

**Addendum to Financial Statements**  
**For the financial year ended 31 December 2023**

**KOREAN REINSURANCE COMPANY – SINGAPORE BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2023

**Branch Profile**

Korean Reinsurance Company, Singapore branch (“the Branch”) is a segment of the Korean Reinsurance Company, a Company incorporated in the Republic of South Korea. The Branch is not a separately incorporated legal entity.

The Branch writes treaty and facultative general reinsurance across around 20 markets, with a main focus on Indonesia, Philippines, Thailand, Vietnam, Singapore, Australia, India and Pakistan. The business portfolio comprises of proportional and non-proportional treaty and facultative reinsurance business written in both the Offshore Insurance Fund (“OIF”) and Singapore Insurance Fund (“SIF”), whereby for the financial year of 2023 about 90% (2022: 90%) of the gross written premiums related to the OIF portfolio and about 10% (2022:10%) related to the SIF portfolio. The Branch commenced to write facultative general reinsurance in 2017 and facultative general reinsurance for the financial year of 2023 formed 19% (2022:17%) of the gross written premiums.

On portfolio mix for the OIF, Property is the key line of business amounting to about 79% of gross written premiums for financial year 2023 (2022: 73%). Other key business lines are Liability and Others, Cargo, Marine Hull, Aviation Hull, Motor and Engineering.

On portfolio mix for the SIF, Property is the key line of business amounting to about 65% of gross written premiums for financial year 2023 (2022: 52%). Other key business lines are Cargo, Marine Hull, Motor, Employers’ Liability, Personal Accident, Public Liability, Surety, Engineering and Others.

**Regulatory Framework**

The Branch is required to comply with the Insurance Act (Cap.142), Regulations and Notices as applicable to general reinsurance companies. With effect from 1 January 2014, the Branch is required to establish an ERM framework, risk management policy and risk tolerance statement in accordance to MAS Notice 126 (“the Notice”) Enterprise Risk Management for Insurers. In addition, the Branch is required to perform its own risk and solvency assessment (“ORSA”) to assess the adequacy of its risk management, and current and projected future solvency positions.

**Governance Framework**

Managing risks is an integral part of Korean Reinsurance’s core business. The Branch’s goal of Risk management is, under the given available capital, to control the total risk exposures below an acceptable threshold, and to manage the Branch’s key risks effectively towards optimizing risk-adjusted returns.

The Board of Directors (“Board”) has ultimate responsibility for the formulation, establishment, implementation and approval of the Branch’s Enterprise Risk Management (“ERM”) framework. Risk management is carried out under policies approved by the Board, as the Board provides written principles for overall risk management.

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For the financial year ended 31 December 2023

#### **Governance Framework (continued)**

The Branch operates a Three-Lines-of-Defence model.

- 1) The 1st line of defence consists of the Chief Executive Officer (CEO) and the key managers of the Branch. They are responsible for the day-to-day operations of the ERM framework to identify, assess, manage and report business risks.
- 2) The 2nd line of defence consists of the Risk Management Team which reports to the Chief Risk Officer (“CRO”) and in turn the Risk Management Committee (“RMC”), a Board Committee at the Head Office. The RMC, which is composed of two or more outside directors and the CRO, is entrusted with the authority of the Board to oversee the execution of the risk management strategy by the 1<sup>st</sup> line in accordance to Board-approved risk tolerance statements and limits.
- 3) The 3<sup>rd</sup> line of defence consists of the Head Office’s audit committee. The audit committee, supported by the compliance team, inspects the 1<sup>st</sup> and 2<sup>nd</sup> lines to evaluate the approach and operational effectiveness of internal systems and controls.

The Branch and Head Office have established a risk management communication and reporting procedure, whereby risk management information is tabled to various committees periodically. The Branch and Head Office’s risk management, compliance and audit teams take on a coordinated, holistic and multilateral approach in risk management to examine all material risk exposures of the Branch.

#### **Enterprise Risk Management Framework (“ERM”)**

The Branch’s ERM framework covers the following material risks:

- a) Catastrophe risk;
- b) Insurance risk;
- c) Market risk;
- d) Credit risk;
- e) Liquidity risk;
- f) Operational risk.

## KOREAN REINSURANCE COMPANY – SINGAPORE BRANCH

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

#### Enterprise Risk Management Framework (“ERM”) (continued)

##### (a) Catastrophe risk

Catastrophe risk is one of the largest risks to the Branch given the nature of its business to underwrite reinsurance business from various regions around the world. The objective is to maximize the Branch's profits while controlling the risks within a tolerance limit.

The Branch made a substantial loss from the Thai floods in 2011. This has led to a change in the Branch's underwriting approach. Further, the Branch reduced its exposure to natural catastrophe events and introduced event limits within contractual terms and conditions.

In view of the lack of predictability of the scope and intensity of flood damage, the Branch has enhanced its catastrophe risk management in various ways such as tightening the underwriting guidelines in catastrophe-prone areas, reducing exposures to high risk-accumulated zones and developing a proprietary flood risk analysis model.

The Branch outsources its catastrophe modeling program. However, it has introduced one of the global vendors' catastrophe model (AIR) in July 2013 to six major regions with priority for overseas accumulation risk management. General catastrophe exposure limits are set at 10% of solvency capital for most territories to restrict the risks accepted.

The Branch utilizes outward reinsurance, such as catastrophe event, excess of loss and quota share cover to limit exposure to catastrophe events. Its retrocession management is focused on retention profit stability control. The Branch reinsures its business with various retrocessionaires with majority of them having a credit rating of A- and above. In addition, the Branch minimises its concentration risk by diversifying its exposures to a panel of retrocessionaires.

##### (b) Insurance risk (see note 6A)

The following tables disclose the geographical concentration of gross written premiums in relation to the type of insurance risk accepted by the Branch:

#### Gross written Premium

	12 months ended 31 Dec 2023 \$'000	12 months ended 31 Dec 2022 \$'000
- Indonesia	16,926	10,255
- Philippines	20,524	18,346
- Thailand	50,555	43,597
- Singapore	19,077	15,038
- India	21,144	18,778
- Pakistan	4,271	5,413
- Vietnam	22,190	20,732
- Australia	8,475	8,472
- Others	<u>10,684</u>	<u>15,412</u>
	<u>173,846</u>	<u>156,043</u>

## **KOREAN REINSURANCE COMPANY – SINGAPORE BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **Enterprise Risk Management Framework (“ERM”) (continued)**

- (c) Market risk (see note 6B(i))
- (d) Credit risk (see note 6B(ii))
- (e) Liquidity risk (see note 6B(iii))
- (f) Operational risk (see note 6C)

#### **INVESTMENTS**

##### **(a) Objectives**

The Branch investment’s objectives are to seek preservation of capital and prudent liquidity management. It aims to achieve reasonable returns and capital growth by investing primarily in money market, Singapore Government Securities and high-rated corporate bonds.

##### **(b) Processes**

All investment decision has to be routed to Head Office’s Asset Management Department for approval before any investment commitment is made by the Branch. The Branch will review its liquidity and asset-liability matching requirements on a regular basis and seek out investment opportunities in fixed deposits, Singapore Government Securities and high-rated corporate bonds. The details of the investment will thereafter be provided to the Head Office’s Asset Management Department for review and approval before further action is taken to commit the investment.