中国太平
CHINA TAIPING

中国太平保险(新加坡)有限公司
CHINA TAIPING INSURANCE (SINGAPORE) PTE. LTD.

Annual Report
2020

This annual report is published in June 2021.

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About China Taiping Insurance Group

China Taiping Insurance Group Ltd. (“China Taiping”) is a Chinese state-owned financial and insurance group headquartered in Hong Kong. China Taiping Insurance Holdings Company Limited created history when it was listed on the Hong Kong Stock Exchange in 2000, making it the first-ever Chinese-funded insurer that was listed overseas.

China Taiping is the oldest establishment in China’s insurance history. Over the decades, China Taiping has grown into a large transnational financial and insurance group delivering one-stop comprehensive financial solution to its customers. The Group’s business include life insurance, general insurance, reinsurance, pension insurance, assets management, securities brokerage and many others.

Established in Shanghai since 1929

Listed on Hong Kong Stock Exchange since 2000

Total assets of RMB 981.8 billion as of December 2020

Achieved Global Fortune 500 since 2018

Global footprint of 24 subsidiaries – Mainland China, Hong Kong, Macau, North America, Europe, Oceania, East and Southeast Asia

More than 500,000 employees

About

China Taiping Insurance Singapore

China Taiping Insurance (Singapore) Pte. Ltd. ("CTPIS") has been operating as a general insurer for more than eight decades. In August 2018, CTPIS received its license from the Monetary Authority of Singapore (MAS) as a composite insurer to carry out Life Insurance business in Singapore, providing comprehensive one-stop financial solutions to its customers.

Leveraging on Singapore's strategic geographical location and its vibrant ecosystem, CTPIS has set up an Innovation Lab to explore various Fintech and innovation opportunities in the region. CTPIS will continue to facilitate the development and expansion of China Taiping Insurance Group's business network and work towards being a strategic regional hub in Southeast Asia.

Long heritage in Singapore since 1938

Paid-up capital of SGD 210 million as of April 2020, and will continue to be strengthened as business grows.

Financial Strength: S&P: A- | A.M Best: A

Provides one-stop financial solutions

i-Assure MoneyBack
i-Assure MoneyBack (CI)

One Solution, Two Promises

- 100% refund of premiums
- Choice of policy terms
- Extend death coverage to age 100
- Guaranteed surrender value
- Simplified issuance
- Coverage against five common Critical Illnesses

Chairman's Message

On behalf of the Board of Directors, it is my pleasure to present the annual report of China Taiping Insurance (Singapore) Pte. Ltd. ("CTPIS") for the financial year ended 31 December 2020.

2020 Economic Overview

Singapore's economy once again proved its resilience in the face of pandemic-related obstacles as it closed out 2020 with a full-year GDP contraction of 5.4%, reversing the economy's 1.3% growth from the previous year. The combined decline in both the public and private construction sectors resulted in a 35.9% downturn. A full-year contraction was observed in most services sectors, but the finance and insurance sector, as well as the information and communications sector defied the odds with a 5% and a 2.1% growth, respectively.

Insurance Industry Overview

General Insurance

The General Insurance Association of Singapore's 2020 report revealed that the industry closed out the year with S$4.09 billion in gross written premiums -- a marginal 0.2% decrease in growth from the previous year. As a result of the circuit breaker period imposed during most of 2020, the overall road traffic situation saw great improvement, which meant a decrease in Motor and Travel claims. This led to a significantly higher underwriting profit in 2020 as compared to that of the previous year.

Life Insurance

In 2020, the Life Insurance industry recorded a year-on-year increase of 3% amounting to S$4.38 billion in weighted new business premiums, while single premium products registered a 47% increase compared to the year before. On the other hand, sales of annual premium products decreased by 15% as compared to 2019. Online purchase of policies gained traction with most purchases being short-term single premium, life insurance, and universal life policies.

Overall Business Performance

In spite of the immense challenges of the 2020 pandemic year, China Taiping Insurance (Singapore) Pte. Ltd. ("CTPIS") continued to uphold our standard of excellence. CTPIS adapted to the difficult and evolving circumstances by adjusting our operation strategies, worked towards meeting our operational goals and delivered a stable performance while adhering to mandatory precautionary measures. Total assets stood at S$939 million, which translated to a 55% increase against the year before. We delivered a 57% year-on-year increase in total gross premium amounting to S$421 million. Concurrently, our General Insurance gross premiums rose 7% to register S$126 million, while our Life Insurance premiums grew significantly by 96% to S$295 million as compared to the previous year. Overall, our General and Life Insurance, as well as investment businesses delivered outstanding performances in 2020.

Our General Insurance business managed to achieve stable growth, despite an initial slide in our onshore business in 1H2020. CTPIS forged ahead and seized business opportunities when the pandemic situation in 2H2020 improved. We achieved our full-year target, remained profitable and out-performed the industry average growth. Business development was in good hands - with our distribution partners delivering good results compared to last year and the achievement of a rewarding business expansion with Chinese enterprises. The successful digitalisation of the claims settlement process through artificial intelligence technology was a big step forward for our claims efficiency management.

Our Life Insurance team overcame all obstacles and achieved fruitful results in both product development and distribution network expansion. In particular, the introduction of a Non-Face-to-Face sales process to our distribution partners during the circuit breaker period largely mitigated the inconvenience and restrictions associated with insurance Face-to-Face sales process. We successfully launched new products: a universal life policy, Direct Whole Life, and high protection policies, which includes i-Protect. Our Wuhan Customer Service Centre for Life Insurance was also successfully activated in 2020.

Infrastructure Enhancements and Bolstering Risk Management Functions

Embarking on a digital transformation journey while forging ahead with new projects

In line with China Taiping Group's direction, CTPIS embarked on a digital transformation journey optimising its resources and capabilities. The first phase of digital transformation was implemented according to plan. We successfully launched our premium collection and payment portal ("Cash Management System"), customer service portal for General Insurance ("myHub"), and an Actuarial testing platform for policy processing ("Robotic Process Automation"). An internal system for products configuration ("InsureMO") is set to be deployed and integrated with our Life Insurance products.

Enhancements in the risk and compliance management system

The Risk Management & Compliance ("RM&C") department implemented various risk management and compliance programs to manage relevant risks, reduce operational losses, and improve the quality of business. For example, our Data Protection Program ensures proper and secure handling of customer data. Technology and Operation Risk Management programs protect the integrity, security, accuracy, and availability of such data. Through regular risk management and compliance training, as well as establishing compliance culture, RM&C department can effectively safeguard the business against risks and make sure that all relevant requirements for compliance are met.

Moving Forward to Scale New Heights

2020 was a year which saw the global economy ravaged by the Covid-19 pandemic. CTPIS moved against the tide with a fearless, committed, and capable team. As we continue to wade through unpredictable waters, we strive to remain focused on our operational development, to continue to capitalise on innovation, and to build a well-trusted brand. Whatever the future brings, CTPIS will continue to enhance our value and service to our customers, as they remain our top priority.

Hong Bo
Chairman

董事长致辞

我很荣幸代表公司董事会向各位呈上中国太平保险（新加坡）有限公司截至2020年12月31日的财务报告。

2020 年经济概况

2020年，新加坡的全年国内生产总值 (GDP) 萎缩5.4%，比起2019年经济增长1.3%要逊色许多。在各行业中，建筑业产值2020年同比下滑了35.9%，主要受公共、私人领域建筑工程活动停工和开工项目减少所影响；而服务业产值也因冠病疫情肆虐，全年呈收缩的趋势。反观金融与保险业则逆势增长5%，咨询通信行业也全年上升2.1%。其他服务业都出现不同程度下滑。

保险行业概况

财产保险 - 财产保险行业于2020年的增长年比持平，总承保保费收入微降0.2%至40.9亿新元。在应对疫情实施阻断措施期间，陆路交通状况明显改善，而航空旅游则全面暂停，导致汽车和旅游索赔较2020年有所减少。在此因素影响下，2020年承保利润较2019年有较大提升。

人寿保险 - 2020年，人寿保险行业的新单标准保费同比增加了3%至43.8亿新元，这其中趸交保费产品增长迅速，同比大幅增长了47%。另一方面，期交保费产品的销售额较2019年下降了15%。在线购买保单大幅提升，大部份的保单为短期趸交保费产品、人寿及万能保险。

公司整体经营业绩

鉴于冠病疫情的影响，太平新加坡在2020年面临严峻的挑战。尽管如此，公司于艰难的外部环境中稳健经营；在坚守防疫措施的同时，也对业务秉持一贯追求卓越的理念，在疫情的挑战下积极调整业务策略，通过全公司的不懈努力全面完成了经营指标。公司资产总额9.39亿新元，较年初增长55%。全年保费总额达到4.21亿新元，同比增长57%。其中，财险保费收入为1.26亿新元，同比提升7%；寿险保费收入为2.95亿新元，同比提升96%。整体而言，财险、寿险及投资等均取得了亮眼的成绩。

财险业务稳中有进。尽管业务发展受到了疫情等不利因素的影响，上半年甚至出现了在岸业务保费同比下滑的情况，公司财险团队齐心协力，积极抓住下半年疫情缓解带来的市场机遇，全年取得了优于市场平均水平的业务增速并保持承保盈利。市场拓展方面，代理人关键指标上均取得同比增长，中资业务拓展方面也卓有成效；理赔管理方面，延续理赔精细化管理，引入智能图像识别技术加大理赔智能化。

寿险团队克服疫情困难，在产品研发以及渠道开拓等具体战略实施方面都取得了良好的成果，积累了有益的经验，特别是在阻断措施施行时期，寿险团队短时间内研发并推出线上承保流程，降低了疫情对业务开展的影响。产品研发方面，成功研发上线万能寿险；推出高价值的保障型产品i-保护和直购终身寿险。运营方面，武汉寿险远程客服中心也于2020年成功上线。

基础设施提升，风险管控能力加强

全面开展数码转型，创新项目扎实推进 - 太平新加坡结合集团战略规划思路，根据公司自身资源情况和能力，从业务出发，从实际出发，启动了数字化转型项目。经过项目团队的不懈努力，转型计划进展顺利，第一阶段创新项目已按计划胜利收官，寿险业务销售平台第一阶段、资金管理平台、产险客户服务平台与精算自动测试系统均按计划成功上线，中间业务平台项目随即搭建完成，并已将寿险的产品中心部署到该系统。

公司风险合规管理体系继续提升 - 风险管理和合规部门推出了信用与交易对手风险、数据保护影响分析等规定，优化内控管理机制，强化内控流程及岗位职责制衡监督作用；积极推动公司合规文化建设，确保公司不发生重大监管处罚、重大司法案件、重大内控缺陷；积极跟进和督促信息安全管理和科技风险防范；强化法务合规内控的组织保障和人员配置，提升法律服务专业水平，提高法律风险识别能力。

规划新方向，再攀新高峰

2020年，在冠病疫情肆虐全球经济的大环境下，太平新加坡全体员工不畏艰难、同舟共济、坚守职责、拼搏奋斗，大家齐心协力积极投身业务经营发展，取得了不菲的工作成绩。我们坚持高质量发展主题，以创新为动力，稳健经营一个客户信赖的品牌。展望未来，太平新加坡将秉承客户至上，积极提升品牌，努力打造新加坡最具有价值成长力的综合性保险公司。

洪波
董事长

BOARD OF DIRECTORS

Mr. Hong Bo
Chairman

Mr. Hong Bo has a PhD degree from Shanghai Jiao Tong University. He has vast working experiences in the financial sectors including securities and insurance.

Mr. Hong holds key positions in China Taiping Insurance Group including:

- Deputy General Manager and Executive Director of China Taiping Insurance Group Limited, China Taiping Insurance (HK) Company Limited, and China Taiping Insurance Holdings Company Limited.
- Chairman of China Taiping Insurance (HK) Company Limited, Taiping Reinsurance Company Limited, Taiping Financial Holdings Company Limited, China Taiping Life Insurance (HK) Company Limited, China Taiping Insurance (Macao) Company Limited, China Taiping Insurance (UK) Company Limited, and China Taiping Insurance (Singapore) Pte. Limited.
- Board of Director of Taiping Life Insurance Company Limited, Taiping General Insurance Company Limited and Taiping Pension Company Limited.

Mr. Hong is a member of the Geneva Association, a council member of Asian Financial Cooperation Association and Vice-Chairman of The Hong Kong Chinese Enterprises Association. Prior to China Taiping Insurance Group, he was the Chief Executive Officer and Chairman of Tian'an Insurance Company Limited, and General Manager of Strategic planning and business development in CITIC Holdings Company Limited.

He is the Chairman of Strategy & Investment Committee in China Taiping Insurance Singapore Pte. Ltd.

Board of Directors

Mr. Sitoh Yih Pin

Mr. Sitoh Yih Pin is a Chartered Accountant. He is also the Member of Parliament for Potong Pasir constituency and Chairman of the Government Parliamentary Committee for the Ministry of Culture, Community and Youth. Mr. Sitoh also has extensive experience being an independent director on the boards of public listed companies.

Mr. Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is a Fellow member of both the Institute of Singapore Chartered Accountants and Chartered Accountants Australia and New Zealand.

He is the Chairman of Risk & Compliance Committee in China Taiping Insurance (Singapore) Pte. Ltd.

Professor Francis Koh Cher Chiew

Professor Francis Koh is a Mapletree Professor of Real Estate and Practice Professor of Finance and Special Advisor in the Office of the President at the Singapore Management University. He is an Independent Director of China Taiping Insurance (Singapore) Pte. Ltd., and Board Member of the Singapore College of Insurance.

Employed by the Government of Singapore Investment Corporation (GIC) from 1994 to 2002, he was involved in direct investments in various countries, including China, Thailand and Indonesia. He had been active in consulting, executive development and public service. He was appointed by the Monetary Authority of Singapore (MAS) to be in the Financial Advisory Industry Review (FAIR) Panel in 2012 and by the Ministry of Law to the Advisory Panel on Money Lending in 2014. Organisations he had consulted for includes Citibank, IMAS, Maybank and OCBC Bank.

In 2012, the University of St Gallen awarded Francis an honorary doctorate (honoris causa) in Economics. In 2013, the Singapore Government honoured him with the Public Administration Medal (Silver). In 2016, WealthBriefingAsia awarded Professor Koh with the Lifetime Achievement Award for his contributions to Wealth Management.

Francis obtained the degree of BBA (Hons) from the University of Singapore, MBA from the University of British Columbia and Ph.D from University of New South Wales. He is a member of the Institute of Chartered Public Accountant of Singapore and a Fellow of the Chartered Institute of Management Accountants (UK).

He is the Chairman of Nomination & Remuneration Committee in China Taiping Insurance (Singapore) Pte. Ltd.

Mr. Yang Yamei

Mr. Yang Yamei is responsible for the overall development of business operation for China Taiping Insurance Singapore. Under his leadership, China Taiping Insurance Singapore has seen exponential growth in total assets to S$939 million in 2020. He is instrumental in the business expansion drive that resulted in the company being awarded the life insurance composite license from Monetary Authority of Singapore to launch its Life Insurance Business in January 2019.

Mr. Yang joined China Taiping Insurance Group in September 1997 as Assistant to General Manager of Taiping Insurance Co Ltd (Singapore Branch). Since then, he held several key positions - including President Director of China Taiping Insurance Indonesia and subsequently General Manager of the International Department of China Taiping Insurance Group Ltd. He has been appointed as General Manager, China Taiping Insurance (Singapore) Pte. Ltd. since September 2015.

Mr. Yang has extensive experience spanning over 26 years in the insurance sector where he was responsible for the overall operation development of international markets, and has overseen China Taiping Group's overseas subsidiaries including England, Hong Kong, Macau and Singapore.

He graduated with a Bachelor of Economics (Major in Insurance) from the Financial and Banking Institute of China, Beijing in 1993. He also holds an MBA from Southern Illinois University, USA and a Master of Science in Wealth Management from Singapore Management University as well as a CFA (Chartered Financial Analyst) qualification from the CFA Institute.

Mr Zhang Zhongyi

Mr. Zhang Zhongyi is currently the non-executive director of the company and holds the position of General Manager, the International Department of China Taiping Insurance Group. Mr. Zhang has a wealth of experience spanning more than 25 years across various multinational financial and insurance companies - with nearly 20 years of service dedicated to China Taiping Insurance Group.

During his tenure in China Taiping Insurance Group, Mr. Zhang holds several key roles:

- Deputy General Manager of Taiping Reinsurance Co., Ltd.
- Deputy General Manager of the Overseas Management Department of Taiping Group,
- Deputy General Manager of Taiping Property & Casualty Insurance Corporation Marine Insurance Department
- Assistant General Manager of China Insurance Singapore Co., Ltd.
  (now renamed as "China Taiping Insurance (Singapore)").

Prior to China Taiping, he worked in The People's Insurance Company of China. Mr. Zhang holds a Bachelor Degree in Economics from Changchun Taxation College and a Master Degree in Business Management from Jilin University.

Mr. Wang Xin

Mr. Wang Xin holds a master's degree in Economics from the School of Finance of Xi'an Jiaotong University and has been serving as Executive Director and Chief Executive Officer of China Taiping Life Insurance (Hong Kong) Co., Ltd. since August 2016.

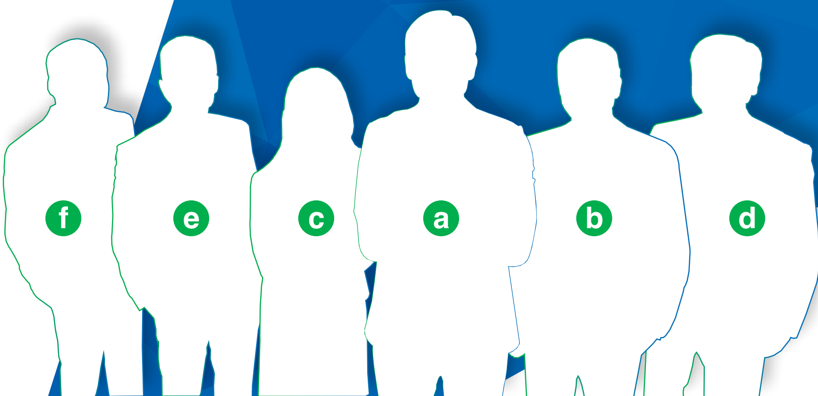
Mr. Wang Xin's management experience in the insurance industry spans more than 20 years and was built on his prominent roles in China Taiping Group of companies.

He has extensive experience in life insurance operations, information technology, shared services, and others with a professional qualification as an underwriter (ALU). He has served as a member of the National Six Sigma Promotion Working Committee since 2015 and is a Six Sigma Black Belt Master.

During his tenure as the General Manager of the Operation Management Department of Taiping Insurance Group, Mr. Wang Xin was fully responsible for the management of insurance, investment-related operations, customer service, and information dissemination of the group's domestic and overseas companies. He laid down the solid groundwork for the Taiping Group's rapid and healthy development, leading the formulation of a series of top-level planning and design projects, which included the Taiping Group's operation and development plan and a three-year plan for information construction and development (2016-2018). His other successful projects include optimisation of the group's shared service model; updating of basic information platform; and improvement of overall technological applications, internal operations, and management decision efficiency through the innovative application of mobile internet technology.

Under the management of Mr. Wang Xin, China Taiping Life Insurance (Hong Kong) Co., Ltd., was the first insurer to be issued a new license in Hong Kong in nearly two decades, paving the way for the company to become a trustworthy comprehensive financial solution provider. With his "development first" business strategy, the company achieved continuous growth to be among the top ten local life insurance companies. In 2018, it achieved total assets of nearly HKD25 billion, with new premiums ranked eighth in the market.

Senior Management Team



a **Yang Yamei**
General Manager

b **Lance Tay**
General Manager, Life Insurance

c **Lynn Lee**
Deputy General Manager

d **Zhang Di**
Chief Financial Controller

e **Lin Dapeng**
Deputy General Manager

f **Andrew Lee**
Chief Marketing Officer

BizTrenz Employee Benefits Package

Give your employees the protection they deserve

- Easy application from as few as 2 employees
- Wide range of affordable plans/riders
- 24/7 worldwide coverage
- Convenient access to healthcare needs via Teleconsultation and Telemedication platform

Our Comprehensive Solutions

PERSONAL INSURANCE

Our suite of Personal Insurance solutions are designed to take care of our customers' needs at every stages of their lives.

- WHOLE LIFE / TERM
- DOMESTIC MAID
- SAVINGS
- TRAVEL
- RETIREMENT
- PERSONAL ACCIDENT
- LEGACY
- HOME
- MOTOR
- HEALTH

BUSINESS INSURANCE

Our comprehensive Business insurance solutions are designed to keep businesses up and running by protecting them from unforeseen exposures.

- BUSINESS PACKAGES
- ENGINEERING
- PROPERTY
- MARINE
- CASUALTY
- MEDICAL & HEALTH
- BONDS
- FINANCIAL LINES

For full product information, please visit www.sg.cntaiping.com

i-Protect

To love is to protect

- Various policy terms for selection
- Convertibility option
- Guaranteed renewal
- Optional riders available for enhanced protection

China Taiping Insurance (Singapore) Pte. Ltd.
Registration Number: 200208384E

Annual Report
Year ended 31st December 2020

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

(a) the financial statements set out on pages FS1 to FS70 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Hong Bo
Yang Yamei
Koh Cher Chiew Francis
Sitoh Yih Pin
Wang Xin
Zhang Zhongyi

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), no director who held office at the end of the financial year had interests (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations, either at the beginning of the financial year or end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares of the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

Pursuant to Directors' meeting dated 28 May 2020, KPMG LLP were appointed as the auditors of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Francis Koh

Koh Cher Chiew Francis
Director

杨亚美

Yang Yamei
Director

30 March 2021

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Independent auditors' report

Member of the Company
China Taiping Insurance (Singapore) Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of China Taiping Insurance (Singapore) Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS70.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Other matters

The financial statements for the year ended 31 December 2019 were audited by another auditor, whose report dated 26 March 2020 expressed an unqualified opinion on those financial statements.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2021

Statement of financial position
As at 31 December 2020

	Note	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	5	86,890,153	116,788,773
Amount due from related companies	6	325,960	2,477,974
Deposits, prepayments and other receivables	7	7,337,156	3,488,944
Insurance receivables	8	16,943,739	14,945,338
Investments in securities	9	635,450,827	328,124,745
Derivatives receivables	10	16,120,654	5,123,054
Reinsurers' share of insurance contract provisions for:			
- unexpired risks	13	8,831,681	4,634,040
- general insurance claims	13	24,047,073	27,555,143
		795,947,243	503,138,011
Non-current assets			
Deferred tax assets	16	603,802	–
Investments in securities	9	21,965,643	23,901,834
Reinsurers' share of insurance contract provisions for:			
- unexpired risks	13	5,784,146	8,916,506
- general insurance claims	13	4,801,975	14,193,493
- life policy reserves	13	56,609,652	81,616
Investment property	12	11,264,879	11,783,597
Property and equipment	11	41,669,330	43,416,648
Right of use assets	26	715,818	1,396,391
		143,415,245	103,690,085
TOTAL ASSETS		939,362,488	606,828,096
LIABILITIES			
Current liabilities			
Current tax payable	24	78,807	–
Amount due to related companies	6	2,160,578	2,482,741
Other payables and accruals	15	26,820,211	16,353,072
Insurance payables	14	16,436,216	13,521,711
Derivatives payable	10	–	701,508
Insurance contract provisions for:			
- unexpired risks	13	31,438,580	22,983,038
- general insurance claims	13	70,302,856	83,027,523
		147,237,248	139,069,593
Non-current liabilities			
Other payables and accruals	15	13,344,188	12,662,393
Lease liabilities		859,405	1,484,950
Deferred tax liabilities	16	533,394	53,051
Insurance contract provisions for:			
- unexpired risks	13	48,092,456	41,456,812
- general insurance claims	13	32,584,051	49,281,444
- life policy reserves	13	451,401,701	171,433,727
		546,815,195	276,372,377
TOTAL LIABILITIES		694,052,443	415,441,970
Shareholder's equity and reserves			
Share capital	17	210,000,000	160,000,000
Fair value reserves		2,009,723	259,014
Retained earnings		33,300,322	31,127,112
TOTAL EQUITY		245,310,045	191,386,126
TOTAL LIABILITIES AND EQUITY		939,362,488	606,828,096

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 December 2020

	Note	2020 $	2019 $
INCOME			
Gross written premiums	18	420,734,220	268,203,671
Change in gross provision for unexpired risks	13(b)	(15,091,186)	742,325
Gross earned premium revenue		405,643,034	268,945,996
Written premiums ceded to reinsurers	18	(79,987,882)	(24,256,723)
Reinsurers' share of change in provision for unexpired risks	13(b)	1,065,281	674,451
Reinsurance premium expense		(78,922,601)	(23,582,272)
Net earned premium revenue		326,720,433	245,363,724
Commission income	19	5,913,665	4,943,488
Net investment income	20	27,590,455	22,095,421
Other income	21	1,505,919	1,466,686
TOTAL INCOME		361,730,472	273,869,319
Gross claims incurred	13(c)	(58,047,300)	(77,782,314)
Gross claims paid (life) and surrenders		(301,024)	–
Reinsurers' share of claims incurred	13(c)	6,235,313	18,374,949
Net claims incurred		(52,113,011)	(59,407,365)
Net change in insurance contract provisions for life insurance business	13(a)	(223,439,938)	(144,305,707)
Commission expenses		(44,101,654)	(28,715,909)
Staff costs	22	(23,531,703)	(23,341,031)
Depreciation of property and equipment	11	(1,892,562)	(1,898,509)
Depreciation of investment property	12	(518,718)	(518,719)
Depreciation of right of use assets	26	(820,284)	(817,374)
Other operating expenses	23	(13,110,623)	(13,845,439)
Total expenses		(359,528,493)	(272,850,053)
PROFIT BEFORE INCOME TAX		2,201,979	1,019,266
Income tax	24	403,231	325,105
PROFIT FOR THE YEAR		2,605,210	1,344,371
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
- Net changes in fair value		2,005,825	(222,892)
- Reclassification to profit or loss on disposal		103,463	1,162,778
- Income tax relating to fair value changes		(358,579)	(159,781)
Other comprehensive income for the year, net of tax		1,750,709	780,105
TOTAL COMPREHENSIVE INCOME		4,355,919	2,124,476

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
Year ended 31 December 2020

	Note	Share capital $	Fair value reserves $	Retained earnings $	Total $
At 1 January 2019		120,000,000	(521,091)	29,782,741	149,261,650
Total comprehensive income for the year					
Profit for the year		–	–	1,344,371	1,344,371
Other comprehensive income					
Financial assets, available-for-sale:					
- Net changes in fair value		–	(222,890)	–	(222,890)
- Reclassification to profit or loss on disposal		–	1,162,778	–	1,162,778
- Income tax relating to fair value changes		–	(159,781)	–	(159,781)
Total other comprehensive income		–	780,105	–	780,105
Total comprehensive income for the year		–	780,105	1,344,371	2,124,476
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares	17	40,000,000	–	–	40,000,000
Total contributions by and distributions to owners		40,000,000	–	–	40,000,000
At 31 December 2019		160,000,000	259,014	31,127,112	191,386,126

Statement of changes in equity (continued)
Year ended 31 December 2020

	Note	Share capital $	Fair value reserves $	Retained earnings $	Total $
At 1 January 2020		160,000,000	259,014	31,127,112	191,386,126
Total comprehensive income for the year					
Profit for the year		–	–	2,605,210	2,605,210
Other comprehensive income					
Financial assets, available-for-sale:					
- Net changes in fair value		–	2,005,825	–	2,005,825
- Reclassification to profit or loss on disposal		–	103,463	–	103,463
- Income tax relating to fair value changes		–	(358,579)	–	(358,579)
Total other comprehensive income		–	1,750,709	–	1,750,709
Total comprehensive income for the year		–	1,750,709	2,605,210	4,355,919
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares	17	50,000,000	–	–	50,000,000
Final dividend of 0.21 cent per share tax exempt (one-tier) paid in respect of year 2020	25	–	–	(432,000)	(432,000)
Total contributions by and distributions to owners		50,000,000	–	(432,000)	49,568,000
At 31 December 2020		210,000,000	2,009,723	33,300,322	245,310,045

Statement of cash flows
Year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Profit before income tax		2,201,979	1,019,266
Adjustments for:			
Depreciation of property and equipment	11	1,892,562	1,898,509
Loss on disposal of property and equipment	11	658	–
Depreciation of investment properties	12	518,718	518,718
Depreciation of right of use assets	26	820,284	817,374
Interest expenses on lease liabilities	26	64,359	95,953
Unrealised foreign exchange loss		14,501,439	968,983
Loss/(Gain) on disposal of equity securities	20	8,749	(759,096)
Gain on disposal of debt securities	20	(2,648,656)	(4,443,299)
Loss/(Gain) on disposal of unit trusts	20	422,649	(53,409)
Impairment loss on equity securities	20	–	2,091,300
Impairment loss on debt securities	20	–	2,000,000
Dividend income from equity securities	20	(996,611)	(604,603)
Dividend income from unit trusts	20	(560,622)	–
Interest income	20	(16,363,915)	(7,474,856)
Impairment loss on doubtful debts	23	571,103	–
Net fair value gain of financial assets designated at fair value through profit or loss	20	(10,600,950)	(11,201,459)
Net fair value gain on derivative financial instruments	20	(9,437,212)	(2,584,818)
Net change in provision for unexpired risks	13(b)	14,025,905	(1,416,776)
Net change in provision for general insurance claims	13(c)	(16,522,472)	4,973,938
Net change in life policy reserves	13(a)	223,439,938	144,305,707
Operating profit before changes in working capital		201,337,905	130,151,432
Increase in insurance receivables		(2,094,594)	(6,026,595)
Increase in deposits, prepayments and other receivables		(7,316,201)	(3,027,183)
Decrease/(Increase) in amounts due from related companies		1,677,104	(1,915,679)
Increase in insurance payables		2,914,505	5,392,025
Increase in other payables and accruals		10,467,139	8,177,446
Decrease in amounts due to related companies		(322,163)	(861,345)
Cash generated from operations		206,663,695	131,890,101
Income tax paid		–	(469,316)
Net cash from operating activities		206,663,695	131,420,785
Cash flows from investing activities			
Interest received		19,855,211	5,975,711
Dividend received		1,533,926	604,603
Purchase of property and equipment	11	(145,902)	(2,018,681)
Purchase of equity securities		(128,400,128)	(29,115,890)
Proceeds from disposal of equity securities		90,326,163	23,175,744
Purchase of debt securities		(380,869,439)	(264,318,966)
Proceeds from redemption of debt securities		113,313,735	117,252,811
Purchase of unit trusts		(661,567)	(2,000,353)
Proceeds on disposal of unit trusts		2,028,910	7,602,667
Loss on settlement of derivatives		(2,963,403)	(2,080,638)
Net cash used in investing activities		(285,982,494)	(144,922,992)

The accompanying notes form an integral part of these financial statements.

Statement of cash flows (cont'd)
Year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from financing activities			
Issue of share capital	17	50,000,000	40,000,000
Payment of lease liabilities	26	(829,616)	(824,766)
Dividend paid	25	(432,000)	–
Net cash from financing activities		48,738,384	39,175,234
Net (decrease)/increase in cash and cash equivalents		(30,580,415)	25,673,027
Cash and cash equivalents at beginning of financial year		104,205,713	78,532,686
Cash and cash equivalents at end of financial year		73,625,298	104,205,713

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2021.

1 Domicile and activities

China Taiping Insurance (Singapore) Pte. Ltd. (the "Company") is incorporated in Singapore with its principal place of business and registered office at 3 Anson Road, #16-00, Springleaf Tower, Singapore 079909. The financial statements are expressed in Singapore dollars.

The principal activities of the Company consist of the underwriting of general and life insurance business and carrying out investment activities incidental to its business. The Company is licensed as a general and life insurer under the Singapore Insurance Act, Chapter 142 (the "Insurance Act").

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 – classification of insurance and investment contracts

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 and 13 – insurance contract provisions for life and general insurance business

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of FRS, including the level in the fair value hierarchy in the valuations should be classified. Significant valuation issues are reported to the Company's Board of Directors.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note 27 – Insurance and financial risk management.

2.5 New standards and amendments

The Company has applied the following FRS, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business (Amendments to FRS 103)*
- *Definition of Material (Amendments to FRS 1 and FRS 8)*
- *Interest Rate Benchmark Reform (Amendments to FRS 109, FRS 39 and FRS 107)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in OCI arising on the translation of:

- Available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are classified to profit or loss)

3.2 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as held for trading comprise equity securities actively managed by the Company's investment department to address short-term liquidity needs.

Financial assets designated at fair value through profit or loss comprise debt and equity investments that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise debt securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using effective interest rate method, less any impairment losses.

Loans and receivables comprise amount due from related companies, deposits, prepayments and other receivables (excluding prepayments), and cash and cash equivalents.

Cash and cash equivalents comprise cash and bank balances and short-term deposits with financial institutions that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, cash collaterals held in respect of insurance bonds are excluded.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. The Company's investments in certain debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities, debt securities and unit trusts.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency, credit and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%.

Derivatives are initially measured at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in its fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

3.3 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables and held-to-maturity investment securities

The Company considers evidence of impairment for loans and receivables and held-to-maturity investment securities at a specific asset level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold properties	50 years
Furniture, fixtures and equipment	5 years
Computers and network equipment	5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

3.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each investment property.

The estimated useful lives for the current and comparative years are as follows:

Freehold and leasehold properties	50 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.6 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Right of use assets' and lease liabilities in 'Lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of revenue. Rental income from sub-leased property is recognised as "other income".

3.7 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specific uncertain future event (the insured event) adversely affects the policyholder. Such contract may also transfer financial risks. As a general guideline, the Company defines as significant insurance risk the possibility to having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur, at some point during the contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

(i) Recognition and measurement

Life Insurance Contracts

Premium revenue

Premiums from life insurance in-force insurance contracts, including annuities, are recognised as revenue on the due date. The outstanding premiums are included in "Insurance receivables" in the statement of financial position.

Premiums received in advance before the due dates are not recognised as revenue. They are recorded as advance premiums and included in "Insurance payables" in the statement of financial position until they are recognised as revenue when they fall due or when policy is issued.

Claims

Claims include maturities, annuities, surrenders and death claims. Maturity and annuity claims are recognised as an expense when due for payment. Surrender claims are recognised when paid. Death claims are recognised when notified.

Bonuses to policyholders

All participating life insurance contracts have discretionary participating features. ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional bonuses:

- That are likely to be a significant portion of the total contractual benefits
- Whose amount or timing is contractually at the discretion of the Company, and
- That are contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract
  - Realised and/or unrealised investment returns on a specified pool of assets held by the Company, or
  - The profit or loss of the Company or fund that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible distributions must be attributed to the contract holders as a group, at the discretion of the Company, approved by the Board of Directors based on the advice of the Appointed Actuary. The DPF benefits are distributed to contract holders by way of a regular cash dividend, reversionary bonus or terminal dividend or bonus.

Insurance contract provisions

The valuation of insurance contract provisions is determined according to the Insurance Act and Insurance (Valuation and Capital) Regulations 2004 and MAS Notice 133 (Notice on Valuation and Capital Framework for Insurers) for life insurance funds. The measurement basis for contracts with discretionary participation features issued by the Company all reflect changes in the fair value of the investments backing the contracts. Changes in the value of all insurance contract provisions are included in profit or loss.

<u>Provision for life policy reserves</u>

(i) Life Insurance Par Fund

Provision for future participating and certain non-participating benefits in the Life Insurance Par Fund are established using a discounted prospective cash-flow method. It includes the current best estimate of future contractual premiums, expected claims, provisions for adverse deviation and the costs of maintaining the contracts and future renewal expenses. The liability in respect of the Life Insurance Par Fund is the highest of the gross premium valuation method, the minimum condition liability or the value of policy assets of the fund.

(ii) Life Insurance Non-Par Fund

Insurance contract provisions in the Life Insurance Non-Par Fund include provisions for future non-participating benefits, claims and loss adjustment expenses, provisions for adverse deviation and unexpired risks. Provision for future non-participating benefits is established using a discounted prospective cash-flow method. It includes the current best estimate of future contractual premiums, expected claims, provisions for adverse deviation and the costs of maintaining the contracts and future renewal expenses. For the Universal Life type products, the insurance contract provisions include provisions for future non-guaranteed benefits that arise from the non-guaranteed crediting rates.

Expense Overrun Reserves

In the first few years of operation, it is expected that the maintenance expense incurred will be larger than the expense loadings implied by the expected volume and long-term best estimate described above, as the business volume takes time to grow. This results in a projected expense overrun and the Company holds an expense overrun reserve for this. The overrun reserves are obtained by projecting the expected business volume and the maintenance expenses to be incurred up to 2027. From there the expense loadings implied by the unit cost assumption and the expected business volume for the future years, are calculated. The present value of the difference in expense loadings and forecasted maintenance expense, plus a provision for adverse deviation, is held as expense overrun reserves and forms part of the insurance contract provisions. The expense overrun reserves as at 31 December 2020 amounts to $22.3 million (2019: $25.5 million).

General Insurance Contracts

Premium revenue

Premiums are recognised as written from the commencement date of insurance cover. Written premiums are reported in the financial statements on a gross basis, inclusive of commission payable to intermediaries.

Treaty reinsurance inward premiums are recognised as written on receipt of statements from cedants up to the time of closing of the books.

Premiums received in advance before commencement date of insurance cover are not recognised as revenue. They are recorded as advance premiums and included in "Insurance payables" in the statement of financial position until they are recognised as revenue when insurance cover commences.

Claims

Claims incurred comprise claims paid during the financial year, net of salvage and subrogation recoveries, and changes in provision for insurance claims.

Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell salvaged property (salvage) or sue liable third parties (subrogation) in recovering the cost of losses.

Reasonable estimates of the salvage recoveries or subrogation reimbursements are included as an allowance in the measurement of the insurance liability for claims, and recognised in other assets when the liability is settled.

Insurance contract provisions

The valuation of insurance contract provisions is determined according to the Insurance Act and Insurance (Valuation and Capital) Regulations 2004 and MAS Notice 133 (Notice on Valuation and Capital Framework for Insurers) for general insurance funds. Changes in the value of all insurance contract provisions are included in profit or loss.

Provision for unexpired risks

Provision for unexpired risks includes provision for unearned premiums and a provision for premium deficiency.

The provision for unearned premiums represents premiums written for risks that have not yet expired. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract.

Additional provision for premium deficiency is made where the expected future claim costs and expenses and a provision for adverse deviation exceed the provision for unearned premiums.

For direct business, the provision for unearned premiums is calculated using the 365th method on net written premiums less net commission expense for all classes of business except for marine cargo business which is calculated at 25% of net written premiums. For reinsurance business, the provision for unearned premiums of facultative business is calculated using the 365th method on net written premiums less net commission expense while for inward treaty reinsurance premium it is calculated at 40% of net written premium. An additional provision for premium deficiency is made where the expected value of claims, expenses and provision for adverse development attributable to the unexpired periods of policies in force at the end of the reporting period exceeds the provision for unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

Provision for general insurance claims

Provision for claims is made for the estimated cost of claims notified but not settled at the date of the balance sheet, less reinsurance recoveries using the best information available at that time.

In addition, a provision is made for claims incurred but not reported ("IBNR") for all business written, at the date of the balance sheet based on the past claims experience and statistics derived from prior trends.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties' damages to be borne by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company.

Provision for adverse development is added to ensure the claims liability was established at a higher level of confidence of sufficiency under adverse circumstances.

The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

(ii) Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company where significant insurance risk is transferred are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurer's share of insurance liabilities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of the contract, having regard to market data on the financial strength of each of the reinsurance companies. The amount of the allowance is recognised in profit or loss.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.9 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Revenue

(i) Gross premium

The accounting policy for the recognition of gross premium is disclosed in Note 3.7(i).

(ii) Reinsurance commission income

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contract.

(iii) Investment income

Investment income comprises of rental income from investment properties, dividend and interest income from financial assets and interest income on loans and bank deposits, and gains or losses on sale of investments.

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the operating lease.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Dividend income is recognised when the right to receive payment is established.

Gains or losses on sale of investments are derived from the difference between net sales proceeds and the purchase or amortised cost. They are recognised on trade date.

3.11 Government grants

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale and the Company has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.13 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

- FRS 117 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to FRS 1)*
- *Covid-19-Related Rent Concessions (Amendment to FRS 116)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 110 and FRS 28)*

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

(i) Applicable to 2020 financial statements

Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts (Amendments to FRS 104)*

The Company is taking advantage of the temporary option for exemption from application of FRS 109 indicated under this standard for entities predominantly engaged in insurance (more than 90 percent of its liabilities are in relation to insurance activity).

This temporary exemption can be applied until fiscal years beginning on or after 1 January 2023, on which date it is estimated that the new FRS 117 *Insurance Contracts* will enter into force.

FRS 109 *Financial Instruments* is expected to have a significant impact. In order to analyse any possible impacts from the effective application of FRS 109 *Financial Instruments*, and improve the comparability of information between companies applying this standard and those that have chosen to defer its application, the modification of FRS 104 *Insurance Contract* requires specific information related to cash flow from financial assets registered at amortised cost or as assets available for sale.

In consideration of the above, the Company assessed that it has qualified for the temporary exemption as the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant compared to the total carrying amount of all its liabilities; and that the total carrying amount of its liabilities connected with insurance is 99.7% of its total liabilities as at 31 December 2015.

The fair value information of the Company's directly held financial assets at 31 December 2020 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 are shown in the table below, together with all other financial assets:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109		All other financial assets	
	Fair value $	Movement in the fair value during the year $	Fair value $	Movement in the fair value during the year $
2020				
Investments	82,867,802	(4,618,970)	574,548,668	5,586,096
Cash and cash equivalents	86,890,153	–	–	–
Derivative receivables	–	–	16,120,654	9,437,212
Amount due from related companies	325,960	–	–	–
Other receivables	6,485,532	–	–	–
Total financial assets	176,569,447	(4,618,970)	590,669,322	15,023,308
2019				
Investments	20,758,951	(3,849,884)	331,267,628	7,445,170
Cash and cash equivalents	116,788,773	–	–	–
Derivative receivables	–	–	5,123,054	2,584,818
Amount due from related companies	2,477,974	–	–	–
Other receivables	2,841,181	–	–	–
Total financial assets	142,866,879	(3,849,884)	336,390,682	10,029,988

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 in the table above are classified as amortised cost under FRS 39. The credit ratings of these financial assets, analysed on the same basis of those disclosed in Note 27, are as follows:

Credit ratings (from Standard & Poor's or equivalents)

	BBB- to AAA $'000	C to BB $'000	Not rated $'000	Total $'000
2020				
Investments	82,868	–	–	82,868
Other receivables	5,211	–	1,274	6,485
Cash and cash equivalents	83,197	–	3,693	86,890
Amount due from related companies	–	–	326	326
	171,276	–	5,293	176,569
2019				
Investments	20,759	–	–	20,759
Other receivables	1,965	–	876	2,841
Cash and cash equivalents	110,013	–	6,776	116,789
Amount due from related companies	–	–	2,478	2,478
	132,737	–	10,130	142,867

(ii) Applicable to 2023 financial statements

FRS 117 *Insurance Contracts*

FRS 117 *Insurance Contracts* was issued in Mar 2018 and is effective for years beginning on 1 January 2021, and to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard will replace FRS 104 *Insurance Contracts* and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. In March 2020, the IASB has confirmed the deferral of the effective date of FRS 117 to 1 January 2023.

The Company is analysing the potential impact expected from FRS 117 Insurance Contracts, in conjunction with its Company, presumably applicable to fiscal years starting on or after 1 January 2023.

4 Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Classification of insurance and investment contracts

The Company issues contracts that transfer insurance risk, or both insurance and financial risk.

Financial risk is the risk of a possible change in one or more of the following: a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of non-financial variable, that the variable is not specific to a party to the contract.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risks. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk without significant insurance risk.

(ii) Insurance contract provisions for Life Insurance

Actuarial assumptions used for valuation of liabilities take into account expected future market and economic conditions as well as expected lapse, expense and claim experience of different groups of policies. The data used to formulate these assumptions come from a variety of sources including review of market conditions, the Company's internal experience with regard to its policies and broader industry experience.

The Company regularly reviews its assumptions to reflect the current best estimate assumptions. The impact of any changes in actuarial assumptions on insurance contract provisions, which includes changes to the expense overrun reserves, is disclosed in Note 13.

Assumptions

For the liability valuation method described in Note 3.7, the assumptions are required for the following:

- Mortality and Morbidity
- Persistency
- Discount rate
- Maintenance expenses and inflation
- Future non-guaranteed benefits

Mortality and Morbidity

As the Company's life insurance business started operations in late 2018, the internal experience is limited. Assumptions for death and incidence rates have been set with reference to industry experience, expressed as a percentage of a standard table, as well as reinsurers' rates. There are no changes to the Company's existing assumptions.

Persistency

Persistency rates are expected to vary according to product class, policy duration, premium payment mode (regular or single premium). Similar to mortality, the Company has very limited internal experience for persistency rates. The assumptions have been set at a level that is appropriate to the product type, and premium payment mode. The persistency rates of a single premium three-year endowment have been revised downwards to reflect the experience to-date.

Discount rate

For the Participating business, discount rates used to value Insurance contract provisions is determined based on the best estimate net investment return.

The best estimate investment return is determined by considering the asset classes that the fund would invest in, the expected long-term returns and the expected long-term proportions of each asset class, to give a weighted average return based on the fund's strategic asset allocation. The assumed investment expense is subtracted from the results to arrive at the best estimate investment return.

Non-Participating insurance contract provisions and minimum condition liability of the Participating business are computed by discounting the policy cash flows using risk-free discount rates. The risk-free rates used are derived from the zero-coupon yields of government securities as at date of valuation in line and illiquidity premium adjustments have been included in accordance with the regulatory requirements. For Universal Life type of contracts, the best estimate return is used to discount the liabilities that include future non-guaranteed benefits. The insurance contract liability of such contracts are the higher of the minimum contract liabilities and the liabilities including future non-guaranteed benefits.

Maintenance expenses and inflation

The valuation of each life insurance policy's insurance contract liability is based on a unit cost assumption that is the best estimate of the Company's life insurance operation's long-term cost structure.

The inflation assumption is set at 3% per annum. This takes into consideration, among other things, the historical average growth rate of Singapore's Consumer Price Index.

There are no changes to the Company's existing assumptions.

Future non-guaranteed benefits

For Participating business, the future non-guaranteed benefits are assumed to be at the level based on the latest Bonus Investigation study. This is assumed to remain unchanged for the entire projection period. Similarly, for Universal Life contracts, the prevailing crediting rate is assumed to remain unchanged throughout the projection.

Assumption table

The table below briefly describes the assumptions used in the valuation of provision for future participating and non-participating benefits in the Life Insurance Par Fund and Life Insurance Non-Par Fund.

Assumptions	
Interest Rate	MAS prescribed discount rate for guaranteed benefits with Illiquidity Premium adjustment where applicable, expected long term investment return for non-guaranteed benefits
Lapse/Surrender Rate	Based on internal lapse experience studies
Management Expense & inflation	Based on internal expense studies
Mortality/Morbidity (Death, TPD, Dread Disease & Other Risk)	Adjusted Mortality/Morbidity Table based on internal studies or Reinsurance rates, whichever is appropriate
Mortality Rate (Annuities)	Adjusted Mortality table with age reduction and mortality improvement based on internal studies

Liability adequacy test

At each reporting date, liability adequacy tests are performed to assess the adequacy of the insurance liabilities estimates. Current best estimates of future contractual cash flows, expected future claims handling, acquisition and administration costs, if any, are projected at best estimate assumptions, and discounted at rates that are close to the Company prospective investment return. Any deficiency is charged to profit or loss in the statement of comprehensive income.

Liability Adequacy Test	**Non-Participating Fund $'000**	**Participating Fund $'000**
1. Reported Insurance Contract Liabilities (net of reinsurance)	$224,103 (2019: 126,497)	$170,689 (2019: 44,855)
2. Gross Premium Reserves	$209,407 (2019: 125,330)	$158,064 (2019: 44,212)
3. Deficit = Max(0, 2-1)	–	–

Sensitivity analysis

The Company conducted sensitivity analyses of the value of insurance liabilities disclosed to movements in the assumptions used in the estimation of insurance liabilities. The analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated, for example:

- Change in the interest rate and change in market values
- Change in lapses and future mortality and morbidity

For liabilities under Participating contracts (where total insurance contract provisions take the value of the policy assets of the Participating fund), changes in these assumptions will not cause a change to the reported insurance contract liability unless the guaranteed liabilities under the stressed assumptions exceeds the value of assets backing liabilities. The sensitivities are based on liabilities net of reinsurance basis inclusive of the expense overrun reserves.

Assumption	Change in assumption	Impact on insurance contract provisions 2020 $'000	2019 $'000
Discount rates	+10%	78,416	17,930
Discount rates	-10%	(4,845)	(2,760)
Lapse rates	+10%	(650)	(5)
Lapse rates	-10%	1,099	9
Maintenance expense	+10%	3,441	2,769
Maintenance expense	-10%	(3,362)	(223)
Inflation	+10%	3,050	323
Inflation	-10%	(1,750)	380
Mortality	+10%	744	(1)
Morbidity rates		–	(5)
Mortality	-10%	(590)	1
Morbidity rates		–	9

The Company's life insurance contract provisions are most sensitive to discount rates. This is not unexpected as life insurance business generally have a longer duration compared to general insurance. In 2020, the sensitivity to mortality and morbidity rates have also increased. This can be attributed to the launch of several protection oriented products in the year like i-Protect, which is a Term plan offering protection against death, disability and critical illness.

(iii) Insurance contract provisions for General Insurance

The insurance contract provisions for General Insurance comprise claims and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

These liabilities comprise:

- best estimate of the premium liabilities;
- best estimate of the claims liabilities; and
- margins for adverse deviation to ensure a minimum 75% probability of adequacy.

Premium liabilities

The Company selected the premium liabilities according to MAS's guidelines, which refer to the higher of the:

1) Aggregate of the Unearned Premium Reserve ("UPR") for all lines of business

2) Best estimate of the unexpired risk reserve ("URR") and the Fund PAD at fund level

The estimation of URR takes into account all future payments including future claim payments, claims handling expenses and ongoing policy administration cost arising from the unearned portion of premiums collected. Generally, the expected ultimate loss ratios for the latest accident year 2020 that were derived from the analysis of the best estimate claim liabilities are applied to the UPR before including assumptions for claims handling and management expenses to arrive at the estimation of URR. However, for financial year end 2020, expected loss ratio for the unexpired portion was selected mainly relying on the average ultimate loss ratio for the historical accident years due to the impact of COVID-19 pandemic in year 2020.

In compliance with MAS's guideline, a provision of risk margin for adverse deviation is added to ensure insurance liabilities are established at a higher level of confidence of sufficiency under adverse circumstances. The risk margin is selected under confidence level of 75%.

Claims liabilities

Provision is made at the end of the reporting period for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less the amount already paid.

The source of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information.

The Company pays particular attention to current trends. In early years, where there is insufficient information to make a reliable estimate of claims development, prudent assumptions are used.

The estimation of incurred but not reported ("IBNR") claims is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to the Company until many years after the occurrence of the event which gave rise to the claim.

Each notified claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provision estimation differs by class of business due to a number of reasons, including but not limited to:

- Differences in the terms and conditions of the insurance contracts;
- Differences in the complexity of claims;
- The severity of individual claims; and
- Difference in the period between the occurrence and reporting of claims.

The claims for liability class of business will typically display greater variation between initial estimates and the actual outcome because there is a greater degree of difficulty in estimating the IBNR provisions. For the other classes of business, claims are typically reported reasonably soon after the claim event, and hence tend to display lower levels of variability.

The cost of outstanding claims and the IBNR provisions are estimated using a range of statistical methods. Such method extrapolates the development of paid and incurred claims for each accident year based upon the observed development of earlier years and expected loss ratios.

In carrying out this valuation exercise, three main methods have been applied:

(i) Chain Ladder method (CL) based on paid and incurred claims
(ii) Bornhuetter-Ferguson method (BF) based on paid and incurred claims
(iii) Expected Loss Ratio method (ELR)

In the valuation, Incurred Chain Ladder method is mostly relied on to derive the best estimate of claims liabilities. The BF and ELR methods were also used where appropriate.

CL method selects the LDFs that appropriately account for the loss development process. For each accident year of each business class, the IBNR is calculated by the following formula:

Cumulative Paid/Incurred To Date × Cumulative LDF - Cumulative Incurred To Date

The BF method is a reserving method that combines both the Chain Ladder and Expected Loss Ratio methods in estimating ultimate losses. The BF method can be applied on both paid and incurred claims data. Expected Loss Ratio (ELR) is selected for the unpaid portion and made the appropriate adjustment allowing for claims inflation and premium rate changes. For each accident, the IBNR is calculated by the following formula:

(1 - 1/LDF) x initial expected loss ratio x earned premium

To the extent that these methods use historical claims development information, the Company assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

Such reason includes:

- Economic, legal, political and social trends (resulting, for example, in a difference in expected levels of inflation);
- Changes in the mix of insurance contracts incepted; and
- The impact of large losses.

The assumption that has the greatest effect on the measurement of general insurance contract provisions is generally the excepted loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to premiums.

Sensitivity analysis

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of claim liabilities and premium liabilities as at 31 December 2020. In this context, the total claim liabilities and premium liabilities are defined as the total claim and premium liabilities for the Singapore Insurance Fund business and Offshore Insurance Fund business combined, including the provision for adverse deviation (this is referred to as the "base scenario" in the sensitivity analysis summary).

To test the sensitivity of the claim and premium liabilities net of reinsurance recoveries to the changes in the significant assumptions, simultaneous changes in the assumptions for all durations were considered. The level of change for the assumptions ranges from 1% to 5%. The result after each change in assumption is then compared to the base scenario, net of reinsurance recoveries.

The sensitivity values shown are independent of changes to other assumptions items. In practice, a combination of adverse and favourable changes could occur. The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

The sensitivity analysis was performed on the premiums and claims liabilities net of reinsurance recoveries, based on changes in assumptions that may affect the level of liabilities. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full. The assumptions considered in the sensitivity analysis are as follows:

- Indirect Claims Handling Expenses (“ICHE”);
- Management Expense Rate;
- Provision for Adverse Deviation (“PAD”); and
- Ultimate Loss Ratio.

The results of the sensitivity analysis and the impact of the premium liabilities and claim liabilities are as follows:

Assumption	**Change in assumption**	**Increase/(Decrease) in profit or loss**	
		2020	**2019**
		$’000	**$’000**
Ultimate Loss Ratio	+ 1% points	(986)	(1,115)
Ultimate Loss Ratio	- 1% points	813	914
Indirect Claims Handling Expenses	+ 1% points	(334)	(876)
Indirect Claims Handling Expenses	- 1% points	334	876
Provision for Adverse Deviation	+ 1% points	(540)	(909)
Provision for Adverse Deviation	- 1% points	540	909

Assumption	**Change in assumption**	**Impact on Gross Premium Liabilities**	**% Change on Gross Premium Liabilities**
		2020	**2019**
		$’000	**$’000**
Ultimate Loss Ratio	+ 1% points	168	0.2%
Ultimate Loss Ratio	- 1% points	(168)	-0.2%
Management Expense Rate	+ 1% points	550	0.7%
Management Expense Rate	- 1% points	(550)	-0.7%
Provision for Adverse Deviation	+ 1% points	456	0.6%
Provision for Adverse Deviation	- 1% points	(456)	-0.6%

5 Cash and cash equivalents

	General Insurance		SHF		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$	$	$
Cash at banks and in hand	16,597,731	25,225,376	1,059,377	2,288,165	23,824,464	18,494,596	41,481,572	43,719,972
Short-term bank deposits	21,181,185	39,712,769	–	10,848,572	–	14,013,115	21,181,185	53,725,884
Cash managed by investment manager	5,515,110	10,421,563	–	–	18,712,286	8,921,354	24,227,396	19,342,917
Cash and cash equivalents	43,294,026	75,359,708	1,059,377	13,136,737	42,536,750	41,429,065	86,890,153	116,788,773
Cash collaterals received from policyholders and agents	(13,264,855)	–	–	(12,583,600)	–	–	(13,264,855)	(12,583,060)
Cash and cash equivalents in the statement of cash flows	30,029,171	75,359,708	1,059,377	553,137	42,536,750	41,429,065	73,625,298	104,205,713

Short-term bank deposits are considered cash and cash equivalents as they can be withdrawn at any point in time and are subject to an insignificant risk of change in value.

Short-term bank deposits of general insurance include $13,264,855 (2019: $12,583,060) held by the Company as cash collaterals received from policyholders in respect of bond insurance business and from agents (Note 15).

As at 31 December 2020, the Company has arrangements with banks for banker's guarantee facilities of $58.0 million (2019: $45.0 million) for underwriting of the bond class of business. During the year, the Company utilised an amount of $37.4 million (2019: $38.8 million) of the bankers' guarantee facilities.

6 Amounts due from/(to) related companies

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Amounts due from related companies						
- Trade	749,228	2,477,974	–	–	749,228	2,477,974
- Other receivables	–	–	51,642	–	51,642	–
Allowance for doubtful insurance receivables:						
- Reinsurance contracts	(474,910)	–	–	–	(474,910)	–
	274,318	2,477,974	51,642	–	325,960	2,477,974
Amounts due (to) related companies:						
- Trade	611,119	(1,276,273)	–	(303,111)	611,119	(1,579,384)
- Reinsurance deposits	237,789	(903,357)	–	–	237,789	(903,357)
- Other payable	349,959	–	961,711	–	1,311,670	–
	1,198,867	(2,179,630)	961,711	(303,111)	2,160,578	(2,482,741)

Amounts due from/(to) related companies (non-trade) are unsecured, interest-free and repayable on demand.

7 Deposits, prepayments and other receivables

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Accrued interest receivable:						
- Debt and equity securities	1,734,798	–	3,458,187	1,591,550	5,192,985	1,591,550
- Fixed deposits	18,414	111,771	–	8,254	18,414	120,025
Deposits	261,068	240,399	29,950	13,550	291,018	253,949
Prepayments	181,133	392,940	–	–	181,133	392,940
GST recoverable	–	–	670,491	254,823	670,491	254,823
Sundry receivables	660,402	370,885	15,441	504,772	675,843	875,657
Grant receivables	162,946	–	144,326	–	307,272	–
	3,018,761	1,115,995	4,318,395	2,372,949	7,337,156	3,488,944

The carrying amounts of deposits, prepayments and other receivables approximate their fair values and are denominated in Singapore dollars.

8 Insurance receivables

	General Insurance	
	2020	2019
	$	$
Receivables arising from insurance contracts	12,230,101	9,711,044
Receivables arising from reinsurance contracts	6,772,743	7,289,316
Reinsurance deposits	104,260	12,150
	19,107,104	17,012,510
Allowance for doubtful insurance receivables:		
- Insurance contracts	(833,112)	(425,258)
- Reinsurance contracts	(1,330,253)	(1,641,914)
	(2,163,365)	(2,067,172)
	16,943,739	14,945,338

The Company has provided for all receivables over 12 months based on estimated irrecoverable amounts determined by reference to past default experience.

Movement in the allowance for doubtful debts:

	General Insurance	
	2020	2019
	$	$
Balance at beginning of financial year	2,067,172	601,705
Charged to profit or loss	96,193	1,465,467
Balance at end of financial year	2,163,365	2,067,172

9 Investments in securities

	General Insurance 2020 $	General Insurance 2019 $	Life Insurance 2020 $	Life Insurance 2019 $	Total 2020 $	Total 2019 $
Held-to-maturity financial assets:						
- Debt securities	21,965,643	23,901,834	–	–	21,965,643	23,901,834
	21,965,643	23,901,834	–	–	21,965,643	23,901,834
Available-for-sale financial assets:						
- Debt securities	37,865,480	24,147,702	47,361,600	–	85,227,080	24,147,702
- Equity securities	34,815,442	4,281,008	–	–	34,815,442	4,281,008
	72,680,922	28,428,710	47,361,600	–	120,042,522	28,428,710
Financial assets designated at fair value through profit or loss						
- Debt securities	122,426,094	93,447,135	327,299,145	154,429,275	449,725,239	247,876,410
- Unit trusts	11,506,799	16,484,897	–	–	11,506,799	16,484,897
- Equity securities						
Quoted	–	20,137,014	54,176,267	13,646,112	54,176,267	33,783,126
Unquoted	–	1,551,602	–	–	–	1,551,602
	–	21,688,616	54,176,267	13,646,112	54,176,267	35,334,728
	133,932,893	131,620,648	381,475,412	168,075,387	515,408,305	299,696,035
Total investments in securities	228,579,458	183,951,192	428,837,012	168,075,387	657,416,470	352,026,579

Investment in securities is classified as follows:

	General Insurance 2020 $	General Insurance 2019 $	Life Insurance 2020 $	Life Insurance 2019 $	Total 2020 $	Total 2019 $
Current						
- Equity securities	34,815,442	25,969,624	54,176,267	13,646,112	88,991,709	39,615,736
- Debt securities	160,291,574	117,594,837	374,660,745	154,429,275	534,952,319	272,024,112
- Unit trusts	11,506,799	16,484,897	–	–	11,506,799	16,484,897
	206,613,815	160,049,358	428,837,012	168,075,387	635,450,827	328,124,745
Non-current						
- Debt securities	21,965,643	23,901,834	–	–	21,965,643	23,901,834
	228,579,458	183,951,192	428,837,012	168,075,387	657,416,470	352,026,579

The investments above include investments in quoted equity securities and unit trusts that offer the Company the opportunity for return through dividend income and fair value gains.

The weighted average effective interest rate of debt securities at the end of the reporting period and the periods in which they mature are disclosed in Note 27.6.

10 Derivative financial instruments

The table below sets out the notional principal amounts and the positive and negative fair values of the Company's outstanding derivative financial instruments at the end of the year. Positive and negative fair values represent the marked-to-market effect of the derivative financial instruments, recognised in profit or loss.

	Contract or Underlying Principal $	Year-end Positive Fair Value $	Year-end Negative Fair Value $
2020			
Life Insurance			
Foreign exchange forward contracts	195,886,575	4,039,260	–
Foreign exchange swaps	237,457,527	10,656,906	–
Total	433,344,102	14,696,166	–
General Insurance			
Foreign exchange forward contracts	369,103,832	1,424,488	–
Total	802,447,934	16,120,654	–
2019			
Life Insurance			
Foreign exchange forward contracts	136,570,965	3,311,361	–
General Insurance			
Foreign exchange forward contracts	184,646,804	1,811,693	(701,508)
Total	321,217,769	5,123,054	(701,508)

At the reporting date, all derivative financial instruments balances are current, as they are classified as 'held for trading' in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*.

The Company enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis.

Master netting arrangements do not meet the criteria for offsetting of financial assets and liabilities on the statement of financial position, as the legal right to set off the transactions is conditional upon default.

11 Property and equipment

	Leasehold properties $	Furniture, fixtures and equipment $	Computers and network equipment $	Motor vehicles $	Total $
Cost					
At 1 January 2019	47,244,078	2,561,544	5,239,758	699,963	55,745,343
Additions	–	66,958	1,951,723	–	2,018,681
Disposals	–	(63,950)	(1,511,762)	–	(1,575,712)
At 31 December 2019	47,244,078	2,564,552	5,679,719	699,963	56,188,312
Additions	–	1,418	144,484	–	145,902
Disposals	–	–	(1,581)	–	(1,581)
At 31 December 2020	47,244,078	2,565,970	5,822,622	699,963	56,332,633
Accumulated depreciation					
At 1 January 2019	5,669,291	1,990,491	2,685,373	677,888	11,023,043
Depreciation	944,880	147,257	795,335	11,037	1,898,509
Write-off	–	(438)	(149,450)	–	(149,888)
At 31 December 2019	6,614,171	2,137,310	3,331,258	688,925	12,771,664
Depreciation	944,882	146,071	790,571	11,038	1,892,562
Disposals	–	–	(923)	–	(923)
At 31 December 2020	7,559,053	2,283,381	4,120,906	699,963	14,663,303
Carrying amounts					
At 1 January 2019	41,574,787	571,053	2,554,385	22,075	44,722,300
At 31 December 2019	40,629,907	427,242	2,348,461	11,038	43,416,648
At 31 December 2020	39,685,025	282,589	1,701,716	–	41,669,330

12 Investment property

	General Insurance Freehold properties $	Leasehold properties $	Total $
Cost			
At 1 January 2019, at 31 December 2019 and at 31 December 2020	16,310,089	10,000,000	26,310,089
Accumulated depreciation			
At 1 January 2019	8,288,652	5,719,121	14,007,773
Depreciation	292,158	226,561	518,719
At 31 December 2019	8,580,810	5,945,682	14,526,492
Depreciation	212,478	306,240	518,718
At 31 December 2020	8,793,288	6,251,922	15,045,210
Carrying amounts			
At 1 January 2019	8,021,437	4,280,879	12,302,316
At 31 December 2019	7,729,279	4,054,318	11,783,597
At 31 December 2020	7,516,801	3,748,078	11,264,879
Fair value (Level 2)			
At 1 January 2019	36,440,000	21,800,000	58,240,000
At 31 December 2019	36,610,000	21,800,000	58,410,000
At 31 December 2020	36,700,000	21,900,000	58,600,000

Investment property comprises a number of commercial properties that are leased to third parties.

The fair values of the Company's investment property as at 31 December 2020 and 31 December 2019 have been determined on the basis of valuations carried out at the respective year end dates by the independent property valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the Company. The fair value was determined by the property valuer based on a market comparable approach that reflects recent transaction prices for similar properties and, the highest and best use of the properties is their current use. There has been no change to the valuation technique applied by the property valuer during the year.

The property rental income from the Company's investment property all of which are leased out under operating leases, amounted to $1,458,746 (2019: $1,449,439). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to $577,044 (2019: $464,391).

13 Insurance contract provisions

	2020 $	2019 $
Insurance contract provisions		
Current		
- unexpired risks	31,438,580	22,983,038
- general insurance claims	70,302,856	83,027,523
	101,741,436	106,010,561
Non-current		
- unexpired risks	48,092,456	41,456,812
- general insurance claims	32,584,051	49,281,444
- life policy reserves	451,401,701	171,433,727
	532,078,208	262,171,983
Total insurance contract provisions, gross	633,819,644	368,182,544
Reinsurers' share of insurance contract provisions		
Current		
- unexpired risks	8,831,681	4,634,040
- general insurance claims	24,047,073	27,555,143
	32,878,754	32,189,183
Non-current		
- unexpired risks	5,784,146	8,916,506
- general insurance claims	4,801,975	14,193,493
- life policy reserves	56,609,652	81,616
	67,195,773	23,191,615
Total reinsurers' share of insurance contract provisions	100,074,527	55,380,798
Net		
Current		
- unexpired risks	22,606,899	18,348,998
- general insurance claims	46,255,783	55,472,380
	68,862,682	73,821,378
Non-current		
- unexpired risks	42,308,310	32,540,306
- general insurance claims	27,782,076	35,087,951
- life policy reserves	394,792,049	171,352,111
	464,882,435	238,980,368
Total insurance contract provisions, net	533,745,117	312,801,746

(a) *Movement in insurance contract provisions (net of reinsurance) for life insurance business*

	2020 $	2019 $
At 1 January	171,352,111	27,046,404
Changes in assumptions	38,452	(1,349,458)
Changes in risk-free discount rates	4,215,116	856,086
Other movements	219,186,370	144,799,079
At 31 December	394,792,049	171,352,111

(b) *Movement in insurance contract provisions (unexpired risks) for general insurance business*

	Gross $	Reinsurance $	Net $
2020			
At 1 January	64,439,850	(13,550,546)	50,889,304
Premiums written	125,945,715	(25,432,179)	100,513,536
Premiums earned	(110,854,529)	24,366,898	(86,487,631)
At 31 December	79,531,036	(14,615,827)	64,915,209
2019			
At 1 January	65,182,175	(12,876,095)	52,306,080
Premiums written	117,625,830	(24,247,089)	93,378,741
Premiums earned	(118,368,155)	23,572,638	(94,795,517)
At 31 December	64,439,850	(13,550,546)	50,889,304

(c) *Movement in insurance contract provisions (general insurance claims) for general insurance*

	Gross $	Reinsurance $	Net $
2020			
At 1 January	132,308,967	(41,748,636)	90,560,331
Claims paid	(87,469,360)	19,134,901	(68,334,459)
Claims incurred	58,047,300	(6,235,313)	51,811,987
At 31 December	102,886,907	(28,849,048)	74,037,859
2019			
At 1 January	120,365,132	(34,778,739)	85,586,393
Claims paid	(65,838,479)	11,405,052	(54,433,427)
Claims incurred	77,782,314	(18,374,949)	59,407,365
At 31 December	132,308,967	(41,748,636)	90,560,331

14 Insurance payables

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Payables arising from insurance contracts	1,974,876	898,988	6,882,764	4,741,945	8,857,640	5,640,933
Payables arising from reinsurance contracts	5,778,562	7,466,909	396,829	9,633	6,175,391	7,476,542
Reinsurance deposits	1,403,185	404,236	–	–	1,403,185	404,236
	9,156,623	8,770,133	7,279,593	4,751,578	16,436,216	13,521,711
Current	9,156,623	8,770,133	7,279,593	4,751,578	16,436,216	13,521,711
Non-current	–	–	–	–	–	–
	9,156,623	8,770,133	7,279,593	4,751,578	16,436,216	13,521,711

Insurance payables principally comprise amounts outstanding from insurance and reinsurance contracts. At the reporting date, the carrying amounts of insurance payables approximate their fair value.

15 Other payables and accruals

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Accrued expenses	3,248,967	3,071,371	3,085,243	2,358,363	6,334,210	5,429,734
Payable on collateral withheld	13,264,855	12,583,060	–	–	13,264,855	12,583,060
Funds received for commuted reinsurance arrangements	79,333	79,333	–	–	79,333	79,333
GST payable	1,021,920	323,096	–	–	1,021,920	323,096
Sundry payables	5,207,364	2,173,121	3,175,091	270,101	8,382,455	2,443,222
Salary payables	4,494,540	3,653,676	6,167,575	4,503,344	10,662,115	8,157,020
Deferred grant income	222,466	–	197,045	–	419,511	–
	27,539,445	21,883,657	12,624,954	7,131,808	40,164,399	29,015,465
Current	14,195,257	9,221,264	12,624,954	7,131,808	26,820,211	16,353,072
Non-current	13,344,188	12,662,393	–	–	13,344,188	12,662,393
	27,539,445	21,883,657	12,624,954	7,131,808	40,164,399	29,015,465

Accrued expenses principally comprise of accruals for operating expenses. Collateral deposits are held in respect of insurance bonds issued on behalf of customers and for credit terms granted to agents.

Funds received for commuted reinsurance arrangements pertain to amounts held in view of the commutation of reinsurance arrangements in the event of future claims by insured parties.

Payable on collaterals withheld arises from the Company's bond insurance business (see Note 5).

At the reporting date, the carrying amounts of other payables approximate their fair value.

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	General Insurance Assets		Life Insurance Assets		Total Assets		General Insurance Liabilities		Life Insurance Liabilities		Total Liabilities	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$	$	$	$	$	$	$
Investments	31,939	–	89,825	–	121,764	–	(533,394)	(53,051)	–	–	(533,394)	(53,051)
Tax loss carry-forwards	–	–	482,038	–	482,038	–	–	–	–	–	–	–
Net deferred tax (assets) liabilities	31,939	–	571,863	–	603,802	–	(533,394)	(53,051)	–	–	(533,394)	(53,051)

Movement in temporary differences during the year

	Balance as at 1 Jan 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Balance as at 31 Dec 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Balance as at 31 Dec 2020 $
General Insurance							
Property, plant and equipment	(70,428)	–	70,428	–	–	–	–
Investments	106,730	–	(159,781)	(53,051)	–	(448,404)	(501,455)
Other items	539,744	–	(539,744)	–	–	–	–
	576,046	–	(629,097)	(53,051)	–	(448,404)	(501,455)
Life Insurance							
Investments	–	–	–	–	–	89,825	89,825
Tax loss carry-forward	–	–	–	–	482,038	–	482,038
	–	–	–	–	482,038	89,825	571,863

	Balance as at 1 Jan 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Balance as at 31 Dec 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Balance as at 31 Dec 2020 $
Total							
Property, plant and equipment	(70,428)	–	70,428	–	–	–	–
Investments	106,730	–	(159,781)	(53,051)	–	(358,579)	(411,630)
Other items	539,744	–	(539,744)	–	–	–	–
Tax loss carry-forward	–	–	–	–	482,038	–	482,038
	576,046	–	(629,097)	(53,051)	482,038	(358,579)	70,408

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefit therefrom.

	General Insurance		Life Insurance		Total	
	Gross amount 2020 $	Gross amount 2019 $	Gross amount 2020 $	Gross amount 2019 $	Gross amount 2020 $	Gross amount 2019 $
Deductible temporary difference	52,469	–	117,773	–	170,242	–
Tax losses	–	–	–	10,076,288	–	10,076,288
	52,469	–	117,773	10,076,288	170,242	10,076,288
	Tax Effect	**Tax Effect**	**Tax Effect**	**Tax Effect**	**Tax Effect**	**Tax Effect**
Deductible temporary difference	8,920	–	20,021	–	28,941	–
Tax losses	–	–	–	1,712,969	–	1,712,969
	8,920	–	20,021	1,712,969	28,941	1,712,969

Tax losses carried forward

The unutilised tax losses of $2,835,516 (2019: $10,076,288) do not expire under current tax legislation and is on the assumption no change in the substantial shareholdings. The utilisation of tax losses carried forward is subject to the agreement of the tax authority.

17 Share capital

	Shareholders' Fund 2020 $	Shareholders' Fund 2019 $
Issued and fully paid:		
At the beginning of the year	160,000,000	120,000,000
Issuance of shares	50,000,000	40,000,000
At the end of the year	210,000,000	160,000,000

Fully paid ordinary shares, which have a par value of $1, carry one vote per share and carry a right to dividends as and when declared by the Company.

During the year, the extraordinary general meeting of shareholders approved the issue of 50,000,000 ordinary shares at a price of $1 per share (2019: 40,000,000 ordinary shares at a price of $1 per share).

18 Net written premiums

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Gross written premiums	125,945,715	117,625,830	294,788,505	150,577,841	420,734,220	268,203,671
Less: Premiums ceded to reinsurers	(25,432,179)	(24,247,089)	(54,555,703)	(9,634)	(79,987,882)	(24,256,723)
Net written premiums	100,513,536	93,378,741	240,232,802	150,568,207	340,746,338	243,946,948

19 Commission income

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Reinsurance commission income	4,017,041	4,392,561	1,276,742	–	5,293,783	4,392,561
Profit commission income	619,882	550,927	–	–	619,882	550,927
	4,636,923	4,943,488	1,276,742	–	5,913,665	4,943,488

20 Net investment income

	General Insurance 2020 $	General Insurance 2019 $	Life Insurance 2020 $	Life Insurance 2019 $	Total 2020 $	Total 2019 $
Interest income from						
Available-for-sale financial assets:						
- Debt securities	962,401	1,225,953	160,411	–	1,122,812	1,225,953
Held-to-maturity financial assets:						
- Debt securities	1,202,643	1,370,488	–	–	1,202,643	1,370,488
Financial assets designated at fair value through profit or loss:						
- Debt securities	4,091,014	–	9,364,866	2,695,156	13,455,880	2,695,156
- Unit trusts	–	904,822	–	–	–	904,822
Short-term bank deposits	345,423	840,125	237,157	438,312	582,580	1,278,437
Dividend income from equity securities	300,028	422,445	696,583	182,158	996,611	604,603
Dividend income from unit trusts	560,622	–	–	–	560,622	–
Net fair value gains/(losses)						
Financial assets designated at fair value through profit or loss:						
- Unit trusts	(3,610,754)	265,479	–	–	(3,610,754)	265,479
- Debt securities	3,451,375	5,376,942	4,245,568	697,894	7,696,943	6,074,836
- Equity securities	–	4,531,723	6,514,761	329,422	6,514,761	4,861,145
Derivative financial instruments	(2,752,672)	272,883	12,189,884	2,311,935	9,437,212	2,584,818
Gains/(losses) on disposal						
Available-for-sale financial assets:						
- Debt securities	327,855	323,909	49	–	327,904	323,909
- Equity securities	(224,441)	838,869	–	–	(224,441)	838,869
Financial assets designated at fair value through profit or loss:						
- Debt securities	(368,310)	3,973,965	468,381	36,492	100,071	4,010,457
- Equity securities	1,506,202	–	(1,290,510)	(79,773)	215,692	(79,773)
- Unit trusts	(422,649)	53,409	–	–	(422,649)	53,409
Held-to-maturity financial assets						
- Debt securities	2,220,681	108,933	–	–	2,220,681	108,933
Impairment losses						
Available-for-sale financial assets:						
- Debt securities	–	(2,091,300)	–	–	–	(2,091,300)
Held-to-maturity financial assets:						
- Debt securities	–	(2,000,000)	–	–	–	(2,000,000)
Net exchange losses in investment	(214,400)	(773,700)	(12,371,713)	(161,120)	(12,586,113)	(934,820)
	7,375,018	15,644,945	20,215,437	6,450,476	27,590,455	22,095,421

21 Other income

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Rental income from investment property	1,372,386	1,449,439	–	–	1,372,386	1,449,439
Miscellaneous income	16,910	17,239	10,497	8	27,407	17,247
Government grant income	94,681	–	11,445	–	106,126	–
	1,483,977	1,466,678	21,942	8	1,505,919	1,466,686

Government grant income

The Company has received property tax rebate of $19,766 by the Singapore Government as a tenant.

22 Staff costs

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Wages and salaries	10,294,836	11,302,792	13,217,625	9,596,839	23,512,461	20,899,631
Cost of defined contribution plans	807,533	894,080	1,074,231	692,984	1,881,764	1,587,064
Other staff benefits	564,482	488,887	(33,222)	365,449	531,260	854,336
Government grant income - JSS	(1,302,754)	–	(1,091,028)	–	(2,393,782)	–
	10,364,097	12,685,759	13,167,606	10,655,272	23,531,703	23,341,031

Government grants

The Company has been awarded a COVID-19 relief government grant by the Singapore Government under the Jobs Support Scheme ("JSS"). The grant received by the Company for the financial year ended 31 December 2020, amounts to $2,506,021 and is conditional on the payment of salaries to local employees and that of related CPF contributions on those salaries paid for the period mentioned in the announcement. For the financial year ended 31 December 2020, $2,393,782 of the JSS grant income was recognised in the profit or loss on a systematic basis over the period of economic uncertainty from April 2020.

23 Other operating expenses

	General Insurance		Life Insurance		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Promotion expenses	468,028	599,613	1,518,437	2,078,948	1,986,465	2,678,561
Training fees	23,742	11,848	31,997	16,363	55,739	28,211
Property management fees	89,466	97,366	123,042	136,896	212,508	234,262
Non-recoverable GST	249,778	52,142	1,122,402	262,702	1,372,180	314,844
Credit card charges	249,115	168,384	193,891	166,246	443,006	334,630
Bank charges	790,668	534,776	131,573	47,166	922,241	581,942
Maintenance fees	525,545	409,579	1,152,551	3,971,559	1,678,096	4,381,138
Consultation fees	318,792	400,842	337,524	1,041,043	656,316	1,441,885
Sundries	58,896	144,969	145,917	158,094	204,813	303,063
Property tax	102,900	147,000	–	–	102,900	147,000
Write-off of doubtful debts, net	571,103	1,465,282	–	–	571,103	1,465,282
Group IT service fee (Note 28)	79,963	60,318	63,368	85,377	143,331	145,695
Internal Audit service fee (Note 28)	12,804	41,340	15,378	58,514	28,182	99,854
Investment expenses	1,109,313	1,148,783	575,711	226,242	1,685,024	1,375,025
Rental expenses	28,278	55,775	30,144	(42,685)	58,422	13,090
Foreign exchange loss (net)	(67,862)	266,582	893,225	(26,153)	825,363	240,429
Government grant expenses	153,425	–	–	–	153,425	–
Other expenses & service fees	1,227,301	4,836	784,208	55,692	2,011,509	60,528
	5,991,255	5,609,435	7,119,368	8,236,004	13,110,623	13,845,439

Government grant expenses

The Company has received property tax rebate and cash grants granted by the Singapore Government as a landlord and transferred the related rental rebate to the tenant of $153,425 for the financial year ended 31 December 2020. The grant income and grant expenses have been disclosed separately.

24 Income tax

	General Insurance 2020 $	General Insurance 2019 $	Life Insurance 2020 $	Life Insurance 2019 $	Total 2020 $	Total 2019 $
Current tax expense						
Current year	–	–	–	–	–	–
Under/(Over) provision of tax expense for prior year	–	(696,105)	78,807	371,000	78,807	(325,105)
	–	(696,105)	78,807	371,000	78,807	(325,105)
Deferred tax expense						
Recognition of tax effect of previously unrecognised tax losses	–	–	(482,038)	–	(482,038)	–
	–	–	(482,038)	–	(482,038)	–
Total tax expense	–	(696,105)	(403,231)	371,000	(403,231)	(325,105)

Reconciliation of effective tax rate

	2020 $	2019 $
Profit before tax	2,201,979	1,019,266
Tax using the Singapore tax rate of 17% (2019: 17%)	374,336	173,275
Effects of:		
- Non-deductible expenses	1,246,477	3,302,689
- Income subject to a concessionary tax rate of 10%	10,091	(137,850)
- Tax-exempt income	(399,973)	–
- Recognition of tax effect of previously unrecognised tax losses	(482,038)	–
- Under/ (Over) provision of tax in prior years	78,807	(325,105)
- Utilisation of unabsorbed tax losses	(1,230,931)	(3,338,114)
	(403,231)	(325,105)

25 Dividends

The following exempt (one-tier) dividends were declared and paid by the company:

	Shareholders' Fund 2020 $	Shareholders' Fund 2019 $
Paid by company to owners of the company		
0.21 cents per qualifying ordinary share (2019: nil)	432,000	–

26 Leases

Leases as lessee

The Company leases properties, equipment and leasehold land under a number of leases, which were classified as operating leases under FRS 17.

The Company leases office space and retail stores for the purpose of back office operations and sale of consumer goods to retail customers respectively. The leases typically run for a period of 2 years, with an option to renew the lease after that date.

The Company leases IT equipment (e.g. laptops) for back office operations and cars for the senior management. The leases typically run for a period of 2 years.

The Company has also made an upfront payment to secure the right-of-use of a 99-year leasehold land, which is used in the Company's retail operations. This leasehold land is recognised within Property, plant and equipment (Note 11).

The Company leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Life Insurance	**Leasehold properties 2020 $**	**Furnitures, fixtures and equipment 2020 $**	**Total 2020 $**
Balance at 1 January	1,297,562	98,829	1,396,391
Depreciation charge for the year	(795,577)	(24,707)	(820,284)
Additions to right-of-use assets	139,711	–	139,711
Balance at 31 December	641,696	74,122	715,818
	2019 $	**2019 $**	**2019 $**
Balance at 1 January	2,058,746	123,536	2,182,282
Depreciation charge for the year	(761,184)	(24,707)	(785,891)
Balance at 31 December	1,297,562	98,829	1,396,391

Amounts recognised in profit or loss

	2020 $	2019 $
Interest expenses on lease liabilities	64,359	95,952
Expenses relating to short-term leases	52,500	29,100

Amounts recognised in statement of cash flows

	2020 $	2019 $
Total cash outflow for leases	829,616	824,766

Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Leases as lessor

The Company leases out its investment properties consisting of its owned commercial properties as well as leased property (see Note 12). All leases are classified as operating leases.

Operating lease

The Company leases out its investment properties. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 12 sets out information about the operating leases of investment properties.

Rental income, net of expenses from investment property recognised by the Company during 2020 was $881,702 (2019: $985,048).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020 $	2019 $
Operating leases under FRS116		
Within 1 year	1,067,997	1,306,969
After 1 year but within 2 years	602,587	909,388
After 2 years but within 3 years	4,800	–
Total	1,675,384	2,216,357

27 Insurance and financial risk management

27.1 Enterprise Risk Management

The Company has an Enterprise Risk Management ("ERM") framework, which is a company-wide approach to identify, assess, measure, monitor, control and mitigate risks that arises from the company's business activities. The Company adopts three lines of defence model in its risk management framework.

The Company's Board of Directors is ultimately responsible for the ERM framework. The Company's senior management oversees the functioning of the framework, and establishes risk management objectives, risk appetite and risk tolerance statements. The Company has a Risk Management Committee that periodically reviews all risks identified by business units, ensures adequate controls are in place to mitigate them, and monitors the adherence to established risk limits.

The lines of defence are:

- First line defence – Business Units' primary responsibility is to identify, assess, measure, and control risks affecting their day-to-day business. They report to senior management on matters in the daily business operation.
- Second line defence – Risk Management and Compliance department reviews risk assessment outcomes by first line and reviews the adequacy and effectiveness of internal controls implemented to mitigate the relevant risks. The department also monitors the risk exposure against the Company's risk tolerance or limits and reports to senior management on the overall company risk profile.
- Third line defence – Internal Audit reports to senior management to provide independent and objective assurance on the Company's effectiveness and compliance of the risk management framework, policies and procedures.

The Company' risk management process includes (i) Risk Identification, (ii) Risk Assessment and Measurement, (iii) Risk Controls and Mitigation, and (iv) Risk Monitoring and Review. Business Units as first line of defence, evaluate the risks arising from their processes based on this, and they are subject to second and third lines of defences' review and validation.

Asset-liability management ("ALM")

Part of management's strategy in the management of risks is to holistically manage its assets and liabilities. A different approach is adopted for life and general business in consideration to the very different nature of the two.

The Company adopts Singapore's Revised Risk Based Capital ("RBC2") regime as a basis to measure assets and liabilities for ALM purposes. The Company holds capital in accordance with the regulatory requirements of the RBC2 regime for any mismatch between assets and liabilities.

(a) Life insurance business ALM

The Company conducts its asset-liability management for the life insurance business through the following:

- Development of the strategic asset allocation ("SAA") with consideration for the required return on liabilities, risk return characteristics of each asset class, duration, nature and currency of the assets and liabilities, and the impact and sensitivity of solvency position. All investment activities must adhere to the SAA.

- Design and pricing of new products with consideration for the underlying assets backing the product and the characteristics of those assets, including the level of uncertainty in investment returns, duration, nature and currency of assets and liabilities, and liquidity considerations.

- Maintenance of a satisfactory liquidity position to meet liability cash flows, whether arising from expected (e.g. maturities) or unexpected (e.g. surge in policyholder surrenders) sources.

(b) General insurance business ALM

The Company proactively manages its financial position using an approach that balances quality, diversification, liquidity and investment return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return. As general insurance business is short term in nature, the assets are managed to ensure adequate liquidity to meet cash flow of the liability. The investment portfolio is managed by asset management companies, one of which is a subsidiary of the holding company. The investment portfolio is under the close supervision of the Chief Executive and the investment committee. The monthly management report submitted to the holding company includes the performance of the investment portfolios. The holding company also reviews the investment guidelines and limits on a periodic basis, and provides oversight on the asset/liability management process.

27.2 Insurance risk

(a) Life Insurance

The Company is exposed to life insurance risk when it signs a contract with the insured party for a premium amount and in return promises to pay a sum of money if a specified event occurs within the time frame stipulated in the contract. The terms of acceptance of such risks are generally long term in nature. These risks accepted by the Company are mortality and morbidity risk, longevity risk and persistency risk. In general, payment occurs upon death or illness, surrender, or survival of the policyholder, depending on the type of policy.

The Company has implemented underwriting and claims management guidelines and procedures to manage such insurance risk. It also considers its reinsurance coverage to manage its overall risk exposure according to the risk appetite.

Mortality and morbidity risks are selected through underwriting and appropriate premiums are charged based on the level of risks that applicants carry. The levels of mortality and morbidity risks are determined by age, gender, and underwriting experience. For death covers, the Company transfers insurance risk in excess of its retention limit to its appointed reinsurers on a per life basis. The current retention limit for life insurance is set generally at $200,000 per life and at USD400,000 per life for Universal Life contracts. Some products with specific features may have different retentions to reflect their different nature (e.g. special and juvenile benefits, or premium waiver riders).

Mortality and morbidity risk is also managed through appropriate claim management procedures that detect and address potential fraudulent claims. The results of experience reviews of mortality, morbidity, longevity and persistency are used to decide on the bases for reserving and pricing of products.

Lapse rates are evaluated prudently through the pricing of new products, product design, and regular monitoring of persistency experience.

For contracts with Critical Illness benefits, the Company generally has the right to vary the non-guaranteed future premium rates if claim experience deteriorates in the future. Additionally, for Participating contracts, the discretionary participating feature results in a significant portion of the insurance risk being shared with the policyholders. These mitigate the amount of insurance risk accepted by the Company.

Additionally, the Company also perform regular stress tests to assess its ability to withstand adverse deviations in various parameters, including insurance assumptions.

(b) General Insurance

The key insurance risks for general insurance contracts arise from uncertainty in the timing and amount of claims. The Company addresses these risks through its underwriting and reinsurance strategy.

The Company also monitors and reacts to changes in the general economic and commercial environment in which it operates, especially in Singapore where the Company underwrites the majority of its insurance risks.

Underwriting strategy

The underwriting strategy of the Company is to seek diversity to ensure a balanced portfolio. The underwriting department prepares business plans every year that establishes the classes of business and industry sectors in which the Company is prepared to underwrite. The strategy is cascaded to individual underwriters through detailed underwriting authorities that set out the limit that any one underwriter can write by line, size, class of business and industry in order to ensure appropriate risk selection within the portfolio of business to be underwritten.

For general insurance contracts that are annual in nature, the underwriting department has the right to refuse renewal or change the terms and conditions of the contracts at renewal.

The general insurance underwriting function's performance and adherence to the underwriting guidelines/authority limits are measured on a periodic basis.

Reinsurance strategy

Ceded insurances contain credit risks, and such reinsurance recoverable is reported after impairment provisions as a result of occurred recognised asset. The Company monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements periodically.

As the Company is required to monitor its solvency margin and capital adequacy ratio under the RBC2 Framework introduced by the Monetary Authority of Singapore (the "MAS"), the Company deals mainly with reinsurers approved by the immediate holding company with good credit ratings. The General Insurance Underwriting, Reinsurance and Claims Committee ("GIURCC") and the Life Insurance Underwriting, Reinsurance and Claims Committee ("LIURCC") review and approve the reinsurance programmes of the general insurance business and life insurance business respectively. This is to ensure that the appropriate type, mix, and risk retention limits of reinsurance arrangements and reinsurers are used. Prior approval is required to be sought from the Chief Executive and management for any deviations.

(c) Interaction between insurance risk and capital adequacy

The insurance risk that the Company is exposed to directly impacts its capital adequacy levels. Insurance risks where the expected pay-out is estimated with a high degree of uncertainty would require a higher level of provision of adverse deviation. The RBC2 regime which the Company operates in also prescribes higher capital requirements in areas where insurance risk is higher, for example when premium rates are guaranteed and non-reviewable.

27.3 Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Life Insurance

Concentration risk in the Company's life insurance business is primarily on the amount of insurance coverage based on a single life. A high concentration of insurance benefits on any single life could lead very volatile claims experience and a large loss when there is a claim on that life.

The Company manages this risk by setting appropriate coverage limits on each product to control the concentration of insurance risks on any single life. In addition, the Company utilizes suitable reinsurance arrangements to ensure that the risk retained within the Company on a per life basis is within its risk appetite. The table below shows the aggregate retained sum at risk per life by size band.

	31 December 2020		31 December 2019	
	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
	$	$	$	$
Within $0.2 million	455,764,066	429,788,919	80,918,501	88,424,833
Between $0.2 and $0.5 million	464,158,177	10,862,252	68,940,768	1,347,919
Greater than $0.5 million	171,766,481	5,845,885	46,922,157	525,135

General Insurance

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geographic or demographic trend or a particular group of companies that belong to the same shareholder.

The Company's key methods in managing these risks are as follows:

Firstly, the risk is managed through appropriate underwriting procedures. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed.

Secondly, the risk is managed through the use of reinsurance. The Company enters into treaty arrangements with reputable reinsurers that provide protection on the insurance business written by the Company above a certain net retention of risk. The costs and benefits associated with the reinsurance programmes are being reviewed periodically. For general insurance, the Company has also obtained excess of loss reinsurance coverage in addition to the treaty arrangements. For life insurance, the Company has not entered into a catastrophe reinsurance arrangement as at end of 2020 in view of its small portfolio.

For general insurance activities, the Company is also exposed to geographical concentration risks as its primary market is Singapore. In addition, there is also some concentration risk in terms of lines of business, where the Company is more susceptible to adverse experience in subsets of the portfolio where most of the business is written.

The following tables disclose the concentration of gross and net written premiums in relation to the type of general insurance risk accepted by the Company:

	31 December 2020		**31 December 2019**	
	Gross written premium	**Net written premium**	**Gross written premium**	**Net written premium**
	$	**$**	**$**	**$**
Lines of business				
- Motor	51,949,279	51,090,760	41,379,394	40,734,697
- Workmen's compensation	12,822,726	12,375,438	15,402,820	14,252,773
- Marine cargo	5,554,675	2,086,063	5,054,778	1,571,861
- Marine hull	7,578,055	2,765,328	4,152,392	2,374,538
- Fire	23,105,259	12,972,194	22,914,085	11,678,691
- Bonds	9,547,784	6,835,632	13,575,911	11,243,588
- Personal accident	528,011	434,256	823,897	769,708
- Health	6,810,144	6,797,459	6,771,002	6,749,885
- Public liability	1,267,387	358,492	1,238,692	316,359
- Engineering/CAR/EAR	1,430,158	429,852	915,197	(267,179)
- Professional indemnity	57,234	14,323	112,498	14,608
- Trade Credit	403,001	(41,225)	734,514	19,152
- Others	4,892,002	4,394,964	4,550,650	3,920,060
	125,945,715	100,513,536	117,625,830	93,378,741

The Company sets out the total aggregate exposure that it is prepared to accept in relation to concentration of risks based on the guidelines given by MAS under the RBC2 framework. It monitors these exposures both at the time of underwriting a risk, and on a quarterly basis by reviewing reports which show the key aggregations of risks to which the Company is exposed.

Claims development

The table details the claims development for accident years 2011 to 2020.

(i) Analysis of claims development - gross of reinsurance

	Accident year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative claims:											
At end of accident year		42,904	49,167	57,566	53,185	58,954	78,522	69,052	67,609	56,183	
- One year later	40,576	38,254	45,846	56,659	50,628	57,784	83,033	83,844	74,016		
- Two years later	38,986	34,711	42,003	53,162	43,454	52,870	78,827	78,154			
- Three years later	37,442	34,438	39,478	48,985	41,403	50,148	84,081				
- Four years later	38,047	32,937	36,987	50,905	40,202	49,639					
- Five years later	35,008	31,305	35,631	55,274	40,224						
- Six years later	32,445	29,926	33,655	55,593							
- Seven years later	31,771	29,013	33,547								
- Eight years later	31,613	29,000									
- Nine years later	31,609										
Current cumulative ultimate claims incurred	31,609	29,000	33,547	55,593	40,224	49,639	84,081	78,154	74,016	56,183	532,046
Cumulative payments	31,559	28,997	33,494	45,562	38,957	46,501	74,859	64,086	55,297	22,443	441,755
Estimate of claims reserves	50	3	53	10,031	1,267	3,138	9,222	14,068	18,719	33,740	90,291
Indirect claims expenses											1,334
Best estimate of claims liabilities											91,625
Estimated claims for prior accident years											327
Provision for adverse deviation											10,580
Gross provision for insurance claims determined by appointed actuary											102,532
Additional provision for insurance claims by the insurer											355
Gross provision for insurance claims											102,887

(ii) Analysis of claims development - net of reinsurance

	Accident year										
	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
Estimate of cumulative claims:											
At end of accident year		35,938	41,097	45,913	45,672	54,772	63,422	55,445	52,470	46,000	
- One year later	29,469	32,023	38,501	45,843	43,067	53,663	68,155	67,115	60,263		
- Two years later	28,789	29,167	35,805	42,686	36,698	49,362	67,562	62,460			
- Three years later	27,622	28,740	33,479	39,659	35,203	46,937	72,768				
- Four years later	27,941	27,238	31,759	37,171	34,144	46,507					
- Five years later	25,870	26,311	30,559	36,815	34,194						
- Six years later	23,850	25,506	29,486	36,302							
- Seven years later	23,695	25,169	29,376								
- Eight years later	23,628	25,156									
- Nine years later	23,625										
Current cumulative ultimate claims incurred	23,625	25,156	29,376	36,302	34,194	46,507	72,768	62,460	60,263	46,000	436,651
Cumulative payments	23,610	25,153	29,342	35,966	33,155	43,697	65,612	52,757	45,116	16,895	371,303
Estimate of claims reserves	15	3	34	336	1,039	2,810	7,156	9,703	15,147	29,105	65,348
Indirect claims expenses											1,336
Best estimate of claims liabilities											66,683
Estimated claims for prior accident years											311
Provision for adverse deviation											6,821
Net provision for insurance claims determined by appointed actuary											73,815
Additional provision for insurance claims by the insurer											223
Net provision for insurance claims											74,038

27.4 Financial instruments, financial risk and capital risk management

(a) Categories of financial instruments

	2020 $	2019 $
Financial assets		
Held-to-maturity financial assets		
- Debt securities	21,965,643	23,901,834
Available-for-sale financial assets		
- Debt securities	85,227,080	24,147,702
- Equity securities	34,815,442	4,281,008
Financial assets designated at fair value through profit or loss		
- Debt securities	449,725,239	247,876,410
- Unit trusts	11,506,799	16,484,897
- Equity securities	54,176,267	35,334,728
Loans and receivables		
- Cash and cash equivalents	86,890,153	116,788,773
- Amount due from related companies	325,960	2,477,974
- Deposits, prepayments and other receivables (excluding prepayments and GST recoverable)	6,485,532	2,841,181
Insurance receivables	16,943,739	14,945,338
Derivative receivables	16,120,654	5,123,054
	784,182,508	494,202,899
Financial liabilities		
Insurance payables	16,436,216	13,521,709
Other payables and accruals (excluding GST payable and deferred grant income)	38,722,968	28,692,369
Amount due to related companies	2,160,578	2,482,741
Derivative payables	–	701,508
	57,319,762	45,398,327

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting agreements or similar netting agreements.

(c) Financial risk management policies and objectives

The Company has to meet substantial long-term liabilities to policyholders for claims and maturity payments and to ensure that adequate liquidity is available to meet short-term claims, solvency margin and capital adequacy for existing and new business.

The Company's Risk Management and Investment Committees manage such financial risks. The Risk Management Committee sets the relevant financial risk policies and procedures and reviews them periodically. The financial risk management process addresses the mitigating of the risks due to uncertainties of the financial market to minimise the adverse impact of these risks on the financial performance of the Company, including matching the timing of cash flows from assets and liabilities. The Investment Committee sets the strategic and tactical asset allocations that are consistent with the asset/liability management requirements and approves relevant investment guidelines and procedures.

The Company's financial risk management policies and procedures covering specific areas, such as market risk (including foreign exchange risk, interest rate risk and equity price risk), credit risk and liquidity risk. Financial risk management is carried out by the individual risk owners under these policies and procedures approved by the Risk Management Committee.

The financial risks measurement have been expanded to cover life business. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Interest rate risk management

The Company is exposed to interest-rate risk primarily through investments in interest-earning financial assets by the insurance funds and policy liabilities in those funds which are guaranteed. The interest-rate risk arises from not holding assets that match policy liabilities fully. The Investment Committee monitors such interest-rate risk arising from asset-liability tenure mismatch actively to limit the extent to which solvency can be affected by an adverse movement in interest rates.

The long duration of policy liabilities in the insurance funds and the uncertainty of the cash flows of these funds mean interest rate risk cannot be completely eliminated. The Company aims to match the guaranteed liabilities of insurance funds' tenures with assets' tenures as much as possible. However, the Company does not hedge against such exposures.

Summary quantitative data of the Company's interest-bearing financial instruments can be found in Note 27.6.

(ii) Foreign currency risk management

During the ordinary course of business, the Company engages in foreign currency denominated transactions. As a result, the Company is exposed to movements in foreign currency exchange rates.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities categorised by currency are as follows:

	SGD $'000	USD $'000	HKD $'000	Others $'000	Total $'000
2020					
Assets					
Held-to-maturity financial assets					
- Debt securities	–	21,966	–	–	21,966
Available-for-sale financial assets					
- Debt securities	47,362	37,865	–	–	85,227
- Equity securities	–	–	34,815	–	34,815
Financial assets designated at fair value through profit or loss					
- Debt securities	41,597	406,125	–	2,003	449,725
- Unit trusts	–	2,757	8,750	–	11,507
- Equity securities	–	–	54,176	–	54,176
Cash and cash equivalents	79,058	7,832	–	–	86,890
Amount due from related companies	(582)	865	(8)	51	326
Deposits and other receivables (excluding prepayments and GST recoverable)	6,481	2	–	3	6,486
Insurance receivables	12,186	4,159	–	599	16,944
Derivative receivables	(464)	16,618	–	(33)	16,121
Total assets	185,638	498,189	97,733	2,623	784,183
Liabilities					
Insurance payables	13,275	2,839	–	322	16,436
Amount due to related companies	357	233	979	592	2,161
Other payables and accruals (excluding GST payable and deferred grant income)	37,330	2,110	(973)	256	38,723
Total liabilities	50,962	5,182	6	1,170	57,320
Net financial assets/(liabilities)	134,676	493,007	97,727	1,453	726,863
Less: Net financial assets/ (liabilities) denominated in the Company's currency	(134,676)	–	–	–	(134,676)
Less: currency forwards	–	(554,655)	–	(2,028)	(556,683)
Currency exposures	–	(61,648)	97,727	(575)	35,504

	SGD $'000	USD $'000	HKD $'000	Others $'000	Total $'000
2019					
Assets					
Held-to-maturity financial assets:	27	23,875	–	–	23,902
- Debt securities					
Available-for-sale financial assets:					
- Debt securities	–	24,148	–	–	24,148
- Equity securities	–	–	4,281	–	4,281
Financial assets designated at fair value through profit or loss					
- Debt securities	17,513	229,568	–	795	247,876
- Unit trusts	–	4,050	12,435	–	16,485
- Equity securities	230	14,484	13,442	7,179	35,335
Cash and cash equivalents	85,202	24,484	7,103	–	116,789
Amount due from related companies	1,313	1,414	(126)	(123)	2,478
Deposits and other receivables (excluding prepayments and GST recoverable)	2,841	–	–	–	2,841
Insurance receivables	13,719	375	–	851	14,945
Derivative receivables	–	5,123	–	–	5,123
Total assets	120,845	327,521	37,135	8,702	494,203
Liabilities					
Insurance payables	(12,509)	(1,013)	–	–	(13,522)
Amount due to related companies	–	(2,483)	–	–	(2,483)
Other payables and accruals (excluding GST payable)	(28,643)	–	(49)	–	(28,692)
Derivatives	–	(702)	–	–	(702)
Total liabilities	(41,152)	(4,198)	(49)	–	(45,399)
Net financial assets/(liabilities)	79,693	323,323	37,086	8,702	448,804
Less: Net financial assets/ (liabilities) denominated in the Company's currency	(79,693)	–	–	–	(79,693)
Less: currency forwards	–	(157,296)	–	(790)	(158,086)
Currency exposures	–	166,027	37,086	7,912	211,025

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of the Company. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency weakens by 10% against the functional currency, profit before tax and equity will increase/(decrease) by:

	2020		**2019**	
	Profit before tax $'000	**Equity $'000**	**Profit before tax $'000**	**Equity $'000**
US Dollar impact	9,952	(3,787)	(14,188)	(2,415)
Hong Kong Dollar impact	(6,291)	(3,482)	(3,281)	(428)

If the relevant foreign currency strengthens by 10% against the functional currency, profit before tax and equity will increase/(decrease) by:

	2020		**2019**	
	Profit before tax $'000	**Equity $'000**	**Profit before tax $'000**	**Equity $'000**
US Dollar impact	(9,952)	3,787	14,188	2,415
Hong Kong Dollar impact	6,291	3,482	3,281	428

The above assessment does not take into account the impact of exchange rate movements in outstanding loss reserves. The company measures its overall required reserving in its functional currency and does not separately assess the impact of exchange rate movements on this balance sheet item.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The counterparties include security issuers, derivatives transactional counterparties, policyholders, reinsurers, brokers and other intermediaries.

Credit risk management is performed in the management of the Company's investments and business activities, which includes the monitoring of established credit quality controls, and exposures against the credit risk limits. The Risk Management Committee reviews such credit risk management framework periodically, and provides oversight of the credit risk taken by the Company.

The Company extends credit to its General Insurance' brokers, agents and corporate customers based on normal commercial terms. The outstanding balances are closely monitored and ageing information of major debtors are highlighted in the Company's monthly Credit Control Committee.

In addition, the credit control committee approves and reviews the General Insurance' intermediaries and corporate customers' credit limits.

The carrying amount of claims recoverable from reinsurers, investments in debt securities, insurance and other receivables, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

The Company also has exposure to credit risk to reinsurers generally and also to specific reinsurers. The Reinsurance Department is responsible for setting guidelines about the quality of General Insurance' reinsurers used. The Reinsurance Department and the Finance Department work closely to monitor the recovery from these reinsurers.

In relation to the life reinsurers, the Life Underwriting, Reinsurance and Claims Committee reviews and approves new and modifications to life reinsurance programmes to manage the credit exposure.

At the end of the reporting period, there is no significant concentration of credit risk and exposures are well spread. The Company's exposure to credit risk relating to its financial assets is summarised below:

	Neither past-due nor impaired				
	Grade (BBB- to AAA) $	Grade (C to BB) $	Not rated $	Past due but not impaired $	Total $
2020					
Held-to-maturity financial assets:					
- Debt securities	21,965,643	–	–	–	21,965,643
Available-for-sale financial assets:					
- Debt securities	85,227,080	–	–	–	85,227,080
- Equity securities	–	–	34,815,442	–	34,815,442
Financial assets designated at fair value through profit or loss					
- Debt securities	390,446,016	–	59,279,223	–	449,725,239
- Unit trusts	–	–	11,506,799	–	11,506,799
- Equity securities	–	–	54,176,267	–	54,176,267
Cash and cash equivalents	83,196,589	–	3,693,564	–	86,890,153
Amount due from related companies	–	–	325,960	–	325,960
Deposits and other receivables (excluding prepayments and GST recoverable)	5,211,399	–	1,274,133	–	6,485,532
Insurance receivables	–	–	4,708,192	12,235,547	16,943,739
Derivative receivables	16,120,654	–	–	–	16,120,654
	602,167,381	–	169,779,580	12,235,547	784,182,508

	Neither past-due nor impaired				
	Grade (BBB- to AAA) $	Grade (C to BB) $	Not rated $	Past due but not impaired $	Total $
2019					
Held-to-maturity financial assets:					
- Debt securities	23,874,480	–	27,354	–	23,901,834
Available-for-sale financial assets:					
- Debt securities	21,434,203	–	2,713,499	–	24,147,702
- Equity securities	–	–	4,281,008	–	4,281,008
Financial assets designated at fair value through profit or loss					
- Debt securities	230,085,393	–	17,791,017	–	247,876,410
- Unit trusts	–	–	16,484,897	–	16,484,897
- Equity securities	–	–	35,344,728	–	35,344,728
Cash and cash equivalents	110,013,282	–	6,775,491	–	116,788,773
Amount due from related companies	–	–	2,477,974	–	2,477,974
Deposits and other receivables (excluding prepayments and GST recoverable)	1,965,524	–	875,657	–	2,841,181
Insurance receivables	–	–	2,810,510	12,134,828	14,945,338
Derivatives	5,123,054	–	–	–	5,123,054
	392,495,936	–	89,582,135	12,134,828	494,212,899

Age analysis of financial assets past-due but not impaired:

	< 6 months $	6 months to 12 months $	>12 months	Total $
2020				
Insurance receivables	9,285,312	2,236,796	713,439	12,235,547
2019				
Insurance receivables	10,657,780	1,122,126	354,922	12,134,828

Receivables from insurance and reinsurance contracts amounting to $833,112 and $1,805,163 (2019: $425,258 and $1,641,914) have been impaired respectively.

The Company has not recognised an allowance for doubtful debts for the remaining financial assets as there has not been a significant change in credit quality and the amounts are still considered recoverable.

(iv) Liquidity risk management

An important aspect of the Company's management of assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. The Company is exposed to liquidity risk when it is unable to meet its obligations at a reasonable cost. In addition, the Company could experience unexpected cash demands from huge amount of life policies' surrenders arising from adverse market conditions and publicity. Thus, the Company may have to sell off assets to fulfil such obligations. The Company maintains cash and liquid deposits deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash requirements. In normal circumstances, the majority of claims are settled with the bank balances and cash deposits available. The Company also constantly reviews its investment portfolio allocation to ensure that there are sufficient cash and liquid deposits to meet its estimated cash outflow from its insurance contracts. The Company monitors the liquidity risk through the periodic tracking of the liquidity of relevant insurance funds and through the performance of liquidity stress tests. Details of the contractual maturities for financial assets and liabilities can be found in Note 27.6.

(v) Equity price risk management

The Company is exposed to equity risks arising from equity investments classified as held-for-trading and available-for-sale financial assets. Available-for-sale equity investments are held for strategic rather than trading purposes. The Company does not actively trade available-for-sale financial assets.

Further details of these equity investments can be found in Note 9 to the financial statements.

The sensitivity analysis on the exposure to equity price risks at the end of the reporting period can be found in Note 27.7.

27.5 Fair value of financial assets and financial liabilities

The Company's assets measured at fair value are its available-for-sale financial assets, fair value through profit and loss financial assets and derivative financial instruments.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2020				
Assets				
Available-for-sale financial assets	120,043	–	–	120,043
Financial assets designated at fair value through profit or loss	503,901	–	11,507	515,408
Derivative financial instruments	–	16,121	–	16,121
Total assets	623,944	16,121	11,507	651,572
Liabilities				
Derivative financial instruments	–	–	–	–
Total liabilities	–	–	–	–

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019				
Assets				
Available-for-sale financial assets	4,281	24,147	–	28,428
Financial assets designated at fair value through profit or loss	51,951	245,593	–	297,544
Derivative financial instruments	–	5,123	–	5,123
Total assets	56,232	274,863	–	331,095
Liabilities				
Derivative financial instruments	–	702	–	702
Total liabilities	–	702	–	702

During the financial year ended 31 December 2020, there was no transfers between Level 1 and Level 2 of the fair value hierarchy. Unit trusts amounting to $11.5 million have been transferred from Level 2 to Level 3 during the year.

Fair value of the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, management considers that the carrying amount of financial assets and financial liabilities of the Company recorded at amortised cost in the financial statements approximate their fair values:

	2020		2019	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial instruments				
Held-to-maturity financial assets:				
- Debt securities	21,965,643	24,431,858	23,901,834	25,686,482

27.6 Liquidity and interest rate risk analysis

Financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

	Effective interest rate %	Within 1 year $	Within 2 to 5 years $	After 5 years $	Total $
2020					
Held-to-maturity financial assets:					
- Debt securities	4.94%	825,077	12,237,622	8,902,944	21,965,643
Available-for-sale financial assets:					
- Debt securities	1.76%	1,766,387	16,905,471	66,555,222	85,227,080
Financial assets designated at fair value through profit or loss					
- Debt securities	3.11%	16,092,682	134,016,927	299,615,630	449,725,239
Fixed rate short-term bank deposits	0.59%	21,040,770	140,415	–	21,181,185
		39,724,916	163,300,435	375,073,796	578,099,147
2019					
Held-to-maturity financial assets:					
- Debt securities	5.03%	27,354	6,360,195	17,514,285	23,901,834
Available-for-sale financial assets:					
- Debt securities	4.05%	5,419,896	4,450,774	14,277,032	24,147,702
Financial assets designated at fair value through profit or loss					
- Debt securities	4.10%	12,011,168	35,920,986	199,944,256	247,876,410
Fixed rate short-term bank deposits	1.44%	53,725,884	–	–	53,725,884
		71,184,302	46,731,955	231,735,573	349,651,830

Life insurance contract provisions cash flow profile

The following table indicates the liability cash flow profile of the Life Insurance business. The figures exclude the expense overruns that are expected to arise in future years.

	Within 1 year $	Within 2 to 5 years $	After 5 years $
2020			
Participating	34,260,168	67,036,752	(490,237,978)
Non-Participating	799,250	(195,419,895)	(13,052,424)
Total	35,059,418	(128,383,143)	(503,290,402)
2019			
Participating	14,970,871	16,340,781	(128,875,719)
Non-Participating	(478,925)	(103,992,800)	(2,050,065)
Total	14,491,946	(87,652,019)	(130,925,784)

27.7 Sensitivity analysis

In managing its interest rate and currency risks, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings to the extent possible. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on earnings.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the statement of comprehensive income) and equity (that reflects changes in fair value of available-for-sale financial assets).

Variables	Change in variable	Profit before tax 2020 $	Profit before tax 2019 $	Equity 2020 $	Equity 2019 $
Equity prices	+10%	5,417,627	3,533,473	3,481,544	428,101
Equity prices	-10%	(5,417,627)	(3,533,473)	(3,481,544)	(428,101)
Unit trust prices	+10%	1,150,680	1,648,490	–	–
Unit trust prices	-10%	(1,150,680)	(1,648,490)	–	–
Interest rate	+100bps	53,495,232	28,703,107	–	–
Interest rate	-100bps	(53,495,232)	(28,703,107)	–	–

27.8 Capital management policies and objectives

The Company manages capital in accordance with its Board approved Capital Management Policy. The key objectives for managing capital are as follows:

- Ensure obligations to policyholders are met with a high degree of certainty;
- Support the business strategy to achieve its commercial objectives; and
- Meet regulators' expectations on capital adequacy.

Singapore Risk-Based Capital regime have undergone an update in March 2020, moving from what is referred to as RBC 1 to RBC 2. Under the updated regime (RBC2), capital requirements as well as minimum regulatory solvency requirements have been recalibrated. The impact of the implementation of RBC 2 was a general reduction in the solvency levels of Life insurers operating in the Singapore market.

As stipulated in MAS Notice 133 (Notice on Valuation and Capital Framework for Insurers), MAS defines two supervisory solvency intervention thresholds:

- A higher solvency intervention threshold (“PCR”) equal to 100% of the total risk requirement
- A lower solvency intervention threshold (“MCR”) equal to a 50% of the total risk requirement

An insurer carrying on insurance business in Singapore is required to maintain fund solvency margins and a capital adequacy ratio as stipulated in the Insurance (Valuation and Capital) Regulations 2004.

Internally, the Company uses the statutory capital requirements described above for its capital adequacy assessments, and sets its own minimum capital position with consideration for the above objectives.

The Company’s capital adequacy ratio as at 31 December 2020 on RBC 2 basis is 188% (2019 on RBC 1 basis: 292%), which is the ratio of available capital of $333 million (2019 on RBC 1 basis: $258 million) to the total risk requirement of $177 million (2019 on RBC 1 basis: $88 million).

28 Holding company and related company transactions

The Company is a subsidiary of China Taiping International Company Limited, incorporated in Hong Kong SAR. The Company's ultimate holding corporation is China Taiping Insurance Group Co, incorporated in Beijing, China. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, the Company had the following significant transactions with its immediate holding company and related companies:

	2020 $	2019 $
Other related parties		
Companies within the Group:		
Gross premium written	2,954,929	3,086,972
Written premium ceded	(4,039,755)	(4,730,407)
Commission received	748,984	1,195,864
Commission paid	(183,562)	(233,419)
Claims recovery	4,563,347	3,394,962
Claims paid	(703,815)	(846,632)
Investment expense	(756,954)	(433,773)
Bond interest received	–	9,095
Group IT service fee	(143,331)	(137,448)
Internal audit service fee	(28,182)	(94,202)
Write-off of doubtful debts	(474,910)	–

Key management personnel

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors, the chief executive and certain executive officers are considered as key management personnel of the Company.

Short-term employee benefits paid/payable to key management personnel (included in staff costs) was $2,904,335 (2019: $2,578,913).

29 Comparative information

The financial statements for the year ended 31 December 2019 were audited by another auditor.