


Press Release - NOVEMBER 25, 2009

A.M. Best Affirms Ratings of First Capital Insurance Limited

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FOR IMMEDIATE RELEASE

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A.M. Best Co. has affirmed the financial strength rating of A (Excellent) and issuer credit rating of "a" of **First Capital Insurance Limited** (First Capital) (Singapore). The outlook for both ratings is stable.

The ratings reflect First Capital's excellent risk-adjusted capitalization and consistent operating profitability. The ratings also acknowledge management's underwriting capability and its ability to manage profitable growth.

First Capital's risk-adjusted capitalization remained solid in fiscal year 2008, as measured by both Best's Capital Adequacy Ratio (BCAR) and Singapore's local capital adequacy ratio (CAR). Nonetheless, the growth in asset and underwriting risk led to a reduction in First Capital's CAR in 2008. In anticipation of its consistent growth in surplus, A.M. Best expects First Capital's risk-adjusted capitalization in terms of BCAR to remain solid to support its moderate pace of premium expansion over the near term.

First Capital has generated profitable operating results over the past five years. In spite of its less favorable underwriting performance in 2008, the company achieved a net profit of SGD 27 million (USD 18.8 million) in 2008, a slight decline from SGD 32 million (USD 22.1 million) in 2007. The consistent operating profitability was mainly due to the growth in net commission income since 2006, which included a significant amount of profit commission income derived from the notable amount of reinsurance business ceded to its reinsurers. This partially reflects the essential quality and profitability of the underlying portfolio of business written by the company.

As a result of the adverse claims experience in its marine hull business, First Capital's combined ratio increased to 72.3% in 2008 from 48.5% in 2007. Claims from several piracy cases and windstorms primarily contributed to the deterioration in the marine hull business. Prospectively, the underwriting margin will be subject to the loss experience of the marine hull business and the quality of the new motor portfolio. Nonetheless, First Capital's operating performance remained strong in fiscal year 2008, and its return on equity was 17.0%.

An offsetting factor is the potential earnings volatility in relation to a higher level of equity exposure. Although First Capital reduced its exposure to unlisted equities, it increased its equity investment in 2008 to SGD 104 million (USD 72.0 million) from SGD 19 million (USD 13.2 million) in 2007.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [Best's Ratings & Analysis](#).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [Best's Credit Rating Methodology](#).

Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers.

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