

Annual Report

MSIG INSURANCE (SINGAPORE) PTE. LTD.

Co. Reg. No. 200412212G

31 December 2023

General Information and Contents

Directors

Clemens Philippi	(resigned 30 March 2024)
Shintaro Shimada	(resigned on 10 October 2023)
Hiroshi Hagiuda	(appointed on 6 December 2023)
Eng Lip Chian Mack	
Takahiro Sawada	(resigned 30 March 2024)
Christopher Ho Siow Soong	
Ng Lak Chuan	
Tan Piak Gek	

Company Secretary

Chan Lai Yin
Chan Wan Mei

Registered Office

4 Shenton Way
#21-01 SGX Centre 2
Singapore 068807

Auditors

KPMG LLP

Bankers

DBS Bank Ltd
Hong Kong and Shanghai Banking Corporation
Citibank N.A.
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation

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Directors' Statement

The directors are pleased to present their report to the member together with the audited financial statements of the Company for the financial year ended 31 December 2023.

We, Hiroshi Hagiuda and Eng Lip Chian Mack, being two of the directors of MSIG Insurance (Singapore) Pte. Ltd., do hereby state that, in the opinion of the directors,

- (i) the accompanying statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flow together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance to provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and
- (ii) 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.

1. Directors

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

Clemens Philippi	(resigned 30 March 2024)
Shintaro Shimada	(resigned on 10 October 2023)
Hiroshi Hagiuda	(appointed on 6 December 2023)
Eng Lip Chian Mack	
Takahiro Sawada	(resigned 30 March 2024)
Christopher Ho Siow Soong	
Ng Lak Chuan	
Tan Piak Gek	

2. Arrangements to enable directors to acquire shares and debentures

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 or debentures of the Company or any other body corporate.

Directors' Statement

3. Directors' interests in shares and debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Shintaro Shimada MS&AD Insurance Group Holdings, Inc. - Ordinary shares - deemed interest	791,786	811,865
Clemens Philippi BPI/MS Insurance Corporation Ordinary shares - interest held	-	1
Hiroshi Hagiuda MS&AD Insurance Group Holdings, Inc. Ordinary shares - deemed interest	-	1,361,424

4. Share options

There were no share options granted by the Company to any person to take up unissued ordinary shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

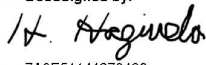
There were no unissued shares of the Company under option at 31 December 2023.

Directors' Statement

5. Auditors

The auditors, KPMG LLP, have indicated their willingness to accept reappointment.

On behalf of the Board of Directors,

DocuSigned by:

7A8E51141279430...
Hiroshi Hagiuda
Director

DocuSigned by:

D082E64D33ED4B7...
Eng Lip Chian Mack
Director

Singapore
24 April 2024



KPMG LLP
12 Marina View #15-01
Asia Square Tower 2
Singapore 018961

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Member of the Company
MSIG Insurance (Singapore) Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of MSIG Insurance (Singapore) Pte. Ltd. ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 8 to 83.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 ("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 2023 and 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.



*MSIG Insurance (Singapore) Pte. Ltd.
Independent auditors' report
Year ended 31 December 2023*

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 identified above 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 that we 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.



*MSIG Insurance (Singapore) Pte. Ltd.
Independent auditors' report
Year ended 31 December 2023*

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.



*MSIG Insurance (Singapore) Pte. Ltd.
Independent auditors' report
Year ended 31 December 2023*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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
24 April 2024

Statement of profit or loss
Year ended 31 December 2023

	Note	2023 \$'000	2022 (restated) \$'000
Insurance revenue		304,017	296,360
Insurance service expenses	3	(247,209)	(222,069)
Net expenses from reinsurance contracts		(40,560)	(57,183)
Insurance service result		<u>16,248</u>	<u>17,108</u>
Interest revenue on financial assets not measured at FVTPL		11,004	8,748
Net investment income		6,496	6,302
Net impairment loss on financial assets		(22)	(1,180)
Investment return	5	<u>17,478</u>	<u>13,870</u>
Net finance (expense)/income from insurance contracts	5	(7,642)	159
Net finance income/(expense) from reinsurance contracts	5	3,145	(123)
Net investment result		<u>(4,497)</u>	<u>36</u>
(Loss)/gain on sale of property and equipment		(24)	8
Miscellaneous income		761	747
Other operating expenses		(1,559)	(4,947)
Profit before income tax		<u>28,407</u>	<u>26,822</u>
Income tax expense	6	<u>(6,039)</u>	<u>(1,706)</u>
Profit for the year		<u>22,368</u>	<u>25,116</u>

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

Statement of comprehensive income
Year ended 31 December 2023

	Note	2023 \$'000	2022 (restated) \$'000
Profit for the year		22,368	25,116
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefits remeasurements	4	(220)	–
Items that are or may be reclassified subsequently to profit or loss:			
Net change in FVOCI financial assets			
FVOCI financial assets			
Net change in fair value		9,036	(29,406)
Net amount reclassified to profit or loss		22	–
Income tax relating to components of other comprehensive income	14	(1,499)	4,999
Net finance expenses from insurance contracts	5	–	–
Net finance income from reinsurance contracts		–	–
Other comprehensive income for the year, net of tax		<u>7,339</u>	<u>(24,407)</u>
Total comprehensive income for the year attributable to the owner of the Company		<u>29,707</u>	<u>709</u>

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

Statement of financial position
As at 31 December 2023

	Note	2023 \$'000	31 December 2022 (restated) \$'000	1 January 2022 (restated) \$'000
Non-current assets				
Intangible assets	7	134,978	134,978	134,978
Property and equipment	8	8,901	13,706	4,581
Financial investments	9			
- Measured at FVTPL		135,120	129,936	134,990
- Measured at FVOCI		305,076	278,936	289,411
Deferred tax assets	14	1,990	3,206	-
Reinsurance contract assets		27,399	28,759	23,146
		<u>613,464</u>	<u>589,521</u>	<u>587,106</u>
Current assets				
Reinsurance contract assets		90,532	55,280	75,817
Cash and cash equivalents	11	99,516	129,499	129,592
Other receivables	12	5,449	5,517	5,575
		<u>195,497</u>	<u>190,296</u>	<u>210,984</u>
Total assets		<u>808,961</u>	<u>779,817</u>	<u>798,090</u>
Shareholder's equity				
Share capital	15	333,442	333,442	333,442
Reserves		<u>107,572</u>	<u>99,065</u>	<u>113,896</u>
Total equity attributable to equity holder of the Company		<u>441,014</u>	<u>432,507</u>	<u>447,338</u>
Current liabilities				
Current tax payables		12,345	9,944	12,474
Other payables	13	33,587	33,578	29,259
Lease liabilities	20	3,955	4,233	3,183
Insurance contract liabilities		227,725	203,609	243,344
Reinsurance contract liabilities		171	393	1,247
		<u>277,783</u>	<u>251,757</u>	<u>289,507</u>
Non-current liabilities				
Other payables	13	1,495	2,080	1,997
Deferred tax liabilities	14	2,548	2,459	2,947
Insurance contract liabilities		84,061	86,676	55,172
Lease liabilities	20	2,060	4,338	1,129
		<u>90,164</u>	<u>95,553</u>	<u>61,245</u>
Total liabilities		<u>367,947</u>	<u>347,310</u>	<u>350,752</u>
Total equity and liabilities		<u>808,961</u>	<u>779,817</u>	<u>798,090</u>

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

Statement of changes in equity
Year ended 31 December 2023

	Note	Share capital \$'000	Fair value reserve \$'000	Reserves		Total \$'000
				Insurance finance reserve \$'000	Retained earnings \$'000	
At 1 January 2022		333,442	9,382	–	94,475	437,299
Impact of initial application of FRS 117, net of tax		–	–	–	10,039	10,039
Restated balance at 1 January 2022		333,442	9,382	–	104,514	447,338
Total comprehensive income for the year (restated)						
Profit for the year		–	–	–	25,116	25,116
Other comprehensive income						
Defined benefit measurement		–	–	–	–	–
Debt investments at FVOCI		–	(29,406)	–	–	(29,406)
– Net change in fair value		–	(29,406)	–	–	(29,406)
Income tax relating to components of other comprehensive income	14	–	4,999	–	–	4,999
Other comprehensive income for the year, net of tax		–	(24,407)	–	–	(24,407)
Total comprehensive income for the year (restated)		–	(24,407)	–	25,116	709
Transactions with owner, recorded directly in equity						
Contributions by and distributions to owner						
Dividends on ordinary shares		–	–	–	(15,540)	(15,540)
Total transactions with owner		–	–	–	(15,540)	(15,540)
Restated balance at 31 December 2022		333,442	(15,025)	–	114,090	432,507

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

Statement of changes in equity
Year ended 31 December 2023

			Reserves			
	Note	Share capital \$'000	Fair value reserve \$'000	Insurance finance reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 January 2023		333,442	(15,025)	–	114,090	432,507
Impact of initial application of FRS 109, net of tax		–	1,997	–	(1,997)	–
Restated balance at 1 January 2023		333,442	(13,028)	–	112,093	432,507
Total comprehensive income for the year						
Profit for the year		–	–	–	22,368	22,368
Other comprehensive income						
Defined benefit measurement		–	–	–	(220)	(220)
Debt investments at FVOCI						
Net change in fair value		–	9,036	–	–	9,036
Net amount reclassified to profit or loss		–	–	–	22	22
Income tax relating to components of other comprehensive income	14	–	(1,536)	–	37	(1,499)
Other comprehensive income for the year, net of tax		–	7,500	–	(161)	7,339
Total comprehensive income for the year		–	7,500	–	22,207	29,707
Transactions with owner, recorded directly in equity						
Contributions by and distributions to owner						
Dividends on ordinary shares		–	–	–	(21,200)	(21,200)
Total transactions with owner		–	–	–	(21,200)	(21,200)
At 31 December 2023		333,442	(5,528)	–	113,100	441,014

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

Statement of cash flow
Year ended 31 December 2023

	Note	2023 \$'000	2022 (restated) \$'000
Cash flows from operating activities			
Profit for the year		22,368	25,116
Adjustments for:			
Amortisation of net premium paid on bonds		208	1,882
Depreciation of property and equipment	3	7,474	8,389
Dividend received from shares		(3,198)	(3,914)
Interest income on fixed deposits		(3,156)	(1,235)
Interest income from government and corporate bonds		(9,045)	(8,716)
Interest on lease liabilities	20	145	236
Impairment loss on financial assets		22	1,180
Net increase in fair value of debt securities mandatorily measured at FVTPL		(3,536)	–
Net decrease in fair value of equity securities mandatorily measured at FVTPL		630	–
Net realised gain on sale of investments		(818)	(3,585)
Net loss/(gain) on sale of property and equipment		24	(7)
Tax expense	6	6,039	1,706
Operating profit before working capital changes		17,157	21,052
Changes in working capital:			
Decrease in other receivables	12	656	389
(Increase)/decrease in reinsurance contract assets		(33,893)	14,925
(Decrease) in reinsurance contract liabilities		(222)	(854)
Increase/(decrease) in insurance contract liabilities		21,500	(8,230)
(Decrease)/increase in other payables	13	(795)	4,400
Cash from operations		4,403	31,682
Interest income received from fixed deposits		2,912	1,081
Income taxes		(3,830)	(2,932)
Net cash flows from operating activities		3,485	29,831
Cash flows from investing activities			
Dividend income received		3,198	3,914
Interest income received from government and corporate bonds		8,700	8,540
Purchase of financial assets, at FVOCI		(371,130)	(168,606)
Purchase of property and equipment	8	(933)	(7,767)
Proceeds from disposal of property and equipment		–	8
Proceeds from sale and redemption of financial assets, at FVOCI		352,358	155,252
Net cash flows used in investing activities		(7,807)	(8,659)
Cash flows from financing activities			
Lease payment	20	(4,461)	(5,725)
Dividends paid	15	(21,200)	(15,540)
Net cash flows used in financing activities		(25,661)	(21,265)
Net decrease in cash and cash equivalents		(29,983)	(93)
Cash and cash equivalents at the beginning of the year		129,499	129,592
Cash and cash equivalents at the end of the year	11	99,516	129,499

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

Notes to the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is a limited liability company domiciled and incorporated in Singapore. Its immediate holding company is Mitsui Sumitomo Insurance Co., Ltd, incorporated in Japan. The Company's ultimate holding company is MS&AD Insurance Group Holding, Inc, incorporated in Japan. The address of the Company's registered office is:

MSIG Insurance (Singapore) Pte. Ltd.
4 Shenton Way
#21-01 SGX Centre 2
Singapore 068807

The principal activities of the Company consist of the underwriting of general insurance risks.

2. Material accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS") as required by the Companies Act 1967.

This is the first set of the Company's annual financial statements in which FRS 117 Insurance Contracts and FRS 109 Financial Instruments have been applied. The related changes to material accounting policies are described in Note 2(d).

The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of available-for-sale investment securities.

The financial statements are presented in Singapore dollars ("S\$"), the functional currency of the Company, and rounded to the nearest thousand ("S\$'000"), except where otherwise indicated.

(b) Use of estimates, assumptions and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

Notes to the financial statements

The key assumptions concerning the future and other key sources of uncertainty in estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) *Impairment of goodwill*

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's goodwill at 31 December 2023 was \$134,978,000 (2022: \$134,978,000). More details are given in Note 7.

(ii) *Classification of insurance and reinsurance contracts*

The Company assesses whether the insurance and reinsurance contracts transfer significant risk. More details are given in Note 2(d).

(iii) *Level of Aggregation and insurance and reinsurance contracts*

The Company will identify the portfolio of contracts and determine groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. More details are given in Note 2(f).

(iv) *Contract Boundary*

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the insurance and reinsurance contracts. The Company issued contracts with renewal clause, termination clause, and maintenance clause.

Contracts with renewal feature have a re-pricing mechanism and policyholders are not compelled to pay renewal premiums. Hence, the contract boundary is limited to each renewal date. The Company has policies that provide unilateral rights to policyholders to terminate the policy at any time by giving notice period as indicated in the contracts. The expected cash flows beyond the end of the notice period are considered cash flows of new policies and are recognised, separately from the initial contract. Contracts with maintenance period are recorded as part of the contract boundary.

The Company's reinsurance contracts have an annual term that cover the underlying contracts issued within the term on a risk-attaching or loss-occurring basis.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Notes to the financial statements

(v) *Determination of insurance contract liabilities*

The insurance contract liabilities of the Company comprise the liability for incurred claims and liability for remaining coverage. Liability for incurred claims (also referred to as “claim liabilities”) consist of outstanding claims notified and outstanding claims incurred but not reported (“IBNR”), including risk adjustment while liability for remaining coverage (also referred to as “premium liabilities”) consist of the unearned premium reserves, net of deferred acquisition costs, including any outstanding premium receivables and their values are carried in the statement of financial position as disclosed in Note 10.

The principal methods used to determine the Best Estimate of the claim liabilities are the Chain Ladder methods, namely Incurred Claim Development Method and Average Cost per Reported Claim Method.

The Chain Ladder methods involve the analysis of historical claim development and the selection of estimated development based on this historical pattern. For later accident quarters where there is greater uncertainty, the Bornhuetter-Ferguson method, a combination of claims experience and loss ratio assumptions, is used.

The Best Estimate of the premium liabilities has been calculated by applying a future loss and expense ratio to the accounted unearned premium reserve. The future loss ratio is set with reference to observed loss ratios, adjusted for the effect of recent changes to premium rates, underwriting terms and policy terms where applicable.

The risk adjustment is determined in accordance with generally accepted actuarial methods including the Mack and bootstrapping methods. The risk adjustments takes into account the size and nature of the business, so larger accounts and shorter tailed classes of business will require a smaller risk margin than smaller accounts and longer tailed classes of business.

Direct, Facultative and Treaty businesses are not modelled separately because there is insufficient volume of data to support a credible separate analysis.

Similarly, Onshore and Offshore Insurance funds have not been analysed separately as the Offshore portfolio is small and there is insufficient data to support separate credible analysis.

The Company considers the claim liabilities gross and net of reinsurance in its valuation of reserves.

The actuarial review is based on Profitability grouping definitions, which is consistent with Group accounting class definitions rather than Statutory class definitions. This makes it easier to compare the valuation results to its accounted figures. It also allows analysis of some classes to be performed in more detail, which will improve the accuracy of the valuation. The resulting reserves have been allocated to Statutory classes based on outstanding reserves for claim liabilities and unearned premium reserves for premium liabilities.

Notes to the financial statements

The estimates of premium and claim liabilities are sensitive to various factors and uncertainties as disclosed in Note 18(d) to the financial statements. The establishment of these estimates is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

Discount rates

All fulfilment cash flows relating to liability for incurred claims and liability for remaining coverage are discounted using selected yield curves. The Company uses the bottom-up approach for computation of discount rate consistent with the position taken by the general insurance industry. The bottom-up discount rate comprises of a risk-free discount rate and an illiquidity premium.

The Company determines risk-free discount rates using the government bond risk free yield curve. The government bond yield curves will be extracted from the relevant source, and linearly interpolated as necessary to reflect the required time intervals.

The Company has elected to not hold an illiquidity premium. General insurance contracts have very variable, unpredictable cashflows. Therefore, to generate a yield curve that reflects these cashflows would require a very liquid asset to be selected, so that it can be sold at any point in time in order to meet the liabilities. Given this, using government bond curves to derive the discount rate is an appropriate match for the cashflows in terms of both duration and timing.

For the business written within the Company, the exposure is predominantly in the domestic currency.

	1 year		5 years		10 years	
	2023	2022	2023	2022	2023	2022
SGD	3.75%	4.24	2.68%	2.83%	2.71%	3.09%

Risk adjustment

The Risk Adjustment is determined in accordance with actuarial methods in accordance with generally accepted actuarial methods including the Mack and bootstrapping methods. The risk adjustment takes into account the size and nature of the business, so larger accounts and shorter tailed classes of business will require a smaller risk margin than smaller accounts and longer tailed classes of business.

Applying the confidence level technique at reserving class level, the Company estimates the probability distribution of the expected value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk at the 75th percentile (on both a gross and net of reinsurance basis) over the expected present value of future cash flows. A diversification factor is also applied to each class to allow for diversification benefits. The diversification factor will be selected on both a gross and net of reinsurance basis.

Notes to the financial statements

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies the confidence level technique on both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Investment components

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

(c) New standards and amendments

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2023:

- FRS 117: Insurance Contracts
- FRS 109: Financial Instruments
- Amendments to FRS 1: Disclosure of Accounting Policies
- Amendments to FRS 8: Definition of Accounting Estimates
- Amendments to FRS 12: Deferred Tax related to Assets & Liabilities arising from a Single Transaction

Apart from FRS 117 and FRS 109, the application of these amendments to standards and interpretations do not have a material effect on the financial statements.

(d) Changes in material accounting policies

New standards and amendments

The Company has initially applied FRS 117 and FRS 109, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 2 to all periods presented in these consolidated financial statements.

Notes to the financial statements

Material accounting policy information

The Company adopted Amendments to FRS 1-1 and FRS Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023. Although the amendments did not result in changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

A: FRS 117 Insurance Contracts

i. Recognition, measurement and presentation of insurance contracts

FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk.

Under FRS 117, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company no longer applies shadow accounting to insurance-related assets and liabilities.

Insurance finance income and expenses are disaggregated from insurance revenue and insurance expenses and recognised in profit or loss.

The Company applies the PAA to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Notes to the financial statements

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under FRS 117, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for insurance and reinsurance contracts under FRS 117, see Note 2(f).

ii. Transition

Changes in accounting policies resulting from the adoption of FRS 117 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Company has:

- identified, recognised and measured each group of insurance and reinsurance contracts as if FRS 117 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if FRS 117 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if FRS 117 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and insurance payables. Under FRS 117, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

The nature of the changes in accounting policies can be summarized as follows:

(i) *Changes to classification and measurement*

The adoption of FRS 117 did not result to any change in the Company's classification of its insurance and reinsurance contracts. Under FRS 104, the Company recognizes revenue on a pro-rata basis over the term of the related policy coverage and will continue to recognize Insurance revenue under FRS 117 using the same approach. The Company's insurance and reinsurance contracts are eligible to be measured by applying the Premium Allocation Approach (PAA), which is a simplified measurement model as compared to the general model.

Notes to the financial statements

The key measurement principles that the Company has adopted using the PAA are as follows:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component.
- The liability for incurred claims is now determined on a discounted probability-weighted expected value basis, and includes a risk adjustment for non-financial risk.
- The Company has elected to defer all insurance acquisition cash flows where it is included as part of the liability for remaining coverage.
- Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another FRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

(ii) Changes to presentation and disclosure

Under FRS 117, the Company presents portfolio of insurance contracts that are assets and those that are liabilities, and portfolio of reinsurance contracts that are assets and those that are liabilities separately in the statement of financial position. Portfolio of insurance contracts issued include any assets for insurance acquisition cash flows. The income statement has been condensed to reflect separately insurance revenue, insurance service expenses, net expense from reinsurance contracts and insurance finance income and expense. The Company has aggregated the overall results of its operations in its notes disclosure presentation.

B: FRS 109 Financial Instruments

i. Classification of financial assets and financial liabilities

FRS109 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under FRS109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS109 eliminates the previous FRS 39 categories of held-to-maturity investments, other receivables, and available-for-sale financial assets. Under FRS109, derivatives embedded in contracts where the host is a financial asset in the scope of FRS 109 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Notes to the financial statements

For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under FRS109, see Note 16.

FRS 109 has not had a significant effect on the Company's accounting policies for financial liabilities.

ii. Impairment of financial assets

FRS 109 replaces the 'incurred loss' model in FRS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under FRS 109, credit losses are recognised earlier than under FRS 39 (see Note 2(h)).

iii. Transition

Changes in accounting policies resulting from the adoption of FRS 109 have been applied retrospectively, except as described below.

- The comparative period has been restated. However, information about financial instruments that had already been derecognised at 1 January 2023 continues to be reported in accordance with FRS 39 for the comparative period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a financial asset had low credit risk at 1 January 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by FRS 117, the Company has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of FRS109 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of FRS 39 for 2023.

Details of the changes and implications resulting from the adoption of FRS 109 are presented in (iv).

Notes to the financial statements

iv. Effect of initial application

Classification of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS109 for each class of the Company's financial assets and financial liabilities as at 1 January 2023.

		Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39	New carrying amount under FRS109
\$'000	Note				
Financial assets					
Cash and cash equivalents	11	Loans and receivables	Amortised cost	129,499	129,499
Financial investments					
Government bonds	9	Available for sale	FVOCI	159,682	159,682
Other debt securities	9	Available for sale	FVOCI	119,254	119,254
Other debt securities	9	Available for sale	FVTPL (designated)	45,340	45,340
Equity securities	9	Available for sale	FVTPL (mandatory)	36,061	36,061
Collective investment scheme	9	Available for sale	FVTPL (mandatory)	48,535	48,535
Other receivables	12	Loans and receivables	Amortised cost	5,517	5,517
Total financial assets				543,888	543,888
Financial liabilities					
Other payables	13	Amortised cost	Amortised cost	35,658	35,658
Total financial liabilities				35,658	35,658

Notes to the financial statements

Impairment of financial assets

The following table reconciles the closing impairment allowance under FRS 39 as at 31 December 2022 with the opening loss allowance under FRS 109 at 1 January 2023.

	31 December 2022 FRS 39	Reclass- ification	Remeasure -ment	1 January 2023 FRS 109
\$'000				
Debt investments at FVOCI under FRS 109	1,180	–	(1,153)	27

(e) *Product classification*

The Company issues contracts that transfer insurance risk. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect. Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts. The Company considers the time value of money in the significant insurance risk assessment.

(f) *Insurance and reinsurance contracts*

(i) *Insurance contract liabilities*

Insurance contract liabilities are comprised of the liabilities for remaining coverage and liability for incurred claims. The liability for remaining coverage represents the Company's obligation under existing insurance contracts for insured events that have not yet occurred (i.e. obligation that relates to unexpired portion of the coverage period). The liability for incurred claims represents the Company's obligation under existing contracts for insured events that have already occurred, including events that have occurred but claims have not yet been reported, and other incurred insurance expenses.

Notes to the financial statements

(ii) Reinsurance contract assets / liabilities

The Company cedes reinsurance in the normal course of business. Reinsurance contract assets primarily include assets for remaining coverage assets for incurred claims. Assets for remaining coverage relates to balances that are yet to be expensed off subsequently (i.e. cost that relates to unexpired portion of the coverage period). Assets for incurred claims represents the amounts to be recovered from reinsurers arising from claims. The Company takes into account the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes. These are incorporated in the balances of assets for remaining coverage and assets for incurred claims.

(iii) Separating components from insurance and reinsurance contracts

At inception, the Company assesses its insurance and reinsurance contracts to determine whether they contain any distinct components which must be accounted for under another FRS standard. The Company separates the following components from an insurance and reinsurance contract and accounts for them separately using the applicable accounting standards:

- Derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument.
- Distinct investment component i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component. All remaining components are then measured and accounted for under FRS 117.

Notes to the financial statements

(iv) *Level of aggregation*

The level of aggregation for the Company is determined by identifying portfolios of insurance contracts based on how it manages its business. Each portfolio comprises contracts that are subject to similar risks and are managed together and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous at initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

Each group of insurance contracts is further divided by underwriting year which is aligned with the Company's financial and calendar year. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

The Company divides portfolios of proportional reinsurance contracts applying the same principles set out for the direct side, except that the references to onerous contracts refer to contracts which are on a net gain position at initial recognition. For non-proportional reinsurance contracts, this is maintained at the treaty level.

(v) *Recognition*

The Company recognizes a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts. The coverage period is the period during which the Company provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

Notes to the financial statements

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

(vi) Insurance acquisition cash flow

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. The Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Company expects to recover those cash flows. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than FRS 117. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Notes to the financial statements

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a). The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

(vii) Contract boundary

The measurement of a group of insurance contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has substantive obligation to provide services.

A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and the pricing of the premiums for coverage up to reassessment date does not take into account risks that relate to periods after reassessment date.

(viii) Measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

Insurance Contracts

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary; or

Notes to the financial statements

- For contracts longer than one year, the Company has conducted premium allocation approach eligibility testing where the results of the liability for remaining coverage (LRC) under premium allocation approach does not differ materially to that calculated under the general model. For each material portfolio, with a significant amount of multi-year contracts, the portfolio was explicitly tested to see if premium allocation approach was eligible. The aim of the test is to assess the difference between the premium allocation approach and the general model results. The test will be reperformed when the mix of business for the portfolio changes over the reporting period. The test results will also be subject to various sensitivity and scenario testing based on the experience variance or the economic outlook.

Reinsurance Contracts

- Loss-occurring reinsurance contracts: The coverage period of each contract in the group can be less than or greater than one year.
- Risk-attaching reinsurance contracts: The Company applies the same accounting policies as are applied to insurance contracts.

(ix) Derecognition and modification

The Company derecognizes a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognizes a contract if terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If the contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by modification as changes in estimates of fulfilment cash flows.

(g) Investment income

Dividend income on securities is recognised on a receipt basis while interest income is recognised on an accrual basis.

(h) Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Other receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Notes to the financial statements

A financial asset (unless it is an other receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue. An other receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

Notes to the financial statements

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Notes to the financial statements

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Notes to the financial statements

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(i) ***Offsetting of financial instruments***

There are no financial assets and liabilities that are offset in the Company and the Company's statement of financial position or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

(j) ***Property and equipment***

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognised in the profit or loss statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of the property and equipment. The annual rates used for this purpose are:

Equipment	- 3 years
Furniture and fittings	- 3 years

Fully depreciated property and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Notes to the financial statements

Where there is impairment in the carrying amount of property and equipment, a provision is made to write down the assets to their estimated recoverable amount based on current market value. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been charged had the provision not been made.

(k) Impairment

Policy from 1 January 2023

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- debt investments measured at FVOCI;

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months).

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Notes to the financial statements

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Notes to the financial statements

Policy before 1 January 2023

The carrying value of all financial assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. In assessing the impairment provision for equity shares, management evaluates whether there is a significant or prolonged decline in the fair value of equity shares held as available-for-sale. Impairment provision is made when the fair value of an equity investment falls below 20% or more from its acquisition costs or if the fair value of the investment is below cost for more than 12 months. Any impairment loss is recognised in the profit or loss. Reversals of impairment loss in respect of equity securities are not recognised in the profit or loss.

In line with the group accounting policy, for bond investments, impairment provision will be made if the fair value of a debt security decreases by 20% or more of its acquisition cost, except for cases where the decrease in fair value is due to an increase in risk-free rate. Reversals of impairment losses on debt securities are reversed through the profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss.

(I) Functional and foreign currencies

(i) Functional currency

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company ("the functional currency").

The functional currency of the Company is the Singapore dollar. As premiums and claims are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Company.

(ii) Foreign currency transactions and balances

Monetary amounts payable and receivable in foreign currencies are translated to Singapore dollars at exchange rates prevailing at the reporting date; transactions in foreign currencies during the year are recorded in Singapore dollars at exchange rates prevailing at transaction dates. All exchange differences are recorded in the profit or loss statement.

Notes to the financial statements

(m) Income tax

Tax expense comprises current and deferred tax. Current taxation is provided in the financial statements on the chargeable income for the year.

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.

Deferred taxation is recognised using the balance sheet method providing for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at reporting date.

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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

Notes to the financial statements

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

(n) Employee benefits

Defined contribution plan

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, as required by law in Singapore, the Company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). Contributions to CPF and other defined contribution plans are recognised in staff costs and other employee related costs in the same period as the employment that gives rise to the contributions.

Employees' leave entitlement

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to reporting date.

Retirement gratuity

The Company operates a non-contributory, defined benefit pension scheme that provides retirement benefits for certain of its employees. There are no specific plan assets to fund the retirement gratuity scheme. The cost of providing the benefit under the scheme is assessed using the projected unit credit method and is charged to the profit or loss statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the scheme at no more than 3 yearly intervals.

Actuarial gains and losses are immediately recognised in the statement of comprehensive income.

(o) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, fixed deposits.

(p) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair values of the net assets acquired at the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any.

Notes to the financial statements

The carrying amount of goodwill for each cash-generating unit is written down for impairment where the net present value of the forecasted future cash flows of the business is insufficient to support its carrying value.

(q) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(r) 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.

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 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 the weighted average cost of capital as the discount rate.

Notes to the financial statements

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 'property, plant and equipment' and lease liabilities in current and non-current liabilities in the statement of financial position.

(s) Government grants

Government grants are recognised initially 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. Grants that compensate the Company for expenses incurred are recognised in profit or loss and set off against the expenses incurred on a systematic basis in the same periods in which the expenses are recognised.

(t) 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 Company. The directors, the chief executive officer and certain executive officers are considered as key management personnel of the Company.

Notes to the financial statements

(u) *New standards and interpretations not adopted*

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements.

- Amendments to FRS 1-1: Classification of Liabilities as Current or Non-current
- Amendments to FRS 1: Non-current Liabilities with Covenants
- Amendments to FRS 16: Lease Liability

(v) *Presentation*

The Company presents portfolio of insurance contracts that are assets and those that are liabilities, and portfolio of reinsurance contracts that are assets and those that are liabilities separately in the statement of financial position.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates amounts recognised in the statement of profit or loss into:

- insurance service result, comprising insurance revenue and insurance service expense, and
- insurance finance income or expenses

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis in the statement of profit or loss as 'Net expenses from reinsurance contracts' as part insurance service result.

The Company disaggregates changes in risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

Insurance revenue

The Company allocates the expected premium receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Notes to the financial statements

The insurance service revenue excludes any investment component.

(i) *Loss components*

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

(ii) *Insurance service expense*

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

(iii) *Net expenses from reinsurance contracts*

The Company presents separately on the face of the statement of profit or loss, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

Notes to the financial statements

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

(iv) Insurance finance income and expense

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from time value of money, financial risk and changes therein. The Company has chosen to disaggregate insurance finance income and expenses through the profit or loss.

(w) Transition

The Company applied the full retrospective approach to all insurance and reinsurance contracts and assets for insurance acquisition cash flows.

3. Operating and administrative expenses

	2023 \$'000	2022 (restated) \$'000
Claims and benefits	120,841	103,632
(Reversals)/losses on onerous insurance contracts	(432)	5
Fees and commission	44,255	39,359
Staff costs (Note 4)	4	49,397
Operating lease rentals	534	371
Depreciation of property and equipment	7,474	8,389
Advertising and subscription	2,811	2,820
Printing and stationery	231	269
Computer charges	1,363	2,088
Travelling expenses	188	176
Other expenses ⁽¹⁾	21,180	23,722
	<u>250,755</u>	<u>230,228</u>
Amounts attributed to insurance acquisition cash flows incurred during the year	(75,862)	(69,653)
Amortisation of insurance acquisition cash flows	73,875	66,441
	<u>248,768</u>	<u>227,016</u>
Represented by:		
Insurance service expenses	247,209	222,069
Other operating expenses	1,559	4,947
	<u>248,768</u>	<u>227,016</u>

⁽¹⁾ Included SAP costs of \$8.0m (2022 : \$8.7m).

Notes to the financial statements

4. Staff costs

	2023 \$'000	2022 \$'000
Salaries and short-term employee benefits	39,759	36,993
Employer's contribution to CPF	4,872	4,614
Other pension costs	72	59
Other staff costs	7,607	7,731
	<u>52,310</u>	<u>49,397</u>

Retirement gratuity

Reconciliation of present value of the defined benefit obligation:

	2023 \$'000	2022 \$'000
Present value of the defined benefit obligation at start of year	2,080	1,997
Current service cost	69	69
Interest cost	14	14
Net actuarial gains arising during the year	220	–
Benefit payments directly by the Company	(888)	–
	<u>1,495</u>	<u>2,080</u>

Expenses recognised in profit or loss:

	2023 \$'000	2022 \$'000
Current service cost	69	69
Interest cost	14	14
	<u>83</u>	<u>83</u>

Remeasurements recognised in other comprehensive income:

	2023 \$'000	2022 \$'000
Actuarial losses / (gains):		
Due to change in financial assumptions:		
Change in salary increase rate	315	–
Change in discount rate	(190)	–
Change in CPF contribution rates	(25)	–
Change in retirement age	(22)	–
Change in interest rates on CPF accounts	(4)	–
Change in variable bonus amount	(4)	–
Due to experience adjustments	150	–
Measurement of net defined benefit liability	<u>220</u>	<u>–</u>

Notes to the financial statements

5. Net financial result

	Note	Insurance- related \$'000	2023 Non- insurance \$'000	Total \$'000	Insurance- related \$'000	2022 Non- insurance \$'000	Total \$'000
Investment return							
Interest revenue on financial assets not measured at FVTPL		–	11,004	11,004	–	8,748	8,748
Other investment revenue		–	6,496	6,496	–	6,302	6,302
Net impairment loss on financial assets		–	(22)	(22)	–	(1,180)	(1,180)
Amounts recognised in OCI		–	9,036	9,036	–	(29,406)	(29,406)
Total investment return		–	26,514	26,514	–	(15,536)	(15,536)
Net finance expense from insurance contracts							
Interest accreted to insurance contracts using locked-in rate	10	(7,642)	–	(7,642)	159	–	159
Net foreign exchange income/(expenses)	10	–	–	–	–	–	–
Total net finance expenses from insurance contracts		(7,642)	–	(7,642)	159	–	159
Net finance income from reinsurance contracts							
Interest accreted and changes in interest rates and other financial assumptions	10	3,145	–	3,145	(123)	–	(123)
Net foreign exchange income/(expenses)	10	–	–	–	–	–	–
Total net finance income from reinsurance contracts in the statement of profit or loss and OCI		3,145	–	3,145	(123)	–	(123)
Represented by:							
Amounts recognised in profit or loss		(4,497)	–	(4,497)	36	–	36
Amounts recognised in OCI		–	–	–	–	–	–
		(4,497)	–	(4,497)	36	–	36

Notes to the financial statements

(a) Insurance finance income and expenses

	Note	Insurance- related \$'000	2023 Non- insurance \$'000	Total \$'000	Insurance- related \$'000	2022 Non- insurance \$'000	Total \$'000
Net finance expenses from insurance contracts							
Recognised in profit or loss		(7,642)	–	(7,642)	159	–	159
Recognised in OCI		–	–	–	–	–	–
		<u>(7,642)</u>	<u>–</u>	<u>(7,642)</u>	<u>159</u>	<u>–</u>	<u>159</u>
Net finance expenses from reinsurance contracts							
Recognised in profit or loss		3,145	–	3,145	(123)	–	(123)
Recognised in OCI		–	–	–	–	–	–
		<u>3,145</u>	<u>–</u>	<u>3,145</u>	<u>(123)</u>	<u>–</u>	<u>(123)</u>

6. Income tax expense

(a) Major components of income tax expense

The major components of income tax are as follows:

(i) Profit or loss

	2023 \$'000	2022 (restated) \$'000
Current tax expense		
Current year	6,473	4,224
Overprovision in respect of prior years	<u>(240)</u>	<u>(3,419)</u>
	6,233	805
Deferred tax expense		
Current year	(194)	899
Underprovision in respect of prior year	<u>–</u>	<u>2</u>
	(194)	901
Income tax expense	<u>6,039</u>	<u>1,706</u>

Notes to the financial statements

(ii) Statement of changes in equity

	2023 \$'000	2022 (restated) \$'000
Deferred income tax related to items charged or credited directly to equity:		
Net change in fair value adjustment reserve for FVOCI investments (Note 14)	1,536	(4,596)
Net change in fair value adjustment reserve for retirement gratuity (Note 14)	(37)	-
Income tax expense recognised in equity	1,499	(4,596)

(b) Reconciliation of effective tax rate

	2023 \$'000	2022 (restated) \$'000
Profit before income tax	28,407	26,822
Tax calculated using Singapore tax rate of 17% (2022: 17%)	4,829	4,559
Effects of:		
Non-deductible expenses	334	864
Tax concession on income from offshore insurance fund	(217)	126
Tax effect of prior year tax losses	(213)	-
Others	1,546	(427)
	6,279	5,122
Overprovision in respect of prior year	(240)	(3,416)
	6,039	1,706

The tax expense for the Company for the year ended 31 December 2023 has been computed at the rate of 17%, being the corporate tax rate in effect as at that date.

Notes to the financial statements

7. Intangible assets

	Goodwill \$'000
Cost	
At 1 January 2022 / 31 December 2022 / 31 December 2023	<u>134,978</u>
Net carrying amounts	
At 1 January 2022	<u>134,978</u>
At 31 December 2022	<u>134,978</u>
At 31 December 2023	<u>134,978</u>

Impairment testing of goodwill

When testing for impairment, the recoverable amount of the cash-generating-unit ("CGU") is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management. Cash flows beyond the budget period are extrapolated using estimated growth rates.

Where the future income stream from the CGU is uncertain, the excess of the carrying amount over the fair value of the net assets acquired is written off to the profit or loss.

If the carrying amount of the unit exceeds the recoverable amount of the CGU, the Company shall recognise the impairment loss in the profit or loss. The goodwill of \$134,978,000 (2022: \$134,978,000) arising from the acquisition of the general insurance business of Aviva Ltd in Singapore was tested for impairment and no impairment loss was deemed necessary.

Key assumptions used in the value in use calculations on which management has based its cash flow projections to undertake impairment testing of goodwill are:

Long-term growth rate	3.00%	(2022: 3.00%)
Discount rate	8.64%	(2022: 9.97%)

Sensitivity analysis

Management has identified that a reasonably possible change in one key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which this assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2023 %	2022 %
Discount rate	<u>4.85</u>	<u>2.94</u>

Notes to the financial statements

8. Property and equipment

	Equipment \$'000	Furniture and fittings \$'000	Leased equipment \$'000	Leasehold improve- ments \$'000	Leased vehicles \$'000	Total \$'000
Cost						
At 1 January 2022	7,053	3,915	972	16,937	952	29,829
Additions	4,333	3,434	–	9,848	–	17,615
Disposals	(761)	(12)	(106)	(10,668)	(81)	(11,628)
At 31 December 2022	10,625	7,337	866	16,117	871	35,816
Additions	921	12	515	427	846	2,721
Disposals	(1,116)	–	(495)	(6,269)	(453)	(8,333)
At 31 December 2023	10,430	7,349	886	10,275	1,264	30,204
Accumulated depreciation						
At 1 January 2022	6,428	3,907	619	13,825	469	25,248
Depreciation for the year	1,841	1,153	206	4,997	192	8,389
Disposals	(759)	(12)	(106)	(10,569)	(81)	(11,527)
At 31 December 2022	7,510	5,048	719	8,253	580	22,110
Depreciation for the year	2,018	1,155	191	3,902	208	7,474
Disposals	(1,093)	–	(466)	(6,269)	(453)	(8,281)
At 31 December 2023	8,435	6,203	444	5,886	335	21,303
Net carrying amounts						
At 1 January 2022	625	8	353	3,112	483	4,581
At 31 December 2022	3,115	2,289	147	7,864	291	13,706
At 31 December 2023	1,995	1,146	442	4,389	929	8,901

9. Financial investments

	2023 \$'000	2022 \$'000
Equity investments – mandatorily at FVTPL	94,579	84,596
Debt investments – at FVOCI	305,076	278,936
Debt investments – designated at FVTPL	40,541	45,340
	<u>440,196</u>	<u>408,872</u>

Notes to the financial statements

10. Insurance and reinsurance contracts

Movements in carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the income statement and statement of comprehensive income. The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement and statement of comprehensive income.

Notes to the financial statements

Analysis by remaining coverage and incurred claims

(a) Insurance contracts

Note	2023					
	Liability for remaining coverage (LRC)		Asset for insurance acquisition cash flows \$'000	Liability for incurred claims (LIC)		Total \$'000
	Excluding loss component \$'000	Loss component \$'000		Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	
Opening insurance contract liabilities	82,213	1,246	(26,162)	212,387	20,601	290,285
Opening insurance contract assets	–	–	–	–	–	–
Net balance as at 1 January	82,213	1,246	(26,162)	212,387	20,601	290,285
Insurance revenue	(304,017)	–	–	–	–	(304,017)
Insurance service expenses						
Incurred claims and other insurance service expenses	–	–	–	207,755	13,422	221,177
Changes that relate to past service – Adjustments to LIC	–	–	–	(39,424)	(7,987)	(47,411)
Reversal of losses on onerous contracts	–	(432)	–	–	–	(432)
Amortization of insurance acquisition cash flows	73,875	–	–	–	–	73,875
Impairment/reversals on impairment of asset for insurance acquisition cash flows	–	–	–	–	–	–
Total insurance service expenses	73,875	(432)	–	168,331	5,435	247,209

Notes to the financial statements

2023						
Note	Liability for remaining coverage (LRC)		Asset for insurance acquisition cash flows \$'000	Liability for incurred claims (LIC)		Total \$'000
	Excluding loss component \$'000	Loss component \$'000		Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	
Insurance service result	(230,142)	(432)	–	168,331	5,435	(56,808)
Net finance expenses from insurance contracts	–	–	–	6,914	728	7,642
Effect of movements in exchange rates	–	–	–	–	–	–
Total changes in the statement of profit or loss	(230,142)	(432)	–	175,245	6,163	(49,166)
Cash flows						
Premiums received	320,119	–	–	–	–	320,119
Claims and other insurance service expenses paid	–	–	–	(166,891)	–	(166,891)
Insurance acquisition cash flows	(6,981)	–	(68,999)	–	–	(75,980)
Other movements	–	–	–	(6,581)	–	(6,581)
Allocation from assets for insurance acquisition cashflows to groups of insurance contracts	(66,858)	–	66,858	–	–	–
Total cash flows	246,280	–	(2,141)	(173,472)	–	70,667
Net balance as at 31 December	98,351	814	(28,303)	214,160	26,764	311,786
Closing insurance contract liabilities	98,351	814	(28,303)	214,160	26,764	311,786
Closing insurance contract assets	–	–	–	–	–	–
Net balance as at 31 December	98,351	814	(28,303)	214,160	26,764	311,786

Notes to the financial statements

2022						
Note	Liability for remaining coverage (LRC)		Asset for insurance acquisition cash flows \$'000	Liability for incurred claims (LIC)		Total \$'000
	Excluding loss component \$'000	Loss component \$'000		Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	
Opening insurance contract liabilities	76,878	1,241	(23,475)	222,637	21,235	298,516
Opening insurance contract assets	—	—	—	—	—	—
Net balance as at 1 January	76,878	1,241	(23,475)	222,637	21,235	298,516
Changes in the statement of profit or loss						
Insurance revenue	(296,360)	—	—	—	—	(296,360)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	—	—	204,557	12,100	216,657
Changes that relate to past service – Adjustments to LIC	—	—	—	(48,313)	(12,722)	(61,035)
Losses on onerous contracts	—	5	—	—	—	5
Amortization of insurance acquisition cash flows	66,442	—	—	—	—	66,442
Impairment/reversals on impairment of asset for insurance acquisition cash flows	—	—	—	—	—	—
Total Insurance service expenses	66,442	5	—	156,244	(622)	222,069
Insurance service result	(229,918)	5	—	156,244	(622)	(74,291)
Net finance expenses from insurance contracts	—	—	—	(146)	(13)	(159)
Effect of movements in exchange rates	—	—	—	—	—	—
Total changes in the statement of profit or loss, Cash flows	(229,918)	5	—	156,098	(635)	(74,450)
Premiums received	301,181	—	—	—	—	301,181
Claims and other insurance service expenses paid	—	—	—	(158,968)	—	(158,968)
Insurance acquisition cash flows	(5,784)	—	(62,727)	—	—	(68,511)
Other movements	(9)	—	(94)	(7,380)	—	(7,483)
Allocation from assets for insurance acquisition cashflows to groups of insurance contracts	(60,134)	—	60,134	—	—	—
Total cash flows	235,254	—	(2,687)	(166,348)	—	66,219
Net balance as at 31 December	82,214	1,246	(26,162)	212,387	20,600	290,285
Closing insurance contract liabilities	82,214	1,246	(26,162)	212,387	20,600	290,285
Closing insurance contract assets	—	—	—	—	—	—
Net balance as at 31 December	82,214	1,246	(26,162)	212,387	20,600	290,285

Notes to the financial statements

(b) Reinsurance contracts

Note	2023				
	Assets for remaining coverage (ARC)		Amounts recoverable on incurred claims(AIC)		Total \$'000
	Excluding loss-recovery component \$'000	Loss-recovery component \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	
Opening reinsurance contract assets	(24,584)	3	97,395	11,225	84,039
Opening reinsurance contract liabilities	(984)	—	590	1	(393)
Net balance as at 1 January	(25,568)	3	97,985	11,226	83,646
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(80,693)	—	—	—	(80,693)
Recoveries of incurred claims and other insurance service expenses	—	—	36,734	6,366	43,100
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	2	—	—	2
Adjustments to assets for incurred claims	—	—	(1,278)	(1,447)	(2,725)
Amounts recoverable from reinsurers	—	2	35,456	4,919	40,377
Investment components	—	—	—	—	—
Effect of changes in non-performance risk of reinsurers	—	—	(244)	—	(244)
Net expenses from reinsurance contracts	(80,693)	2	35,212	4,919	(40,560)
Net finance income from reinsurance contracts	1	—	2,727	417	3,145
Effect of movements in exchange rates	—	—	—	—	—
Total changes in the statement of profit or loss	(80,692)	2	37,939	5,336	(37,415)
Cash flows					
Premiums paid	107,090	—	—	—	107,090
Amounts received	—	—	(35,561)	—	(35,561)
Total cash flows	107,090	—	(35,561)	—	71,529
Net balance as at 31 December	830	5	100,363	16,562	117,760
Closing reinsurance contract assets	1,586	5	99,780	16,560	117,931
Closing reinsurance contract liabilities	(756)	—	583	2	(171)
Net balance as at 31 December	830	5	100,363	16,562	117,760

Notes to the financial statements

		2022				
		Assets for remaining coverage (ARC)		Amounts recoverable on incurred claims (AIC)		
Note	Excluding loss-recovery component \$'000	Loss-recovery component \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Total \$'000	
Opening reinsurance contract assets	(16,148)	17	103,545	11,549	98,963	
Opening reinsurance contract liabilities	(2,435)	—	1,023	165	(1,247)	
Net balance as at 1 January	(18,583)	17	104,568	11,714	97,716	
Changes in the statement of profit or loss and OCI						
Allocation of reinsurance premiums paid	(90,701)	—	—	—	(90,701)	
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	—	—	46,909	5,655	52,564	
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	(15)	—	—	(15)	
Adjustments to assets for incurred claims	—	—	(12,799)	(6,135)	(18,934)	
	—	(15)	34,110	(480)	33,615	
Investment components	—	—	—	—	—	
Effect of changes in non-performance risk of reinsurers	—	—	(97)	—	(97)	
Net expenses from reinsurance contracts	(90,701)	(15)	34,013	(480)	(57,183)	
Net finance income from reinsurance contracts	(1)	—	(113)	(9)	(123)	
Effect of movements in exchange rates	—	—	—	—	—	
Total changes in the statement of profit or loss and OCI	(90,702)	(15)	33,900	(489)	(57,306)	
Cash flows						
Premiums paid	83,718	—	—	—	83,718	
Amounts received	—	—	(40,482)	—	(40,482)	
Total cash flows	83,718	—	(40,482)	—	43,236	
Net balance as at 31 December	(25,567)	2	97,986	11,225	83,646	
Closing reinsurance contract assets	(24,583)	2	97,396	11,224	84,039	
Closing reinsurance contract liabilities	(984)	—	590	1	(393)	
Net balance as at 31 December	(25,567)	2	97,986	11,225	83,646	

Notes to the financial statements

(c) Assets for insurance acquisition cash flows

The following table sets out when the Company expects to derecognise assets for insurance acquisition cash flows after the reporting date:

	31 December 2023 \$'000	31 December 2022 \$'000
Less than one year	28,303	26,162
One to two years	–	–
More than two years	–	–
	<u>28,303</u>	<u>26,162</u>

Loss development tables

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net of reinsurance basis.

The following claim development tables show the cumulative gross and net of reinsurance incurred claims, including both reported and IBNR claims, and surplus held for each successive accident year at each end of the reporting period, together with cumulative claims as at the current end of the reporting period. This reconciles the cumulative claims to the amount included in the statement of financial position.

(a) Gross loss reserves

At end of financial year	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Accident year							
Before 2017	5,824	9,172	12,490	16,105	25,641	43,057	90,422
2017	1,672	3,945	8,837	13,508	22,443	41,271	132,895
2018	7,248	16,212	19,733	30,879	50,924	128,553	–
2019	11,083	17,429	38,695	69,736	158,127	–	–
2020	9,502	19,305	47,232	114,707	–	–	–
2021	19,940	40,831	118,304	–	–	–	–
2022	61,844	132,314	–	–	–	–	–
2023	129,503	–	–	–	–	–	–
Current estimates of loss reserves:							
- Direct and facultative insurance	246,616	239,208	245,291	244,935	257,135	212,881	223,317
- Inward treaty insurance	47	48	215	934	963	964	964
- Effect of Discounting	(5,427)	(5,924)	–	–	–	–	–
Total current estimates of loss reserves	<u>241,236</u>	<u>233,332</u>	<u>245,506</u>	<u>245,869</u>	<u>258,098</u>	<u>213,845</u>	<u>224,281</u>
Gross liabilities for incurred claims included in the statement of financial position	<u>241,236</u>	<u>233,332</u>	<u>245,506</u>	<u>245,869</u>	<u>258,098</u>	<u>213,845</u>	<u>224,281</u>

Notes to the financial statements

(b) Net loss reserves

At end of financial year	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Accident year							
Before 2017	2,239	4,813	7,075	9,979	14,816	26,716	62,243
2017	970	2,894	5,037	8,105	15,067	29,909	98,074
2018	3,205	6,626	9,941	16,475	32,169	101,949	—
2019	6,245	11,133	20,982	40,089	106,494	—	—
2020	5,226	11,901	25,761	77,480	—	—	—
2021	9,682	22,322	70,175	—	—	—	—
2022	24,705	82,697	—	—	—	—	—
2023	87,568	—	—	—	—	—	—
Current estimates of loss reserves:							
- Direct and facultative insurance	139,840	142,386	138,971	152,128	168,546	158,574	160,317
- Inward treaty insurance	46	48	215	934	963	964	964
- Effect of Discounting	(3,042)	(3,375)	—	—	—	—	—
Total current estimates of loss reserves	136,844	139,059	139,186	153,062	169,509	159,538	161,281
Net liabilities for incurred claims included in the statement of financial position	136,844	139,059	139,186	153,062	169,509	159,538	161,281

(c) Gross claims paid

At end of financial year	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Accident year							
Before 2017	1,678	1,440	2,639	2,205	2,528	20,032	74,675
2017	1,781	924	3,955	3,585	8,788	64,983	58,736
2018	5,784	3,939	6,532	15,766	59,635	55,497	—
2019	3,752	9,416	17,664	56,360	54,383	—	—
2020	6,154	15,324	36,414	39,416	—	—	—
2021	11,258	46,680	39,039	—	—	—	—
2022	46,293	36,395	—	—	—	—	—
2023	43,879	—	—	—	—	—	—
Gross claims paid:							
- Direct and facultative insurance	120,579	114,118	106,243	117,332	125,334	140,512	133,411
- Inward treaty insurance	—	1	—	—	—	30	8
Total gross claims paid	120,579	114,119	106,243	117,332	125,334	140,542	133,419

(d) Net claims paid

At end of financial year	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Accident year							
Before 2017	1,158	(65)	1,798	1,646	5,016	12,628	60,209
2017	950	809	2,152	3,414	6,941	46,545	55,553
2018	1,543	1,677	3,236	7,883	48,561	50,194	—
2019	2,534	2,447	11,238	44,101	49,037	—	—
2020	2,346	6,809	28,454	32,790	—	—	—
2021	4,321	25,927	29,731	—	—	—	—
2022	33,407	31,858	—	—	—	—	—
2023	40,978	—	—	—	—	—	—
Gross claims paid:							
- Direct and facultative insurance	87,237	69,462	76,609	89,834	109,555	109,367	115,762
- Inward treaty insurance	—	1	—	—	—	30	8
Total gross claims paid	87,237	69,463	76,609	89,834	109,555	109,397	115,770

Notes to the financial statements

11. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank and in hand	16,832	58,013
Fixed and call deposits	82,684	71,486
Cash and cash equivalents	<u>99,516</u>	<u>129,499</u>

The weighted average effective interest rate of fixed and call deposits is 4.10% (2022: 3.29%) per annum.

Cash and cash equivalents denominated in foreign currency as at 31 December is as follows:

	2023 \$'000	2022 \$'000
US Dollars	<u>26,906</u>	<u>33,690</u>

12. Other receivables

	2023 \$'000	2022 \$'000
Accrued interest receivable	3,336	2,748
Amounts due from related companies (non-trade)	278	213
Other receivables	<u>390</u>	<u>452</u>
	4,004	3,413
Deposits and prepayments	<u>1,445</u>	<u>2,104</u>
	<u>5,449</u>	<u>5,517</u>

The management believes that there is no significant credit risk in respect of other receivables as they are mainly accrued interest receivable within 1 year.

Amounts due from related companies are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Notes to the financial statements

13. Other payables

	Note	2023 \$'000	2022 \$'000
Non-current			
Retirement gratuity	4	1,495	2,080
Current			
Accrued operating expenses		17,658	22,095
Amount due to related companies		338	–
Other payables		11,136	7,357
		<u>29,132</u>	<u>29,452</u>
Provision for unconsumed leave		3,087	2,738
Provision for employee personal tax		295	330
GST payables, net		<u>1,073</u>	<u>1,058</u>
		<u>33,587</u>	<u>33,578</u>
Total other payables		<u>35,082</u>	<u>35,658</u>

Amounts due to related companies are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

The expected contractual undiscounted cash outflows of financial liabilities are disclosed in Note 18(e)(ii).

14. Deferred tax liabilities/(assets)

Deferred tax liabilities/(assets) as at 31 December relate to the following:

	At reporting date		Recognised in statement of profit or loss		Recognised in statement of comprehensive income	
	2023 \$'000	2022 (restated) \$'000	2023 \$'000	2022 (restated) \$'000	2023 \$'000	2022 (restated) \$'000
Deferred tax liabilities						
Differences in depreciation of property and equipment	421	738	(317)	631	–	–
		<u>–</u>		<u>–</u>	<u>–</u>	<u>–</u>
Gross deferred tax liabilities/(assets)	421	738	(317)	631	–	–

Notes to the financial statements

	At reporting date		Recognised in statement of profit or loss		Recognised in statement of comprehensive income	
	2023 \$'000	2022 (restated) \$'000	2023 \$'000	2022 (restated) \$'000	2023 \$'000	2022 (restated) \$'000
Deferred tax assets						
Provision for reinstatement of office premises	(114)	(114)	–	–	–	–
Provision for retirement gratuity	(260)	(322)	99	(14)	(37)	–
Other provisions	1,649	1,625	24	284	–	–
Revaluation of financial assets to fair value	(1,138)	(2,674)	–	–	1,536	(4,999)
Gross deferred tax assets	137	(1,485)	123	270	1,499	(4,999)
Net deferred tax liabilities/(assets)	558	(747)				
Deferred income tax (credit)/expense			(194)	901	1,499	(4,999)

15. Capital and reserves

Share capital

	2023 No. of shares ('000)	2022 No. of shares ('000)
Fully paid ordinary shares, with no par value		
At 1 January and at 31 December	333,442	333,442

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. All shares rank equally with regard to the Company's residual assets.

Dividends

The following dividends were declared and paid by the Company:

	2023 \$'000	2022 \$'000
Interim exempt (one tier) dividend of 6.4 cents per ordinary share (2022: 4.7 cents)	21,200	15,540

Notes to the financial statements

16. Financial instruments – Classification and fair values

The carrying amounts of the Company's financial assets and financial liabilities are set out below.¹

	Note	FVTPL - \$'000	FVTPL - designated \$'000	FVOCI - debt instruments \$'000	Amortised cost \$'000	Total carrying amount \$'000
2023						
Cash and cash equivalents	11	–	–	–	99,516	99,516
Financial investments						
Government bonds	9	–	–	186,659	–	186,659
Other debt securities			40,541	118,417	–	158,958
Equity securities		39,487	–	–	–	39,487
Collective investment scheme		55,092	–	–	–	55,092
Other receivables	12	–	–	–	5,449	5,449
Total financial assets		94,579	40,541	305,076	104,965	545,161
Other payables	13	–	–	–	35,082	35,082
Total financial liabilities		–	–	–	35,082	35,082
2022 (restated)						
Cash and cash equivalents	11	–	–	–	129,499	129,499
Financial investments						
Government bonds	9	–	–	159,682	–	159,682
Other debt securities			45,340	119,254	–	164,594
Equity securities		36,061	–	–	–	36,061
Collective investment scheme		48,535	–	–	–	48,535
Other receivables	12	–	–	–	5,517	5,517
Total financial assets		84,596	45,340	278,936	135,016	543,888
Other payables	13	–	–	–	35,658	35,658
Total financial liabilities		–	–	–	35,658	35,658

¹ An entity groups financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. Although FRS 117 does not define 'classes', as a minimum, instruments measured at amortised cost are distinguished from instruments measured at fair value.

Notes to the financial statements

A. Valuation models

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument whenever one is available. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at the bid price and liabilities and short positions at the ask price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between its fair value and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

i. Valuation techniques for Level 2 fair value measurements

Where quoted prices of financial assets and financial liabilities in active markets are not available, the following valuation techniques are typically used.

Collective investment scheme

The fair values of collective investment scheme are based on prices provided by the scheme managers. The prices provided by the scheme managers are generally based on the fair value of the net assets in the underlying funds.

Other Receivables, other payables and other non-derivative financial liabilities

Fair value is determined based on the expected present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair values of payables and other non-derivative financial liabilities reflect their non-performance risk.

Notes to the financial statements

B. Financial instruments measured at fair value

ii. Fair value hierarchy

The table below analyses financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

Level 2: inputs other than quoted prices included within 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).

The following table analyses financial instruments measured at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs. There were no transfers during the year.

	Carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2023					
Financial assets measured at fair value					
Debt investments – mandatorily at FVOCI	305,076	270,919	34,157	–	305,076
Debt investments – designated at FVTPL	40,541	40,541	–	–	40,541
Equity investments – mandatorily at FVTPL	94,579	39,487	55,092	–	94,579
	<u>440,196</u>	<u>350,947</u>	<u>89,249</u>	<u>–</u>	<u>440,196</u>

31 December 2022					
Financial assets measured at fair value					
Debt investments – mandatorily at FVOCI	278,936	255,582	23,354	–	278,936
Debt investments – designated at FVTPL	45,340	45,340	–	–	45,340
Equity investments – mandatorily at FVTPL	84,596	36,061	48,535	–	84,596
	<u>408,872</u>	<u>336,983</u>	<u>71,889</u>	<u>–</u>	<u>408,872</u>

Notes to the financial statements

17. Corporate governance

The Company is committed to upholding good corporate governance. The Board of Directors ("the Board") and the management team firmly believes that a genuine commitment to good corporate governance is essential to the sustainability of the Company's business and performance. In this regard, the Company is guided by the principles and provisions in the Guidelines on Corporate Governance. The Company also complies with the relevant provisions in the Insurance (Corporate Governance) Regulations 2013. The following describes the Company's corporate governance practices:

(a) ***Board's Conduct of Affairs***

The main responsibilities of the Board are to:

- Set corporate strategy and directions;
- Establish the broad objectives and policies for the conduct of the business;
- Review and approve business plans and budgets;
- Monitor financial performance;
- Oversee the process for evaluating the adequacy of internal controls, risk assessment, financial reporting and compliance.

(b) ***Board size and composition***

The Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Company. They hold core competencies such as accounting, management experience, industry knowledge and strategic planning experience. In compliance with the Insurance (Corporate Governance) Regulations 2013, the Board comprises at least one third of independent directors.

(c) ***Separation of roles – Chairman and Chief Executive Officer***

The Chairman and Chief Executive Officer positions are held by separate persons to ensure appropriate balance of power, accountability and greater capacity for independent decision making. The Chairman is responsible for the leadership of the Board and the management of the Board meetings. The Board shall approve the appointment of the Chief Executive Officer, subject to prior approval from Mitsui Sumitomo Insurance Company, Limited. The Chief Executive Officer has the overall responsibility for the management of the Company's business and its profitable operation in accordance with the policies and objectives set by the Board.

(d) ***Board meetings***

There are four scheduled Board meetings in a year. Additional Board meetings may be held at the discretion of the directors. A total of four Board meetings and one Ad-Hoc Board Meeting were held in 2023, with full attendance by all the Board members.

Notes to the financial statements

(e) Accountability and audit

(i) Accountability

The management will present all members of the Board with management reports and performance results on a quarterly basis. This is to enable the Board to make balanced and informed assessment of the Company's performance, position and prospects. During the quarterly Board meetings, the Board will meet with relevant members of the Senior Leadership Team to discuss and review critically the decisions made.

The Board has received satisfactory assurances from the Company's CEO and CFO that the Company's (a) financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) that the Company's risk management and internal control systems are adequate and effective.

(ii) Audit committee

The Audit Committee ("AC") is appointed by the Board from amongst the directors of the Company and shall consist of at least three (3) members.

As at 31 December 2023, the AC comprises five members, all of whom are non-executive directors. A majority, comprising three of the five members of the AC are independent directors. Ms. Tan Piak Gek, an independent director, chairs the AC. The other members of the AC are Mr. Christopher Ho Siow Soong, Mr. Ng Lak Chuan, Mr. Clemens Philippi and Mr. Hiroshi Haqiuda. The members of the AC have relevant or related financial management expertise or experience. None of the members of the Audit Committee were former partners or directors of the external audit firm, KPMG LLP nor do they hold any financial interest in KPMG LLP.

The Chairman and the members of the AC are appointed by the Board.

The AC shall hold at least 4 regular meetings per year, and such additional meetings as the Chairman shall decide in order to fulfil its duties. Minutes are recorded for all regular meetings of the AC.

The AC, which has written terms of reference approved by the Board, annually assesses the performance and effectiveness of the Audit Committee, and performs the following delegated functions:

- Review with the Internal Auditors
 - their audit plans, their evaluation of the system of internal controls and their audit reports;
 - the scope and results of the internal audit procedures;
 - the internal audit assessments of compliance with company policies, relevant laws and regulatory requirements;
 - the annual internal audit opinion on the effectiveness of the internal controls;
 - management's responsiveness to and corrective actions taken in respect of internal audit findings and recommendations.

Notes to the financial statements

- Review with External Auditors
 - their audit plan, evaluation of the system of internal controls, and any other matters that the external auditors wish to discuss;
 - the audited annual financial statements prepared in accordance with Singapore Financial Reporting Standards before submission to the Board for approval;
 - Material related party transactions;
 - the nature and extent of non-audit services performed by external auditors and the impact on their independence and objectivity;
 - external audit findings and recommendations, ensuring that these are resolved effectively and in a timely manner.

The Audit Committee meets annually with the Internal Auditors and External Auditors without the presence of the management. The Audit Committee annually assesses the performance, adequacy and independence of the internal and external auditors. The Audit Committee is also responsible for approving the appointment and dismissal of the Head of Internal Audit and the budget of the Internal Audit function. The Audit Committee reviews and approves the fees and terms of engagement of the external auditor and recommends to the Board the appointment of the external auditor.

In addition to its oversight role over Internal Audit and External Audit, the Audit Committee reviews the assurances from the Company's CEO and CFO that the Company's (a) financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) that the Company's risk management and internal control systems are adequate and effective and is also informed of the status and outcome of whistleblowing reports and investigations.

(iii) Internal audit

The Company maintains an in-house internal audit function which assists the Audit Committee to ensure that the Company maintains a sound system of internal controls by reviewing key controls, processes and procedures and ensuring their effectiveness. Internal Audit is responsible for reviewing the risk profile and developing risk-based audit plans that will confirm and verify the existence and effectiveness of management's system of internal controls and risk management.

The Audit Universe does not only cover internal controls and risk management framework over financial risks, but all material risks including credit, operational, technology, legal, regulatory, reputational and strategic risks. Whether accounting and financial records are complete and accurate, material related party transactions, escalation processes and reporting systems and extent to which any non-compliance with internal policies or external legal or regulatory obligations is documented and appropriate corrective or disciplinary measures are taken.

Notes to the financial statements

The internal audit function has unrestricted access to the Audit Committee and to the Company's documents, records and personnel. Internal Audit in its reporting to the Audit Committee presents the audit plan and any amendments for approval, reports if there are factors that adversely affecting its independence, objectivity or effectiveness; and material findings from audits, reviews or investigations conducted.

The Head of Internal Audit's functional line of reporting is to the Chairman of the Audit Committee although he or she also has an administrative reporting line to the CEO of the Company. The appointment and dismissal of the Head of Internal Audit is to be approved by the Audit Committee and his or her annual appraisal is primarily performed by the Chairman of the Audit Committee.

The staff of the internal audit function hold relevant educational or professional qualifications and are provided continuing professional development to ensure that their knowledge and skills remain current and relevant to enable them to discharge their responsibilities. The internal audit function adopts the International Standards for the Professional Practices of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors ("IIA"). As part of Internal Audit Quality Assurance Improvement Program, the Internal Audit function conducts annual internal self-assessment, successfully completed its last external Quality Assurance Review in 2019 and strives to generally conform with or exceed the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

18. Risk management

(a) Governance framework

The Company has established a framework of responsibilities which is consistent with the following generally recognised basic principles of sound risk management practice:

- (i) The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders. Appropriate overview by board of directors and senior management;
- (ii) The company has a Risk Management Committee which includes the Senior Leadership Team, to oversee the overall risk management framework;
- (iii) Adequate risk management process including identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis that provides for continuous risk monitoring by management; and
- (iv) Comprehensive internal controls and assurance processes linked to key business risks.

Notes to the financial statements

- (v) The Head of ERM updates the Board on a quarterly basis, informs the Board on revisions to and new issuance of policies and regulations and seek Board's approval where applicable on policies, regulations and guidelines.

(b) Enterprise Risk Management ("ERM") and Management controls

The Company has an ERM framework that enables the Company to support risk-based decision making and to meet the regulatory requirements. The framework is aligned to MAS Notice 126.

The key components of the ERM framework are namely the Risk appetite statement, the Business strategy, Capital management, Risk management policy and the Own Risk and Solvency Assessment ("ORSA").

The Company has established a Risk appetite statement, which outlines the overall risks, including environmental risks that the Company undertakes in pursuit of the Company's strategic plan. The Risk Appetite Statement is reviewed annually and approved by the Board.

The Company has in place a Risk management policy that covers the processes to assess, monitor and report risks in the Company.

In line with MAS Notice 126 on ERM, the Company conducts an ORSA assessment on an annual basis.

The Company has an independent ERM function directly reporting to the CEO to develop the ERM framework and to promote and inculcate an appropriate risk culture within the Company. The framework comprises 3 lines of Defence ("LoD"):

- (i) Under the first LoD, the management owns and manages risks. The management is also responsible for implementing corrective actions to address process and control deficiencies.
- (ii) Under the second LoD, the ERM Department provides an oversight of the risk management practices. It also reviews and challenges the risks taken by the first LoD.
- (iii) Under the third LoD, the Internal Audit Department provides an independent assurance on the existence & effectiveness of risk management and internal controls.

The Company also has in place a whistle-blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters, in confidence.

(c) Regulatory framework

The operations of the Company are also subject to local regulatory requirements. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Notes to the financial statements

(d) Insurance risk and risk transfer

The risk under insurance contracts is the possibility of occurrence of an insured event and uncertainty of the amount and timing of resulting claim. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- Occurrence risk – the possibility that the number of insured events occurring will differ from those expected.
- Severity risk – the possibility that the cost of the insured events which occurred will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

Insurance risk includes underwriting risk and reserving risk.

Underwriting risk refers to the risk associated with volatilities in the timing, frequency and severity of insured events, relative to the expectations of the insurer at the time of underwriting.

Reserving risk refers to the risk that current reserves are not sufficient to cover all future costs including claim settlements and associated claims handling expenses in respect of claims that have already occurred.

The objective of the Company is to control and minimise insurance risk to reduce volatility of operating profits. The Company manages insurance risk through the following mechanism:

- Actuarial models based on past experience and statistical techniques aid to monitor claim patterns and ensure appropriate pricing.
- Insurance reserves are reviewed regularly by actuaries to ensure that the amount of reserves held is sufficient. The risk of under-reserving is unlikely to be material as insurance claims in Singapore generally take a relatively short time to be reported and settled. Also, the Company carries an additional amount of reserve to cover the possibility of adverse development in claims experience at a level such that there is at least a 75 per cent chance that the reserves will be sufficient.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.

Notes to the financial statements

- Proactive claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims and catastrophes by placing risk with re-insurers providing high security.
- Diversification is accomplished by achieving a sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of classes of business and distribution channels and geographical locations.
- The Company underwrites mainly Singapore based risks. A part of its portfolio, primarily marine insurance, relates to insured risks which are offshore.
- The Company maximises retention of risk to grow net premium and improve the underwriting result. It operates a policy to manage its reinsurance counterparty exposures including use of reinsurers with defined minimum credit rating. The natural catastrophe exposure is analysed using external probabilistic catastrophe models. Reinsurance is then purchased at the appropriate level.

The following table sets out the carrying amounts of the Company's insurance contracts (net of reinsurance) by type of product.

	2023 \$'000	2022 \$'000
Personal Motor	37,857	40,784
Personal Property	4,150	4,208
Personal Other	18,541	17,794
Commercial Motor	14,242	14,984
Commercial Property	10,045	9,729
Commercial Employer's Liability	45,646	41,292
Commercial Public Liability	11,200	15,334
Marine Cargo and Hull	17,156	29,233
Health Care	23,552	23,364
Commercial Other	11,637	9,917
Total	194,026	206,639

Notes to the financial statements

Sensitivity analysis of insurance liabilities

Estimates of an insurance company's claim liabilities and premium liabilities may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

The Company re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its contracts. The tables presented below demonstrate the sensitivity of insured liability estimates to particular movements in key assumptions used in the estimation process. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The analysis below has been prepared for a change in one variable with all other variables remaining constant and ignores changes in values of the related assets. The Company recognised that some of the assumptions are interdependent but it will be difficult to analyse such interdependencies.

The key assumptions considered in the sensitivity analysis are as follows:

- Initial Expected Loss Ratio ("IELR") for accident/underwriting year 2023 in the method; and
- Selected Ultimate Loss Ratio ("ULR").

The Initial Expected Loss Ratio ("IELR") is a parameter used in the Bornhuetter-Ferguson method. This method is usually used by the actuary to estimate claims liability applied to claims data in the latest accident/underwriting years. The sensitivity test is performed by changing the IELR by -15% to +15% to derive the claims liabilities and only net impact is disclosed in the following table.

The Selected Ultimate Loss Ratio ("ULR") is derived from the best estimation of claims reserve and it is a major factor to determine unexpected risk reserves which is a component of premium liability. The ULR also affects the claims liabilities.

Notes to the financial statements

The results of the sensitivity analysis (net of reinsurance) and the impact on the premium liabilities and claim liabilities as at 31 December are as follows:

	IELR		ULR	
	+15% \$'000	-15% \$'000	+15% \$'000	-15% \$'000
2023				
Liability for remaining coverage	–	–	589	(550)
Liability for incurred claims	1,572	(1,572)	20,065	(19,896)
Total	1,572	(1,572)	20,654	(20,446)
2022				
Liability for remaining coverage	–	–	822	(821)
Liability for incurred claims	1,769	(1,769)	17,730	(17,351)
Total	1,769	(1,769)	18,552	(18,172)

(e) Financial risk management

(i) Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions failed to perform as contracted.

The carrying amount of financial investments, insurance contract assets and liabilities, reinsurance contract assets and liabilities, and cash and cash equivalents represents the Company's maximum exposure to credit risk.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the financial statements, although in the case of insurance receivables, it is fairly common practice to settle accounts on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by other financial liabilities with the same counterparty.

Management of credit risk

The Company extends credit to its intermediaries and customers based on commercial terms. The creditworthiness of reinsurers is assessed on a semi-annual basis by reviewing their financial strength through published credit ratings, available market information and financial reports.

Notes to the financial statements

Credit evaluations are performed on all brokers, agents, reinsurers, financial institutions and other counterparties.

Strict investment guidelines are used to monitor the risks in the Company's investments, including setting maximum limits of portfolio securities within a single or group of issuers, and setting the minimum ratings for the issuer.

Exposure to credit risk

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

	Credit ratings						Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Below BBB-	Not rated	
2023							
Cash and cash equivalents	—	13,433	86,083	—	—	—	99,516
Other receivables	1,627	184	1,558	469	—	1,611	5,449
Financial investments							
- Measured at FVOCI	211,835	5,401	36,152	22,166	—	29,522	305,076
- Measured at FVTPL	2,051	22,175	70,665	22,068	—	18,161	135,120
Reinsurance contract assets	1,732	65,889	66,862	26	—	(16,578)	117,931
Total credit risk exposure	217,245	107,082	261,320	44,729	—	32,716	663,092

	Credit ratings						Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Below BBB-	Not rated	
2022							
Cash and cash equivalents	—	26,342	94,669	8,488	—	—	129,499
Other receivables	1,303	810	1,323	390	21	1,670	5,517
Financial investments							
- Measured at FVOCI	182,706	9,471	52,213	4,459	—	30,087	278,936
- Measured at FVTPL	930	21,076	68,323	20,498	1,660	17,449	129,936
Reinsurance contract assets	769	82,472	38,652	36	—	(37,890)	84,039
Total credit risk exposure	185,708	140,171	255,180	33,871	1,681	11,316	627,927

Notes to the financial statements

Concentration of credit risk

At the reporting date, there are no significant concentrations of credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset. Although the relatively illiquid nature of insurance contracts allows the Company to invest in less liquid but higher-yielding assets, liquidity risk arises from funds composed of illiquid assets and results from mismatches in the liquidity profile of assets and liabilities.

Management of liquidity risk

The Company manages this risk by monitoring daily and monthly projected and actual cash inflows and outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. In respect of Asset Liability Management ("ALM"), the Company holds a high proportion of assets in cash or in short-term deposits in order to maintain consistency with short-tail insurance liabilities.

Due to the nature of its business, the Company's premium and claims liabilities which comprise provision for unexpired risks and provision for outstanding claims are likely to materialise fully within 10 years. For insurance contract provisions, the analysis of the estimated timing of cash outflows is disclosed in Note 10.

Notes to the financial statements

Financial Instruments

The following table sets out the earliest contractual settlement dates of the Company's financial liabilities and the estimated settlement pattern of the Company's insurance contract liabilities as at 31 December.

\$'000	Contractual undiscounted cash flows						Total	Discounting credit	Carrying amount
	1 year or less	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years			
31 December 2023									
Insurance contracts									
Insurance contract liabilities	231,913	55,995	13,198	9,398	5,793	916	317,213	(5,427)	311,786
Reinsurance contracts									
Reinsurance contract assets	92,305	15,556	3,339	5,073	3,503	540	120,316	(2,385)	117,931
Reinsurance contract liabilities	(171)	–	–	–	–	–	(171)	–	(171)
Non-derivative liabilities									
Payables	33,587	1,495	–	–	–	–	35,082	–	35,082
Lease liabilities	4,031	1,391	372	350	205	–	6,349	(334)	6,015
	<u>361,665</u>	<u>74,437</u>	<u>16,909</u>	<u>14,821</u>	<u>9,501</u>	<u>1,456</u>	<u>478,789</u>	<u>(8,146)</u>	<u>470,643</u>
31 December 2022 (restated)									
Insurance contracts									
Insurance contract liabilities	208,092	60,459	16,711	5,148	4,248	1,551	296,209	(5,924)	290,285
Reinsurance contracts									
Reinsurance contract assets	57,092	18,025	5,733	2,278	2,530	930	86,588	(2,549)	84,039
Reinsurance contract liabilities	(393)	–	–	–	–	–	(393)	–	(393)
Non-derivative liabilities									
Payables	33,578	2,080	–	–	–	–	35,658	–	35,658
Lease liabilities	4,321	3,512	850	22	–	–	8,705	(134)	8,571
	<u>302,690</u>	<u>84,076</u>	<u>23,294</u>	<u>7,448</u>	<u>6,778</u>	<u>2,481</u>	<u>426,767</u>	<u>(8,607)</u>	<u>418,160</u>

Notes to the financial statements

The amounts in the table above have been compiled as follows.

The amounts are the gross contractual undiscounted cash flows, which exclude estimated interest payments. Interest payments are shown separately. The interest on floating-rate instruments reflects the market forward interest rates at the reporting date, which may change as market interest rates change.

Financial liabilities are allocated to the earliest period in which the Company could be required to pay. Investment contract liabilities and third party interests in consolidated funds are immediately payable on demand, because each holder has an option to surrender the investment contract or to redeem units in the consolidated funds at any time. Accordingly, these amounts have been included in the earliest time band. Most of the underlying assets are either cash and cash equivalents or liquid investments that can be converted into cash at short notice.

For perpetual debt securities, the contractual par amount has been included in the 'more than 5 years' column; interest has been included in the analysis up to 15 years after the reporting date.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company comprises four types of risks:

- foreign currency risk;
- interest rate risk;
- credit spread risk and
- equity price risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Investments denominated in foreign currencies are limited to 40% of the Insurance Fund assets, as prescribed by the MAS Notice 133 on Valuation and Capital Framework for Insurers. In complying with the foreign currency limit, active currency decisions are made when investing in foreign currency equities and bonds.

The Company's exposure to foreign currency in Singapore dollar equivalent is as follows:

	2023 \$'000	2022 \$'000
Financial assets	26,676	33,502
Financial liabilities	(475)	4
Insurance and reinsurance contract assets	333	(12,402)
Insurance and reinsurance contract liabilities	(10,670)	(6,357)
	<u>15,864</u>	<u>14,747</u>
Effect of foreign exchange contracts	995	259
	<u>16,859</u>	<u>15,006</u>

Notes to the financial statements

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currency at the reporting date would increase or decrease profit or loss by the amounts set out below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Profit or loss Increase/ (Decrease)	
	2023 \$'000	2022 \$'000
United States Dollar	(2,691)	(3,369)

A 10% weakening of the Singapore dollar against the above currency would have had the equal but opposite effect on the above currency, on the basis that all other variables remain constant.

The Company invests in a collective investment scheme where the bond investments are denominated predominantly in US dollars ("USD"). They are hedged back to Singapore dollars to mitigate currency risks exposure of the assets of the scheme.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to the impact of changes in market interest rates have on interest income from interest bearing financial assets.

The Company's exposure to changes in interest rates relates primarily to cash and cash equivalents and other fixed rate and variable rate bonds.

The Company's investment activities are inherently exposed to interest rate risk, which arises principally from differences in maturities or repricing of invested assets and the average duration of policy liabilities. In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall investment asset profile, which is reviewed periodically, based on the average duration of policy liabilities and the Fund Manager's and Investment Committee's longer-term view of interest rates and its impact on bond valuations.

Notes to the financial statements

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Total \$'000
2023							
<i>Fixed rate</i>							
Financial investments							
- Measured at FVOCI	35,446	25,595	43,775	22,340	23,462	154,458	305,076
- Measured at FVTPL	1,982	493	2,374	—	9,650	26,042	40,541
Fixed deposits	82,684	—	—	—	—	—	82,684
Cash at bank	16,832	—	—	—	—	—	16,832
2022 (Restated)							
<i>Fixed rate</i>							
Financial investments							
- Measured at FVOCI	50,134	33,130	29,298	43,222	22,667	100,485	278,936
- Measured at FVTPL	—	1,950	483	8,760	479	33,668	45,340
Fixed deposits	71,486	—	—	—	—	—	71,486
Cash at bank	58,013	—	—	—	—	—	58,013

As at 31 December 2023, the carrying amount of collective investment scheme was \$60.0 million (2022 (Restated): \$55.3 million) with average term to maturity of 11.4 years (2022: 12 years).

Sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) values by the amounts set out below. This analysis assumes that all other variables remain constant.

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The Company is exposed to interest rate risk in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred.

Notes to the financial statements

	100 bp increase				100 bp decrease			
	Statement of profit or loss		Equity		Statement of profit or loss		Equity	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Fixed rate bonds	-	-	(14,637)	(10,720)	-	-	15,628	9,936
Collective investment scheme	-	-	(2,235)	(1,949)	-	-	2,543	2,214
Insurance and reinsurance contracts	866	858	866	858	(883)	(878)	(883)	(878)
	866	858	(16,006)	(11,811)	(883)	(878)	17,288	11,272

Equity price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A monitoring process is in place to limit downside risks at certain pre-determined levels. Limits are set for equity holdings in a single company/group of related companies as a percentage of total assets.

Sensitivity analysis

Impairment losses arising on available-for-sale financial assets are recognised in the profit or loss statement. A 10% increase/(decrease) in the prices of underlying shares at the reporting date would increase/(decrease) values by the following amount:

	10% increase				10% decrease			
	Statement of profit or loss		Equity		Statement of profit or loss		Equity	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 (Restated) \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 (Restated) \$'000
Equity shares	-	-	3,949	3,606	-	-	(3,949)	(3,606)

This analysis assumes that all other variables remain constant.

Notes to the financial statements

(v) *Investment and management of funds*

The Company's objective is to protect solvency and maximise shareholder value by maintaining a balance between risks and returns, in order to promote stable growth in profits and net asset value over the medium and long terms.

The Company has appointed professional fund managers to manage its investments. Through regular meetings with the fund managers and performance reports, the Company reviews and monitors the performance of its investment funds. The Company has also established a guideline to address the selection, review and management of its fund managers.

(vi) *Capital management*

The Company's capital management policy aims to:

- maintain a strong capital base to sustain and grow the business so as to uphold investors, creditors and market confidence;
- to comply with the regulatory capital requirements for the Company; and
- to provide an adequate return to shareholders through prudent underwriting of insurance risks and optimising investment returns within the risk parameters established by the Board.

Under the financial reporting standards, capital comprises paid-up share capital and retained earnings.

In Singapore, the minimum capital requirement under the MAS Notice 133 on Valuation and Capital Framework for Insurers regulated by the Monetary Authority of Singapore ("MAS") is 100% although a higher capital requirement may be prescribed by MAS for individual insurers.

The Company determines the amount of capital in accordance with business expansion needs as well as to meet the regulatory capital requirements for the Company.

Having considered the key risks the company faces, the Company also conducts stress testing analysis annually, which includes quantification of the Company's solvency position from material insurance, investment and operational losses. Based on the latest stress testing review, the Company is assessed to be able to withstand shocks from material but reasonable insurance, market and operational risks.

The Company has complied with the minimum capital requirement prescribed by MAS.

There were no changes in the Company's approach to capital management during the year.

Notes to the financial statements

19. Related party transactions

(a) Transactions with related companies

Other than disclosed elsewhere in the financial statements, the following significant related party transactions took place during the year on terms agreed between the parties concerned:

	2023 \$'000	2022 \$'000
Related Companies		
Management fee	6,409	6,689
Project cost	3,220	3,356
Premiums accepted net of commission, included as insurance revenue	(2,006)	(2,052)
Premiums ceded net of commission, included in net expenses from reinsurance contracts	38,285	52,845
Direct claims	1,182	928
Recovery on paid claims, included in net expenses from reinsurance contracts	(19,918)	(25,963)
Service fee income	<u>(84)</u>	<u>(93)</u>

(b) Compensation of key management personnel

	2023 \$'000	2022 \$'000
Short-term employee benefits and other pension benefit	<u>4,734</u>	<u>3,275</u>

20. Leases

Leases as lessee

The Company leases equipment, apartments, office property and vehicles. The leases typically run for a period 2 to 5 years, with an option to renew the lease after that date. Lease payments are renegotiated before the lease expiry to reflect market rentals.

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

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 8).

Notes to the financial statements

		Leasehold improvements			
	Leased equipment \$'000	Office Premises \$'000	Apartment \$'000	Leased vehicles \$'000	Total \$'000
2023					
Balance at 1 January	147	7,266	598	291	8,302
Additions	515	–	427	846	1,788
Derecognition	–	–	–	–	–
Depreciation for the year	(220)	(3,421)	(481)	(208)	(4,330)
Balance at 31 December	442	3,845	544	929	5,760
2022					
Balance at 1 January	353	2,494	618	483	3,948
Additions	–	9,228	620	–	9,848
Derecognition	–	–	(99)	–	(99)
Depreciation for the year	(206)	(4,456)	(541)	(192)	(5,395)
Balance at 31 December	147	7,266	598	291	8,302

Lease liabilities

	Total	
	2023 \$'000	2022 \$'000
Less than one year	4,031	4,321
One to five years	2,318	4,384
Total undiscounted lease liabilities at 31 December	6,349	8,705
Current	3,955	4,233
Non-current	2,060	4,338
Discounted lease liabilities included in the statement of financial position at 31 December	6,015	8,571

Amounts recognised in profit or loss

	\$'000
2023	
Interest on lease liabilities	145
2022	
Interest on lease liabilities	236

Amounts recognised in statement of cash flows

	2023 \$'000	2022 \$'000
Total cash outflow for leases	4,461	5,725

Notes to the financial statements

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 assess 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.

21. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 24 April 2024.