

September 8, 2015

MS&AD Insurance Group Holdings, Inc.

**Re: Agreement to Commence the Process for the Acquisition of Amlin, a UK Insurance  
Holding Company by Mitsui Sumitomo Insurance**

Mitsui Sumitomo Insurance Company, Limited (President: Yasuyoshi Karasawa) ("MSI"), a member of MS&AD Insurance Group Holdings, Inc. (President: Yasuyoshi Karasawa) (the "the Company"), today announces it has reached agreement with Amlin plc ("Amlin"), an insurance holding company that operates insurance businesses globally, centered on Lloyd's in the UK, to commence the procedure to acquire Amlin (the "Acquisition").

Amlin's board of directors has unanimously announced its recommendation of the Acquisition.

Please note that MSI has also made a public announcement required under the UK Takeover Code in the UK on the morning of September 8, 2015 (7:00 am UK local time).

**1. Background to the Acquisition**

MSI as well as the Company, are working to grow corporate value through sustainable growth, sound management and improved capital efficiency and profitability, based on the medium-term business plan "Next Challenge 2017." Our international businesses are positioned as a growth engine to support these efforts, and we have been working to increase stable profits and spread risk through diversification of our portfolio and by continuously investing in areas of high profitability and growth.

Based on this strategy, we have rapidly grown to become the top non-life insurer (as measured by direct written premiums) in the ASEAN region and expanded our operations centered on Asia, building on the momentum from our acquisition of the Asian non-life insurance operations of UK company AVIVA, in 2004. We are further strengthening our revenue base through significant efforts in emerging markets where future growth is expected and we have increased our presence in Europe and the US, a major global insurance market, by entering the Lloyd's business and corporate insurance segments in Europe.

In order to achieve further growth in international business, and advance Enterprise Risk Management (ERM), MSI have been considering possible acquisitions of Lloyd's syndicates in the

UK that can be expected to provide steady revenue and have high quality governance systems, with a particular focus on those centered on the U.S. and Europe where there is limited regional overlap with our existing business. As a result, we announce today that we have reached agreement with Amlin on our recommended offer to acquire Amlin, which operates the number two syndicate in Lloyd's.

## 2. Outline of the Acquisition

- (1) Target company: Amlin plc
- (2) Acquisition method: Acquisition of 100% of the shares of Amlin by MSI pursuant to a scheme of arrangement
- (3) Status of the shares around the time of acquisition, purchase price and number of shares:

Number of shares held prior to acquisition	<p>0 shares</p> <p>(Number of voting rights: 0)</p> <p>(Percentage of voting rights held: 0%)</p>
Number of shares to be held after acquisition	<p>517,658,935 shares</p> <p>(Number of voting rights: 517,658,935)</p> <p>(Percentage of voting rights held: 100%)</p>
Acquisition price	<p>Common shares of Amlin <sup>(Note 1)</sup>: Approximately 3,468 million GBP (Approximately JPY635 billion)</p> <p>Advisory fees, etc.: Approximately JPY7 billion</p> <p>Total: Approximately JPY642 billion</p>

- (4) Acquisition Terms: 670 pence per common share.

This acquisition price represents a net tangible book value <sup>(Note 2)</sup> of 2.4x.

Further, this represents a premium of 32.9% <sup>(Note 3)</sup> over the volume weighted average share price for the previous month.

(5) Acquisition Financing: The funds for the Acquisition are to be provided from cash on hand held by MSI and external financing <sup>(Note 3)</sup>.

(6) Time of Completion: Subject to the receipt of approvals from the relevant regulators, etc., completion is planned to occur in the fourth quarter of the fiscal year 2015 (i.e., January 2016 to March 2016).

\* In these materials, we calculate the Japanese yen to GBP exchange rate at 183 yen per pound.

(Note 1) Share numbers on a fully diluted basis.

(Note 2) As of June 30, 2015

(Note 3) This price represents a premium of 36.0% over the most recent share price (closing price of September 7).

(Note 4) MSI does not intend to raise equity finance for this transaction.

### **3. Information about Amlin**

(1) Leading player in Lloyd's and in the reinsurance market

Amlin is an insurance group that holds the second largest syndicate in Lloyd's. It holds insurance companies based in Benelux and reinsurance companies with hubs in Switzerland and Bermuda.

(2) Well diversified portfolio

Amlin's insurance underwriting occupies the top position in Lloyd's for the marine segment, where it has strengthened its position especially in the small vessels (yachts) and boat owner liability insurance, categories, as well as in the offshore energy areas. In the reinsurance business, Amlin has achieved a diversified portfolio through not only Lloyd's business but also European and Bermuda (North America) business, by utilizing its high level risk management skills. In the European continental business, Amlin has been underwriting with focus on contracts, which are difficult to access from Lloyd's, such as marine risks for large and medium sized companies.

(3) High profitability and growth

Amlin's financial results for the 2014 fiscal year were very positive, with written premiums of 2.564 million GBP (approximately 469.2 billion yen), a combined ratio of 89%, net earnings of 236 million GBP (approximately 43.3 billion yen) and ROE of 14.1%. Amlin has achieved the amongst highest profitability in Lloyd's, with an average combined ratio of 83% and ROE of 17.4% over the past 10 years (2005 to 2014). In addition, with a compound average annual growth rate of written premiums of 11% and average net profit of 215 million GBP (approximately 39.3 billion yen) in the past 10 years (2005 to 2014), stable growth is expected to come.

(4) Establishment of high level risk management and ERM

With many talented and highly capable underwriters, and through such underwrites' excellent ability, Amlin has embedded a high level risk management system and ERM management system. This is reflected in the fact that S&P has rated Amlin at the highest level for its ERM score, "Very Strong," making Amlin the only Lloyds syndicate to achieve this level.

#### **4. Rationale for the Acquisition**

(1) Establishing a leading position in the world insurance market

In addition to operating the second largest syndicate in Lloyd's, Amlin boasts significant size and profits in its European continental business as well as its reinsurance business. It is one of the top insurance brands with a global presence. Bringing this kind of leading global player into our group will further establish our status as a top level global insurance and financial group of the highest caliber and further expand our international business in terms of size and profitability. A simple combination of MS&AD group and Amlin yields a combined insurance premium revenue of about 3,357.8 billion yen and net profits of about 179.5 billion yen in the 2014 fiscal year.

(2) Portfolio Diversification

The combination of Amlin's portfolio centered on Europe and North America and our portfolio centered on Japan and the ASEAN region will achieve increased balance across direct underwriting and reinsurance product categories as well as geographic portfolio and

risk diversification.

Through the Acquisition, MSI will build a business model with high growth and stability that achieves a balance between the complementary Japanese domestic business and the international business and as a full-line insurance company that operates businesses globally. The transaction also increases the capital efficiency of the business as a whole.

(3) Generating global synergies by combining the strengths of both companies

We will develop new businesses and methods by integrating the networks and know-how that each of MSI and Amlin has.

➤ Lloyds Business

MSI established a Lloyds syndicate in 2000, and has achieved a stable growth by maintaining a high quality portfolio that has consistently generated profits. With this Acquisition we will further strengthen MSI's leading influence in Lloyd's by merging MSI's existing Lloyd's business with Amlin's Lloyd's business.

➤ Reinsurance Business

MSI will strengthen risk management and increase our presence in the reinsurance market by integrating the MSI's reinsurance businesses and Amlin's reinsurance business.

➤ The Asia and U.S. Business

MSI will provide high quality products and services globally by utilizing the product development power and underwriting techniques in specialty lines areas that Amlin has, together with the ASEAN-wide network and the U.S.-wide underwriting licenses that MSI has.

➤ The Continental European Business

MSI will aim to increase our presence in Continental Europe where there are few products, regional or customer overlaps between MSI and Amlin by complementing our portfolios through cross-selling.

## **5. Acquisition Process and Procedures**

We plan to implement the Acquisition by way of "scheme of arrangement" under English law. A scheme of arrangement is a recommended acquisition method under which the acquisition becomes effective when Amlin obtains the approval of its shareholders and the English court. Through this method, MSI will acquire 100% of Amlin's shares.

The approval by Amlin's shareholders will be effective upon the affirmative vote of more than half of the shareholders present at the shareholders' meeting to be convened by the English court, provided that the shares voting affirmatively represent 75% of the total number of voting rights exercised at the meeting. In addition, following the approvals of financial regulators and competition law authorities in various countries including the Financial Services Agency of Japan and the U.K.'s Prudential Regulation Authority, the English court's approval will be required.

The scheme of arrangement for the Acquisition is expected to become effective in the fourth quarter of the fiscal year 2015 (i.e., January 2016 to March 2016), subject to receipt of required approvals. We will promptly announce details of the dates of these key events upon their becoming fixed.

## **6. Outlook Going Forward**

We plan to disclose the concrete impact that the Acquisition will have on MSI's and the Company's financial results at the appropriate time.

(End of document)

You can see the additional information from the MSI's website as below.

[\(http://www.ms-ins.com/english/information/amlin/\)](http://www.ms-ins.com/english/information/amlin/)

[Attachments]

**【Corporate Outline of Amlin】** (As of the end of December 2014)

(1)	Trade name	Amlin plc		
(2)	Date of incorporation	28 September 1998		
(3)	Headquarters	London (UK)		
(4)	Management	Chairman: Richard Davey, President: Charles Philipps		
(5)	Number of employees*	about 1,900		
(6)	Main line of business (of the Group)	Lloyds business, reinsurance business, European/Asian business		
(7)	Capital	142 million GBP		
(8)	Rating*	A.M. Best: A+ (Superior) Standard & Poor's Lloyd's Syndicate Assessment: 4+ (Stable) Moody's: A2 (Stable)		
(9)	Listed on:	London Securities Exchange		
(10)	Fiscal year	Ending on December 31 of each year		
(11)	Major shareholders and shareholding ratio*	Invesco Limited : 12.9% BlackRock, Inc. : 5.6% Baillie Gifford & Co : 5.1% Majedie Asset Management Ltd : 4.8% AXA S.A. : 4.7% *source : Home Page of Amlin plc JP Morgan Chase & Co : 4.0%		
(12)	Ties with MSI	There are no capital ties or personnel ties, but there are reinsurance transactions.		
(13) Amlin's consolidated business results and financial condition over the last three years (unit: millions of GBP)				
Fiscal year		Ended Dec 2012	Ended Dec 2013	Ended Dec 2014
Consolidated net assets		1,498	1,679	1,783
Consolidated total assets		6,515	6,573	6,676
Gross written premium		2,406	2,467	2,564
Net written premium		2,059	2,107	2,279
Result attributable to underwriting		207	283	246
Consolidated current net profits		248	299	236
Combined ratio		89%	86%	89%
ROE (Return on Equity)		17.4%	19.8%	14.1%

## 2. Lloyds insurance market outline

- The name of an insurance market in London, U.K., with more than 300 years of history, created in the 17th century.
- Each day the largest and most complex risks from each country in the world are brought to the market, and the highly specialized underwriters in each syndicate (the underwriting bodies for risk within Lloyds) evaluate risk, determine the rates and conduct risk underwriting.
- Lloyds is regulated not only by the relevant authorities in the U.K., but also Lloyds' own unique and strong management system, so it is not easy to establish a syndicate or become a member of Lloyds (those who provide capital to the syndicates), and one must clear very strict hurdles to do so.
- Each syndicate uses the Lloyds brand and holds a license to conduct direct underwriting transactions in over 80 countries around the world, and conducts risk underwriting in over 200 countries and regions including reinsurance transactions.
- In the 2014 fiscal year, the Lloyds market as a whole had aggregate insurance premium income of 25.3 billion GBP (approximately 4.6 trillion yen), with pre-tax profits of 3.2 billion GBP (approximately 590 billion yen). The market is a good one, boasting a 3%\* rate of growth each year, and while maintaining firm growth has a high level of profitability at 15% ROE in the 2014 fiscal year. Also, there are 59 managing agents (companies that operate syndicates and insurance underwriting work) and 94 syndicates in the market.
- We were the first Japanese insurance company to establish a syndicate as a corporate member of Lloyds in 2000, and commenced insurance underwriting. In 2007, we established a managing agent, bringing all operations in-house, etc. to establish our business foundation in Lloyds.

\*: Average growth rate in total insurance premium income from 2010 to 2014

### ***Important information***

*This document is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the proposed offer (the "Offer") by Mitsui Sumitomo Insurance Company Limited ("MSI"), a subsidiary of MS&AD Insurance Group Holdings, Inc. (the "Company", together with MSI collectively called "MS&AD") for the entire issued and to be issued share capital of Amlin or otherwise. It is intended*



*that the Offer will be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006 and communicated to Amlin shareholders by way of a scheme document, which will contain the full terms and conditions of the Offer (including details as to how to vote in respect of the Offer). Any vote in respect of or other response to the Offer should be made solely on the basis of the information contained in the scheme document. Amlin shareholders are advised to read the scheme document and other formal documentation in relation to the Offer carefully once it has been dispatched.*

*The information contained in this document does not purport to be comprehensive. None of the , MS&AD, any shareholder(s) of MS&AD, any direct or indirect subsidiaries or affiliates of MS&AD, any of their respective directors, officers, employees, advisers or agents or any other any other person accepts any responsibility for or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this news release (or whether any information has been omitted from this document) or any other information relating to MS&AD, its subsidiaries or affiliates, or the Offer, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available.*

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#### ***Forward looking statements***

*This document contains statements that are or may be forward-looking statements. Without limitation, all statements preceded or followed by or that include the following words "target",*

*"believe", "expect", "anticipate", "intend", "plan", "estimate", "aim", "will", "may", "forecast", "project" and similar expressions (or their negative) are forward-looking statements. Forward-looking statements include statements relating to the following: statements relating to the expected benefits of the Offer for MS&AD, background to and reasons for the Offer, information on the prospects of MS&AD or Amlin and future capital expenditures, expenses, revenues, earnings, synergies, economic performance, and future prospects. Forward-looking statements involve inherent risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements, including risks relating to the successful integration of Amlin with MSI; higher than anticipated costs relating to the integration of Amlin; investment required in Amlin to realise expected benefits; and facts relating to Amlin that may impact the timing or amount of benefit realised from the Offer that are unknown to MSI. MS&AD expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in Bell's expectations with regards thereto or any change in events, conditions or circumstances on which any statement is based after the date of this presentation or to keep any other information contained in this document up to date. Accordingly, undue reliance should not be placed on the forward-looking statements, which speak only of the date of this document.*