

## Risk Categorization Groups and Definitions:

Risk Category	Risk Description
<b>Insurance Risk</b>	Risk of inadequate premium pricing, unsound underwriting, loss from natural catastrophe and man-made catastrophe, fluctuations in the frequency and severity of claims and effectiveness of reinsurance strategy.
<b>Strategic Risk</b>	The risk associated with the ability of the company to successfully execute strategic plan or inappropriate strategy selection and capital management.
<b>Reserving Risk</b>	The risk of inappropriate claims handling practice or that balance sheet reserves may develop adversely due to inadequate reserving or unanticipated changes in inflation or unanticipated loss events arise.
<b>Market Risk</b>	The risk relates to the volatility of the difference between the market values of company's assets and liabilities and therefore affect company's actual surplus.
<b>Liquidity Risk</b>	The risk of lack of marketability of assets or investment that cannot be sold or bought quickly to meet obligations as and when they fall due.
<b>Credit and counterparty Risk</b>	The risk of losses due to unexpected default, or deterioration in the credit standing of investment and reinsurance counterparties.
<b>Operational Risk</b>	<p>The risk of loss due to inadequate or failure of internal processes, people or systems or from external events. Operational risk may arise from the failure of the following key areas:</p> <ul style="list-style-type: none"> <li>• Information technology and system</li> <li>• Human Resources</li> <li>• Legal</li> <li>• Compliance</li> <li>• Internal and external fraud</li> <li>• Business continuity</li> <li>• Customer Service</li> <li>• Management Information</li> </ul>
<b>Group Risk</b>	The risk the Company being part of the wider Liberty Mutual Group, including financial impact and loss of support from parent company.