Annual Report 2022

CHUBB®

Contents

Annual Report 2022

Chubb Insurance Singapore Limited
(Incorporated in Singapore)

Directors' Statement

For the financial year ended 31 December 2022

The directors present their statement to the member together with the audited financial statements of the Company for the financial year ended 31 December 2022 and the balance sheet of the Company as at 31 December 2022.

In the opinion of the directors,

(a) the balance sheet and the financial statements as set out on pages 6 to 58 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 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
- Hng Keng Yoong (appointed on 1 March 2023)

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.

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For the financial year ended 31 December 2022

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 31.12.2022	At 1.1.2022
Chubb Limited, ultimate holding corporation		
Restricted stock award[1] Olivier Bouchard	3,022	3,094
Restricted stock options[1] Olivier Bouchard	10,291	10,333
Common shares at par value CHF24.15 each Olivier Bouchard	8,262	6,971

[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

Hng Keng Yoong

Hng Keng Yoong
Director

Olivier Bouchard

Olivier Bouchard
Director

25 April 2023

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

For the financial year ended 31 December 2022

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 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2022 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 2022;
- the balance sheet as at 31 December 2022;
- 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 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.

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.

Independent Auditor’s Report To The Member Of Chubb Insurance Singapore Limited (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, 25 April 2023

Statement Of Comprehensive Income

For the financial year ended 31 December 2022

	Notes	2022	2021
		$'000	$'000
Insurance premium revenue Insurance premium ceded to reinsurers		**376,840** **(215,508)**	320,644 (184,742)
Net insurance premium revenue	4	**161,332**	135,902
Fee income from insurance contracts Investment income - Net Other operating income	 5 6	**55,790** **6,512** **2,182**	50,267 5,286 1,844
Income		**225,816**	193,299
Insurance claims and loss adjustment expenses Insurance claims and loss adjustment expenses recovered from reinsurers		**(142,358)** **97,611**	(94,005) 57,957
Net insurance claims	7	**(44,747)**	(36,048)
Expenses for acquisition of insurance contracts Expenses for asset management services received		**(76,268)** **(436)**	(66,048) (346)
Operating expenses:			
– Employee benefits	8	**(37,482)**	(34,686)
– Depreciation expense	12	**(3,105)**	(2,956)
– Depreciation of right-of-use assets	21	**(2,408)**	(2,278)
– Amortisation of intangible assets	11	**(6,950)**	(6,560)
– Other operating expenses	9	**(38,813)**	(28,797)
		(88,758)	(75,277)
Expenses		**(210,209)**	(177,719)
Other (losses)/gains - currency exchange		**(1,710)**	1,568
Profit before income tax		**13,897**	17,148
Income tax expense	10(a)	**(2,339)**	(1,470)
Net profit		**11,558**	15,678
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale:			
– Fair value losses during the financial year	20	**(13,983)**	(5,610)
– Fair value gains/(losses) transferred to profit or loss on disposal	20	**1**	(113)
Income tax credit on fair value changes	20	**1,996**	840
Other comprehensive loss, net of tax		**(11,986)**	(4,883)
Total comprehensive (loss)/income		**(428)**	10,795

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

Balance Sheet

As at 31 December 2022

	Notes	2022	2021
		$'000	$'000
Assets			
Current assets			
Cash and cash equivalents	16	**47,753**	51,821
Financial assets, available-for-sale	13	**338,259**	317,718
Insurance receivables and other receivables	14	**83,122**	108,852
Reinsurance assets	15	**170,152**	150,912
		639,286	629,303
Non-current assets			
Intangible asset	11	**71,762**	78,712
Property, plant and equipment	12	**11,669**	10,941
Right-of-use asset	21	**9,298**	10,233
Reinsurance assets	15	**204,420**	-
Deferred income tax assets	18	**484**	181,250
		297,633	281,136
Total assets		**936,919**	910,439
Liabilities			
Current liabilities			
Insurance liabilities	15	**280,555**	249,487
Insurance payables and other payables	17	**107,642**	111,355
Lease liabilities	21	**2,474**	2,152
Current income tax liabilities	10(b)	**2,822**	2,652
		393,493	365,646
Non-current liabilities			
Insurance liabilities	15	**312,858**	275,505
Lease liabilities	21	**8,028**	9,101
Deferred income tax liabilities	18	**-**	1,219
		320,886	285,825
Total liabilities		**714,379**	651,471
Net Assets		**222,540**	258,968
Equity			
Share capital	19	**212,788**	212,788
Fair value reserve	20	**(11,903)**	83
Retained profits		**21,655**	46,097
Total Equity		**222,540**	258,968

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

Statement Of Changes In Equity

For the financial year ended 31 December 2022

	Share capital	Fair value reserve	Retained profits	Total equity
	$'000	$'000	$'000	$'000
2022				
Beginning of financial year	212,788	83	46,097	258,968
Total comprehensive gain	-	(11,986)	11,558	(428)
Dividend	-	-	(36,000)	(36,000)
End of financial year	**212,788**	**(11,903)**	**21,655**	**222,540**
2021				
Beginning of financial year	212,788	4,966	30,419	248,173
Total comprehensive gain	-	(4,883)	15,678	10,795
End of financial year	212,788	83	46,097	258,968

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

Statement Of Cash Flows

For the financial year ended 31 December 2022

	Notes	2022	2021
		$'000	$'000
Cash flows from operating activities			
Net profit		**11,558**	15,678
Adjustments for:			
Income tax expense	10(a)	**2,339**	1,470
Depreciation expense	12	**3,105**	2,956
Amortisation expense	11	**6,950**	6,560
Net loss on disposal of property, plant and equipment		**-**	995
Net gain on sale of available-for-sale financial assets		**1**	(113)
Unrealised foreign exchange (gain)/loss, net		**821**	(1,568)
Interest income		**(6,513)**	(5,173)
Interest expense		**464**	447
Depreciation of right-of-use assets	21(a)	**2,408**	2,278
Finance income from sublease	21(b)	**-**	(1)
Operating cash flow before working capital changes		**21,133**	23,529
Change in working capital:			
Insurance receivables and other receivables		**25,846**	(13,715)
Insurance payables and other payables		**(3,753)**	18,328
Net insurance liabilities		**26,011**	16,901
Cash generated from operations		**69,237**	45,043
Income tax paid - net	10(b)	**(1,836)**	(1,931)
Net cash provided by operating activities		**67,401**	43,112
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,833)**	(5,991)
Purchases of investments		**(465,061)**	(375,881)
Proceeds from sale of investments	13	**430,130**	356,079
Interest received		**5,983**	6,164
Lease payment received from sublease	21(b)	**-**	145
Net cash (used in)/generated from investing activities		**(32,781)**	(19,484)
Cash flows from financing activities			
Principal repayment of lease liabilities	21(a)	**(2,688)**	(1,893)
Dividends paid to member of the Company		**(36,000)**	-
Net cash used in financing activities		**(38,688)**	(1,893)
Net increase/(decrease) in cash and cash equivalents held		**(4,068)**	21,735
Cash and cash equivalents at beginning of financial year	16	**51,821**	30,086
Cash and cash equivalents at end of financial year	16	**47,753**	51,821

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

For the financial year ended 31 December 2022

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 1966 (the "Insurance Act") 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 2022

On 1 January 2022, 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.

(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.

For the financial year ended 31 December 2022

2. **Significant accounting policies** (continued)

(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% - 20%
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.

(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.

For the financial year ended 31 December 2022

2. **Significant accounting policies** (continued)

(e) Impairment of non-financial assets (continued)

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.

(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.

2. **Significant accounting policies** (continued)

(f) Financial assets (continued)

(4) Subsequent measurement (continued)

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.

(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.

For the financial year ended 31 December 2022

2. **Significant accounting policies** (continued)

(g) Fair value estimation (continued)

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 contracts (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).

(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 $1/365^{th}$ method, except for direct marketing business which is calculated using the $1/24^{th}$ 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.

For the financial year ended 31 December 2022

2. **Significant accounting policies** (continued)

(i) Unearned premium reserve/deferred acquisition cost (continued)

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 95 (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.

(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.

For the financial year ended 31 December 2022

2. **Significant accounting policies** (continued)

(m) Leases (continued)

(ii) Lease liability

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.

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.

2. **Significant accounting policies** (continued)

(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.

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.

For the financial year ended 31 December 2022

2. **Significant accounting policies** (continued)

(p) Employee benefits (continued)

(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.

(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) Transactions 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 grants 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.

For the financial year ended 31 December 2022

2. **Significant accounting policies** (continued)

(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 member 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.

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.

4. Net insurance premium revenue

	2022	2021
	$'000	$'000
Insurance contracts		
– gross written premium	**371,370**	329,593
– change in unearned premium reserve	**5,470**	(8,949)
Premium revenue arising from insurance contracts issued	**376,840**	320,644
Reinsurance contracts		
– ceded written premium	**(212,638)**	(192,063)
– change in unearned premium reserve	**(2,870)**	7,321
Premium revenue ceded to reinsurers for reinsurance contracts purchased	**(215,508)**	(184,742)
Net insurance premium revenue	**161,332**	135,902

For the financial year ended 31 December 2022

5. Investment income - Net

	2022	2021
	$'000	$'000
Financial assets, available-for-sale: – interest income	**6,266**	5,074
Cash and cash equivalents: – interest income from banks	**247**	99
Net realised gains on available-for-sale financial assets (Note 20)	**(1)**	113
	6,512	5,286

6. Other operating income

	2022	2021
	$'000	$'000
Government grant	**803**	307
Management fee from related company	**191**	272
Finance income from sublease	**-**	1
Write-back of bad debts	**725**	619
Other miscellaneous income	**463**	645
	2,182	1,844

7. Net insurance claims

	2022	2021
	$'000	$'000
Insurance claims and loss adjustment expenses		
– gross claims paid	**(72,923)**	(75,040)
– change in outstanding claims	**(69,435)**	(18,965)
	(142,358)	(94,005)
Insurance claims and loss adjustment expenses recovered from reinsurers		
– paid claims recovered	**52,331**	52,422
– change in reinsurers' share of outstanding claims	**45,280**	5,535
	97,611	57,957
Net insurance claims	**(44,747)**	(36,048)

For the financial year ended 31 December 2022

8. Employee benefits

	2022	2021
	$'000	$'000
Wages and salaries	**30,982**	29,027
Share-based remuneration expenses (Note 19(b))	**229**	405
Staff related expenses	**2,903**	2,235
Employer's contribution to Central Provident Fund	**3,368**	3,019
	37,482	34,686

9. Other operating expenses

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

	2022	2021
	$'000	$'000
Management fees paid to related companies	**16,248**	10,740
IT related expenses	**4,783**	4,101
Lease related expenses	**383**	334
Loss on sale of property, plant and equipment	**-**	995
Write-back of allowance for impairment on insurance receivables	**86**	(480)
Bad debts written off	**691**	210
Sales incentives paid to sponsors	**175**	72
Outsourcing expenses	**5,311**	5,054
Office related expenses and utilities	**3,553**	2,663
Interest expenses on lease liabilities	**464**	447
Advertising expenses	**3,472**	2,540
Bank charges	**1,231**	1,041
Other expenses	**2,416**	1,080
	38,813	28,797

10. Income taxes

(a) Income tax expense

	2022	2021
	$'000	$'000
Tax expense attributable to profit is made up of:		
– current income tax	**2,006**	2,409
– deferred income tax expense (Note 18)	**293**	131
– withholding tax expense/(credit)	**40**	(330)
	2,339	2,210
Over-provision in prior financial years	**-**	(740)
	2,339	1,470

For the financial year ended 31 December 2022

10. Income taxes (continued)

(a) Income tax expense (continued)

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

	2022	2021
	$'000	$'000
Profit before income tax	**13,897**	17,148
Tax calculated at a tax rate of 17% (2020: 17%)	**2,362**	2,916
Effects of:		
– Income taxed at concessionary rate of 10%	**(547)**	(819)
– Expenses not deductible for tax purposes	**500**	504
– Singapore statutory stepped income exemption	**(17)**	(17)
– Tax incentives	**-**	(44)
– Withholding tax expense/(credit)	**40**	(330)
– Over-provision of income tax in prior financial years	**-**	(740)
– Others	**1**	-
Tax expense	**2,339**	1,470

(b) Movements in current income tax liabilities

	2022	2021
	$'000	$'000
Beginning of financial year	**2,652**	2,914
Income tax paid	**(1,836)**	(1,931)
Tax expense	**2,006**	2,409
Over-provision in prior financial years	**-**	(740)
End of financial year	**2,882**	2,652

11. Intangible assets

	Distribution rights	
	2022	2021
	$'000	$'000
Cost		
Beginning and end of financial year	**97,640**	97,640
Accumulated amortisation		
Beginning of financial year	**18,928**	12,368
Amortisation	**6,950**	6,560
End of financial year	**25,878**	18,928
Net carrying amount		
End of financial year	**71,762**	78,712

For the financial year ended 31 December 2022

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
2022						
Cost						
Beginning of financial year	3,566	488	735	12,356	1,567	18,712
Addition for the year	1,050	-	154	2,113	516	3,833
Transfer WIP to Computer equipment	-	-	-	1,407	(1,407)	-
End of financial year	4,616	488	889	15,876	676	22,545
Accumulated depreciation						
Beginning of financial year	1,712	435	206	5,418	-	7,771
Depreciation charge	529	14	130	2,432	-	3,105
End of financial year	2,241	449	336	7,850	-	10,876
Net book value **End of financial year**	**2,375**	**39**	**553**	**8,026**	**676**	**11,669**
2021						
Cost						
Beginning of financial year	3,820	684	860	8,830	1,046	15,240
Addition for the year	1,464	-	465	2,580	1,482	5,991
Transfer WIP to Computer equipment	-	-	-	961	(961)	-
Disposals	(1,718)	(196)	(590)	(15)	-	(2,519)
End of financial year	3,566	488	735	12,356	1,567	18,712
Accumulated depreciation						
Beginning of financial year	2,333	520	469	3,017	-	6,339
Depreciation charge	411	38	91	2,416	-	2,956
Disposals	(1,032)	(123)	(354)	(15)	-	(1,524)
End of financial year	1,712	435	206	5,418	-	7,771
Net book value **End of financial year**	**1,854**	**53**	**529**	**6,938**	**1,567**	**10,941**

For the financial year ended 31 December 2022

13. Financial assets, available-for-sale

The movements during the year are as follows:

	2022	2021
	$'000	$'000
Beginning of financial year	**317,718**	302,826
Additions	**465,061**	375,881
Fair value losses recognised in other comprehensive income	**(13,983)**	(5,610)
Accretion/(Amortisation) of premiums (net of discounts)	**414**	(869)
Disposals	**(430,130)**	(356,079)
Currency translation (losses)/gains	**(821)**	1,569
End of financial year	**338,259**	317,718

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

	2022	2021
	$'000	$'000
Listed securities:		
Government securities – SGD	**140,977**	109,000
Government securities – USD	**28,463**	26,971
	169,440	135,971

	2022	2021
	$'000	$'000
Debt securities		
- SGD	**135,389**	135,354
- USD	**33,430**	46,393
	168,819	181,747
	338,259	317,718

The loan stocks and government securities have maturity dates from January 2023 to October 2031 (2021: January 2022 to November 2030) with the following weighted average effective interest rates:

	2022	2021
Singapore Dollar	**1.72%**	1.93%
United States Dollar	**1.56%**	1.77%

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

For the financial year ended 31 December 2022

14. Insurance receivables and other receivables

	2022	2021
	$'000	$'000
Receivables from insurance and reinsurance contracts:		
– Immediate holding company	451	1,567
– related companies	17,677	18,629
– third parties	59,924	64,978
	78,052	85,174
Less: Allowance for impairment of receivables		
– third parties	(585)	(499)
	77,467	84,675
Other receivables:		
– Prepayments	299	86
– Receivables from immediate holding company	-	20,000
– Receivables from related companies	1,278	792
– Accrued interest receivable	1,669	1,553
– Rental and other deposits	1,188	996
– Sundry receivables	1,221	750
	5,655	24,177
Total insurance receivables and other receivables	83,122	108,852

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

	2022	2021
	$'000	$'000
Gross		
Current:		
– outstanding claims reserves	232,735	202,645
– reserves for unearned premium	34,627	38,190
– no claims bonus provision	13,037	8,562
– provision for premiums refund	156	90
	280,555	249,487
Non-current:		
– outstanding claims reserves	230,898	191,553
– reserves for unearned premium	80,635	82,542
– provision for premiums refund	1,325	1,410
	312,858	275,505
Total insurance liabilities, gross	593,413	524,992

For the financial year ended 31 December 2022

15. **Insurance liabilities and reinsurance assets** (continued)

Recoverable from reinsurers		
Current: - outstanding claims reserves - reserves for unearned premium	 **152,170** **17,982**	 131,685 19,227
	170,152	150,912
Non-current: – outstanding claims reserves – reserves for unearned premium	 **156,071** **48,349**	 131,276 49,974
	204,420	181,250
Total reinsurer's share of insurance liabilities	**374,572**	332,162
Net		
Current: – outstanding claims reserves – reserves for unearned premium – no claims bonus provision – provision for premiums refund	 **80,565** **16,645** **13,037** **156**	 70,960 18,963 8,562 90
	110,403	98,575
Non-current: – **outstanding claims reserves** – **reserves for unearned premium** – **provision for premiums refund**	 **74,827** **32,286** **1,325**	 60,277 32,568 1,410
	108,438	94,255
Total insurance liabilities, net	**218,841**	192,830

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 5.5% (2021: 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.

For the financial year ended 31 December 2022

15. **Insurance liabilities and reinsurance assets** (continued)

(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.

(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.

Variables	Change in variable	Increase/ (decrease) in liability	Increase/ (decrease) in profit before tax
		$'000	$'000
Ultimate claim number - current year	+10%	7,241	(7,241)
	-10%	(7,241)	7,241
Average claim size - current year	+10%	7,241	(7,241)
	-10%	(7,241)	7,241
Unallocated claim expense rate	+1%	4,241	(4,241)
	-1%	(4,241)	4,241

For the financial year ended 31 December 2022

15. **Insurance liabilities and reinsurance assets** (continued)

(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 2022 is 13.4% (2021: 13.2%).

For the financial year ended 31 December 2022

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	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	$'000	$'000	$'000	**$'000**	**$'000**	$'000
Estimate of ultimate claims costs:						
– at end of accident year	107,370	166,003	141,846	128,262	**153,269**	
– one year later	87,789	143,615	119,569			
– two years later	99,651	135,716				
– three years later	100,396					
– four years later						
Current estimate of cumulative claims	100.396	135,716	119,569	128,262	**153,269**	615,942
Cumulative payments to date	(72,875)	(82,421)	(31,737)	(16,642)	**(19,067)**	(270,536)
Outstanding claims	27,521	53,295	87,832	111,620	**134,202**	345,406
Outstanding claims in respect of prior accident years						30,141
Risk margin						54,645
Claims handling costs						33.44
Total gross outstanding claims						463.63

For the financial year ended 31 December 2022

15. **Insurance liabilities and reinsurance assets** (continued)

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

Net

Accident year	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	$'000	$'000	$'000	**$'000**	**$'000**	$'000
Estimate of ultimate claims costs:						
– at end of accident year	37,291	46,806	41,242	44,220	**48,537**	
– one year later	35,476	45,092	35,377	39,829		
– two years later	35,413	44,029	32,079			
– three years later	34,653	43,761				
– four years later	33,494					
Current estimate of cumulative claims	33,494	43,761	32,079	39,829	**48,537**	197,700
Cumulative payments to date	(30,082)	(34,315)	(20,792)	(19,301)	**(7,586)**	(112,076)
Outstanding claims	3,412	9,446	11,287	20,528	**40,951**	85,624
Outstanding claims in respect of prior accident years						18,542
Risk margin						17,785
Claims handling costs						33,441
Total net outstanding claims						155,392

For the financial year ended 31 December 2022

15. **Insurance liabilities and reinsurance assets** (continued)

(f) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims

	2022			2021		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Beginning of financial year	**394,198**	**(262,961)**	**131,237**	375,233	(257,426)	117,807
Cash (paid) / recovered for claims settled in the year	**(72,923)**	**52,331**	**(20,592)**	(75,040)	52,422	(22,618)
Claims incurred	**142,358**	**(97,611)**	**44,747**	94,005	(57,957)	36,048
End of financial year	**463,633**	**308,241**	**155,392**	394,198	(262,961)	131,237
Claims reported and loss adjustment expenses	**75,332**	**(56,220)**	**19,112**	68,914	(61,254)	7,660
Incurred but not reported	**333,656**	**(215,161)**	**118,495**	279,231	(170,612)	108,619
Provision for adverse deviation	**54,645**	**(36,860)**	**17,785**	46,053	(31,095)	14,958
End of financial year	**463,633**	**308,241**	**155,392**	394,198	(262,961)	131,237

(ii) Reserves for unearned premium

	2022			2021		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Beginning of financial year	**120,732**	**(69,201)**	**51,531**	111,783	(61,880)	49,903
Premium written / (ceded) in the year	**371,370**	**(212,638)**	**158,732**	329,593	(192,063)	137,530
Premium earned in the year	**(376,840)**	**215,508**	**(161,332)**	(320,644)	184,742	(135,902)
End of financial year	**115,262**	**(66,331)**	**48,931**	120,732	(69,201)	51,531

(iii) No claims bonus provision

	2022	2021
	$'000	$'000
Beginning of financial year	**8,562**	6,175
Provision for the year	**11,246**	8,440
Refunds during the year	**(6,771)**	(6,053)
End of financial year	**13,037**	8,562

For the financial year ended 31 December 2022

15. **Insurance liabilities and reinsurance assets** (continued)

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

(iv) Provision for premiums refund

	2022	2021
	$'000	$'000
Beginning of financial year	**1,500**	2,044
Movement for the year	**905**	1,032
Refunds during the year	**(924)**	(1,576)
End of financial year	**1,481**	1,500

16. Cash and cash equivalents

	2022	2021
	$'000	$'000
Cash at bank – SGD	**17,981**	14,023
Cash at bank – USD	**24,209**	30,067
Fixed deposits with financial institutions – SGD	**5,563**	7,731
	47,753	**51,821**

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 years 2022 and 2021 with the following weighted average interest rates:

	2022	2021
Singapore Dollar	**3.92%**	0.13%

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

For the financial year ended 31 December 2022

17. Insurance payables and other payables

	2022	2021
	$'000	$'000
Amount due to insured, agents, brokers and reinsurers:		
– immediate holding company	**2,784**	1,050
– related companies	**37,387**	41,268
– third parties	**19,227**	17,939
	59,398	60,257
Other payables:		
– payables to related companies	**3,758**	10,309
– advanced premium received	**128**	128
– cash collateral	**40**	40
– share-based remuneration payable	**1,101**	1,262
– sundry creditors	**17,950**	17,478
– GST payable	**3,123**	2,258
– accrued operating expenses	**22,144**	19,623
	48,244	51,098
Total insurance payables and other payables	**107,642**	111,355

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 amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2022	2021
	$'000	$'000
Beginning of financial year	**1,219**	1,928
Tax charge/(credit) to:		
– Profit or loss (Note 10(a))	**293**	131
– Fair value reserve (Note 20)	**(1,996)**	(840)
End of financial year	**(484)**	1,219

For the financial year ended 31 December 2022

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
2022				
At 1 January 2022	1,472	4	(257)	1,219
Charged to profit or loss	112	-	181	293
Credited to equity (Note 20)	-	(1,996)	-	(1,996)
At 31 December 2022	**1,584**	**(1,992)**	**(76)**	**(484)**
2021				
At 1 January 2021	1,296	844	(212)	1,928
Charged/(credited) to profit or loss	176	-	(45)	131
Charged to equity (Note 20)	-	(840)	-	(840)
At 31 December 2021	1,472	4	(257)	1,219

19. Share capital

(a)

	No. of shares issued	Share capital
		$'000
2022		
Beginning and end of financial year	212,788	212,788
2021		
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

	2022	2021
	$'000	$'000
Beginning of financial year	**-**	-
Increase in equity due to value of employee services (Note 8)	**229**	405
Transfer to share-based remuneration payables	**(229)**	(405)
End of financial year	**-**	-

For the financial year ended 31 December 2022

20. Fair value reserve

	2021	2020
	$'000	$'000
Beginning of financial year	**83**	4,966
Net fair value gains during the financial year	**(13,983)**	(5,610)
Deferred tax on fair value changes (Note 18)	**1,996**	840
Transfer to profit or loss on disposal (Note 5)	**1**	(113)
End of financial year	**(11,903)**	83

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 **2022**			
Cost			
Beginning of financial year	16,524	527	17,051
Additions for the year	1,473	-	1,473
End of financial year	17,997	527	18,524
Accumulated depreciation			
Beginning of financial year	6,567	251	6,818
Depreciation charge	2,305	103	2,408
End of financial year	8,872	354	9,226
Net book value **End of financial year**	**9,125**	**173**	**9,298**
Lease liabilities			
Beginning of financial year	10,973	280	11,253
Additions for the year	1,473	-	1,473
Principal repayment	(2,585)	(103)	(2,688)
Interest expenses	464	-	464
End of financial year	**10,325**	**177**	**10,502**

For the financial year ended 31 December 2022

21. Leases (continued)

(a) The Company as a lessee (continued)

	Office space	Office equipment	Total
	$'000	$'000	$'000
Right-of-use asset **2021**			
Cost			
Beginning of financial year Lease modification	16,417 107	527 -	16,944 107
End of financial year	16,524	527	17,051
Accumulated depreciation			
Beginning of financial year Depreciation charge	4,392 2,175	148 103	4,540 2,278
End of financial year	6,567	251	6,818
Net book value **End of financial year**	9,957	276	10,233
Lease liabilities			
Beginning of financial year Lease modification Principal repayment Interest expenses	12,209 107 (1,790) 447	383 - (103) -	12,592 107 (1,893) 447
End of financial year	10,973	280	11,253

	2022	2021
	$'000	$'000
Lease liabilities		
Current Non-current	**2,474** **8,028**	2,152 9,101
	10,502	11,253

Total cash outflow for all leases in 2022 was $2,688,000 (2021: $1,892,811).

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.

For the financial year ended 31 December 2022

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.

<u>Underwriting activity governance</u>

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.

For the financial year ended 31 December 2022

23. Financial risk management (continued)

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.

(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:

	2022			
	SGD	USD	Others	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Available-for-sale financial assets	276,366	61,893	-	338,259
Insurance receivables and other receivables	42,187	32,498	8,437	83,122
Reinsurance assets	287,641	78,830	8,101	374,572
Cash and cash equivalents	23,544	24,209	-	47,753
	629,738	**197,430**	**16,538**	**843,706**
Financial liabilities				
Insurance liabilities	492,227	88,461	12,725	593,413
Insurance payables and other payables	62,084	41,981	3,577	107,642
	554,311	**130,442**	**16,302**	**701,055**
Currency exposure		**66,988**	**236**	

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	2021			
	SGD	USD	Others	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Available-for-sale financial assets	244,354	73,364	-	317,718
Insurance receivables and other receivables	58,182	35,438	15,232	108,852
Reinsurance assets	253,751	69,066	9,346	332,163
Cash and cash equivalents	21,754	30,067	-	51,821
	578,041	207,935	24,578	810,554
Financial liabilities				
Insurance liabilities	430,969	80,471	13,552	524,992
Insurance payables and other payables	59,971	37,752	13,632	111,355
	490,940	118,223	27,184	636,347
Currency exposure		**89,712**	**(2,606)**	

If USD changes against the SGD by 6.48% (2021: 3.41%) with all other variables including tax rate being held constant, the effects arising from the currency exposure will be as follows:

	← Increase/(decrease) →			
	2022		2021	
	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	**4,342**	**3,604**	3,058	2,538
– weakened	**(4,342)**	**(3,604)**	(3,058)	(2,538)

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(a) Market risk (continued)

(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 50 basis points ("bps") (2021: 50 bps) 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) →			
	2022		2021	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	S$'000	**S$'000**	S$'000	S$'000
Available-for-sale financial assets				
- increased by 50 bps (2021: (50 bps))	**-**	**(2,376)**	-	(1,848)
- decreased by 50 bps (2021: (50 bps))	**-**	**2,429**	-	4,365

(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.

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(b) Credit risk (continued)

Credit risk - insurance operations (continued)

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 2022					
Insurance receivables and other receivables	23,723	152	-	59,247	83,122
Available-for sale financial assets	295,098	19,014	-	24,147	338,259
Cash and cash equivalents	47,753	-	-	-	47,753
	366,574	**19,166**	-	**83,394**	**469,134**
As at 31 December 2021					
Insurance receivables and other receivables	43,126	180	-	65,546	108,852
Available-for sale financial assets	267,335	21,575	-	28,808	317,718
Cash and cash equivalents	51,808	13	-	-	51,821
	362,269	21,768	-	94,354	478,391

* Based on public ratings assigned by external rating agencies including S&P, Moody's and A.M. Best.
** Unrated receivables includes direct customers mainly for Accident & Health business.

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(b) Credit risk (continued)

Credit risk - insurance operations (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:

	2022	2021
	$'000	$'000
Neither past due nor impaired	**51,230**	68,633
Past due but not impaired		
– Less than 3 months	**13,193**	5,601
– Above 3 months but not exceeding 9 months	**4,032**	7,069
– Above 9 months	**9,012**	3,372
	77,467	84,675

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

	2022	2021
	$'000	$'000
Gross Amount	**585**	499
Less: Allowance for impairment	**(585)**	(499)
	-	-
Beginning of financial year	**499**	979
Allowance made	**364**	377
Allowance utilised	**(278)**	(857)
Currency translation difference	**-**	-
End of financial year	**585**	499

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

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(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.

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000
As at 31 December 2022				
Insurance liabilities	280,555	294,311	18,547	593,413
Insurance payables and other payables	107,642	-	-	107,642
Lease liabilities	2,844	8,526	-	11,370
	391,041	**302,837**	**18,547**	**712,425**
As at 31 December 2021				
Insurance liabilities	249,489	259,249	16,254	524,992
Insurance payables and other payables	111,355	-	-	111,355
Lease liabilities	2,544	9,817	-	12,361
	363,388	269,066	16,254	648,708

(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, 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 208% (2021: 268%) 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 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.

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(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).

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
As at 31 December 2022				
Financial assets, available-for-sale	**26,242**	**312,017**	**-**	**338,259**
As at 31 December 2021				
Financial assets, available-for-sale	24,430	293,288	-	317,718

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.

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(f) Insurance risk (continued)

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):

2022							
Territory		**Financial lines**	**General liabilities**	**Accident and health**	**Fire**	**Others**	**Total**
		$'000	$'000	$'000	$'000	$'000	$'000
Singapore	Gross	126,229	88,962	38,715	49,381	17,636	320,923
	Net	50,180	33,845	17,435	13,014	(2,974)	111,500
Middle East	Gross	384	319	59	553	4,327	5,642
	Net	149	121	59	121	807	1,257
Other Asian Countries	Gross	14,405	11,486	834	34,589	41,658	102,972
	Net	5,705	4,603	679	10,239	8,902	30,128
Europe & USA	Gross	8,054	8,615	233	7,590	9,604	34,096
	Net	3,131	4,628	200	3,019	1,529	12,507
Total	**Gross**	149,072	109,382	39,841	92,113	73,225	**463,633**
	Net	59,165	43,197	18,373	26,393	8,264	**155,392**

For the financial year ended 31 December 2022

23. Financial risk management (continued)

(f) Insurance risk (continued)

2021							
Territory		**Financial lines**	**General liabilities**	**Accident and health**	**Fire**	**Others**	**Total**
		$'000	$'000	$'000	$'000	$'000	$'000
Singapore	Gross	108,364	73,011	48,989	35,012	23,799	289,175
	Net	39,998	30,529	18,172	9,035	(4,023)	93,711
Middle East	Gross	272	216	-	391	2,963	3,842
	Net	119	95	52	88	690	1,044
Other Asian Countries	Gross	10,148	7,688	1,059	23,958	35,499	78,352
	Net	4,390	3,428	691	7,779	11,078	27,366
Europe & USA	Gross	5,717	4,997	73	5,060	6,982	22,829
	Net	2,496	2,567	157	2,177	1,719	9,116
Total	**Gross**	124,501	85,912	50,121	64,421	69,243	**394,198**
	Net	47,003	36,619	19,072	19,079	9,464	**131,237**

(g) <u>Offsetting financial assets and financial liabilities</u>

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 2022 and 31 December 2021.

	Related amounts set off in the balance sheet		
	Gross amount – financial assets	Gross amount – financial liabilities	Gross amount – presented in balance sheet
	$'000	$'000	$'000
As at 31 December 2022			
Other payables	223	(1,597)	(1,374)
As at 31 December 2021			
Other payables	546	(9,803)	(9,257)

For the financial year ended 31 December 2022

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

	2022	2021
	$'000	$'000
Immediate holding company		
Premium income	**8,779**	9,998
Commission expense	**(23)**	(7)
Claims paid	**(102)**	(395)
Premiums ceded	**(16,078)**	(27,143)
Commissions received	**2,006**	2,135
Claims recovered	**70**	1,139
Other related parties		
Premium income	**32,777**	34,171
Commission expense	**(3,067)**	(3,782)
Claims paid	**(3,104)**	(15,684)
Premiums ceded	**(168,372)**	(134,757)
Commissions received	**52,424**	46,178
Claims recovered	**51,703**	46,005
General expenses billed to related companies	**1,013**	1,017
General expenses allocated by regional office	**(16,888)**	(12,153)
Information processing expenses billed by a related company	**(8,923)**	(8,594)
Service fees billed by related companies	**(3,112)**	(2,316)
Service fees billed to related companies	**191**	272

Outstanding balances at 31 December 2022, 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:

	2022	2021
	$'000	$'000
Salaries and other short-term employee benefits	**4,496**	4,519
Share based remuneration expenses	**1,002**	180
	5,498	4,699

25. Dividends

	2021	2020
	$'000	$'000
Ordinary dividends paid Final dividend paid in respect of the previous financial year	**36,000**	-

At the Extraordinary General Meeting on 11 February 2022, a final dividend of $20,000,000 was declared to be paid out of the profits of the Company, in respect of the financial year ended 31 December 2020 to ACE INA Overseas Insurance Company Ltd.

At the Annual General Meeting on 29 June 2022, a final dividend of $16,000,000 was declared to be paid out of the profits of the Company, in respect of the financial year ended 31 December 2021 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 2023 and which the Company has not early adopted:

Description	**Effective for annual periods beginning on or after**
Amendments to: - FRS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current) - FRS 1 Presentation of Financial Statements and FRS Practice Statement 2 (Disclosure of Accounting Policies) - FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) - FRS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - FRS 117 Insurance Contracts (Initial Application of FRS 117 and FRS 109 – Comparative Information)	1 January 2023
FRS 117 Insurance Contracts	1 January 2023
FRS 109 Financial Instruments (deferral option)	1 January 2023
Amendments to: - FRS 1 Presentation of Financial Statements (Non-current Liabilities with Covenants) - FRS 116 Leases (Lease Liability in a Sale and Leaseback)	1 January 2024
Amendments to: - FRS 110 Consolidated Financial Statements and FRS 28 Investment in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be determined

The new or amended accounting standards and interpretations above are not mandatory for 31 December 2023 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.

For the financial year ended 31 December 2022

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

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.

On 25 June 2020, the IASB issued the amendments to IFRS 4 and IFRS 17, the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. ASC has announced on 2nd October 2020 that they are aligning with IASB's proposed deferral for FRS 117.

On 9 December 2021, the IASB issued a narrow amendment to the transition requirements of IFRS 17 which provides entities that first apply IFRS 17 and IFRS 9 at the same time with an option to present comparative information about certain financial assets as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets. The Company is in the midst of implementing the new standard and is expecting to report its financial statements under FRS 117 for the year ending 31 December 2023.

The standard must be applied retrospectively with restatement of comparatives unless impracticable. Management, in alignment with Chubb's global project plan, has a project plan in place relating to the adoption of this standard which is now nearing completion but not yet finalized.

The Company will present its balance sheet and statement of profit or loss on a go- forward basis in compliance with FRS 117. The presentation of the balance sheet and income statement will be substantially different from the presentation under FRS 104.

Under FRS 117, assets and liabilities associated with insurance contracts issued will be presented as insurance contract assets and insurance contract liabilities and assets and liabilities associated with reinsurance contracts held will be presented as reinsurance contract assets and reinsurance contract liabilities. Insurance and reinsurance contract balances will comprise of the liability for incurred claims ("LIC") and liability for remaining coverage ("LRC").

The statement of profit or loss will reflect insurance revenue as the key revenue line, while insurance service expenses will capture the Company's gross losses and expenses associated with servicing policies. Results associated with reinsurance, both premium and claim related, will be reflected in the new line, net (income)/ expenses from reinsurance contracts held. Insurance finance income (expense) will mainly include the accretion of the discount rate on insurance contract assets and liabilities and impact of changes in interest rates.

Underwriting performance will be presented in the statement of income under insurance service result which will be composed of:

- Insurance revenue which includes premiums related to direct and assumed business allocated based on the passage of time of insurance contracts, similar to FRS 104.
- Insurance service expenses which include incurred claims and expenses related to direct and assumed business, amortization of insurance acquisition cash flows, and losses and reversal of losses on onerous contracts.
- Net income (expenses) from reinsurance contracts held which includes revenues and expenses related to ceded business.

For the financial year ended 31 December 2022

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

FRS 117 *Insurance Contracts* (continued)

The Company's significant accounting policy decisions include:

Measurement model: FRS 117 provides an option to use a Premium Allocation Approach (PAA), for contracts that have a coverage period of one year or less or if certain eligibility criteria is met for longer term contracts. The Company's insurance contracts will be measured using the premium allocation approach ("PAA"). The accounting under the PAA is largely similar to the current approach under FRS 104.

Unit of account: the Company has defined its units of account for insurance contracts issued to align with the lines of business that it uses to report to its primary regulator. For reinsurance contracts held, the unit of account corresponds to the legal form of the reinsurance contract held.

Onerous contracts: Contracts are recognized as onerous if they are expected to be loss making at inception. These contracts form their own groups, and expected losses are immediately recognized in the statement of profit or loss.

Recognition and derecognition: the Company has determined that its recognition and derecognition points will not differ significantly between FRS 104 and FRS 117.

Risk adjustment: the Company will use the margins approach, calibrated at 75th percentile.

Discount rate: Under FRS 117, the key change is that the discount rate is now explicitly required to consider the timing and liquidity characteristics of the cash flows in insurance contracts, which may be different from the assets supporting those liabilities. All the financial impacts associated with the accretion of the discount rate and changes in discount rates will be reflected in the statement of profit or loss. The Company's policy liabilities are undiscounted under FRS 104.

Non-Directly Attributable Expenses: Certain non-directly attributable expenses were included within the estimate of future cash flows under FRS 104, while these expenses will be excluded from the estimate of future cash flows under FRS 117, and instead expensed as incurred.

Transition: For contracts measured under the PAA, the Company applied the modified retrospective approach.

The transition impact on insurance contract liabilities largely stems from differences arising from discounting methodology, difference in recognition of LRC and recognition of loss components.

FRS 109 *Financial Instruments (Deferral option)*

(a) Disclosure on temporary exemption from FRS 109 *Financial Instruments*

According to FRS 104 Amendments, the Company made the assessment based on the financial position of 31 December 2015, 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.

For the financial year ended 31 December 2022

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

FRS 109 *Financial Instruments (Deferral option)* (continued)

(a) Disclosure on temporary exemption from FRS 109 Financial Instruments (continued)

(i) The table below presents the fair value of the following groups of financial assets under FRS 109 as at 31 December 2022 and fair value changes for the year ended 31 December 2022:

	Fair value as at		Fair value changes for the year ended	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'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")	**468,835**	478,305	**(12,011)**	(4,883)
Financial assets that are managed and whose performance are evaluated on a fair value basis	**-**	-	**-**	-
	468,835	478,305	**(12,011)**	(4,883)

(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	
	2022 $'000	**2021 $'000**
Investment grade (AAA to BBB-)	**385,740**	384,037
Not rated	**83,095**	94,268
	468,835	478,305

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

(b) Transition

The Company plans to adopt the new standard retrospectively from 1 January 2023, in line with the transition provisions permitted under the standard. Comparatives for 2022 will not be restated and the Company will recognise any difference between the carrying amounts at 31 December 2022 and 1 January 2023 in the opening retained earnings.

(c) Debt investments reclassified from available-for-sale to FVTPL

The Company plans to elect to recognise changes in fair value of all its debt investments classified as available-for sale, in profit or loss upon adoption of FRS 109.

For the financial year ended 31 December 2022

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 25 April 2023.

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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