

Chapter 4: Results and discussion

4.1 Contributions

My area of contribution includes Investment, Reinsurance and Risk Management departments for 5, 4, and 6 weeks respectively. The elaborative explanation is given below:

Investment department

I was involved in carrying out the valuation of the shares, where MTI has invested in, using four methods, i.e. Price to Earnings (P/E) comparison, Price to Book Value (P/BV) comparison, Dividend Discount Model (DDM) and Discounted Cash Flow (DCF) method. According to the MTI Investment team, the most accurate and also the widely used method is DCF method where expenses, tax and dividends given out are discounted and the fair value is calculated as per the growth rate and the discount rate.

I had to project the long term Cash Flow (CF) for Bhiraj Office (BOFFICE) Leasehold Real Estate Investment Trust (REIT) for the time duration between 2018 to 2044 spanning 27 years. For the Internal Rate of Return (IRR) calculation, 10% growth rate was considered on Net Profit (NP). Besides the income and expense, the CF projection also included loan repayment which I calculated using 2 methods: equal yearly payment and payment according to the cash available. However, I found that the equal yearly payment lead to high IRR of 5.2% as compared to 4.6% from another method. This was projected to support MTI's decision for investment purpose.

For the Securities Borrowing and Lending (SBL), I entered the data of the borrowers on the Hiport system which is MTI's database system used for storing all the data related to SBL. Then I rechecked the borrowers code as well as the securities being lend and the amount being received including collateral. Then the document is sent for verification to the department head.

For the risk and return optimization, I analyzed the Portfolio and Benchmark returns for all the MTI's invested instruments: Unit Trusts (Equity, Properties, Money Market, Others), Debentures, Government Bonds, Fixed Deposits, Common Shares and State Enterprise Bonds. Then I performed statistical calculations of Standard Deviation (SD) and Variance (VAR) for the yearly Portfolio returns for each instrument. These figures were used for the calculation of Covariance (COV), Mean, VAR and SD between each other. Lastly, the Solver function was used for the portfolio proportions to find out what will be beneficial for MTI in order to minimize the risk on the basis of variance and maximize the return on the basis of Sharpe ratio. The results showed that MTI should invest mostly on Government Bonds for risk minimization, and on Debentures for the return maximization.

Reinsurance department

I was given access to Standard & Poor's (S&P) global rating website in order to crosscheck and update security ratings of list of Reinsurers and Brokers that MTI deals with or has contracts with.

I was involved in tallying and summarizing figures for big loss in order to prepare Cash Call letters to send to the contracted Reinsurers. The big loss is determined as the excess loss as per the limits of each of the categories: Fire, Industrial All Risk (IAR), Marine, Engineering, Miscellaneous, Motor and Terrorism.

I summarized figures of Premium, Loss paid, Outstanding Loss and Claim amount for the preparation of Premium statement and Claim statement to finally prepare quarterly Statement

of Account (SoA) for the first quarter i.e. January to March. The claim amount was updated from PANDA system where MTI stores all data related to the agents and clients.

Risk Management department

My major involvement in the Risk Management department was in summarizing figures from the monthly Portfolio Valuation Summary Report for preparing Investment Management & Guidance (IMG) Limit Monitoring Report. My purpose of preparing this report was to monitor and track the investing activities carried out by the Investment department on the basis of various categories such as: overall asset allocation; invested assets allocation; equity allocation as per SET listings; unit trust allocation; single counterparty limit by product, counterparty & rating; tenor limit as per Ministry of Finance (MOF), Bank of Thailand (BOT), State Owned Enterprises (SOE), corporate debenture, fixed deposit; and concentration limit as per industry class.

Further, I compared the resulted figures of MTI with the IMG Limit and checked the compliance for each aspect in all categories. My results found that most of the investment activities were within the limit set by the Office of Insurance Commission (OIC), but a few were not which included the excess weight of stock, unit trust equity and other funds, excess of maximum single counterparty of port for equity fund, REIT and property fund, as well as the industry limit exceeded for Finance & Securities.

Lastly, I gained an understanding of Business Continuity Management (BCM) and MTI's approach towards the framework in order to carry out and manage various tasks related to operational risk of more than 30 departments of the organization.

4.2 Learning process

The learning process has been really fruitful. The valuable process included supervision from my respective department heads as well as other team mates. During the training period with MTI, I have discovered numerous subject matters which I believe I would never be aware of without this training. I have been able to understand and perceive the bigger picture of the non-life insurance industry with the expertise of the staffs from each department. Each department head monitored my tasks and guided me in the correct path.

Investment department

Firstly talking about Investment department, the calculations that I performed really helped me put forward my expertise in finance as I was quite familiar with some of the investment topics that I got involved in. I got to learn about the MTI's portfolio diversification and what all instruments the firm invests in. I learned about the aspects that the firm considers before investing in any of the possible area. I enhanced my skill on the use of Microsoft Excel which I am really glad about. I also learned about the SBL process, where MTI just performs the lending function. MTI demands cash collateral from the borrowers and utilizes that amount to receive high return on investment.

Reinsurance department

Secondly in the Reinsurance department, I acquired a vast range of knowledge. I learned about the types of Reinsurance which are Treaty and Facultative Reinsurance, also Proportional and Non-Proportional Reinsurance. My supervisor also took me for 3 company visits: Thai Re, the one and only re insurance company in Thailand; TQR, the local broker for

international Reinsurance companies; and AON Benfield, the international broker for Reinsurance companies. The visits included insightful presentations from the employees of the companies on brief reinsurance process as well as the services they provide. It was my pleasure to hear about their professional approaches towards outperforming in the industry. Overall MTI's reinsurance contracts ranges through numerous reinsurance companies including Thai Re from Thailand itself; Hannover Re, GIC from Malaysia; Scor Re, China Re, Toa Re, Axis, Berkley, Mapfre from Singapore; Peak Re from Hong Kong; Trust Re from Malaysia; & Korean Re from South Korea.

Risk Management department

Last but not the least, the Risk Management department helped me enhance my capability in analyzing figures and learning about the risks that MTI is taking. I learned about the diversification of risks in different industries and sectors. I have achieved further skills on Microsoft Excel. I also gained knowledge on Business Continuity Management (BCM) and the tactics that MTI plans to execute in case of any misconduct in the operations of any of the departments. It ranges from Disaster Management Plan to Business Continuity Plan.