

JCR's Rating Review of Major Non-Life Insurance Groups

JCR has reviewed the ratings of major non-life insurance groups in Japan. The rating viewpoints in this review are as follows. Please refer to JCR's press releases (25-D-0401, 25-D-0402, and 25-D-0403) dated today for rating rationale for individual companies.

Rating Viewpoints

- (1) JCR has reviewed the ratings of the insurance holding companies and core companies of the major non-life insurance groups, and has affirmed all of their ratings with "Stable" outlook. For the fiscal year ended March 2025 (FY2024), all groups achieved record-high adjusted profits and net profits for the second consecutive year. Strong overseas business drove performance, and improved market conditions contributed to higher investment profits. Gains on the sale of strategically-held shares also continued to contribute significantly to the increase in profits, following the previous fiscal year. Amid continuing trend toward more severe and frequent natural disasters, the impact has been mitigated to a certain extent through various countermeasures, but in auto insurance, loss ratio is rising affected by progress on inflation.
- (2) All groups are actively pursuing overseas business with the aim of expanding its business foundation, securing growth opportunities, and diversifying risks, and their appetites for strategic investment are generally strong. In addition to bolt-on acquisitions that are expected to generate synergies with existing businesses, opportunities for larger-scale business investments using gains on the sale of strategically-held shares are also increasing. In the life insurance business, rising interest rates are expected to enhance the appeal of products and support contract performance. Expansion into areas having a high affinity with non-life insurance business is also progressing, which is expected to contribute to risk diversification and diversification of revenue sources.
- (3) Typhoons, heavy rains, hailstorms, snowstorms, and wildfires have been occurring frequently both in Japan and abroad, and the impact of natural disasters is unavoidable due to the business nature of this industry. JCR will monitor trends to see whether the impact of these natural disasters can be absorbed through appropriate rate adjustments, revisions to underwriting policies, and disaster prevention and reduction measures. In fire insurance, results of continued efforts for rate revisions and restrictions and tightening of underwriting have been steadily apparent, but there is still room for improvement in the profit structure. JCR will confirm whether they can maintain profitability in a stable manner by implementing profit improvement measures that take into account balance between risk and return.
- (4) In auto insurance, loss ratio is rising mainly due to rise in repair costs accompanying progress on inflation. JCR believes that this can be covered by rate revisions in the medium term, but JCR will pay close attention to the extent of the impact and the results of responses of each company. In the long term, in addition to the impact of population decline, environmental changes accompanying the advancement of autonomous driving technology are expected. JCR will monitor spread of autonomous vehicles, development of environment and legal measures for those vehicles from a medium- to long-term perspective. Regarding new types of insurance, each group focuses on expansion of products such as packaged products for SMEs, for which insurance needs are expected to grow. Considering the penetration rate of such insurance products relative to the market size, JCR believes that there is room for further expansion.
- (5) Each group has a high level of capital adequacy. ESR is at a level where all groups can maintain soundness even under conditions of considerable stress. JCR believes that they will also be able to smoothly respond to the economic value-based solvency regulations (new regulations). Under a disciplined capital policy by setting a target range, they are suppressing risks by selling strategically-held shares, using reinsurance, and reducing interest rate risk related to life insurance business. The maturity of the ERM system is high, and management based on risk appetite is well established. As the importance of global and group-wide ERM increases due to expansion of overseas business, JCR highly evaluates their ability to respond flexibly and appropriately to these changes in business portfolio.
- (6) Against the backdrop of a series of scandals, the industry as a whole is promoting initiatives for "thorough customer-oriented business conduct" and "realizing a sound competitive environment," and revisions to the Insurance Business Act and the establishment and revision of guidelines by the

General Insurance Association of Japan are also under consideration. The relationships with agents are changing, including prohibition of granting excessive favors including dispatch of staff to agents and securing appropriate sales by comparison and recommendation. Additionally, non-life insurance groups are reducing strategically-held shares to correct distortions in the competitive environment through compliance with the Antimonopoly Act and establishment of independence of in-house agents. JCR is paying attention to what extent these changes in the industry practices and competitive environment can have impact on each group's customer base and financial foundation.

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<Reference>

Issuer: Tokio Marine Holdings, Inc.

Long-term Issuer Rating: AAA Outlook: Stable

Issuer: Tokio Marine & Nichido Fire Insurance Co., Ltd.

Long-term Issuer Rating: AAA Outlook: Stable

Issuer: Sompo Holdings, Inc.

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: Sompo Japan Insurance Inc.

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: MS&AD Insurance Group Holdings, Inc.

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: Mitsui Sumitomo Insurance Company, Limited

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: Aioi Nissay Dowa Insurance Company, Limited

Long-term Issuer Rating: AA+ Outlook: Stable

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