Purpose

The disclosures in this document are made by AIG Asia Pacific Insurance Pte. Ltd. ("**AIG API**" or the "**Company**") pursuant to the requirements in MAS Notice 124.

30 June 2022

Company profile

The Company is incorporated and domiciled in Singapore. The address of its registered office is 78 Shenton Way, #09-16, Singapore 079120.

The Company's immediate and ultimate parents are AIG APAC Holdings Pte. Ltd. (incorporated in Singapore) and American International Group, Inc. ("AIG") (incorporated in the United States of America) respectively.

The Company is established as a general insurance company, licensed under the Singapore Insurance Act 1966. It commenced general insurance business with effect from 1 January 2011.

The Company is a member company of the AIG group of companies.

The Company holds the following insurance subsidiaries/branch:

- AIG Australia Limited
- AIG Insurance Hong Kong Limited
- PT AIG Insurance Indonesia
- AIG Korea Inc.
- AIG Malaysia Insurance Berhad
- AIG Re-Takaful (L) Berhad
- AIG Insurance New Zealand Limited
- AIG Philippines Insurance Inc.
- AIG Asia Pacific Insurance Pte. Ltd., Taiwan Branch
- AIG Insurance (Thailand) Public Company Limited
- AIG Vietnam Insurance Company Limited

The Company is currently assigned an "A+/Negative" and "A/Stable" credit rating from Standard & Poor and AM Best respectively. The Company aims to maintain its "Core" status, as assigned by the credit rating agencies.

Nature of business

The AIG API Group is a multiple line insurance group writing substantially all lines of property and casualty insurance in the Asia Pacific region. Major lines of insurance written include commercial, consumer, accident & health, and specialty coverage.

AIG is a leading provider of insurance products for commercial, institutional and individual customers through one of the world's most far-reaching property casualty networks. AIG offers one of the industry's most extensive ranges of products and services, through its diversified, multichannel distribution network, benefitting from its strong capital position.

We earn revenues primarily from insurance premiums, income from investments and advisory fees.

Our operating expenses consist of claims incurred, commissions and other costs of selling and servicing our products, and general business expenses.

Our profitability is dependent on our ability to price and manage risk on insurance products, to manage our portfolio of investments effectively, and to control costs through expense discipline.

General description of key products offered by the Company

Commercial Insurance Product Lines

Casualty: Includes general liability, commercial automobile liability, workers' compensation, environmental, excess casualty and crisis management insurance. Casualty also includes risk management and other customized structured programs for large corporate customers and multinational companies.

Property: Includes industrial, energy-related and commercial property insurance products, which cover exposures to man-made and natural disasters, including business interruption.

Specialty: Includes political risk, trade credit, surety and marine insurance, and various product offerings for small and medium sized enterprises.

Financial: Includes various forms of professional liability insurance, including directors and officers (D&O), fidelity, employment practices, fiduciary liability, cyber risk, kidnap and ransom, and errors and omissions insurance (E&O).

Consumer Insurance Product Lines

Accident & Health: Includes voluntary and sponsor-paid personal accidental and supplemental health products for individuals, employees, associations and other organizations. It also includes a broad range of travel insurance products and services for leisure and business travellers.

Personal: Includes automobile, homeowners and extended warranty insurance. It also includes insurance for affluent individuals, like jewellery, fine art, and collections, and consumer specialty products, such as identity theft, e-commerce purchase protection and credit card protection.

External environment

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitoring them closely to ensure that the AIG API Group is satisfactorily managing its affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the AIG API Group and the Company maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the AIG API Group are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions, such as capital adequacy requirements, to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The Company is subject to regulatory supervision by the Monetary Authority of Singapore.

Competition

Operating in a highly competitive industry, AIG competes for business with the foreign insurance operations of large global insurance groups and local companies in specific market areas and product types.

Insurance companies compete through a combination of risk acceptance criteria, product pricing, service and terms and conditions. AIG distinguishes itself in the insurance industry primarily based on its well-established brand, global franchise, financial strength and large capital base, innovative products, expertise in providing specialized coverage and customer service.

We serve our business and individual customers on a global basis — from the largest multinational corporations to local businesses and individuals. Our clients benefit from our substantial underwriting expertise and long-term commitment to the markets and clients we serve.

Objectives and Strategies

Business Strategy

Profitable Growth - We have scale, a broad suite of relevant products, diverse distribution channels and deep expertise enabling us to grow through new business, maximising retention, and cross-selling opportunities across multiple customer segments.

Differentiation - We play to our strengths by focusing on winning in our chosen segments, supported by diversified and robust distribution and partnership channels.

Operational Excellence - We have strong digital and overall servicing capabilities, enabling us to provide market leading customer experience to our clients/customers and partners.

People - We have a strong pool of market leading talent from diverse backgrounds united by a common culture that enables our overall success.

Corporate Governance and Management Controls

Key Features of Corporate Governance framework

The Company's corporate governance framework is established to meet regulatory requirements and ensure there is proper governance and oversight by the Directors over the operations, business affairs, internal controls, and risk management of the Company. The Board provides strategic direction to the Company. It is responsible for the long-term success of the Company and works with management to achieve this objective.

The Directors of the Company currently in office are:

- Mr Edward Levin (Chairman)
- Mr Steven Barnett
- Mr Christian Matthew Sandric
- Ms Pamela Yeo Suan Imm
- Mr Michael Stephen Bishop *
- Ms Ooi Huey Tyng*

* Independent Directors

The following Board Committees assist the Board in executing its duties:

- Audit Committee
- Risk Management Committee
- Nominating Committee
- Remuneration Committee

These committees have been constituted with clear Board-approved written terms of reference. The Board and Board Committees also monitor the operations, business affairs, internal controls and risk management of the companies within the AIG API Group.

Audit Committee ("AC")

The AC assists the Board in discharging its responsibilities to ensure the integrity of the Company's financial statements. It reviews the adequacy and effectiveness of the Company's external and internal audit functions. The AC also reviews the adequacy of the internal financial controls, operational and compliance controls, risk management policies and systems established by the management (collectively "internal controls') of the Company.

Risk Management Committee ("RMC")

The RMC assists the Board in carrying out its enterprise risk management oversight responsibilities including overseeing the establishment and operation of the risk management system and the adequacy of the risk management function of the Company.

Nominating Committee ("NC")

The NC reviews and makes recommendations to the Board and the board of its subsidiaries on the appointments, re-appointments and retirement of Directors and Board Committee members of the Company, and directors of its subsidiaries respectively. It also makes recommendations to the Board and the boards of its subsidiaries on the appointments of senior executives. The NC assists the Board in setting up and performing a yearly formal assessment of the effectiveness of the Board and its Board Committees.

Remuneration Committee ("RC")

The RC reviews and ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for fixing the remuneration packages for its senior executives. It makes recommendations to the Board and the board of its subsidiaries on the remuneration packages for its senior executives and independent directors.

In addition, the following management committees, which report to the Board/Board Committees, support in the implementation of policies, review of risk profile and management of investment activities of the Company:

- Risk and Capital Committee
- Information Technology Service Review and Risk Management Committee
- Investment and Asset Liability Management Committee
- Product Development Committee

Key Features of Management Controls

The Chief Executive of the Company, together with the CEO & President – Singapore and the senior leadership team, form the Executive Committee ("Exco") of the Company. The Exco is responsible for the operations, strategies and business affairs of the Company as well as for establishing and maintaining adequate controls over its operations.

AIG has established group-wide policies to ensure a consistent control framework is adopted across the AIG group of companies. The Company leverages on these policies and adapts them for local implementation to ensure consistency and compliance with local regulatory requirements. Compliance with these established policies and procedures are measured and monitored through reporting from the business to the management committees both in the Company and at the regional level and ultimately, to the Board and Board committees. Independent oversight and assurance is provided through the Internal Audit Group.

Enterprise Risk Management Framework

Overview

Risk management is an integral part of managing our businesses. It is a key element of our approach to corporate governance. We have a Risk Management integrated process for managing risks throughout the organization. Our Enterprise Risk Management (ERM) framework provides senior management with a consolidated view of our major risk positions.

Risk Governance Structure of the Company

The Company's risk governance structure has two distinct levels of committees:

- Board Committees; and
- Company's management committees (and sub-committees).

The role of the RMC is to assist the Board in carrying out its enterprise risk management oversight responsibilities. This includes overseeing the establishment and operation of the Company's risk management framework and the adequacy of the risk management function. The RMC ensures, amongst other things, that its risk management function has independent reporting lines and is equipped to monitor all sources of risks.

Aside from the RMC, the Board Committees described under "Corporate Governance and Management Controls" also exercise oversight over the operations of the Company and consider risks and risk mitigating measures in their respective areas of oversight.

The management committees of the Company include the following:

- The **Risk and Capital Committee** ("**RCC**") is responsible for managing the risk profile of the Company in accordance with its risk management framework. The RCC reports to the RMC. Sub-committees of the RCC include the following:

    - The **Credit Committee** ("**CC**"), which is responsible for the oversight of credit receivables. It also serves as a decision-making forum to grant approvals on credit extensions and mandate cancellations.

    - The **Information Technology Service Review and Risk Management Committee** ("**ITSRC**"), which is responsible for reviewing the services rendered by the Information Technology ("IT") department to ensure alignment to service level objectives. The ITSRC maintains oversight of the IT Risks to analyse business impact and associated remediation plans. It also tracks and reviews the progress of IT-related compliance and audit programs. It is also responsible for the oversight of the projects portfolio throughout the project investment lifecycle.

    - The **Product Development Committee** ("**PDC**") acts as a decision making forum and provides approvals, recommendations or otherwise, for products presented to the PDC. The PDC ensures that product proposals meet expectations for treating customers fairly and provide adequate disclosure and monitors product performance for new products launched.

- The **Executive Committee** (“**EXCO**”), which is responsible to provide strategic direction and serve as a decision-making forum across various business matters.

- The **Investment and Asset-Liability Management Committee** (“**IC**”) is responsible for establishing and reviewing policies governing investment activities. The Committee provides oversight of investments and investment activities, and introduces / monitors investment strategies and performance.

The Board approves the Company’s risk management policies and meets regularly to review and approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company’s identification of risk and its interpretation.

Risk Appetite, Identification, and Measurement

Risk Appetite Framework

We have a documented Risk Appetite Statement which forms an important element of our Risk Management Framework. The risk appetite measures are developed through stress testing and are consistent with the AIG API Group Risk Appetite framework.

Identification of risks is done through various sources within the Company. Risk workshops, process reviews, and Risk Committee Meetings are some of the methods used to identify risks. We also leverage on AIG internal best practices to foster collaboration between the various countries in identifying risk.

Our risk governance framework is based on the “Three Lines of Defence” model. This facilitates and encourages risk identification at all levels within the Company:

- **First Line**: Profit Centres and Corporate Functions that originate risks and have primary responsibility for owning and managing the risks, including identifying, assessing, controlling, monitoring, and reporting quantified risk;
- **Second Line**: ERM, as well as other Assurance Functions, which perform independent risk assessments; ERM, as an independent function, undertakes a Review and Challenge role covering the First Line of Defence considerations and decisions; and
- **Third Line**: The Internal Audit Group (“IAG”) comprises the independent assurance provided to the Audit Committee of the Board. IAG undertakes a program of risk-based audits covering aspects of the First and Second Lines of Defence.

We maintain a risk profile for the key risks within the Company. The key risks are measured and monitored on an ongoing basis. On a quarterly basis, these risks are reported to the RMC and RCC.

Asset-liability management

Our objective is to maintain an investment portfolio with assets having weighted average durations that are matched to the duration and cash flow profile of our liabilities, to the extent practicable.

There are no asset-liability management disclosures at a segmented level as we are not required to provide segment information under the accounting standards.

Reinsurance management

In the ordinary course of business, we place reinsurance with affiliated and unaffiliated reinsurance and insurance companies to manage exposures by limiting the maximum net loss arising from large risks and/or catastrophic events.

A variety of traditional reinsurance products, namely, quota share, excess of loss and stop loss are used in the Company's reinsurance management strategy. Facultative reinsurance is used to access additional capacity for large policy(ies) or manage policy(ies) with specific exposure outside the Company's risk appetite.

The Company's treaty protection with affiliated companies is used to manage its net retention from severity risk losses or aggregate losses, manmade or natural catastrophes events which may result in significant losses.

Risk Exposures

An understanding of the interaction between capital adequacy and risk

The Company has defined its risk appetite to include qualitative and quantitative measures for key risk categories, including the following measures of risk:

- Capital Adequacy Measure
- Liquidity Measure
- Variance from Plan Metrics
- Credit Rating Measure

The Company has a conservative risk appetite, in that it maintains prudent levels of capital and liquidity, and engages in a limited range of business activities that generally exclude high risk activities.

Capital Adequacy Measure

The Company aims to ensure that its Capital Adequacy Ratio ("CAR") remains above the regulatory supervisory minimum CAR at all times and has no appetite for the CAR to fall below this level. The Company's capital management process focuses on planning for its capital requirements to support the strategic business direction of the Board, whilst providing sufficient buffer above the regulatory supervisory minimum. In this regard, the Company has implemented the thresholds below for managing its capital.

- **Baseline Capital Range**: The range that the Company will maintain during the ordinary course of business. Generally, the Company will distribute any excess capital above the baseline target level, subject to Board approval.

- **Stress Threshold Capital Level**: Reflects the minimum level of resources needed under stress, to continue to do business and meet obligations to the regulator and stakeholders, as well as to ensure that the Company has sufficient time to respond before reaching the regulatory minimum level. If CAR falls below the stress threshold, contingent capital plan actions would be implemented. Contingent capital actions could include, but not limited to, the reduction or cancellation of any planned dividend and capital injection from parent.

The Baseline Capital Range and Stress Threshold Capital Level are determined and reviewed at least annually based on the Company's risk appetite, risk profile and stress tests, whilst ensuring that applicable regulatory and rating agency capital requirements are met.

Liquidity Measure

The Company maintains sufficient liquidity during both the normal course of business and under defined liquidity stress scenarios to ensure that sufficient cash can be generated to meet the Company's obligations as they become due.

The Company continuously monitors its liquidity positions as well as liquidity coverage ratios under stress to affirm it has sufficient liquidity to meet its obligations.

Variance from Plan Metrics

The Company's business plan is intended to achieve its business strategy and is consistent with its risk appetite. This is measured by key profitability metrics driving achievement of the Company's business plan, such as Net Premium Written, Loss Ratio, Combined Ratios and Prior Year Developments. Additional metrics may be defined over time that are useful to measure the achievement of strategic objectives.

Credit Rating Measure

The Company is currently assigned a "A+/Negative" and "A/Stable" credit rating from Standard & Poor and AM Best respectively. It aims to maintain its "Core" status within the AIG Group, as assigned by the credit rating agencies. Metrics have been defined to monitor the credit quality of the Company and are reported through the governance committees.

Concentration risk (including catastrophe risk[1])

Concentration of insurance risk can be a cause of elevated claims volatility risk and refers to the possibility of significant financial losses arising from a lack of diversification, either geographical or by product type, of the Company's portfolio. Certain events may give rise to higher levels of adverse development and exhibit geographical concentrations.

Concentrations of risk are managed with each market through the monitoring of product sales and size of the in-force book by product. The Company mitigates this risk by adhering to the underwriting and claims management policies and procedures that have been developed based on extensive historical experience. Lastly, reinsurance solutions are also used to help reduce concentration risk.

[1] Catastrophe risk is defined by the Company as the risk that multiple insurance policies are adversely impacted by the single occurrence of a natural or man-made catastrophic event including, but not limited to, hurricane, earthquake, flood, tornado, hail, tsunami, volcano, pandemic, terrorism, toxic tort and other large, highly-correlated legal liability events, which occurrence gives rise to losses in the form of insurance policy claims and/or portfolio investment losses.

Capital Adequacy

Capital refers to the long-term financial resources available to support the operation of our businesses, fund business growth, and cover financial and operational needs that arise from adverse circumstances. The primary source of ongoing capital generation is the profitability of the Company and its insurance subsidiaries and branch. The Company and its insurance subsidiaries and branch must comply with numerous constraints on our minimum capital positions. These constraints drive the requirements for capital adequacy for both the Company and the individual businesses and are based on internally-defined risk tolerances, regulatory requirements, rating agency and creditor expectations, and business needs. Actual capital levels are monitored on a regular basis. Using ERM's stress testing methodology, the Company evaluates the capital impact of potential macroeconomic, financial and insurance stresses in relation to the relevant capital constraints of the Company and its insurance subsidiaries and branch.

The Company believes that it has sufficient liquidity and capital resources to satisfy future requirements and meet our obligations to policyholders, customers and creditors, including reasonably foreseeable contingencies or events.

Nevertheless, some circumstances may cause the Company's cash or capital needs to exceed projected liquidity or readily deployable capital resources. Additional collateral calls, deterioration in investment portfolios or reserve strengthening affecting statutory surplus, higher surrenders of policies, downgrades in credit ratings, or catastrophic losses may result in significant additional cash or capital needs and loss of sources of liquidity and capital. In addition, regulatory and other legal restrictions could limit the Company's ability to transfer funds freely, either to or from our insurance subsidiaries and branch.

Depending on market conditions, regulatory and rating agency considerations, and other factors, the Company may take various liability and capital management actions. Liability management actions may include, but are not limited, to repurchasing or redeeming outstanding debt, if any, issuing new debt or engaging in debt exchange offers. Capital management actions may include, but are not limited to, paying dividends to our shareholders, share repurchases and capital reduction.

Generic solvency requirements, capital available to cover regulatory capital requirements

The operations of the AIG API Group are subject to regulatory requirements within the jurisdictions in which it operates. As each entity under the AIG API Group has its own unique regulatory capital regimes, the capital management function seeks to manage capital efficiently whilst meeting regulatory requirements in all countries.

In Singapore, the Monetary Authority of Singapore directs that the minimum capital adequacy requirement of the Company shall be such that the financial resources of the Company are not less than a percentage of the total risk requirements or $5 million. The Company has met this requirement at all times during the year.

Regulatory capital of the Company is as follows:

At 31 December	Company	
$ '000	2021	2020
Risk requirement	69,285	59,401
Financial resources	256,083	249,239
Capital adequacy ratio	**370%**	**420%**

Financial Instruments

Investment objectives

The primary investment objective of the Company is preservation of capital and provision of liquidity to meet policyholders' liabilities. A secondary objective is the generation of income to the benefit of shareholders.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in fixed income debts securities, although the AIG API Group also invests in cash and cash equivalents, and equities.

Policies and Processes

Investments of the Company will at all times be in compliance with legal, regulatory and prudent investment standards.

The Company has established an Investment Policy that meets regulatory requirements and is approved by the Board. All investments undertaken by the Company are in accordance with the guidelines set out in the Investment Policy.

The Board has delegated to the IC the authority to oversee the Company's investment activities. The principal role of the IC is to ensure that such investment activities are carried out in accordance with the Investment Policy as approved by the Board. It is also responsible for introducing and monitoring strategic initiatives relating to investments of the Company. The IC is authorised to acquire and dispose of investments directly or delegate this or any of its other authorities either in whole or in part.

The primary focus of the investment process is risk management. The dimensions of risk include asset allocation, asset/liability matching, currency exposure, credit quality, interest rate duration, spread duration, credit risk, liquidity, and diversification.

The Certifying Actuary is a member of the IC, and is consulted on all aspects of the Investment Policy and investment activities of the Company.

The IC reviews, at least annually, the adequacy and relevance of the Company's portfolio and Investment Policy then in force, and approves them or makes recommendation for their amendment.

The IC reports, 4 times a year, to the Board. All decisions of material consequence made by the IC are reported to the Board no later than three months since the making of such decision. A decision of material consequence includes a decision affecting >5% of the invested assets of the Company. The IC will also prepare reports for the Board as soon as, but no later than two weeks after, any investment-related activity of material consequence arises.

The IC establishes procedural standards for any investment manager managing the Company's investments on its behalf. Such controls include process controls, oversight, and segregation of duties. The IC, through regular audits, ensures that any prescribed standards are adhered to by investment managers appointed by the Company.

Information on returns on investment assets and components of such returns

AIG generally receives premiums and deposits well in advance of paying covered claims or benefits. In the intervening periods, we invest these premiums and deposits to generate net investment income that is available to pay claims or benefits. As a result, we generate significant revenues from insurance investment activities.

AIG's worldwide insurance investment policy places primary emphasis on investments in fixed income debt securities of corporations, municipal bonds and government issuances in all of its portfolios, and, to a lesser extent, investments in high-yield bonds, common stock, real estate, hedge funds and other alternative investments.

The majority of assets backing our insurance liabilities consist of short and intermediate duration fixed income debt securities.

Investment strategies are based on considerations that include the local market, general market conditions, liability duration and cash flow characteristics, rating agency and regulatory capital considerations, legal investment limitations, tax optimization and diversification.

Our fixed income debt securities must meet our liquidity, duration and quality objectives as well as current capital, risk return and business objectives. Fixed income debt securities held by AIG international operations consist primarily of intermediate duration high-grade securities, primarily in the markets being served. In addition, AIG has redeployed cash in excess of operating needs and short-term investments into longer-term, higher-yielding securities.

Additional Information

Additional information on the Company and the AIG API Group can be found in the following:-

- Company's Annual Report for the financial year ended 31 December 2021, available publicly from ACRA at this hyperlink:
  www.bizfile.gov.sg
  Alternatively, contact us at Sharon-LS.Ong@aig.com (Finance Department) for a copy.

- Company's MAS Returns, available publicly from MAS and found at this hyperlink:
  http://www.mas.gov.sg/Statistics/Insurance-Statistics/Insurance-Company-Returns/I870G.aspx