

## Ratings On Japan's Mitsui Sumitomo Insurance, Aioi, And Nissay Dowa Equalized At 'AA-'

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- Mitsui Sumitomo Insurance Group, Aioi Insurance, and Nissay Dowa will consolidate under a holding company structure as of April 1, 2010.
- Standard & Poor's downgraded three of Mitsui Sumitomo Insurance Group's domestic insurers to 'AA-', and upgraded Aioi Insurance and Nissay Dowa to 'AA-', given the creditworthiness of the new group and status of the companies within the group. Ratings on overseas subsidiaries of these groups were also revised.
- The outlook on the long-term ratings is stable, reflecting our expectations that the companies will be able to maintain very strong business franchises and relatively stable financial bases, even in the current difficult business conditions.

TOKYO (Standard & Poor's) March 26, 2010--Standard & Poor's Ratings Services today lowered to 'AA-' from 'AA' its financial strength and long-term counterparty ratings on Mitsui Sumitomo Insurance Co. Ltd., Mitsui Sumitomo Kirameki Life Insurance Co. Ltd., and Mitsui Sumitomo MetLife Insurance Co. Ltd. Standard & Poor's also raised to 'AA-' from 'A+' its financial strength and long-term counterparty ratings on Aioi Insurance Co. Ltd. and Nissay Dowa General Insurance Co. Ltd. The outlook on the financial strength and long-term ratings is stable. At the same time, we revised the financial strength and counterparty ratings on a number of the groups' overseas subsidiaries (see list below).

The rating actions reflect our view regarding the creditworthiness of MS&AD Insurance Group Holdings, Inc., which will be formed through the merger of the Mitsui Sumitomo Insurance Group, Aioi, and Nissay Dowa as of April 1, 2010. The rating action also reflects our opinion on the status of each rated company within the new group. The new group will become the leading insurance group in the Japanese nonlife insurance market in terms of premium income, with a diversified business franchise supported by its close ties with the

Mitsui and Sumitomo groups, Toyota Motor Corp. (AA/Watch Neg/A-1+), and Nippon Life Insurance Co. (AA-/Stable/--). Amid limited growth potential in the Japanese nonlife insurance market, diversification of revenue sources into life insurance and overseas businesses is also expected to support the business franchise of MS&AD Insurance Group.

On the other hand, Standard & Poor's considers that the group's lower profitability in its core nonlife insurance business relative to overseas major insurance groups is a weakness of the group. Despite the industry consolidation, competition in the Japanese nonlife insurance market, particularly among the leading three groups is expected to remain intense. As such, profitability of the new group is likely to remain under pressure, even though the group may take measures, such as raising premium rates to improve profitability. In addition, like other Japanese nonlife insurance companies, the nonlife insurers within the group have large equity portfolios and their capitalizations are vulnerable to stock price fluctuations. Although the companies' capital levels dropped sharply in fiscal 2008 (ended March 31, 2009) due to stock price declines, they recovered to a certain degree as stock prices bounced back. Notwithstanding this, Standard & Poor's believes that further strengthening of their capitalization will be difficult to achieve, because of the weak prospects for a stable rise in Japanese stock prices, slow down of attempts to reduce risk through the sale of strategically-held equities, and the relatively weak earnings of the group companies.

Standard & Poor's classifies the three major nonlife operating subsidiaries in the new group, Mitsui Sumitomo Insurance, Aioi, and Nissay Dowa, into the category of core group companies under our group methodology, given their roles in the Japan nonlife insurance business, which is central to the group's business profile and strategy. We also categorize Mitsui Sumitomo Kirameki Life Insurance as a core company, given its strong involvement in the domestic life insurance business through the cross-selling of its products via its parent company's nonlife insurance agents, as well as its expected role as a key player in the group's life insurance business strategy following its scheduled merger with Aioi Life Insurance Co. Ltd. in 2011. We designated Mitsui Sumitomo MetLife Insurance, a joint venture with U.S.-based MetLife Inc. (A-/Watch Neg/A-2), as a strategically important group company, and equalized the ratings on the company with the ratings on Mitsui Sumitomo Insurance based on explicit support from the holding company of the new group and Mitsui Sumitomo Insurance.

The outlooks on the long-term ratings are stable. Standard & Poor's expects the newly established group to maintain relative stability in terms of its profitability and financial base, supported by its strong business franchise. This is despite the uncertain prospects for the Japanese nonlife insurance business and the investment environment. Standard & Poor's may raise the ratings if an improvement in the profitability of the nonlife insurance business in Japan, or contributions from life insurance and overseas businesses, strengthen the new group's profitability. Conversely, we may lower the ratings if:

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- The group's profitability materially declines, due to, for example extremely fierce competition in the industry; or
- The group is unable to maintain a level of capitalization commensurate with the ratings on group's core entities, due to weakened profitability or deterioration in the investment environment.

Standard & Poor's may also revise its ratings on the companies if the consolidation process within the group faces unexpected problems that threaten to impact the new group's business performance. However, this scenario is less likely.

We also reviewed the ratings on MSIG Insurance (Singapore) and Mitsui Sumitomo Insurance (Singapore) following the announcement to integrate. Following the announcement to integrate Mitsui Sumitomo Insurance (Singapore) into MSIG Insurance (Singapore), we view the credit profiles of the two companies as combined. We continue to view the surviving entity, MSIG Insurance (Singapore) Pte. Ltd., as strategically important to the wider MS&AD Insurance group, reflecting the group's continued focus on its Asia expansion plans. We consider the integration of the two entities to be manageable and that it will not affect MSIG Singapore's financial profile. Once regulatory approval for the merger is completed, which we expect will occur towards the end of April 2010, the insurance assets and liabilities of MSI SG will be transferred to MSIG Singapore.

The merger is likely to enhance MSIG SG's competitive position within Singapore's fragmented non-life insurance marketplace through strengthened market share (7.62% of the Singapore's onshore and offshore insurance premiums as of Dec 2008). In addition, the introduction of Japanese-related businesses from MSI SG will help complement MSIG Singapore's existing business profile. We expect MSIG SG's financial profile to remain strong following the merger, with an appropriate level of capital to support the current rating level. We also expect the merged entity's operating performance to be remain strong, supported by the strong underwriting performance of Japanese accounts at MSI SG and prudent underwriting discipline. We believe MSIG SG's investment performance will remain satisfactory, given its high holdings of cash and government bonds.

#### Related Research

"Criteria: Financial Institutions: General: Group Methodology," published on April 22, 2009.

"Table of Contents: S&P Insurance Ratings Criteria," published on March 2, 2010.

#### Ratings List

Upgraded; Outlook action

To

From

Aioi Insurance Co. Ltd.

Counterparty Credit Rating

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Local Currency	AA-/Stable/--	A+/Positive/--
Aioi Insurance Co. Ltd.		
Aioi Motor & General Insurance Co. of Europe Ltd.		
Financial Strength Rating		
Local Currency	AA-/Stable/--	A+/Positive/--
Nissay Dowa General Insurance Co. Ltd.		
Counterparty Credit Rating		
Local Currency	AA-/Stable/A-1+	A+/Positive/A-1
Nissay Dowa General Insurance Co. Ltd.		
Dowa Insurance Co. (Europe) Ltd.		
Financial Strength Rating		
Local Currency	AA-/Stable/--	A+/Positive/--
Dowa Insurance Co. (Europe) Ltd.		
Counterparty Credit Rating		
Local Currency	AA-/Stable/--	A+/Positive/--
Downgraded; Outlook action		
	To	From
Mitsui Sumitomo Insurance Co. Ltd.		
Counterparty Credit Rating		
Local Currency	AA-/Stable/A-1+	AA/Negative/A-1+
Mitsui Sumitomo Insurance Co. Ltd.		
Mitsui Sumitomo Reinsurance Ltd.		
Mitsui Sumitomo Kirameki Life Insurance Co. Ltd.		
Mitsui Sumitomo MetLife Insurance Co. Ltd.		
Mitsui Sumitomo Insurance Co. Ltd. (New Zealand Branch)		
Mitsui Sumitomo Insurance Co. (Europe) Ltd.		
Mitsui Sumitomo Insurance (London) Ltd.		
MSI Corporate Capital Ltd.		
MS Frontier Reinsurance Ltd.		
Financial Strength Rating		
Local Currency	AA-/Stable/--	AA/Negative/--
Mitsui Sumitomo Kirameki Life Insurance Co. Ltd.		
Mitsui Sumitomo MetLife Insurance Co. Ltd.		
Counterparty Credit Rating		
Local Currency	AA-/Stable/--	AA/Negative/--
MSIG Insurance (Hongkong) Ltd.		
MSIG Insurance (Singapore) Pte. Ltd.		
MSIG Mingtai Insurance Co. Ltd.		
Counterparty Credit Rating		
Local Currency	A+/Stable/--	AA-/Negative/--

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MSIG Insurance (Hong Kong) Ltd.		
MSIG Insurance (Singapore) Pte. Ltd.		
MSIG Mingtai Insurance Co. Ltd.		
Financial Strength Rating		
Local Currency	A+/Stable/--	AA-/Negative/--
Ratings affirmed:	Outlook action	
	To	From
Mitsui Sumitomo Insurance (Singapore) Pte Ltd		
Counterparty Credit Rating		
Local Currency	A+/Stable/--	A+/Positive/--
Mitsui Sumitomo Insurance (Singapore) Pte Ltd.		
Financial Strength Rating		
Local Currency	A+/Stable/--	A+/Positive/--

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