

8. Capital Adequacy Ratio : CAR

It is our policy to maintain all key ratios at not less than the minimum legal requirements and comparable with international standards. Any ratio deemed crucial to our position and stability will be maintained at a high level, including the capital adequacy ratio as required by law.

The Office of Insurance Commission (OIC) has implemented Risk Based Capital (RBC) regulations to ensure that the insurance company has sufficient capital to cover risks arising from the business which varied by character, size and complexity of the company. The adequacy of capital measured by the Capital Adequacy Ratio (CAR), calculated as below;

$$\text{Capital Adequacy ratio: CAR} = \frac{\text{Total Capital Available: TCA}}{\text{Total Capital Required: TCR}}$$

- Total Capital Available: TCA represents the fair value adjusted of shareholders' equity corresponding to the OIC's requirements.
- Total Capital Required : TCR represents the amount of capital required in order to cover risks arising from business activities, consisting of 5 key risks;
 - 1) Insurance Risk
 - 2) Market Risk
 - 3) Credit Risk
 - 4) Concentration Risk
 - 5) Surrender Risk

The OIC required the insurance company to maintain CAR not lower than 140%. The Company has policy to maintain CAR above 300% to take competitive advantage from reinsurance credit risk charge as RBC model required the insurance company to hold the capital to cover reinsurance credit risk. Considering to this requirement, if the insurance company make outward reinsurance with the domestic reinsurer that has CAR above 300%, the insurance company will be allowed to hold the capital at the lowest level of risk charge 1.6%, equal to making outward reinsurance with the AAA rated off-shore reinsurer.

Reinsurance credit risk charge

Risk Grade	Counter party					Risk Charge (%)
	Domestic (CAR) (%)	Off-Shore (Credit Rating)				
		S&P	Moody's	Fitch	A.M. Best	
1	≥300	AAA	Aaa	AAA	A++	1.6
2	≥200 and >300	AA+ AA AA-	Aa1 Aa2 Aa3	AA+ AA AA-	A+	2.8
3	≥150 and <200	A+ A A-	A1 A2 A3	A+ A A-	A A-	4
4	<150	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	B++ B+	8
5		BB+ or Below	Ba1 or Below	BB+ or Below	B or Below	12

Unit : Million

Items	Value as 31 December	
	Y 2018	Y 2017
Total Assets	2,253.07	2,317.87
Total liabilities	1,004.70	968.01
- Reinsurance contract liabilities	769.13	692.83
- Other liabilities	235.57	275.18
Shareholders' equity	1,248.37	1,349.86
Capital Adequacy Ratio : CAR (Percent)	391.20	484.53
Total Capital Available : TCA	1,237.48	1,323.16
Total Capital Required : TCR	316.33	273.08