A.M. Best Asia-Pacific (Singapore) Pte. Ltd. (AMBAPS) is established in Singapore and is a holder of a Capital Markets Services Licence to provide Credit Rating Services. Licensing was completed in accordance with the Securities and Futures Act (Chapter 289) and is supervised by the Monetary Authority of Singapore.

This report is published in accordance with the requirements of Section D of the Code of Conduct for Credit Rating Agencies (“the MAS Code”) which was published by the Monetary Authority of Singapore (MAS).
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1. Introduction

The AM Best Group ("the Group") has been producing credit ratings and opinions on the insurance market for over 100 years. In recent years, the Group has expanded its geographical coverage from its principal market in the United States to cover the Americas, Europe, Middle East, Africa, Russia, India and the Asia-Pacific region. As at 30th September 2015, the Group had credit rating operations based in Oldwick (New Jersey), London, Hong Kong, Singapore and Mexico City.

The Group is renowned for its experience and knowledge of the insurance sector and currently provides ratings to circa 3,500 entities across the sector.

The credit ratings issued by the Group are independent opinions regarding the creditworthiness of an obligor, issuer or a debt obligation; the ratings are based on a quantitative and qualitative evaluation of a company’s balance sheet strength, operating performance and business profile, or, where appropriate, the specific nature and details of a debt security. In common with most other rating agencies, A.M. Best operates on an issuer pays model which allows the public to gain free access to the published rating opinions.

The credit rating opinions are forward-looking opinions, rather than a backwards verification of the facts. Best’s credit ratings are assigned using a number of simple, straight-forward scales, with each scale representing a rank ordering of our opinion of the creditworthiness of an insurer, issuer or financial obligator. For example, insurers that are assigned higher credit ratings are deemed to be less likely, in our opinion, to become financially impaired than insurers that are assigned lower credit ratings. While ratings reflect our opinions of relative creditworthiness at the time they are assigned, they are not indicators or predictors of defined impairment or default probabilities with respect to any specific insurer, issuer or financial obligation. The ratings themselves are opinions of relative credit risk. Therefore, users of ratings should consider the rating assigned to an entity alongside other information in order to reach an informed opinion.

AMBAPS assigns three types of ratings:

- Financial Strength Ratings (FSRs) – These are an independent opinion of an insurer’s financial strength and ability to meet its ongoing insurance obligations. This type of rating is assigned to insurance companies.

- Issuer Credit Ratings – These are an independent opinion of the ability of an issuer or entity to meet its ongoing financial obligations. This rating is assigned to the insurance companies and their related holding companies as well as other legal entities authorised to issue financial obligations.

- Issue Ratings – These are an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation. This rating is assigned to various forms of debt, preferred stock, commercial paper, or other structured finance products issued by entities rated by the Group.

The current version of Understanding Best’s Credit Ratings (“UBCR”) which includes the definitions of the above types of ratings can be found in Section VIII within the attached link: http://www.ambest.com/ratings/ubcr.pdf

Our credit ratings are not a warranty, nor are they a recommendation to buy, sell, hold or trade any securities or insurance related products. They do not address the
suitability of any particular financial obligation for specific purposes or for potential purchasers.
2. Code of Conduct

AMBAPS adheres to a Code of Conduct which seeks to implement the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies. The Code is regularly reviewed to take account of changes in relevant legislation and indeed, as at the date of this report, A.M. Best is currently considering revision to the Code of Conduct further to the update to the IOSCO Code of Conduct which was published in 2015.

The current version of the Code of Conduct applicable to AMBAPS can be found via the attached link:


The Code of Conduct is viewed as the high level standards and principles against which the company operates. The Group also has a range of other policies and procedures which provide detailed interpretations of the laws, rules and regulations which govern the ways in which the business operates.

A summary of the policies and procedures used to determine credit ratings can be found at exhibit 2 within the attached link:


The above document provides an overview of the critical quality control role played by Rating Committees and outlines the high level processes for reviewing methodologies and maintaining ongoing surveillance of published ratings.

More detailed information on rating methodology/criteria for the types of ratings issued by the Group is available on our web site at:

http://www.ambest.com/ratings/methodology.asp

Employees are provided with training and testing on compliance and ratings policies including the management of conflicts of interest. All policies are made available to employees through the Group’s intranet pages and training is provided regarding new or amended requirements.
3. Legal Structure and Ownership

3.1 Legal Structure
A.M. Best Asia-Pacific (Singapore) Pte. Ltd. (AMBAPS) is incorporated in Singapore and is a holder of a Capital Markets Services Licence to provide Credit Rating Services. Licensing was completed in accordance with the Securities and Futures Act (Chapter 289) and is supervised by the Monetary Authority of Singapore.

<table>
<thead>
<tr>
<th>Class of Shares:</th>
<th>Ordinary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency:</td>
<td>Singapore Dollars (S$)</td>
</tr>
<tr>
<td>Amount of issued Share Capital:</td>
<td>800,000</td>
</tr>
<tr>
<td>Amount of Paid-Up Share Capital:</td>
<td>800,000</td>
</tr>
</tbody>
</table>

3.2 Ownership
As at 30th September 2015, AMBAPS is a wholly owned subsidiary of A.M. Best Asia-Pacific Limited (AMBAP), a company incorporated in Hong Kong and regulated by the Hong Kong Securities and Futures Commission. AMBAP is, in turn, a subsidiary of A.M. Best Company, Inc. which is a privately owned company incorporated in New Jersey, United States of America, registered with the U.S. Securities and Exchange Commission.

<table>
<thead>
<tr>
<th>Name &amp; Address of Shareholder</th>
<th>Percentage Shareholding</th>
<th>No. and class of shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.M. Best Asia-Pacific Ltd (AMBAP)</td>
<td>100%</td>
<td>800,000</td>
</tr>
<tr>
<td>Unit 4004 Central plaza</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Harbour Road</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wanchai</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.3 Board of Directors
The AMBAPS Board consists solely of Executive Directors and is chaired by an Executive Board Director of A.M. Best Company, Inc.

As at 20th October 2015, the Directors are:

- Mr Larry Mayewski (Chairman)
- Dr Roger Sellek (CEO)
- Mr Moungmo Lee

The Board of Directors currently meets on an approximately quarterly basis, although ad hoc meetings are scheduled as required.
4. Financial Information on Revenue and Compensation Disclosures

As of 30th September 2015, AMBAPS has not received any revenue from credit rating activity. AMBAPS is solely concerned with producing credit ratings with all revenue being generated and accounted for by its immediate parent (AMBAP).

In accordance with paragraphs 6.3 to 6.5 of the MAS Code, a CRA should publicly disclose the general nature of its compensation arrangements with rated entities, including annual revenue from a single issuer and its affiliates that constitutes more than 5% of its annual income.

A.M. Best Company, Inc. and its group companies (collectively “A.M. Best”) operates using the “issuer pays” model which means that it receives credit rating service fees from the organisations / issuers that it rates and, in certain instances, receives such fees from organisations / issuers that do not result in the issuance of a publicly disclosed A.M. Best credit rating. A.M. Best may offer non-rating related services or products to rated entities and receive compensation from them. The wider Group does provide a range of insurance products and reports to the insurance sector. However, these revenue streams do not form part of the accounting figures for AMBAPS.

As stated above, AMBAPS does not generate any revenue in its own right and so there are no instances where revenue from a single issuer or its affiliates constitutes more than 5% of AMBAPS’ annual income. Within AMBAPS’ parent company (AMBAP) no single issuer or its affiliates accounted for more than 5% of income in 2014.
5. Internal Control Mechanisms Ensuring Quality of Credit Rating Activities

The Group strives to ensure that credit ratings are free from conflicts of interest, are consistent and are not subject to geographical variations. AMBAPS is a separate legal entity based in Singapore and subject to credit rating agency legislation and regulation in that jurisdiction. However, as part of the Group, it shares common methodologies and processes.

At a high level, AMBAPS’ internal control mechanisms ensure the quality of its credit rating activities and can be grouped into six broad headings:

- Ownership and Management Structure
- Code of Conduct and Policies and Procedures
- The Credit Rating Process
- The Management of Conflicts of Interest
- Performance of Credit Ratings
- Internal Control Functions and Frameworks

5.1 Ownership and Management Structure

The Directors of AMBAPS have a combination of extensive experience in the insurance industry supplemented with credit rating specific experience gained within the Group. Moreover, as a privately owned company, the Group is free from potential conflicts of interest and influence from external shareholders.

5.2 Code of Conduct and Policies and Procedures

Please also see Section 2 of this report.

The Group has implemented and maintains its policies, procedures and guidelines on a global basis to reflect the global nature of the credit rating business. The Group believes that the users of credit ratings are best served when there is a single recognisable standard that provides direct comparisons which have a single interpretation and meaning that are not subject to national or regional variations.

All of the policies, procedures and guidelines are designed to be consistent with the Code of Conduct that takes into account applicable credit rating agency regulations.

Policies and procedures are created through a systematic process which involves several key stages; the interested parties to the proposed policies and procedures contribute their specific technical expertise to the drafting process to ensure that the key elements of the policies and/or procedures have been included.

It is the responsibility of the Corporate Rating Policy Committee (CRPC) to manage the drafting of the policies and procedures, and to publish the resultant drafts within the Group to allow employees the opportunity to comment.

The key stages for the implementation of a new policy or procedure may be summarised as follows:

- Analysis of the regulatory requirements or business needs for the policy or procedure;
- Gathering of technical expertise and key elements to be contained in the policy or procedure;
- Drafting of the policy by the CRPC;
• Discussion of the drafting with the Risk Assessment Committee (RAC), as appropriate;
• Presentation of policy or procedure to rating division management;
• General release of draft for further comment by employees; and
• Publication of the policy or procedure.

All policies and procedures are subject to regular review. This review process is managed by the CRPC. The CRPC reports on its activities and findings to the Executive Vice President, Global Rating Products and Services, and submits regular reports to the Directors of each of the individual legal entities within the Group.

5.3 The Credit Rating Process

The foundation of the interactive credit rating process is an ongoing dialogue with the rated company’s management, which is facilitated by the Group’s credit analysts. Each interactively rated entity is assigned to a lead analyst who is supervised by a team leader. The lead analyst is charged with managing the ongoing relationship with company management and performing the fundamental credit analysis prescribed in A.M. Best’s rating criteria. It is the lead analyst’s responsibility to monitor the financial and non-financial results and significant developments for each rated entity in his/her portfolio. A rating evaluation can be considered whenever A.M. Best becomes aware of a significant development, regardless of the annual review cycle.

This ongoing monitoring and dialogue with management occurs through formal annual rating meetings, as well as interim discussions on key trends and emerging issues as needed. Management meetings afford analysts the opportunity to review with the company factors that may affect its rating, including strategic goals, financial objectives and management practices. It is during these interactive meetings that a company typically will share information that may be extremely sensitive or proprietary in nature.

The dialogue with management continues throughout the rating process which is described in more detail below.

1. **Compile Information.** The rating assessment begins with the compilation of detailed public and proprietary financial information, including annual and quarterly financial statements, regulatory filings, certified actuarial and loss-reserve reports, investment detail and guidelines, reinsurance transactions, annual business plans and Best’s Supplemental Rating Questionnaire. The primary credit analyst uses this information to develop a tailored agenda for the annual rating meeting. The annual meeting is a key source of quantitative and qualitative information.

2. **Perform Analysis.** The Group’s analytical process incorporates a host of quantitative and qualitative measures that evaluate various sources of risk to an organisation’s financial health, including underwriting, credit, interest rate, country and market risks, as well as economic and regulatory factors. The analysis includes comparisons with peers, industry standards and proprietary benchmarks, as well as assessments of operating plans, philosophy, management, risk appetite, and the implicit or explicit support of a parent or affiliate.

3. **Determine Best’s Rating.** An initial rating recommendation is developed based on the analytical process outlined above. Each rating recommendation is reviewed and modified, as appropriate through a rigorous committee process that involves analysts and senior rating officers who possess relevant expertise. This committee approach ensures consistency of
ratings across different business segments and maintains the integrity of the rating process and methodology. The final rating outcome is determined by one or more rating committees after a detailed discussion of the pertinent rating issues and financial data.

Before public dissemination, the rating outcome is communicated to the company to which it is being assigned. If the company disagrees with the rating and believes that the information on which it was based was incomplete or misunderstood, then the rating can be appealed. If material new information is forthcoming in a timely manner, then the rating committee may reconsider the rating.

4. Disseminate Best’s Rating. Best’s Credit Ratings are disseminated as soon as practicable once the rating process is finalised. The ratings are made available to the public via the Group’s website and through a number of different data providers and news vendors.

5. Monitor Best’s Rating. Once an interactive credit rating is published, A.M. Best monitors and updates the rating by regularly analysing the company’s creditworthiness. Analysts continually monitor current developments (e.g., financial statements, public documents, news events) to evaluate the potential impact on a company’s rating. Significant developments can result in an interim rating evaluation, as well as modification of the rating or outlook. The primary analyst typically will initiate an evaluation of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action.

5.4 The Management of Conflicts of Interest

AMBAPS has initiated a number of processes to manage potential conflicts of interest. These include:

- The adoption of the Code of Conduct based on the IOSCO principles. The code is regularly updated to keep it current and address evolving risks.
- The adoption of policies and procedures which address and manage conflicts of interest. Every quarter, employees affirm that they are aware of the details contained within the Code of Conduct and that they follow the policies and procedures, particularly with respect to gifts and entertainment, securities trading and ownership and other situations that could cause a real or potential conflict of interest.
- The business model operated by A.M. Best separates the commercial aspects of providing a rating from the analytical process. The Code of Conduct expressly prohibits analytical employees from any knowledge of the commercial terms between the company and a rated entity.
- The rating process ensures that any potential conflicts of interest are declared at the outset of the ratings determination and analysts declare whether or not they have any potential conflicts of interest before joining any rating committee.
- The rating decision reached is that of a committee rather than the judgment of any single individual.
- When an analyst leaves the employ of the Group to work for a rated entity a look-back review is conducted to make sure that the analyst did not exert any undue influence on the decision of the rating committee of that entity.
- The compensation for analysts does not contain any element for the retention or acquisition of business.
The Compliance Officer actively monitors the potential and actual conflicts of interest that may occur within the business and reports any findings to the AMBAPS’ Board.

5.5 Performance of Credit Ratings

The Group provides annual performance measurement statistics associated with Financial Strength Ratings, Issuer Credit Ratings, and Debt Ratings. The impairment database upon which the performance measurement statistics are based covers ratings associated with individual US and non-US operating insurance companies with public and private FSRs. Consequently, AMBAPS believes the results are applicable to its rated population given the consistent global application of rating criteria. The applicable periods for the performance statistics are the most recent 1-year, 3-year and 10-year periods all ending on 31st December in the prior calendar year.

Performance measurement statistics are updated annually at the end of the first quarter and these are made available on the Group’s website. These performance measurement statistics display the following ratings transition data for the various rating types:

a) 1-year ratings transition matrix and 1-year impairment/default rate for each rating level;

b) 3-year ratings transition matrix and 3-year impairment/default rate for each rating level; and

c) 10-year ratings transition matrix and 10-year impairment/default rate for each rating level.

The most recently available performance measurement statistics can be found at:


For the purpose of tabulating impairment rates for insurers, the Group designates an insurer as a Financially Impaired Company (FIC) upon the first official regulatory action taken by an insurance department or regulatory organisation, whereby the insurer’s:

- Ability to conduct normal insurance operations is adversely affected; and/or
- Capital and surplus have been deemed inadequate to meet legal requirements; and/or
- General financial condition has triggered regulatory concern.

The definition of financial impairment is different from that of issuer default that is generally used in the credit markets. (Issuer default is generally defined as having occurred when an issuer misses interest or principal payments on its obligations; restructures its debt in a way that is deleterious to investors; or files for bankruptcy.) Financial impairment of insurance companies, by contrast, often occurs even if an insurance company has not formally been declared insolvent. For instance, a FIC’s capital and surplus could have been deemed inadequate to meet risk-based capital requirements, or there might have been regulatory concerns regarding its general financial condition. Thus more insurers would be impaired, according to the above definition, than actually would default in full (or in part) on policyholder obligations.
5.6 Internal Control Functions and Frameworks

Cross Jurisdictional Management Support Functions

In the interests of consistency the Group looks to utilise centralised functions wherever it is most appropriate to do so. The function responsible for the production of methodologies and models is centralised in the Group’s Head Office in Oldwick, New Jersey.

Credit Rating Policy Committee

The Credit Rating Policy Committee (CRPC) is the global function which is responsible for overseeing the establishment, maintenance and appropriateness of the Group’s global credit rating criteria, models and methodologies as well as all A.M. Best’s credit rating policies and procedures. The CRPC serves as the Group’s independent internal review function globally. The committee is independent of the business lines that are responsible for the determination of credit ratings; however, members of the CRPC possess appropriate expertise in the credit rating process (and/or related disciplines) as to be able to provide sufficient knowledge to execute the duties of the committee.

Whilst the Group operates in multiple jurisdictions and regulatory regimes, our basic approach in developing credit rating criteria and policy is to establish, where possible, global methods, tools and business rules that can be consistently applied to the global organisations rated by the Group. Group senior management strongly believes that a consistent global approach is paramount to the integrity of the credit rating process, and is consistent with the underlying regulatory principles of transparency and objectivity.

The CRPC is responsible for ensuring that credit rating criteria and policy are developed, elaborated and reviewed so that they take into account all information available and relevant to its analysis, and are updated as necessary and reviewed regularly by employees who possess the relevant industry knowledge, quantitative and qualitative skills, and experience. The regular reviews of criteria and policy consider a broad range of factors, including but not limited to:

- the presence of relevant new data that were not considered in the development of the existing criteria or policy;
- changes in any underlying assumptions (if any) built into the criteria or policy;
- the impact of any market events and macroeconomic trends; and
- insights and/or comments stemming from rating surveillance or monitoring of rated entities and/or financial instruments.

Whilst the CRPC is solely responsible for the approval of all credit rating criteria and policy, the CRPC meets regularly with members of senior rating division management to coordinate criteria and policy development, review, and implementation. This regular interaction allows for feedback from the analytical teams to be considered, where appropriate, throughout the process. Topics typically addressed include, but are not limited to:

- issues arising from the ongoing monitoring and surveillance of ratings that may impact the development and review of criteria and policy;
- assessing the impact on existing criteria and analytical processes of changes in regulatory requirements;
- findings and other feedback from the criteria and policy review process;
• assessing the likely scope of credit ratings affected by changes in criteria and methodology; and

• setting and monitoring priorities and resource requirements based on the various CRPC initiatives underway.

The Chair of the CRPC provides regular reports to the AMBAPS’ Board of Directors on the internal review activities, issues and findings and, on an annual basis, will prepare and present a global report to the Board of Directors of the subsidiary companies.

**Group Risk Assessment Committee (RAC)**

The Group has established a Risk Assessment Committee (RAC) to review continuously the risks faced by it as they relate to its activities as a CRA. The RAC is comprised of members representing the CRPC team, the Compliance function and senior management from the Ratings Division. The broad responsibilities of the RAC are to:

- identify and assess the regulatory, reputational, legal and business risks relative to the Group’s activities as a CRA;
- identify the owners of each risk;
- assess the adequacy of the controls, policies and procedures in place to mitigate the risks; and
- assess the adequacy of the controls in the light of evolving regulatory requirements.

Where deficiencies are noted and enhancements are required, the RAC will work with the owner of the risk to make sure the process is improved.

It is the responsibility of the Chair of the RAC to provide regular updates (including an annual report) to the Board of Directors of the subsidiary companies.

**Compliance**

Compliance is run as an integrated function across the Group. Globally the function is responsible for administering the Group’s policies and procedures.

A local Compliance Officer has been appointed for the Asia-Pacific region to provide additional assurance to the AMBAPS Board of Directors regarding compliance with relevant CRA and industry legislation through the provision of a professional advisory and risk based compliance service.

The Compliance Officer is independent of the business management and presents regular reports to the AMBAPS’ Board in order to apprise the Directors of the efficacy of compliance arrangements in accordance with the Annual Compliance Plan. This includes, but is not limited to, providing updates on:

- compliance monitoring activity;
- any identified compliance issues;
- any regulatory interactions in the reporting period;
- changes to the policies and procedures; and
- progress being made to deliver the Annual Compliance Plan.

The Group has a global whistle blowing policy in place and it is the responsibility of the Compliance Department to investigate any issues raised through this channel.
Compliance Internal Testing – Rating Division

The Group’s Compliance Internal Testing (Rating Division) function is designed to examine rating division analyst and manager compliance with the record keeping requirements established within the Group’s credit rating policies and procedures.

Annually, an Internal Test of Operational Compliance for the Rating Division is performed by the corporate compliance team located in the Group’s global headquarters in Oldwick, New Jersey. This testing encompasses rating activities from all offices including Singapore. The corporate annual testing is supplemented by interim examinations covering specific time periods or activities. In addition, the Asia-Pacific Compliance Officer conducts further tests on the activities for the Singapore and Hong Kong offices.

When completed, the Internal Test results are shared with senior management in a report together with recommendations. Management’s response and action plans to the test results and recommendations are recorded in the final report. Generally, compliance examinations encompass the following objectives:

- test various aspects of the rating review and assignment procedure to ensure accurate and consistent rating treatment;
- test the monitoring of published credit ratings and the public dissemination of such ratings;
- test the file maintenance, document storage, retention and handling of information procedure related to a company’s credit rating operations; and
- test and review aspects of the rating process which may result in a conflict of interest.
6. Record Keeping Policy

The Group has in place global record keeping policies which have been designed to ensure that the Group maintains adequate record keeping requirements which meet not only the Singapore regulations with respect to record keeping, but also the global regulatory standards that are applicable in all the jurisdictions where the Group provides credit rating services.

The Record Keeping Policy in respect of the Group’s credit rating activities can be viewed via the attached link:

http://www.ambest.com/nrsro/FormNRSRO_Ex3_CreditRatingDivisionRecordkeeping.pdf
7. Analyst Rotation

The Group’s procedure for Analyst Rotation was developed to be consistent with applicable regulations in the jurisdictions in which the Group operates. The Analyst Rotation Procedure applies where the scale of operations within the Group can support the rotation of analysts without having a detrimental effect on the quality of service and expertise provided to the rated entities. In the smaller subsidiary offices, including Hong Kong and Singapore, where there are a limited number of analysts and, in some instances, specific language requirements, such a rotation procedure is not applied; however, management does work toward the spirit and intentions of this rotation procedure. For example, while the rotation requirements of the Group’s procedures do not directly apply to AMBAPS owing to the size and scope of its operation, our rating committee structure and quorum requirements provide for a broad-based review and challenge of the credit rating recommendations of the primary analytical teams in AMBAPS.

END