Issuer: Singapore Reinsurance Corporation Limited

Security: Singapore Reinsurance Corporation Limited

Meeting details:
Date: 19 April 2018
Time: 12.00 noon
Venue: Taurus, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594

Company Description

Singapore Reinsurance Corporation Limited, together with its subsidiaries, operates as a general reinsurance company in Singapore, Malaysia, Greater China, and other Asian countries. It operates through Reinsurance and Non-Reinsurance segments. The company primarily writes property, liability, accident, and marine classes. It also publishes insurance reviews, insurance and reinsurance directories, as well as magazines. In addition, the company provides management and insurance consultancy services, including training for the shipping and insurance industry; and manages properties and other investments. The company was founded in 1973 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S49)

1. As seen in the page on Profile of Shareholders (page 148 of the annual report), Fairfax Financial Holdings Limited and its associated companies hold 27.76% of the total number of issued shares in the company as at 20 February 2018. The 19.06% interests that was held by First Capital Insurance Limited has been sold to Fairfax Asia Limited on 20 December 2017 due to the sale of First Capital Insurance Limited to Mitsui Sumitomo Insurance Company, Limited.

Mr Athappan remains the Chief Executive Officer of First Capital Insurance Limited and Chairman of Fairfax Asia Limited (page 11). Mr Athappan has more than 40 years of experience in insurance and finance, and was appointed to the board on 1 August 1988 and became chairman of the board on 1 January 2008.

(i) Can the board help shareholders understand if the change in the shareholder structure has resulted in any changes to the group's strategies, risk appetite and business priorities?

In the Chairman's Statement, under the section of "Looking Ahead" (page 3), the Chairman has warned that the global reinsurance capacity has remained high and that it "would be increasingly difficult to achieve meaningful premium growth and underwriting profitability". It stopped short of saying how the company will react and compete in face of the challenging environment.

(ii) Can the board elaborate further on the key priorities for the group to maintain and/or to increase the group's scale of underwriting and how it is able to do profitably?

(iii) What guidance has the board given to management to strike a balance between gaining new business and maintaining/increasing profitability?

2. In FY2016, the gross premium emanating from Singapore has fallen from 53.4% in FY2015, to 43.8% in FY2016 and to 36.0% in FY2017. In terms of classes of business, the group's exposure to accident and fire business has increased to 92.0% while the marine business now accounts for just 8.0% of gross premium.

(i) Can management explain how well equipped it is to price risks on a global/regional basis as the group underwrites more and more business from outside of Singapore?

(ii) How does the board/management decide on the overseas markets? What are the key strengths or the core competencies of the management/underwriting team that will allow the group to compete and be profitable in foreign markets? What differentiates the group from the incumbent reinsurers in these overseas markets?

(iii) For the benefit of shareholders, can the company further identify the key insurance risks/exposure on a geographical basis in the annual report so that shareholders can understand the group's risk profile better?

3. At the upcoming 45th Annual General Meeting of the company (to be held 19 April 2018), the company is seeking shareholders' approval of a new Share buy-back mandate to purchase or acquire up to 10% of the issued shares of the company.

In Note 14 (page 107 – Share capital: Capital management), the company has further disclosed the following:

> *Pursuant to the Share Buy-Back Mandate, the Group has the flexibility to undertake purchases or acquisitions of its issued shares, at any time and from time to time, subject to market conditions, during the period that the Share Buy-Back Mandate is in force. Buy and sell decisions are made on a specific transaction basis by the Board and the Group does not have a defined share buyback plan.*

(i) Can the board explain in greater detail how share buy-back decisions are made?

(ii) Should the board be considering a more formal mechanism for the share buy-back?

(iii) Given that the company is expecting further headwind in the core business, and that the company's shares have constantly traded at significant discount to its book value, would a more consistent share buy-back be more value accretive to shareholders?

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=Singapore%20Reinsurance%20Corporation%20Ltd

The company's response could be found here: -----