

Best's Credit Rating Effective Date

August 29, 2025

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Information[Best's Credit Rating Methodology](#)[Guide to Best's Credit Ratings](#)[Market Segment Outlooks](#)**Financial Data Presented**

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

The Toa Reinsurance Company, Limited**AMB #:** 090762 | **AIIN #:** AA-1580095**Associated Ultimate Parent:** AMB # 085179 - The Toa Reinsurance Company, Limited**Best's Credit Ratings - for the Rating Unit Members****Financial Strength Rating
(FSR)**

A
Excellent
Outlook: Stable
Action: Affirmed

**Issuer Credit Rating
(ICR)**

a+
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Favorable
Enterprise Risk Management	Appropriate

Rating Unit - Members**Rating Unit:** The Toa Reinsurance Co Ltd | **AMB #:** 090762

AMB #	Rating Unit Members
075961	The Toa 21st Cent Re Co, Ltd.
085179	The Toa Reinsurance Co Ltd

AMB #	Rating Unit Members
001730	Toa Reinsurance Co of America

Rating Rationale

Balance Sheet Strength: **Strongest**

- The balance sheet strength of The Toa Reinsurance Company, Limited (Toa Re), is supported by its risk-adjusted capitalisation, which is assessed as being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR).
- As of 31 March 2025, the group reported consolidated capital of JPY 340 billion (USD 2.3 billion), representing a 17% increase compared to the prior year. The improvement was primarily attributed to a rise in retained earnings, an increase in foreign currency translation adjustments, and higher net unrealised gains on securities.
- While the reserve position at the Toa Reinsurance Company of America (TRA) continues to present some uncertainty to the balance sheet strength due to ongoing social and economic inflation pressures, the impact has moderated compared to previous years.
- Overall, the group maintains good capital quality with no outstanding debt and minimal exposure to intangible assets.

Operating Performance: **Adequate**

- The group delivered a notable improvement in net profits in fiscal year 2024 (FY2024), with reported net income rising to JPY 28.5 billion from JPY 15.6 billion in FY2023, marking the fourth profitable year in the last five fiscal years and demonstrating continued recovery in earnings.
- The group's profit enhancement in FY2024 was driven by both improved underwriting performance and increased investment returns. The underwriting performance improvement was primarily attributed to reduced natural catastrophe losses and successful execution of portfolio reforms in recent years, while investment performance benefited from higher interest and dividend incomes as well as gains on securities sales.
- The group's underwriting performance strengthened considerably, with the overall combined ratio improving from 98% in FY2023 to 92.2% in FY2024, reflecting the benefits of a disciplined underwriting approach and multi-year portfolio re-positioning efforts implemented across its major subsidiaries.
- The investment performance of the group has remained consistently stable and profitable, with a five-year average net investment return (including gains and losses on securities sales) of 3% (FY2020 – FY2024).
- The group's underwriting performance has been adversely affected by persistent reserve strengthening of its North American subsidiary, TRA, in response to social inflation trends. While TRA continues to face pressure from ongoing reserve strengthening, its underwriting performance showed improvement with a lower combined ratio and narrowing of its underwriting loss in FY2024. The adoption of a more cautious underwriting approach and strategic re-positioning of the US casualty portfolio are expected to enhance its profitability gradually over time.

Business Profile: **Favorable**

- Toa Re has maintained its unique position as the sole domestic commercial reinsurer in Japan, operating with a strategically important market presence and long-standing relationships with the country's non-life insurers, many of which are also its shareholders, providing stability and a competitive advantage in the domestic market.
- The group upholds a diversified underwriting portfolio across both product lines and geographic markets to mitigate significant exposure to natural catastrophe risks in Japan's non-life market.
- Under its current business strategy, the group pursues disciplined, profitability-focused growth through portfolio optimisation, emphasising earnings quality over premium volume expansion while implementing tightened underwriting discipline and concentrating capacity in business lines and geographies where it demonstrates proven expertise and sustainable profit potential.
- Approximately 33% of Toa Re's total net premiums written (NPW) are derived from its life reinsurance portfolio, providing both premium and risk diversification that enhances overall portfolio stability through low correlation with catastrophe-exposed non-life business lines and consistent earning contributions.
- Toa Re has established a sizeable international presence through subsidiaries TRA and The Toa 21st Century Reinsurance Company Limited (TRE), along with branches across Asia, which has provided meaningful premium diversification and supports the group's strategic expansion under its business plan.

Enterprise Risk Management: **Appropriate**

- Toa Re's overall enterprise risk management is considered appropriate given its current size and risk profile.

- The group has a well-established risk appetite framework for each major operating entity as part of its risk management to maintain its long-term profitability and capital adequacy.
- The group periodically runs stress tests to check the effectiveness of its risk management and to identify events that would cause a serious impact to its capital.

Outlook

- The stable outlooks reflect the expectation that the group will maintain its overall balance sheet strength assessment, supported by risk-adjusted capitalisation at the strongest level. Operating performance is expected to remain adequate over the intermediate term, although moderate volatility is also expected as it is inherent regarding the nature of reinsurance business.

Rating Drivers

- Negative rating actions could occur if the improvements in underwriting performance from current measures prove to be unsustainable, leading to a resurgence of a negative operating performance trend.
- Negative rating actions could also occur if there is material deterioration in risk-adjusted capitalisation or absolute capital size caused by severe underwriting losses or further material adverse development in reserving practices.
- Positive rating actions could occur if the group demonstrates a consistent and sustainable enhancement in its operating performance exceeding the industry average; however, the likelihood of such actions remains limited at this time.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	77.3	66.0	61.4	60.1

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2024 JPY (000,000)	2023 JPY (000,000)	2022 JPY (000,000)	2021 JPY (000,000)	2020 JPY (000,000)
Net Premiums Written:					
Composite	275,892	280,826	320,822	302,024	287,547
Net Income	45,846	25,989	-8,905	-9,580	7,339
Total Assets	1,098,952	1,021,441	905,749	860,421	772,108
Total Capital and Surplus	462,701	394,993	291,205	307,564	296,845

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2024 JPY (000,000)	2023 JPY (000,000)	2022 JPY (000,000)	2021 JPY (000,000)	2020 JPY (000,000)	Weighted 5-Year Average
Profitability:						
Net Income Return on Revenue (%)	14.8	8.4	-2.7	-3.0	2.4	3.9
Net Income Return on Capital and Surplus (%)	10.7	7.6	-3.0	-3.2	2.6	3.7
Net Investment Yield (%)	3.9	3.0	1.2	2.4	2.5	2.7
Leverage:						
Net Premiums Written to Capital and Surplus (%)	59.6	71.1	110.2	98.2	96.9	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

As of 31 March 2025, The Toa Reinsurance Company, Limited (Toa Re) reported consolidated capital of JPY 340 billion (USD 2.3 billion), representing an increase of approximately 17% compared to 12 months earlier. The improvement was primarily attributable to a JPY 27

Balance Sheet Strength (Continued...)

billion rise in retained earnings, an increase in foreign currency translation adjustments of JPY 14 billion and higher net unrealised gains on securities of JPY 8 billion, supported by improved net profits for the fiscal year ended March 2025.

Capitalisation

Toa Re has maintained the strongest level of risk-adjusted capitalisation as shown by its Best's Capital Adequacy Ratio (BCAR) score, which is comfortably above 25% at the 99.6% VaR confidence level as of 31 March 2025. This result reflects the group's strong capital base to support its underwriting, investment, and natural catastrophe risks.

The BCAR score is considered to be stable and remains at the strongest level relative to its most material risks at the 99.6% VaR confidence level.

The group's North American subsidiary, Toa Reinsurance Company of America (TRA), has persistently strengthened reserves in response to social inflation and economic inflation in recent years. As a result, the group has experienced a continual rise in its underwriting leverage. As of 31 March 2023, the net premiums to adjusted capital ratio peaked at 110%, while the net technical reserves to adjusted capital ratio reached 188%. These ratios have moderated to 60% and 119%, respectively, by 31 March 2025.

Toa Re does not have any outstanding debt or debt-like instruments that may place a call on earnings and strain its cash flow.

The group carries no outstanding debt on its balance sheet. While it has some capital exposure to intangible assets (e.g., software), this represents less than 1% of its net assets. Historically, the group has issued subordinated debt following a weakening of its capital position due to losses from the Tohoku earthquake and the 2011 Thailand floods. Nevertheless, this subordinated debt was fully redeemed in fiscal year 2017 (FY2017). Over the past five years, the group's capital structure and quality have remained relatively stable, reflecting its diligent efforts.

For the fiscal year ended 31 March 2025, Toa Re recorded positive operating cash flow of JPY 15.7 billion, representing a 22% decrease compared to the last fiscal year. The group has consistently generated positive operating cash flow over the past five years, with a five-year average of JPY 22.4 billion (FY2020 – FY2024). On the other hand, the group continues to maintain favourable balance sheet liquidity, with an average five-year liquid assets to underwriting funds ratio of 122% (FY2020 – FY2024), suggesting minimal risk of insufficient liquid assets to cover insurance liabilities.

In addition to its domestic business in Japan, Toa Re has overseas businesses through various subsidiaries and affiliates, with its two major subsidiaries being TRA and The Toa 21st Century Reinsurance Company Limited (TRE). Therefore, the group may be exposed to fungibility risk along with its overseas operations due to different insurance regulatory jurisdictions. However, the group's current capital position and capital allocation plan are considered appropriate to ensure that each subsidiary has sufficient capital and sound liquidity.

Although Toa Re is not a listed company and may not access external equity markets directly for expedited capital raising, its ownership structure provides considerable financial flexibility. The company is privately held by major Japanese insurance companies and financial institutions, creating a supportive shareholder base comparable to mutual insurance companies. This ownership composition has historically enabled rapid capital mobilisation when needed.

The group's financial resilience was demonstrated following the 2011 Tohoku earthquake and Thailand floods, which eroded approximately 25% of its capital base. Toa Re successfully restored its capital position through a JPY 30 billion 50-year subordinated bond issuance, with the majority subscribed by its major shareholders. Subsequently, the group has focused on restoring its capital base through profitability improvement and allowed the redemption of the entire subordinated bond in July 2017.

Balance Sheet Strength (Continued...)

Capital Generation Analysis	2024 JPY (000,000)	2023 JPY (000,000)	2022 JPY (000,000)	2021 JPY (000,000)	2020 JPY (000,000)
Beginning Capital and Surplus	394,993	291,205	307,564	296,845	277,135
Net Income	45,846	25,989	-8,905	-9,580	7,339
Net Unrealized Capital Gains (Losses)	7,966	64,421	-26,721	9,684	15,628
Currency Exchange Gains (Losses)	13,715	15,389	17,892	11,312	-2,453
Change in Equalisation and Other Reserves	...	643	1,288
Stockholder Dividends	-1,179	-1,165	-1,165	-1,165	-1,144
Other Changes in Capital and Surplus	1,360	-1,489	2,540	468	-948
Net Change in Capital and Surplus	67,708	103,788	-16,359	10,719	19,710
Ending Capital and Surplus	462,701	394,993	291,205	307,564	296,845
Net Change in Capital and Surplus (%)	17.1	35.6	-5.3	3.6	7.1

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2024	2023	2022	2021	2020
Liquid Assets to Total Liabilities	143.9	134.7	114.3	125.9	129.4
Total Investments to Total Liabilities	145.3	136.2	115.9	127.7	131.5

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Toa Re has a diversified investment portfolio made up of mainly liquid assets including cash and deposits (3%), Japanese government bonds (2%), domestic corporate bonds (18%), domestic stocks (22%), and foreign securities (51%). Most of its foreign securities are fixed-income investments including foreign government bonds and corporate bonds, which account for more than 80% of its investments in total foreign securities. While bond assets continue to make up the largest composition of its total investments, approximately 90% of its bond holdings are investment-grade bonds. At the same time, Toa Re has a relatively small stock investment portfolio, and hence, it is less exposed to equity risk as compared with other major domestic insurers in Japan. However, the group's stock investment portfolio exhibits a degree of concentration in financial institutions, thereby heightening its exposure to that sector.

Composition of Cash and Invested Assets	2024 JPY (000,000)	2023 JPY (000,000)	2022 JPY (000,000)	2021 JPY (000,000)	2020 JPY (000,000)
Total Cash and Invested Assets	924,767	853,507	712,454	706,027	624,743
Cash (%)	3.0	3.4	3.9	5.3	9.0
Bonds (%)	73.5	73.9	79.5	78.4	75.5
Equity Securities (%)	22.5	21.5	15.3	15.0	13.9
Real Estate, Mortgages and Loans (%)	1.0	1.1	1.4	1.4	1.6
Total Cash and Unaffiliated Invested Assets (%)	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

As of 31 March 2025, the group's net outstanding claims totalled JPY 395 billion, with 31% attributed to its non-consolidated company, The Toa Reinsurance Company, Limited (TRJ), 52% to TRA, and the rest to TRE. The net outstanding claims remained stable compared to last year.

Since December 2017, TRA has strengthened its reserves by USD 441 million. As at the end of FY2024, TRA's reserve position has surged by 50% in terms of US dollars or 110% in Japanese yen compared to the FY2017 year-end level. In response to the continued increase in reserves in the US casualty lines, TRA continued to explore different strategies to contain the increase in loss reserves, including potential reserving risk transfer to third parties. At the same time, TRJ has shown its support for TRA by establishing an internal working group to assess and develop capital solutions for TRA. In FY2022, TRJ injected USD 85 million in capital.

Balance Sheet Strength (Continued...)

Nevertheless, its current strong capital level, as evidenced by the BCAR score at the 99.6% VaR confidence level, suggests that it has sufficient capital to absorb the elevated reserving risks and potential claims. While TRA has taken necessary measures to stabilise its US casualty lines of business and reserve levels, supported by TRJ's USD 85 million capital injection, AM Best is of the opinion that close monitoring of TRA's reserve position is needed as further claims development from evolving social and economic inflation in the US remains highly uncertain.

Operating Performance

Toa Re's net premium income remained stable at JPY 276 billion (USD 1.8 billion) in FY2024, compared to JPY 281 billion in FY2023. The group has maintained a stable and profitable investment performance, with a five-year average net investment return (inclusive of gains and losses on securities sales) of 3% (FY2020 – FY2024). On a consolidated basis, Toa Re reported an improvement in net income to JPY 28.5 billion (USD 187 million) in FY2024, compared to JPY 15.6 billion in FY2023. This profit enhancement stemmed from both improved underwriting performance and increased investment returns. In FY2024, the group's improved underwriting performance was primarily driven by a further reduction of large losses from natural catastrophe events and other major claims. Portfolio reforms and disciplined underwriting controls implemented in recent years contributed significantly to this improvement. The group's net investment return also saw further improvement due to higher interest and dividend income, as well as increased gains on the sales of securities.

Toa Re's five-year average return on equity (ROE) based on net income stood at 3.5% (FY2020 – FY2024). Similar to other major insurers in Japan, Toa Re's investment portfolio includes sizeable securities holdings, such as domestic stocks, albeit at a much lower proportion relative to its overall investment portfolio. In FY2024, Toa Re recorded JPY 8.0 billion in unrealised gains from available-for-sale investments (mainly foreign bonds and domestic stocks). These unrealised gains contributed positively to the group's other comprehensive income, reflecting favourable global and domestic financial market conditions during the year. Looking ahead, the running yield is expected to remain elevated, supported by the higher interest rate environments in Japan and overseas.

Additionally, the group's foreign operations have contributed sizeable foreign currency translation gains to its other comprehensive income, influenced by market volatility and the depreciation of the Japanese yen. In FY2024, foreign currency translation gains amounted to JPY 13.7 billion, providing a further positive contribution to the group's other comprehensive income.

In addition to examining the ROE based on net income, which tends to remain relatively stable year to year, AM Best also evaluated the ROE based on comprehensive income to provide a more holistic view of Toa Re's overall earnings and its impact on the capital position over time. In FY2024, Toa Re reported net income of JPY 28.5 billion, alongside a gain of JPY 23.0 billion from other comprehensive income, resulting in total comprehensive income of JPY 52 billion. The increase in comprehensive income was primarily driven by JPY 8.0 billion in unrealised gains on available-for-sale securities and JPY 13.7 billion in foreign currency translation gains from its foreign operations during the year.

Over the last five fiscal years (FY2020 – FY2024), Toa Re's ROE based on comprehensive income has shown some volatility but recorded a profitable five-year average of 15.8%.

In FY2024, the group's consolidated net premiums written (NPW) declined slightly by 1.8% to JPY 276 billion (USD 1.8 billion). The overall non-life portfolio contracted by 1.4% in NPW. Domestically, TRJ's NPW contracted modestly by 9% in non-life business, while its life portfolio remained relatively stable with a 1% decline in NPW. On the other hand, TRA's NPW contracted by 8% as the company continued to scale back unprofitable US casualty lines, whereas TRE delivered a 27% increase in NPW, driven by growth in European property lines. Looking ahead, Toa Re expects premiums to remain stable under a cautious underwriting approach. In Japan, TRJ will remain cautious on its exposure to natural catastrophes such as earthquake, wind, and flood risks, while in the US, TRA anticipates ongoing pressure on NPW from portfolio re-positioning but expects agriculture reinsurance to provide steadier growth in the future. The amount of TRE's NPW is expected to expand gradually in Europe, supported by selective underwriting and profitable renewals. Life reinsurance, both domestic and overseas, is expected to continue serving as a stabilising element in the group's earnings profile.

Following the improvement already observed in FY2023, Toa Re's underwriting performance strengthened further in FY2024, supported by lower natural catastrophe losses and a tightened underwriting approach. The group's overall combined ratio improved substantially from 98% in FY2023 to 92.2% in FY2024, reflecting successful execution of its multi-year portfolio reform and disciplined underwriting approach. On a non-consolidated basis, TRJ's non-life portfolio saw its loss ratio improve sharply from 61.3% to 47.2%, reflecting fewer domestic natural catastrophes and cost reductions through optimised outward reinsurance arrangements. Meanwhile, TRE in Europe maintained a stable loss ratio at 68% in FY2024 as it continued to adopt a conservative underwriting approach.

Operating Performance (Continued...)

In North America, TRA's NPW continued to shrink from last year's USD 444 million in FY2023 to USD 382 million in FY2024 as it continued to shed unprofitable business and adopt disciplined underwriting. TRA's loss ratio improved from 80% to 77%, and its combined ratio improved from 111% to 109%. While reserve strengthening in response to social inflation trends continued to weigh on its underwriting profitability, the magnitude of strengthening was less severe than in prior years. Consequently, TRA's underwriting loss narrowed to USD 32 million, compared to USD 44 million in FY2023. TRA continued to place a priority on improving its profitability and reducing reserving risks. Measures taken included restructuring the US property and casualty portfolio, portfolio diversification and adoption of a much more disciplined underwriting approach under new management.

Financial Performance Summary	2024 JPY (000,000)	2023 JPY (000,000)	2022 JPY (000,000)	2021 JPY (000,000)	2020 JPY (000,000)
Pre-Tax Income	54,887	31,434	-8,354	-7,781	6,479
Net Income after Non-Controlling Interests	45,846	25,989	-8,905	-9,580	7,339

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2024	2023	2022	2021	2020
Overall Performance:					
Return on Assets	4.3	2.7	-1.0	-1.2	1.0
Return on Capital and Surplus	10.7	7.6	-3.0	-3.2	2.6

Source: BestLink® - Best's Financial Suite

Business Profile

Established in 1940, Toa Re remains the only full-line comprehensive reinsurer headquartered in Japan. Privately owned by major Japanese insurance companies and financial institutions, it occupies a unique and strategically important position in the domestic market. The group has developed a significant international presence through subsidiaries in the US and Switzerland, and branches across Singapore, Hong Kong, and Malaysia. In FY2024, the group reported consolidated net assets of JPY 340 billion (USD 2.3 billion) and NPW of JPY 276 billion (USD 1.8 billion). Toa Re is ranked 16th among global reinsurance groups reporting under non-IFRS 17 accounting standards, based on FY2023 gross reinsurance premiums.

In the domestic market, Toa Re operates as the sole commercial reinsurer in Japan, maintaining long-standing and stable relationships with the country's major non-life insurers, many of whom are also Toa Re's shareholders. Its domestic operation (TRJ) remains the group's core business, representing approximately 64% of its consolidated NPW in FY2024. TRJ's portfolio is well-balanced between non-life (31% of group's NPW) and life (33% of group's NPW), with the life segment providing earning stability and low correlation to catastrophe-exposed non-life business lines.

Toa Re also has sizeable overseas operations, contributing the remaining 36% of the group's NPW, which are central to diversification objectives under the group's "Kizuna 2026" medium-term management plan. TRA, the group's largest overseas subsidiary, contributed around 21% of the group's NPW in FY2024, while TRE contributed approximately 15% of the group's NPW. TRE has also ventured into life reinsurance since FY2021, though this remains limited in scale.

Life reinsurance business continues to provide premium diversification and profit stability for Toa Re. While the volatility associated with risks and profits in the group's life business is typically low, this segment also exhibits a low correlation with its non-life business, which is exposed to natural catastrophe risks. Life reinsurance business represented 33% of the group's NPW in FY2024.

Under Toa Re's current business plan, it has been pursuing disciplined, profitability-focused growth through portfolio optimisation. The plan emphasises quality over premium volume growth, implementing tighter underwriting discipline, ensuring adequate pricing, and concentrating capacity in lines and geographies where the group demonstrates proven expertise and sustainable profit potential.

In the domestic market, Toa Re maintains a cautious approach to large-scale natural catastrophe exposures, selectively participating in renewals while securing improved underwriting terms and conditions in property lines to enhance profitability.

In overseas non-life insurance business, the group continues to prioritise earnings stability over rapid expansion. In the US market, TRA has implemented comprehensive portfolio reforms since 2021 to reduce dependence on underperforming excess and umbrella casualty business adversely affected by social inflation-driven reserve development. TRA's portfolio now comprises the following four segments: US property, US casualty, Canadian business, and agricultural reinsurance. In FY2024, TRA further scaled back its exposure to

Business Profile (Continued...)

unprofitable casualty lines, while expanding agricultural reinsurance to secure more stable underwriting returns. TRE, headquartered in Switzerland, focuses primarily on non-life reinsurance while developing limited life reinsurance capabilities since FY2021. TRE's successful expansion is evidenced by its contribution growth from 4% five years ago to 15% of the group's NPW in FY2024.

For overseas life reinsurance business, the group continues optimising performance of underperforming long-term treaties through premium rate adjustments and enhanced terms and conditions. While it remains cautious in underwriting new businesses in North America, it selectively pursues profitable opportunities in Asia and Europe with disciplined underwriting to achieve sustainable profitability.

Enterprise Risk Management

Toa Re has established a group-wide risk appetite statement with the aim of maintaining a long-term stable profit and adequate capital. Based on the group risk appetite statement, each major operating entity including TRJ, TRA, and TRE also formulates its own risk appetite statement to define its risk tolerance and support for the business. Business plans are formulated based on these statements and executed by each operating entity. Assessments and analyses of the business results are regularly reviewed and reflected in the subsequent formulation of policies and business plans.

Capital allocation and risk tolerances are also set based on quantitative benchmarks. For example, a minimum solvency margin ratio of 400% is set for the group and TRJ, and a minimum Swiss solvency test ratio of 150% is set for TRE, while TRA's RBC ratio reached 318% in FY2024, exceeding its 300% target.

The group carries out stress tests periodically to check the impact of extreme events on its capital to ensure business continuity. The group has adopted scenario analysis (both of historical and hypothetical events) and sensitivity analysis (including natural catastrophe and stock market declines) to assess the potential impact on its capital. In addition, reverse stress tests are also performed to identify events that would cause serious consequences, such as insufficient capital requirement, to the group.

The group periodically performs exhaustive risk identification, including identifying and classifying emerging risks based on frequency and severity for the purpose of assessing their materiality. Under the group's risk management structure, the risk management department periodically reports to the board of directors on matters requiring deliberation and decision-making.

TRJ's board of directors developed and approved the group's risk management framework based on a top-down approach. Under this framework, the enterprise risk management (ERM) committee was established to hold discussions on ERM-related issues including the risk appetite statement, the own risk and solvency assessment, capital adequacy status, solvency margin ratio, and timely reporting of risk status to the board. At the same time, the independent internal audit department acts as a check and balance to evaluate the effectiveness of the risk management framework regularly and to identify areas that need further improvement.

The group has developed a corporate governance structure to ensure appropriate management is in place to make decisions and manage risks in response to the fast-evolving business environment. This includes external directors making up a third of its board, and an independent audit and supervisory board to monitor the performance of the board of directors. The group also established a compliance committee, which is chaired by the president and consists of third parties, such as an external counsel, to ensure the effectiveness of the group's compliance framework. A "whistle-blower" system is also in place for employees to report or seek consultation on unlawful conduct within the Toa Re group.

Reinsurance Summary

Toa Re continues to have a diversified reinsurance panel, which consists of various reputable and highly rated domestic and overseas reinsurers.

Toa Re's reinsurance programme is considered appropriate relative to its risk appetite and underwriting risk, effectively managing high exposure to natural catastrophe exposures in Japan. The retrocession programme has adopted a conservative approach to mitigate accumulated catastrophe risks in the Japanese market, providing protection for losses up to a 1-in-250-year return period. To address its primary risk exposure, i.e., wind/flood risks in Japan, Toa Re has reduced the net retention through rigorous underwriting discipline and comprehensive reinsurance protection as a means of mitigation for the risks associated with climate change. In the 2025 renewal, the group maintained net retention for earthquake risk at JPY 7.5 billion, while increasing wind/flood risk from JPY 6.5 billion to JPY 7.1 billion. Both exposures represent less than 5% of the group's reported capital.

Enterprise Risk Management (Continued...)**Environmental, Social & Governance**

The consideration of environmental, social and governance (ESG) factors continues to gain traction in Japan. A number of market developments have facilitated ESG adoption, including the launch of the Japanese stewardship code in 2014 to promote sustainable investments and to encourage institutional investors such as insurance companies to engage more actively with the companies in which they invest.

The Japanese government pension investment fund, one of the world's largest public pension funds, became a signatory of the Principles for Responsible Investment (PRI) in 2016 and has integrated ESG factors into its investments. This has encouraged domestic financial institutions to address ESG issues in recent years. The Japanese government's commitment to achieve carbon neutrality by 2050 continues to put pressure on domestic companies to formulate their own zero-carbon roadmaps.

Japan remains a natural catastrophe-prone country, and climate change is expected to increase both the frequency and severity of extreme weather events such as typhoons, floods, and heavy rainfall. As one of the largest reinsurance companies in Japan and the world, Toa Re remains exposed to moderate climate change risk, which could have a potential impact on its profits and claims-related expenses over the long term. To address these ESG issues, the group has continued to incorporate ESG initiatives into its medium-term management plan ("Kizuna 2026") and investment policy, while enhancing disclosure on its ESG activities.

The group continues to identify climate change countermeasures, respect for human rights, and robust internal controls as priority areas under its business plan. Recent initiatives include further reducing carbon dioxide emissions in operations, expanding the scope of ESG-related disclosures, strengthening information security systems, and integrating ESG considerations more systematically into underwriting and investment decisions.

In underwriting, the group maintains its policy of suspending in principle the underwriting of new reinsurance policies for coal-fired power plants and coal mining projects. ESG factors continue to be embedded into investment due diligence, with research on investee companies' ESG performance and engagement with them on related issues. In line with its underwriting stance, the group has in principle ceased financing for coal-related projects. Over the last year, the group expanded ESG-themed investments, including additional purchases of green and sustainability bonds.

The group has reaffirmed its medium- and long-term ESG targets. These include a 50% reduction in carbon emissions by FY2030 compared with FY2019 and achieving carbon neutrality for all operations by FY2050. Measures such as transitioning to renewable energy sources and adopting energy-saving technologies underpin these goals.

Overall, although Toa Re maintains moderate exposure to ESG-related risks, it has further embedded ESG considerations into its strategy, underwriting, and investments over the years. AM Best continues to believe there is a low risk to the group's credit quality over the short to intermediate term.

Financial Statements

	3/31/2025		3/31/2025
	JPY (000,000)	%	USD (000,000)
Balance Sheet			
Cash and Short Term Investments	27,376	2.5	183
Bonds	679,796	61.9	4,539
Equity Securities	208,144	18.9	1,390
Other Invested Assets	9,451	0.9	63
Total Cash and Invested Assets	924,767	84.1	6,174
Debtors / Amounts Receivable	112,540	10.2	751
Other Assets	61,645	5.6	412
Total Assets	1,098,952	100.0	7,337
Unearned Premiums	156,425	14.2	1,044
Non-Life - Outstanding Claims	395,302	36.0	2,639
Insurance Contract Liabilities, Net of Assets:			
Total Gross Technical Reserves	551,727	50.2	3,684
Other Liabilities	84,524	7.7	564
Total Liabilities	636,251	57.9	4,248
Capital Stock	5,000	0.5	33
Retained Earnings	164,584	15.0	1,099
Other Capital and Surplus	293,117	26.7	1,957
Total Capital and Surplus	462,701	42.1	3,089
Total Liabilities and Surplus	1,098,952	100.0	7,337

Source: BestLink® - Best's Financial Suite

	Non-Life	Life	Other	3/31/2025 Total	3/31/2025 Total
	JPY (000,000)	JPY (000,000)	JPY (000,000)	JPY (000,000)	USD (000,000)
Income Statement					
Net Premiums Earned	275,892	1,842
Net Investment Income	34,618	34,618	231
Realized capital gains/(losses)	6,508	6,508	43
Other Income	-1,267	-8
Total Revenue	41,126	315,751	2,108
Benefits And Claims	190,828	190,828	1,274
Net Operating And Other Expenses	70,036	70,036	468
Total Benefits, Claims And Expenses	260,864	260,864	1,742
Pre-Tax Income	54,887	54,887	366
Income Taxes Incurred	9,041	60
Net Income before Non-Controlling Interests	45,846	306

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[Best's Credit Rating Methodology, 08/29/2024](#)

[Catastrophe Analysis in AM Best Ratings, 02/08/2024](#)

[Available Capital and Insurance Holding Company Analysis, 08/15/2024](#)

[Scoring and Assessing Innovation, 02/20/2025](#)

[Understanding BCAR for US Property/Casualty Insurers, 05/22/2025](#)

[Understanding Global BCAR, 08/01/2024](#)



BEST'S CREDIT REPORT

AMB #: 090762 - The Toa Reinsurance Company, Limited

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