



TOKIO MARINE



**PHILADELPHIA**  
**INSURANCE COMPANIES**

# Acquisition of Philadelphia Consolidated Holding Corp.

July 23, 2008

**Tokio Marine Holdings, Inc.**

**President: Shuzo Sumi**

Tokio Marine Holdings, Inc.

# Disclaimer

## Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this presentation may constitute "forward-looking statements." Actual results could differ materially from those projected or forecast in the forward-looking statements. The factors that could cause actual results to differ materially include those referred to in Philadelphia Consolidated Holding Corp's filings with the U.S. Securities and Exchange Commission (the "SEC"), as well as the following: operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers or suppliers) may be greater than expected following the announcement of the transaction; the retention of certain key employees at Philadelphia Consolidated Holding Corp.; the conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties may not be able to meet expectations regarding the timing, completion and accounting and tax treatments of the merger. Tokio Marine Holdings, Inc. assumes no obligation to update the information in this presentation, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

## **Additional Information and Where to Find It**

This communication may be deemed to be solicitation material in respect of the proposed acquisition of Philadelphia Consolidated Holding Corp. by Tokio Marine Holdings, Inc. In connection with the proposed acquisition, Philadelphia Consolidated Holding Corp. intends to file relevant materials with the SEC, including Philadelphia Consolidated Holding Corp's proxy statement on Schedule 14A. **STOCKHOLDERS OF PHILADELPHIA CONSOLIDATED HOLDING CORP. ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING PHILADELPHIA CONSOLIDATED HOLDING CORP'S PROXY STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, <http://www.sec.gov>, and Philadelphia Consolidated Holding Corp. stockholders will receive information at an appropriate time on how to obtain transaction-related documents for free from Philadelphia Consolidated Holding Corp. Such documents are not currently available.

## **Participants in Solicitation**

Tokio Marine Holdings, Inc. and Philadelphia Consolidated Holding Corp. and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of Philadelphia Consolidated Holding Corp. common stock in respect of the proposed transaction. Information about the directors and executive officers of Philadelphia Consolidated Holding Corp. is set forth in the proxy statement for Philadelphia Consolidated Holding Corp's 2008 Annual Meeting of Stockholders, which was filed with the SEC on April 15, 2008. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement regarding the acquisition when it becomes available.

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**Appendix 1: 1H 2008 Financial Results of Philadelphia Consolidated**

**Appendix 2: Additional Information of Philadelphia Consolidated**

In this presentation, Philadelphia Consolidated means Philadelphia Consolidated Holding Corp. except for where special note(s) is (are) added.

## 1. Transaction Summary

# Transaction Rationale at a Glance

- Transaction allows the Tokio Marine Group to establish a significant presence in the U.S, the world's largest insurance market.
- Transaction leads Tokio Marine to significant expansion of revenues and profits of the international insurance business.
- Transaction creates expansion of profits of Tokio Marine Group and a global portfolio well-balanced between domestic, developed and emerging markets.

- *Acquisition of Philadelphia Consolidated is a decisive step in Tokio Marine's expansion of international business to shape a world class insurer.*
- *Philadelphia Consolidated is a premier company highly sought by many including Tokio Marine but previously unattainable.*
- *Philadelphia Consolidated, in combination with Kiln (acquired March 2008), provides a strong presence in both of the U.S. P&C and London insurance markets.*
- *Philadelphia Consolidated builds a solid base of international business for sustainable organic growth of the entire Tokio Marine Group.*

## 1. Transaction Summary

# Philadelphia Consolidated

*Philadelphia Consolidated is a best fitted company for Tokio Marine's international growth*

- **Excellent strategic fit**
- **One of the best performers in the U.S. P&C market through all cycles**
- **Consistently achieved superior growth and profitability since its foundation in 1962**
- **Focus on targeted markets in specialty and commercial line**
- **Most business not exposed to the economic cycle**
- **Innovative products and strong proactive marketing**
- **Very experienced leadership team**
- **Nationwide network in the U.S.**
- **Well-established culture of growth and profitability - Driven to win**

## 1. Transaction Summary

# Transaction Terms

<b>Transaction</b>	<ul style="list-style-type: none"><li>• All cash acquisition of 100% of Philadelphia Consolidated's outstanding shares</li></ul>
<b>Consideration per Share</b>	<ul style="list-style-type: none"><li>• \$61.50 per fully diluted share</li></ul>
<b>Consideration Details</b>	<ul style="list-style-type: none"><li>• Employment agreements with key management</li><li>• Voting agreements from key founding family shareholders</li></ul>
<b>Aggregate Consideration</b>	<ul style="list-style-type: none"><li>• \$4.7 billion - Tokio Marine Group cash on hand, together with borrowings, including non-convertible bond issuance, to be repaid largely by the sale of equity holdings of Tokio Marine &amp; Nichido Fire.</li></ul>
<b>Expected Closing Date</b>	<ul style="list-style-type: none"><li>• Fourth quarter 2008</li></ul>
<b>Approvals</b>	<ul style="list-style-type: none"><li>• Customary regulatory approvals and Philadelphia Consolidated's shareholder vote</li></ul>

## 2. Strategic Rationale

# Mid-to-long Term Corporate Strategy of the Tokio Marine Group

- **2006-2008 mid-term corporate strategy aims to expand the following 4 business domains and to achieve a better balanced profit expansion.**

Domestic Non-Life

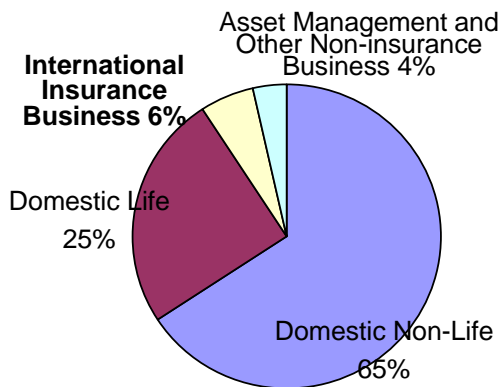
Domestic Life

International Insurance Business

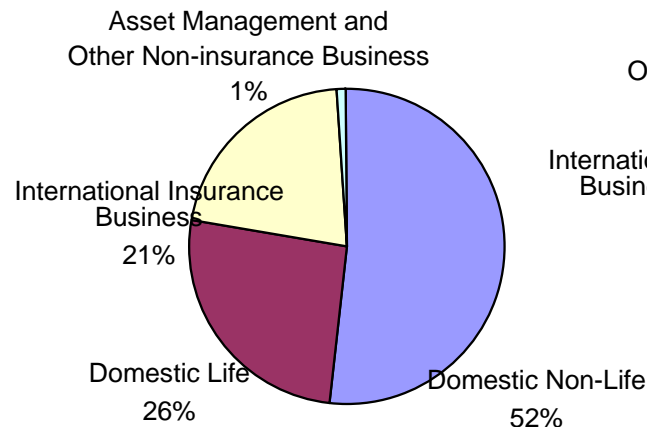
Asset Management and Other Non-insurance Business

- **Tokio Marine plans to triple its FY 2005 group adjusted earnings of JPY 138.7B by FY 2015. Expansion of international insurance business is a driving force for our growth strategy.**

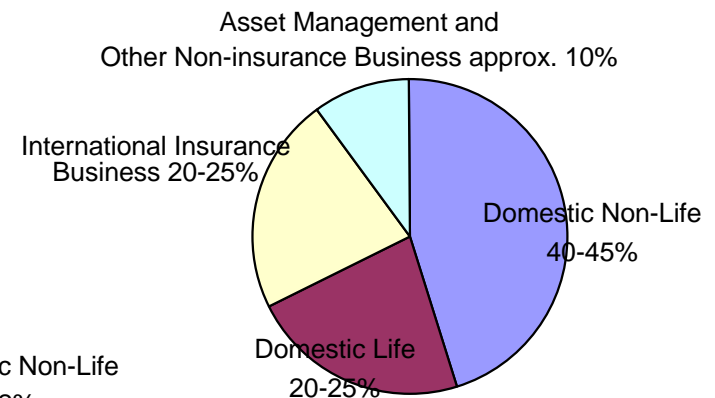
FY 2005 results



FY 2008 (Forecast)



by FY 2015

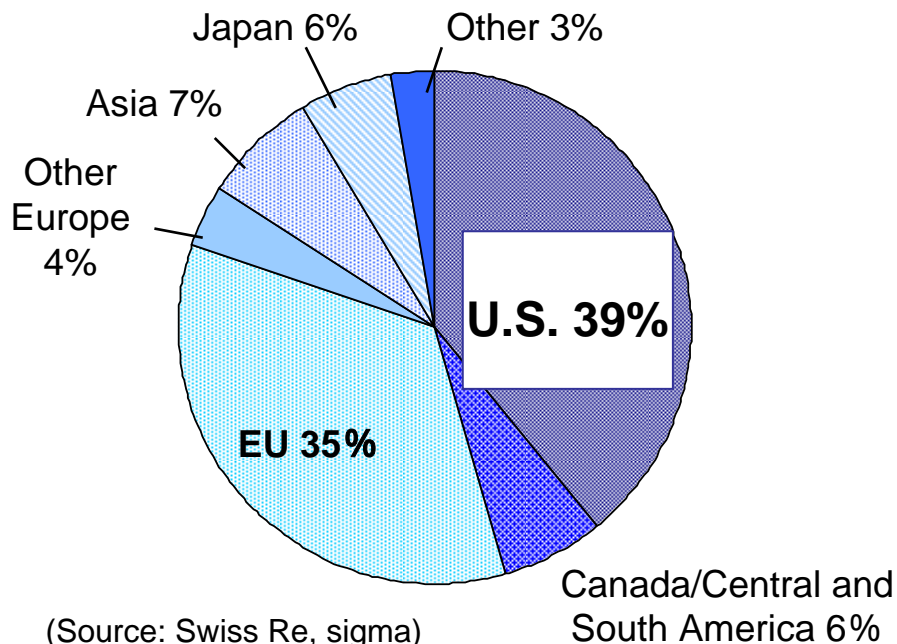


## 2. Strategic Rationale

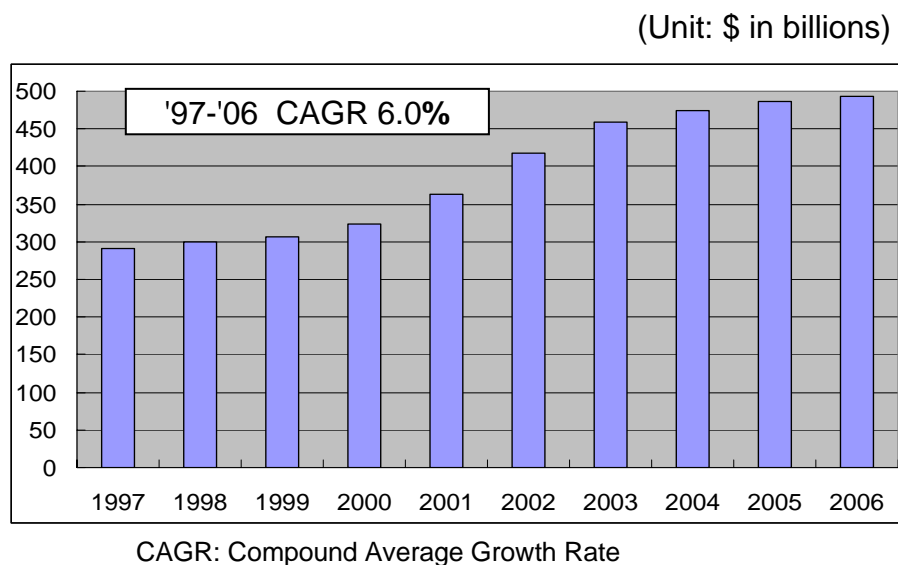
# Establish a significant presence in the U.S

The U.S. P&C insurance market is the largest in the world. Although U.S. economy is currently slowing down due to the subprime crisis, we expect the market to continue growing in the mid to long term.

Geographical Distribution of Global P&C Premium (2007)



Historical U.S. P&C market size and growth rate (Direct Premiums Written)



(Source: A.M. Best, Best's Aggregates & Averages)

**Acquisition of Philadelphia Consolidated enables Tokio Marine to significantly enhance its platform for commercial-line business in the U.S.**

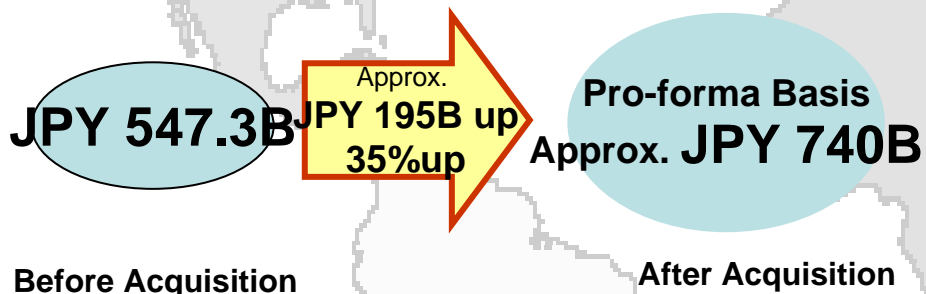
## 2. Strategic Rationale

# International expansion of revenue and profits

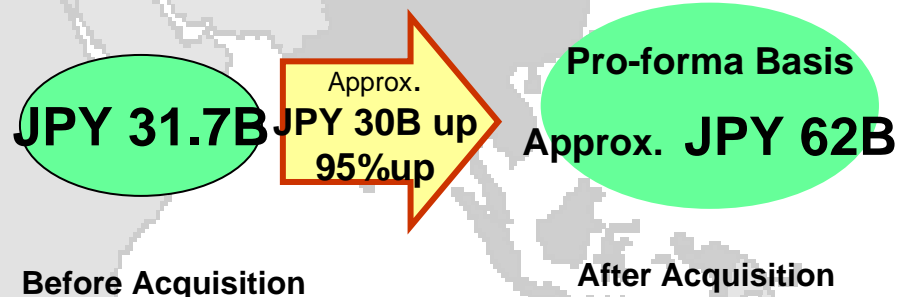
**Acquisition of Philadelphia Consolidated leads to significant expansion of revenue and profits of the international business**

**Simulation using 2008 Figures (pro forma basis)**

**Net Premiums Written of International Business**



**Adjusted Earnings of International Business**



(\*1) The contribution of Philadelphia Consolidated is based on simulation using 2008 forecasts, while its profit/loss will be consolidated with Tokio Marine's financial statement from FY 2009. Figures of Philadelphia Consolidated are based on its own forecast.

(\*2) Adjusted Earning: an indicator that makes pure profits/losses for the period clear by eliminating the effects of investment exclusive to the Japanese P&C insurance business as well as deducting factors such as realized gains/losses and unrealized losses of assets. Amortization of goodwill is not included. (Please refer to our website for further detail.)

(\*3) Tokio Marine figures are converted into JPY by exchange rates at the end of 2007 (e.g. \$1=JPY 114.15).

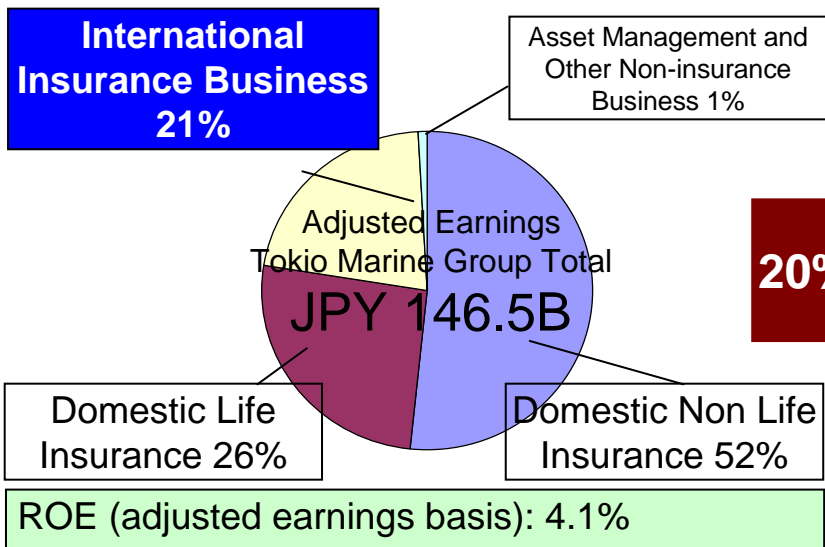
## 2. Strategic Rationale

Expansion of profits of Tokio Marine Group and create a well-balanced global portfolio

*Philadelphia Consolidated enables Tokio Marine to significantly increase its international business which has higher growth potential*

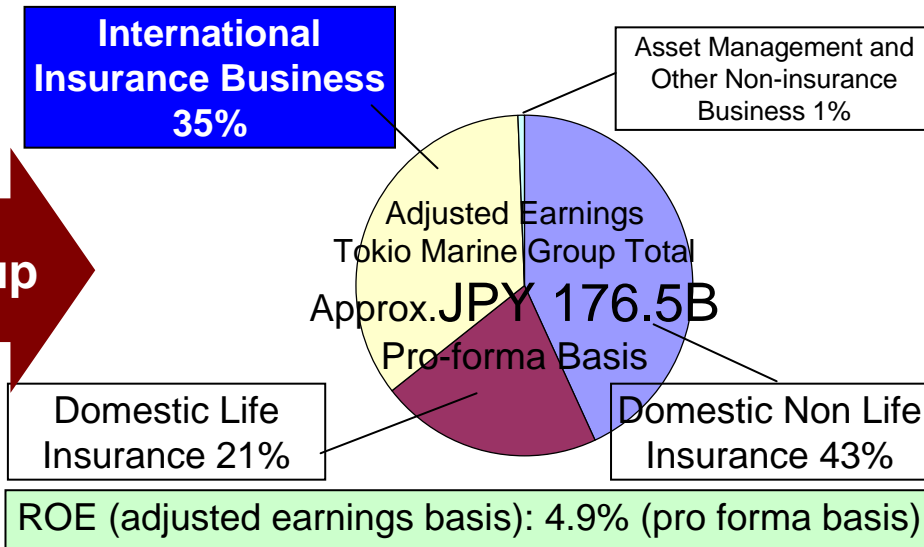
### Adjusted Earnings and ROE of Tokio Marine Group Simulation using 2008 Figures (pro forma basis)

Before Acquisition



20% up

After Acquisition



(\*1) Kiln's profit/loss is consolidated with Tokio Marine's financial statement from FY 2008.

(\*2) Tokio Marine figures are converted into JPY by exchange rates at the end of 2007 (e.g. \$1=JPY 114.15).

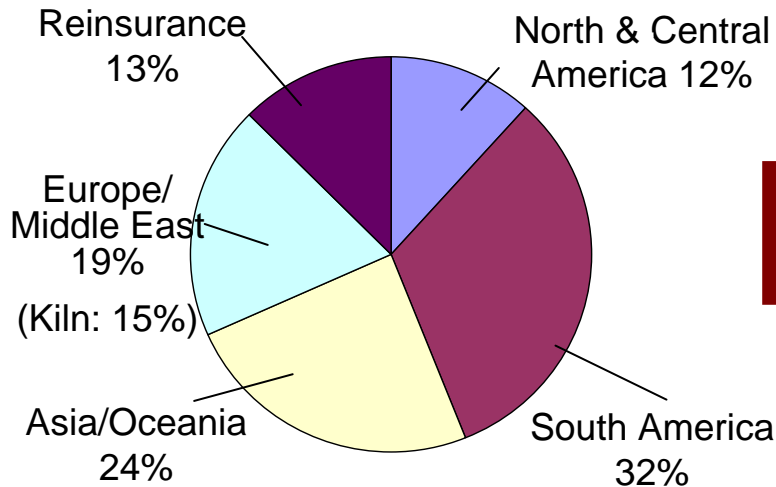
## 2. Strategic Rationale

Expansion of profits of Tokio Marine Group and create a well-balanced global portfolio

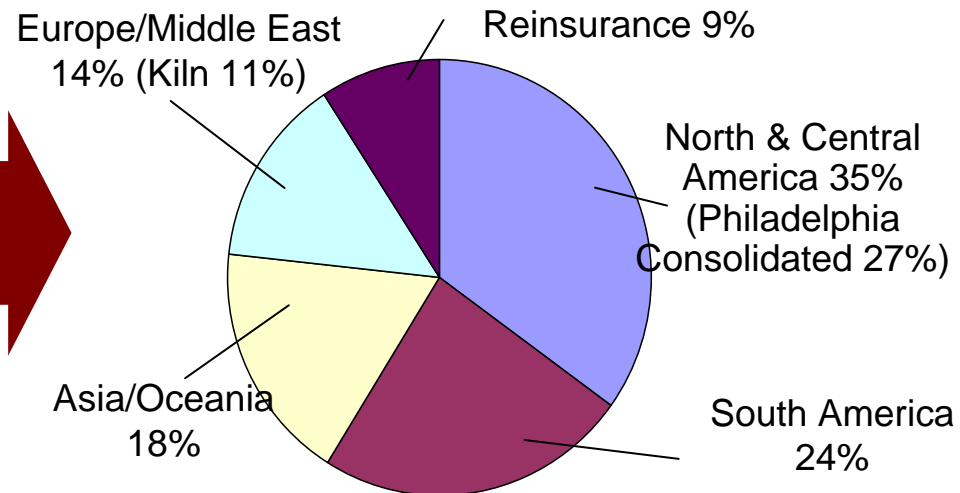
*Acquisition of Philadelphia Consolidated brings greater geographic balance to its international portfolio*

### Net Premium Written of International Insurance Business Simulation using 2008 Figures (pro forma basis)

Before Acquisition of Philadelphia Consolidated:  
JPY 547.3B



After Acquisition of Philadelphia Consolidated:  
Approx. JPY 740B



(\*1) Kiln's profit/loss is consolidated with Tokio Marine's financial statement from FY 2008.

(\*2) Tokio Marine figures are converted into JPY by exchange rates at the end of 2007 (e.g. \$1=JPY 114.15).

### 3. Overview of Philadelphia Consolidated

## Philadelphia Consolidated - Competitive Advantages

- Founded in 1962, based in Bala Cynwyd, in the suburbs of Philadelphia, PA
- 47 Offices in the US, 1400 Employees
- Chairman James J. Maguire and CEO James J. Maguire, Jr.

#### <Competitive Advantages>

- **Capital strength**
  - A+ (“Superior”) rating from A.M. Best and A1 rating from Moody's
- **Differentiated business model**
  - Focus on targeted commercial markets
- **Value added products**
  - Superior product development capabilities cater to targeted markets
  - Focus on short tail business (minimal long tail business)
- **Diverse distribution practices**
  - Superior marketing expertise leverages a wide variety of channels such as direct sales, brokers, core agents (Preferred Agents), prospective core agents (Firemark Agents), and the Internet.
- **Disciplined operations**
  - Prudent, process-focused underwriting with strong IT platform
- **Proven track records of experienced management since its foundation**
  - Stable management with significant presence of the founder's family
  - Average tenure of senior management employees with Philadelphia Consolidated is 17 years

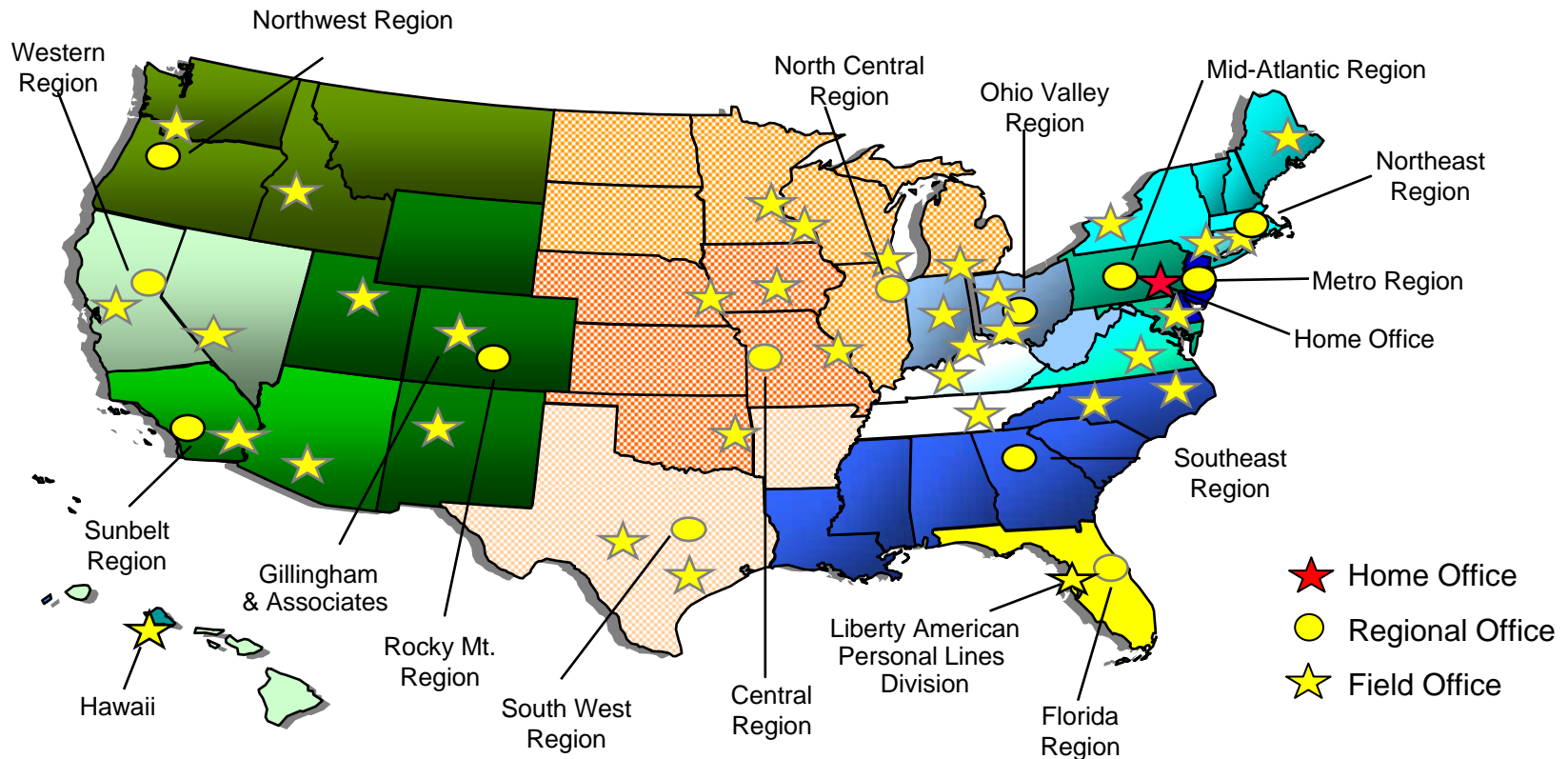
***Philadelphia Consolidated, a clearly focused insurer with specialized expertise, provides Tokio Marine with a rare opportunity to operate competitively in the US***

### 3. Overview of Philadelphia Consolidated

## Philadelphia Consolidated's network across the U.S.

*Philadelphia Consolidated's significant US presence will afford Tokio Marine a strong base of operations*

47 offices in 13 regions covering the U.S.

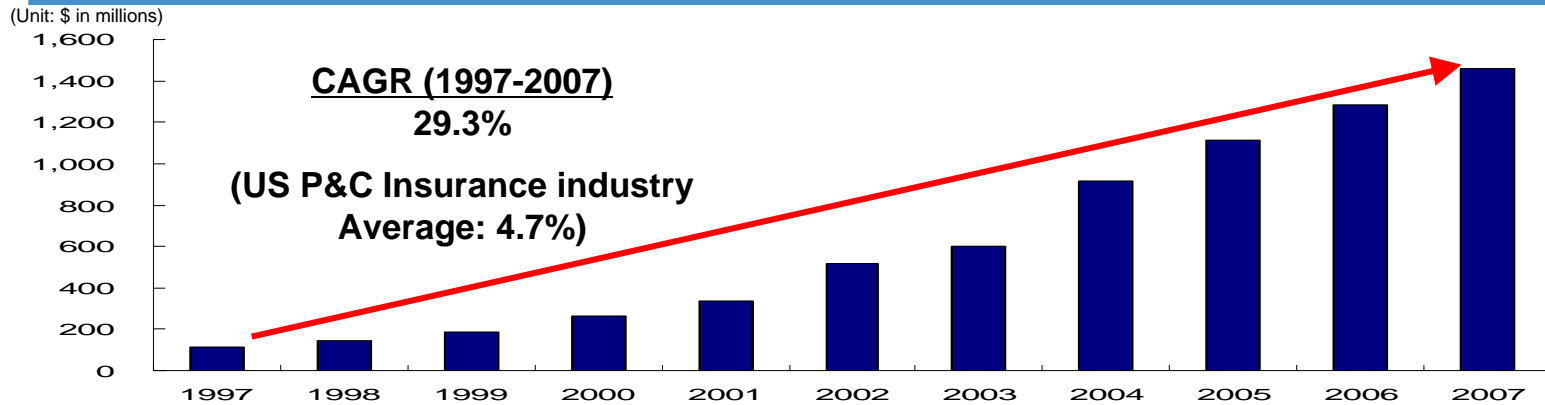


### 3. Overview of Philadelphia Consolidated

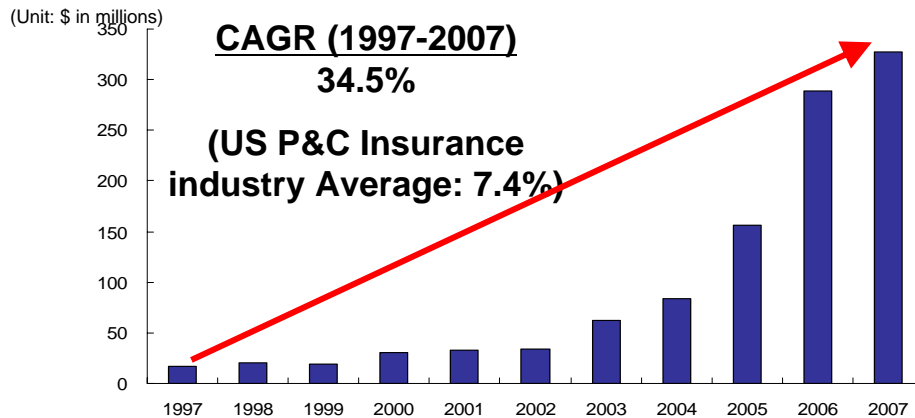
# Superior growth and profitability

**Philadelphia Consolidated has the proven ability to deliver consistent premium growth and profits throughout the cycle**

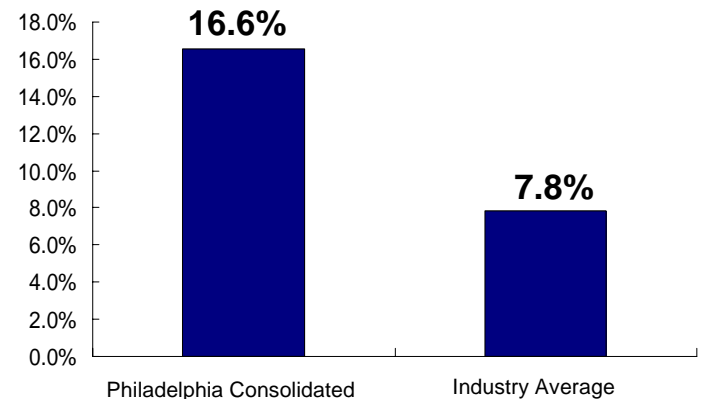
**Historical Net Premiums Written (1997-2007)**



**Historical Net Income (1997-2007)**



**Return on Equity (1998-2007 Average)**



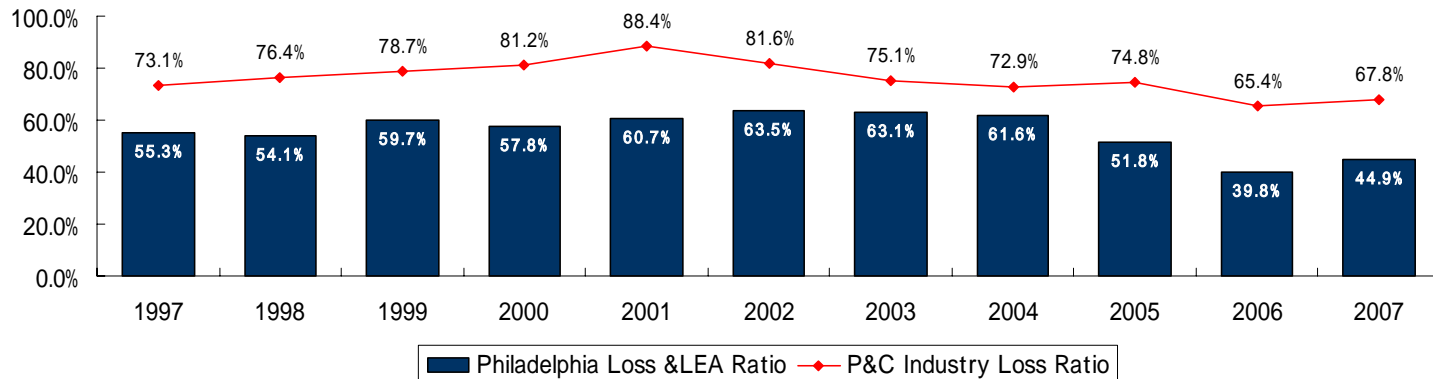
Source: Philadelphia Consolidated's annual reports; Property-Casualty Forecast & Analysis Fourth Quarter 2005 to Second Quarter 2008 (c) 2008 Conning Research & Consulting, Inc. (tm).

### 3. Overview of Philadelphia Consolidated

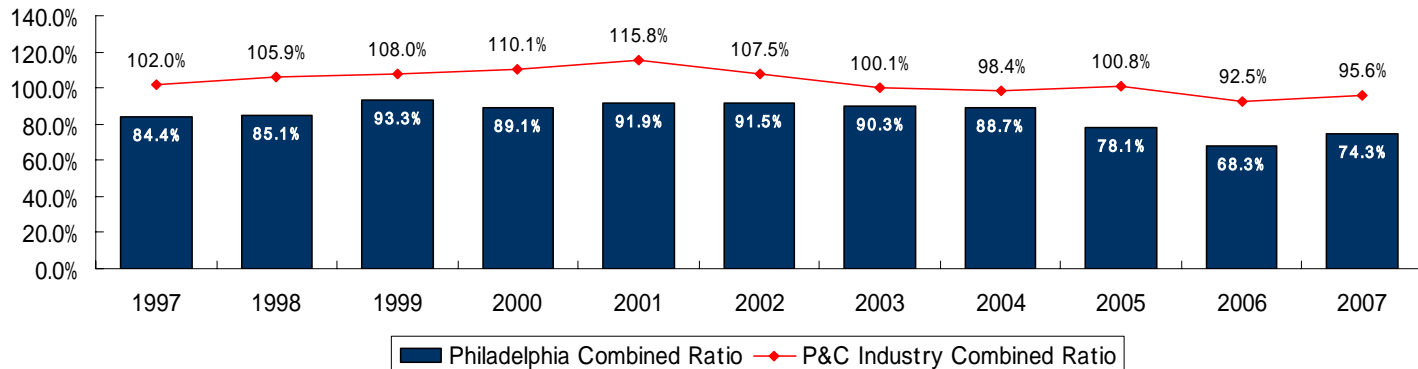
# Superior underwriting performance

***Culture of disciplined underwriting, product development and loss control has allowed Philadelphia Consolidated to consistently beat the industry averages of both loss ratio and combined ratios***

**Loss and LAE Performance (1997-2007)\***



**Combined Ratio Performance (1997-2007)\***



Source: Philadelphia Consolidated's Annual Report and A.M.Best Best's Aggregates & Averages

\* Figures are on a statutory basis.

## 4. Commitment of management

- **Employment agreements with key management including retention package**
- **Substantial personal investment in Tokio Marine Holdings stock by Philadelphia Consolidated's Chairman and significant personal investment by executive management**
- **Exchange of board members between Philadelphia Consolidated and Kiln**
- **Participation in International Strategic Committee**

## 5. Joint initiatives toward future growth

- Expand growth of Philadelphia Consolidated's business in U.S., supported by the Tokio Marine's superior credit ratings and financial strength.

- Accelerate expansion of high-quality portfolios by utilizing Tokio Marine's capital strength.
- Improved efficiency of Philadelphia Consolidated's ceded reinsurance by utilizing the Tokio Marine's capacity.

S&P		Moody's		A.M. Best	
AAA		Aaa		A++	Tokio Marine & Nichido Fire
AA+		Aa1		A+	Philadelphia Consolidated
AA	Tokio Marine & Nichido Fire	Aa2	Tokio Marine & Nichido Fire	A	
AA-		Aa3		A-	
A+		A1	Philadelphia Consolidated		

- Transfer Philadelphia Consolidated's business model to non-US markets - Canada, Central and South America

- Formation of joint projects with Kiln

- Establish International Strategic Committee to formulate international strategies for further growth and profits by integrating strengths of Kiln and Philadelphia Consolidated.
- Explore cross-selling opportunities between Philadelphia Consolidated and Kiln.



## 6. Valuation , Financial Impact and Dividend and Share Buyback Policy

- **Our valuation is based upon fundamental analysis. This represents a premium to the last twelve months average share price of 66.5%. When compared to the last full calendar year of trading, 2007 being a calmer period in financial markets, it represents a premium of 46.8%.**
- **Impact on the financial results of the Tokio Marine Group:  
Profits of Philadelphia Consolidated will be consolidated into the Tokio Marine Group's financial statements from FY 2009.**  
<Simulation using 2008 figures (pro forma basis)>  
Adjusted Earnings: Increase from JPY 146.5B to JPY 176.5B (approx. JPY 30B, or 20% up) (not included amortization of goodwill)  
ROE (Adjusted Earnings Basis): Improve from 4.1% to approx. 4.9% (approx 0.8% up)
- **No change to our dividend and share buy back plans for FY 2008. We will announce our next capital strategy plan, including share buybacks, for 2009 onwards later this year.**

## Appendix 1: 1H 2008 Financial Results of Philadelphia Consolidated

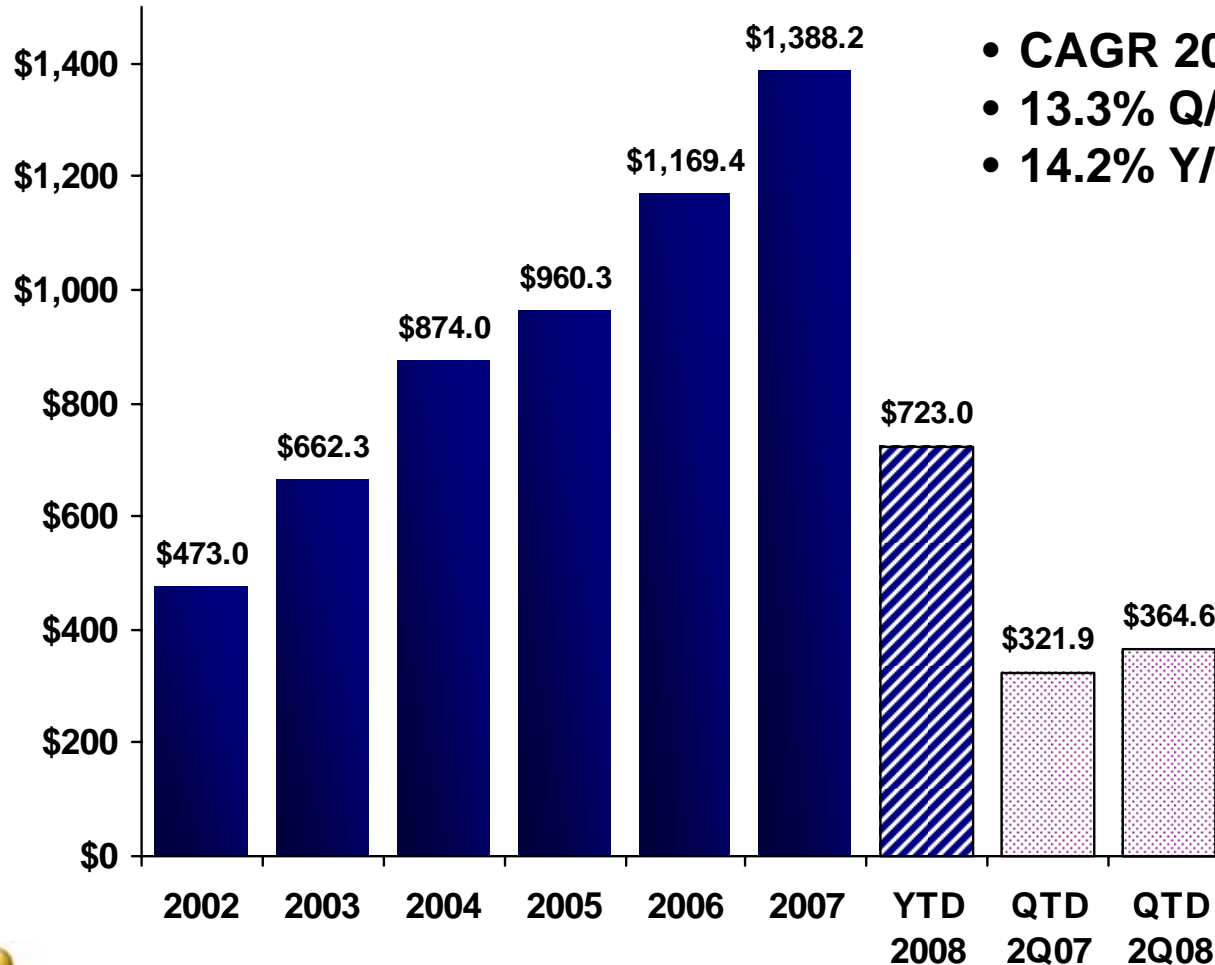
- Second Quarter & Year-to Date Highlights
- Commercial Lines Segment
- Specialty Lines Segment  
(Professional / Management Liability)

# Philadelphia Consolidated Second Quarter & Year-to-Date Highlights

*(Dollars in millions, except per share data)*

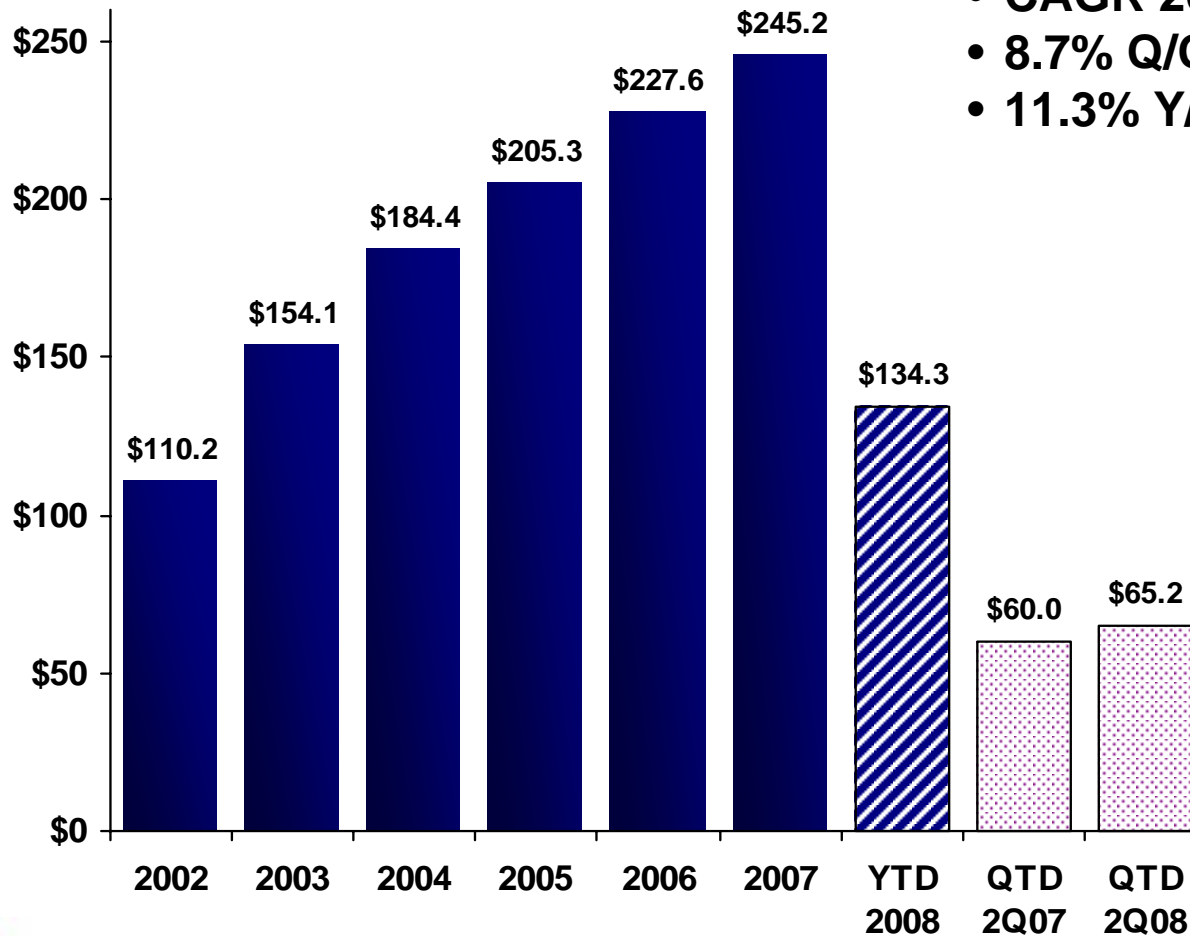
	QTD 2008	YTD 2008
Gross Written Premiums	\$445.3	\$888.4
Net Earned Premiums	\$393.0	\$772.4
Net Investment Income	\$32.3	\$64.3
Net Income	\$52.9	\$115.6
After Tax Realized Investment Gain (Loss)	\$(7.5)	\$(14.9)
Loss & LAE Ratio	56.8%	54.0%
Expense Ratio	29.4%	29.7%
Combined Ratio	86.2%	83.7%
Diluted Earnings Per Share	\$0.73	\$1.59
After Tax Realized Investment Gain (Loss) Per Share	\$(0.10)	\$(0.20)
Diluted Operating Earnings Per Share	\$0.83	\$1.79

# Philadelphia Consolidated Commercial Lines Segment



- CAGR 2002-2007 = 24.0%
- 13.3% Q/Q Growth
- 14.2% Y/Y Growth

# Philadelphia Consolidated Specialty Lines Segment (Professional/Management Liability)



- CAGR 2002-2007 = 17.3%
- 8.7% Q/Q Growth
- 11.3% Y/Y Growth

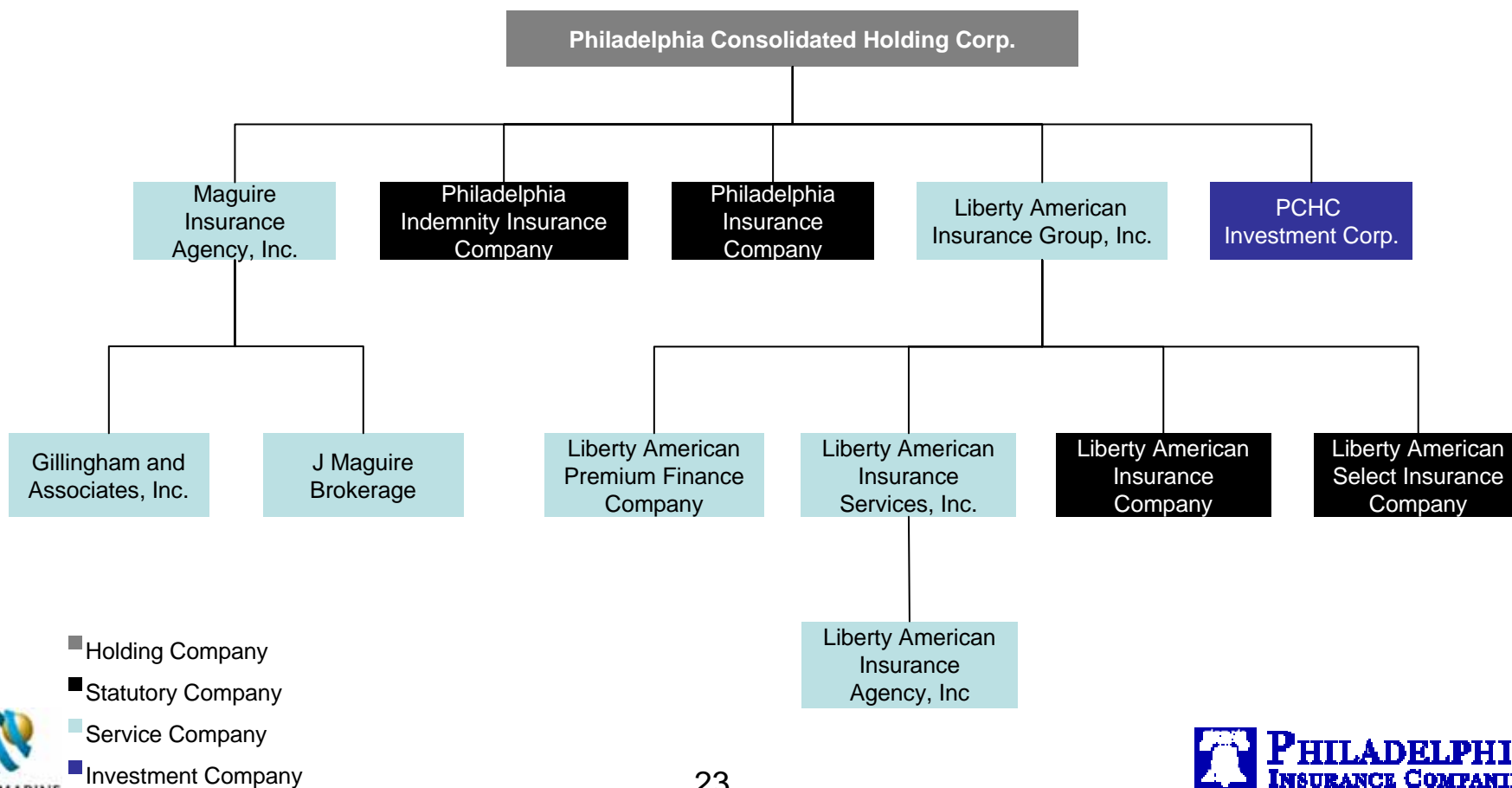
## Appendix 2: Additional Information of Philadelphia Consolidated

- Organization Chart
- Experienced Management Team
- Income Statement
- Balance Sheet

# Philadelphia Consolidated Organizational Chart

- Philadelphia Consolidated's companies include four statutory entities, 7 service companies and an investment company
  - All subsidiaries are owned 100%

## Philadelphia Consolidated Organizational Chart



# Experienced Management Team

<u>Name</u>	<u>Position</u>	<u>Comment</u>
James J. Maguire	Chairman & Founder	He has served as Chairman of Philadelphia Consolidated since its foundation. He has also served as President until 1999 and CEO until 2002. He brings over 40 years of experience in the insurance industry.
James J. Maguire, Jr.	Chief Executive Officer, President & Director	Served as CEO since 2002 and President since 1999. Before Philadelphia Consolidated, he served as Assistant Vice President of Underwriting at American International Group, Inc.
Sean Sweeney	Chief Marketing Officer, Executive Vice President & Director	Has served as Executive Vice President since 1998 and Director of Marketing since 1987. He joined Philadelphia Consolidated in 1979 when he served as regional Vice President, regional sales Manager and sales representative.
Craig P. Keller	Chief Financial Officer & Executive Vice President	Joined Philadelphia Consolidated as VP and CFO in 1992. He was previously employed by Reliance Insurance Group, Inc. where he served several financial roles including Assistant Vice President. He is also a Certified Public Accountant.
Christopher J. Maguire	Chief Operating Officer, Chief Underwriting Officer & Executive Vice President	Joined Philadelphia Consolidated in 1987. He has served many roles throughout the company in his 21 year career including Assistant Vice President and various underwriting positions.

# Philadelphia Consolidated Income Statement

## Historical Income Statement

(Dollars in millions)

	2004	2005	2006	2007	LTM March 31,	
					2007	2008
Net Premiums Written	\$914.5	\$1,110.8	\$1,282.9	\$1,459.6	\$1,332.3	\$1,528.2
Net Premiums Earned	770.2	976.6	1,169.3	1,379.2	1,211.5	1,439.9
Loss & LAE Expense	(476.1)	(504.0)	(468.2)	(619.0)	(475.1)	(661.9)
Underwriting Expenses	(223.8)	(306.6)	(350.9)	(425.3)	(371.6)	(443.0)
Underwriting Profit / (Loss)	70.3	166.0	350.2	334.9	364.8	335.0
Net Investment Income	\$43.5	\$63.7	\$91.7	\$117.2	\$98.6	\$122.3
Net Realized Gains	0.8	9.6	(9.9)	29.6	(7.7)	16.4
Other Income / (Expense)	4.4	1.5	2.6	(0.8)	3.0	4.1
Income Tax	(35.3)	(84.1)	(145.8)	(154.2)	(154.2)	(154.3)
Net Income / (Loss)	<u>\$83.7</u>	<u>\$156.7</u>	<u>\$288.8</u>	<u>\$326.8</u>	<u>\$304.5</u>	<u>\$323.5</u>
<b>Selected Ratios:</b>						
Return on Equity	14.3%	21.5%	29.1%	24.1%	21.8%	20.8%
Loss & LAE Ratio	61.8%	51.6%	40.0%	44.9%	39.2%	46.0%
Expense Ratio	<u>29.1%</u>	<u>31.4%</u>	<u>30.0%</u>	<u>30.8%</u>	<u>30.7%</u>	<u>30.8%</u>
Combined Ratio	90.9%	83.0%	70.1%	75.7%	69.9%	76.7%

Figures are on a U.S. GAAP basis.

# Philadelphia Consolidated Balance Sheet

## Historical Balance Sheet

(Dollars in millions)

	As of December 31,				As of March 31,	
	2004	2005	2006	2007	2007	2008
Cash & Invested Assets	\$1,623.6	\$2,009.4	\$2,542.3	\$3,121.6	\$2,752.9	\$3,210.2
Reinsurance Assets	429.9	396.2	272.8	280.1	261.8	269.8
Premiums Recievable	229.5	286.8	346.836	378.2	327.3	386.0
Deferred Acquisition Costs	91.6	129.5	158.8	184.4	165.2	186.6
Accrued Investment Income	13.5	18.1	20.1	25.0	22.4	28.2
Other Assets	97.5	87.8	97.7	110.6	105.9	164.9
Total Assets	<u>\$2,485.7</u>	<u>\$2,927.8</u>	<u>\$3,438.5</u>	<u>\$4,099.9</u>	<u>\$3,635.5</u>	<u>\$4,245.7</u>
Loss and LAE Reserve	\$996.7	\$1,245.8	\$1,283.2	\$1,431.9	\$1,330.7	\$1,504.6
Unearned Premiums	531.8	631.5	759.4	847.5	775.9	861.7
Other Liabilities	313.0	234.1	228.7	273.0	277.2	319.7
Total Liabilities	<u>\$1,841.5</u>	<u>\$2,111.3</u>	<u>\$2,271.3</u>	<u>\$2,552.5</u>	<u>\$2,383.7</u>	<u>\$2,685.9</u>
Shareholders' Equity	<u>\$644.2</u>	<u>\$816.5</u>	<u>\$1,167.3</u>	<u>\$1,547.5</u>	<u>\$1,251.8</u>	<u>\$1,559.7</u>

Figures are on a U.S. GAAP basis.

# Company Contacts

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## Philadelphia Consolidated

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