

**TOKIO MARINE INSURANCE
VIETNAM CO. LTD.**

**SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness**

No.:

Hanoi, March 2024

RISK MANAGEMENT REPORT 2023

(Abridged report from Risk management report submitted to Ministry of Finance)

Section 1: Risk Management Policy

1.1 Organization Structure in Risk Management

Three Lines of Defence

Tokio Marine Insurance Vietnam Company Limited (here in after referred to as “Company” or “TMIV”) risk governance is built around the “Three Line of Defense” model, in which:

First Line of Defence (1st LOD) – Business departments (or Risk Owners)

- + The First Line of Defence (1st LOD) – Business departments (or Risk Owners)
- + Key responsibilities of the Business departments and Business supporting functions include:
 - day-to-day risk taking within the parameters of the Risk Management Framework;
 - identifying, assessing, mitigating, monitoring and reporting of risks;
 - learning lessons when material control failures occur and making changes to prevent, detect or limit future recurrence (including sharing those lessons with the broader business);
 - implementing the risk management policies for each key risk relevant to Units and functions;
 - executing risk management remediation activities; and
 - developing and implementing controls that are capable of mitigating the company’s risk exposures.

Second Line of Defense

- + The Second Line of Defence Model (2nd LOD) – Risk Management, Compliance functions and other functions/departments having the function of controlling risks to the 1st LOD

- + The Risk Management and Compliance Function provides independent oversight, challenge and advisory support on the risk management activities in the business, and puts in place effective risk management mechanisms to mitigate risks.

Third Line of Defense

- + The Third Line of Defence Model (3rd LOD) – Internal Audit Department
- + IA shall be responsible for the independent review and assessment of the 1st and 2nd LODs and shall report directly to the Members’ Council.
- + The IA Department provides independent assurance that the business is effectively applying risk management policies and processes in line with expectation of Members’ Council and BoD.

Risk Governance Structure

TMIV has established a Risk Management and Compliance Committee, comprising members from the Board of Directors, the Head of Risk Management Department, the Head of Legal and Compliance Department, and the Heads of key operational departments (Underwriting, Marketing, Claims, etc.). The Risk Management and Compliance Committee convenes regularly once per quarter to review the company's risk issues, and to consider the quarterly reports provided by the Board of Director on the company's risk and compliance status.

The roles and responsibilities on risk management of the Members Council (“MC”), the Board of Directors (“BoD”), the Risk Management Department, and all relevant lines of defense are fully stipulated to comply with the provisions outlined in Section 2, Article 4 of Circular 70/2022/TT-BTC dated November 16, 2022, regarding risk management, internal control, and internal audit of insurance enterprises, reinsurance enterprises, branches of foreign non-life insurance enterprises, branches of foreign reinsurance enterprises, as reflected in Section 6, Part 1 of TMIV's Risk Management Policy (attached document).

Specifically, for the Risk Management Department, the responsibilities include:

- + Providing expert counsels in order for MC/BoD to issue internal rules and regulation on risk management;
- + Formulating and implementing risk assessment approach to help identify and evaluate potential risks in various levels and relevant controls;
- + Controlling risk profile and formulating strategic action plans to reduce, manage and mitigate material risks and then monitor the progress of effort;
- + Constructing the scenario for testing of the Company’s risk tolerance;
- + Promoting risk management competency throughout the company;
- + Establishing reporting protocols to regularly update information to General Director and Members’ Council

1.2 Internal policies, Rules and Regulations

TMIV has issued and implemented risk management policies and procedures, including:

- + **Risk management policy**
- + **Risk management guideline**
- + **Risk appetite**
- + **Risk tolerance/limit**
- + **Policy and plan for business continuity**
- + Furthermore, the Risk Management Policy also stipulates and monitors the issuance of documents by operational departments aimed at risk management in their business activities, including:

No.	Document Name	Document Owner
1	IT Security Policy	IT Department
2	Vendor (Outsourcing) Management Policy	Legal & Compliance Department
3	Business Continuity Management Policy	Risk Management Department
4	Compliance Manual	Legal & Compliance Department
5	Underwriting Guideline	UWRI Department
6	Investment Regulation	Accounting Department
7	Code of Conduct	Legal & Compliance Department
8	Incident Reporting & Management Policy	Legal & Compliance Department

- The Risk Management Department and the Legal and Compliance Department ensure compliance review and examination of the adherence and completeness of all business procedures, including all authorized documents issued from the Board of Directors level. This encompasses documents aimed at ensuring the implementation of internal control activities as per Circular 70/2022/TT-BTC dated November 16, 2022, on risk management, internal control, and internal audit of insurance enterprises, reinsurance enterprises, branches of foreign non-life insurance enterprises, branches of foreign reinsurance enterprises, specifically:

No.	Document Name	Document Owner
1	Pricing procedure	UWRI Department
2	Product development procedure	UWRI Department
3	Underwriting procedure	UWRI Department
4	Claim handling and claim settlement procedure	Claims Department
5	Reinsurance procedure	UWRI Department
6	Internal Control procedure	Risk Management Department

1.3 Changes in internal policies, rules and regulations on risk management, taste for risk defined in the reporting period, and reasons for such changes

Not applicable as this is the first reporting period.

1.4 Assessing the completeness of risk management activities of the Company, and resources required for business within its risk-taking capabilities

TMIV has established a comprehensive risk management framework and allocated sufficient resources to ensure the rigorous implementation and compliance with legal provisions regarding risk management, as manifested in the Insurance Business Law No. 08/2022/QH15 dated June 16, 2022, and Circular 70/2022/TT-BTC dated November 16, 2022, on risk management, internal control, and internal audit of insurance enterprises, reinsurance enterprises, branches of foreign non-life insurance enterprises, branches of foreign reinsurance enterprises.

Section 2: Material Risk Management

2.1. Insurance risk: Insurance risk of TMIV is assessed as Low.

Insurance risk of TMIV encompasses various facets, including underwriting risk, operational vulnerabilities, exposure to catastrophic events, reserving risk, etc. Currently, TMIV establishes various risk indicators to measure and monitor Insurance risks. The risk indicators are measured and reported on a quarterly basis, with reports submitted to both the Risk Management Compliance Committee and Members Council. For any breach of risk tolerance/limit, risk owners are required to propose a suitable mitigation plan.

2.2. Market risk: Market risk of TMIV is assessed as Very Low.

TMIV exercises prudent management for all investment activities. The Company issued Investment Guidelines to manage investment activities under strict risk appetite. All investment strategy, business plan was referred to TMIV's group company and get approval from Members Council and daily transactions are authorized by both of BOD and Chief accountant. The Company monitors investment results monthly with appointed Fund management company to ensure compliance to Investment guideline, investment plan and result.

2.3. Operational risk:

The Company identifies, assesses, and monitors various operational risks including but not limited to personnel, technology/cyber security, fraud, vendor/outsourcing risk, etc. For each risk, TMIV issued guidance policies/procedures with appropriate controls; and risk indicators/tolerances where appropriate

to be monitored and reported on quarterly basis to the Risk Management Compliance Committee and Members Council.

2.4. Counterparty risk: Counterparty (credit) risk at TMIV is assessed as Low

TMIV establishes reinsurance security criteria and ensures that they are updated and properly applied when arranging reinsurance. Every year, a list of accepted reinsurers – evaluated and approved by our group company with rigorous review – is issued and strictly followed by our underwriters.

2.5. Liquidity risk: Liquidity risk at TMIV is assessed as Very Low.

TMIV has low tolerance to liquidity risk, and maintains enough liquidity needed for claims payments and other capital needs.

Section 3: Results of Risk Tolerance Test

Under normal business conditions, TMIV has consistently upheld strong solvency. The provided table illustrates that over the past five years, the company's solvency margin has remained resilient and steady, consistently exceeding 500%, above the regulatory minimum solvency margin. The net profit has demonstrated a sustained upward trend.

3.1 Test Scenario

Based on the guidelines provided in Circular No. 70/2022/TT-BTC regarding risk management, internal control, and internal audit of insurance companies, reinsurance companies, branches of foreign non-life insurance companies, and branches of foreign reinsurance companies, TMIV conducted stress testing for period from 2023 - 2027 with the following scenarios:

- S0 – Base scenario: Normal business condition
- 02 stress scenarios based on assessment of the Company risk profile, including:
 - + S1 - Fire event: The scenario depicting adverse events causing substantial losses for the company relies on historical loss data. It specifically focuses on fire incidents, assuming that five major fire incidents occur annually for four consecutive years, leading to total losses.
 - + S2 – High loss ratio: The scenario concerning adverse trends associated with elevated loss ratios presupposes that all insurance product lines exhibit high levels of losses, drawing from the highest loss ratios recorded across product lines in the last five years (2019-2023).

3.2 Analysis of capabilities of maintaining ongoing business activities in case of any disadvantage that occurs.

- Based on the results of the solvency stress testing, in scenarios involving large fire events (S1) or increased loss ratios (S2), the company's Solvency Margin decreases but remains within the allowable range, exceeding the minimum Solvency Margin.

Scenario	Actual	Scenario S1				Scenario S2			
Year	2023	2024	2025	2026	2027	2024	2025	2026	2027
TMIV Solvency Margin/ minimum Solvency Margin ratio	524%	417%	372%	337%	306%	380%	336%	351%	319%

- With the Solvency Margin ratio of the company compared to the minimum Solvency Margin ratio being >300%, the company believes it can ensure solvency for the next 5 years (including 2023) in scenarios of risk occurrence as described above.

GENERAL DIRECTOR