中国太平
CHINA TAIPING

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

ANNUAL REPORT 2019

This annual report is published in November 2020.

CONTENTS

About

China Taiping Insurance Group

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

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

Established in Shanghai since 1929

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

Total assets of RMB 920 billion as of June 2020

Listed on Hong Kong Stock Exchange since 2000

Achieved Global Fortune 500 since 2018

More than 500,000 employees

About
China Taiping Insurance Singapore

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

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

Long heritage in Singapore since 1938

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

Paid-up capital of SGD 210 million as of April 2020

Provides one-stop financial solutions

Chairman's Message 董事长致辞

On behalf of the Board of Directors, it is my pleasure to present the annual report of China Taiping Insurance (Singapore) Pte. Ltd. (CTPIS) for the financial year ended 31 December 2019.

我很荣幸代表公司董事会向各位呈上中国太平保险（新加坡）有限公司截至 2019 年 12 月 31 日的财务报告。

Economic Overview

Singapore's economy has continued to be characterised by excellent finances, a business-friendly regulatory system, and a high degree of openness. The country's GDP only grew by 0.7% in 2019, but exports and domestic demand represented 180% of the GDP as international trade remained a major contributor to the national economy. Singapore's per capita wealth was still amongst the highest in the region; however, structural economic changes caused the annual overall unemployment rate to reach 2.3% in 2019.

Insurance Industry Overview

General Insurance

The industry achieved stable growth, with a 7.6% annual growth in gross written premiums totalling S$4.1 billion as of 31 December 2019. A total of S$159 million in insurance claims was paid out in 2019, which contributed to the S$28 million in underwriting losses recorded by the insurance sector. The combined underwriting loss of the sector's top five segments - Motor, Health, Property, Employer's Liability, and Travel - amounted to S$43.4 million.

Life Insurance

Singapore's life insurance industry recorded a total of S$4.3 billion in weighted new business premiums for FY2019 - this represented a 0.4% increase from the corresponding period in 2018. The industry's continued growth was the slowest in the decade. The industry continued to make headway in narrowing the protection gap in Singapore with an increase in uptake of annual premium policies.

Overall Business Performance

Despite the challenging economic outlook and stiff competition in the market, CTPIS achieved its 2019 business goals for both general and life insurance businesses - with a total gross premium of S$269 million. Our general insurance gross premiums reached S$118 million, which was a 10% increase from the previous year. This success was made possible by the growth of our topline combined with the sustained quality of our general insurance business. Our life insurance business also achieved a new milestone with the launch of a suite of products for the affluent and high-net-worth markets in 2019. A total gross premium of S$151 million represented a notable achievement, with all KPIs on annualised premium equivalent and value of the new business being successfully delivered.

CTPIS also actively implemented the Group's new era development and empowerment strategy for 2019. The key goals included: product empowerment and continued momentum in the development and implementation of information system infrastructure to enhance general and life insurance business operation efficiencies. We also made significant improvements and achieved outstanding results in areas such as Risk Management, Digitalisation, IT Infrastructure, and Branding. I am pleased to share two special project highlights:

Digital Transformation

CTPIS successfully implemented several new core operating systems to improve our services for customers and distributors. These included i-Gen, which facilitated seamless day-to-day business operations; i-Life, for improvement of customer support; i-Quote, which increased convenience of the generation of policy illustration for advisers; and the Oracle system for the finance department.

China Taiping FunRun

Our 2019 charity run was organised in support of The Straits Times School Pocket Money Fund (STSPMF) for children from low-income families. It also promoted physical fitness and encouraged bonding among teams, business partners, family, and friends. All proceeds collected from this event went directly to STSPMF. The event gained wide-media coverage and created a buzz in social media platforms. Over the last two years, we have raised over S$150,000 for the STSPMF through our annual FunRun.

Looking Forward

2019 was a year of impressive accomplishments for CTPIS, and we will use this momentum to make bigger and more impactful steps in the future. Our goal is to sustain the steady growth of our General Insurance business and the exponential growth in our Life Insurance Business, as well as to continue providing comprehensive protection to our customers. We will keep looking for more ways to boost our business operation efficiency and the quality of our customer service with timely implementation of innovative digital technologies. Keeping our customers' interest as our top priority, we will continue building CTPIS as a trusted brand in Singapore.

Hong Bo
Chairman

经济概况

新加坡的经济形势持续展现金融强劲、商业监管体系友好和高度开放的特征。2019年，新加坡国内生产总值(GDP)仅增长0.7%。但是，鉴于国际贸易依然是国家经济的主体，出口和内需占GDP的180%。新加坡人均财富值依然高居本地区榜首；但是，受结构性经济变化影响，2019年全年整体失业率达到2.3%。

保险行业概况

财产保险

保险行业实现了稳定的增长。截至2019年12月31日，保费总额达到41亿新元，同比增长7.6%。2019年，保险理赔支付额共计1.59亿新元，其中承保损失额为2800万新元。车险、医疗险、财产保险、雇主责任险和旅游险等5大版块的总体承保损失额达到4340万新元。

人寿保险

2019财年，新加坡人寿保险业录得43亿新元的加权新保费总额，较2018年同比增长0.4%，是十年来最缓慢的一年。随着年度保费收入的增加，新加坡在寿险保障方面的缺口持续缩小。

经营业绩

尽管面临严峻的经济前景和激烈的市场竞争，太平新加坡依然在2019年完成了财险和寿险的业务目标，保费总额达到2.69亿新元。财险保费收入1.18亿新元，较去年增长10个百分点。年度目标的完成归功于总体业务量的增长和财险持续稳健的增长。2019年寿险方面，公司面向高净值客户市场推出一系列产品，为寿险业务开创了新的里程碑。业绩斐然，总保费收入达到1.51亿新元，年度保费指标当量和新业务的全部KPI均顺利完成。

此外，2019年，太平新加坡积极贯彻集团新时代发展和赋能战略。业务瞄准产品赋能的落实，并持续推动信息系统基础设施的开发和部署，以强化财险和寿险业务的运营效率。此外，风控合规、数字信息化、IT基础架构及品牌建设等方面同样得到显著的改善，取得了杰出的成绩。在此，我很荣幸地分享两大项目亮点：

数字转型

太平新加坡成功实施多个新核心业务操作系统，以提升面向客户和分销商的服务。其中包括为日常业务运营提供实时便利性的i-Gen、用于改善客户服务的i-Life、用于增强顾问保单说明便利性的i-Quote，以及财务部门的Oracle系统。

中国太平FunRun健康跑

2019太平新加坡举办健康跑，为《海峡时报》学校零用钱基金（以下简称“基金”）募集善款，捐助低收入家庭学童。本场活动同样推动了健身风潮，加强了员工团队和业务合作伙伴的互动。本场活动所筹集的善款均悉数捐赠至基金。活动得到各媒体的报道，并在社交媒体平台上引起各界的关注。过去两年中，太平新加坡借助年度健康跑活动已为基金筹集善款超过15万新元。

展望未来

对太平新加坡而言，2019年是成就瞩目的一年，公司将延续这一良好发展势头，在未来争取更加辉煌、更有影响力的发展，力争保持财险业务的稳定增长和寿险业务的指数级增长，并继续为客户提供全方位保障。太平新加坡将继续探寻更多模式，及时布局和创新信息化建设，提高业务运营效率和客户服务质量，把客户的利益放在优先位置，继续保持太平新加坡值得信赖的品牌形象。

洪波
董事长

Board of Directors

Mr. Hong Bo
Chairman

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

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

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

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

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

Board of Directors

Mr. Sitoh Yih Pin

Chairman of Audit and Risk Committee in China Taiping Insurance Singapore Pte. Ltd.

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

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

Professor Francis Koh Cher Chiew

Chairman of Nominating & Remuneration Committee in China Taiping Insurance Singapore Pte. Ltd.

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

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

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

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

Board of Directors

Mr. Yang Yamei

Mr. Yang Yamei is responsible for the overall development of business operation for China Taiping Insurance Singapore. Under his leadership, China Taiping Insurance Singapore has seen steady growth in total assets yearly to S$607 million in 2019. He is also instrumental in the business expansion drive that resulted in the company being awarded the life insurance composite license from Monetary Authority of Singapore to launch its Life Insurance business.

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

Mr. Yang has extensive experience spanning over 20 years in the insurance sector where he was responsible for the overall operation development of international markets, and has overseen China Taiping Group's overseas subsidiaries including England, Hong Kong, Macau and Singapore.

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

Mr. Yu Xiaodong

Mr. Yu Xiaodong served as a non-executive director of the company from June 2019 to February 2020. He currently serves as the general manager of Taiping UK and has 20 years of experience in planning, actuarial, and risk management for large financial insurance groups and insurance companies. Before joining Taiping UK, Mr. Yu Xiaodong served as deputy general manager of Taiping Reinsurance, in charge of the life insurance business development life insurance actuarial, and concurrently served as the company's life insurance actuarial management, and life insurance appointed actuary.

Prior to China Taiping, Mr. Yu Xiaodong was the General Manager of the Risk Management of Fosun International Co., Ltd. and the Chief Risk Officer of Fosun Insurance. He also held the position of a non-executive director of Portuguese Loyalty Insurance Company and Peak Reinsurance Co., Ltd. He also worked with AIA China headquarters, where he was engaged in product development, pricing, and experience analysis.

Mr. Yu Xiaodong has been with China Taiping Insurance Group for nearly 15 years. He has held several key roles as General Manager of the Group Business Management; the General Manager of the Actuarial, the Group Compliance Officer; and General Manager of the Risk Management and Compliance. Among his responsibilities were the implementation of group planning, actuarial, and comprehensive risk management systems; acting as appointed actuary of China Taiping Life Insurance (Hong Kong) and Taiping Reinsurance, as Chief Actuary of Taiping Pension, and as director and supervisor of several core-insurance companies in Taiping.

Board of Directors

Mr. Wang Xin

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

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

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

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

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

Senior Management Team

Yang Yamei

General Manager

Responsible for the overall development of business operation for China Taiping Insurance and directly in-charge of Human Resource, Strategy and Corporate Planning, Actuarial and Claims.

Lance Tay

General Manager, Life Insurance

Directly in-charge of Life Insurance Operations, Product Development, Partnership Distribution Life Insurance and Business Development for Financial Institutions & Key Accounts.

Lynn Lee

Deputy General Manager

Directly in-charge of Risk Management & Compliance, Reinsurance, Marketing and Administration.

Zhang Di

Chief Financial Controller

Directly in-charge of Finance, Investment and Information & Technology.

Andrew Lee

Chief Marketing Officer

Directly in-charge of Commercial Lines, Credit Insurance, Marine, Personal Lines, Accident & Health and General Insurance Agency Management.

Our Comprehensive Solutions

PERSONAL INSURANCE

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

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

BUSINESS INSURANCE

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

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

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

General Insurance
Product Highlights

UniHome Safe

Safeguard your home, belongings and loved ones

- Flexible plan options between 1, 3 or 5 years.
- Compensate for the loss of rental income or cost of alternative accomodation.
- Enhanced non-home coverage against SARS, bird flu and Dengue Fever.
- 24/7 worldwide personal accident coverage.

Domestic Maid Insurance

A comprehensive protection plan she deserves

- 24/7 worldwide coverage against death or permanent disablement from an accident.
- Repatriation expenses in the event of permanent total disablement.
- Hospital & Surgical Expenses caused by accidental bodily injury or illness.
- Wages and levy reimbursement.

Motor Insurance

Protect you for every ride

- Free No Claim Discount (NCD) protector benefit.
- Waiver of excess on accident repairs.
- Up to 10% loyalty discount.
- Complimentary windscreen benefit.

BizTrenZ Employee Benefits Package

Give your employees the protection they deserve

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

Life Insurance
Product Highlights

i-Secure

Securing a lifetime of protection

- Option to multiply your coverage of up to 4x with our Guaranteed Benefit (GB) feature.
- Choose to extend your GB for life.
- Choice of premium payment terms of 5, 10, 15, 20 or 25 years.
- Enhance your coverage with riders such as AdvancedCare Rider, EarlyCare Rider and more.

i-Wealth Builder

Make the smart choice to achieve your goals

- 100% capital guaranteed with attractive returns of up to 3.2% p.a..
- Guaranteed yearly cashback equivalent to 8% of the basic sum assured for 6 years.
- No medical check-up required.
- Enjoy protection as you save.

Infinite Harvest

A timeless gift of continous wealth

- Be assured with a lifetime of attractive income with only one-time premium commitment.
- Immediate liquidity with a guaranteed cash value of 80% of single premium.
- 100% capital guaranteed from as early as the 10th policy anniversary.
- A gift of love for your future generations or lifetime passive income for yourself.

Infinite Universal

The finishing touch for your legacy

- Tailored to help you achieve 3 key needs of Legacy Planning, Estate Planning and Business Continuity.
- Attractive credit interest rate of 4.25% p.a..
- Available to individuals from 30 days old to 80 years of age.

The directors present their statement to the member together with the audited financial statements for the financial year ended 31 December 2019.

In the opinion of the directors,

(a) the financial statements as set out on pages 20 to 95 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year covered by the financial statements; and

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

Directors

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

Hong Bo
Yang Yamei
Koh Cher Chiew Francis
Sitoh Yih Pin
Wang Xin
Yu Xiaodong

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 object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were 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 the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Koh Cher Chiew Francis Director	Yang Yamei Director

Date: 26 March 2020

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of China Taiping Insurance (Singapore) Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2019;
- the balance sheet as at 31 December 2019;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 *Auditor's Responsibilities* for the *Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

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

Auditor's 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 auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 control.
- Obtain an understanding of internal control 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 control.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 26 March 2020

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Notes	2019 $	2018 $
INCOME			
Gross written premiums	19	268,203,671	106,969,722
Change in gross provision for unexpired risks	14(b)	742,325	(1,074,185)
Gross earned premium revenue		268,945,996	105,895,537
Written premiums ceded to reinsurers	19	(24,256,723)	(25,238,535)
Reinsurers' share of change in provision for unexpired risks	14(b)	674,451	2,568,799
Reinsurance premium expense		(23,582,272)	(22,669,736)
Net earned premium revenue		245,363,724	83,225,801
Commission income	20	4,943,488	5,253,183
Net investment income	21	23,030,241	1,588,013
Other income - net	22	1,466,686	1,590,277
TOTAL INCOME		274,804,139	91,657,274
Gross claims incurred	14(c)	(77,782,314)	(65,155,738)
Reinsurers' share of claims incurred	14(c)	18,374,949	16,140,546
Net claims incurred	14(c)	(59,407,365)	(49,015,192)
Net change in insurance contract liabilities	14(a)	(144,305,707)	(27,046,404)
Commission expense		(28,715,909)	(21,480,621)
Staff costs	23	(23,341,031)	(13,389,265)
Depreciation of property and equipment	12	(1,898,509)	(2,301,478)
Depreciation of investment property	13	(518,719)	(568,905)
Depreciation of right of use assets		(817,374)	-
Other operating expenses	24	(14,780,259)	(4,649,746)
Total expenses		(273,784,873)	(118,451,611)
PROFIT/(LOSS) BEFORE INCOME TAX		1,019,266	(26,794,337)
Income tax	25	325,105	(614,000)
PROFIT/(LOSS) FOR THE YEAR		1,344,371	(27,408,337)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
- Gains/(losses) arising during the year		(222,892)	(82,760)
- Reclassification to profit or loss from equity on disposal of available-for-sale investments		1,162,778	(1,773,914)
- Income tax relating to available-for-sale investments		(159,781)	623,565
Other comprehensive income for the year, net of tax		780,105	(1,233,109)
TOTAL COMPREHENSIVE INCOME/(LOSS)		2,124,476	(28,641,446)

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

BALANCE SHEET

As at 31 December 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	6	116,788,773	87,371,826
Amount due from related companies	7	2,477,974	562,295
Deposits, prepayments and other receivables	8	3,488,944	1,267,031
Insurance receivables	9	14,945,338	10,384,210
Investments in securities	10	328,124,745	59,276,262
Derivatives receivables	11	5,123,054	336,985
Provision for unexpired risk on reinsurance ceded	14	4,634,040	7,610,196
Provision for insurance claims recoverable from reinsurers	14	27,555,143	24,753,124
		503,138,011	191,561,929
Non-current assets			
Investments in securities	10	23,901,834	127,387,260
Property and equipment	12	43,416,648	44,722,300
Investment property	13	11,783,597	12,302,316
Provision for unexpired risk on reinsurance ceded	14	8,916,506	5,265,898
Provision for insurance claims recoverable from reinsurers	14	14,193,493	10,025,616
Provision for insurance contract liabilities for reinsurance ceded	14	81,616	-
Deferred tax assets	17	-	576,046
Right of use assets	27	1,396,391	-
		103,690,085	200,279,436
TOTAL ASSETS		606,828,096	391,841,365
LIABILITIES			
Current liabilities			
Insurance payables	15	13,521,711	8,129,686
Other payables and accruals	16	16,353,072	8,221,075
Amount due to related companies	7	2,482,741	3,344,086
Derivatives payable	11	701,508	580,895
Current tax payable		-	794,421
Provision for unexpired risks	14	22,983,038	30,295,960
Provision for insurance claims	14	83,027,523	75,777,968
		139,069,593	127,144,091
Non-current liabilities			
Provision for unexpired risks	14	41,456,812	34,886,215
Provision for insurance claims	14	49,281,444	44,587,163
Other payables and accruals	16	12,662,393	8,915,842
Deferred tax liabilities	17	53,051	-
Lease Liabilities		1,484,950	-
Policy reserves	14	171,433,727	27,046,404
		276,372,377	115,435,624
TOTAL LIABILITIES		415,441,970	242,579,715
Shareholder's equity and reserves			
Share capital	18	160,000,000	120,000,000
Fair value reserves		259,014	(521,091)
Retained earnings		31,127,112	29,782,741
TOTAL EQUITY		191,386,126	149,261,650
TOTAL LIABILITIES AND EQUITY		606,828,096	391,841,365

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital $	Fair value reserves $	Retained earnings $	Total $
2019				
Beginning of financial year	120,000,000	(521,091)	29,782,741	149,261,650
Increase in share capital	40,000,000	-	-	40,000,000
Total comprehensive income/(loss) for the year	-	780,105	1,344,371	2,124,476
End of financial year	160,000,000	259,014	31,127,112	191,386,126
2018				
Beginning of financial year	80,000,000	712,018	59,116,713	139,828,731
Increase in share capital	40,000,000	-	-	40,000,000
Total comprehensive income/(loss) for the year	-	(1,233,109)	(27,408,337)	(28,641,446)
Dividends paid (Note 26)	-	-	(1,925,635)	(1,925,635)
End of financial year	120,000,000	(521,091)	29,782,741	149,261,650

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Notes	2019 $	2018 $
Operating activities			
Profit/(loss) before income tax		1,019,266	(26,794,337)
Adjustments for :			
Depreciation of property and equipment	12	1,898,509	2,301,478
Amortisation of investment properties	13	518,719	568,905
Loss on disposal of property and equipment	22	-	330
Depreciation of right of use assets	27	817,374	-
Finance lease expenses		95,953	-
Unrealised foreign exchange gain/(loss)		968,983	-
(Gain)/loss on disposals of assets held at FVTPL	21	(3,930,685)	-
(Gain)/loss on disposals of equity securities	21	(838,869)	1,694,411
(Gain)/loss on disposal of debt securities	21	(432,842)	(190,418)
(Gain)/loss on disposal of unit trusts	21	(53,409)	-
Impairment loss on equity	21	2,091,300	264,000
Impairment loss on bonds	21	2,000,000	-
Dividend income	21	(604,603)	(899,956)
Interest income	21	(7,474,856)	(4,807,305)
Interest expense	24	-	16,506
Provision for doubtful debts	24	-	381,840
Net (gain)/loss in fair value of investment at fair value through profit or loss	21	(11,201,459)	987,577
Net unrealised (gain)/loss on derivative instruments	21	(2,584,818)	1,363,678
Net change in provision for unexpired risks		(1,416,776)	(1,494,614)
Net change in provision for insurance claims		4,973,938	(10,168,203)
Net change in insurance contract liabilities		144,305,707	27,046,404
Operating profit/(loss) before changes in working capital		130,151,432	(9,729,704)
(Increase) in insurance receivables		(6,026,595)	(214,079)
(Increase) in deposits, prepayments and other receivables		(3,027,183)	(82,254)
(Increase)/decrease in amounts due from related companies		(1,915,679)	527,781
Increase in insurance payables		5,392,025	4,453,663
Increase in other payables and accruals		8,177,446	1,743,544
Increase in amounts due to related companies		(861,345)	1,486,614
Cash generated from/(used in) operations		131,890,101	(1,814,435)
Interest expense paid		-	(16,506)
Income tax paid		(469,316)	(1,532,748)
Net cash generated from/(used in) operating activities		131,420,785	(3,363,689)
Investing activities			
Interest received		5,975,711	5,368,465
Dividend received		604,603	1,014,325
Purchase of property and equipment	12	(2,018,681)	(3,292,561)
Purchase of equity securities		(29,115,890)	(31,590,505)
Proceeds from disposal of equity securities		23,175,744	31,629,360
Purchase of debt securities		(264,318,966)	(74,920,035)
Proceeds from redemption of debt securities		117,252,811	72,906,085
Purchases of unit trusts		(2,000,353)	(1,727,137)
Proceeds on disposal of unit trusts		7,602,667	-
Purchase of derivatives		(2,080,638)	-
Net cash used in investing activities		(144,922,992)	(612,003)
Financing activity			
Principal repayment of lease liabilities		(824,766)	-
Issue of share capital		40,000,000	40,000,000
Dividend paid	26	-	(1,925,635)
Net cash generated from financing activity		39,175,234	38,074,365
Net increase in cash and cash equivalents		25,673,027	34,098,673
Cash and cash equivalents at beginning of financial year		78,532,686	44,434,013
Cash and cash equivalents at end of financial year*		104,205,713	78,532,686

STATEMENT OF CASH FLOWS (continued)
For the financial year ended 31 December 2019

	2019	2018
	$	$
* Cash and cash equivalents for the purpose of cash flow statements comprise of (Note 6)		
Cash and bank balance	116,788,773	87,371,826
Cash collaterals held in respect of insurance bonds	(12,583,060)	(8,839,140)
	104,205,713	78,532,686

1. General information

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

The Company was registered as a direct general insurer on 16 December 2002 under the Insurance Act, Chapter 142 ("Insurance Act") to underwrite general insurance business.

The Company obtained its life insurance license in August 2018 and commenced life insurance business in December 2018.

2. Significant accounting policies

2.1 Basis of accounting

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current or prior financial years.

2. Significant accounting policies (continued)

2.1 Basis of accounting (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

(a) Temporary exemption on adoption of FRS 109 Financial Instruments

FRS 109 addresses the classification, measurement and recognition of financial assets and financial liabilities. FRS 109 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit loss model will replace the incurred loss impairment model in FRS 39.

For financial liabilities, the standard retains most of the FRS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which will become effective for financial periods beginning on or after 1 January 2019), but the Company qualifies for a temporary exemption as explained in Note 2.1(b).

Additional disclosures required by FRS 109 is made in Note 29.

2. Significant accounting policies (continued)

2.1 Basis of accounting (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

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

As noted in 2.1 (a), these amendments provide a temporary option for companies whose activities are predominantly connected with insurance to defer the effective date of FRS 109 until the earlier of the effective date of FRS 117 and financial reporting periods beginning on or after 1 January 2023 (please note below that the IASB is proposing to defer the effective date of FRS 117 to 1 January 2023), as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before FRS 117 is applied. Based on the amendments to FRS 104, the Company is eligible for and will elect to apply the temporary option to defer the effective date of FRS 109 in order to implement the changes in parallel with FRS 117.

(c) Deferral for FRS 117 Insurance Contracts

FRS 117 Insurance Contracts will replace the current FRS 104 Insurance contract standard. FRS 117 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, FRS 117 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. In November 2019, IASB proposed to defer FRS 117 and temporary FRS 109 exemption available to insurers until the financial period beginning on or after 1 January 2023. The proposed deferral is subject to public consultation, which is expected in 2019.

(d) Adoption of FRS 116 Leases

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Company's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.8.

2. Significant accounting policies (continued)

2.1 Basis of accounting (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

On initial application of FRS 116, the Company has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under FRS 17 *Lease* and INT FRS 104 *Determining whether an Arrangement contains a Leases*, the Company has not reassessed if such contracts contain leases under FRS 116; and

ii) On a lease-by-lease basis, the Company has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

d) excluded initial direct costs in the measurement of the right-of-use (“ROU”) asset at the date of initial application; and

e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

i) On a lease-by-lease basis, the Company chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2019).

ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate foreach individual lease or, if applicable, the incremental borrowing rate foreach portfolio of leases with reasonably similar characteristic.

2. Significant accounting policies (continued)

2.1 Basis of accounting (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

The effects of adoption of FRS 116 on the Company's financial statements as at 1 January 2019 are as follows:

	Increase $
Property, plant and equipment	2,213,765
Borrowings	2,213,765
Right of use Assets	2,029,463
Lease Liabilities	2,029,463

An explanation of the differences between the operating lease commitments previously disclosed in the Company's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	$
Operating lease commitments disclosed as at 31 December 2018	2,075,644
Less: Short-term leases	(29,100)
Less: Low-value leases	-
Less: Discounting effects using weighted average incremental borrowing rate of *%	(17,082)
Add: Extension options which are reasonably certain to be exercised	-
Lease liabilities recognised as at 1 January 2019	2,029,462

2. Significant accounting policies (continued)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from rendering of services in the ordinary course of the Company's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

(a) *Premium income*

(i) Life Insurance business

Premiums income in respect of all new individual life policies is recognised in full as revenue when received.

(ii) General Insurance business

Premiums on insurance contracts (see Note 2.10) are recognised as written at the time of inception of the policy and earned over the period of coverage.

Written premiums are reported in the financial statements on a gross basis, inclusive of commission payable to intermediaries.

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

Gross written premium is shown before movements in provision for unexpired risks (see Note 2.12(a)) and deduction of commission; and is net of any taxes or duties levied on premiums.

(b) *Reinsurance commission income*

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

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

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

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(d) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.3 Property and equipment

Measurement

All items of property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (see Note 2.4).

The cost of property and equipment initially recognised includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Work-in-progress assets are not depreciated. Depreciation on property and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold and leasehold properties	2%
Furniture, fixtures and equipment	20%
Computers	20%
Motor vehicles	20%

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2. Significant accounting policies (continued)

2.4 Impairment of non-financial assets

Property, plant and equipment and other non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of the assets, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold and leasehold properties	2%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2. Significant accounting policies (continued)

2.6 Financial assets

(a) Classification

The Company classifies its financial assets into loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “cash and cash equivalents”, “amount due from related companies”, “deposits, prepayments and other receivables” and “insurance receivables” on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(iii) Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives held by the company are also classified as held for trading.

(iv) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount previously recognised in the fair value reserve relating to that asset is transferred to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss including the effects of currency translation are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes: the currency translation differences are recognised in profit or loss and other changes are recognised in other comprehensive income and accumulated in the fair value reserve.

Changes in the fair value of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments in the fair value reserve are included in profit or loss.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(e) Determination of fair value

The fair values of quoted financial assets are based on quoted market prices at the balance sheet date. The quoted market price used by the Company is the current bid price. When current bid price is unavailable, the price of the most recent transaction is used to estimate the fair value of the financial asset. If the market for financial asset is not active or for unquoted financial assets, the Company establishes fair value based on indicative quotes from investment intermediaries.

The fair value of forward foreign exchange contract is determined using quoted forward currency rates at the balance sheet date.

(f) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables/Held-to-maturity financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(f) Impairment (continued)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.6 (f) (i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.7 Insurance payables

Insurance payables represent liabilities for services provided to the Company prior to the end of the financial year, which are unpaid.

They are classified as current liabilities if payment is due within one year or less. Otherwise, they are presented as non-current liabilities.

Insurance payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.8 Leases

The accounting policy for leases before 1 January 2019 are as follows:

Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2. Significant accounting policies (continued)

2.8 Leases (continued)

The accounting policy for leases after 1 January 2019 are as follows:

<u>When the Company is the lessee</u>

At the inception of the contract, the Company assesses if the contract contains a lease. A contract 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. Reassessment is only required when the terms and conditions of the contract are changed.

• Right-of-use assets

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment".

- Lease liabilities

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to 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.

2. Significant accounting policies (continued)

2.8 Leases (continued)

• Short-term and low-value leases

The Company has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

• Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Company shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. Details of the variable lease payments are disclosed in Note 27.

2.9 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

2. Significant accounting policies (continued)

2.9 Income taxes (continued)

Current and deferred income tax are recognised as income or expense in profit or loss for the period. Deferred tax on temporary differences arising from the revaluation gains and losses on available-for-sale financial assets is charged or credited directly to equity in the same period as the temporary differences arise.

2.10 Insurance contracts

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

Types of Insurance Contracts

- Participating Contracts

  Participating Insurance Contracts are contracts which contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional bonuses:
  - That are likely to be a significant portion of the total contractual benefits
  - Whose amount or timing is contractually at the discretion of the Company, and
  - That are contractually based on:
    - The performance of a specified pool of contracts or a specified type of contract
    - Realised and/or unrealised investment returns on a specified pool of assets held by the Company, or
    - The profit or loss of the Company or fund that issues the contract.

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

2. Significant accounting policies (continued)

2.10 Insurance contracts (continued)

Types of Insurance Contracts (continued)

- Non-Participating Contracts

  Non-Participating Insurance Contracts pay guaranteed benefits on the occurrence of specified insurance events on human life (for example death or survival) over the duration of the contract.

- General Insurance Contracts

  These are short duration contracts that pay guaranteed benefits on the occurrence of specified insurance events (for example fire or motor vehicle accidents) over the duration of the contract. The benefits could be either fixed or linked to the extent of the economic loss suffered as a result of the insured event. There are no maturity or surrender benefits.

2. Significant accounting policies (continued)

2.11 Reinsurance contracts held

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

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

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

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

2.12 Insurance liabilities

(a) Life insurance business

The valuation of insurance contracts liabilities is determined according to the Singapore Insurance Act (Chapter 142) and the Insurance (Valuation and Capital) Regulations 2004 ("the Regulations") and MAS Notice 319 (Notice on Valuation of Policy Liabilities of Life Business), including any subsequent amendments to the notice and regulations.

Generally, the valuation of a life business policy involves first a projection of future cash flows using realistic assumptions (including assumptions on expenses, mortality and morbidity rates, lapse rates, etc.) and then discounting these cash flow streams at appropriate interest rates.

For participating policies, the insurance contract liabilities include provision for future payments arising for both guaranteed and non-guaranteed benefits. In addition, the insurance contract liabilities are derived not only by aggregating the insurance contract liability of all policies in the fund, but are also dependent on the value of assets backing the liabilities and the extent to which benefits are guaranteed.

2. Significant accounting policies (continued)

2.12 Insurance liabilities (continued)

(a) Life insurance business (continued)

The liability in respect of any policy will not be less than zero unless there is money due to the insurer when the policy is terminated on the Valuation Date, in which event the value of the liability may be negative to the extent of the amount due to the insurer.

Changes in the value of all insurance contract liabilities are included in profit or loss.

Insurance Contract liabilities also include provisions for adverse deviation. The provision for adverse deviation is an additional provision to allow for adverse deviations from the best estimate assumption. The methodology used to calculate this provision for adverse deviation is consistent with generally accepted actuarial practice, as well as the guidance published by the Singapore Actuarial Society.

Expense Overrun Reserves

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

2. Significant accounting policies (continued)

2.12 Insurance liabilities (continued)

(b) General insurance business

The valuation of insurance contract liabilities is determined according to the Insurance Act (Chapter 142) and Insurance (Valuation and Capital) Regulations 2004, including any subsequent amendments. Insurance liabilities comprise provision for unexpired risks and provision for insurance claims.

(i) Provision for unexpired risks

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

(ii) Provision for insurance claims

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

In addition, a provision is made for claims incurred but not reported ("IBNR") for all business written, at the date of the balance sheet based on the past claims experience and statistics derived from prior trends (see Note 3).

2. Significant accounting policies (continued)

2.12 Insurance liabilities (continued)

(b) General insurance business (continued)

(ii) Provision for insurance claims (continued)

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

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

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

(c) *Commissions*

Commissions and other acquisition costs that vary with and are directly related to securing new contracts and renewing existing contracts are deducted against unearned premium reserves.

2.13 Provisions

Provisions for other liabilities and charges are recognised when the Company has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.14 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's contributions to defined contribution plans are recognised as employee compensation expense when they are due.

2. Significant accounting policies (continued)

2.14 Employee compensation (continued)

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.15 Currency translation

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

Transactions in a currency other than the Singapore dollar ("foreign currency") are translated into Singapore dollars using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.18 Share capital

Ordinary shares are classified as equity.

2.19 Dividends

Dividends for the Company's shareholder are recognised when the dividends are approved for payment.

2. Significant accounting policies (continued)

2.20 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

3. Critical accounting judgements and key sources of estimation uncertainty

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

(a) Life insurance business

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

The Company regularly reviews its assumptions to reflect the current best estimate assumptions. The impact of any changes in actuarial assumptions on insurance contract liabilities, which includes changes to the expense overrun reserves, is disclosed in Note 14.

For the liability valuation method described in Note 2.12, the assumptions are required for the following:

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

Mortality and Morbidity

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

Persistency

Persistency rates are expected to vary according to product class, policy duration, premium payment mode (regular or single premium). Similar to mortality, the Company has very limited internal experience for persistency rates. The assumptions have been set at a level that is appropriate to the product type, and premium payment mode. There are no changes to the Company's existing assumptions.

3. Critical accounting judgements and key sources of estimation uncertainty

(a) Life insurance business (continued)

Discount rate

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

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

Non-Participating insurance contract liabilities and minimum condition liability of the Participating business are computed by discounting the policy cash flows using risk-free discount rates. The risk-free rates used are derived from the zero-coupon yields of government securities as at date of valuation in line with regulatory requirements.

3. **Critical accounting judgements and key sources of estimation uncertainty** (continued)

(a) Life insurance business (continued)

Maintenance expenses and inflation

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

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

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

Future non-guaranteed benefits

For Participating business, the future non-guaranteed benefits are assumed to be at the level based on the latest Bonus Investigation study. This is assumed to remain unchanged for the entire projection period.

Liability Adequacy Test

The Company carries out a liability adequacy test annually using current best estimates of future cash flows under its insurance contracts on a net of reinsurance basis. Additional provisions are recognised in the insurance fund where there are deficiencies.

Liability Adequacy Test	Non-Participating Fund	Participating Fund
	$'000	$'000
1. Reported Insurance Contract Liabilities (net of reinsurance)	126,497	44,855
2. Gross Premium Reserves	125,330	44,212
3. Deficit = Max(0, 2-1)	-	-

Sensitivity analysis

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

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(a) Life insurance business (continued)

Sensitivity analysis (continued)

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

		Change in liability	
Assumption	Change in assumption	2019	2018
		$'000	$'000
Mortality rates	+10%	(1)	-
Mortality rates	-10%	1	-
Discount rates	+100bps	17,930	7
Discount rates	-100bps	(12,202)	(7)
Maintenance expense	+10%	2,769	-
Maintenance expense	-10%	(2,760)	-
Inflation	+100bps	323	-
Inflation	-100bps	(223)	-
Lapse rates	+10%	(347)	-
Lapse rates	-10%	380	-
Morbidity rates	+10%	(5)	n/a
Morbidity rates	-10%	9	n/a
Reported insurance contract liabilities (net of reinsurance)	-	171,352	27,046

The Company's life insurance contract liabilities is most sensitive to discount rates. This is not unexpected as life insurance business generally have a longer duration compared to general insurance.

(b) General insurance business

Provisions for unexpired risks and insurance claims

For the provisions for unexpired risks and insurance claims, management has relied significantly on the actuarial valuation performed by an approved actuary by MAS in accordance with local insurance regulatory requirements.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) General insurance business

Provisions for unexpired risks and insurance claims

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis below. The sensitivity analysis has been performed on a net basis after accounting for reinsurance.

Actuarial methodology

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in estimating insurance contract provisions, it is likely that the final outcome will prove to be different from the original liability established.

Premium liabilities

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

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

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

The estimation of URR takes into account all future payments including future claim payments, claims handling expenses and ongoing policy administration cost arising from the unearned portion of premiums collected. Generally, the expected ultimate loss ratios for accident year 2019 that were derived from the analysis of the best estimate claim liabilities are applied to the UPR before including assumptions for claims handling and management expenses to arrive at the estimation of URR.

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Claims liabilities

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

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

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Claims liabilities (continued)

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

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

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

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

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

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

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

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

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Claims liabilities (continued)

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

Such reason includes:

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

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

Sensitivity analysis

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of claim liabilities and premium liabilities as at 31 December 2019. In this context, the total claim liabilities and premium liabilities are defined as the total claim and premium liabilities for the Singapore Insurance Fund business and Offshore Insurance Fund business combined, including the provision for adverse deviation (this is referred to as the “base scenario” in the sensitivity analysis summary).

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

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) General insurance business (continued)

Provisions for unexpired risks and insurance claims (continued)

Sensitivity analysis (continued)

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

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

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

Assumption	Change in assumption	Decrease/(increase) in profit or loss 2019 $'000	2018 $'000
Ultimate Loss Ratio	+ 1% points	1,115	1,201
Ultimate Loss Ratio	- 1% points	(914)	(1,088)
Indirect Claims Handling Expenses	+ 1% points	876	754
Indirect Claims Handling Expenses	- 1% points	(876)	(754)
Provision for Adverse Deviation	+ 1% points	909	829
Provision for Adverse Deviation	- 1% points	(909)	(829)

4. Insurance and financial risk management

4.1 Enterprise Risk Management

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

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

The lines of defence are:

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

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

Asset-liability management ("ALM")

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

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

4. Insurance and financial risk management (continued)

4.1 Enterprise Risk Management (continued)

Asset-liability management ("ALM") (continued)

(a) Life insurance business ALM

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

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

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

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

(b) General insurance business ALM

The Company proactively manages its financial position using an approach that balances quality, diversification, liquidity and investment return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. The investment portfolio is managed by the Company's investment manager under the close supervision of the Chief Executive and the investment committee. The Company also holds investment portfolios with asset management companies, one of which is a subsidiary of the holding company. The monthly management report submitted to the holding company includes the performance of the investment portfolios. The holding company also reviews the investment guidelines and limits on a periodic basis, and provides oversight on the asset/liability management process.

4. Insurance and financial risk management (continued)

4.2 Insurance risk

(a) Life Insurance

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

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

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

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

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

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

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

4. Insurance and financial risk management (continued)

4.2 Insurance risk (continued)

(b) General Insurance

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

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

Underwriting strategy

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

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

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

Reinsurance strategy

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

As the Company is required to monitor its solvency margin and capital adequacy ratio under the Risk-Based Capital Framework introduced by the Monetary Authority of Singapore (the "MAS"), the Company deals mainly with reinsurers approved by the immediate holding company with good credit ratings. The Life Insurance Underwriting, Reinsurance and Claims Committee reviews and approves the reinsurance programmes to ensure that the appropriate type, mix, and risk retention limits of reinsurance arrangements and reinsurers are used. Prior approval is required to be sought from the Chief Executive and management for any deviations.

4. Insurance and financial risk management (continued)

4.2 Insurance risk (continued)

(c) Interaction between insurance risk and capital adequacy

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

4.3 Concentrations of insurance risk

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

Life Insurance

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

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

	31 December 2019		31 December 2018	
	Before reinsurance $	After reinsurance $	Before reinsurance $	After reinsurance $
Within $0.2 million	80,918,501	88,424,833	252,000	252,000
Between $0.2 and $0.5 million	68,940,768	1,347,919	-	-
Greater than $0.5 million	46,922,157	525,135	-	-

4. **Insurance and financial risk management** (continued)

4.3 **Concentrations of insurance risk** (continued)

General Insurance

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

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

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

Secondly, the risk is managed through the use of reinsurance. The Company enters into treaty arrangements with reputable reinsurers that provide protection on the insurance business written by the Company above a certain net retention of risk. The costs and benefits associated with the reinsurance programmes are being reviewed periodically. For general insurance, the Company has also obtained excess of loss reinsurance coverage in addition to the treaty arrangements. For life insurance, the Company has not entered into a catastrophe reinsurance arrangement as at end of 2019 in view of its small portfolio.

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

4. Insurance and financial risk management (continued)

4.3 Concentrations of insurance risk (continued)

General Insurance (continued)

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

	31 December 2019		31 December 2018	
	Gross written premium	Net written premium	Gross written premium	Net written premium
	$	$	$	$
Lines of business				
- Motor	41,379,394	40,734,697	37,418,952	36,801,854
- Workmen's compensation	15,402,820	14,252,773	11,894,377	10,617,599
- Marine cargo	5,054,778	1,571,861	4,339,180	1,768,324
- Marine hull	4,152,392	2,374,538	1,536,098	1,322,983
- Fire	22,914,085	11,678,691	19,696,202	9,482,910
- Bonds	13,575,911	11,243,588	14,130,254	10,656,353
- Personal accident	823,897	769,708	779,997	716,338
- Health	6,771,002	6,749,885	5,581,216	5,296,052
- Public liability	1,238,692	316,359	1,266,133	310,773
- Engineering/CAR/EAR	915,197	(267,179)	3,553,097	240,558
- Professional indemnity	112,498	14,608	95,048	12,396
- Trade Credit	734,514	19,152	926,762	(73,523)
- Others	4,550,650	3,920,061	5,512,406	4,338,570
	117,625,830	93,378,742	106,729,722	81,491,187

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

4. Insurance and financial risk management (continued)

4.3 Concentrations of insurance risk (continued)

Claims development

The table details the claims development for accident years 2010 to 2019.

(i) Analysis of claims development - gross of reinsurance (S$ '000)

	Accident year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative claims:											
At end of accident year			42,904	49,167	57,566	53,185	58,954	78,522	69,052	67,609	
- One year later		40,576	38,254	45,846	56,659	50,628	57,784	83,033	83,844		
- Two years later	32,657	38,986	34,711	42,003	53,162	43,454	52,870	78,827			
- Three years later	30,983	37,442	34,438	39,478	48,985	41,403	50,148				
- Four years later	29,683	38,047	32,937	36,987	50,905	40,202					
- Five years later	29,698	35,008	31,305	35,631	55,274						
- Six years later	26,449	32,445	29,926	33,655							
- Seven years later	26,268	31,771	29,013								
- Eight years later	26,267	31,613									
- Nine years later	26,178										
Current cumulative ultimate claims incurred	26,178	31,613	29,013	33,655	55,274	40,202	50,148	78,827	83,844	67,609	496,363
Cumulative payments	25,978	31,558	28,979	33,340	42,393	38,512	44,909	63,745	53,991	17,758	381,163
Estimate of claims reserves	200	55	34	315	12,881	1,690	5,239	15,082	29,853	49,851	115,200
Indirect claims expenses											1,542
Best estimate of claims liabilities											116,742
Estimated claims for prior accident years											136
Provision for adverse deviation											14,052
Gross provision for insurance claims determined by appointed actuary											130,930
Additional provision for insurance claims by the insurer											1,379
Gross provision for insurance claims											132,309

4. Insurance and financial risk management (continued)

4.3 Concentrations of insurance risk (continued)

(ii) Analysis of claims development - net of reinsurance (S$ '000)

	Accident year										
	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of cumulative claims:											
At end of accident year			35,938	41,097	45,913	45,672	54,772	63,422	55,445	52,469	
- One year later		29,469	32,023	38,501	45,843	43,067	53,663	68,155	67,115		
- Two years later	27,257	28,789	29,167	35,805	42,686	36,698	49,362	67,562			
- Three years later	26,576	27,622	28,740	33,479	39,659	35,203	46,937				
- Four years later	25,460	27,941	27,238	31,759	37,171	34,144					
- Five years later	25,469	25,870	26,311	30,559	36,815						
- Six years later	22,567	23,850	25,506	29,486							
- Seven years later	22,391	23,695	25,169								
- Eight years later	22,391	23,628									
- Nine years later	22,305										
Current cumulative ultimate claims incurred	22,305	23,628	25,169	29,486	36,815	34,144	46,937	67,562	67,115	52,469	405,630
Cumulative payments	22,116	23,609	25,137	29,197	35,658	32,820	42,256	55,175	45,537	14,574	326,079
Estimate of claims reserves	189	19	32	289	1,157	1,324	4,681	12,387	21,578	37,895	79,551
Indirect claims expenses											1,542
Best estimate of claims liabilities											81,093
Estimated claims for prior accident years											130
Provision for adverse deviation											7,959
Net provision for insurance claims determined by appointed actuary											89,182
Additional provision for insurance claims by the insurer											1,379
Net provision for insurance claims											90,560

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management

(a) Categories of financial instruments

	2019 $'000	2018 $'000
Financial assets		
Fair value through profit or loss (FVTPL)	299,696,035	125,584,773
Available-for-sale financial assets	28,428,710	32,330,398
Held-to-maturity financial assets	23,901,834	28,748,351
Loans and receivables		
- Cash and cash equivalents	116,788,773	87,371,826
- Amount due from related companies	2,477,974	562,295
- Deposits, prepayments and other receivables (except prepayments, club memberships and GST recoverables)	2,841,181	1,083,927
- Insurance receivables	14,945,338	10,384,210
Derivative receivables	5,123,054	336,985
	494,202,899	286,402,765
Financial liabilities		
Insurance payables	13,521,711	8,129,686
Other payables and accruals (except provision for bonus, funds received from commuted reinsurance arrangement, employee leave entitlement and GST payable)	20,456,016	13,071,638
Amount due to related companies	2,482,741	3,344,086
Derivative payables	701,508	580,895
	37,161,976	25,126,305

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

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

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives

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

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

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

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

(i) Interest rate risk management

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

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

Summary quantitative data of the Company's interest-bearing financial instruments can be found in Note 4.6.

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(ii) Foreign currency risk management

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

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

	SGD $'000	USD $'000	HKD $'000	CNY $'000	Others $'000	Total $'000
2019						
Assets						
Equity securities at FVTPL	230	14,484	13,442	-	7,179	35,335
Unit trusts at FVTPL	-	4,050	12,435	-	-	16,485
Debt securities at FVTPL	17,513	229,568	-	-	795	247,876
AFS equity securities	-	-	4,281	-	-	4,281
AFS debt securities	-	24,148	-	-	-	24,148
HTM debt securities	27	23,875	-	-	-	23,902
Derivatives	-	5,123	-	-	-	5,123
Cash and cash equivalents	85,202	24,484	7,103	-	-	116,789
Amount due from related companies	1,313	1,414	(126)	-	(123)	2,478
Deposits and other receivables	2,841	-	-	-	-	2,841
Receivables arising from insurance contracts	8,063	372	-	-	851	9,286
Receivables arising from reinsurance contracts	5,656	3	-	-	-	5,659
Total assets	120,845	327,521	37,135	-	8,702	494,203
				-		
Liabilities						
Insurance payables	(12,509)	(1,013)	-	-	-	(13,522)
Amount due to related companies	-	(2,483)	-	-	-	(2,483)
Other payables and accruals	(20,407)	-	(49)	-	-	(20,456)
Derivatives	-	(702)	-	-	-	(702)
Total liabilities	(32,916)	(4,198)	(49)	-	-	(37,163)
Net financial assets/(liabilities)	87,929	323,323	37,086	-	8,702	457,040
Less: Net financial assets/ (liabilities) denominated in the Company's currency	(87,929)	-	-	-	-	(87,929)
Less: currency forwards	-	(157,296)	-	-	(790)	(158,086)
Currency exposures	-	166,027	37,086	-	7,912	211,025

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(ii) Foreign currency risk management (continued)

	SGD $'000	USD $'000	HKD $'000	CNY $'000	Others $'000	Total $'000
2018						
Assets						
Equity securities at FVTPL	-	11,425	549		4,845	16,819
Unit trusts at FVTPL	3,992	3,830	13,946	-	-	21,768
Debt securities at FVTPL	5,060	81,153	-	-	785	86,998
AFS equity securities	6,261	-	4,699	-	-	10,960
AFS debt securities	2,819	18,551	-	-	-	21,370
HTM debt securities	3,500	25,248	-	-	-	28,748
Cash and cash equivalents	69,682	13,231	4,459	-	-	87,372
Amount due from related companies	539	45	(39)	-	17	562
Deposits and other receivables	464	550	-	70	-	1,084
Receivables arising from insurance contracts	4,829	3,352	-	9	80	8,270
Receivables arising from reinsurance contracts	2,114	-	-	-	-	2,114
Total assets	99,260	157,385	23,614	79	5,727	286,065
Liabilities						
Insurance payables	5,667	2,415	-	(4)	52	8,130
Amount due to related companies	2,280	407	202	117	338	3,344
Other payables and accruals	13,009	57	6	-	-	13,072
Total liabilities	20,956	2,879	208	113	390	24,546
Net financial assets/(liabilities)	78,304	154,506	23,406	(34)	5,337	261,519
Less: Net financial assets/ (liabilities) denominated in the Company's currency	(78,304)	-	-	-	-	(78,304)
Less: Currency forwards	-	(82,609)	-	-	-	(82,609)
Currency exposures	-	71,897	23,406	(34)	5,337	100,606

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(ii) Foreign currency risk management (continued)

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

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

	2019		2018	
	Profit before tax $'000	Other equity $'000	Profit before tax $'000	Other equity $'000
US Dollar impact	(14,188)	(2,415)	(7,190)	(1,143)
Hong Kong Dollar impact	(3,281)	(428)	(2,341)	(842)

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

	2019		2018	
	Profit before tax $'000	Other equity $'000	Profit before tax $'000	Other equity $'000
US Dollar impact	14,188	2,415	7,190	1,143
Hong Kong Dollar impact	3,281	428	2,341	842

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

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iii) Credit risk management

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

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

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

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

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

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

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

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iii) Credit risk management (continued)

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

	Neither past-due nor impaired				
	Grade (BBB- to AAA) $	Grade (C to BB) $	Not rated $	Past due but not impaired $	Total $
2019					
Cash and cash equivalents	110,013,282	-	6,775,491	-	116,788,773
Amount due from related companies	-	-	2,477,974	-	2,477,974
Deposits and other receivables	1,965,525	-	875,656	-	2,841,181
Receivables arising from insurance contracts	-	-	2,205,046	7,080,740	9,285,786
Receivables arising from reinsurance contracts	-	-	605,463	5,054,088	5,659,551
Equity securities at FVTPL	-	-	35,344,728	-	35,344,728
Available-for-sale equity securities	-	-	4,281,008	-	4,281,008
Unit trusts	-	-	16,484,897	-	16,484,897
Debt securities at FVTPL	230,085,393	-	17,791,017	-	247,876,410
Available-for-sale debt securities	21,434,203	-	2,713,499	-	24,147,702
Held-to-maturity debt securities	23,874,480	-	27,354	-	23,901,834
Derivative receivable	5,123,054	-	-	-	5,123,054
	392,495,937	-	89,572,133	12,134,828	494,212,898
2018					
Cash and cash equivalents	52,894,785	-	34,477,041	-	87,371,826
Amount due from related companies	-	-	361,175	201,119	562,294
Deposits and other receivables	648,896	92,290	342,742	-	1,083,928
Receivables arising from insurance contracts	138,711	-	2,834,445	5,297,458	8,270,614
Receivables arising from reinsurance contracts	6,727	-	121,086	1,985,783	2,113,596
Equity securities at FVTPL	-	-	16,818,937	-	16,818,937
Available-for-sale equity securities	-	-	10,959,994	-	10,959,994
Unit trusts	-	-	21,768,325	-	21,768,325
Debt securities at FVTPL	69,575,847	361,141	17,060,523	-	86,997,511
Available-for-sale debt securities	18,551,274	-	2,819,130	-	21,370,404
Held-to-maturity debt securities	21,304,305	3,944,046	3,500,000	-	28,748,351
Derivative receivable	336,985	-	-	-	336,985
	163,457,530	4,397,477	111,063,398	7,484,360	286,402,765

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iii) Credit risk management (continued)

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

	< 6 mths $	6 mths to 12 mths $	Total $
2019			
Receivables arising from insurance contracts	5,603,692	1,477,048	7,080,740
Receivables arising from reinsurance contracts	5,054,088	-	5,054,088
	10,657,780	1,477,048	12,134,828
2018			
Receivables arising from insurance contracts	4,990,253	307,205	5,297,458
Receivables arising from reinsurance contracts	867,474	1,118,309	1,985,783
	5,857,727	1,425,514	7,283,241

Receivables from insurance and reinsurance contracts amounting to $425,258 and $1,641,914 (2018: $479,025 and $122,680), respectively have been impaired.

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

4. Insurance and financial risk management (continued)

4.4 Financial instruments, financial risk and capital risk management (continued)

(c) Financial risk management policies and objectives (continued)

(iv) *Liquidity risk management*

An important aspect of the Company's management of assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. The Company is exposed to liquidity risk when it is unable to meet its obligations at a reasonable cost. In addition, the Company could experience unexpected cash demands from huge amount of life policies' surrenders arising from adverse market conditions and publicity. Thus, the Company may have to sell off assets to fulfil such obligations. The Company maintains cash and liquid deposits deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash requirements. In normal circumstances, the majority of claims are settled with the bank balances and cash deposits available. The Company also constantly reviews its investment portfolio allocation to ensure that there are sufficient cash and liquid deposits to meet its estimated cash outflow from its insurance contracts. The Company monitors the liquidity risk through the periodic tracking of the liquidity of relevant insurance funds and through the performance of liquidity stress tests. Details of the contractual maturities for financial assets and liabilities can be found in Note 4.6.

(v) *Equity price risk management*

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

Further details of these equity investments can be found in Note 10 to the financial statements.

The sensitivity analysis on the exposure to equity price risks at the end of the reporting period can be found in Note 4.7.

4.5 Fair value of financial assets and financial liabilities

The Company's assets measured at fair value are its available-for-sale financial assets, fair value through profit and loss financial assets and derivative financial instruments, which are classified by level of the following fair value measurement hierarchy:

4. Insurance and financial risk management (continued)

4.5 Fair value of financial assets and financial liabilities (continued)

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

	Level 1 $'000	Level 2 $'000	Total $'000
2019			
Assets			
Financial assets, at fair value through profit or loss	51,951	245,593	297,544
Available-for-sale financial instruments	4,281	24,147	28,428
Derivative financial instruments	-	5,123	5,123
Total assets	56,232	274,863	331,095
Liabilities			
Derivative financial instruments	-	702	702
Total liabilities	-	702	702
2018			
Assets			
Financial assets, at fair value through profit or loss	16,819	108,766	125,585
Available-for-sale financial instruments	10,960	21,370	32,330
Derivative financial instruments	-	337	337
Total assets	27,779	130,473	158,252
Liabilities			
Derivative financial instruments	-	581	581
Total liabilities	-	581	581

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the period.

4. Insurance and financial risk management (continued)

4.5 Fair value of financial assets and financial liabilities (continued)

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

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

	2019		2018	
	Carrying amount	Fair Value	Carrying amount	Fair value
	$	$	$	$
Financial Instruments				
Held-to maturity investments:				
- Corporate bonds	23,901,834	25,686,482	28,748,351	27,353,842

4.6 Liquidity and interest rate risk analysis

Financial assets

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

	Effective interest rate	Within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2019						
Debt securities at FVTPL						
- Fixed rate debt securities	4.10%	12,011,168	35,920,986	199,944,256	-	247,876,410
Available-for-sale debt securities						
- Fixed rate corporate bonds	4.05%	5,419,896	4,450,774	14,277,032	-	24,147,702
Held-to-maturity debt securities						
- Fixed rate corporate bonds	5.03%	27,354	6,360,195	17,514,285	-	23,901,834
Fixed rate short-term bank deposits	1.44%	53,725,884	-	-	-	53,725,884
		71,184,302	46,731,955	231,735,573	-	349,651,830

4. Insurance and financial risk management (continued)

4.6 Liquidity and interest rate risk analysis (continued)

Financial assets (continued)

	Effective interest rate	Within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2018						
Debt securities at FVTPL						
- Fixed rate debt securities	4.78	6,318,119	24,896,005	64,790,546	(9,007,159)	86,997,511
Available-for-sale debt securities						
- Fixed rate corporate bonds	3.69	6,961,016	23,775,467	1,212,918	(10,578,996)	21,370,405
Held-to-maturity debt securities						
- Fixed rate corporate bonds	5.30	3,535,669	8,076,190	17,491,752	(355,260)	28,748,351
Fixed rate short-term bank deposits	0.76	33,676,914	1,335,164	-	(262,860)	34,749,218
		50,491,718	58,082,826	83,495,216	(20,204,275)	171,865,485

Life insurance contract liabilities cash flow profile

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

	Within 1 year	Within 2 to 5 years	After 5 years
	$	$	$
2019			
Participating	14,970,871	16,340,781	(128,875,719)
Non-Participating	(478,925)	(103,992,800)	(2,050,065)
Total	14,491,946	(87,652,019)	(130,925,784)

	Within 1 year	Within 2 to 5 years	After 5 years
	$	$	$
2018			
Participating	-	-	-
Non-Participating	(1,080)	(258,708)	-
Total	(1,080)	(258,708)	-

4. Insurance and financial risk management (continued)

4.7 Sensitivity analysis

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

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

Variables	Change in variable	Profit before tax		Other equity	
		2019	2018	2019	2018
		$	$	$	$
Equity prices	+10%	3,533,473	1,681,894	428,101	1,095,999
Equity prices	-10%	(3,533,473)	(1,681,894)	(428,101)	(1,095,999)
Unit trust prices	+10%	1,648,490	2,176,833		
Unit trust prices	-10%	(1,648,490)	(2,176,833)		
Interest rate	+100bps	28,703,107	(1,718,655)		
Interest rate	-100bps	(28,703,107)	1,718,655		

4. Insurance and financial risk management (continued)

4.8 Capital management policies and objectives

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

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

An insurer carrying on insurance business in Singapore is required to maintain fund solvency margins and a capital adequacy ratio as stipulated in the Insurance (Valuation and Capital) Regulations 2004. For each Insurance Fund, the insurer is required to maintain the financial resources at all times not less than the total risk requirement of the fund. The capital adequacy requirement of a registered insurer shall at all times be such that the financial resources of the insurer are not less than:

(i) The sum of:

- The aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act; and

- Where the insurer is incorporated in Singapore, the total risk requirement arising from the assets and liabilities of the insurer that do not belong to any insurance fund established and maintain under the Insurance Act;

(ii) Minimum amount of $5 million,

whichever is higher.

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

The Company's capital adequacy ratio as at 31 December 2019 is 292% (2018: 241%), which is the ratio of available capital of $258 million (2018: $187 million) to the total risk requirement of $88 million (2018: $77.7 million).

5. Holding company and related company transactions

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

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

	2019 $	2018 $
Companies within the group:		
Gross premium written	3,086,972	3,167,523
Written premium ceded	(4,730,407)	(5,694,016)
Commission received	1,195,864	1,194,438
Commission paid	(233,419)	(265,292)
Claims recovery	3,394,962	3,342,899
Claims paid	(846,632)	(168,569)
Interest on reinsurance deposit	-	(3,126)
Investment expense	(433,773)	(198,633)
Bond interest received	9,095	12,430
Group IT service fee	(137,448)	-
Internal audit service fee	(94,202)	(48,699)

Key management personnel

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

Short-term employee benefits paid/payable to key management personnel (included in staff costs) was $2,578,913 (2018: $1,773,941).

6. Cash and cash equivalents

	General Insurance		Life Insurance		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Cash at banks and in hand	25,225,376	14,835,949	18,494,596	1,357,082	43,719,972	16,193,031
Short-term bank deposits	39,712,769	23,649,909	14,013,115	11,099,309	53,725,884	34,749,218
Cash managed by investment manager	10,421,563	6,415,939	8,921,354	30,013,638	19,342,917	36,429,577
	75,359,708	44,901,797	41,429,065	42,470,029	116,788,773	87,371,826

6. Cash and cash equivalents (continued)

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

Bank deposits of general insurance include $12,583,060 (2018: $8,839,140) held by the Company as cash collateral in respect of insurance bonds issued on behalf of customers and for credit terms granted to agents (Note 16).

7. Amounts due from/(to) related companies

	2019	2018
	$	$
Amounts due from related companies		
- Trade	2,477,974	537,797
- Reinsurance deposits	-	24,683
Allowance for doubtful insurance receivables:		
- insurance contracts	-	(185)
	2,477,974	562,295
Amounts due (to) related companies:		
- Trade	(1,579,384)	(2,505,892)
- Reinsurance deposits	(903,357)	(838,194)
	(2,482,741)	(3,344,086)

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

8. Deposits, prepayments and other receivables

	General Insurance		Life Insurance		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Accrued interest receivable:						
- Debt securities	-	684,443	1,591,550	-	1,591,550	684,443
- Fixed deposits	111,771	112,464	8,254	8,363	120,025	120,827
Deposits	240,399	219,444	13,550	-	253,949	219,444
Prepayments	392,940	166,174	-	-	392,940	166,174
GST recoverables	-	6	254,823	16,924	254,823	16,930
Sundry receivables	370,885	59,213	504,772	-	875,657	59,213
	1,115,995	1,241,744	2,372,949	25,287	3,488,944	1,267,031

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

9. Insurance receivables

	General Insurance 2019 $	General Insurance 2018 $
Receivables arising from insurance contracts	9,711,044	8,749,639
Receivables arising from reinsurance contracts	7,289,316	2,115,190
Reinsurance deposits	12,150	121,086
	17,012,510	10,985,915
Allowance for doubtful insurance receivables:		
- insurance contracts	(425,258)	(479,025)
- reinsurance contracts	(1,641,914)	(122,680)
	(2,067,172)	(601,705)
	14,945,338	10,384,210

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

Movement in the allowance for doubtful debts:

	General Insurance 2019 $	General Insurance 2018 $
Balance at beginning of financial year	601,705	220,050
Charged to profit or loss	1,465,467	381,655
Balance at end of financial year	2,067,172	601,705

10. Investments in securities

	General Insurance 2019 $	General Insurance 2018 $	Life Insurance 2019 $	Life Insurance 2018 $	Total 2019 $	Total 2018 $
Equity securities at fair value through profit or loss						
Listed	20,137,014	16,818,937	13,646,112	-	33,783,126	16,818,937
Unlisted	1,551,602	-	-	-	1,551,602	-
	21,688,616	16,818,937	13,646,112	-	35,334,728	16,818,937
Equity securities available-for-sale						
Listed	4,281,008	10,959,993	-	-	4,281,008	10,959,993
Unlisted	-	-	-	-	-	-
	4,281,008	10,959,993	-	-	4,281,008	10,959,993
Total equity securities	25,969,624	27,778,930	13,646,112	-	39,615,736	27,778,930

10. Investments in securities (continued)

	General Insurance		Life Insurance		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Debt securities at fair value through profit or loss						
Corporate bonds	93,447,135	86,997,511	154,429,275	-	247,876,410	86,997,511
Debt securities available-for-sale						
Corporate bonds	24,147,702	21,370,405	-	-	24,147,702	21,370,405
Held to maturity investments						
Corporate bonds	23,901,834	28,748,351	-	-	23,901,834	28,748,351
Total debt securities	141,496,671	137,116,267	154,429,275	-	295,925,946	137,116,267
Unit trust at fair value through profit or loss						
Unit trusts	16,484,897	21,768,325	-	-	16,484,897	21,768,325

Investment in securities is classified as follows:

	General Insurance		Life Insurance		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Current						
- Equity securities	25,969,624	27,778,930	13,646,112	-	39,615,736	27,778,930
- Debt securities	117,594,837	9,729,007	154,429,275	-	272,024,112	9,729,007
- Unit trusts	16,484,897	21,768,325	-	-	16,484,897	21,768,325
Non-current						
- Debt securities	23,901,834	127,387,260	-	-	23,901,834	127,387,260

The investments above include investments in quoted equity securities and unit trusts that offer the Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The weighted average effective interest rate of debt securities at the end of the reporting period and the periods in which they mature are disclosed in Note 4.6.

11. Derivative financial instruments

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

	General Insurance		
Contract or underlying principal amount	Contract or underlying principal amount $	Year-end positive fair value $	Year-end negative fair value $
2019			
Foreign currency forward contracts	184,646,804	1,811,693	(701,508)
2018			
Foreign currency forward contracts	82,608,508	336,985	(580,895)

	Life Insurance		
Contract or underlying principal amount	Contract or underlying principal amount $	Year-end positive fair value $	Year-end negative fair value $
2019			
Foreign currency forward contracts	136,570,965	3,311,361	-
2018			
Foreign currency forward contracts	-	-	-

	Total		
Contract or underlying principal amount	Contract or underlying principal amount $	Year-end positive fair value $	Year-end negative fair value $
2019			
Foreign currency forward contracts	321,217,769	5,123,054	(701,508)
2018			
Foreign currency forward contracts	82,608,508	336,985	(580,895)

12. Property and equipment

	Leasehold properties $	Furniture, fixtures and equipment $	Computers $	Motor vehicles $	Total $
Cost:					
At 1 January 2019	47,244,078	2,561,544	5,239,758	699,963	55,745,343
Additions	-	66,958	1,951,723	-	2,018,681
Disposals	-	(63,950)	(1,511,762)	-	(1,575,712)
At 31 December 2019	47,244,078	2,564,552	5,679,719	699,963	56,188,312
Accumulated depreciation:					
At 1 January 2019	5,669,291	1,990,491	2,685,373	677,888	11,023,043
Depreciation	944,880	147,257	795,335	11,037	1,898,509
Write-off	-	(438)	(149,450)	-	(149,888)
At 31 December 2019	6,614,171	2,137,310	3,331,258	688,925	12,771,664
Carrying amount:					
At 31 December 2019	40,629,907	427,242	2,348,461	11,038	43,416,648
Cost:					
At 1 January 2018	47,244,078	1,889,838	2,618,903	699,963	52,452,782
Additions	-	671,706	2,620,855	-	3,292,561
Disposals	-	-	-	-	-
At 31 December 2018	47,244,078	2,561,544	5,239,758	699,963	55,745,343
Accumulated depreciation:					
At 1 January 2018	4,724,409	1,503,941	1,826,365	666,850	8,721,565
Depreciation	944,882	486,550	859,008	11,038	2,301,478
Disposals	-	-	-	-	-
At 31 December 2018	5,669,291	1,990,491	2,685,373	677,888	11,023,043
Carrying amount:					
At 31 December 2018	41,574,787	571,053	2,554,385	22,075	44,722,300

13. Investment property

	Freehold properties $	Leasehold properties $	Total $
Cost:			
At 1 January 2019 and at 31 December 2019	16,310,089	10,000,000	26,310,089
Accumulated depreciation			
At 1 January 2019	8,288,652	5,719,121	14,007,773
Depreciation	292,158	226,561	518,719
At 31 December 2019	8,580,810	5,945,682	14,526,492
Carrying amount:			
At 31 December 2019	7,729,279	4,054,318	11,783,597
Fair value (level 2):			
At 31 December 2019	36,610,000	21,800,000	58,410,000
Cost:			
At 1 January 2018 and at 31 December 2018	16,310,089	10,000,000	26,310,089
Accumulated depreciation			
At 1 January 2018	7,971,563	5,467,305	13,438,868
Depreciation	317,089	251,816	568,905
At 31 December 2018	8,288,652	5,719,121	14,007,773
Carrying amount:			
At 31 December 2018	8,021,437	4,280,879	12,302,316
Fair value (level 2):			
At 31 December 2018	36,440,000	21,800,000	58,240,000

The fair values of the Company's investment property as at 31 December 2019 and 31 December 2018 have been determined on the basis of valuations carried out at the respective year end dates by independent valuers having an appropriate recognized professional qualification and recent experience in the location and category of the properties being valued, and not related to the Company. The fair value was determined based on a market comparable approach that reflects recent transaction prices for similar properties and, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property rental income from the Company's investment property all of which are leased out under operating leases, amounted to $1,449,439 (2018: $1,440,655). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to $464,391 (2018: $368,483).

14. Insurance contracts provisions

	2019 $	2018 $
Gross		
Current:		
Provision for unexpired risks - general insurance	22,983,038	30,295,960
Provision for insurance claims - general insurance	83,027,523	75,777,968
	106,010,561	106,073,928
Non-current:		
Provision for unexpired risks - general insurance	41,456,812	34,886,215
Provision for insurance claims - general insurance	49,281,444	44,587,163
Insurance contract liabilities - life insurance	171,433,727	27,046,404
	262,171,983	106,519,782
Total insurance contracts provisions, gross	368,182,544	212,593,710
Recoverable from reinsurers		
Current:		
Provision for unexpired risks - general insurance	4,634,040	7,610,196
Provision for insurance claims - general insurance	27,555,143	24,753,124
	32,189,183	32,363,320
Non-current:		
Provision for unexpired risks - general insurance	8,916,506	5,265,898
Provision for insurance claims - general insurance	14,193,493	10,025,616
Insurance contract liabilities – life Insurance	81,616	-
	23,191,615	15,291,514
Total reinsurers' share of insurance contracts provisions	55,380,798	47,654,834
Net		
Current:		
Provision for unexpired risks - general insurance	18,348,998	22,685,764
Provision for insurance claims - general insurance	55,472,380	51,024,844
	73,821,378	73,710,608
Non-current:		
Provision for unexpired risks - general insurance	32,540,306	29,620,317
Provision for insurance claims - general insurance	35,087,951	34,561,547
Insurance contract liabilities - life insurance	171,352,111	27,046,404
	238,980,368	91,228,268
Total insurance contract provisions, net	312,801,746	164,938,876

14. Insurance contracts provisions (continued)

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

	2019	2018
Beginning of financial year	27,046,404	-
Changes in assumptions	(1,349,458)	-
Changes in risk-free discount rates	856,086	-
Other movements	144,799,079	27,046,404
End of financial year	171,352,111	27,046,404

(b) Movement in insurance contract liabilities for general insurance business

	Gross $	Reinsurance $	Net $
2019			
Beginning of financial year	65,182,175	(12,876,095)	52,306,080
Premiums written	117,625,830	(24,247,089)	93,378,741
Premiums earned	(118,368,155)	23,572,638	(94,795,517)
End of financial year	64,439,850	(13,550,546)	50,889,304
2018			
Beginning of financial year	64,107,990	(10,307,296)	53,800,694
Premiums written	106,729,722	(25,238,535)	81,491,187
Premiums earned	(105,655,537)	22,669,736	(82,985,801)
End of financial year	65,182,175	(12,876,095)	52,306,080

(c) Movement in claims liabilities

	Gross $	Reinsurance $	Net $
2019			
Beginning of financial year	120,365,132	(34,778,739)	85,586,393
Claims paid	(49,219,664)	11,405,052	(37,814,612)
Claims incurred	77,782,314	(18,374,949)	59,407,365
Outstanding claim received - treaty inward portfolio transfer	(16,618,815)	-	(16,618,815)
End of financial year	132,308,967	(41,748,636)	90,560,331
2018			
Beginning of financial year	123,344,367	(27,589,773)	95,754,594
Claims paid	(68,020,606)	8,951,580	(59,069,026)
Claims incurred	65,155,738	(16,140,546)	49,015,192
Outstanding claim received - treaty inward portfolio transfer	(114,367)	-	(114,367)
End of financial year	120,365,132	(34,778,739)	85,586,393

15. Insurance payables

	2019 $	2018 $
Payables arising from insurance contracts	5,640,932	133,970
Payables arising from reinsurance contracts	7,476,543	7,652,261
Reinsurance deposits	404,236	343,455
	13,521,711	8,129,686

Insurance payables principally comprise amounts outstanding from insurance and reinsurance contracts.

16. Other payables and accruals

	General Insurance		Life Insurance		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Accrued expenses	3,071,371	4,972,033	2,358,363	1,679,400	5,429,734	6,651,433
Collateral deposits held	12,583,060	8,839,140	-	-	12,583,060	8,839,140
Funds received for commuted reinsurance arrangements	79,333	76,702	-	-	79,333	76,702
GST payable	323,096	457,577	-	-	323,096	457,577
Sundry payables	2,173,121	802,625	270,101	1,440	2,443,222	804,065
Salary payables	3,653,676	194,040	4,503,344	113,960	8,157,020	308,000
	21,883,657	15,342,117	7,131,808	1,794,800	29,015,465	17,136,917
Current	9,221,264	6,426,275	7,131,808	1,794,800	16,353,072	8,221,075
Non-current	12,662,393	8,915,842	-	-	12,662,393	8,915,842
	21,883,657	15,342,117	7,131,808	1,794,800	29,015,465	17,136,917

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

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

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation	Available for sale investments	Others	Total
	$	$	$	$
At 1 January 2018	(70,428)	(145,835)	168,744	(47,519)
Credited to other comprehensive income for the year	-	252,565	371,000	623,565
At 31 December 2018	(70,428)	106,730	539,744	576,046
Credited to other comprehensive income for the year	70,428	(159,781)	(539,744)	(629,097)
At 31 December 2019	-	(53,051)	-	(53,051)

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2019	2018
	$	$
Deferred tax (liabilities)/assets	(53,051)	576,046

18 Share capital

	2019	2018
	$	$
Issued and fully paid:		
At the beginning of the year	120,000,000	80,000,000
Issuance of shares	40,000,000	40,000,000
At the end of the year	160,000,000	120,000,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

19. Net written premiums

	General Insurance		Life Insurance		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Gross written premiums	117,625,830	106,729,722	150,577,841	240,000	268,203,671	106,969,722
Less: Premiums ceded to reinsurers	(24,247,089)	(25,238,535)	(9,634)	-	(24,256,723)	(25,238,535)
Net written premiums	93,378,741	81,491,187	150,568,207	240,000	243,946,948	81,731,187

20. Commission income

	General Insurance 2019 $	General Insurance 2018 $
Reinsurance commission income	4,392,561	4,431,900
Profit commission income	550,927	821,283
	4,943,488	5,253,183

21. Net investment income

	General Insurance		Life Insurance		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Interest income from available-for-sale financial assets:						
- Corporate bonds	1,225,953	1,115,686	-	-	1,225,953	1,115,686
Interest income from held to maturity investments:						
- Corporate bonds	1,370,488	2,258,157	-	-	1,370,488	2,258,157
Interest income from short-term bank deposits	840,125	592,539	438,312	25,638	1,278,437	618,177
Interest income from unit trusts	904,822	-	-	-	904,822	-
Interest income from financial assets at fair value through profit or loss:						
- Corporate bonds	-	815,285	2,695,156	-	2,695,156	815,285
	4,341,388	4,781,667	3,133,468	25,638	7,474,856	4,807,305
Dividend income	422,445	899,956	182,158	-	604,603	899,956
Net fair value gains/(losses) of financial assets at fair value through profit or loss:						
- Unit trusts	265,479	(743,892)	-	-	265,479	(743,892)
- Corporate bonds	5,376,942	1,326,355	697,894	-	6,074,836	1,326,355
- Equities	4,531,723	(1,570,040)	329,422	-	4,861,145	(1,570,040)
- Derivative financial instruments	272,883	(1,363,678)	2,311,935	-	2,584,818	(1,363,678)
Loss/(gains) on disposal of available-for-sale equities	3,973,965	(1,694,411)	(43,281)	-	3,930,684	(1,694,411)
Loss/(gain) on disposal of available-for-sale debt securities	838,869	(79,503)	-	-	838,869	(79,503)
Loss/(gain) on disposal of financial assets at fair value through profit or loss:	323,909	-	-	-	323,909	-
Gain on disposal of held to maturity debt securities	108,933	269,921	-	-	108,933	269,921
Loss on disposal of unit trusts at fair value through profit or loss	53,409	-	-	-	53,409	-
Impairment loss on available-for-sale equities	-	(264,000)	-	-	-	(264,000)
Impairment loss on available-for-sale debts securities	(2,091,300)	-	-	-	(2,091,300)	-
Impairment loss on held to maturity debt securities	(2,000,000)	-	-	-	(2,000,000)	-
	16,418,645	1,562,375	6,611,596	25,638	23,030,241	1,588,013

22. Other income - net

	General Insurance		Life Insurance		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Rental income from investment property	1,449,439	1,440,655	-	-	1,449,439	1,440,655
Foreign exchange gain (net)	-	-	-	-	-	-
Miscellaneous income	17,239	149,292	8	-	17,247	149,292
Loss on disposal of property and equipment	-	330	-	-	-	330
	1,466,678	1,590,277	8	-	1,466,686	1,590,277

23. Staff costs

	General Insurance		Life Insurance		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Wages and salaries	11,302,792	7,232,197	9,596,839	918,736	20,899,631	8,150,933
Cost of defined contribution plans	894,080	973,126	692,984	80,392	1,587,064	1,053,518
Other staff benefits	488,887	2,951,953	365,449	1,232,861	854,336	4,184,814
	12,685,759	11,157,276	10,655,272	2,231,989	23,341,031	13,389,265

24. Other operating expenses

	General Insurance		Life Insurance		Total	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Promotion expenses	599,613	43,999	2,078,948	26,013	2,678,561	70,012
Training fees	11,848	-	16,363	-	28,211	-
Property management fees	97,366	-	136,896	-	234,262	-
Associations, levy and subscription fees	-	46,734	-	14,590	-	61,324
Non recoverable GST	52,142	45,110	262,702	-	314,844	45,110
Credit card charges	168,384	312,067	166,246	-	334,630	312,067
Bank charges	534,776	168,646	47,166	625	581,942	169,271
Maintenance fee	409,579	273,265	3,971,559	95,218	4,381,138	368,483
Consultation fees	400,842	-	1,041,043	-	1,441,885	-
Sundries	144,969	-	158,094	-	303,063	-
Property tax	147,000	197,631	-	53,021	147,000	250,652
License fees	-	70,000	-	31,245	-	101,245
Write back of doubtful accounts, net	1,465,282	381,840	-	-	1,465,282	381,840
Management fee paid to immediate holding company	60,318	-	85,377	-	145,695	-
Intergroup Audit Service Fee (note 5)	41,340	48,699	58,514	-	99,854	48,699
Interest expense	-	16,506	-	-	-	16,506
Investment expense	1,922,484	252,014	387,361	-	2,309,845	252,014
Rental expense	55,775	48,393	(42,685)	26,592	13,090	74,985
Foreign exchange loss (net)	266,582	330,258	(26,153)	-	240,429	330,258
Other expenses	4,836	1,444,494	55,692	722,786	60,528	2,167,280
	6,383,136	3,679,656	8,397,123	970,090	14,780,259	4,649,746

25. Income tax

	2019 $	2018 $
Current income tax expense for the year	-	614,000
Overprovision of tax expense for prior year	(325,105)	-
	(325,105)	614,000

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2019 $	2018 $
Profit/(loss) before income tax	1,019,266	(26,794,337)
Income tax expense/(credit) calculated at 17% (2018: 17%)	173,275	(4,555,037)
Effects of:		
- revenue that is exempt from taxation	-	(25,925)
- expenses that are not deductible in determining taxable profit	3,302,689	5,770,647
- income subject to a concessionary tax rate of 10%	(137,850)	(559,735)
- over provision of tax in prior years	(325,105)	-
- utilisation of unabsorbed tax losses	(3,338,114)	-
- others	-	(15,950)
Income tax expense/(credit) recognised in profit or loss	(325,105)	614,000

26. Dividends

	2019 $	2018 $
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year	-	1,925,635

27. Right of Use Assets

The Company as lessee

	2019 $	2018 $
Minimum lease payments recognised as an expense during the year	824,766	201,785

Nature of the Company's leasing activities

Property
The Company leases office space and retail stores for the purpose of back office operations and sale of consumer goods to retail customers respectively.

Equipment and vehicles
The Company leases IT equipment (e.g laptops) for back office operations and leases car for the senior management.

Leasehold land
The Company has made an upfront payment to secure the right-of-use of a 99-year leasehold land, which is used in the Company's retail operations. This leasehold land is recognised within Property, plant and equipment (Note 12).

There are no externally imposed covenants on these lease arrangements.

a) Carrying amounts

	31 December 2019 $	1 January 2019 $
Leasehold building	1,297,562	2,058,746
Office equipment	98,829	123,536
	1,396,391	2,182,282

b) Depreciation changes during the year

	2019 $
Leasehold building	792,667
Office equipment	24,707
Total	817,374

28. Operating lease commitments

Future minimum lease payments under operating leases are as follows:

	2019 $	2018 $
Within one year	36,000	792,116
More than one year	-	1,283,528
	36,000	2,075,644

Operating lease payments represent rental payable by the Company for certain of its office premises and equipment. Leases are negotiated for an average of 3 years and rentals are fixed for an average of 3 years.

29. Disclosure on temporary exemption from IFRS 9

(i) The table below presents the fair value of the following groups of financial assets under IFRS 9 as at 31 December 2019 and fair value changes for the year ended 31 December 2019:

	Fair value as at 31 December 2019 $	Fair value gains for the year ended 31 December 2019 $
Financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding ("SPPI")	20,758,951	(3,849,884)
Other financial assets	330,865,310	7,445,170
	351,624,261	3,595,286

(ii) The table below presents the credit risk exposure for aforementioned financial assets with contractual terms that give rise on SPPI:

	Fair value as at 31 December 2019 $	Fair value Gains for the year ended 31 December 2019 $
Below A or not rated	17,133,000	(129,000)

29. Disclosure on temporary exemption from IFRS 9 (continued)

For financial assets measured at amortised cost, in relation to cash and cash equivalents, amount due from related companies, deposits and other receivables, receivables arising from insurance contracts and receivables arising from reinsurance contracts, carrying amount represents amount before adjusting for the impairment allowance. The credit risk exposure for these financial assets are disclosed in Note 4.4(c).

30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China Taiping Insurance (Singapore) Pte. Ltd. on 26 March 2020.