



TOKIO MARINE



# Status of investments in securitized products as of September 30, 2009

November 2009

**Tokio Marine Holdings, Inc.**

# Gains and losses on investments in securitized products

Losses charged to the P/L decreased due mainly to improvement in market value.

## [Status of gains and losses] (Note 1)

(unit: billions of yen)

Category	As of June 30, 2009		As of Sep. 30, 2009		Difference	As of Sep. 30, 2009 Outstanding balance (Note 5)
	(P/L) (Note 4)	Unrealized gains/losses (B/S)	(P/L) (Note 4)	Unrealized gains/losses (B/S)		
CDS (Note 2)	5.3		9.2		+3.8	368.0
SPL-related (Note 2)	0.9		1.6		+0.6	25.5
ABS	-2.3	-9.4	-1.3	-2.2	+8.0	208.3
		-11.7		-3.6		
<b>Total</b>	<b>3.0</b>	<b>-9.4</b>	<b>7.8</b>	<b>-2.2</b>		
SPL-related	0.9		1.6			
Financial guaranty reinsurance (related to securitized products) (Note 3)	0.0		2.8		+2.7	414.1
SPL-related	-0.0		0.0		+0.0	13.6

(Note 1) These figures represent the total for Tokio Marine & Nichido, Nisshin Fire, Tokio Marine & Nichido Life, and Tokio Marine & Nichido Financial Life ("Four-Subsidiary Basis"). TMN Life and TMN Financial Life have no applicable losses in this category.

(Note 2) CDS : Credit Default Swap; SPL : U.S. subprime mortgage loan

(Note 3) Status of gains and losses on financial guaranty reinsurance improved resulting from a reversal of reserves for outstanding claims. See page 3 for more detail.

(Note 4) CDS(P/L) : Gains and losses on investments in financial derivatives; ABS(P/L) : Gains and losses from sales and redemptions and revaluation losses; Financial guaranty reinsurance (P/L) : Incurred losses

(Note 5) ABS amount represents balance sheet amount; CDS amount represents notional value; Financial guaranty reinsurance amount represents net par insured (same applies to subsequent pages).

- Gains charged to the P/L as of the end of September 2009 totaled 7.8 billion yen.
- With respect to CDS, gains charged to the P/L amounted to 9.2 billion yen, an increase of 3.8 billion yen from the end of June 2009, due to the tightening of credit spreads.
- With respect to ABS, the total amount of losses (losses charged to the P/L plus unrealized losses disclosed on the B/S) decreased 8.0 billion yen from the end of June 2009 due to the improvement in market value.
- As in the prior periods, none were in default. Mark-to-market losses are expected to be reduced as redemptions occur until maturity.

Copyright © 2009 Tokio Marine Holdings, Inc.

## • SPL risk exposure (Note 1)

(unit: billions of yen)

Category		Risk exposure		Rating	Subordination ratio	Vintage (the year of issuance)		
		As of Sep. 30, 2009	Difference from June 30, 2009			2005 or before	2006	2007 and after
Investments (CDS only)	Super senior ABS-CDO (22.8 billion yen)	(Note 2) -	-3.5	AAA	40%	100%	-	-
	The most senior ABS-CDO (guaranteed by MBIA, 2.6 billion yen)	0.8	-0.0	B-	50%	75%	5%	20%
Financial guaranty reinsurance		13.6	-1.2	36% are rated AAA	—	43%	3%	54%
<b>Total</b>		<b>14.5</b>	<b>-4.8</b>					

(Note 1) Risk exposure is defined as the amount in excess of credit enhancement, assuming 100% loss on SPL-related assets.

(Note 2) SPL risk exposure was reduced to zero due to redemptions.

# Breakdown on investments in CDS and ABS

Outstanding balance of investments in CDS and ABS decreased due to yen appreciation and redemptions.

## [Investments in CDS]

(Only Tokio Marine & Nichido has applicable investments)  
(unit: billions of yen)

Category	Net notional amount As of Sep. 30, 2009	Proportion	Rating
CDS including SDL	25.5	7%	76% are rated AAA.
Non-U.S. RMBS excluding Japan (Note 1)	4.8	1%	
JGB	38.7	11%	
International public finance	83.2	23%	
International and domestic corporates (Note 2)	215.5	59%	
<b>Total</b>	<b>368.0</b>	<b>100%</b>	

(w/guarantee by monoline insurer) (Note 3) (98.1)

(Note 1) There was no CDS on U.S. RMBS other than those related to SPL.

(Note 2) Approximately 850 of international and domestic corporates (88% were international corporates) with credit enhancements of approximately 23% on average.

(Note 3) Outstanding balance of investments in CDS and ABS guaranteed by monoline insurers decreased by 2.0 billion yen from the end of June 2009 due mainly to yen appreciation. Approximately 86% of these investments were backed by assets and cash flows from international public infrastructure (airports, toll roads, etc). Even if monoline insurers go into bankruptcy, no realized losses will occur unless the underlying assets are also in default.

(Note 4) U.S. RMBS vintages: 2005 or before: 7%; 2006: 23%; 2007 and after: 70%. The amount of U.S. Alt-A RMBS was approximately 12.0 billion yen.

(Note 5) Proportion by underlying asset: International: 63%; Domestic: 37%. The figure includes 81.3 billion yen of ABS (U.S. RMBS, Non-U.S. RMBS excluding Japan, and international and domestic corporates) purchased from Vetra.

## [Investments in ABS]

(Tokio Marine & Nichido and Nisshin Fire have applicable investments.)  
(unit: billions of yen)

Category	Investment amount As of Sep. 30, 2009	Proportion	Rating
SPL	-	-	75% are rated AAA.
U.S. RMBS, etc (Note 4)	37.2	18%	
Non-U.S. RMBS excluding Japan	38.9	19%	
Domestic RMBS	38.1	18%	
International public finance	28.5	14%	
International and domestic corporates	28.4	14%	
Domestic lease/credit receivables, etc	35.2	17%	
International cards receivable etc	1.7	1%	
<b>Total (Note 5)</b>	<b>208.3</b>	<b>100%</b>	

(w/guarantee by monoline insurer) (Note 3) (32.3)

- Outstanding balance of investments in CDS and ABS decreased due to yen appreciation and redemptions.
- Net notional amount of investments in CDS was 368.0 billion yen (a decrease of 73.5 billion yen from the end of June 2009). The amount of investments in ABS was 208.3 billion yen (a decrease of 13.1 billion yen from the end of June 2009).
- For CDS, an additional 0.1% increase in credit spreads would increase valuation losses by approximately 0.8 billion yen.

Copyright © 2009 Tokio Marine Holdings, Inc.

## (Reference 1) Investments in other securitized products

(unit: billions of yen)

	Outstanding balance As of Sep. 30, 2009	Change from the end of June 2009	
Domestic CMBS (Note)	3.4	-0.0	All are rated AAA.
Leveraged loans	8.5	-0.1	Domestic loans only. All were classified as performing loans.

(Note) Investments in domestic CMBS (Commercial Mortgage-backed Securities), are treated as real estate investment risk and were not included in ABS investments.

(On the other hand, investments in international CMBS were included in ABS investments because those were all purchased from Vetra. Such CMBS investments amounted to 15.9 billion yen as of the end of September 2009 and 86% were rated AAA.)

## (Reference 2)

In addition to the exposure shown above, Tokio Marine Financial Solutions Ltd. ("TMFS"), a subsidiary of Tokio Marine & Nichido, had guarantee contracts on monoline wrapped bonds (in addition to those on securities not guaranteed by monoline insurers). The total amount of par insured decreased from the end of June 2009 due to yen appreciation and redemptions.

### [Monoline wrapped bonds]

Par insured: 49.0 billion yen (down by 6.2 billion yen from the end of June 2009)

Underlying assets: Loans to international corporations

Ratings: (S&P) AAA: 33%; AA: 59%; A: 8%  
(Moody's) AA: 37%; BBB: 8%; BB: 55%

Credit enhancement: 31% on average

### [Securities not guaranteed by monoline insurers]

Par insured: 45.1 billion yen (down by 2.9 billion yen from the end of June 2009)

Underlying assets: Loans to international corporations

Ratings: (S&P) AAA  
(Moody's) A

Credit enhancement: Approximately 43%

## (Reference 3)

In addition to the figures shown above, the amount of investment in ABS at Philadelphia Consolidated, an overseas subsidiary, was 15.2 billion yen, including 0.1 billion yen of SPL-related investments. Philadelphia Consolidated has no amount of investments in CDS.

# Financial guaranty reinsurance



The amount of net par insured decreased due to yen appreciation and redemption of guaranteed bonds. Incurred losses significantly decreased resulting from a decrease in loss reserves.

(Only Tokio Marine & Nichido has applicable financial guaranty reinsurance.)

(unit: billions of yen)

Category	Net par insured			Incurred losses		
	As of Sep. 30, 2009	Proportion	Difference from June 30, 2009	As of June 30, 2009	As of Sep. 30, 2009	Difference
SPL	13.6	1%	-1.2	0.02	-0.05	-0.07
U.S. RMBS excluding SPL	57.5	2%	-7.8	0.3	-1.7	-2.1
Other ABS	81.8	3%	-11.2	-0.4	-1.0	-0.5
Non-U.S. RMBS	(7.4)	(0%)	(-0.4)	(-)	(-)	(-)
Auto-loan	(22.2)	(1%)	(-4.0)	(0.0)	(0.0)	(-)
Consumer	(7.5)	(0%)	(-1.1)	(-)	(-)	(-)
Trade receivables	(13.0)	(0%)	(-1.6)	(-)	(-)	(-)
Electric utilities	(5.3)	(0%)	(-0.3)	(-0.4)	(-1.0)	(-0.5)
Lease receivable etc.	(26.0)	(1%)	(-3.6)	(-)	(-)	(-)
CMBS	-	-	-	-	-	-
CDO						
Global corporates	260.9	10%	-51.8	-0.0	-0.0	-0.0
ABS-CDO	0.1	0%	-0.0	-	-	-
U.S. municipals bonds, etc	2,218.4	84%	-203.0	-0.05	-0.4	-0.3
<b>Total</b>	<b>2,632.6</b>	<b>100%</b>	<b>-275.3</b>	<b>-0.1</b>	<b>-3.2</b>	<b>-3.1</b>

Status of gains and losses improved resulting from a decrease in loss reserves

- Net par insured:  
Net par insured decreased by 275.3 billion yen from the end of June 2009.  
Tokio Marine & Nichido did not write new financial guaranty reinsurance contracts during the six months ended on September 30, 2009.
- Incurred losses:  
Incurred losses decreased by 3.1 billion yen. Loss reserves decreased in expectation of repurchases of ineligible mortgage loans under U.S. RMBS transactions by originators where the originators breached representations and warranties.

Copyright © 2009 Tokio Marine Holdings, Inc.

- Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc., acquired by Assured Guaranty Ltd. in July 2009) is the only monoline insurance company from which Tokio Marine & Nichido accepts financial guaranty reinsurance.
- Approximately 84% of the total net par insured as of the end of September 2009 was comprised mainly of U.S. municipal bonds.  
The U.S. municipal bonds support financing needs for the public. They are highly secured because repayment of those bonds is made from overall tax revenues, specified taxes or fee revenues.
- Except for one ABS CDO, with an exposure of 0.1 billion yen, all CDO transactions were not resecuritized CDO. On average, CDO transactions benefited from 22% of subordination and approximately 80% of CDO transactions were rated AAA.