO Holdings Inc Sompo International Business Strategy Presentation

Company Participants

- Junichi Tanaka, Overseas Insurance Business Owner, Managing Executive Officer & Director
- Masahiro Hamada, Group CSO, Group CIO, Managing Executive Officer & Director
- Michael James McGuire, CFO

Presentation

Masahiro Hamada {BIO 20083917 <GO>}

Hello, everyone. My name is Hamada from Sompo Holdings. And I am delighted to see so many of you here today for our meeting. In the past two years or so, we have been talking about the Japanese P&C business, Life Insurance business, overseas business and nursing care business and have been doing IR activities for each of these different fields. And as part of that effort, about 1.5 years ago, we have integrated with Sompo International and we have some senior management people from Sompo International to talk to you directly about the overseas operations.

Sompo International, or the former Endurance, until 1.5 years ago, it was a listed company in the North America market and the gentlemen we have here today, CFO Mr. Mike McGuire and also Greg, both of them professionals also in the field of IR and they were looking forward to this meeting today. And so in that sense, we are looking forward to having some active discussion and Q&A session with you.

Before we get into the topic of the overseas operations, I'd like to just briefly touch upon the current situation in our Japanese operations. Last weekend, Typhoon #25 deviated towards the Sea of Japan and, therefore, the damage was minor. However, in the past one year or so, last year, we were hit with the U.S. hurricanes. This year, in the domestic market, we are seeing series of Japanese natural catastrophes.

In the middle of August, where we announced our First Quarter earnings, we had talked about -- where as of the end of June, we did not really have any natural catastrophes. But as of the mid-August, we had the Northern Osaka earthquake, we had Typhoon #7 and 12 and also we had the torrential rain in the western part of Japan, which had brought some significant damage to Hiroshima and other western part of Japan. So we had a series of large events so far. And we did announce that the net incurred loss after recovery from reinsurance would be about JPY 38 billion on net basis, that is the loss amount. However, afterwards, we had discovered in hindsight that, that was only the beginning because afterwards, we were also hit with a series of Typhoon #20, the earthquake in Hokkaido and, ultimately, there came the Typhoon #21 and 24.

FINAL

Especially -- well, first of all, I'd like to extend my condolences to the disaster-stricken clients in those respective areas. It is often said that Typhoon #21 and 24, they are typhoon with wind damage. And that is detrimental to insurance companies because when it's a rain damage, there is breaking of the dike, there is landslide, et cetera. Those particular areas will be reported on the news and it leaves a large impact to the viewers. However, the actual damage, it's sometimes contained to those particular areas, whereas if it's a typhoon with wind damage, the damage is even bigger. The level of the damage may be minor, just some damage on the roof, et cetera. But then the area of the damage becomes bigger. And therefore, Typhoon #21 and 24, to be honest, we are seeing some serious losses in terms of the claims payment for the insurance companies.

In terms of the size, the number it's still being estimated internally and I will not be able to tell you that today. But this is on estimation basis, for 21 and 24, the expected number of the claims is 300,000. And this is equivalent to the number of claims we have received at the time of Great East Japan Earthquake. It's -- there is some recovery from reinsurance because we have some conservative reinsurance schemes in place. We also have the catastrophic loss reserve and also the reversal of the loss reserve under the Japanese GAAP. So the impact to the profit and loss will be contained or mitigated. However, this will be a year with large natural catastrophe impact.

Going forward, hypothetically, if the source of the shareholder return, which is the consolidated adjusted profit, does receive some impact, we have to start thinking about what we do. At least in my mind, I have to start my exercise on those scenarios going forward. On the other hand, we have some capital buffer, the ESR is coming to the upper threshold, while it is quite difficult to seek after large M&A deals looking at them in a market situation. So as a possibility, for example, total payout of above 50% and other methods different from our usual years must become our choice and we have started some discussions internally over those choices. In any case, we are talking about those as well as our goal towards 2020. If you wait until next month, on the 26th, we will be making the IR announcement and we will talk as much as we can at that earnings meeting next month.

So main dish for today is the overseas business. And so at this point, I'd like to hand over my microphone over to Mr. Tanaka who is in charge of the overseas business.

Junichi Tanaka {BIO 18839536 <GO>}

Good afternoon, ladies and gentlemen. My name is Tanaka who is in charge of overseas business. And thank you so much for introduction. I am serving as a director of Sompo International Holdings, too. So from that perspective, from my position, let me touch upon the progress that we have been making after the acquisition and for details. Since we have speakers from the United States, please address questions about the details to speakers from the United States from SI.

As you know, in March 2017, we bought the former Endurance. And from day 1, we have changed the name from Endurance to Sompo International. And we are trying to really promote this name in the market. And the name, Sompo International, is well recognized in the market now. And because of the efforts of the management team, normally, when

FINAL

we do M&A, we do key persons in general in other cases. But for our case, we were able to retain the key persons in the management team of Sampo International. And we have been making a very good progress on the Post-Merger Integration, PMI. And in December last year, we have integrated operation in the United States. In May this year, we have completed the integration of our European operation.

And with regards to the exit of the U.K. from EU. So-called Brexit, we have moved our office to Luxembourg, Sampo International Insurance Europe, SIIE. We have established that company in Luxembourg to prepare ourselves for Brexit and SIIE has started its operation already in September. So in that regard, in developed markets, we have almost completed establishment or reorganization of the global platform in the commercial market. On the business side, we have started the global clearance system where we manage the customers' information centrally -- or uniformly and we have introduced this clearance system in each entity. Now we can manage the customers' information uniformly.

And one of the strength of Sampo International is the crop insurance. We've been trying to promote and grow the crop insurance in the world. In November last year, we have started Agri Sampo, which is a platform for agriculture crop insurance. And we are trying to grow the crop insurance business in the world.

And from the beginning of this year, by leveraging the strength of Sampo International, as for the specialty product lines, we have started SomPro, which is again a platform for the specialty lines to make it a driver for the growth of the company for the future.

Going forward, by leveraging licenses of Sampo, we'd like to utilize know-hows and excellent experience of SI on the platforms that I have just talked about. And now, stage is set for the significant growth in the future. Furthermore, we think there is a room for us to better utilize the resources in the whole group. So in February this year, we have invited all CEOs of overseas group companies to Japan and we had a discussion in the retail area. I have just talked about the commercial area. But also in the retail segment, we decided to establish a platform in Sampo International to leverage know-hows of each entity and experience in the retail segment in each entity and by adding new (desktop) technologies. Also in the retail segment, we'd like to really use this platform to grow our business globally. By the end of 2020, we are planning to integrate our overseas service theories to Sampo International Holdings in the retail segment too.

About the recent financial results, you are going to hear more details later on. But last year, large hurricanes hit the United States and last year was a year with many natural catastrophes. So we thought the market would harden this year. But at the moment, market hasn't been hardening as much as we expected. So we are struggling a little bit at the moment. But even in this environment, Sampo International is outperforming compared to the market and they have been a leader trying to lead the hardening trend in the market. And for the numbers that we have a shortage because of less hardening, we'd like to do more bolt-on M&As or by hiring underwriters to achieve their plan.

FINAL

And as for the natural catastrophes, last year was a big year for large natural catastrophes. But this year, at the beginning of the year, we had forest fire or mountain fire in California. And most recently, Hurricane Florence hit the United States. But the damage from those is lighter, less than we anticipated. Today, unfortunately, Mr. Chairman, CEO could not come to this event because of his business reasons. But for my insurance, we have speakers who have experience for more than 10 years in Endurance; and Mr. Mike McGuire and we have Mr. Greg Schroeter who is in charge -- who was in charge of IR in Endurance era. So they're going to speak in front of you today. Thank you. So much.

Michael James McGuire {BIO 15329889 <GO>}

Thank you. (foreign language). I will give my presentation in English. So please bear with me. But I would like to introduce myself. I am Mike McGuire, I am the Chief Financial Officer of Sampo International. Sampo International has been rebranded from the former Endurance companies that Sampo Holdings acquired in 2017. I have been the Chief Financial Officer of Endurance, now Sampo International, since 2006 and have been with the company since almost the beginning of the company's life in early 2003. Endurance as a business was formed very late in 2001.

So let me set the stage for what we are trying to accomplish within Sampo International. The reason that Sampo Holdings was attracted to Endurance as a business was a desire to grow and expand its overseas business and the profit contribution from overseas businesses. Comparing 2010, the profit contribution of Sampo Group was largely domestic, Japanese, P&C, life and very little from overseas insurance businesses. The purchase of Endurance accelerated the diversification of Sampo Holdings. As you can see in the middle chart here, 27% of the profitability of Sampo Group came from overseas businesses. Our desire though within the Sampo Group is to push our overseas businesses to be a much larger contributor to the overall profitability of Sampo Holdings. So in the near future, trying to get the profitability from overseas businesses, i.e. Sampo International to 40% of the overall total for the group. That is an ambitious target. But one that we think with the partnership that we have with Sampo Holdings, with the quality of the teams and the people that we have within Sampo International, we think we can achieve that.

So let me provide a quick overview of Sampo International. Right now, Sampo International has about \$5.4 billion of gross written premiums in its portfolio. And that is a 12-month view as of the end of March 2018. We have about \$5 billion of tangible shareholders' equity and we are in at 12 different countries throughout the world. Sampo International is a Bermuda-based holding company. The Executive Management Group of Sampo International resides and works in Bermuda. But we travel a lot. We spend time throughout these countries. We have substantial operations in Bermuda, our home office. But we also have very substantial operations throughout the globe. The United States is a core specialty focus for Sampo International. The majority of our people within Sampo International are in the United States. But as Tanaka-san said, we have substantial operations in Europe, we've built out a Luxembourg-based insurance business and we have branch operations throughout Europe that give us great Continental European access. We enjoy very strong ratings from Standard & Poor's, A.M. Best and Moody's. We have A+ financial strength ratings that has been achieved in a very short period of time.

Bloomberg Transcript

FINAL

It's only been 18 months since Endurance was acquired by Sampo Holdings. And within a very short period of time, A.M. Best and Standard & Poor's increased the ratings of Sampo International to match the group ratings. And that is an important statement from the rating agencies because it reflects the quality of the integration and the post-merger integration that we have accomplished within Sampo International.

From day 1 of being acquired by Sampo Holdings, Endurance was rebranded to Sampo International. It was very important for us as a management group to fully embrace becoming part of the Sampo family. And so the Sampo Holdings and the Sampo International brand was an important first step for us. And if you would have visited our offices in Bermuda and throughout the United States two days after the acquisition closed, you would see all of our logos and all of the branding of Sampo International throughout our offices. That is remarkable first step for us and it's been very quick and very fast since then in terms of integration activity.

Just a quick highlight of the management group of Sampo International. John Charman is our Chairman and CEO. John has been a leading CEO in the insurance and reinsurance businesses for 40 plus years. He brings exceptional depth, quality and underwriting expertise to the leadership function of Sampo International and we have built a very, very strong leadership team within the former Endurance company, now Sampo International. Every single member of the Executive Management Group of Endurance remains in their positions within Sampo International. You can see them up here. Jack Kuhn, our CEO of our Insurance Business as well as our Global Chief Underwriting Officer, joined us in 2013 - actually 2012; Stephen Young, the Chief Executive Officer of our Reinsurance Business, was one of the first employees of Endurance going back to early 2002.

The rest of the management team has been around for quite some time. John Del Col, our General Counsel, joined the company within months of when I joined in 2003. Nigel Frudd is one of our newer members within Sampo International. But he is an executive officer of Sampo Holdings and was a leading force in Sampo Holdings acquiring Endurance. He is now on the Executive Management Group of Sampo International. Chris Gallagher is our Chief Risk Officer and Chief Actuary. He's been with us for about three years. He joined us from AXIS Capital and brings a wealth of experience in global specialty P&C insurance and reinsurance, actuarial and risk. Brian Goshen, our Chief Administrative Officer, we like to say he takes on all the jobs that no one else wants to do, human resources, information technology, facilities, real estate and every other project that needs somebody to look after. But Brian is a true HR executive. He's been doing HR leadership and management for 20 plus years.

Takashi Kurumisawa is also one of our newer members of the Sampo International management team, joined us from Sampo Group. He is our COO of our European business and came from SJNKI and has had a number of positions in the Sampo Group and its overseas businesses prior to joining the Sampo International team. And last but hopefully not least, I've been, as I said, with Endurance, now Sampo International, for a little over 15 years. So I've seen every element of history in the company of Endurance, now Sampo International. And the company today is unrecognizable to what it was when I first joined, when there was less than 100 employees and less than \$1 billion of premium. So we've made a lot of progress in the last 15 years.

FINAL

Tanaka-san mentioned the retail business. One of the goals of Sampo Holdings and Sampo International is to consolidate and leverage the global overseas businesses within Sampo International. So we've created a new retail platform within Sampo International that will operate under the governance and oversight of the Sampo International board. John Charman is the Chair and CEO of the Retail Executive Group. And we have a wide variety of executives that have joined the SI Retail business from the existing businesses of Sampo's overseas business. Many of this business have yet to be integrated into Sampo International. But plans are already in place to integrate Brazil, Turkey, Southeast Asia businesses into the Sampo International family over the next year or 2.

So what does Sampo International look like today? We are a business that has over 1,600 employees in 12 different countries. You can see from the map that a substantial portion of our employees in operations are in the United States, that is our core area of specialty. The United States is among the largest specialty P&C markets in the world, among the most profitable and one that we have a very, very strong foothold and position in. We are headquartered in Bermuda, you can see the tiny dot in the Atlantic Ocean. But that is our core headquarters as well as the head of some of our specialty reinsurance and insurance businesses that are underwritten in Bermuda.

Then throughout Europe and the United Kingdom, we have substantial presence in the European markets. We have a Lloyd's business, we have a non-Lloyd's London business and we've just launched a Luxembourg-based insurance operation that really gives us a new foothold in Europe as well as the ability to respond to the implications of Brexit with the U.K. leaving the European Union. It allows us to continue to offer our products throughout Europe with a seamless transition once the U.K. exits the European Union, whenever that will be.

So we've set out a very strong ambition for Sampo International to be a significant contributor to the profitability of the Sampo Group. There's a couple of things that we're focused on to try and achieve that objective. Expanding geographically and into additional lines of business in the specialty insurance segment is a key focus for us. We have a very strong track record within Sampo International of growing and expanding our businesses.

We've hired substantial numbers of underwriting talent that bring business. We have invested in significant amounts in technology and infrastructure that allow us to enter new markets and we've expanded significantly in new products in a variety of markets. I've listed in the bullet points a number of the achievements that we've already accomplished. Tanaka-san mentioned the launching of Agri Sampo, a global agriculture platform that allows us to offer agriculture insurance and reinsurance on a global basis, leveraging now the global platform that Sampo Holdings has spent years and years building. We have the underwriting and product capabilities and expertise to help build that business and leveraging the Sampo Holdings infrastructure and licenses is a huge advantage for us. We did, as part of our Agri Sampo initiative, we acquired a very small company called A&A in Italy, which controls a substantial portion of the Italian crop insurance market. That is a nice addition to our global agriculture insurance business and our global agriculture reinsurance business.

FINAL

In June of this year, we also completed the acquisition of a U.S.-based surety insurance operation. Lexon Surety Group was the largest independently run surety operation before it was acquired by Sampo International and we just completed that acquisition and we've already integrated that business into our U.S. insurance business. I already mentioned the launch of our European Luxembourg-based insurance company. And that is providing it a very good vehicle for us to expand in Continental Europe as well as provide a Brexit solution for our existing clients. Then also, Tanaka-san mentioned this as well, we've launched another global product called SomPro, which brings together the professional liability classes of business, both insurance and reinsurance, together on a global basis. Professional liability, directors and officers insurance, employers -- employment practices liability and other professional services liability coverage is a growing area in the global P&C markets. We have a unique expertise, both insurance and reinsurance. And we're now bringing these businesses together to expand globally.

The second pillar to our ability to achieve the overseas insurance growth is growing Sampo's overseas business by integrating Sampo International's underwriting expertise and know-how throughout the Sampo Group. Tanaka-san also mentioned, as we did launch very soon after the acquisition of Endurance, we did launch a global clearing system, which allows all of our underwriters to see global risks as they enter the Sampo Group so that we know who is underwriting the business, where it's being offered. And that we can implement a standardized and disciplined pricing and risk management across the portfolios regardless of where the risk or submission comes into the company. This is an enormous advantage for us, because it allows us to combat the brokers and the outsiders who tend to try and send business into the company in many different places to try and get the lowest price. Because we clear everything in one clearance system, we're able to prevent that from happening and make sure that we have a consistent and stable view of pricing and that we have a consistent view with our clients and brokers.

I did mention the upgrade that we achieved in our financial strength ratings. That has been a significant driver of improved relevance to our clients. It's allowed us to grow and expand line sizes on existing business, it has also allowed us to expand into new areas where our previously lower ratings precluded us from participating in. We also were an instrumental part of the Sampo Group achieving an overall improvement in Standard & Poor's evaluation of the Sampo Group's Enterprise Risk Management. Enterprise Risk Management is a critical skill for any insurance company and one that Standard & Poor's values very highly when they apply ratings criteria. And the fact that we were able to very quickly share knowledge, share expertise and work together on the risk management of the Sampo International companies within Sampo Holdings, Standard & Poor's was able to see that and, as a result, upgraded their ERM assessment of Sampo Holdings overall to strong. That was quite an achievement in a very short period of time for the Sampo Group. And as Tanaka-san also mentioned, we've already completed the integrations of Sampo America into the Sampo International business as well as Sampo Europe. And plans are already in place to bring in Brazil, Turkey, Indonesia and other companies throughout Asia into the Sampo International network of companies.

Now lastly, focusing on building an integrated global platform that leverages both our existing commercial P&C business as well as the new retail business. The personal lines focus of the retail businesses that Sampo Holdings enjoys overseas will add nice

FINAL

diversification to the earnings profile of the Sampo Group and Sampo International. And we're also able to now leverage those balance sheets, those licenses that exist in those countries to import the Sampo International product suite. So Agri Sampo, SomPro, other forms of specialty insurance coverage that we have the expertise in, we are able to push those expertise and those lines into the existing businesses in a controlled fashion. So it allows us to push additional growth into those businesses with our existing expertise.

And so I know it's very small print to see here. But what we're trying to do is take the existing P&C business of Sampo International, which was about \$4.7 billion premiums in 2017, excluding what was in Sampo America to almost \$11 billion over the next three years. A big portion of that is the retail business of approximately \$3 billion. But you can see in the gray circle, substantial growth expectation within our existing commercial P&C businesses.

So what will the Sampo International platform look like in 2020? A lot of coloring in, in the map. But that really reflects integrating fully the overseas businesses and operations within the Sampo Group and the Sampo International, as well as the continued expansion of the product suite within Sampo International in the U.S. and Continental Europe as well as Southeast Asia. So this is a big undertaking and it substantially expands the operations of Sampo International. But we're doing so in a way that leverages the skills of Sampo Holdings, leverages the existing capabilities, the client relationships but also allows us to introduce product and underwriting expertise within Sampo International into the global businesses of Sampo Holdings.

So one of the topics of interesting discussion is mergers and acquisitions. We came -- when I say we, the Sampo International company, came into Sampo Holdings through mergers and acquisitions. We have a very long history in mergers and acquisitions within the Sampo International Group. We were formed as a company, as a startup, in 2001. But very quickly set about growing and expanding the Endurance business through targeted and disciplined mergers and acquisitions. Our crop insurance business was acquired, our catastrophe reinsurance business was acquired, our U.S. reinsurance business was bolstered through acquisition, we purchased Lexon Surety Group. There's a number of other smaller transactions that we've been able to do over time that has built Sampo International into what it is today. And as we look ahead, for us to achieve the ambitions of the Sampo Group overall for its overseas businesses, we need to think about mergers and acquisitions as a part -- as an important part of that strategy. But it's important for us that we highlight some of our criteria. The deep M&A expertise is something that is quite important for assessing what to buy, where to buy and how to buy.

The M&A activities of Sampo International are completely and fully integrated with Sampo Holdings. We are not a rogue state, we are not off doing our own thing without close coordination, cooperation and collaboration with Sampo Holdings Group. We do expect to play a leading role in M&A, given that the expansion of Sampo Holdings is going to be very much focused on overseas business. But it is in close coordination with the leadership within Sampo Holdings. But some core principles for us within M&A are, I think, important takeaways for investors to understand what it is that we're trying to accomplish. Mergers and acquisitions have to enhance the business profile, the diversification and the profitability of the Sampo Holdings Group. Those are -- they sound very simple as core

FINAL

principles. But you would be surprised at the number of mergers and acquisitions that take place in our industry that ignore those core principles. We will not. That will not be part of our M&A strategy to ignore that.

It is important that any merger or acquisition cannot have any negative impact to the group's reputation as a leading client service provider globally. It cannot negatively impact the credit ratings of the group, the risk profile or the tax position. Those are all core considerations for us as we think about mergers and acquisitions. We are a disciplined buyer. I think it was reflected in the disciplined approach that Somp Holdings took to its acquisition of Endurance as well as the decision taken by Somp Holdings to actually exit a business recently acquired in Canopus. That highlights a very strong discipline that I think is quite unique amongst the peer companies of Somp Holdings. But we expect to maintain very strong discipline about what to pay. The numbers have to work. As the financial officer of Somp International, it is very important that the return characteristics, the contribution to earnings and the pricing valuation make sense. Having that strong guidance and that strong focus is an important part of M&A.

Due diligence is a core requirement for us. We will not do M&A without doing substantial due diligence on any target company out there. Some companies may be purchased without due diligence, those will not be companies that Somp International will buy. We may lose out on some business. But in mergers and acquisitions, it is as important the deals that you don't do as the ones that you actually complete. And having a very focused due diligence exercise is of paramount importance for us.

Along with that, we have to control the acquisition process. We will not be led around by investment bankers, pitching the companies that are up for sale, we will use outside advisers to help and assist. But we will not be driven to do transactions because of outside advice. We will do it based on our own internal capabilities. And where we need expertise, we will go out and get it. But we will not hand over control of the M&A process. We think we bring a great deal of creativity to the process, both in terms of transaction structuring, expertise, tax expertise and those can often be critical valuation synergies that come out of transactions. So if you can think strategically about optimizing a tax position, the legal entity structure or other elements of a transaction to help make a transaction truly drive value for the organization.

Integration is of paramount importance for us as a group. I think if you look at how Somp Holdings acquired and fully integrated Endurance into the Somp Group, that is a very good example of the right way to approach mergers and acquisitions, focusing on the culture integration, making sure that there is good fit, that there is shared principle, shared core values. Those are extremely important. And we need to make sure that we maintain the level of governance and oversight on any businesses that we acquire.

And so the long story short on this, we're very picky. We -- it's been 18 months since the Endurance Group was acquired by Somp Holdings and I know there was a lot of questions and activity about what's next. Well we don't know yet. But we're always looking, we're always on the hunt. But the one takeaway I would suggest you leave with is that we will maintain our discipline and pricing valuation and strategic fit.

FINAL

So let me jump into our business segment activities. As a business within our commercial P&C activities, we're split insurance and reinsurance. About 63% of the Sampo International business is insurance and 37% is reinsurance. And these are very summarized -- this is a summarized view of the Sampo International portfolio. But even at that summarized level, what you see here is a very good diverse mix of products across insurance and reinsurance. We have large operations of scale in each of these areas and as I'll get into it in a few minutes, we have very strong expertise at a management level as well as at a detailed product line level to truly build and leverage a global franchise.

So getting into our insurance business, I mentioned Jack Kuhn, the CEO of our insurance business, he's been an instrumental driver of the buildout of our insurance business since he joined us at the end of 2012. He has built an exceptional leadership team across the businesses of our insurance activities. I'll just go through a few of them. Our Global Risk Solutions business, Michael Chang, the CEO of our Global Risk Solutions business, joined us only a couple of years ago. But that has been a significant driver of growth for our insurance business. We started a few years ago with really no premiums in that business and it's now pushing towards \$300 million of premium and growing. And that's just in a couple of years' time.

Our London market and European insurance business is led by Graham Evans. Graham joined us about five years ago when our London-based insurance business was 0. That is now a business that is close to \$1 billion of well-underwritten diversified business. We have a Lloyd's business, we have a non-Lloyd's business and we have a Continental European-based business as well. And that has been a very strong growth avenue for us. Even though it's competitive, it's been an area where we've been able to attract industry-leading underwriting capabilities within that market and it's helping to drive that very strong growth, in spite of the competition that exists in those markets.

Our U.S. Insurance business is led by a gentleman named Christopher Sparro. He joined us a couple of years ago from AIG and he's really helped drive that continued discipline in our underwriting and helped improve the execution of the U.S. Insurance markets overall. And you can see that we can hardly fit the number of products on the page here because we have such a wealth of product capabilities and underwriting talent that drives this business.

Our Bermuda Insurance business is our smallest business. It's probably less than \$200 million of gross written premium. But it is the business, if you're familiar with their Bermuda insurance market, it tends to be high limits, high access kinds of policies, both property and liability. It's where capacity is needed in the global markets. It's not as labor-intensive as some of the smaller retail-oriented businesses. But it is an important driver of the global insurance and reinsurance markets. But that is where we write a lot of cyber liability, we have a strong health care liability, professional liability practice.

Then last but surely not least, ARMtech, which is our U.S. crop insurance business, under the leadership of Michael Smith. Michael Smith is one of the founders of ARMtech as a business. This is a business that Endurance acquired in 2007. And I think it speaks volumes about how we acquire and integrate businesses, the fact that we bought a business and the founder of that business is still here 11 years later.

FINAL

So getting into some of the details. You can see in the bar chart, our insurance business has enjoyed substantial growth over the last five years. You can see, we started at the end of 2012 with just under \$1.5 billion of gross written premium and that is now almost \$3 billion as of the end of 2017. And still growing. You can see the big areas of growth for us is in our U.S. specialty insurance business. When Jack Kuhn joined us, the Endurance Group of Companies really did not have a large U.S. Insurance business outside of our crop insurance business. And that was a core strategic focus for our insurance business starting in 2012, was the buildout of our product, our underwriting and our technical capabilities. And you can see the result of that investment and buildout is substantial growth. And we've now built a very well-diversified portfolio of products within our U.S. Insurance business.

You can see I won't read through all the details on the right-hand side. But you can see the depth of products within that U.S. Insurance business. Our agricultural insurance business has been very stable. It hasn't enjoyed much growth over the last several years. But that's been a function of the maturity of the U.S. crop insurance market and the fact that commodity prices have actually come down over the last several years. Commodity price drives the underlying exposure base and premium revenue. But this is a business where we enjoy a market-leading presence and it's been an enormous driver of diversification and profitability for our insurance business overall. And it's one of the truly unique specialties within the Sampo International Group.

The U.S. crop insurance business is part of the U.S. government's Federal Crop Insurance Program and although we have to deal with the U.S. government, which isn't always a fun task, we do enjoy some benefits for participating in that program. We have expense reimbursements, very strong risk protection provided by the government for our portfolio. And it's a very unique tough-to-enter business. But one that we have a very strong foothold in.

I talked already about ever Bermuda insurance business. You can see it's been relatively flat in a relatively small part of the portfolio. But an important differentiator for our Bermuda business.

Our international insurance business has seen very substantial growth. You can see, at the end of 2013, we didn't have any international insurance business out of London. And that's gone from 0 to about \$600 million of international insurance business and that's pushing towards \$1 billion over the next several years. Very strong growth. But we've done so by investing in people and investing in infrastructure to build that business. We're not putting out cheap prices to get the business. We're getting it by the underwriting expertise across all these businesses and that's been a key differentiator for our business growth.

Now lastly, the Global Risk Solutions business has been an area where -- we just launched that business about 2.5 years ago. So starting from 0. And that's already up to \$230 million of premium in 2017, probably gets to an excess of \$300 million this year alone. And that has very strong growth potential for us, particularly as we integrate the Japanese interest abroad, large risk business into that platform provides a very unique growth opportunity for us.

FINAL

Moving to our reinsurance business. Stephen Young, as I mentioned, has been with the Endurance Group of Companies for about 16 years, leads our global reinsurance business and has established a very strong leadership team across products. The reinsurance business is a smaller part of our portfolio. But we do have a diverse portfolio of catastrophe, property, specialty and professional liability risks within the reinsurance portfolio.

If you look at the details, you can see, it's been a little flatter in terms of the growth that we've been able to achieve in reinsurance. The reinsurance markets, over the last five years, have been much more competitive and we have resisted the urge to grow by giving away price and giving away margin. And so our growth rates have been achieved largely because of the acquisitions that we've been able to accomplish and some of the new teams that we've been able to bring on board over the last several years. But we've been very cautious in managing the underwriting cycle within our reinsurance business because the competitive dynamic is quite strong and we want to make sure that we're always protecting the bottom line of the company within our -- within how we take the reinsurance risks.

Catastrophe is certainly an important topic. Obviously, the Japanese market has experienced -- is experiencing this year very substantial catastrophe losses. But we have a very strong expertise in providing catastrophe reinsurance protection. But also managing that net exposure to the business. And even though last year was a tough year for our predominantly U.S.-based reinsurance business, we performed quite well relative to our peer companies even though we have an industry-leading catastrophe reinsurance platform.

Our property reinsurance business has been one that has not grown much and one that we've been very cautious about given the competitive dynamics in the market. But where I think we've seen some interesting opportunity is in our casualty reinsurance operation. Within casualty, we have things like automobile liability, reinsurance protection, access in primary casualty reinsurance and a variety of other specialty casualty covers. We're actually seeing some interesting pricing improvements within the casualty reinsurance market that's giving us some opportunity as we look forward.

But the area of strongest growth recently has been in our specialty business. These are very unique specialty areas. I've listed them out here, things like agriculture, aviation, space, marine and energy, mortgage or financial reinsurance, trade credit and surety, very unique lines of business that require very specific underwriting expertise. And we've been able to attract and retain key leaders in those businesses. And that's allowed us to grow those businesses and help further diversify our portfolio.

So very quickly, I know I'm running a little bit long on time. But I will provide a little bit of context for the financial results of Sompo International. I know a lot of this is public and you would've seen it. So I won't dwell on the details. But you can see that the premium and equity levels of Sompo International have almost doubled over the last five years. You may wonder how we can achieve such substantial growth in a market that's been relatively competitive. The key differentiator for us has been our focused investment on attracting industry-leading talent in our underwriting businesses and retaining the talent

that drives the business. That has been a key differentiator for us. We have focused very strongly on unique specialty areas of the U.S. and global P&C markets that have barriers to entry that we do have some competitive advantage and fighting off some of the competitive pressures. We've been very successful at integrating acquisitions. We acquired a business called Montpelier Reinsurance a few years ago. And as I mentioned earlier, we've acquired a number of businesses in our lifetime as a company that has all bolstered our growth. And the team dynamic has been very strong. The integrated approach to running the business, the collegial environment that we have within the leadership and management of our company has really helped accelerate the growth of our business.

We do expect to continue growing our business. We continue to invest, we're hiring people every day and people are attracted to Sampo International. Particularly now that Endurance has been acquired by Sampo Holdings, we are a very attractive employer. We offer a very stable and prosperous future for our employees. We also offer to technical and detailed underwriters a proper home. Many qualified underwriters have been disenfranchised by their companies and want to find a place like Sampo International where we really value the high-quality underwriting that they have and the client relationships that they're able to deliver. That's been a very attractive proposition for industry-leading talent to come to Sampo International, the fact that we now enjoy the group credit ratings of Sampo Holdings that has accelerated our ability to hire and retain industry-leading underwriting talent.

So I'll skip over the financial highlights very briefly. But I think this is all public information that you would have seen. But the First Quarter is usually our lowest earned premium quarter. Our business is somewhat seasonal, particularly our U.S. crop insurance business. Most of the premiums are not earned until the second, third and Fourth Quarters of our financial year. And so the First Quarter is usually our slowest in terms of earning of business. It's usually our largest from a gross written premium point of view. But the premium earnings don't usually come in until later on in the year. But we had a reasonable First Quarter. We do target combined ratios in the low to mid-90s. And we did achieve a mid-90s combined ratio in our First Quarter. And we did achieve very strong organic growth in the gross written premium profile of the company.

So the last piece that I'll talk about in terms of our financial results is the asset portfolio of Sampo International. And I know this page is a little bit busy. So I'll try and summarize it for you. But Sampo International, the balance sheet of Sampo International has about \$9 billion of invested assets and there's about another \$1 billion of cash that is in operating non-investment accounts. And so I'll talk just about the invested assets that we have. The vast majority of our portfolio is represented by -- the outer red ring of this chart is U.S. dollar, investment grade, fixed income securities. Obviously, as an insurance and reinsurance company, we need to have assets available to pay claims and credit quality and financial security is very important for us. And so the vast majority of those assets are an investment grade, liquid, fixed income securities.

We are enjoying the benefits of a rising interest rate environment in the United States. We expect that to continue over the next year with continued raises of the fed funds rate by the Federal Reserve into next year. And so we're now starting to see that come through.

FINAL

You can see that we've seen a steady increase in our investment yield. And if you think about close to \$10 billion of cash and invested assets, having that put to work in a rising interest rate environment is a very strong prospect for earnings growth and stability and lower volatility of earnings over the next several years.

Outside of the fixed income portfolio, we have a diversified portfolio of specialty and other assets. Less than 5% of our assets are in non-U. S. dollar investments. You can see in the upper left orange portion is the foreign currency balances are non-U. S. dollar balances in our portfolio. But we've invested very strongly in the diversified portfolio of higher-yielding equities, alternative investments, bank loans and other credit strategies. That gives us the benefit of increased earnings potential. But we've done so in a way that is balanced and diversified across asset classes. And that gives us a portfolio that has very good ability to participate in economic upcycles. But also gives us the protection of relatively short duration fixed income portfolio.

So I've covered the First Quarter results in some detail already. So I won't dwell on these comments. I'll leave these for you to read if you haven't already. But in the interest of allowing some time for questions and answers, I would like to just conclude on a few points. I hope it's apparent, based on the discussion that we've had today, that the Sampo International platform is a very strong foundation for the buildout of Sampo Holdings overseas business expansion. We have the right underwriting talent, the right leadership group, the right support from Sampo Holdings and the global businesses that Sampo owns to drive this business forward. We have a very diversified portfolio of business and expect to continue to grow and expand the diversified portfolio of the Sampo Group.

The financial strength that we have within Sampo International, more broadly within Sampo Holdings, is a competitive advantage for us. We're now fully deploying all of the capital that we have. But we have very strong and stable balance sheets that give us very strong advantage when we talk to our clients, when they think about financial security and us as a counterparty to pay their claims over the long term. That's a huge advantage for us.

The integration activities that we continue to undertake with Sampo Holdings and throughout the global network is a competitive advantage. There's very few businesses in our industry that have tried to create a truly global integrated view of underwriting P&C and retail businesses globally. We have the opportunity within Sampo to be truly differentiated amongst its peers.

Then lastly, as I've mentioned, we do expect Sampo International to be a key driver of profit and growth expansion over the next several years. So with that, I'll turn it back to Kuroda-san.

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

FINAL

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.

Bloomberg Transcript