3. Enterprise Risk Management: ERM and Asset Liability Management: ALM

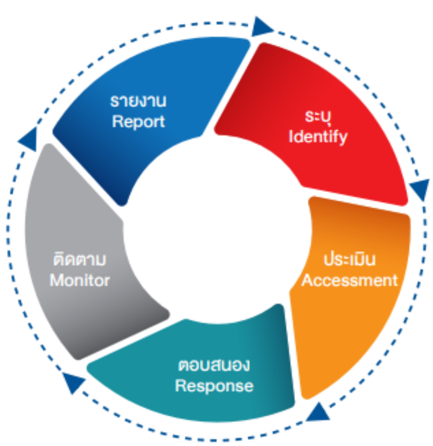
3.1 Enterprise Risk Management : ERM

In conducting business, the company has to face changes of both internal and external factors that may affect its business. Hence, the Company develops risk management framework to help accomplish its vision, mission, long-term and short-term goals as well as maintain its financial stability, reputation, image, competitive advantage and sustainability. This framework is developed from Insurance Core Principles (ICP) of the International Association of Insurance Supervisors (IAIS) and corresponds to risk management standards of OIC's

The Company determines Risk Appetite and applies in the formulation of strategy and operational policy as well as the establishment of enterprise risk management guidelines. The company risk appetites are;

1. The Capital Adequacy Ratio (CAR) must not lower than 300%
2. The chance of loss must lower than or equal 1 in 20 years
3. Operational risk level not lower than Middle-Low level

In the process of risk management, key risks that may affect capital fund, financial stability and reputation of the Company are identified, assessed and analyzed their interrelation. In addition, the Company also sets key risk indicators, appropriate thresholds and risk measures to manage these risks to be within acceptance level; and continuously monitor the effectiveness of these measures. The Company also focus on learning from actual loss experience and then revises both risk measures and key risk indicators to cope with changing environment. Moreover, the company regularly monitors key risks and reports the results of risk management to both Enterprise Risk Management Committee and Board of Directors every quarter.



Risk Management Process

3.2 Asset Liability Management : ALM

Currently, the Company operate its core reinsurance business only net amount at risk, resulting in the reinsurance were mainly from transferred Mortality and Morbidity, which are not related to the investment component. This would make the net cash flow of the reinsurance contract is not materiality effected by the change of interest rates which leads to the Assets and Liabilities Mismatch.