Annual Report 2020

CHUBB®

Contents

Chubb Insurance Singapore Limited
(Incoporated in Singapore)

Directors' Statement
For the financial year ended 31 December 2020

The directors present their statement to the member together with the audited financial statements of the Company for the financial year ended 31 December 2020 and the balance sheet of the Company as at 31 December 2020.

In the opinion of the directors,

(a) the balance sheet and the financial statements as set out on pages 8 to 54 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and

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

Directors

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

- Koh Choon Hui
- Olivier Bouchard
- Scott Leslie Simpson

Arrangements to enable directors to acquire shares and debentures

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

Directors' Statement

For the financial year ended 31 December 2020

Directors' interests in shares or debentures

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

	Holdings registered in the name of director or nominee	
	At 31.12.2020	At 1.1.2020
Chubb Limited, ultimate holding corporation		
Restricted stock award[1]		
Olivier Bouchard	3,032	2,878
Scott Leslie Simpson	1,255	1,106
Restricted stock options[1]		
Olivier Bouchard	8,696	7,242
Scott Leslie Simpson	2,333	1,546
Common shares at par value CHF24.15 each		
Olivier Bouchard	5,604	4,277
Scott Leslie Simpson	1,214	1,128

[1] This refers to restricted stock award and stock options granted by Chubb Limited (incorporated in Switzerland) under the Group's 2004 Long-Term Incentive Plans.

Share options

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

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

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

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

On behalf of the directors

Scott Leslie Simpson

Scott Leslie Simpson
Director

Olivier Bouchard

Olivier Bouchard
Director

30 April 2021

Annual Report 2020. Singapore. Published 06/2021.

Independent Auditor's Report To The Member Of Chubb Insurance Singapore Limited

For the financial year ended 31 December 2020

Report on the Audit of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2020;
- the balance sheet as at 31 December 2020;
- the statement of changes in equity for the financial year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("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.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not 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.

Report on the Audit of the Financial Statements (continued)

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 scepticism throughout the audit. We also:

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

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

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

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

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

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

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 30 April 2021

Statement Of Comprehensive Income

For the financial year ended 31 December 2020

	Notes	2020	2019
		$'000	$'000
Insurance premium revenue		**301,217**	309,069
Insurance premium ceded to reinsurers		**(174,277)**	(174,087)
Net insurance premium revenue	4	**126,940**	134,982
Fee income from insurance contracts		**46,745**	52,203
Investment income - Net	5	**6,836**	7,358
Other operating income	6	**9,219**	3,339
Income		**189,740**	197,882
Other losses – currency exchange		**(954)**	(1,257)
Insurance claims and loss adjustment expenses		**(141,064)**	(130,613)
Insurance claims and loss adjustment expenses recovered from reinsurers		**100,727**	92,499
Net insurance claims	7	**(40,337)**	(38,114)
Expenses for acquisition of insurance contracts		**(60,137)**	(63,162)
Expenses for asset management services received		**(428)**	(273)
Operating expenses:			
– Employee benefits	8	**(35,398)**	(35,193)
– Depreciation expense	12	**(2,333)**	(1,486)
– Depreciation of right-of-use assets	21	**(2,390)**	(2,551)
– Amortisation of intangible assets	11	**(5,948)**	(4,665)
– Other operating expenses	9	**(33,371)**	(25,891)
		(79,440)	(69,786)
Expenses		**(180,342)**	(171,335)
Profit before income tax		**8,444**	25,290
Income tax expense	10(a)	**(1,453)**	(3,857)
Net profit		**6,991**	21,433
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale:			
– Fair value gains during the financial year	20	**4,107**	4,219
– Fair value losses transferred to profit or loss on disposal	20	**(86)**	(204)
Income tax expense on fair value changes	20	**(609)**	(535)
Other comprehensive income, net of tax		**3,412**	3,480
Total comprehensive income		**10,403**	24,913

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

Balance Sheet

As at 31 December 2020

	Notes	2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	16	**30,086**	45,289
Financial assets, available-for-sale	13	**302,826**	321,604
Insurance receivables and other receivables	14	**95,260**	100,498
Reinsurance assets	15	**154,284**	120,406
		582,456	587,797
Non-current assets			
Intangible asset	11	**85,272**	91,220
Property, plant and equipment	12	**8,901**	6,307
Right-of-use asset	21	**12,404**	4,649
Investment in sublease	21	**144**	-
Reinsurance assets	15	**165,022**	133,848
		271,743	236,024
Total assets		**854,199**	823,821
Liabilities			
Current liabilities			
Insurance liabilities	15	**235,375**	208,221
Insurance payables and other payables	17	**93,357**	93,385
Lease liabilities	21	**1,385**	2,610
Current income tax liabilities	10(b)	**2,914**	4,932
		333,031	309,148
Non-current liabilities			
Insurance liabilities	15	**259,860**	224,944
Lease liabilities	21	**11,207**	2,090
Deferred income tax liabilities	18	**1,928**	869
		272,995	227,903
Total liabilities		**606,026**	537,051
Net Assets		**248,173**	286,770
Equity			
Share capital	19	**212,788**	212,788
Fair value reserve	20	**4,966**	1,554
Retained profits		**30,419**	72,428
Total Equity		**248,173**	286,770

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

Statement Of Changes In Equity

For the financial year ended 31 December 2020

	Notes	Share capital $'000	Other reserve $'000	Fair value reserve $'000	Retained profits $'000	Total Equity $'000
2020						
Beginning of financial year		212,788	-	1,554	72,428	286,770
Share based remuneration	19(b)	-	-	-	-	-
Total comprehensive gain		-	-	3,412	6,991	10,403
Dividend	25	-	-	-	(49,000)	(49,000)
End of financial year		**212,788**	**-**	**4,966**	**30,419**	**248,173**
2019						
Beginning of financial year		212,788	-	(1,926)	50,995	261,857
Share based remuneration	19(b)	-	-	-	-	-
Total comprehensive gain		-	-	3,480	21,433	24,913
End of financial year		212,788	-	1,554	72,428	286,770

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

Statement Of Cash Flows

For the financial year ended 31 December 2020

	Notes	**2020**	2019
		$'000	$'000
Cash flows from operating activities			
Net profit		**6,991**	21,433
Adjustments for:			
Income tax expense		**1,453**	3,857
Depreciation expense		**2,333**	1,486
Amortisation expense		**5,948**	4,665
Net loss on sale of property, plant and equipment		**-**	1
Net gain on sale of available-for-sale financial assets		**(86)**	(204)
Unrealised foreign exchange loss, net		**1,401**	1,067
Interest income		**(6,750)**	(7,154)
Net gain on disposal of lease and sublease		**-**	(71)
Depreciation of right-of-use assets		**2,390**	2,551
Finance income from sublease		**(7)**	(101)
Operating cash flow before working capital changes		**13,673**	27,530
Change in working capital:			
Insurance receivables and other receivables		**5,121**	19,595
Insurance payables and other payables		**(28)**	(25,206)
Net insurance liabilities		**(2,982)**	12,790
Cash generated from operations		**15,784**	34,709
Interest paid	21	**82**	312
Income tax paid - net	10(b)	**(3,023)**	(2,658)
Net cash provided by operating activities		**12,843**	32,363
Cash flows from investing activities			
Purchases of property, plant and equipment		**(5,019)**	(2,414)
Proceeds from disposal of property, plant and equipment		**92**	901
Purchases of investments		**(276,745)**	(202,073)
Proceeds from sale of investments		**297,753**	183,326
Interest received		**7,345**	6,838
Lease payment received from sublease		**218**	3,169
Net cash generated from/(used in) investing activities		**23,644**	(10,253)
Cash flows from financing activities			
Principal repayment of lease liabilities		**(2,690)**	(5,808)
Dividends paid to member of the Company	21	**(49,000)**	-
Net cash used in financing activities		**(51,690)**	(5,808)
Net (decrease)/increase in cash and cash equivalents held		**(15,203)**	16,302
Cash and cash equivalents at beginning of financial year	16	**45,289**	28,987
Cash and cash equivalents at end of financial year	16	**30,086**	45,289

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

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

1. General information

Chubb Insurance Singapore Limited (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 138 Market Street, #11-01 CapitaGreen, Singapore 048946.

The Company is licensed under the Insurance Act, Chapter 142 as a direct general insurer.

The principal activity of the Company consists of underwriting of general insurance including reinsurance of all classes of risks.

2. Significant accounting policies

(a) Basis of preparation

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

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The area involving a higher degree of judgement or complexity, or area where estimates and assumptions are significant to the financial statements is the estimation of insurance liabilities and reinsurance assets arising from claims made under insurance contracts, disclosed in Note 3 and Note 15.

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

FRS 1 Presentation of financial statements and FRS 8 Accounting policies, changes in accounting estimates and errors (Definition of material)

FRS 1 revises the definition of material to following:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The revised definition adjusts this to use the terminology "could reasonably be expected", which adds the element of reasonability, rather than any potential effect on users. The revised definition also narrows the definitions of those who may be affected from the previous term of "users" to "primary users", which further narrows the view of what may be material in a given circumstance. In addition, the revised definition adds the concept that obscuring information may also be relevant in determining whether an element is material to primary users.

2. Significant accounting policies (continued)

(b) Revenue recognition

Premiums on insurance contracts are recognised as written, at the time of inception of the policies.

Gross written premium is shown before movement in unearned premium provision and deduction of commission and is net of taxes or duties levied on premium.

Fee income from insurance contracts relates to income earned in acquiring new and/or renewing existing reinsurance contracts and certain insurance contracts and is recognised as revenue over the period in which the related services are performed.

Interest income is recognised using the effective interest method.

(c) Intangible assets

Distribution rights

Distribution rights acquired are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses (Note 2(e)). These costs are amortised to profit or loss using the discounted cashflow approach over the estimated useful life of 20 years.

(d) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2(e)).

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is recognised as part of the cost of property, plant and equipment if such obligation is incurred as a consequence of acquiring or using the asset.

Depreciation is calculated using the straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

Leasehold improvements	10% - 33 1/3%
Office equipment	10% - 20%
Furniture and fittings	10% - 33 1/3%
Computer equipment	6 2/3% - 33 1/3%

Assets less than $1,000 in value are expensed to profit or loss in the month of acquisition. Work-in-progress assets are not depreciated.

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

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

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

2. Significant accounting policies (continued)

(e) Impairment of non-financial assets

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

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in profit or loss.

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

(f) Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Receivables arising from insurance contracts and other receivables are classified in this category. Insurance receivables comprise of amounts due from insured, agents, brokers and reinsurers.

(2) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

(3) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

2. Significant accounting policies (continued)

(f) Financial assets (continued)

(4) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Financial assets, available-for-sale are subsequently carried at fair value.

Interest and dividend income on financial assets, available-for-sale, are recognised separately in profit or loss.

Changes in the fair value of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve.

(5) Impairment

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

(i) Loans and receivables

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

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

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

(ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2(f)(5)(i), a significant or prolonged decline in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense.

2. Significant accounting policies (continued)

(g) Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. When appropriate, quoted market prices or dealer quotes for similar instruments are used where appropriate. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(h) Insurance payables and other payables

Insurance payables and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

(i) Insurance contracts

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contracts are classified depending on the coverage and the terms and conditions.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Professional and Directors and Officers insurance contracts mainly indemnify the Company's customers against the legal liability as well as liability as a result of a breach of duty owed in a professional capacity in connection with the customer's business, such as negligence, misrepresentation and loss of personal data.

Marine cargo and hull insurance contracts protect the Company's customers from the financial losses resulting from marine transportation and transit which can have a drastic impact to their business.

Accident and health insurance contracts protect the Company's customers from the consequences of events such as hospitalisation, total permanent disability or death arising from accident or sickness or diagnosis for dreaded diseases. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

2. Significant accounting policies (continued)

(i) Insurance contract (continued)

Political risk insurance contracts protect the Company's customers against financial losses caused by government action or political force majeure in respect of loans (export and pre-export finance), or sales, purchases or service contracts.

Credit insurance contracts protect the lenders involved in highly structured and/or secured trade transactions against default by a borrower/obligor due to either a political or credit event or protect exporters, contractors and sponsors against the calling of on-demand guarantees.

Return of Premiums Products Plans are contracts where all or part of the premium received will be refunded after a specified number of years if the policy criteria for refund are met. The ultimate outcome of this can only be determined upon the expiry of the policies under the Plan and a provision for premium refundable for this class of policies is calculated by the in-house actuary. The best estimate of provision for premiums refund is deducted from gross written premium.

(j) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (insurance receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment losses in profit or loss. The Company gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held as loans and receivables. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 2(f).

2. Significant accounting policies (continued)

(k) Insurance liabilities

(i) Unearned premium reserve/deferred acquisition cost

The portion of premium received on in-force contract that relate to unexpired risks at the balance sheet date is reported as unearned premium reserve.

Unearned premium reserve is calculated using the 1/365th method, except for direct marketing business which is calculated using the 1/24th method, on gross premiums written less return premiums, premiums on reinsurance and deferred acquisition costs; and where policies are non refundable and claims made basis, premiums are earned immediately.

Commission and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are netted off against unearned premium provision. All other costs are recognised as expenses when incurred.

Commission income and commission expense are deferred and subsequently amortised over the life of the policies as the premiums are ceded or earned.

Unearned premium provision also includes premium deficiency provisions which are derived using actuarial methods on the Company's loss statistics.

(ii) Outstanding claims reserves

Outstanding claims reserves are estimates of claims which have been incurred and reported to the Company and estimates of losses which have occurred, but not yet reported to the Company. Provision made for claims incurred but not reported (IBNR) is based on the amount calculated and determined by an Appointed Actuary as at the balance sheet date. Any deficiency is immediately charged to profit or loss.

In line with Section 37(1) (b) of the Insurance Act, an actuarial investigation is made on the claims liabilities and a provision for adverse deviation at a minimum 75% level of confidence is included in the loss reserves.

(l) Liability adequacy test

At the balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, current best estimates of future contractual cashflows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss.

(m) Leases

When the Company is the lessee

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contact are changed.

2. Significant accounting policies (continued)

(m) Leases (continued)

When the Company is the lessee (continued)

(i) Right-of-use asset

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

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

(ii) Lease liabilities

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

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

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Short-term and low-value leases

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

(iv) Variable lease payments

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

(v) Rent concessions

As a result of COVID-19, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.

As a lessee

On 28 May 2020, an amendment to FRS 116 was issued and this amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. If the practical expedient is applied, lessees can elect to account for such rent concessions in the profit or loss instead of accounting for them as lease modifications.

The Company has elected to early adopt the amendments to FRS 116 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification, if all the following conditions are met:

2. Significant accounting policies (continued)

(m) Leases (continued)

When the Company is the lessee (continued)

(v) Rent concessions (continue)

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Company has elected to apply this practical expedient to all property leases. As a result of applying the practical expedient, rent concession of $76,182 which resulted from Government property tax relief measures was recognised as Government Grant (Note 6) in the profit or loss during the year.

When the Company is an intermediate lessor

In classifying a sublease, the Company as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Company derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in sublease. Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Company recognises lease income from sublease in profit or loss within “Other income”. The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Company allocates the consideration based on a relative stand-alone selling price basis.

(n) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that affects neither accounting nor taxable profit or loss at the time of the transaction.

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

2. Significant accounting policies (continued)

(n) Income taxes (continue)

Deferred income tax is measured:

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

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

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

(o) Provisions for other liabilities and charges

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

(p) Employee benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

(ii) Employee leave entitlement

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

(iii) Share-based compensation

The Company's ultimate holding corporation operates several share based compensation plans. The total amount of equity-settled transactions to be recognised over the vesting period is determined by reference to the fair value on the date of the grant. The cost of equity-settled transactions is recognised as an expense together with a corresponding increase in equity over the vesting period, and subsequently recharged by the Company's ultimate holding corporation.

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2. Significant accounting policies (continued)

(q) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(ii) Transaction and balances

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

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in profit or loss, and other changes are recognised in fair value reserve within equity.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gain or loss is recognised in profit or loss are reported as part of the fair value gain or loss in profit or loss. Currency translation differences on non-monetary items whereby the gains or losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets are included in the fair value reserve.

(r) Cash and cash equivalents

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

(s) Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grant are recognised in other operating income in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

(t) Share capital

Ordinary shares are classified as equity.

(u) Offsetting financial instruments

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

(v) Dividend

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

3. Critical accounting estimates, assumptions and judgements

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

(a) Insurance contract liabilities and reinsurance assets

The actuarial methods, assumptions, sensitivity analysis and process for determining the risk margin that are significant to the financial statements are disclosed in Note 15.

(b) Impact of COVID-19

The COVID-19 pandemic has resulted in economic contraction, border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments, affected almost all countries of the world, including Singapore.

Set out below is the impact of COVID-19 on the Company's financial performance reflected in this set of financial statements for the year ended 31 December 2020:

(i) The Company has assessed that going concern basis of preparation for this set of financial statements remains appropriate.

(ii) The economic contraction and movement controls measures have negatively impacted the Company's production, although the impact on the Company's overall financial performance for 2020 is insignificant.

(iii) In 2020, the Company also received government subsidies in the form of Jobs Support Scheme to encourage retention of local employees and Property tax rebate on the leased office space. The effects of such government subsidies are disclosed in Note 6.

(iv) The Company has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgement on the recoverability of assets and provisions for onerous contracts as at 31 December 2020. The significant estimates and judgement applied on impairment of trade receivables and impairment of intangible assets are disclosed in Notes 2(f)(5) and 2(c), respectively.

4. Net insurance premium revenue

	2020	2019
	$'000	$'000
Insurance contracts		
– gross written premium	**310,033**	313,460
– change in unearned premium reserve	**(8,816)**	(4,391)
Premium revenue arising from insurance contracts issued	**301,217**	309,069
Reinsurance contracts		
– ceded written premium	**(184,681)**	(174,846)
– change in unearned premium reserve	**10,404**	759
Premium revenue ceded to reinsurers for reinsurance contracts purchased	**(174,277)**	(174,087)
Net insurance premium revenue	**126,940**	134,982

5. Investment income – Net

	2020	2019
	$'000	$'000
Financial assets, available-for-sale:		
– interest income	**6,644**	7,036
Cash and cash equivalents:		
– interest income from banks	**106**	118
Net realised gains on available-for-sale financial assets (Note 20)	**86**	204
	6,836	7,358

6. Other operating income

	2020	2019
	$'000	$'000
Government grant	**5,297**	209
Recovery of expenses from related corporations	**-**	307
Management fee	**124**	231
Finance income from sublease	**7**	101
Write-back of bad debts	**3,046**	1,742
Other miscellaneous income	**745**	749
	9,219	3,339

Government grant includes $4,801,611 recognised in the financial year under the Job Support Scheme ("JSS"), of which $469,108 will be received next year, and $76,182 from Property Tax Rebate. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help employers retain local employees. JSS was granted in relation to the gross monthly wages of eligible employees.

7. Net insurance claims

	2020	2019
	$'000	$'000
Insurance claims and loss adjustment expenses		
– gross claims paid	**(89,781)**	(92,054)
– change in outstanding claims	**(51,283)**	(38,559)
	(141,064)	(130,613)
Insurance claims and loss adjustment expenses recovered from reinsurers		
– paid claims recovered	**46,079**	62,444
– change in reinsurers' share of outstanding claims	**54,648**	30,055
	100,727	92,499
Net insurance claims	**(40,337)**	(38,114)

8. Employee benefits

	2020	2019
	$'000	$'000
Wages and salaries	**29,867**	29,747
Share-based remuneration expenses (Note 19(b))	**290**	259
Staff related expenses	**2,015**	1,961
Employer's contribution to Central Provident Fund	**3,226**	3,226
	35,398	35,193

9. Other operating expenses

The following items have been included in other operating expenses during the financial year:

	2020	2019
	$'000	$'000
Management fees	**12,505**	11,379
IT related expenses	**4,013**	3,606
Lease related expenses	**374**	492
Loss on sale of property, plant and equipment	**-**	1
Write-back of allowance for impairment on insurance receivables	**(2,634)**	(9)
Bad debts written off	**5,009**	1,247
Sales incentives paid to sponsors	**47**	121
Outsourcing expenses	**4,608**	4,552
Office related expenses and utilities	**2,888**	3,209
Interest expenses on lease liabilities	**82**	312
Other expenses	**6,479**	981
	33,371	25,891

10. Income taxes

(a) Income tax expense

	2020 $'000	2019 $'000
Tax expense attributable to profit is made up of:		
– current income tax	**1,005**	4,180
– deferred income tax expense/(credit) (Note 18)	**450**	(3)
– withholding tax expense	**(2)**	93
	1,453	4,270
Over-provision in prior financial years	**-**	(413)
	1,453	3,857

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	2020 $'000	2019 $'000
Profit before income tax	**8,444**	25,290
Tax calculated at a tax rate of 17% (2019: 17%)	**1,435**	4,299
Effects of:		
– Income taxed at concessionary rate of 10%	**(224)**	(408)
– Expenses not deductible for tax purposes	**227**	256
– Income not taxable	**(137)**	-
– Singapore statutory stepped income exemption	**(17)**	(17)
– Tax incentives	**-**	(44)
– Withholding tax (credit)/expenses	**(2)**	93
– Over-provision in prior financial years	**-**	(413)
– Others	**171**	91
Tax expense	**1,453**	3,857

(b) Movements in current income tax liabilities

	2020 $'000	2019 $'000
Beginning of financial year	**4,932**	3,823
Income tax paid	**(3,034)**	(3,093)
Income tax refunded	**11**	435
Tax expense	**1,005**	4,180
Over-provision in prior financial years	**-**	(413)
End of financial year	**2,914**	4,932

11. Intangible assets

	Distribution rights	
	2020	2019
	$'000	$'000
Cost		
Beginning and end of financial year	**97,640**	97,640
Accumulated amortisation		
Beginning of financial year	**6,420**	1,755
Amortisation	**5,948**	4,665
End of financial year	**12,368**	6,420
Net carrying amount		
End of financial year	**85,272**	91,220

12. Property, plant and equipment

	Leasehold improvements	Office equipment	Furniture and fittings	Computer equipment	Work in progress ("WIP")	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2020						
Cost						
Beginning of financial year	3,925	754	871	4,916	1,346	11,812
Addition for the year	-	3	3	3,967	1,046	5,019
Transfer WIP to Computer equipment	-	-	-	1,346	(1,346)	-
Disposals	(105)	(73)	(14)	(1,399)	-	(1,591)
End of financial year	3,820	684	860	8,830	1,046	15,240
Accumulated depreciation						
Beginning of financial year	1,918	520	383	2,684	-	5,505
Depreciation charge	461	56	91	1,725	-	2,333
Disposals	(46)	(56)	(5)	(1,392)	-	(1,499)
End of financial year	2,333	520	469	3,017	-	6,339
Net book value **End of financial year**	**1,487**	**164**	**391**	**5,813**	**1,046**	**8,901**
2019						
Cost						
Beginning of financial year	3,920	1,257	1,946	3,245	635	11,003
Addition for the year	5	-	-	285	2,124	2,414
Transfer WIP to Computer equipment	-	-	-	1,389	(1,389)	-
Disposals	-	(503)	(1,075)	(3)	(24)	(1,605)
End of financial year	3,925	754	871	4,916	1,346	11,812
Accumulated depreciation						
Beginning of financial year	1,456	628	651	1,988	-	4,723
Depreciation charge	462	106	189	729	-	1,486
Disposals	-	(214)	(457)	(33)	-	(704)
End of financial year	1,918	520	383	2,684	-	5,505
Net book value **End of financial year**	**2,007**	**234**	**488**	**2,232**	**1,346**	**6,307**

13. Financial assets, available-for-sale

The movements during the year are as follows:

	2020	2019
	$'000	$'000
Beginning of financial year	**321,604**	299,656
Additions	**276,745**	202,073
Fair value gains recognised in other comprehensive income	**4,107**	4,219
Amortisation of premiums (net of discounts)	**(476)**	49
Disposals	**(297,753)**	(183,326)
Currency translation losses	**(1,401)**	(1,067)
End of financial year	**302,826**	321,604

Available-for-sale financial assets are analysed as follows:

	2020	2019
	$'000	$'000
Listed securities:		
Government securities – SGD	**98,694**	115,595
Government securities – USD	**31,051**	34,943
	129,745	150,538
Loan stocks in corporations – SGD	**117,327**	117,532
Loan stocks in corporations – USD	**55,754**	53,534
	173,081	171,066
	302,826	321,604

The loan stocks and government securities have maturity dates from January 2021 to November 2030 with the following weighted average effective interest rates:

	2020	2019
Singapore Dollar	**2.38%**	2.14%
United States Dollar	**2.07%**	2.20%

The exposure of investments to interest rate risks is disclosed in Note 23(a)(ii).

14. Insurance receivables and other receivables

	2020	2019
	$'000	$'000
Receivables from insurance and reinsurance contracts:		
– related companies	**27,387**	25,187
– third parties	**61,814**	67,773
	89,201	92,960
Less: Allowance for impairment of receivables		
– third parties	**(979)**	(3,619)
	88,222	89,341
Other receivables:		
– Prepayments	**310**	171
– Receivables from related companies	**1,949**	3,394
– Accrued interest receivable	**1,675**	1,794
– Rental and other deposits	**977**	846
– Sundry receivables	**2,127**	4,952
	7,038	11,157
Total insurance receivables and other receivables	**95,260**	100,498

The carrying amounts of insurance receivables and other receivables approximate their fair values.

The receivables from related companies are unsecured, interest-free and are repayable on demand.

15. Insurance liabilities and reinsurance assets

	2020	2019
	$'000	$'000
Gross		
Current:		
– outstanding claims reserves	**196,170**	171,250
– reserves for unearned premium	**32,452**	32,667
– no claims bonus provision	**6,175**	4,005
– provision for premiums refund	**578**	299
	235,375	208,221
Non-current:		
– outstanding claims reserves	**179,063**	**152,700**
– reserves for unearned premium	**79,331**	**70,300**
– provision for premiums refund	**1,466**	**1,944**
	259,860	224,944
Total insurance liabilities, gross	**495,235**	433,165
Recoverable from reinsurers		
Current:		
- outstanding claims reserves	**140,064**	108,660
- reserves for unearned premium	**14,220**	11,746
	154,284	120,406
Non-current:		
– outstanding claims reserves	**117,362**	94,118
– reserves for unearned premium	**47,660**	39,730
	165,022	133,848
Total reinsurer's share of insurance liabilities	**319,306**	254,254
Net		
Current:		
– outstanding claims reserves	**56,106**	62,590
– reserves for unearned premium	**18,232**	20,921
– no claims bonus provision	**6,175**	4,005
– provision for premiums refund	**578**	299
	81,091	87,815
Non-current:		
– outstanding claims reserves	**61,701**	58,582
– reserves for unearned premium	**31,671**	30,570
– provision for premiums refund	**1,466**	1,944
	94,838	91,096
Total insurance liabilities, net	**175,929**	178,911

15. Insurance liabilities and reinsurance assets (continued)

Actuarial methods, assumptions and sensitivity analysis

(a) Methods

Four standard actuarial methods (Chain ladder on Incurred and Paid Claims, Bornhuetter-Ferguson and Average Incurred Cost Development) have been applied to each class of business to determine the insurance liabilities. The selection of an appropriate method depends on the nature of the claim development and claim volatility. The Outstanding Liability is equal to the Case Estimates in situations where no further loss development is expected.

The insurance liabilities also include an appropriate allowance for allocated and unallocated future claim handling expenses. In addition, an administration expense reserve of 6.0% (2019: 5.6%) of gross premiums (or gross unearned premium reserve) and excess of loss ceded premiums has been included in the assessment of the premium liability.

(b) Assumptions

The following assumptions were used in determining the gross outstanding claim liabilities.

Ultimate claim number – current year

The ultimate claim number for the current accident year is estimated separately by class of business by projecting the number of claims reported to date based on historical reporting patterns.

Average claim size – current year

The average claim size for the current accident year is estimated separately by class of business by projecting the ultimate claims cost based on historical claim development patterns and dividing by the estimated ultimate claim number.

Unallocated claim expense rate (or indirect claim expense rate)

The unallocated claim expense rate is calculated separately by class of business based on historical unallocated claim expenses as a percentage of historical payments.

Inflation rate

The inflation rate is implicit in the valuation models used so no explicit inflation rate is used in the valuation. Movement in average claim size provides a de facto estimate of the inflation rate implied in the valuation.

15. Insurance liabilities and reinsurance assets (continued)

(c) Sensitivity analysis

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company. The table below shows how a change in each assumption will affect the outstanding claims liabilities (net) and profit or loss. As no explicit inflation rate is used in the valuation no sensitivity analysis is performed for a change in the inflation rate. Given the current low interest rate environment, the impact of discounting these at the balance sheet date is immaterial and has therefore not been analysed further.

Variables	Change in variable	Increase/ (decrease) in liability	Increase/ (decrease) in profit before tax
		$'000	$'000
Ultimate claim number - current year	+10%	6,123	(6,123)
	-10%	(6,123)	6,123
Average claim size - current year	+10%	6,123	(6,123)
	-10%	(6,123)	6,123
Unallocated claim expense rate	+1%	3,459	(3,459)
	-1%	(3,459)	3,459

(d) Process for determining risk margin

The overall risk margin was determined after allowing for uncertainty of the outstanding claim estimate. Uncertainty was analysed for each class of business taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models and the general insurance environment.

The estimate of uncertainty is greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The assumptions regarding uncertainty for each class were applied to the gross and net central estimates, and the results were aggregated to arrive at an overall provision which is intended to have a 75% probability of sufficiency. The risk margin applied in 2020 is 13.3% (2019: 12.9%).

15. Insurance liabilities and reinsurance assets (continued)

(e) Claims development tables (for all lines)

The following tables show the development of gross and net outstanding claims relative to the ultimate expected claims for the five most recent accident years:

Gross

Accident year	2016	2017	2018	2019	2020	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims costs:						
– at end of accident year	87,268	178,226	107,370	166,003	141,846	
– one year later	68,821	134,920	87,789	143,615		
– two years later	65,064	129,810	99,651			
– three years later	64,218	123,331				
– four years later	59,442					
Current estimate of cumulative claims	59,442	123,331	99,651	143,615	141,846	567,885
Cumulative payments to date	(44,695)	(105,273)	(57,115)	(65,793)	(18,206)	(291,082)
Outstanding claims	14,747	18,058	42,536	77,822	123,640	276,803
Outstanding claims in respect of prior accident years						29,433
Risk margin						44,052
Claims handling costs						24,945
Total gross outstanding claims						375,233

15. Insurance liabilities and reinsurance assets (continued)

(e) Claims development tables (for all lines) (continued)

Net

Accident year	2016	2017	2018	2019	2020	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims costs:						
– at end of accident year	40,308	31,239	37,291	46,806	41,242	
– one year later	33,468	28,508	35,476	45,092		
– two years later	36,467	27,111	35,413			
– three years later	36,961	26,059				
– four years later	33,843					
Current estimate of cumulative claims	33,843	26,059	35,413	45,092	41,242	181,649
Cumulative payments to date	(22,355)	(19,769)	(26,084)	(31,835)	(9,446)	(109,489)
Outstanding claims	11,488	6,290	9,329	13,257	31,796	72,160
Outstanding claims in respect of prior accident years						7,194
Risk margin						13,508
Claims handling costs						24,945
Total net outstanding claims						117,807

15. Insurance liabilities and reinsurance assets (continued)

(f) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Beginning of year	**323,950**	**(202,778)**	**121,172**	285,391	(172,723)	112,668
Cash paid for claims settled in the year	**(89,781)**	**46,079**	**(43,702)**	(92,054)	62,444	(29,610)
Claims incurred	**141,064**	**(100,727)**	**40,337**	130,613	(92,499)	38,114
End of year	**375,233**	**(257,426)**	**117,807**	323,950	(202,778)	121,172
Claims reported and loss adjustment expenses	**83,988**	**(80,239)**	**3,749**	53,944	(28,925)	25,019
Incurred but not reported	**247,193**	**(146,643)**	**100,550**	232,931	(150,731)	82,200
Provision for adverse deviation	**44,052**	**(30,544)**	**13,508**	37,075	(23,122)	13,953
End of year	**375,233**	**(257,426)**	**117,807**	323,950	(202,778)	121,172

(ii) Reserves for unearned premium

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Beginning of year	**102,967**	**(51,476)**	**51,491**	98,576	(50,717)	47,859
Premium written in the year	**310,033**	**(184,681)**	**125,352**	313,460	(174,846)	138,614
Premium earned in the year	**(301,217)**	**174,277**	**(126,940)**	(309,069)	174,087	(134,982)
End of year	**111,783**	**(61,880)**	**49,903**	102,967	(51,476)	51,491

(iii) Refundable bonus provision

	2020	2019
	$'000	$'000
Beginning of year	**4,005**	3,015
Provision for the year	**7,093**	5,413
Refunds during the year	**(4,923)**	(4,423)
End of year	**6,175**	4,005

15. Insurance liabilities and reinsurance assets (continued)

(f) Movements in insurance liabilities and reinsurance assets (continued)

(iv) Provision for premiums refund

	2020	2019
	$'000	$'000
Beginning of year	**2,243**	2,578
Movement for the year	**1,169**	1,397
Refunds during the year	**(1,368)**	(1,732)
End of year	**2,044**	2,243

16. Cash and cash equivalents

	2020	2019
	$'000	$'000
Cash at bank – SGD	**7,502**	25,499
Cash at bank – USD	**14,858**	12,027
Fixed deposits with financial institutions – SGD	**7,726**	7,763
	30,086	45,289

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

The Company held fixed deposits with financial institutions with an average maturity of 3 months as at the end of the financial year 2020 and 2019 with the following weighted average interest rates:

	2020	2019
Singapore Dollar	**0.03%**	1.41%

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 23(a)(ii).

17. Insurance payables and other payables

	2020 $'000	2019 $'000
Amount due to insured, agents, brokers and reinsurers:		
– related companies	**36,814**	45,180
– third parties	**11,362**	16,998
	48,176	62,178
Other payables:		
– payables to related companies	**8,919**	3,026
– share-based remuneration payable	**2,081**	1,785
– sundry creditors	**11,919**	10,280
– GST payable	**3,383**	2,823
– accrued operating expenses	**18,879**	13,293
	45,181	31,207
Total insurance payables and other payables	**93,357**	93,385

The payables to related companies are unsecured, interest-free and are repayable on demand. The carrying amounts of insurance payables and other payables approximate their fair values.

18. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet.

The movement in the deferred income tax account is as follows:

	2020 $'000	2019 $'000
Beginning of financial year	**869**	337
Tax charge/(credit) to:		
– Profit or loss (Note 10(a))	**450**	(3)
– Fair value reserve (Note 20)	**609**	535
End of financial year	**1,928**	869

18. Deferred income taxes (continued)

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

Deferred income tax liabilities/(assets):

	Accelerated tax depreciation	Fair value losses	Others	Total
	$'000	$'000	$'000	$'000
2020				
At 1 January 2020	716	235	(82)	869
Charged/(credited) to profit or loss	580	-	(130)	450
Charged to equity (Note 20)	-	609	-	609
At 31 December 2020	**1,296**	**844**	**(212)**	**1,928**
2019				
At 1 January 2019	697	(300)	(60)	337
Charged/(credited) to profit or loss	19	-	(22)	(3)
Charged to equity (Note 20)	-	535	-	535
At 31 December 2019	716	235	(82)	869

19. Share capital

(a)

	No. of shares issued	Share capital
		$'000
2020		
Beginning and end of financial year	212,788	212,788
2019		
Beginning and end of financial year	212,788	212,788

All issued ordinary shares are fully paid with no par value.

(b) Movements in share-based remuneration reserves

	2020	2019
	$'000	$'000
Beginning of financial year	**-**	-
Increase in equity due to value of employee services (Note 8)	**290**	259
Transfer to share-based remuneration payables	**(290)**	(259)
End of financial year	**-**	-

20. Fair value reserve

	2020	2019
	$'000	$'000
Beginning of financial year	**1,554**	(1,926)
Net fair value gains during the financial year	**4,107**	4,219
Deferred tax on fair value changes (Note 18)	**(609)**	(535)
Transfer to profit or loss on disposal (Note 5)	**(86)**	(204)
End of financial year	**4,966**	1,554

The fair value reserve is non-distributable.

21. Leases

(a) The Company as a lessee

The Company leases office space and photocopier machines for the purpose of business operations.

There is no externally imposed covenant on these lease arrangements.

	Office space	Office equipment	Total
	$'000	$'000	$'000
Right-of-use asset			
2020			
Cost			
Beginning of financial year	6,272	527	6,799
Lease modification	10,500	-	10,500
Transfer to net investment in sublease	(355)	-	(355)
End of financial year	16,417	527	16,944
Accumulated depreciation			
Beginning of financial year	2,105	45	2,150
Depreciation charge	2,287	103	2,390
End of financial year	4,392	148	4,540
Net book value			
End of financial year	12,025	379	12,404
Lease liabilities			
Beginning of financial year	4,218	482	4,700
Lease modification	10,500	-	10,500
Principal repayment	(2,591)	(99)	(2,690)
Interest expenses	82	-	82
End of financial year	**12,209**	**383**	**12,592**

21. Leases (continued)

(a) The Company as a lessee (continued)

	Office space	Office equipment	Total
	$'000	$'000	$'000
Right-of-use asset			
2019			
Cost			
Beginning of financial year	-	-	-
Impact arising from the adoption of FRS 116	5,518	278	5,796
Additions for the year	1,414	517	1,931
Disposals	(660)	(268)	(928)
End of financial year	6,272	527	6,799
Accumulated depreciation			
Beginning of financial year	-	-	-
Depreciation charge	2,435	116	2,551
Disposals	(330)	(71)	(401)
End of financial year	2,105	45	2,150
Net book value			
End of financial year	4,167	482	4,649
Lease liabilities			
Beginning of financial year	-	-	-
Impact arising from the adoption of FRS 116	12,317	278	12,595
Addition for the year	2,915	517	3,432
Principal repayment	(5,690)	(118)	(5,808)
Interest expenses	309	3	312
Disposals	(5,633)	(198)	(5,831)
End of financial year	**4,218**	**482**	**4,700**

The Company has revised the lease liabilities as at 31 December 2020 to include the leases for office space for the extension period of five years, as the Company is reasonably certain to exercise the extension option.

Lease expenses not capitalised in lease liabilities:

	2020	2019
	$'000	$'000
Short-term lease expense	-	464
Variable lease payments which do not depend on index or rate	-	34
Total	**-**	**498**

Total cash outflow for all leases in 2020 was $2,689,819 (2019: $5,807,853).

21. Leases (continued)

(a) The Company as a lessee (continued)

Future cash outflow which are not capitalized in lease liabilities:

Variable lease payments

The leases for some office space contain variable lease payments that are based on additional property tax incurred by landlord and recharged to the Company. Variable lease payments are expensed to profit or loss when incurred and amounted to approximately $34,000 for the financial year ended 31 December 2019. There were no such variable lease payments for the financial year ended 31 December 2020.

(b) The Company as a sublessor

The Company's sublease of its right-of-use of the office space is classified as finance lease because the sublease is for the entire remaining lease term of the head lease.

On 1 January 2020, the Company subleased part of its office space in CapitaGreen to its affiliates. Where the underlying lease remained a liability to the Company, the remaining net investment in sublease was recognised under right-of-use asset.

	2020	2019
	$'000	$'000
Net investment in sublease		
Beginning of financial year	**-**	-
Addition for the year	**355**	1,502
Lease payment received	**(218)**	(3,169)
Finance income	**7**	101
Disposals	**-**	(5,233)
End of financial year	**144**	-

As at 31 December 2019, there was no net investment in sublease.

22. Immediate and ultimate holding corporations

The Company is a wholly-owned subsidiary of ACE INA Overseas Insurance Company Ltd, incorporated in Bermuda.

The ultimate holding corporation is Chubb Limited, incorporated in Switzerland.

23. Financial risk management

The Company's activities expose it to a variety of financial risks. The components of financial risk are market risk (including currency risk, and interest rate risk), credit risk and liquidity risk.

These financial risks arise from the investment and underwriting activities of the business. Investment activity of the business is exposed to the general and specific market movements. The underwriting activity of the business generates credit and liquidity risk through insurance and reinsurance receivables and payables.

The Company's overall risk management focuses to mitigate potential adverse effects of these risks on the financial performance of the Company. The notes below explain the management of financial risks.

Underwriting activity governance

The underwriting activity is governed by the Company's Risk Management Framework. In the framework, the Board of Directors has overall risk management responsibility of the Company and approves its risk management strategy ensuring key risks are identified and managed appropriately. The framework includes the following:

(i) continuous identification of risks and the management of internal controls;
(ii) training and guidance of all relevant employees in the management of risk;
(iii) management reporting, monitoring and action to address significant issues adversely affecting the business;
(iv) implementation of loss prevention and control measures to reduce loss, injury, or damage;
(v) maintenance of the highest practicable protection standards against losses to assets and business interruption;
(vi) efficient management of information, records and loss recording systems;
(vii) implementation of proactive strategies to limit the liability of the Company and protect its reputation;
(viii) crisis management and recovery by planning for significant risks; and
(ix) cost benefit management of insurance and other risk control programs; and clearly defined managerial responsibilities and controls.

The principal investment objective of the Company is to ensure that funds will be available to meet the Company's primary insurance and reinsurance obligations. Within this broad liquidity constraint, the investment portfolio's structure seeks to maximise return subject to specifically-approved guidelines of overall asset classes, credit quality, liquidity, and volatility of expected returns. As such, the Company's investment portfolio is invested primarily in investment-grade fixed-income securities as measured by the major rating agencies.

The management of the Company's investment portfolio is the responsibility of the Investment Committee which is accountable to Chubb Asset Management Inc., incorporated in the United States of America, for monitoring, evaluating, development and coordination of the Company's investment related activities.

Investment activity governance

The Investment Committee is chaired by the Asia Pacific Regional Chief Financial Officer and is comprised of at least three members. Under the guidance of the Chubb Asset Management Inc., the Investment Committee shall:

(i) establish recommended investment guidelines that are appropriate to the prescribed asset allocation targets;
(ii) monitor performance of investment returns, reporting and internal controls for all investment activities, foreign exchange, interest rate, liquidity and credit risks and to ensure appropriate systems in place for identifying and monitoring such risks; and
(iii) recommend the appointment of fund managers.

The investment management function is outsourced to Western Asset Management Company Pte Limited.

23. Financial risk management (continued)

(a) Market risk

(i) Currency risk

The Company's currency risk arises mainly with respect to insurance business and investment activities transactions denominated in United States Dollar. United States Dollar liabilities are backed by assets in the underlying currency. Exposures to foreign currency risks are monitored on an on-going basis.

The Company's policy seeks to ensure an approximate currency match of assets and liabilities is maintained, with the bulk of surplus funds matched by Singapore Dollar and lesser surpluses held in United States Dollar.

The Company's currency exposure based on the information provided to key management is as follows:

	2020			
	SGD	USD	Others	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Available-for-sale financial assets	216,021	86,805	-	302,826
Insurance receivables and other receivables	44,787	38,359	12,114	95,260
Reinsurance assets	225,487	89,108	4,711	319,306
Cash and cash equivalents	15,228	14,858	-	30,086
	501,523	**229,130**	**16,825**	**747,478**
Financial liabilities				
Insurance liabilities	393,399	92,531	9,305	495,235
Insurance payables and other payables	47,245	40,871	5,241	93,357
	440,644	**133,402**	**14,546**	**588,592**
Currency exposure		**95,728**	**2,279**	

	2019			
	SGD	USD	Others	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Available-for-sale financial assets	233,127	88,477	-	321,604
Insurance receivables and other receivables	52,059	36,286	12,153	100,498
Reinsurance assets	197,666	51,972	4,616	254,254
Cash and cash equivalents	33,262	12,027	-	45,289
	516,114	188,762	16,769	721,645
Financial liabilities				
Insurance liabilities	359,153	64,804	9,208	433,165
Insurance payables and other payables	52,573	32,146	8,666	93,385
	411,726	96,950	17,874	526,550
Currency exposure		**91,812**	**(1,105)**	

23. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If USD changes against the SGD by 7.45% (2019: 3.10%) with all other variables including tax rate being held constant, the effects arising from the currency exposure will be as follows:

	Increase/(decrease)			
	2020		2019	
	Profit before tax	**Impact on equity**	Profit before tax	Impact on equity
	S$'000	**S$'000**	S$'000	S$'000
Increase/(Decrease)				
USD against SGD				
– strengthened	**7,131**	**5,919**	2,842	2,359
– weakened	**(7,131)**	**(5,919)**	(2,842)	(2,359)

(ii) Interest rate risks

Cashflow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The income and operating cash flows are substantially independent of the changes in market interest rates as the Company's investment policy is to only invest in fixed income securities.

A change of 63 basis points (2019: 11 basis points) for cash and bank deposits and a change of 50 basis points (2019: 50 basis points) for available-for-sale financial assets interest yield across all portfolio consecutively would increase/(decrease) the market value of the investment and equity by the amounts as shown below. This analysis assumes that all other variables remain constant.

	Increase/(decrease)			
	2020		**2019**	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	S$'000	**S$'000**	S$'000	S$'000
Cash and bank deposits				
- increased by 63 bps (2019: (11 bps))	**56**	**-**	10	-
- decreased by 63 bps (2019: (11 bps))	**(56)**	**-**	(10)	-
Available-for-sale financial assets				
- increased by 50 bps (2019: (50 bps))	**-**	**(2,831)**	-	(3,016)
- decreased by 50 bps (2019: (50 bps))	**-**	**4,572**	-	3,147

23. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are insurance receivables, reinsurance assets, investments in bonds, cash and bank deposits.

Credit risk – investment

The Company is exposed to investment credit and price risk as a result of its holdings in fixed income and equity investments. The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments; setting maximum counterparty exposures and minimum weighted credit quality and individual issuer credit quality.

Credit risk – insurance operations

The Company is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are:

(i) reinsurers' share of provision for claims outstanding;
(ii) debtors arising from reinsurers in respect of claims already paid;
(iii) amount due from direct insurance and reinsurance policyholders; and
(iv) amount due from direct insurance and reinsurance intermediaries.

Ceded reinsurance is used to manage and mitigate inwards direct insurance and reinsurance risk. Ceded reinsurance does not discharge the Company's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

With regard to direct insurance and reinsurance receivables, the Company operates a credit control committee to review all outstanding receivables, a process for monitoring credit risk from insurance operations.

The Company manages its credit risk through brokers and reinsurers that have good credit history. The Head Office approves such reinsurers based on a credit worthiness with a minimum A rating by the rating agencies.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit risk for each class of financial instruments based on information provided to key management is as follows:

	Rating* (AAA to A)	Rating* (BBB to B)	Rating* (CCC to D)	Unrated**	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 December 2020					
Insurance receivables and other receivables	27,600	13,827	14	53,819	95,260
Available-for sale financial assets	256,686	23,990	-	22,150	302,826
Cash and cash equivalents	30,073	13	-	-	30,086
	314,359	**37,830**	**14**	**75,969**	**428,172**
As at 31 December 2019					
Insurance receivables and other receivables	48,859	1,755	-	49,884	100,498
Available-for sale financial assets	217,531	35,315	-	68,758	321,604
Cash and cash equivalents	45,289	-	-	-	45,289
	311,679	37,070	-	118,642	467,391

* Based on public ratings assigned by external rating agencies including S&P, Moody's and A.M. Best.

** Unrated includes direct customers mainly for Accident & Health business.

23. Financial risk management (continued)

(b) Credit risk (continued)

Financial assets that are neither past due nor impaired

Bank deposits and investments in bonds are neither past due nor impaired. Bank deposits are placed with reputable banks and financial institutions, and investments are in bonds and government-related securities. The bond portfolio and funds placed with external manager are primarily invested in investment grade securities. Insurance receivables that are neither past due nor impaired are substantially companies with a good collection history with the Company.

There is no other class of financial assets that is past due and/or impaired except for insurance receivables.

The age analysis of insurance receivables is as follows:

	2020	2019
	$'000	$'000
Neither past due nor impaired	**60,493**	34,976
Past due but not impaired		
– Less than 3 months	**20,352**	31,903
– Above 3 months but not exceeding 9 months	**3,684**	13,303
– Above 9 months	**3,693**	9,159
	88,222	89,341

The carrying amount of insurance receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	2020	2019
	$'000	$'000
Gross Amount	**979**	3,619
Less: Allowance for impairment	**(979)**	(3,619)
	-	-
Beginning of financial year	**3,619**	3,626
Allowance made	**143**	1,511
Allowance utilised	**(2,777)**	(1,520)
Currency translation difference	**(6)**	2
End of financial year	**979**	3,619

The basis of determining impairment is set out in the accounting policy Note 2(f)(5)(i).

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. To manage liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The Company maintains its investment in fixed income instruments which are easily convertible to cash whenever needed.

The table below analyses the maturity profile of the Company's financial liabilities based on projected undiscounted cash flows.

23. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2020				
Insurance liabilities	235,375	242,398	17,462	495,235
Insurance payables and other payables	93,357	-	-	93,357
Lease liabilities	1,831	9,894	2,421	14,146
	330,563	**252,292**	**19,883**	**602,738**
As at 31 December 2019				
Insurance liabilities	210,248	219,286	13,723	443,257
Insurance payables and other payables	93,385	-	-	93,385
Lease liabilities	2,695	2,106	-	4,801
	306,328	221,392	13,723	541,443

(d) Capital risk

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements as set out in the Insurance Act (Chapter 142) Insurance (Valuation and Capital) Regulations and also MAS Notice 133 (Notice on Valuation and Capital Framework for Insurers), including any subsequent revisions to the notice and regulations. In this respect the Company manages its capital on a basis of 120% of its minimum regulatory capital position. Management considers the current capital adequacy ratio of 238% (2019: 273%) sufficient to optimise shareholder's return and to support the capital required to write its business;
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In addition to other applicable regulatory requirements, insurers are required to maintain actuarial reserves under the Insurance Act (Chapter 142) to protect against the risk of adverse development in claims reserves in the future. The amount of the actuarial reserve is disclosed in Note 15.

(e) Fair value measurements

The following table presents the assets measured at fair value and classified by level of the following fair value measurement hierarchy:

- unadjusted quoted price in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

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23. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2020				
Financial assets, available-for-sale	**30,147**	**272,679**	-	**302,826**
As at 31 December 2019				
Financial assets, available-for-sale	29,826	291,778	-	321,604

The Company uses pricing services to estimate fair value measurements for the majority of our fixed maturities. The pricing services use market quotations for fixed maturities that have quoted prices in active markets; such securities are classified within Level 1. For fixed maturities that generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Additional valuation factors that can be taken into account are nominal spreads, dollar basis, and liquidity adjustments. The pricing services evaluate each asset class based on relevant market and credit information, perceived market movements, and sector news. The market inputs used in the pricing evaluation, listed in the approximate order of priority include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. The extent of the use of each input is dependent on the asset class and the market conditions. Given the asset class, the priority of the use of inputs may change or some market inputs may not be relevant. Additionally, fixed maturities valuation is more subjective when markets are less liquid due to the lack of market based inputs (i.e., stale pricing), which may increase the potential that an investment's estimated fair value is not reflective of the price at which an actual transaction would occur. The overwhelming majority of fixed maturities are classified within Level 2 because the most significant inputs used in the pricing techniques are observable.

(f) Insurance risk

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

The Company's operations are diversified by line of business and the geographic spread of risk. A global approach to risk management allows the Company to underwrite and accept large insurance accounts.

Clearly defined underwriting authorities, standards and guidelines are in place in the Company. Experienced underwriting teams maintain underwriting discipline through the use of pricing models, sophisticated catastrophe and risk management methodologies, and strict risk selection criteria. Qualified actuaries from the region work closely with the underwriting teams to provide additional expertise in the underwriting process. Centrally-coordinated reinsurance management facilitates appropriate risk transfer and efficient cost-effective use of external reinsurance markets. Reinsurers utilised by the Company must meet certain financial experience requirements and are put through a stringent financial review process in order to be pre-approved by the Head Office's Reinsurance Security Committee, comprising senior management personnel. As a result of these controls, reinsurance is placed with a select group of only the most financially secure and experienced companies in the reinsurance industry. Consistent approach to reserving practices and the settlement of claims are also ensured. In addition to these internal controls, the Company's operating units and functional areas are subject to review by the corporate audit team that regularly carries out operational audits.

The concentration of insurance risk before and after reinsurance by territory in relation to the major lines of business is summarised below, with reference to the carrying amount of the outstanding claims reserves (gross and net of reinsurance):

23. Financial risk management (continued)

(f) Insurance risk (continued)

2020							
Territory		Financial lines	General liabilities	Accident and health	Fire	Others	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Singapore	Gross	107,239	69,528	40,405	29,263	29,382	275,817
	Net	41,557	34,259	14,439	10,275	(8,038)	92,492
Middle East	Gross	2,520	278	-	416	2,857	6,071
	Net	1,722	114	9	124	778	2,747
Other Asian Countries	Gross	9,691	8,033	246	20,648	32,432	71,050
	Net	4,383	1,613	293	5,455	15,255	26,999
Europe & USA	Gross	5,715	4,737	44	3,952	7,847	22,295
	Net	2,621	(9,404)	109	630	1,613	(4,431)
Total	**Gross**	125,165	82,576	40,695	54,279	72,518	**375,233**
	Net	50,283	26,582	14,850	16,484	9,608	**117,807**

2019							
Territory		Financial lines	General liabilities	Accident and health	Fire	Others	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Singapore	Gross	72,838	52,904	29,127	39,334	38,985	233,188
	Net	36,130	19,727	14,100	9,460	10,733	90,150
Middle East	Gross	722	73	4	56	303	1,158
	Net	584	45	2	5	26	662
Other Asian Countries	Gross	10,688	10,986	230	25,128	18,429	65,461
	Net	9,385	4,756	135	3,282	4,522	22,080
Europe & USA	Gross	6,931	9,417	-	1,902	5,893	24,143
	Net	5,066	2,440	-	383	391	8,281
Total	**Gross**	91,179	73,380	29,361	66,420	63,610	**323,950**
	Net	51,165	26,968	14,237	13,130	15,672	**121,172**

23. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities

The Company has a legally enforceable right to set off the intercompany balances with one of its related company and intends to settle on a net basis. The following table presents the recognised financial instruments that are offset as at 31 December 2020 and 31 December 2019.

	Related amounts set off in the balance sheet		
	Gross amount – financial assets	Gross amount – financial liabilities	Gross amount – presented in balance sheet
	S$'000	S$'000	S$'000
As at 31 December 2020			
Other receivables	-	-	-
Other payables	**8,451**	**(16,303)**	**(7,852)**
As at 31 December 2019			
Other receivables	16,579	(13,827)	(2,770)
Other payables	-	-	-

24. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company and related parties during the financial year at terms agreed between the parties:

(a) Sales and purchases of services

	2020	2019
	$'000	$'000
Immediate holding company		
Premium income	**7,455**	6,879
Commission expense	**(5)**	(35)
Claims paid	**(504)**	(510)
Premiums ceded	**(14,932)**	(11,903)
Commissions received	**1,890**	1,462
Claims recovered	**1,859**	3,573
Other related parties		
Premium income	**39,479**	25,542
Commission expense	**(3,870)**	(3,613)
Claims paid	**(7,664)**	(32,407)
Premiums ceded	**(145,376)**	(140,090)
Commissions received	**43,587**	49,378
Claims recovered	**37,519**	27,179
Loan from related companies	**-**	(6,763)
General expenses billed to related companies	**2,803**	5,108
General expenses allocated by regional office	**(13,566)**	(12,163)
Information processing expenses billed by a related company	**(10,418)**	(6,341)
Service fees billed by related companies	**(2,368)**	(2,452)
Service fees billed to related companies	**124**	3,388

Outstanding balances at 31 December 2020, arising from sales/purchases of services, are set out in Notes 14 and 17, respectively.

(b) Key management personnel compensation

The key management personnel compensation includes salary, bonus and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Company and when the Company did not incur any costs, the value of the benefits.

Key management personnel compensation is analysed as follows:

	2020	2019
	$'000	$'000
Salaries and other short-term employee benefits	**4,492**	3,870
Share based remuneration expenses	**127**	258
	4,619	4,128

25. Dividends

	2020	2019
	$'000	$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year	**49,000**	-

At the Annual General Meeting on 29 June 2020, a final dividend of $49,000,000 was declared to be paid out of the profits of the Company, in respect of the previous financial year to ACE INA Overseas Insurance Company Ltd.

26. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 January 2021 and which the Company has not early adopted:

(a) FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2020)

FRS 109 replaces FRS 39 *Financial instruments*: *Recognition and Measurement* and its relevant interpretations.

According to FRS 104 Amendments, the Company made the assessment based on the financial position of 31 December 2016, concluding that the carrying amount of the Company's liabilities arising from contracts within the scope of FRS 104 was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent. There had been no significant change in the activities of the Company since then that requires reassessment. Therefore, the Company's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from FRS 109.

(i) The table below presents the fair value of the following groups of financial assets under FRS 109 as at 31 December 2020 and fair value changes for the year ended 31 December 2020:

	Fair value as at		**Fair value changes for the year ended**	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI")	**405,502**	429,694	**(4,966)**	(1,554)
Financial assets that are managed and whose performance are evaluated on a fair value basis	**-**	-	**-**	-
	405,502	429,694	**(4,966)**	(1,554)

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

	Carrying amount as at	
	2020 $'000	2019 $'000
Investment grade (AAA to BBB-)	**329,843**	311,223
Not rated	**75,659**	118,471
	405,502	429,694

For financial assets measured at amortised cost, carrying amount represents amount before adjusting impairment allowance.

26. New or revised accounting standards and interpretations (continued)

(b) Deferral for FRS 117 *Insurance Contracts*

The Accounting Standards Council Singapore (the "ASC") adopted International Financial Reporting Standards ("IFRS") 17 Insurance Contracts and IFRS 9 Financial Instruments without modification into FRS 117 and FRS 109. FRS 117 Insurance Contracts will replace the current FRS 104 insurance contract standard. FRS 117 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, FRS 117 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. However, International Accounting Standards Board ("IASB") proposed in June 2019 to defer IFRS 17 and extend the temporary IFRS 9 exemption available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral was published in the Exposure Draft amendments to IFRS 17 for public consultation which ended on 25 September 2019. This was consequently approved on 18 March 2020 where the effective date has now been deferred to periods beginning on or after 1 January 2023. The ASC has announced on 2 October 2020 that they are aligning with IASB's proposed deferral for FRS 117.

(c) Others

Below are other standards and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
FRS 109 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures (Interest Rate Benchmark Reform – Phase 2)	1 January 2021
Amendments to:	
- FRS 116 Leases (Covid-19 – Related rent concessions)	1 June 2020
- FRS 9 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement and FRS 7 Financial Instruments Disclosures (Interest Rate Benchmark Reform)	1 January 2021
- References to the conceptual framework in FRS Standards	
- FRS 103 Business Combinations (Definition of business)	
- FRS 16 Property, Plant and Equipment (Proceeds before Intended Use)	1 January 2022
- FRS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)	
Amendments to:	
- FRS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)	1 January 2023

The new or amended accounting standards and interpretations above are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

The Company has elected to early adopt the amendments to FRS 116 Leases as outlined in Note 2 (m)(v).

27. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the board of directors of Chubb Insurance Singapore Limited on 30 April 2021.

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About Chubb in Singapore

Chubb is the world's largest publicly traded property and casualty insurer. Chubb Insurance Singapore Limited, via acquisitions by its predecessor companies, has been present in Singapore since 1948. Chubb in Singapore provides underwriting and risk management expertise for all major classes of general insurance. The company's product offerings include Financial Lines, Casualty, Property, Marine, Industry Practices as well as Group insurance solutions for large corporates, multinationals, small and medium-sized businesses. In addition, to meet the evolving needs of consumers, it also offers a suite of tailored Accident & Health and Personal & Specialty insurance options through a multitude of distribution channels including bancassurance, independent distribution partners and affinity partnerships.

Over the years, Chubb in Singapore has established strong client relationships by delivering responsive service, developing innovative products and providing market leadership built on financial strength.

More information can be found at www.chubb.com/sg.

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