Public Disclosures

MS First Capital Insurance Limited ("**Company**") is an insurer registered in Singapore under the Insurance Act 1966 and is regulated by the Monetary Authority of Singapore ("**MAS**").

Notice 124 issued by the MAS requires licenced insurers to disclose certain information about the company. In accordance with this requirement the following information about the Company is disclosed.

About the Company

To know more about the Company's history, profile and business objectives, please click on the link given below.

About the Company

Products

The Company offers both Commercial Lines and Personal Lines non-life insurance products. Details of the Company's products and related services can be accessed at:

Personal Lines Products

and

Commercial Lines Products

Premium written by the Company during the past 3 years under the various classes of business, is stated in the Annual Report (Annual Reports).

Business Strategy

The Company shares the MS&AD Group's mission to contribute to the development of a vibrant society and help secure a sound future for the planet by enabling security and peace of mind through insurance business.

The Company's business strategy is set in line with the guiding principles established by the MS&AD Insurance Group, the ultimate shareholder of the Company. This includes:

- Pursuing opportunities while emphasizing downside protection.
- Focussing on long term growth in value.
- Maintaining financial soundness at all times.

Corporate governance framework and management controls

Enterprise Risk Management("ERM")

The Company has established an ERM Framework in line with the relevant MAS regulations, MSI Group's guidelines and risk management best practices. The ERM Framework is designed to:

- Provide the Company's management and the Board of Directors ("**Board**") with reasonable assurance that the Company's business objectives will be achieved by aligning risk appetite and strategy, proactively responding to risks, reducing operational surprises and losses, and identifying and managing cross-enterprise risks;
- Improve deployment of capital;
- Ensure liquidity;
- Enhance corporate governance and successfully respond to a changing environment;
- Assist management in implementing a sound and risk-based internal control system; and
- Provide the risk reporting tools to be used to identity significant control weaknesses and monitor and implement corrective action.

The ERM Framework is a core management policy that incorporates a well-structured systematic process to identify business risks and minimise their potential impact on the Company.

The Company adopts the three lines of defence model in risk management. In the Three Lines of Defence model, management control is the first line of defence in risk management, the various risk control and compliance oversight functions established by management are the second line of defence, and independent assurance is the third. Each of these three "lines" plays a distinct role within the Company's wider governance framework.

An adequate system of risk management reduces, but does not eliminate completely, the possibility of poor judgement in decision-making, human error; control processes being deliberately or inadvertently circumvented by employees; management overriding controls; and the occurrence of unforeseeable or catastrophic events, which may have unanticipated consequences on the overall performance of the Company in any given year.

Significant risks that could impact the Company's business are:

- Insurance Risk
- Reinsurance Risk
- Liquidity Risk
- Market Risk
- Credit Risk
- Operational Risk
- Group Risk

The Company does consider Reputational Risk as a significant risk but as it arises as a consequence of any or all of the above risks, it is not considered to be a separate risk category. The Company also considers Concentration Risk a key risk but as it may arise within the risk areas listed above, it is not considered to be a separate risk category.

Further qualitative and quantitative information on the above risks can be found in the "Note 18 - Management of insurance and financial risks" in the Notes to the Financial Statements of the Annual Report (Annual Report).

Sustainability and Climate Risk

The Company adheres to the policies and guidelines of MS&AD Group in management of Climate-related risks.

In accordance with the sustainability framework of MS&AD Group, the Company's underwriters considers issues and risks that would have a negative impact on society and the global environment.

The Company's investments consider Environmental, Social, and Governance (ESG) factors in pursuit of long-term returns and contribution to solutions for sustainability issues.

Environmental Risk Management

Governance

The Board and the senior management maintain effective oversight of the Company's environmental risk management framework and ensure that it adheres to the MAS Guidelines. The responsibility to consider environmental risk in its deliberations, is embedded in the Board Charter and the Terms of Reference of the Board Committees.

Strategy

The Company incorporates MS&AD Group's guidelines on environmental risk in formulating its business strategy. In line with the MS&AD Group's guidelines, the Company has adopted a selective approach in offering insurance cover for coal-based power plants.

Risk Management

Environmental Risk is embedded in the Company's ERM framework and forms part of the Company's Risk Register for monitoring and quarterly reporting.

Metrics and Targets

The Company would continue to closely follow MS&AD Group's guidance on its response to environmental risk. The Company would also progressively adopt emerging best practices as relevant to its business.

Asset-Liability Matching

The Company's policy is to ensure that sufficient liquid assets are available to meet the Company's normal financial commitments, including liabilities to policyholders and investment commitments. The Company maintains an investment strategy intended to provide adequate funds to pay claims without resorting to forced sales of investments. The Company holds highly liquid, high quality short-term investment securities and other liquid fixed maturity securities to fund anticipated claim payments and operating expenses.

With efficient liquid assets management, the Company ensures that assets are readily available to meet liabilities when they become due.

Material Insurance Risk exposures and the Management of such risk exposures

In the business of Insurance, the Company is exposed to insurance risk, which is the aggregate of the following risks:

- Underwriting risk
  Risk of accepting (underwriting) a policy whose risks deviate from what was envisaged during the product development and pricing.

- Pricing risk
  Pricing of an insurance product involves the estimation of future potential claims, operational and financing costs.

- Reserving Risk
  Risk of deterioration in the carrying value of claims reserves arising from fluctuations in the timing, frequency and severity of insured events relative to expectations in the reserving assumptions.

- Catastrophe Risk
  Risk associated with natural disasters and man-made disasters. Catastrophes are by nature unpredictable, making the use of historical data difficult for pricing and loss modelling.

Under the ERM framework, Insurance risks are addressed mainly by means of:

- Documented underwriting guidelines;
- Documented underwriting authority limits;
- Outward Reinsurance Program (a risk transfer mechanism);
- Claims Handling Procedures which include settlement authority limits; and
- Reserves valuation based on analysis performed by Actuary.

The Company's outward reinsurance program consists of both facultative and treaty arrangements entered into with reinsurers who carry good credit rating by reputable rating agencies like AM Best, Standard & Poor's and Fitch. An effective reinsurance program sufficiently transfers risks to reinsurers to enable the company retains risks in line with the retention policy as approved by the Board.

Management of Insurance risk primarily includes but not limited to the following:

Underwriting Risks

- Issuing clear underwriting guidelines to all underwriters, covering risk selection criteria, rating factors, declined risks, referred risks and reinsurance limits.
- Collection of relevant information from the insured/cedent/broker and a review of the information received.
- Documenting the rationale and approval of any significant deviation of the underwriting decision from the guidelines.

- Establishing underwriting authorities based on the experience of the underwriters.
- Ongoing training of underwriters.
- Maintaining records of underwriting decisions.
- Continuously monitoring the overall catastrophic exposure by the Company.

Pricing Risk

- Data, including claims data, is collected on the underlying risks to obtain a comprehensive understanding of the risk.
- Pricing incorporates expected claims costs, acquisition costs and overheads.
- Buffers are built into the premiums to cushion against downside risk that actual experience could be worse than expected.
- Pricing is checked against reasonableness against other similar risks where there is little historical data / experience on which to base the pricing.
- Risk of inflation is inherent in long tail insurance contracts and a Consumer Price Index ("**CPI**") component is considered in the pricing of such policies.

Claims Handling

- Clear process for notification of claims.
- Ensure all data on the claim is collected in a timely manner.
- Documented claims handling guidelines.
- Set case-reserves accurately for each claim in timely manner.
- Review claims file regularly to ensure sufficient case-reserves are kept.

Reserving Risk

Claim Reserving Risk arises because actual claims experience can differ adversely from the assumptions made to include in valuing reserves, largely due to length of time between the occurrences of a loss, the reporting of the loss and the ultimate resolution of the claim.

Claims provisions, including case reserves assigned to known claims and provision for claims that have Incurred But have Not yet been Reported to the insurer ("**IBNR**"), reflect expectation of the ultimate claims based on assessment of facts and review of the historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors.

Reserving risk is managed through:

- Ensuring that the claims data meets the requirements for proper evaluation of reserves.
- Claims data is organised in suitable classes of business to produce information on emergence pattern, settlement pattern, development pattern for each class of business.
- Different models are considered when establishing the appropriate claim reserves.
- Claims reserving is reviewed by a qualified Actuary.

Insurance / Reinsurance Contracts Liabilities of the Company

As an insurance company, one of the major liabilities on the Company's balance sheet is the Insurance / Reinsurance Contracts Liability. This includes "Liabilities for Remaining Coverage" ("**LRC**") and " Liabilities for Incurred Claims" ("**LIC**").

For further information and explanation on "LRC" and "LIC", please refer to the following disclosure notes in the Notes to Financial Statements in the Annual Report (Annual Report):

- Note 2.3 - Insurance and reinsurance contracts - Identification and Classification
- Note 2.4 - Aggregation and recognition of insurance and reinsurance contracts
- Note 3 - Critical accounting estimates and judgements
- Note 15 - Insurance and reinsurance contracts

Capital Adequacy

Insurers in Singapore are required to comply with capital adequacy requirements prescribed in the Singapore Insurance Act and by the MAS. This capital adequacy requirement is termed the Risk-Based Capital (RBC) wherein an insurer needs to "risk charge" its assets held and insurance liabilities (or technical provisions) to arrive at the insurer's solvency position.

Further information on the required capital adequacy ratio and the Company's ratio are available in:

Note 18(e) – "Capital Risk" in the Notes to the Financial Statements in the Annual Report (Annual Report) Investments of the Company.

The Company's investments form a large portion of the Company's total assets in the balance sheet. The Company holds investments mainly in cash equivalents (term deposits), equities securities and debt securities and a small mortgage loan portfolio.

Further detailed information on the Company's investments and investment income can be found in the following disclosure notes in the Notes to the Financial Statements in the Annual Report (Annual Report)

- Note 2.11 - Significant accounting policies - Financial Assets
- Note 2.12 - Fair value estimation of financial assets and liabilities
- Note 5(B) - Interest revenue calculated using the effective interest method
- Note 5 (C) - Other investment revenue
- Note 10 - Cash and cash equivalents
- Note 11 - Financial investments and derivatives
- Note 18 (g) – Measurement of Fair Values