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Ratings

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Tokio Marine & Nichido Fire Insurance Co. Ltd. And Tokio Marine Group's Core Operating Companies

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SACP* Assessments					SACP*		Support		Ratings
Anchor	aa-	+	Modifiers	0	= a+		+ 0		= Financial Strength Rating
Business Risk	Very Strong		ERM and Management	0	Liquidity	0	Group Support	0	A+/Positive/--
Financial Risk	Very Strong		Holistic Analysis	0	Sovereign Risk	-1	Gov't Support	0	

*Stand-alone credit profile.
See Ratings Detail for a complete list of rated entities and ratings covered by this report.

Major Rating Factors

Strengths	Weaknesses
• Strong foothold with well-recognized brand in its main, domestic market • Very strong capital adequacy supported by stable retained earnings from diversified business lines • Solid risk control under strong ERM framework	• Ratings constrained by Japan sovereign ratings • Capital and earnings are somewhat susceptible to market movements and catastrophe events

Rationale

Our 'A+' financial strength and long-term issuer credit ratings on Tokio Marine & Nichido Fire Insurance Co. Ltd. (TMNF) and the other core operating companies of Tokio Marine Group reflect our assessment of the group's business risk profile as very strong, which we base on strong brand recognition for the group and its solid market position. The ratings also reflect the group's very strong financial risk profile, due to solid capitalization supported by stable accumulation of retained earnings. Although the group is diversifying overseas, the majority of its business is still based in Japan, which means the sovereign ratings on Japan constrain our ratings on the core subsidiaries of the group.

Tokio Marine Group is one of Japan's largest insurance groups. It has a strong, well-established brand and market position, with a multiline insurance business. The group has an above-20% market share in most of its business lines in the domestic non-life insurance market. It also operates a domestic life insurance business and international insurance business. We view that the group has an extremely strong competitive position supported by diversification, and a strong brand and solid sales channel in its main, domestic market.

Tokio Marine Group has been steadily accumulating retained earnings, underpinned by its diversified business portfolio. In our view, the group could continue the accumulation stably and maintain solid capitalization. Nevertheless, its capital and earnings remain susceptible to natural catastrophes and financial market movements. The group recorded losses related to domestic and overseas natural catastrophes in fiscal 2017 (ended March 31, 2018), and incurred losses related to domestic catastrophes in the second quarter of fiscal 2018. For fiscal 2018, we forecast the group will maintain its consolidated net income at a similar level to that of the previous year, thanks to reinsurance arrangements, reversal of catastrophe reserves, and higher profits from overseas business. However, as the pace of reversal of catastrophe reserves has been faster than we had anticipated, the group's capital could come under downward pressure than our initial expectation. In our capital forecast for the group over the next two years, we intend to review its losses relating to natural catastrophes, its shareholder return policy, and its business strategy.

Market risk for the group has been gradually decreasing due to its steady reduction of strategically held stocks. On the other hand, the group intends to further shift its investments overseas to improve yields and counter the low interest rate environment in Japan. Some operating companies of the group have already entrusted their U.S.-dollar denominated investment assets to U.S.-based subsidiary Delphi Financial Group, which the group acquired in 2012. Having said that, we believe the group's risk position will remain intermediate in the next two to three years. This is because we believe its overseas assets will likely remain moderate and it will control risks related to those assets appropriately under its strong enterprise risk management (ERM) framework.

Overall, we believe the group will likely continue to accumulate retained earnings and keep its creditworthiness commensurate with the current rating, supported by its strong and diversified business portfolio, and the group's strong governance and ERM framework.

Outlook: Positive

The positive outlooks on the core operating companies of Tokio Marine Group reflect our view that its group credit profile (GCP) is constrained by the sovereign ratings on Japan, given the companies' mainly domestic business franchises and largely domestic investment assets.

We hold the view that the group will maintain a very strong business risk profile, thanks to diversified revenue sources. We also believe the group will maintain its very strong financial risk profile, supported by appropriate risk control and stable accumulation of retained earnings, underpinned by the business portfolio.

Upside scenario

We may upgrade the core operating companies of the group if we upgrade Japan within the next two years.

Downside scenario

We may revise downward to stable the outlooks on the core operating companies of Tokio Marine Group if we revise the outlook on Japan within the next two years, or if the group's capital level deteriorates significantly due to large losses from natural disasters or a global financial crisis.

Macroeconomic Assumptions

- Interest rates in Japan will stay low over the next two years.
- Japan's real GDP growth will grow steadily and remain moderate.

Key Metrics (Tokio Marine Holdings Inc. Consolidated)

	Year ended March 31 of the next year					
(Bil. ¥)	**2014A**	**2015A**	**2016A**	**2017A**	**2018F***	**2019F***
Net premiums written§	3,348	3,737	4,385	4,518	4,600-4,800	4,600-4,800
Net income (attributable to all shareholders)	249	256	276	286	270-300	270-300
EBITDA fixed-charge coverage (X)	49.7	35.9	37.3	28.2	>8	>8
Financial leverage (%)	N.A.	N.A.	N.A.	N.A.	<20	<20
Return on equity(%)†	7.9	7.2	7.8	7.7	>7	>7
S&P Global capital adequacy	Very Strong	Moderately Strong	Strong	Strong*	Very Strong	Very Strong
Net investment yield (%)	2.3	2.0	2.2	2.5	2-2.5	2-2.5
P/C Net combined ratio (%)†	91.8	90.9	91.5	92.8	90-92	90-92
Return on revenue (%)	7.1	4.9	6.4	5.5	>6	>6

A-Actual. F-Forecast. *Forecast data represent S&P Global Ratings' base-case assumptions. 2018-2019 figures and capital adequacy for 2017 are based on our forecast as of June 2018. §Net premiums written + life insurance premiums. †Tokio Marine & Nichido Fire and Nisshin Fire (combined); written-to-paid basis. N.A.--Not Available.

Business Risk Profile: Very Strong

Tokio Marine Group is one of Japan's largest insurance groups. Originally established as Tokio Marine Insurance Company in 1879 as the first Japanese-operated non-life insurer, the group entered the life insurance business in 1996 upon industry deregulation. It has grown through a cross-selling business model that involves using the non-life sales channel to offer both life and non-life insurance products. In recent years, Tokio Marine Group has been expanding its international business through acquisitions. Its purchases include U.K.-based Kiln (2008), U.S.-based Philadelphia Insurance Companies (2008), U.S.-based Delphi Financial Group (2012), and U.S.-based HCC Insurance Holdings Inc. (2015). In 2018, Tokio Marine Group announced its acquisitions of non-life insurance companies in Thailand and Indonesia, its investment in an insurance group in South Africa, and its investments in insurtech companies in the U.S. and Germany. On the other hand, the group announced that it agreed to sell two reinsurance companies, indicating the group's continuous efforts in reviewing its business portfolio.

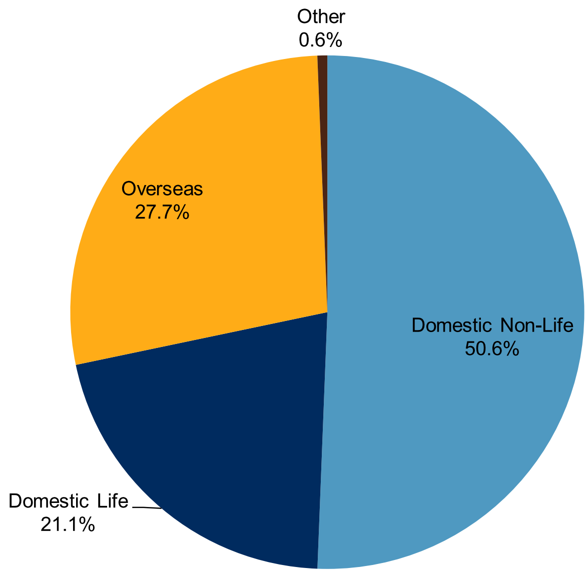
We regard Tokio Marine Group's business risk profile as very strong. This reflects our view that the Insurance Industry and Country Risk Assessment (IICRA) for the group is intermediate risk, based on risks that it faces from the different countries its companies operate in, and our assessment of the company's competitive position as extremely strong.

Tokio Marine Group has been expanding overseas by strengthening its business presence in North America and Europe through mergers and acquisitions, as well as through organic growth in Asia, Latin America, and the Middle East. While this helps build a more diversified insurance business portfolio, we do not expect to change our current score for the IICRA on the rating horizon, because most of its exposures are in countries and industries with IICRA scores of low or intermediate risk.

We assess Tokio Marine Group's competitive position as extremely strong. The group has an excellent reputation in the market. It benefits from a strong and well-established brand, a solid market position, and product diversity, which are factors that underpin our extremely strong assessment. The group's market share in most of its business lines, where it earns more than half of its premium income, exceeds 20%. It has ranked consistently high and amongst the top five in customer satisfaction surveys. In our opinion, the group will be able to maintain its solid business franchise in Japan's insurance market, while it geographically diversifies its revenue sources through international business expansion. We believe diversification into life insurance and international markets will help the group to stabilize its operating performance. Thanks to its solid business base, the group's operating performance is comparable with large domestic companies in Japan's property/casualty (P/C) market. However, while the group benefits from its competitive positon in the domestic market, we see room for further improvement compared with global multiline peers.

Chart 1

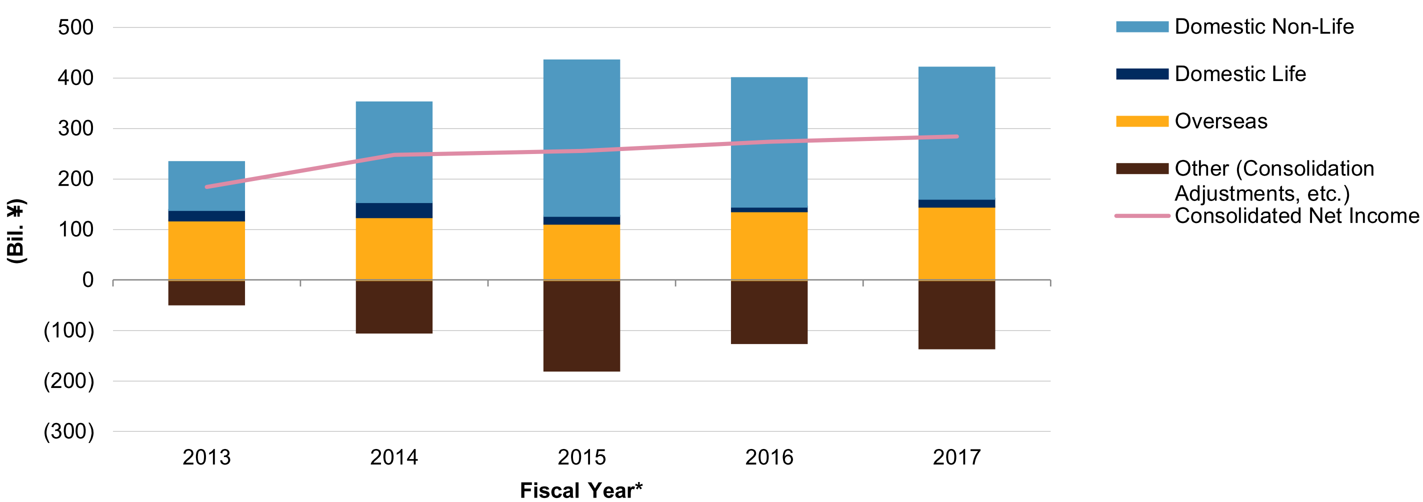
Breakdown Of Net Premiums Written At Tokio Marine Group In Fiscal 2017*



Net premiums written for domestic non-life and overseas business plus domestic life insurance premiums; based on the group's public financial materials. *Ended March 31, 2018.

Chart 2

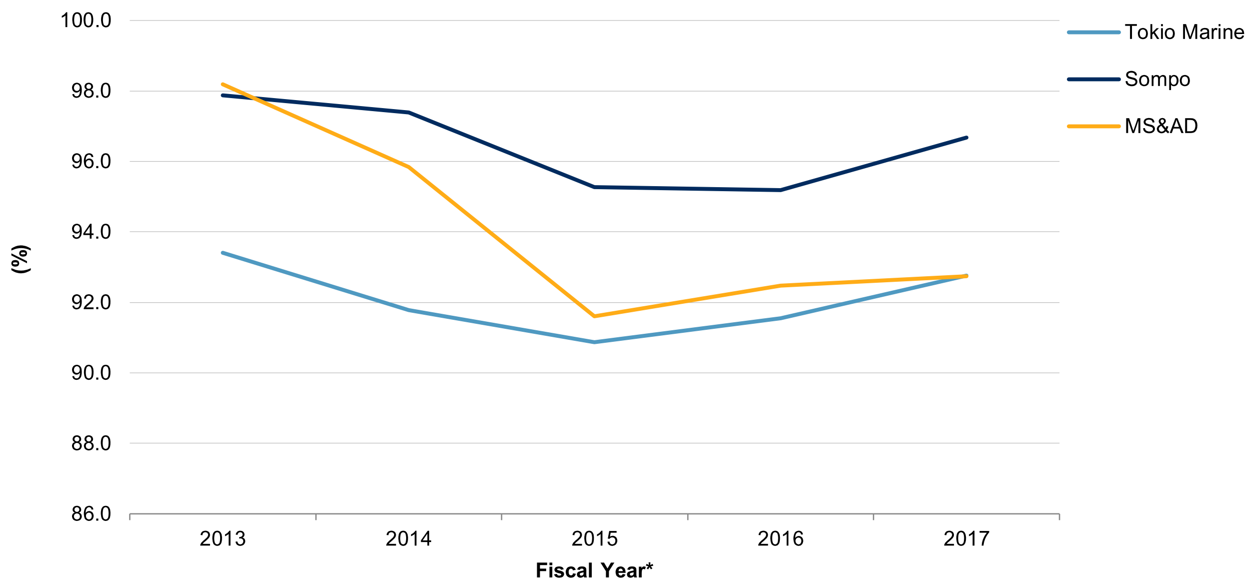
Consolidated Net Income Breakdown At Tokio Marine Group



Based on the group's public financial materials. *Fiscal year ended March 31 of the following year.

Chart 3

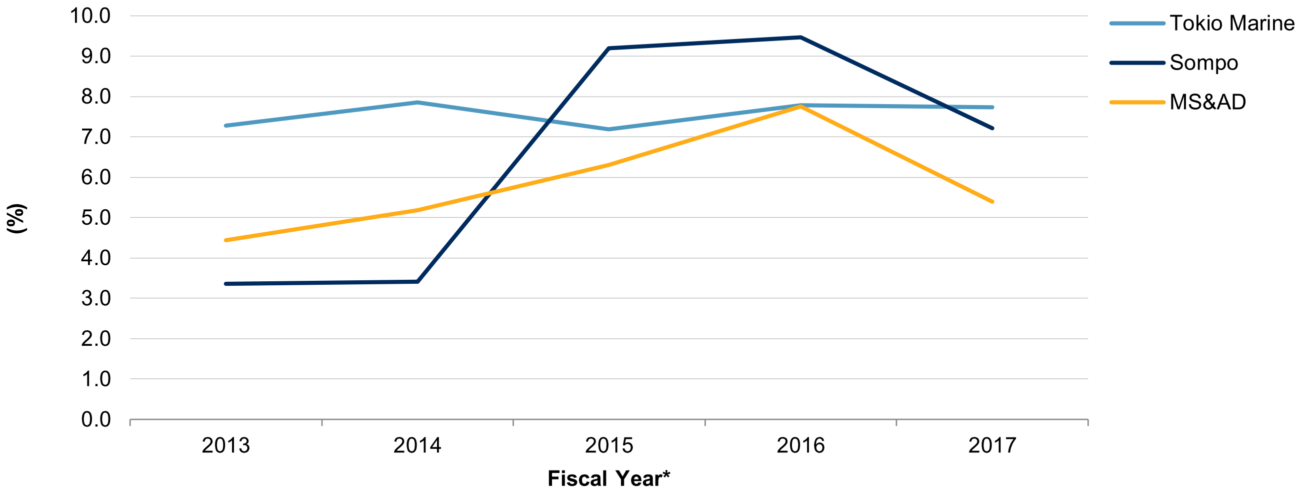
Combined Ratios At Major Japanese Non-Life Insurance Groups (Written-To-Paid Basis)



Combined ratio on a written-to-paid basis of major Japanese non-life insurance companies, excluding overseas subsidiaries; based on the groups' public financial materials. *Fiscal year ended March 31 of the following year.

Chart 4

Return On Equity At Major Japanese Non-Life Insurance Groups



Net income attributable to all shareholders divided by net assets (two year-average); based on the groups' public financial materials. *Fiscal year ended March 31 of the following year.

Financial Risk Profile: Very Strong

We assess Tokio Marine Group's capital and earnings as very strong. We believe retained earnings, underpinned by its diversified income sources will help maintain the group's solid capitalization. While the group has been reducing its equity holdings, we view that its capital is still susceptible to market movements, and therefore incorporate domestic equity stress in our analysis by assuming a decline in the benchmark Nikkei 225 index.

In our base-case scenario as of end-June 2018, we forecast the group will maintain its net income at ¥270 billion to ¥300 billion in the next two years, assuming a normal level of losses incurred from natural catastrophes. In fiscal 2017, while the group reported losses from catastrophes (particularly in the U.S.), it also saw solid growth in its P/C business, and the group technically benefited from a U.S. tax reform, and recorded a record high net income of ¥284.1 billion. The group's incurred losses increased due to heavy rains and large typhoons in the second quarter of fiscal 2018. We forecast the group will maintain its consolidated net income at a similar level to that of the previous year thanks to reinsurance arrangements, reversal of catastrophe reserves, and higher profits from overseas business. However, as the reversal of catastrophe reserves is faster than we had previously expected, the group's capital could come under downward pressure than our initial expectation. In our capital forecast for the group over the next two years, we intend to review its losses relating to natural catastrophes, its shareholder return policy, and its business strategy.

We assess Tokio Marine Group's risk position as intermediate risk, thanks to satisfactory investment diversification. The group is increasing its foreign investments by utilizing Delphi Financial Group's expertise, which will help diversify its investment portfolio and improve investment income. However, the group has invested heavily in Japanese government bonds and its total government exposure was around 50% of the invested assets in its general account, which constrains diversification, in our opinion.

Tokio Marine Group has strong financial flexibility, in our view, reflecting its publicly listed status with a highly recognized brand name in capital markets. The group has diversified external sources of capital and liquidity, and a record of using such sources to raise funds. However, the group is not highly dependent on external financing and maintains favorable leverage and coverage ratios. We assume its financial leverage ratio will remain below 20% and its fixed-charge coverage will exceed 8x in the medium term.

Other Assessments

We assess Tokio Marine Group's ERM as strong, based on our positive view of the group's risk-management culture, overall risk controls, risk models, and strategic risk management. We see ERM as highly important for the group. This is because of the scale of the group's operations, its exposure to natural catastrophe risks, the significant proportion of domestic equities in its investment portfolio, and the operational risks it faces in its international expansion.

Tokio Marine Group's management and governance is strong, in our opinion. The group has a record of diligent strategic planning, consistent implementation of strategies, and a comprehensive set of risk tolerance indicators and financial standards, including risk limits across its business.

Tokio Marine Group's GCP and the ratings on TMNF and other core operating companies within the group are constrained by the sovereign ratings on Japan, given the business franchises and asset structures of the group largely depend on the Japanese market.

Other Considerations

In this section, we examine the rated operating companies that we view as either core or highly strategic to Tokio Marine Group, under our group rating methodology, and those with guarantees.

Core

- Tokio Marine & Nichido Fire Insurance Co. Ltd. (TMNF)
- Tokio Marine & Nichido Life Insurance Co. Ltd.
- Tokio Marine America Insurance Co.
- Philadelphia Indemnity Insurance Co. and Tokio Marine Specialty Insurance Co.
- Delphi Financial Group Inc. (DFG)

Our ratings on the core operating companies are equalized with the group rating methodology. However, the rating on the holding company of DFG is BBB+/Positive/--.

Highly strategic

- Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd. (TMHK)
- Tokio Marine & Nichido Fire Insurance Co. (China) Ltd. (TMNCH)
- Tokio Marine Insurance (Thailand) Public Co. Ltd. (TMITH)

The ratings on the above three companies are based on our assessments of the insurers as highly strategic subsidiaries of Tokio Marine Group. Our ratings on TMHK and TMNCH are one notch lower than their wider group's GCP; however, the ratings on TMITH are constrained by the sovereign ratings on Thailand.

Highly strategic with insulation

- HCC Insurance Group

The ratings on the core operating companies (AA-/Positive/--) of the U.S.-based HCC group (ratings on the holding company: A-/Positive/--) are one notch above those on the core insurance companies of Tokio Marine Group because we view the HCC group as an insulated subsidiary.

Subsidiaries with unconditional guarantees

- Tokio Marine Kiln Insurance Ltd.
- Tokio Marine Compania de Seguros S.A. de C.V. (TMX)
- Tokio Marine Insurance Singapore Ltd. (TMIS)

The financial strength ratings on the above three companies are equalized with the financial strength ratings on the core subsidiaries of Tokio Marine Group, reflecting an unconditional guarantee provided by TMNF. The explicit support agreements meet the conditions outlined in our guarantee criteria. The national scale credit rating on Mexico-based TMX reflects our view of the insurer's status as a highly strategic subsidiary of the group. The issuer credit rating on TMIS reflects the insurer's status as a highly strategic subsidiary of Tokio Marine Group, and the rating is one notch lower than the wider group's GCP.

- Tokio Millennium Re AG
- Tokio Millennium Re (UK) Ltd.

The financial strength ratings on the above two companies are equalized with the financial strength ratings on the core subsidiaries of Tokio Marine Group, reflecting an unconditional guarantee provided by both TMNF and TMNL for Tokio Millennium Re AG's policy obligations, and an unconditional guarantee provided by TMNF for Tokio Millennium Re (UK) Ltd. However, Tokio Marine Holdings announced its sale of both companies at the end of October 2018. We therefore believe it is uncertain if the guarantees would remain. As a result, we placed the financial strength ratings on the two companies on CreditWatch with negative implications (see "Ratings On Tokio Millennium Re And Tokio Millennium Re (UK) Placed On CreditWatch With Negative Implications," published Nov. 2, 2018).

Rating Score Snapshot

Financial Strength Rating	**A+/Positive**
Group Credit Profile	a+

Rating Score Snapshot (cont.)	
Financial Strength Rating	**A+/Positive**
Anchor	aa-
Business Risk Profile	Very Strong
IICRA*	Intermediate Risk
Competitive Position	Extremely Strong
Financial Risk Profile	Very Strong
Capital & Earnings	Very Strong
Risk Position	Intermediate Risk
Financial Flexibility	Strong
Modifiers	0
ERM and Management	0
Enterprise Risk Management	Strong
Management & Governance	Strong
Holistic Analysis	0
Liquidity	Exceptional
Sovereign Risk	-1
Support	0
Group Support	0
Government Support	0

Note: Support does not consider Ratings Above Sovereign criteria. *Insurance Industry And Country Risk Assessment.

Related Criteria

- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Guarantee Criteria, Oct. 21, 2016
- Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Group Rating Methodology, Nov. 19, 2013
- Assumptions: Application Of Hybrid Capital Criteria Methodologies To Japanese Insurers, Aug. 6, 2013
- Enterprise Risk Management, May 7, 2013
- Insurers: Rating Methodology, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments, Feb. 9, 2010
- Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010

- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Ratings Detail (As Of December 19, 2018)	
Operating Companies Covered By This Report	
Tokio Marine & Nichido Fire Insurance Co. Ltd.	
Financial Strength Rating	
Local Currency	A+/Positive/--
Issuer Credit Rating	
Local Currency	A+/Positive/A-1
Commercial Paper	
Local Currency	A-1
Senior Unsecured	A+
HCC Insurance Holdings Inc.	
Issuer Credit Rating	
Local Currency	A-/Positive/--
Philadelphia Indemnity Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Positive/--
Issuer Credit Rating	
Local Currency	A+/Positive/--
Tokio Marine America Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Positive/--
Issuer Credit Rating	
Local Currency	A+/Positive/--
Tokio Marine Compania de Seguros S.A. de C.V.	
Financial Strength Rating	
Local Currency	A+/Positive/--
CaVal (Mexico) National Scale	mxAAA/Stable/--
Issuer Credit Rating	
CaVal (Mexico) National Scale	mxAAA/Stable/--
Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd.	
Financial Strength Rating	
Local Currency	A/Positive/--
Issuer Credit Rating	
Local Currency	A/Positive/--
Tokio Marine Insurance Singapore Ltd.	
Financial Strength Rating	
Local Currency	A+/Positive/--
Issuer Credit Rating	
Local Currency	A/Positive/--
Tokio Marine Insurance (Thailand) Public Co. Ltd.	
Financial Strength Rating	
Local Currency	A-/Stable/--

Ratings Detail (As Of December 19, 2018) (cont.)	
Issuer Credit Rating	
Local Currency	A-/Stable/--
Tokio Marine Kiln Insurance Ltd.	
Financial Strength Rating	
Local Currency	A+/Positive/--
Tokio Marine & Nichido Fire Insurance Co. (China) Ltd.	
Financial Strength Rating	
Local Currency	A/Positive/--
Issuer Credit Rating	
Local Currency	A/Positive/--
Tokio Marine & Nichido Fire Insurance Co. Ltd. (New Zealand Branch)	
Financial Strength Rating	
Local Currency	A+/Positive/--
Tokio Marine & Nichido Life Insurance Co. Ltd.	
Financial Strength Rating	
Local Currency	A+/Positive/--
Issuer Credit Rating	
Local Currency	A+/Positive/--
Subordinated	A-
Tokio Marine Specialty Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Positive/--
Issuer Credit Rating	
Local Currency	A+/Positive/--
Tokio Millennium Re AG	
Financial Strength Rating	
Local Currency	A+/Watch Neg/--
Tokio Millennium Re (UK) Ltd.	
Financial Strength Rating	
Local Currency	A+/Watch Neg/--
Related Entities	
Delphi Financial Group Inc.	
Issuer Credit Rating	
Local Currency	BBB+/Positive/--
Junior Subordinated	BBB-
Senior Unsecured	BBB+
Domicile	Japan

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.