Company Registration No. 199002791D

LIBERTY INSURANCE PTE LTD

Annual Financial Statements

31 December 2021

Building a better working world

Contents

The directors are pleased to present their statement to the member together with the audited financial statements of Liberty Insurance Pte Ltd (the Company) for the financial year ended 31 December 2021.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and

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

2. Directors

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

Sivagnanaratnam Sivanesan	(Chairman)
Saime Defne Turkes	
Kaiwan Gushtasb Moradian	(appointed on 1 August 2021)

3. Arrangements to enable directors to acquire shares and debentures

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

4. Directors' interests in shares and debentures

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Share options

During the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates
- No options have been granted to directors and employees of the holding companies and its subsidiaries
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted

6. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Defne Turkes

Saime Defne Turkes
Director

Kaiwan M

Kaiwan Gushtasb Moradian
Director

Singapore
28 March 2022

Independent Auditor's Report to the Member of Liberty Insurance Pte Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Liberty Insurance Pte Ltd (the Company) set out on pages 6 to 53, which comprise the balance sheet as at 31 December 2021, the statement of comprehensive income, revenue account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 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 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for other information. The other information comprises the Directors' Statement in pages 1 to 2.

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

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism 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.

Ernst & Young LLP

Public Accountants and
Chartered Accountants

Singapore
28 March 2022

LIBERTY INSURANCE PTE LTD

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Underwriting profit transferred from revenue account		14,631	21,450
Net investment and other income	4	3,620	4,231
Profit before income tax		18,251	25,681
Income tax expense	7	(3,161)	(3,581)
Profit for the year		15,090	22,100
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Change in fair value gain on available-for-sale financial assets	24	(4,455)	3,244
Deferred tax on change in fair value on available-for-sale financial assets	24	757	(551)
Other comprehensive income for the year		(3,698)	2,693
Total comprehensive income for the year		11,392	24,793

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

LIBERTY INSURANCE PTE LTD

REVENUE ACCOUNT
For the financial year ended 31 December 2021

		2021							2020
	Note	Fire $'000	Marine cargo $'000	Workmen's compensation $'000	Accident & health $'000	Motor $'000	Misc $'000	Total $'000	Total $'000
Income									
Gross written premium		7,866	3,821	18,786	40,566	67,830	37,289	176,158	168,126
Outward reinsurance premium		(1,029)	(693)	(229)	(567)	(828)	(4,950)	(8,296)	(7,860)
Net written premium		6,837	3,128	18,557	39,999	67,002	32,339	167,862	160,266
(Increase)/decrease in net provision for unearned premium	14	1,650	8	308	(1,700)	1,225	(1,916)	(425)	(1,431)
Net earned premium		8,487	3,136	18,865	38,299	68,227	30,423	167,437	158,835
Outgoing									
Net claims paid	13	(3,035)	(532)	(9,405)	(23,510)	(33,215)	(11,493)	(81,190)	(75,963)
(Increase)/decrease in outstanding claims		(1,905)	43	(246)	(414)	(4,330)	(507)	(7,359)	(2,337)
Net claims incurred	13	(4,940)	(489)	(9,651)	(23,924)	(37,545)	(12,000)	(88,549)	(78,300)
Net fees and commissions expense		(2,253)	(978)	(2,430)	(11,049)	(13,222)	(5,654)	(35,586)	(34,223)
Management expenses		(1,205)	(874)	(2,670)	(5,898)	(12,292)	(5,732)	(28,671)	(24,862)
Underwriting profit/(loss) transferred to the statement of comprehensive income		89	795	4,114	(2,572)	5,168	7,037	14,631	21,450

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

LIBERTY INSURANCE PTE LTD

BALANCE SHEET
As at 31 December 2021

	Note	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Property and equipment	8	18,274	18,388
Intangible assets	9	3,028	3,104
Investment in subsidiary	10	24,558	24,558
Investments in debt securities	11	152,384	159,536
Loans	12	50	166
		198,294	205,752
Current assets			
Reinsurers' share of claims liabilities	13	2,375	2,115
Reinsurers' share of premiums liabilities	14	1,982	2,073
Deferred acquisition costs	15	19,413	18,754
Due from agents, brokers and reinsurers	16	14,989	17,101
Due from related parties	17	2,796	4,578
Other assets	18	2,504	3,350
Investments in debt securities	11	37,284	47,022
Short term investments	19	49,291	54,278
Cash and bank balances	20	117,002	70,763
		247,636	220,034
Total assets		445,930	425,786
LIABILITIES			
Current liabilities			
Claims liabilities	13	86,791	79,172
Premium liabilities	14	112,844	110,850
Reinsurers' share of deferred acquisition costs	15	504	504
Due to agents, brokers and reinsurers	21	2,645	2,557
Due to related parties	17	1,358	834
Other liabilities	22	49,618	49,014
Provision for income tax	7	3,061	4,754
		256,821	247,685
Non-current liabilities			
Deferred tax liabilities	23	101	485
Total liabilities		256,842	248,170
NET ASSETS		189,008	177,616
EQUITY			
Share capital		32,250	32,250
Revenue earnings		156,378	141,288
Fair value adjustment reserves	24	380	4,078
Total equity		189,008	177,616

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

LIBERTY INSURANCE PTE LTD

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2021

	Share capital $'000	Retained earnings $'000	Fair value adjustment reserves $'000	Total equity $'000
2021				
Balance at 1 January	32,250	141,288	4,078	177,616
Profit for the year	-	15,090	-	15,090
Other comprehensive income for the year, net of tax	-	-	(3,698)	(3,698)
Total comprehensive income	-	15,090	(3,698)	11,392
Balance at 31 December	32,250	156,378	380	189,008
2020				
Balance at 1 January	32,250	119,188	1,385	152,823
Profit for the year	-	22,100	-	22,100
Other comprehensive income for the year, net of tax	-	-	2,693	2,693
Total comprehensive income	-	22,100	2,693	24,793
Balance at 31 December	32,250	141,288	4,078	177,616

As at 31 December 2021, the Company has 32,250,000 ordinary shares (2020: 32,250,000). All ordinary shares carry one vote per share without restrictions. In accordance with s.62A of the Companies Act 1967, the ordinary shares of the Company have no par value. The holder of ordinary shares is entitled to receive dividends as and when declared by the Company.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

LIBERTY INSURANCE PTE LTD

CASH FLOW STATEMENT
For the financial year ended 31 December 2021

	2021	**2020**
	$'000	$'000
Operating activities		
Profit before income tax	18,251	25,681
Adjustments for:		
Depreciation of property and equipment (note 8)	713	723
Amortisation of intangible asset (note 9)	1,462	1,740
Amortisation of premium on investments (note 11)	1,092	744
Gain on disposal of investments (note 11)	1	(5)
Loss on revaluation of investments (note 11)	(14)	58
Interest income (note 4)	(4,400)	(5,067)
Withholding tax recoverable written-off (note 7)	(33)	(5)
Increase in net claims liabilities	7,359	2,337
Increase in net premium liabilities	2,085	1,547
Increase in net deferred acquisition costs	(659)	(424)
Operating cash flows before changes in working capital	25,857	27,329
Decrease in debtors	2,803	2,455
Increase in creditors	692	6,856
Increase/(decrease) in related parties	2,306	(1,720)
Increase in fixed deposits held in trust for policyholders	(2,500)	(1,504)
Decrease/(increase) in cash and bank balances held in trust for policyholders	775	(1,457)
Cash flows generated from operations	29,933	31,959
Interest received	4,600	5,490
Income tax paid (note 7)	(4,448)	(2,430)
Net cash flows generated from operating activities	30,085	35,019
Investing activities		
Purchase of property and equipment (note 8)	(599)	(377)
Additions to intangible assets (note 9)	(1,386)	(2,042)
Purchase of investments in debt securities (note 11)	(37,329)	(51,218)
Proceeds from sale/maturity of debt securities (note 11)	48,685	46,430
Decrease in short term investments	1,987	586
Repayment of loans	71	75
Net cash flows used in investing activities	11,429	(6,546)
Net increase in cash and cash equivalents	41,514	28,473
Cash and cash equivalents at 1 January	56,724	28,251
Cash and cash equivalents at 31 December (note 20)	98,238	56,724

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Liberty Insurance Pte Ltd (the Company) is incorporated and domiciled in Singapore. The immediate holding company is Liberty Citystate Holdings Pte Ltd, a company incorporated in Singapore. The ultimate holding company is Liberty Mutual Holding Company Inc., a mutual insurance company organised under the laws of the Commonwealth of Massachusetts in the United States of America.

The registered office and principal place of business of the Company is located at 51 Club Street, #03-00, Liberty House, Singapore 069428.

The principal activities of the Company are underwriting & reinsurance of general insurance business and investment holding. The principal activities of the subsidiary are disclosed in note 10 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousands ($'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2021:

- Amendments to FRS 109 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement, FRS 107 Financial Instruments: Disclosures, FRS 104 Insurance Contracts, FRS 116 Leases: Interest Rate Benchmark Reform – Phase 2

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

The amendments introduce two approaches for entities that apply FRS 104 to reduce the impact of differing effective dates with FRS 117 *Insurance Contracts* and FRS 109 *Financial Instruments*: an overlay approach and a temporary exemption from applying FRS 109.

The amended FRS 104:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when FRS 109 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and

- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 till the earlier of annual reporting periods beginning before 1 January 2023 or when FRS 117 becomes effective. The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard - FRS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of financial statements to understand:

(a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

(b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies FRS 109.

An insurer that elects to apply the temporary exemption from FRS 109 shall disclose information to enable users of financial statements:

(a) to understand how the insurer qualified for the temporary exemption; and

(b) to compare insurers applying the temporary exemption with entities applying FRS 109.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2023 and will expire once FRS 117 becomes effective.

During the financial year, the Company continued to apply the temporary exemption from FRS 109 Financial Instruments as permitted by the Amendments to FRS 104 Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts which is effective for annual periods beginning on or after 1 January 2018. The temporary exemption permits the Company to continue applying FRS 39 rather than FRS 109 for annual periods beginning before 1 January 2023.

The Company concluded that it qualified for the temporary exemption from FRS 109 as the Company has not previously applied any versions of FRS 109 and its activities are predominantly connected with insurance at annual reporting date that immediately precedes 1 April 2016 (i.e. 31 December 2015). As at 31 December 2015, the Company's gross liabilities arising from contracts within the scope of FRS 104 represented 93% of the total carrying amount of all its liabilities. Since 31 December 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

The table below presents an analysis of the fair value of classes of financial assets as at 31 December 2021, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest ("SPPI"), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and

- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis). As at 31 December 2021, the Company does not hold financial assets in this category.

In the table below, the amortised cost of financial assets has been used as a reasonable approximation to fair value.

	2021		**2020**	
	SPPI		SPPI	
Financial assets	Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000
Investments in debt securities	189,668	-	206,558	-
Loans	210	-	281	-
Due from agents, brokers and reinsurers	14,989	-	17,101	-
Due from related parties	2,796	-	4,578	-
Other assets (excluding prepayments and right-of-use assets)	2,104	-	2,633	-
Short term investments	49,291	-	54,278	-
Cash and bank balances	117,002	-	70,763	-
	376,060	-	356,192	-

Refer to table as disclosed in note 28(vi) that shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades.

2.3 Standards issued but not yet effective

The Company has not adopted the following standard and amendments applicable to the Company that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
➢ Amendments to FRS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
➢ Amendments to FRS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
➢ Annual Improvements to FRSs 2018-2020	1 January 2022
➢ Amendments to FRS 1 Presentation of Financial Statements and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
➢ FRS 117 Insurance Contracts	1 January 2023
➢ Amendments to FRS 117 Insurance Contracts	1 January 2023
➢ Amendments to FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
➢ Amendments to FRS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
➢ Amendments to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	1 January 2024

Except for the adoption of FRS 117 Insurance Contracts and Amendments to FRS 117 Insurance Contracts as described below, the Company expects that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

<u>FRS 117 Insurance Contracts</u>

In March 2018, Accounting Standards Council Singapore issued FRS 117 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. FRS 117 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration which typically applies to certain non-life insurance contracts.

The overall objective of FRS 117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in FRS 104 Insurance Contracts, which are largely based on grandfathering previous local accounting policies, FRS 117 provides a comprehensive model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and

- a simplified approach (the premium allocation approach) mainly for short-duration contracts

FRS 117 effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company is evaluating the impact of the new standard on its financial statements and related disclosures and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation

The Company does not present consolidated financial statements as it is a wholly-owned subsidiary of Liberty Citystate Holdings Pte Ltd, a company incorporated in Singapore and consolidated financial statements are presented under Liberty International Holdings Inc. The registered office of Liberty International Holdings Inc is 175 Berkeley Street Boston, MA 02116 United States of America.

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.6 Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment other than leasehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold building	-	50 years
Computer hardware	-	3 years
Office furniture and equipment	-	5 years
Motor vehicles	-	5 years
Renovation	-	5 years

No depreciation is provided on leasehold land with more than 50 years to expiry of the lease.

Assets under work-in-progress included in property and equipment are not depreciated as these assets are not available for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

<u>Computer software and licenses</u>

Computer software that do not form an integral part of the related computer hardware is classified as an intangible asset. In determining whether an asset that incorporates both tangible and intangible elements should be treated as Property and Equipment or Intangible Asset, judgment is used to assess which element is more significant.

The useful lives of computer software and licenses are amortised using the straight line method over their estimated useful lives of 3 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at each reporting date.

Software under development is not amortised as this asset is not available for use. When the asset is available for use, it is reclassified to the relevant category of intangible assets and amortisation of the asset begins.

2.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiary

A subsidiary is an investee that is controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in subsidiary is accounted for at cost less impairment losses.

2.10 Financial assets

<u>Initial recognition and measurement</u>

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases and sales

All regular way purchases and sales of financial assets are recognised or derecognised on the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.11 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.12 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.13 Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

iii) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, with maturities of 3 months or less from date of acquisition.

2.15 Provisions

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Premium liabilities

Premium liabilities consist of:

(i) Provision for unearned premiums comprises the sum of unearned premium reserves and premium deficiency reserves. As part of its liability adequacy test, premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserves.

The unearned premium reserves are computed on the following basis:

(a) 365th method for all direct and facultative reinsurance classes of business other than marine cargo, for which 25% is applicable;

(b) in the case of all classes of treaty reinsurance business, other than marine cargo, 40% of the premiums and for marine cargo, 25% of the premium; and

(c) the actual acquisition cost is taken into account in the computation in respect of direct and facultative reinsurance business, except for marine cargo.

(ii) Premiums relating to policies where the risks have not commenced are recognised as advance premium.

2.17 Deferred acquisition cost

Deferred acquisition cost consists of:

(i) Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, are recognised as expenses in profit or loss. If these costs relate to subsequent financial periods, they are deferred to the extent that these are recoverable out of future revenue margins.

Deferred acquisition costs (“DAC”) are calculated using the 365th method on actual commission.

(ii) Commission incurred from policies which the risks have not commenced are recognised as advance premium.

An impairment review is performed at each reporting date and, if required, the carrying value is written down to the recoverable amount.

2.18 Reinsurance

The Company assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

Amounts recoverable from reinsurers are assessed for impairment at each reporting date. Such assets are deemed impaired if, and only if, there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company will expect to receive from the reinsurer. The impairment loss is recognised in profit and loss.

Reinsurance assets comprise reinsurers’ share of insurance contract provisions. The amounts recognised as reinsurers’ share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2.19 Employee benefits

(i) Defined contribution plan

The Company make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(ii) Employees' leave entitlement

Employees' entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.20 Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as an income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to the profit or loss statement over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(i) Premium income

Gross written premiums are recognised at the time of commencement of the risk or, in the case of reinsurance, it is taken up in the insurance underwriting account based on reinsurance closings received up to the time of closing of the books, and earned over the term of the related policy coverage.

At initial recognition of premiums, an unearned premium provision is established equal to the amount of written premium. Premium is then recognised as earned over the policy term in accordance with the period of insurance service, by recording changes in the unearned provision against premium income.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business.

(ii) Commission income

Commission income comprises of reinsurance commissions received or receivable from reinsurers and is recognised as an income in the profit or loss.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.22 Income taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects nether the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2.23 Related parties

A related party is defined as follows:

(i) A person or a close member of that person’s family is related to the Company if that person:

- (a) Has control or joint control over the Company;
- (b) Has significant influence over the Company; or
- (c) Is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:

- (a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (c) Both entities are joint ventures of the same third party;
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company. If the Company is itself of such a plan, the sponsoring employers are also related to the Company;
- (f) The entity is controlled or jointly controlled by a person identified in (i);
- (g) A person identified in (i)(a) has significant influence over the entity or is member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgement and estimates

The preparation of the Company's financial statements requires management to make judgements, estimations and assumptions that affects the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

<u>Insurance contract liabilities</u>

(a) Claims admitted or incurred but not paid

Claims are charged against the insurance revenue account when incurred based on the estimated liability for compensation owed to policyholders or damage suffered by third party claimants. They comprise direct and indirect claims settlement costs including loss adjustment expenses and professional fees, and arise from events that have occurred up to balance sheet date even if they have not been reported to the Company.

Provision is made for the estimated cost of all claims incurred but not settled at the date of the balance sheet less reinsurance recoveries, using the best information available at the time. In addition, provision for claims incurred but not reported is made based on the independent actuarial assessment as at balance sheet date as required under the Insurance Act.

The Company does not discount its liabilities for outstanding claims. Any deduction or increase in the provision is dealt with in the insurance revenue account in the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account in the year in which settlement takes place.

As explained in notes 3(e) and 3(f), the assumptions used to estimate the provision require judgement and are subject to uncertainty.

(b) Terms and conditions

The major classes of general insurance written by the Company include Motor, Workmen's Compensation, Fire, General Accident, Bond, Medical, Personal Accident and General Liability. Risks under these policies usually cover a 12-month duration, although Marine Cargo policies may cover a single shipment of goods (as opposed to a fixed duration of time), and project-related Workmen's Compensation, Performance Bonds and Extended Warranty policies may provide cover for a period of several years.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

(c) Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of unearned premiums. In performing the test, the current best estimate of premium liabilities is used. Premium liabilities are defined as the value of future contractual cash flows related to unexpired periods of risk underwritten by the company as at the valuation date, including claims handling and policy administration expenses, as well as investment income from assets backing such liabilities. Any inadequacy is immediately charged to the profit or loss account by establishing an unexpired risk provision.

(d) Estimation process

The claims provision estimation process involves estimation of reserves for outstanding reported claims (case reserves), and estimation of additional reserves for incurred but not reported (IBNR) claims and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims (IBNER). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are set by management of the Company based on past experience. The total claims liability reserve is subject to a quarterly actuarial adequacy review and a formal actuarial report on the adequacy of the booked reserves is issued to the Monetary Authority of Singapore on an annual basis.

In forming their view on the adequacy of the claims provisions, actuaries use a variety of statistical projection techniques like the Chain Ladder and Bornhuetter Ferguson methods. Claims provisions are separately analysed by geographical area and class of business. Large claims are usually excluded from the statistical analysis and reviewed on an individual basis.

The claims provisions are intended to provide at least 75% level of assurance of adequacy, and as such include a Provision for Adverse Deviation (PAD) beyond the expected value (best estimate) of the claims liabilities.

The best estimate of premium liabilities is determined such that the total liability provision would be sufficient to pay for future claims and expenses in servicing the unexpired periods of policies underwritten by the company as of the valuation date. In calculating these premium liabilities for the various classes, the ultimate incurred loss of the individual class for the latest accident year is generally used to determine a suitable ultimate loss ratio.

(e) Assumptions

The principle assumption underlying the actuarial estimate of the claims liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected claim amounts and variability around those expected amounts. In estimating the required claims provisions, actuaries also consider trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Company, as well as the impact of external factors such as market practices, judicial decisions and government legislation. There is typically a lot of judgment involved in estimating the claims liabilities, particularly for small and volatile portfolios of business.

(f) Sensitivity

Because of the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the balance sheet, and must instead be estimated as explained above.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

The analysis has been prepared for a change in one variable with all other variables remaining constant and ignores changes in values of the related assets. The impact on provision for general insurance liabilities to changes in key variables are shown in the table below. It should be noted that movements in these assumptions are non-linear.

Three scenarios are shown:

(i) The impact of increasing or reducing the Ultimate Loss Ratios of the latest accident year by 1%.

(ii) The impact of increasing or reducing the Indirect Claims Handling Expenses Ratio by 2%.

(iii) The impact of increasing or reducing the Provision of risk margin for Adverse Deviation (PAD) by 5%.

Increase/(decrease)	Net claims liabilities $'000	Net premium liabilities $'000	Total insurance liabilities $'000	Profit before tax $'000
2021				
Ultimate loss ratio				
Increase by 1%	1,988	-	1,988	(1,988)
Decrease by 1%	(1,988)	-	(1,988)	1,988
Indirect claims handling expense ratio				
Increase by 2%	816	128	944	(944)
Decrease by 2%	(816)	-	(816)	816
Provision for adverse deviation				
Increase by 5%	2,609	281	2,890	(2,890)
Decrease by 5%	(2,609)	-	(2,609)	2,609

Increase/(decrease)	Net claims liabilities $'000	Net premium liabilities $'000	Total insurance liabilities $'000	Profit before tax $'000
2020				
Ultimate loss ratio				
Increase by 1%	1,895	-	1,895	(1,895)
Decrease by 1%	(1,895)	-	(1,895)	1,895
Indirect claims handling expense ratio				
Increase by 2%	740	60	800	(800)
Decrease by 2%	(740)	-	(740)	740
Provision for adverse deviation				
Increase by 5%	2,392	187	2,579	(2,579)
Decrease by 5%	(2,392)	-	(2,392)	2,392

(g) Reinsurance – Assumptions and methods

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amount recoverable from reinsurers are estimated in manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurer's share of technical provisions. Premiums ceded and reinsurance claims recoveries are presented in the revenue account and balance sheet on a gross basis.

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

(h) Classification of contracts

Contracts which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specific uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

The significance of insurance risk is dependent on both the probability of an insurance event and magnitude of its potential effect. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

These contracts are regarded as insurance contracts for the purposes of FRS 104 Insurance Contracts and are classified as such in these financial statements.

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.

4. Net investment and other income

	2021 $'000	2020 $'000
Interest income from:		
- bank current account	42	61
- fixed deposits	249	641
- fixed income government securities	3,837	3,977
- fixed income corporate securities	272	388
Amortisation of premium on investments (note 11)	(1,092)	(744)
(Loss)/gain on disposal of investments (note 11)	(1)	5
Investment expenses	(343)	(354)
	2,964	3,974
Other income from:		
Accounting service fee from related party (note 30a)	58	58
Inter-company recharges	275	263
Gain/(loss) on foreign exchange	30	(155)
Other income	293	91
	656	257
Total net investment and other income	3,620	4,231

5. Management expenses

The following items have been included in arriving at management expenses:

	2021 $'000	2020 $'000
Auditor's remuneration	138	162
Depreciation of property and equipment (note 8)	713	723
Amortisation of intangible asset (note 9)	1,462	1,740
Staff costs expense (note 6)	26,035	23,294
Bad debts expense/(write-back) (note 16)	199	(169)

As at 31 December 2021, the Company had 214 (2020: 225) employees. Included in management expenses an amount of $4,742,000 (2020: $5,203,000) which was allocated to net claims incurred as part of unallocated loss adjustment expenses.

6. Staff costs expense

	2021 $'000	2020 $'000
Staff costs expense (including directors):		
Salaries and bonuses	22,427	22,620
Government subsidy – job support scheme	-	(3,171)
Central Provident Fund contributions	2,221	2,438
Other staff costs	1,387	1,407
	26,035	23,294

Government subsidy relates to wage support from the government to help companies retain their local employees (Singapore Citizens and Permanent Residents) during the period of economic uncertainty due to Covid-19. JSS pay-outs are intended to offset local employees' wages and help protect their jobs.

7. Income tax expense

The major components of income tax expense for the year ended 31 December:

	2021 $'000	2020 $'000
Current tax		
- Current income tax	2,920	4,123
- Overprovision in respect of prior years	(165)	(358)
	2,755	3,765
Deferred tax (note 23)	373	(189)
Withholding tax recoverable written-off	33	5
Income tax expense recognised in profit or loss	3,161	3,581

Reconciliation of the statutory tax rate to the Company's effective tax rate applicable to profit before taxation for the financial year ended 31 December:

	2021 $'000	**2020** $'000
Profit before income tax	18,251	25,681
Tax at statutory rate of 17% (2020: 17%)	3,103	4,366
Adjustments:		
Non-deductible expenses	(17)	(340)
Effect of partial tax exemption	(17)	(17)
Effect of income at concessionary tax rate	(148)	(182)
Over provision of tax in prior years	(165)	(358)
Others	405	112
Income tax expense recognised in profit or loss	3,161	3,581

Movement in provision for income tax:

	2021 $'000	**2020** $'000
Balance at 1 January	4,754	3,419
Current year tax expense	2,755	3,765
Tax paid during the year	(4,448)	(2,430)
Balance at 31 December	3,061	4,754

8. Property and equipment

	Leasehold land $'000	Leasehold building $'000	Computer hardware $'000	Office furniture and equipment $'000	Motor vehicles $'000	Renovation $'000	Total $'000
2021							
Cost							
Balance at 1 January	10,341	10,217	7,003	1,922	563	96	30,142
Reclass office equipment	-	-	(294)	294	-	-	-
Balance at 1 January, restated	10,341	10,217	6,709	2,216	563	96	30,142
Additions	-	-	22	39	206	332	599
Disposal	-	-	(220)	(14)	-	-	(234)
Balance at 31 December	10,341	10,217	6,511	2,241	769	428	30,507
Accumulated depreciation							
Balance at 1 January	-	3,438	6,542	1,648	124	2	11,754
Reclass office equipment	-	-	(260)	260	-	-	-
Balance at 1 January, restated	-	3,438	6,282	1,908	124	2	11,754
Depreciation charge (note 5)	-	167	307	118	86	35	713
Disposal	-	-	(220)	(14)	-	-	(234)
Balance at 31 December	-	3,605	6,369	2,012	210	37	12,233
Net book value							
Balance at 31 December	10,341	6,612	142	229	559	391	18,274

	Leasehold land $'000	Leasehold building $'000	Computer and office equipment $'000	Furniture, fixtures and fittings $'000	Motor vehicles $'000	Renovation $'000	Total $'000
2020							
Cost							
Balance at 1 January	10,341	10,217	6,953	1,877	377	-	29,765
Additions	-	-	50	45	186	96	377
Disposal	-	-	-	-	-	-	-
Balance at 31 December	10,341	10,217	7,003	1,922	563	96	30,142
Accumulated depreciation							
Balance at 1 January	-	3,272	6,189	1,524	46	-	11,031
Depreciation charge (note 5)	-	166	353	124	78	2	723
Disposal	-	-	-	-	-	-	-
Balance at 31 December	-	3,438	6,542	1,648	124	2	11,754
Net book value							
Balance at 31 December	10,341	6,779	461	274	439	94	18,388

During the year, the Company has reclassified office equipment amounting to $294,000, previously grouped together with Computer and office equipment, to Office furniture and equipment.

The leasehold land and building is located at 51 Club Street, Liberty House, Singapore. Land and building are valued at least once every 3 years with the last valuation in 2020. The fair value of land and building as at 31 December 2021 was $70,000,000 (2020: $70,000,000).

9. Intangible assets

	2021	**2020**
	$'000	$'000
Cost		
Balance at 1 January	15,357	13,315
Additions	1,386	2,042
Balance at 31 December	16,743	15,357
Accumulated amortisation		
Balance at 1 January	12,253	10,513
Amortisation charge (note 5)	1,462	1,740
Balance at 31 December	13,715	12,253
Net book value		
Balance at 31 December	3,028	3,104

Intangible assets consist of computer software and are amortised over a period of 3 years on a straight-line basis. Included in intangible assets is work-in-progress for computer software of $1,339,000 (2020: 896,000).

10. Investment in subsidiary

	2021	**2020**
	$'000	$'000
Unquoted equity shares, at cost	24,558	24,558

The details of the subsidiary company are as follows:

Name	Principal place of business	Principal activities	Percentage of equity held **2021** %	**2020** %
Liberty International Insurance Limited*	Hong Kong	Life and general insurance business	68	68

*Audited by Ernst & Young, Hong Kong

11. Investments in debt securities

	2021 $'000	2020 $'000
Quoted investments, at fair value		
Government securities	180,561	195,534
Corporate bonds	8,093	9,982
Total quoted investments	188,654	205,516
Unquoted investments, at fair value		
Corporate bonds	1,014	1,042
Total unquoted investments	1,014	1,042
Total investments	189,668	206,558
Current portion - matures within the next 12 months	37,284	47,022
Non-current portion – matures after the next 12 months	152,384	159,536
	189,668	206,558

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

i) Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,

ii) Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

iii) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of quoted investments is determined by quoted prices listed on a recognised exchange, independent broker quotations or published prices at the close of business on the balance sheet date. As at 31 December 2021, there was no impairment loss recognised (2020: Nil).

The fair value measurement for quoted and unquoted investments has met the requirements of Level 1 and Level 2, respectively.

The carrying value are determined as follows:

	2021	**2020**
	$'000	$'000
Balance at 1 January	206,558	199,323
Additions	37,329	51,218
Maturities, redemptions and disposals	(48,685)	(46,430)
Amortisation of premium on investments (note 4)	(1,092)	(744)
Change in fair value (loss)/gain on investments (note 24)	(4,455)	3,244
(Loss)/gain on disposal of investments (note 4)	(1)	5
Gain/(loss) on revaluation of investments	14	(58)
Balance at 31 December	189,668	206,558

The weighted average effective interest rate as at 31 December 2021 for the Company was 0.92% (2020: 0.40%). The maturity of these investments is disclosed in note 28(iv).

12. Loans

	2021	**2020**
	$'000	$'000
Staff loans, secured (note 30b)	75	146
Quistclose loan, unsecured	135	135
Less: Current portion (note 18)	(160)	(115)
Non-current portion	50	166

Staff loans represent outstanding balances of car loans to employees under an approved car benefit scheme of the Company which are secured against the cars owned by the staff. The loan period is for 6 years and are non-interest bearing.

Quistclose loan represents outstanding balance of loan to an agent where the borrower is subjected to a specific obligation to the use of money for a specific purpose. The loan period is for 3 years and is non-interest bearing.

The fair value of these loans is estimated using the discounted cash flows method, based on current market lending rates for similar types of loan arrangements. At the end of the reporting period, the carrying amounts of staff loans approximate their fair values.

13. Claims liabilities

	2021 $'000	2020 $'000
Gross outstanding claims	86,791	79,172
Reinsurers' share of outstanding claims	(2,375)	(2,115)
	84,416	77,057

The carrying amount relating to the reinsurers' share of the outstanding claims approximates their fair values as they are subject to normal trade credit terms.

Movement in outstanding claims:

	Gross $'000	Reinsurance $'000	Net $'000
2021			
Balance at 1 January	79,172	(2,115)	77,057
Claims paid during the year	(81,352)	162	(81,190)
Claims incurred during the year	88,971	(422)	88,549
Balance at 31 December	86,791	(2,375)	84,416
2020			
Balance at 1 January	76,956	(2,236)	74,720
Claims paid during the year	(87,056)	11,093	(75,963)
Claims incurred during the year	89,272	(10,972)	78,300
Balance at 31 December	79,172	(2,115)	77,057

The table below shows the development of claims over a period of time on a net of reinsurance basis. It shows the cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at each balance sheet date, together with cumulative claims as at the current balance sheet date.

Claims development is shown for the last five accident years, with the liability held as at the current balance sheet date for accident years 2016 and before being shown as a separate item.

Accident Year	2017	2018	2019	2020	2021	Total
	$'000	$'000	$'000	$'000	$'000	$'000
End of accident year	94,577	91,896	93,772	86,926	100,097	467,268
1 year later	86,694	85,406	87,371	79,277		338,748
2 years later	83,043	84,292	84,398			251,733
3 years later	82,572	84,180				166,752
4 years later	82,331					82,331
Cumulative claims incurred	82,331	84,180	84,398	79,277	100,097	430,283
Cumulative payments to date	(79,077)	(78,223)	(77,369)	(64,564)	(49,927)	(349,160)
Liability recognised in the balance sheet	3,254	5,957	7,029	14,713	50,170	81,123
Outstanding liability pertaining to accident year 2016 and before						3,293
						84,416

14. Premium liabilities

	2021 $'000	2020 $'000
Unearned premium reserves (UPR)	94,718	94,293
Advance premium	16,144	14,484
Premium liabilities, net of reinsurance	110,862	108,777

Movement in premium liabilities:

	Gross $'000	Reinsurance $'000	Net $'000
2021			
UPR at 1 January	96,121	(1,828)	94,293
Movement during the year	283	142	425
UPR at 31 December	96,404	(1,686)	94,718
Advanced premium	16,440	(296)	16,144
	112,844	(1,982)	110,862
2020			
UPR at 1 January	95,498	(2,636)	92,862
Movement during the year	623	808	1,431
UPR at 31 December	96,121	(1,828)	94,293
Advanced premium	14,729	(245)	14,484
	110,850	(2,073)	108,777

15. Deferred acquisition costs

	2021 $'000	2020 $'000
Deferred acquisition costs (DAC)	17,539	17,104
Advance commissions	1,370	1,146
Deferred acquisition costs, net of reinsurance	18,909	18,250

Movement in deferred acquisition costs:

	Gross $'000	Reinsurance $'000	Net $'000
2021			
DAC at 1 January	17,546	(442)	17,104
Movement during the year	424	11	435
DAC at 31 December	17,970	(431)	17,539
Advance commissions	1,443	(73)	1,370
	19,413	(504)	18,909

	Gross $'000	Reinsurance $'000	Net $'000
2020			
DAC at 1 January	17,607	(896)	16,711
Movement during the year	(61)	454	393
DAC at 31 December	17,546	(442)	17,104
Advance commissions	1,208	(62)	1,146
	18,754	(504)	18,250

16. Due from agents, brokers and reinsurers

	2021 $'000	**2020** $'000
Due from agents and brokers	15,041	16,804
Due from reinsurers	248	535
Claims recoverable from non-reinsurers	-	155
	15,289	17,494
Less: Allowance for doubtful debts	(300)	(393)
	14,989	17,101

Movement in allowance for doubtful debts:

	2021 $'000	**2020** $'000
Balance at 1 January	393	408
Write-back to profit or loss account	(93)	(15)
Balance at 31 December	300	393
Bad debts charged/(write-back) to profit or loss account including those directly written off (note 5)	199	(169)

Amount due from agents, brokers and reinsurers are unsecured, non-interest bearing and are generally settled on 60 or 90 days' credit terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition. The carrying amounts due from agents, brokers and reinsurers approximate their fair values as they are subject to normal trade credit terms.

Receivables that are past due but not impaired

The Company has amount due from agents, brokers and reinsurers amounting to $7,235,000 (2020: $9,214,000) that are past due at the end of the reporting period but not impaired. These amounts are unsecured and the analysis of their ageing at the end of the reporting period is as follow:

	2021	**2020**
	$'000	$'000
< 3 months	5,010	6,236
4 to 6 months	1,670	1,876
7 to 12 months	555	950
> 12 months	-	152
	7,235	9,214

Receivables that are impaired

The Company has a Credit Review Committee that provide oversight of Company policies and management activities relating to the identification, assessment, measurement, monitoring, and management of the Company's credit risk in relation to the insurance business except investments. On monthly basis, the Committee reviews the Company's credit exposure to insurance intermediaries taking inconsideration the ageing of outstanding premium, payment history, financial position and market intelligence. Impairment for doubtful receivables is made based on expected loss occurring exposure to individual counterparty.

17. Balances with related parties

	2021	**2020**
	$'000	$'000
Due from related parties (trade)	633	430
Due from related parties (non-trade)	2,163	4,148
	2,796	4,578
Due to related parties (trade)	1,333	834
Due to related parties (non-trade)	25	-
	1,358	834

Balance with related parties are unsecured and interest free. The carrying amount approximate their fair values as they are repayable on demand.

18. Other assets

	2021 $'000	2020 $'000
Deposits	16	24
Right-of-use assets	42	115
Prepayments	198	487
Loans, current portion (note 12)	160	115
Accrued interest receivable	1,288	1,488
Sundry debtors	800	1,121
	2,504	3,350

The Company recognised in profit or loss statement an amortisation expense on the right-of-use assets amounting to $73,000 (2020: $$30,000) and interest expense on leased liabilities amounting to $2,000 (2020: $1,000).

The carrying amounts of other assets approximate their fair values due to the short-term nature of these balances.

19. Short term investments

	2021 $'000	2020 $'000
Fixed deposits with financial institutions	33,279	35,266
Fixed deposits held in trust for policyholders	16,012	19,012
	49,291	54,278
Current portion – matures within the next 12 months	49,192	54,278
Non-current portion – matures after the next 12 months	-	-
	49,291	54,278

Short term investments are fixed deposits held with financial institutions with a maturity period of more than 3 months on date of acquisition and earn interest at the respective fixed deposit rates. As at 31 December 2021 the weighted average effective interest rates was 0.05% (2020: 0.25%).

The carrying amounts of short-term investments approximate their fair value.

20. Cash and bank balances

	2021	**2020**
	$'000	$'000
Fixed deposits with financial institutions	59,609	13,171
Cash and bank balances	38,629	43,553
Fixed deposits held in trust for policyholders	15,000	9,500
Cash and bank balances held in trust for policyholders	3,764	4,539
	117,002	70,763

Included in cash and bank balances are fiduciary deposits held in trust for policyholders. As such, only $98,238,000 (2020: $56,724,000) are considered as cash and cash equivalents as reported in the cash flow statement. As at 31 December 2021 the weighted average effective interest rates was 0.08% (2020: 0.25%).

The carrying amounts of cash and cash equivalents approximate their fair value.

21. Due to agents, brokers and reinsurers

	2021	**2020**
	$'000	$'000
Amount due to agents & brokers	2,420	2,294
Amount due to reinsurers	225	263
	2,645	2,557

Amount due to agents, brokers and reinsurers are unsecured and non-interest bearing. The carrying amounts due to agents, brokers and reinsurers approximate their fair values due to the short-term nature of these balances.

22. Other liabilities

	2021	**2020**
	$'000	$'000
Cash collateral from policyholders	34,776	33,051
Other creditors and accruals	14,842	15,963
	49,618	49,014

The cash collateral obtained from policyholders are placed in cash and bank balances and fixed deposits with financial institutions. The carrying amounts of other creditors approximate their fair values due to the short-term nature of these balances.

23. Deferred tax

Deferred tax liabilities as at 31 December relates to the following:

	2021	2020
	$'000	$'000
Deferred tax liability		
Depreciation of fixed assets	355	498
Excess loss reserves	(332)	(848)
Unrealised gain on investments	78	835
	101	485

Movement in deferred tax liabilities:

	2021	2020
	$'000	$'000
Balance at 1 January	485	123
Charge/(credit) to:		
Profit or loss (note 7)	373	(189)
Fair value adjustment reserves (note 24)	(757)	551
Balance at 31 December	101	485

24. Fair value adjustment reserves

Fair value adjustment reserves represent the cumulative fair value changes, net of tax, for available-for-sale financial assets until they are disposed of or impaired.

	2021	2020
	$'000	$'000
Balance at 1 January	4,078	1,385
Change in fair value (loss)/gain on investments (note 11)	(4,455)	3,244
Deferred tax on change in fair value on investments (note 23)	757	(551)
Balance at 31 December	380	4,078

25. Financial assets and liabilities

	Note	2021 $'000	2020 $'000
Financial assets			
Investments in debt securities	11	189,668	206,558
Loans	12	210	281
Due from agents, brokers and reinsurers	16	14,989	17,101
Due from related parties	17	2,796	4,578
Other assets (excluding prepayments and right-of-use assets)	18	2,104	2,633
Short term investments	19	49,291	54,278
Cash and bank balances	20	117,002	70,763
		376,060	356,192
Financial liabilities			
Due to agents, brokers and reinsurers	21	2,645	2,557
Due to related parties	17	1,358	834
Other liabilities	22	49,618	49,014
		53,621	52,405

The above financial assets and financial liabilities are measured at amortised cost except for investments in debt securities which are measured at fair market value.

26. Loans and receivables

	Note	2021 $'000	2020 $'000
Loans	12	210	281
Due from agents, brokers and reinsurers	16	14,989	17,101
Due from related parties	17	2,796	4,578
Other assets (excluding prepayments and right-of-use assets)	18	2,104	2,633
Short term investments	19	49,291	54,278
Cash and bank balances	20	117,002	70,763
		186,392	149,634

27. Contingent liabilities - litigation

In respect of insurance agreements entered into in the normal course of business, the Company will face legal actions and has contingent liabilities arising thereon, where proceedings have been brought on behalf of various alleged classes of claimants and certain of these claimants seek damages of unspecified amounts. Whilst the outcome of such matters cannot be predicted with certainty, it is the opinion of the management that the ultimate outcome of such litigation will not have a material adverse impact on the Company's financial conditions, results of operations or cash flows.

28. Insurance and financial risk management objectives and policies

The Company has established protocols to manage its insurance risks. This section summarises these risks and the way the Company manages them.

(i) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company is a Singapore based direct insurer. The table below sets out the composition of gross written premium by class of business.

	2021	2020
	%	%
Motor	39	39
Workmen's Compensation	11	12
Accident and Health	23	21
Fire	4	5
Marine Cargo	2	2
Miscellaneous	21	21
	100	100

The Company's overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management and approval by the Board of Directors in accordance with prevailing economic and operating conditions. The Company operates a system of delegated authorities across key functions including underwriting, reinsurance management, claims management and investments.

The Company also faces insurance risks related to underwriting, the risk of incurring higher claim costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Company seeks to minimise underwriting risks with a balanced mix and spread of business between classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to security of reinsurers.

The table below sets out the concentration of the claims and premium liabilities (in percentage terms) at balance sheet date:

	Net claim liabilities		Net premium liabilities	
	2021	**2020**	**2021**	**2020**
	%	%	%	%
Motor	46	45	38	39
Workmen's Compensation	20	22	9	9
Accident and Health	9	9	17	16
Fire	10	9	4	5
Marine Cargo	1	1	1	1
Miscellaneous	14	14	31	30
	100	100	100	100

The concentration of the Company's gross written premium by insurance funds for the year ended 31 December 2021 is as follows:

	2021		**2020**	
	SIF	OIF	SIF	OIF
	$'000	$'000	$'000	$'000
Motor	67,830	-	65,483	5
Workmen's Compensation	18,787	-	19,884	1
Accident and Health	38,992	1,574	32,989	2,256
Fire	7,767	99	8,061	121
Marine Cargo	1,981	1,840	2,007	1,501
Miscellaneous	32,787	4,501	31,713	4,105
	168,144	8,014	160,137	7,989

(ii) Reinsurance risk

The Company's has in place a Reinsurance Management Strategy as approved by the Board of Directors. The primary objectives include the protection of shareholders' fund, maintain strong capital and solvency position to provide security to the policyholders and to facilitate the management of insurance risks. The Company's Reinsurance management is addressed by the following protocols:

(a) Placement of appropriate treaty or facultative reinsurance is governed by the Company's Reinsurance Management Strategy and Liberty Mutual Group Reinsurance Security Standards and protocols.

(b) Reinsurance arrangements are assessed annually to determine their effectiveness based on current exposures, historical trends, future business strategy and disaster scenario testing.

(c) Reinsurance counterparties exposure is actively monitored with reference to age of outstanding reinsurance balances and reinsurers' credit rating.

(iii) Financial risk

Other than insurance risk, the Company is exposed to interest rate, equity prices, credit, currency and liquidity risk. The board of directors reviews and approves policies which provide the framework, guidelines for overall financial risk management. These include specific areas such as interest rate risk, equity price risk, credit risk, currency risk and liquidity risk. In addition, the Company adopts more detailed operating guidelines tailored to regulatory requirements, in particular to comply with the investment limits of the respective insurance funds. Reviews of these policies are conducted annually and quarterly as business and economic conditions require.

(iv) Interest rate risk

Fixed income portfolios are affected by interest rate fluctuations as well as exposure to credit risk. A buy and hold strategy is generally assumed, particularly in respect of the Singapore funds due to the limitation of fixed interest assets available locally, and asset allocation is made primarily on yield to maturity projection of investment grade fixed income instruments. Duration risk is also taken into account to a certain extent but it is considered in conjunction with projected cash flows.

The following table sets out the carrying amount by maturity of the Company's financial assets that are exposed to interest rate risk:

	Fixed rates			
	Less than 1 year	2 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
2021				
Investments in debt securities	37,284	145,602	6,782	189,668
Short term investments	49,291	-	-	49,291
2020				
Investments in debt securities	47,022	140,122	19,414	206,558
Short term investments	54,278	-	-	54,278

The sensitivity of the Company's profit relating to loans due to changes in interest rate is insignificant. The table below demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of the Company's profit and equity, net of tax (through the impact on interest income from fixed deposits and investments in debt securities):

	Increase/ (decrease) in profit after tax $'000	Increase/ (decrease) in equity after tax $'000
2021		
Increase in 15 basis points	(485)	(485)
Decrease in 15 basis points	376	376
2020		
Increase in 15 basis points	(624)	(624)
Decrease in 15 basis points	483	483

(v) Equity price risk

The Company's investment portfolio comprises mainly of fixed income assets. As such, it has very minimal exposure to adverse changes in the prices of equity securities.

(vi) Concentration and credit risk

Financial credit risk represents the risk that the counterparties of a financial instrument may not be able to meet their obligations. The Company minimises this risk by limiting its counterparties to a sufficient number of major banks, financial institutions and listed corporations. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the management. The Company exposures are within the concentration limits set by the local regulators.

Direct credit risks represent the loss resulting from counterparty default. The fixed income and money market investment decisions are based on stringent credit selection criteria and rating by recognised rating agencies.

Credit risk arising from premiums and claims receivable from agents, brokers and reinsurers are managed through ongoing monitoring and credit evaluation on a periodic basis. The Company only deals with pre-approved reinsurance counterparties with good credit ratings.

The following table summarises the credit ratings of the Company's financial assets as at 31 December:

	Investment Grade (BBB to AAA) $'000	Not Rated $'000	Total $'000
2021			
Investments in debt securities	188,171	1,497	189,668
Loans	-	210	210
Due from agents, brokers and reinsurers	248	14,741	14,989
Due from related parties	1,123	1,673	2,796
Other assets (excluding prepayments and right-of-use assets)	1,281	823	2,104
Short term investments	49,291	-	49,291
Cash and bank balances	117,002	-	117,002
	357,116	18,944	376,060
2020			
Investments in debt securities	203,303	3,255	206,558
Loans	-	281	281
Due from agents, brokers and reinsurers	244	16,857	17,101
Due from related parties	511	4,067	4,578
Other assets (excluding prepayments and right-of-use assets)	1,467	1,166	2,633
Short term investments	54,278	-	54,278
Cash and bank balances	70,763	-	70,763
	330,566	25,626	356,192

Not rated investments in debt securities are all issued by Singapore Statutory Boards.

(vii) Foreign currency risk

The Company is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated investments, bank deposits and insurance policies. Exposures to foreign currency risks are monitored on an ongoing basis. The currencies giving rise to this risk are primarily currencies listed in the following table.

SGD Equivalents	Singapore Dollar $'000	US Dollar $'000	Malaysia Ringgit $'000	Total $'000
2021				
Investments in debt securities	188,957	711	-	189,668
Loans	75	135	-	210
Due from agents, brokers and reinsurers	13,782	1,162	45	14,989
Due from related parties	1,332	842	622	2,796
Other debtors (excluding prepayments and right use of assets)	2,093	11	-	2,104
Short term investments	49,291	-	-	49,291
Cash and bank balances	100,060	13,904	3,038	117,002
	355,590	16,765	3,705	376,060

SGD Equivalents	Singapore Dollar	US Dollar	Malaysia Ringgit	Total
	$'000	$'000	$'000	$'000
2020				
Investments in debt securities	205,831	727	-	206,558
Loans	146	135	-	281
Due from agents, brokers and reinsurers	16,268	798	35	17,101
Due from related parties	2,202	1,958	418	4,578
Other debtors (excluding prepayments and right use of assets)	2,605	28	-	2,633
Short term investments	54,278	-	-	54,278
Cash and bank balances	62,847	5,572	2,344	70,763
	344,177	9,218	2,797	356,192

Management does not consider the Company's exposure to foreign currency exchange fluctuations to be significant and therefore it does not enter into derivative contracts to manage this risk.

(viii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As at the balance sheet date, all of the Company's financial liabilities will mature within one year and all financial assets will mature within one year except as disclosed in note 28(iv).

29. Capital management

The Company's primary objectives when managing capital are:

i) To comply with the minimum capitalization requirement under the Singapore Insurance Act;

ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide security for its policyholders, returns for shareholders and benefits for other stakeholders; and

iii) To maintain a strong capital base to support the development of the business.

The Company maintains a certain level of capital to ensure solvency margins in excess of regulatory requirements are maintained which in turn protect its policyholders and compliance with regulatory requirements. The Company monitors its capital level and solvency position on a regular basis to assess whether such requirements have been met and reports to the Monetary Authority of Singapore its fund solvency and capital adequacy positions quarterly and annually.

The Company has complied with all externally imposed capital requirements in 2021 and 2020.

30. Related party transactions

(a) Transactions with related parties

The Company enters into transactions with its holding companies and its subsidiaries in the normal course of business. The purchases from related parties are made at terms and conditions that are agreed between parties.

Details of significant transactions carried out during the year with related parties are as follows:

	2021 $'000	2020 $'000
Non-Trade		
Head Office IT support services paid/payable to holding company	1,586	1,261
Head Office consulting services paid/payable to holding company	883	881
IT support services mark-up costs receive/receivable from holding company	162	-
IT infrastructure reimbursement received/receivable from holding company	119	-
Investment management fees paid/payable to a related party	282	290
Reimbursement of expenses paid/payable to a related party	297	174
Accounting service fees received/receivable from a related party (note 4)	58	58
Net management services received/receivable from related parties	3,486	3,410
Trade		
Holding Company		
Premium paid/payable	6,528	6,191
Commission received/receivable	1,021	576
Claims recovered/recoverable	175	10,704
Related Parties		
Net premium paid/payable	-	226
Net premium received/receivable	3,196	-
Net commission paid/payable	337	122
Net claims paid/payable	1,989	1,427

(b) Loans to related parties

	2021 $'000	2020 $'000
Car loans to key management personnel (note 12)	75	146

(c) Compensation of key management personnel

Key management personnel of the Company include all directors and senior management. The summary of compensation of key management personnel for the year is as follows:

	2021	**2020**
	$'000	$'000
Salaries and CPF contributions	2,322	2,356
Bonuses	1,049	1,020
Other short-term benefits	515	543

Management is of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are agreed between the parties.

Information regarding balances arising from related party transactions as at 31 December 2021 and 2020 is disclosed in note 17.

31. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 28 March 2022.