

A.M. BEST ASIA-PACIFIC (SINGAPORE) PTE. LTD.

Annual Public Disclosure Report

April 2024

This report is published in accordance with the requirements of Section D of the Code of Conduct for Credit Rating Agencies (“the MAS CRA Code”) which was published by the Monetary Authority of Singapore (“MAS”). The report covers the 12 month period from 1 January 2023 to 31 December 2023.



AM BEST | CELEBRATING **125** YEARS

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1. Introduction

AM Best has been producing credit ratings and opinions on the insurance market for over 100 years. AM Best is renowned for its experience and knowledge of the insurance sector and currently provides ratings to circa 3,500 entities in that market.

AM Best remains a privately owned company and as at the date of this report has credit rating operations based in Oldwick (New Jersey), London, Amsterdam, Hong Kong, Singapore and Mexico City.

As at the date of this report, AM Best has regulatory registrations in:

- The USA (A.M. Best Rating Services, Inc. – “AMBRs”)
- Brazil (AMBRs, A.M. Best América Latina, S.A. de C.V. – “AMBAL”)
- Guatemala (AMBAL)
- The European Union (A.M. Best (EU) Rating Services B.V. – “AMB-EU”)
- The United Kingdom (A.M. Best Europe – Rating Services Limited – “AMBERS”)
- Dubai International Financial Centre (AMBERS)
- Switzerland (AMBRs)
- Hong Kong (A.M. Best Asia-Pacific Limited – “AMBAP”)
- New Zealand (AMBAPS)
- Australia (AMBAPS)
- Singapore (A.M. Best Asia-Pacific (Singapore) Pte. Ltd – “AMBAPS”)
- Mexico (AMBAL)
- Kenya (AMBERS)
- Panama (AMBAL)

The credit ratings issued by AM Best are independent and objective opinions regarding the relative creditworthiness of an insurer, issuer or a financial obligation; the opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. In common with most other rating agencies, AM 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. AM 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 relative creditworthiness of an insurer, issuer or financial obligation. 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 currently 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 policy and contract obligations. This type of rating is assigned to insurance companies.
- **Issuer Credit Ratings (“ICRs”)** – These are an independent opinion of the ability of an issuer or entity to meet its ongoing financial obligations and can be issued on either a long or short-term basis. This rating is assigned to the insurance companies and their related holding companies as well as other legal entities authorised to issue financial obligations.
- **National Scale Ratings (“NSRs”)** – These are a relative measure of creditworthiness in a specific local jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart. This type of rating is assigned to insurance companies,

insurance operating holding companies and holding companies, as well as special purpose entities established for the issuance or other financial purpose. AMBAPS began offering NSRs in 2023.

AM Best's 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.

Ancillary Product

AM Best has an ancillary product called Performance Assessment (PA) for Delegated Underwriting Authority Enterprises (DUAEs). A DUAЕ is a third-party entity that is appointed by a (re)insurer, through contractual agreements, to perform underwriting, claims handling, and/or administrative functions on behalf of their carrier partners. DUAЕ is a blanket term used to capture Managing General Agents (MGAs), managing general underwriters, cover holders, program administrators, program underwriters, underwriting agencies, direct authorisations and appointed representatives. The PA is a forward-looking, independent, and objective non-credit opinion indicative of a DUAЕ's ability to perform services on behalf of insurance partners. Key components are assessed and assigned points based on the entity's performance, serviceability, and alignment of interests in relation to its business partners.

2. Code of Conduct

The MAS first published the MAS CRA Code in January 2012 and last updated it in October 2018. The MAS CRA Code is based on the International Organisation of Securities Commissions' Code of Conduct Fundamentals for Credit Rating Agencies ("IOSCO CRA Code").

The Group maintains a single group-wide Code of Conduct ("the AMBRS Code of Conduct"), which encompasses the provisions of the IOSCO CRA Code. The AMBRS Code of Conduct sets forth fundamental business practices that should be followed by the Group and its employees globally. The AMBRS Code of Conduct is publicly disclosed on the Group's website:

[AMBRS Code of Conduct](#)

The AMBRS Code of Conduct should be read in conjunction with its global policies and procedures which, when taken together, implement the requirements of the MAS CRA Code.

The AMBRS Code of Conduct is viewed as the high-level standards and principles against which AMBAPS operates. AM Best 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 in the attached link:

[Form NRSRO – Exhibit 2](#)

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.

The rating process is regulated by the CRPC Policy Framework, which consists of a set of Global Policies and Procedures that seek to ensure that the process is rigorous, properly documented, systematically and consistently applied, and subject to regular review and validation.

More detailed information on rating methodology / criteria for the types of ratings issued by AM Best is available on our website at:

[AM Best Rating Methodologies](#)

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 AM Best's intranet pages and training is provided regarding new or amended requirements.

3. Legal Structure, Ownership and Board of Directors

3.1 Legal Structure

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 2001 and it is supervised by the MAS. As at 31 December 2023, AMBAPS has the following amount of share capital:

Class of Shares:	Ordinary
Currency:	Singapore Dollars (S\$)
Amount of issued Share Capital:	9,820,900
Amount of Paid-Up Share Capital:	9,820,900

3.2 Ownership

AMBAPS is a wholly owned subsidiary of AMBRS, a company incorporated in Delaware, USA and with its Head Office in New Jersey, USA. AMBRS is registered with the USA Securities and Exchange Commission. AMBRS is a wholly owned subsidiary of AMB, which is a privately owned company incorporated in New Jersey, USA.

Name & Address of Shareholder	Percentage of Shareholding	No. and class of shares hold
A.M. Best Rating Services, Inc. 1 Ambest Road / P.O. Box 700 Oldwick, New Jersey 08858-0700 United States	100%	9,820,900

3.3 Board of Directors

The AMBAPS Board consists solely of Executive Directors and is chaired by an Executive Board Director of AMBRS. The membership of the Board also includes the co-CEOs of AMBAPS.

As at 31 December 2023, the Directors are:

- Mr Matthew Craig Mosher (Chairman);
- Mr James Aloysius Gillard JR (Executive Director and co-CEO);
- Mr Robert Alan Curtis (Executive Director and co-CEO);
- Ms Suzanne Elisabeth Pool (Executive Director);
- Ms Andrea Elizabeth Keenan (Executive Director); and
- Mr Jasjot Singh Kohli (Executive Director).

The Board of Directors currently meets approximately semi-annually, although ad hoc meetings are scheduled as required.

4. Financial Information on Revenue and Compensation Disclosures

AM Best's credit rating businesses (including AMBAPS) operate 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 AM Best credit rating. AM Best may offer non-rating related services or products to rated entities and receive compensation from them. There are other entities in the Group which provide a range of insurance-information products and reports to the insurance sector. However, these revenue streams do not form part of the accounting figures for AMBAPS in 2023¹.

In accordance with paragraphs 6.3 to 6.5 of the MAS CRA Code, a credit rating agency 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. No single issuer or organisation's remuneration was over 5% of AMBAPS' total annual revenue for the year ended 31 December 2023.

¹ No ancillary income was derived from the PA for DUAE in 2023.

5. Internal Control Mechanisms Ensuring Quality of Credit Rating Activities

AM Best 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 AM Best, 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:

- 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 Management Structure

All of the Directors of AMBAPS have extensive experience in the insurance industry supplemented in most instances with credit rating specific experience gained within the AM Best Group.

5.2 Code of Conduct and Policies and Procedures

Please also see Section 2 of this report.

AM Best has implemented and maintains its policies, procedures and guidelines on a global basis to reflect the global nature of the credit rating business. AM Best 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 AMBRS Code of Conduct that takes into account applicable credit rating agency regulations.

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 AM Best's rating 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 AM 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. While ratings are generally updated on an annual basis, a rating review can take place any time AM Best becomes aware of a significant development that may have an impact on the rating.

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 factors that may affect the company's rating(s), including strategic goals, financial objectives and management practices.

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 details and guidelines, internal capital models, Own Risk and Solvency Assessment (ORSA) reports, annual business plans and Best's Supplemental Rating Questionnaire. The lead rating analyst uses this information to develop a tailored meeting agenda for the annual rating meeting. The annual meeting is a key source of quantitative and qualitative information.

2. Perform Analysis. AM Best'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 Credit Rating. An initial rating recommendation is developed and subsequently updated by a rating committee. 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 robust discussion of the pertinent rating issues and financial data.

Before public dissemination, the rating outcome as well as the principal grounds on which the rating is based 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 Credit Rating. AM 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 AM Best's website and through a number of different data providers and news vendors.

5. Monitor Best's Credit Rating. Once an interactive credit rating is published, AM 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 lead analyst will typically initiate an evaluation of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action.

AM Best adopts a hybrid working style, with a combination of virtual and in-person engagements. A Flexible Working Policy was introduced as a pilot for six months until the end of 2022. This was officially implemented in January 2023. All Policies and Procedures and analytical standards continued to be followed and there was no material interruption to AM Best's operations.

5.4 The Management of Conflicts of Interest

AMBAPS operates an "issuer pays" business model in respect of the fees collected in return for the provision of a credit rating. The other recognised business model is termed "investor pays" which is where the general investors or users of the ratings pay a subscription to access company ratings. It is AM Best's belief that whilst both methods have an inherent potential conflict of interest risk, the issuer pays model is the better method for making sure that the maximum exposure is given to any specific rating.

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

- The adoption of the AMBRS Code of Conduct based on the IOSCO principles. The AMBRS Code of Conduct 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 AMBRS 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 AM Best separates the commercial aspects of providing a rating from the analytical process. The AMBRS Code of Conduct expressly prohibits analytical employees from any knowledge of the commercial terms between AM Best and any rated entities.
- The working environment of AMBAPS' analytical staff is physically separated from that of all other employees.
- 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 AM Best 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

AM Best provides annual performance measurement statistics associated with FSRs, ICRs, and Issue Credit Ratings. The performance measurement statistics are based on public and private ratings associated with individual US and non-US operating insurance companies. 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 31 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 AM Best's website. These performance measurement statistics display the following ratings transition data for the various rating types:

- 1-year ratings transition matrix and 1-year impairment/default rate for each rating level;
- 3-year ratings transition matrix and 3-year impairment/default rate for each rating level; and
- 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:

[Form NRSRO – Exhibit 1](#)

AM Best, along with credit markets in general, deems a non-insurer issuer default 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.

For the purposes of presenting credit ratings performance measurement statistics consisting of credit rating transition and default rates "Form NRSRO: Exhibit 1 Rating Performance Measurement Statistics", AM Best classifies an entity as in default if the entity was assigned any of the following non-rating designation symbols: ("d"); ("e" or "E"); or ("f" or "F").

For the purpose of tabulating impairment rates for insurers, AM Best designates an insurer as a Financially Impaired Company ("FIC") upon the public placement of a company, via public court order or other international equivalent, into conservation, rehabilitation and/or insolvent liquidation. Supervisory actions undertaken by Insurance Department regulators without court order are not considered impairments for purposes of compiling Exhibit 1 statistics unless clear direction is given by the is given by the regulator to delay or limit policy or contract payments.

There are a number of regulatory oversight actions that may be taken with respect to troubled insurers in which court orders are not sought, such as required company action plans, various forms and levels of supervision, and licensure actions. Companies may be subject to these insurance department orders and actions on multiple occasions, particularly in certain jurisdictions, and while these regulatory actions suggest concern and impose constraints, they are not necessarily indicative of an insurer's ability to meet its ongoing policy and contract obligations.

Additionally, companies that enter voluntary dissolution and are not under financial duress at that time are not counted as financially impaired.

5.6 Internal Control Functions and Frameworks

Cross Jurisdictional Management Support Functions

In the interests of consistency, AM Best looks to utilise centralised functions wherever it is most appropriate to do so. The relatively small size of the operation in Singapore means the business is focused on delivering ratings. The function responsible for the production of methodologies and models is centralised in AM Best's Head Office in Oldwick, New Jersey.

Credit Rating Policy Committee ("CRPC")

The CRPC is the global function responsible for overseeing the establishment, maintenance, appropriateness and documentation of AM Best's global policy, procedures, methodology, criteria procedures and models. CRPC serves as AM Best's independent internal review function globally. The committee is independent of the business lines that are responsible for the determination of credit ratings, sales/marketing activities and compliance. Members of CRPC possess appropriate expertise in the credit rating process (and/or related disciplines) so as to be able to provide sufficient knowledge to execute their duties. Under the terms of reference of the CRPC, the credit rating criteria, models and methodologies are subject to a continuous assessment and review process. This ongoing global review provides the appropriate degree of rigour which is paramount to the integrity of the credit rating process and allows the models and methodologies to be used with a high degree of confidence. The models and methodologies used in the sector have been developed and refined over a long period of time, which gives the market confidence in the reliability of the overall rating process.

Methodology Advisory Committee ("MAC")

The MAC is the global forum which reviews and provides independent oversight of the establishment, maintenance and appropriateness of the Group's global credit rating methodology, procedures and models. The AMBRS Board of Directors is the approving authority for global credit rating methodology, procedures and models, and as such, takes into account comments from MAC. The Committee also provides independent oversight of the work of the CRPC.

Audit and Risk Committee ("ARC")

The ARC is a global oversight body that assists the AM Best Boards of Directors with the oversight of the Group's internal controls framework, which includes the Group's internal audit and risk management programs. The Committee ensures these programs are reasonable and effective for the identification and management of risk and the oversight of internal controls. While each Board of Directors retains ultimate responsibility for ensuring effective internal controls and the management of risk within that entity, the Committee provides advice and perspective to the Boards by adopting a holistic and group wide view of the firm and its material risks. Each local Board reserves the right to commission an independent review of internal controls, including Committee activities.

Compliance

The Compliance function is responsible for assessing the Group's compliance with the AMBRS Code of Conduct, and policies and procedures on a global basis. The Group's Compliance Officers are responsible for identifying potential and actual conflicts of interest, and assisting the Group in managing and, where possible, eliminating these conflicts.

The Chief Compliance Officer operates from the Group's Head Office in Oldwick, New Jersey, USA. Compliance for the Asia-Pacific region is handled by the AMBAPS Compliance Officer who is based in the Singapore office and is independent of business management and provides 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 conducted on a global and local basis where necessary.
- Any identified compliance issues;
- Any regulatory interactions in the reporting period;
- Changes to policies and procedures; and
- Progress being made to deliver the Annual Compliance Plan.

The Group has a global whistle-blowing mechanism in place and it is the responsibility of the Compliance Department to investigate any issues raised through this channel.

6. Recordkeeping Policy

The record keeping requirements for AMBAPS are governed by AM Best's globally applicable record keeping and retention policy. The purpose of having a centrally administered policy is to allow AM Best to present a single standard which is understood by all employees.

The policy classifies documents according to whether the documents themselves are central to the procedures and determinations of rating decisions, refer to the commercial relationships with our clients, or are documents that AM Best keeps to satisfy its legal and regulatory obligations.

Details of AM Best's Credit Rating Division record keeping policy and procedures can be found within the attached link:

[Form NRSRO – Exhibit 3](#)

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 local regulations require or where the scale of operations within AM Best and its subsidiaries 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, such as AMBAPS, where there are a smaller 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 lead analytical teams in AMBAPS.

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