Public Disclosure

As an insurer registered in Singapore under the Insurance Act (Cap. 142), MS First Capital Insurance Limited (MS FCIL) is regulated by the Monetary Authority of Singapore.

Insurers in Singapore are required under Notice 124 issued by Monetary Authority of Singapore to disclose certain information about the company. In accordance with the requirement the following information about MS FCIL are disclosed hereunder.

To have a better and more comprehensive knowledge about our company, it would be useful to read the following information about the company in conjunction with information disclosed in the latest Annual Report of the Company which can be accessed here (link)

About us

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

https://www.msfirstcapital.com.sg/about_us.html

Products

We offer non-life or general insurance products that meet the needs of both personal and commercial insurance coverage purposes. More details about the products and related services we offer can be accessed at https://www.msfirstcapital.com.sg/personal.html and https://www.msfirstcapital.com.sg/commercial.html.

Details of the premiums written by the Company during the past 3 years under the main classes of business we write are published in the Annual Report (link)

Business Strategy

As part of the MS&AD Insurance Group, who is the ultimate major shareholder of MS FCIL, we are permitted to pursue the Company's business objectives in a relatively independent manner but within the guiding principles applicable to all the entities of MS&AD Insurance Group. Our business strategy is set within the context of these guiding principles which include the following:

- We always look at opportunities but emphasize downside protection and look for ways to minimise loss of capital
- We focus on long term growth in book value per share and not quarterly earnings.
- We always want to be soundly financed

Corporate governance framework and management controls

Enterprise Risk Management

We have in place an Enterprise Risk Management Framework (ERM). It is designed to:

- Provide MS FCIL management and the Board of Directors (Board) with reasonable assurance that the organisation'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;
- 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 is a core management policy that incorporates a well-structured systematic process to identify business risks and lessen their potential impact on the Company.

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.

The spectrum of risk types applicable to our Company is as follows:

- Insurance/Underwriting Risk
- Reinsurance Risk
- Liquidity Risk
- Market Risk
- Credit Risk
- Operational Risk
- Strategic Risk

Further qualitative and quantitative information on the above risks can be found in the "Note 21 - Management of insurance and financial risks" in the Notes to the Financial Statements of the Annual Report (link).

Asset-Liability Matching

Our 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. We maintain 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, we ensure 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, we are exposed to insurance risk, insurance risk exposure is the aggregate of the following risks:

- Underwriting risk
  Risk of accepting (writing) 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 problematic for pricing and loss modelling.

Management of insurance risks, covered under the Enterprise Risk Management Framework (ERM), are mainly addressed by the following factors,

- 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

MS FCIL's outward reinsurance program consists of both facultative and treaty arrangements entered into with reinsurers who are predominantly with good credit rating accredited by reputable rating agencies like AM Best, Standard & Poor’s and Fitch. An effective reinsurance program sufficiently transfers risks to reinsurers such that the company retains risks within the Company's retention policy as approved by the Board of Directors of the Company.

Insurance risk management involves the following (this is by no means an exhaustive list), which requires on-going monitoring and review:

Underwriting Risks

Clear underwriting guidelines are available to all underwriters, including risk selection criteria, rating factors, declined risks, referred risks and reinsurance limits

Underwriting source information are reviewed to ensure that the questions to be answered by prospective clients/insured remain pertinent.

Any significant deviation of the underwriting decision from the guidelines must be approved and the rationale for approval properly documented.

Underwriting authorities are established based on the training and experience of the underwriter.

Records of underwriting decisions are kept

Before accepting Earthquake / Flood Risks located in natural catastrophes exposed countries, it is ensured that overall catastrophic exposure by the company is appropriately monitored / limited.

Pricing Risk

Data, including claims data, is collected on the underlying risks to ensure 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 to base the pricing on

Risk of inflation is inherent in long tail insurance contracts and a 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 occurred 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 by:

Ensuring that the claims data meets the requirements for proper evaluation of reserves

Claims data is organised in suitable classes of business to derive claims 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

Technical provisions of the Company

As an insurance company, one of the major liabilities/provisions on our balance sheet is the "technical provisions". This includes "premium liabilities" and "claims liabilities" (or claims/loss reserves)

For further information and explanation on premium liabilities and claims reserves, please refer to the following disclosure notes in the Notes to Financial Statements in the Annual Report (link):

- Note 2.6 - Loss Reserves
- Note 2.7 - Premium liabilities
- Note 3 - Critical accounting estimates and judgements
- Note 17 - Insurance liabilities and reinsurance assets

Capital Adequacy

Insurers in Singapore are required to comply with capital adequacy requirements prescribed in the Singapore Insurance Act and by the Monetary Authority of Singapore. 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 our company's ratio are available in "Note 21 (e) - Capital Risk" in the Notes to the Financial Statements in the Annual Report (link)

Investments of the Company

Our investments form a large portion of our total assets in the balance sheet. We hold investments mainly in cash equivalents (term deposits), equities securities and debt securities and a small mortgage loan portfolio.

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

- Note 2.13 - Significant accounting policies - Financial Assets
- Note 2.14 - Fair value estimation of financial assets and liabilities
- Note 4 - Net investment income
- Note 9 - Cash and cash equivalents
- Note 10 - Financial assets, at fair value through profit and loss
- Note 10 - Financial assets, available-for-sale
- Note 13 - Mortgage loans
- Note 21 (f) - Fair value measurements