Annual Report 2019

Contents

Annual Report 2019

Chubb Insurance Singapore Limited
(Incoporated in Singapore)

Directors' Statement
For the financial year ended 31 December 2019

The directors present their statement to the shareholder together with the audited financial statements of the Company for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the balance sheet and the financial statements as set out on pages 8 to 51 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and

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

Directors

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

- Koh Choon Hui
- Olivier Bouchard
- Scott Leslie Simpson

Arrangements to enable directors to acquire shares and debentures

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

Directors' Statement

For the financial year ended 31 December 2019

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 31.12.2019	At 1.1.2019
Chubb Limited, ultimate holding corporation		
Restricted stock award[1] Olivier Bouchard Scott Leslie Simpson	 2,878 1,106	 2,795 545
Restricted stock options[1] Olivier Bouchard Scott Leslie Simpson	 7,242 1,546	 5,561 799
Common shares at par value CHF24.15 each Olivier Bouchard Scott Leslie Simpson	 4,277 1,128	 2,917 511

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

Share options

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

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

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

Independent auditor

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

On behalf of the directors

Scott Leslie Simpson

Scott Leslie Simpson
Director

Olivier Bouchard

Olivier Bouchard
Director

30 April 2020

Annual Report 2019. Singapore. Published 06/2020.

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

For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of Chubb Insurance Singapore Limited (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2019 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 financial year 31 December 2019;
- the balance sheet as at 31 December 2019;
- the statement of changes in equity for the financial year then ended;
- the statement of cash flows for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement" on pages 3 to 4 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 Shareholder Of Chubb Insurance Singapore Limited

For the financial year ended 31 December 2019

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 30 April 2020

Statement Of Comprehensive Income

For the financial year ended 31 December 2019

	Notes	2019	2018
		$	$
Insurance premium revenue		**309,068,678**	285,327,489
Insurance premium ceded to reinsurers		**(174,086,917)**	(167,536,503)
Net insurance premium revenue	3	**134,981,761**	117,790,986
Fee income from insurance contracts		**52,202,355**	48,937,852
Investment income - Net	4	**7,358,137**	5,582,216
Other operating income	5	**3,339,309**	4,269,371
Income		**197,881,562**	176,580,425
Other (losses)/gains – currency exchange		**(1,256,392)**	694,251
Insurance claims and loss adjustment expenses		**(130,613,750)**	(52,240,104)
Insurance claims and loss adjustment expenses recovered from reinsurers		**92,499,413**	22,593,460
Net insurance claims	6	**(38,114,337)**	(29,646,644)
Expenses for acquisition of insurance contracts		**(63,161,883)**	(61,991,219)
Expenses for asset management services received		**(272,768)**	(237,595)
Operating expenses:			
– Employee benefits	7	**(35,192,879)**	(32,630,795)
– Depreciation expense	11	**(1,486,510)**	(1,086,101)
– Depreciation of right-of-use assets	20	**(2,550,575)**	-
– Amortisation of intangible assets	10	**(4,664,636)**	(1,755,540)
– Other operating expenses	8	**(25,891,359)**	(50,054,923)
		(69,785,959)	(85,527,359)
Expenses		**(171,334,947)**	(177,402,817)
Profit/(Loss) before income tax		**25,290,223**	(128,141)
Income tax expense	9(a)	**(3,857,140)**	(3,131,815)
Net profit/(loss)		**21,433,083**	(3,259,956)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale:			
– Fair value gains/(losses) during the financial year	19	**4,218,777**	(1,087,304)
– Fair value (losses)/gains transferred to profit or loss on disposal	19	**(204,244)**	106,239
Income tax (expense)/credit on fair value changes	19	**(534,498)**	164,433
Other comprehensive income/(losses), net of tax		**3,480,035**	(816,632)
Total comprehensive income/(losses)		**24,913,118**	(4,076,588)

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

Balance Sheet

As at 31 December 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	15	**45,289,357**	28,986,943
Financial assets, available-for-sale	12	**321,603,538**	299,656,105
Insurance receivables and other receivables	13	**100,498,497**	119,920,473
Reinsurance assets	14	**160,136,209**	147,197,723
		627,527,601	595,761,244
Non-current assets			
Intangible asset	10	**91,219,824**	95,884,460
Property, plant and equipment	11	**6,306,760**	6,281,332
Right-of-use asset	20	**4,648,607**	-
Reinsurance assets	14	**94,117,818**	76,241,781
		196,293,009	178,407,573
Total assets		**823,820,610**	774,168,817
Liabilities			
Current liabilities			
Insurance liabilities	14	**278,521,299**	255,498,535
Insurance payables and other payables	16	**93,385,120**	118,591,365
Lease liabilities	20	**2,609,181**	-
Current income tax liabilities	9(b)	**4,932,058**	3,823,528
		379,447,658	377,913,428
Non-current liabilities			
Insurance liabilities	14	**154,643,605**	134,061,616
Lease liabilities	20	**2,091,318**	-
Deferred income tax liabilities	17	**868,228**	337,090
		157,603,151	134,398,706
Total liabilities		**537,050,809**	512,312,134
Net Assets		**286,769,801**	261,856,683
Equity			
Share capital	18	**212,788,000**	212,788,000
Fair value reserve	19	**1,553,978**	(1,926,057)
Retained profits		**72,427,823**	50,994,740
Total Equity		**286,769,801**	261,856,683

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

Statement Of Changes In Equity

For the financial year ended 31 December 2019

	Notes	Share capital	Other reserve	Fair value reserve	Retained profits	Total Equity
		$	$	$	$	$
2019						
Beginning of financial year		212,788,000	-	(1,926,057)	50,994,740	261,856,683
Share based remuneration	18(b)	-	-	-	-	-
Total comprehensive gain		-	-	3,480,035	21,433,083	24,913,118
End of financial year		**212,788,000**	**-**	**1,553,978**	**72,427,823**	**286,769,801**
2018						
Beginning of financial year		95,000,000	117,788,000	(1,109,425)	60,254,696	271,933,271
Issuance of shares	18(a)	117,788,000	(117,788,000)	-	-	-
Share based remuneration	18(b)	-	-	-	-	-
Total comprehensive loss		-	-	(816,632)	(3,259,956)	(4,076,588)
Dividend		-	-	-	(6,000,000)	(6,000,000)
End of financial year		212,788,000	-	(1,926,057)	50,994,740	261,856,683

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

Statement Of Cash Flows

For the financial year ended 31 December 2019

	Notes	**2019** $	2018 $
Cash flows from operating activities			
Net profit/(loss)		**21,433,083**	(3,259,956)
Adjustments for:			
Income tax expense		**3,857,140**	3,131,815
Depreciation expense		**1,486,510**	1,086,101
Amortisation expense		**4,664,636**	1,755,540
Net loss on sale of property, plant and equipment		**662**	-
Net (gain)/loss on sale of available-for-sale financial assets		**(204,244)**	106,239
Unrealised foreign exchange loss/(gains), net		**1,067,008**	(1,398,748)
Interest income		**(7,153,893)**	(5,688,455)
Net gain on disposal of lease and sublease		**(71,968)**	-
Depreciation of right-of-use assets		**2,550,575**	-
Finance income from sublease		**(100,528)**	-
Operating cash flow before working capital changes		**27,528,981**	(4,267,464)
Change in working capital:			
Insurance receivables and other receivables		**19,595,404**	(29,959,283)
Insurance payables and other payables		**(25,206,245)**	35,204,033
Net insurance liabilities		**12,790,230**	14,383,003
Cash generated from operations		**34,708,370**	15,360,289
Interest paid	20	**312,414**	-
Income tax paid - net	9(b)	**(2,658,379)**	(2,194,445)
Net cash provided by operating activities		**32,362,405**	13,165,844
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,413,616)**	(1,611,409)
Proceeds from disposal of property, plant and equipment		**901,016**	-
Purchases of investments		**(202,073,162)**	(128,492,767)
Proceeds from sale of investments		**183,325,748**	85,796,356
Intangible assets acquired		**-**	(83,000,000)
Interest received		**6,838,625**	6,191,268
Lease payment received from sublease		**3,169,144**	-
Net cash used in investing activities		**(10,252,245)**	(121,116,552)
Cash flows from financing activities			
Principal repayment of lease liabilities		**(5,807,746)**	-
Dividends paid to shareholder of the Company	20	**-**	(6,000,000)
Net cash generated from financing activities		**(5,807,746)**	(6,000,000)
Net increase/(decrease) in cash and cash equivalents held		**16,302,414**	(113,950,708)
Cash and cash equivalents at beginning of financial year	15	**28,986,943**	142,937,651
Cash and cash equivalents at end of financial year	15	**45,289,357**	28,986,943

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

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

1. General information

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

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

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

2. Significant accounting policies

(a) Basis of preparation

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

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The area involving a higher degree of judgement or complexity, or area where estimates and assumptions are significant to the financial statements is the estimation of ultimate liability arising from claims made under insurance contracts, disclosed in Note 14.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application 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 except for the adoption of FRS 116 *Leases*.

Adoption of FRS 116 *Leases*

When the Company is the lessee

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

The Company's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2(m).

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

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

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

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

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

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

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

When the Company is the lessee (continued)

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

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

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

There were no onerous contracts as at 1 January 2019.

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

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

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

(iii) The difference between the carrying amounts of the right-of-use assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

When the Company is the intermediate lessor

The Company leases office space under a head lease arrangement and subleases the office space to related parties as an intermediate lessor. Prior to the adoption of FRS 116, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under FRS 116, accounting by the Company as an intermediate lessor depends on the classification of the sublease with reference to the right-of-use asset arising from the head lease rather than the underlying asset.

On 1 January 2019, the Company has reassessed the classification of the sublease based on the remaining contractual terms and conditions of the head lease. Based on this assessment, the sublease of office space is reassessed as finance lease and net investment in sublease.

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

	$
Right-of-use assets	**5,796,130**
Net investment in sublease	**6,799,305**
Lease liabilities	**12,595,435**

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

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

When the Company is the intermediate lessor (continued)

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

	$
Operating lease commitments disclosed as at 31 December 2018	**14,856,218**
Less: Discounting effect using weighted average incremental borrowing rate of 3.00%	**(465,298)**
Less: Service and maintenance charges not capitalised as at 1 January 2019	**(2,073,795)**
Add: Operating lease commitments not disclosed as at 31 December 2018	**278,310**
Lease liabilities recognised as at 1 January 2019	**12,595,435**

(b) Revenue recognition

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

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

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

Interest income is recognised using the effective interest method.

(c) Intangible assets

Distribution rights

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

(d) Property, plant and equipment

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

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

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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.

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.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. 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. Significant accounting policies (continued)

(f) Financial assets (continued)

(1) Classification (continued)

(ii) Financial assets, available-for-sale

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

(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.

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.

2. Significant accounting policies (continued)

(f) Financial assets (continued)

(5) Impairment (continued)

(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.

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 and other payables

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

(i) Insurance

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).

2. Significant accounting policies (continued)

(i) Insurance (continued)

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.

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 and other 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).

Annual Report 2019. Singapore. Published 06/2020.

2. Significant accounting policies (continued)

(k) Insurance liabilities

(i) Unearned premium reserve/deferred acquisition cost

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

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

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

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

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

(ii) Outstanding claims reserves

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

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

(l) Liability adequacy test

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

(m) Finance leases

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

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

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

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

When the Company is the lessee

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

2. Significant accounting policies (continued)

(m) Finance leases (continued)

When the Company is the lessee (continued)

(i) Right-of-use asset

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

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

(ii) Lease liabilities

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

(a) there is a change in future lease payments arising from changes in an index or rate; or

(b) there is a change in the Company's assessment of whether it will exercise an extension option; or

(c) 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.

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

(1) 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.

(2) 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.

(3) 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.

2. Significant accounting policies (continued)

(q) Currency translation

(1) 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.

(2) Transaction and balances

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

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

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

(r) Cash and cash equivalents

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

(s) Government grants

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

(t) Share capital

Ordinary shares are classified as equity.

(u) Offsetting financial instruments

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

(v) Dividend

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

Annual Report 2019. Singapore. Published 06/2020.

3. Net insurance premium revenue

	2019	2018
	$	$
Insurance contracts		
– gross written premium	**313,460,009**	297,701,757
– change in unearned premium reserve	**(4,391,331)**	(12,374,268)
Premium revenue arising from insurance contracts issued	**309,068,678**	285,327,489
Reinsurance contracts		
– ceded written premium	**(174,846,025)**	(171,314,729)
– change in unearned premium reserve	**759,108**	3,778,226
Premium revenue ceded to reinsurers for reinsurance contracts purchased	**(174,086,917)**	(167,536,503)
Net insurance premium revenue	**134,981,761**	117,790 ,986

4. Investment income – Net

	2019	2018
	$	$
Financial assets, available-for-sale:		
– interest income	**7,035,687**	5,583,345
Cash and cash equivalents:		
– interest income from banks	**118,206**	105,110
Net realised (losses)/gains on available-for-sale financial assets (Note 19)	**204,244**	(106,239)
	7,358,137	5,582,216

5. Other operating income

	2019	2018
	$	$
Government grant	**209,381**	252,043
Recovery of expenses from related corporations	**306,692**	392,705
Management fee	**231,611**	1,778,701
Finance income from sublease	**100,528**	-
Write-back of bad debts	**1,741,507**	397,616
Other miscellaneous income	**749,590**	1,448,306
	3,339,309	4,269,371

6. Net insurance claims

	2019	2018
	$	$
Insurance claims and loss adjustment expenses		
– gross claims paid	**(92,054,263)**	(90,222,979)
– change in outstanding claims	**(38,559,487)**	37,982,875
	(130,613,750)	(52,240,104)
Insurance claims and loss adjustment expenses recovered		
– paid claims recovered	**62,443,998**	66,588,267
– change in outstanding claims	**30,055,415**	(43,994,807)
	92,499,413	22,593,460
Net insurance claims	**(38,114,337)**	(29,646,644)

7. Employee benefits

	2019	2018
	$	$
Wages and salaries	**29,746,977**	26,802,730
Share-based remuneration expenses (Note 18(b))	**259,298**	259,294
Staff related expenses	**1,960,394**	2,426,563
	31,966,669	29,488,587
Employer's contribution to Central Provident Fund	**3,226,210**	3,142,208
	35,192,879	32,630,795

8. Other operating expenses

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

	2019	2018
	$	$
Management fees	**11,379,005**	10,338,106
IT related expenses	**3,606,101**	3,050,137
Rental on operating lease	**491,637**	2,684,511
Loss on sale of property, plant and equipment	**662**	-
(Write-back)/impairment of insurance receivables	**(9,415)**	713,942
Bad debts written off	**1,246,976**	356,273
Sales incentives paid to sponsors	**121,200**	22,411
Outsourcing expenses	**4,552,326**	5,538,525
Office related expenses and utilities	**3,208,910**	2,605,714
Service fees	**-**	18,190,000
Interest expenses on lease liabilities	**312,414**	-
Other expenses	**981,543**	6,555,304
	25,891,359	50,054,923

9. Income tax

(a) Income tax expense

	2019	2018
	$	$
Tax expense attributable to profit is made up of:		
– current income tax	**4,180,363**	3,095,960
– deferred income tax (Note 17)	**(3,360)**	(70,173)
– withholding tax expenses	**93,591**	106,028
	4,270,594	3,131,815
Over-provision in prior financial years	**(413,454)**	-
	3,857,140	3,131,815

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

	2019	2018
	$	$
(Loss)/profit before income tax	**25,290,223**	(128 ,141)
Tax calculated at a tax rate of 17% (2018: 17%)	**4,299,338**	(21,784)
Effects of:		
– Income taxed at concessionary rate of 10%	**(407,583)**	(191,842)
– Expenses not deductible for tax purposes	**255,944**	3,335,164
– Singapore statutory stepped income exemption	**(17,425)**	(25,925)
– Tax incentives	**(44,233)**	(68,372)
– Withholding tax expenses	**93,591**	106,028
– Over-provision in prior financial years	**(413,454)**	-
– Others	**90,962**	(1,454)
Tax expense	**3,857,140**	3,131,815

(b) Movements in current income tax liabilities

	2019	2018
	$	$
Beginning of financial year	**3,823,528**	2,922,013
Income tax paid	**(3,092,857)**	(2,194,445)
Income tax refunded	**434,478**	-
Tax expense	**4,180,363**	3,095,960
Over-provision in prior financial years	**(413,454)**	-
End of financial year	**4,932,058**	3,823,528

10. Intangible assets

	Distribution rights	
	2019	2018
	$	$
Cost		
Beginning of financial year	**97,640,000**	14,640,000
Additions	**-**	83,000,000
End of financial year	**97,640,000**	97,640,000
Accumulated amortisation		
Beginning of financial year	**1,755,540**	-
Amortisation	**4,664,636**	1,755,540
End of financial year	**6,420,176**	1,755,540
Net carrying amount		
End of financial year	**91,219,824**	95,884,460

11. Property, plant and equipment

	Leasehold improvements	Office equipment	Furniture and fittings	Computer equipment	Work in progress (WIP)	Total
	$	$	$	$	$	$
2019						
Cost						
Beginning of financial year	3,920,075	1,257,017	1,946,431	3,244,534	635,849	11,003,906
Additions for the year	4,710	-	-	285,346	2,123,560	2,413,616
Transfer WIP to Computer equipment	-	-	-	1,389,148	(1,389,148)	-
Disposals	-	(502,968)	(1,075,281)	(3,253)	(24,180)	(1,605,682)
End of financial year	3,924,785	754,049	871,150	4,915,775	1,346,081	11,811,840
Accumulated depreciation						
Beginning of financial year	1,455,828	628,001	650,850	1,987,895	-	4,722,574
Depreciation charge	462,035	106,078	189,193	729,204	-	1,486,510
Disposals	-	(213,676)	(456,995)	(33,333)	-	(704,004)
End of financial year	1,917,863	520,403	383,048	2,683,766	-	5,505,080
Net book value						
End of financial year	**2,006,922**	**233,646**	**488,102**	**2,232,009**	**1,346,081**	**6,306,760**
2018						
Cost						
Beginning of financial year	3,884,707	1,252,595	1,909,429	2,151,268	194,498	9,392,497
Addition for the year	35,368	4,422	37,002	427,497	1,107,120	1,611,409
Transfer WIP to Computer equipment	-	-	-	665,769	(665,769)	-
End of financial year	3,920,075	1,257,017	1,946,431	3,244,534	635,849	11,003,906
Accumulated depreciation						
Beginning of financial year	993,606	514,685	452,273	1,675,909	-	3,636,473
Depreciation charge	462,222	113,316	198,577	311,986	-	1,086,101
End of financial year	1,455,828	628,001	650,850	1,987,895	-	4,722,574
Net book value						
End of financial year	**2,464,247**	**629,016**	**1,295,581**	**1,256,639**	**635,849**	**6,281,332**

12. Financial assets, available-for-sale

The movements during the year are as follows:

	2019	2018
	$	$
Beginning of financial year	**299,656,105**	257,442,877
Additions	**202,073,162**	128,492,767
Fair value gains/(losses) recognised in other comprehensive income	**4,218,777**	(1,087,304)
Amortisation of premiums (net of discounts)	**48,250**	(794,627)
Disposals	**(183,325,748)**	(85,796,356)
Currency translation (losses)/gains	**(1,067,008)**	1,398,748
End of financial year	**321,603,538**	299,656,105

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

	2019	2018
	$	$
Listed securities:		
Government securities – SGD	**115,594,707**	106,079,234
Government securities – USD	**34,943,420**	32,435,114
	150,538,127	138,514,348
Loan stocks in corporations – SGD	**117,531,670**	107,168,240
Loan stocks in corporations – USD	**53,533,741**	53,973,517
	171,065,411	161,141,757
	321,603,538	299,656,105

The loan stocks and government securities have maturity dates from January 2020 to March 2027 with the following weighted average effective interest rates:

	2018	2018
Singapore Dollar	**2.14%**	2.23%
United States Dollar	**2.20%**	2.19%

The exposure of investments to interest rate risks is disclosed in Note 22(a)(ii).

13. Insurance receivables and other receivables

	2019	2018
	$	$
Receivables from insurance and reinsurance contracts:		
– related companies	**25,186,723**	29,467,763
– third parties	**67,772,534**	83,962,813
	92,959,257	113,430,576
Less: Allowance for impairment of receivables		
– third parties	**(3,618,654)**	(3,626,492)
	89,340,603	109,804,084
Other receivables:		
– Prepayments	**171,216**	162,930
– Receivables from related companies	**3,394,349**	5,189,212
– Accrued interest receivable	**1,793,871**	1,526,853
– Rental and other deposits	**846,159**	1,677,213
– Sundry receivables	**4,952,299**	1,560,181
	11,157,894	10,116,389
Total insurance receivables and other receivables	**100,498,497**	119,920,473

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.

14. Insurance liabilities and reinsurance assets

	2019	2018
	$	$
Gross		
Current:		
– outstanding claims reserves	**171,250,704**	153,570,346
– reserves for unearned premium*	**102,967,105**	98,575,774
– no claims bonus provision	**4,004,785**	3,015,213
– provision for premiums refund	**298,705**	337,202
	278,521,299	255,498,535
Non-current:		
– outstanding claims reserves	**152,699,659**	131,820,530
– provision for premiums refund	**1,943,946**	2,241,086
	154,643,605	134,061,616
Total insurance liabilities, gross	**433,164,904**	389,560,151
Recoverable from reinsurers		
Current:		
- outstanding claims reserves	**108,660,027**	96,480,649
- reserves for unearned premium	**51,476,182**	50,717,074
	160,136,209	147,197,723
Non-current:		
– outstanding claims reserves	**94,117,818**	76,241,781
Total reinsurer's share of insurance liabilities	**254,254,027**	223,439,504

* Reserves for unearned premium are shown net of deferred acquisition cost.

	2019	2018
Net		
Current:		
– outstanding claims reserves	**62,590,677**	57,089,697
– reserves for unearned premium	**51,490,923**	47,858,700
– no claims bonus provision	**4,004,785**	3,015,213
– provision for premiums refund	**298,705**	337,202
	118,385,090	108,300,812
Non-current:		
– outstanding claims reserves	**58,581,841**	55,578,749
– provision for premiums refund	**1,943,946**	2,241 ,086
	60,525,787	57,819,835
Total insurance liabilities, net	**178,910,877**	166,120,647

14. Insurance liabilities and reinsurance assets (continued)

Actuarial methods, assumptions and sensitivity analysis

(a) Methods

Four standard actuarial methods (Chain ladder on Incurred and Paid Claims, Bornhuetter-Ferguson and Average Incurred Cost Development) have been applied to each class of business to determine the undiscounted 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 5.6% (2018: 5.2%) of gross premiums (or gross unearned premium reserve) and excess of loss ceded premiums has been included in the assessment of the premium liability.

(b) Assumptions

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

Discounted average weighted term to settlement

The discounted average weighted term to settlement is calculated separately by class of business based on historical payment patterns.

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.

Discount rate

The discount rate is derived from market yields of government securities at the balance sheet date.

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.

Annual Report 2019. Singapore. Published 06/2020.

14. Insurance liabilities and reinsurance assets (continued)

(c) Sensitivity analysis

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company. The table below shows how a change in each assumption will affect the outstanding claims liabilities (net) and profit or loss. As no explicit inflation rate is used in the valuation no sensitivity analysis is able to be carried out for a change in the inflation rate.

Variables	Change in variable	Increase/ (decrease) in liability	Increase/ (decrease) in profit before tax
		$	$
Discounted average weighted term to settlement	+0.5 years	(913,518)	913,518
	-0.5 years	3,245,836	(3,245,836)
Ultimate claim number - current year	+10%	6,261,495	(6,261,495)
	-10%	(6,261,495)	6,261,495
Average claim size - current year	+10%	6,261,495	(6,261,495)
	-10%	(6,261,495)	6,261,495
Unallocated claim expense rate	+1%	3,033,369	(3,033,369)
	-1%	(3,033,369)	3,033,369
Discount rate	+1%	(1,652,431)	1,652,431
	-1%	4,032,048	(4,032,048)

(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 2019 is 12.9% (2018: 12.9%).

Annual Report 2019. Singapore. Published 06/2020.

14. Insurance liabilities and reinsurance assets (continued)

(e) Claims development tables (for all lines)

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

Gross

Accident year	2015	2016	2017	2018	2019	Total
	$	$	$	$	$	$
Estimate of ultimate claims costs:						
– at end of accident year	101,711,218	87,267,771	178,226,129	107,369,969	**166,003,207**	
– one year later	137,040,939	68,820,798	134,920,438	87,789,441		
– two years later	136,588,491	65,063,957	129,809,521			
– three years later	134,620,011	64,217,811				
– four years later	135,671,920					
Current estimate of cumulative claims	135,671,920	64,217,811	129,809,521	87,789,441	**166,003,207**	583,491,900
Cumulative payments to date	(118,348,214)	(43,719,143)	(104,040,235)	(46,374,267)	**(23,314,204)**	(335,796,063)
Outstanding claims – undiscounted	17,323,706	20,498,668	25,769,286	41,415,174	**142,689,003**	247,695,837
Discount	(354,288)	(472,202)	(495,705)	(825,524)	**(3,392,170)**	(5,539,889)
Outstanding claims	16,969,418	20,026,466	25,273,581	40,589,650	**139,296,833**	242,155,948
Outstanding claims in respect of prior accident years						26,250,658
Risk margin						37,075,135
Claims handling costs						18,468,622
Total gross outstanding claims						323,950,363

14. Insurance liabilities and reinsurance assets (continued)

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

Net

Accident year	2015	2016	2017	2018	2019	Total
	$	$	$	$	$	$
Estimate of ultimate claims costs:						
– at end of accident year	47,560,405	40,308,002	31,239,416	37,290,813	46,806,426	
– one year later	49,053,872	33,468,047	28,508,063	35,475,720		
– two years later	48,118,537	36,467,436	27,111,158			
– three years later	47,060,537	36,960,925				
– four years later	44,663,134					
Current estimate of cumulative claims	44,663,134	36,960,925	27,111,158	35,475,720	46,806,426	191,017,363
Cumulative payments to date	(36,820,047)	(23,426,307)	(18,521,124)	(19,778,500)	(11,924,036)	(110,470,014)
Outstanding claims – undiscounted	7,843,087	13,534,618	8,590,034	15,697,220	34,882,390	80,547,349
Discount	(193,358)	(404,595)	(167,401)	(292,905)	(704,499)	(1,762,758)
Outstanding claims	7,649,729	13,130,023	8,422,633	15,404,315	34,177,891	78,784,591
Outstanding claims in respect of prior accident years						9,965,867
Risk margin						13,953,442
Claims handling costs						18,468,618
Total net outstanding claims						121,172,518

14. Insurance liabilities and reinsurance assets (continued)

(f) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims

	2019			2018		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$	**$**	**$**	$	$	$
Beginning of year	**285,390,876**	**(172,722,430)**	**112,668,446**	323,373,751	(216,717,237)	106,656,514
Cash paid for claims settled in the year	**(92,054,263)**	**62,443,998**	**(29,610,265)**	(90,222,980)	66,588,266	(23,634,714)
Claims incurred	**130,613,750**	**(92,499,413)**	**38,114,337**	52,240,105	(22,593,459)	29,646,646
End of year	**323,950,363**	**(202,777,845)**	**121,172,518**	285,390,876	(172,722,430)	112,668,446
Claims reported and loss adjustment expenses	**53,944,358**	**(28,924,798)**	**25,019,560**	59,265,244	(36,872,069)	22,393,175
Incurred but not reported	**232,930,870**	**(150,731,354)**	**82,199,516**	193,420,277	(116,198,462)	77,221,815
Provision for adverse deviation	**37,075,135**	**(23,121,693)**	**13,953,442**	32,705,355	(19,651,899)	13,053,456
End of year	**323,950,363**	**(202,777,845)**	**121,172,518**	285,390,876	(172,722,430)	112,668,446

(ii) Reserves for unearned premium

	2019			2018		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$	**$**	**$**	$	$	$
Beginning of year	**98,575,774**	**(50,717,074)**	**47,858,700**	86,201,506	(46,938,848)	39,262,658
Premium written in the year	**313,460,009**	**(174,846,025)**	**138,613,984**	297,701,757	(171,314,729)	126,387,028
Premium earned in the year	**(309,068,678)**	**174,086,917**	**(134,981,761)**	(285,327,489)	167,536,503	(117,790,986)
End of year	**102,967,105**	**(51,476,182)**	**51,490,923**	98,575,774	(50,717,074)	47,858,700

(iii) Refundable bonus provision

	2019	2018
	$	$
Beginning of year	**3,015,213**	2,767,302
Provision for the year	**5,412,579**	4,161,813
Refunds during the year	**(4,423,007)**	(3,913,902)
End of year	**4,004,785**	3,015,213

Annual Report 2019. Singapore. Published 06/2020.

14. Insurance liabilities and reinsurance assets (continued)

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

(iv) Provision for premium refund

	2019	2018
	$	$
Beginning of year	**2,578,288**	3,051,170
Movement for the year	**1,397,246**	1,493,723
Refunds during the year	**(1,732,883)**	(1,966,605)
End of year	**2,242,651**	2,578,288

15. Cash and cash equivalents

	2019	2018
	$	$
Cash at bank – SGD	**25,499,559**	7,662,669
Cash at bank – USD	**12,027,069**	14,574,599
Fixed deposits with financial institutions	**7,762,729**	6,749,675
	45,289,357	28,986,943

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

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

	2019	2018
	$	$
Singapore Dollar	**1.41%**	1.55%

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 22(a)(ii).

16. Insurance payables and other payables

	2019	2018
	$	$
Amount due to insured, agents, brokers and reinsurers:		
– related companies	**45,180,280**	38,108,177
– third parties	**16,998,202**	38,771,343
	62,178,482	76,879,520
Other payables:		
– payables to related companies	**3,025,335**	11,034,354
– advanced premium received	**-**	66,238
– share-based remuneration payable	**1,784,833**	1,527,053
– sundry creditors	**10,280,153**	14,298,154
– GST payable	**2,823,296**	1,358,619
– accrued operating expenses	**13,293,021**	13,427,427
	31,206,638	41,711,845
Total insurance payables and other payables	**93,385,120**	118,591,365

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.

17. Deferred income taxes

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

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

	2019	2018
	$	$
Beginning of financial year	**337,090**	571,696
Tax (credit)/charge to:		
– Profit or loss (Note 9(a))	**(3,360)**	(70,173)
– Fair value reserve (Note 19)	**534,498**	(164,433)
End of financial year	**868,228**	337,090

17. 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
	$	$	$	$
At 1 January 2019	697,055	(300,078)	(59,887)	337,090
Credited to profit or loss	18,454	-	(21,814)	(3,360)
Credited to equity (Note 19)	-	534,498	-	534,498
At 31 December 2019	**715,509**	**234,420**	**(81,701)**	**868,228**
At 1 January 2018	754,154	(135,645)	(46,813)	571,696
Credited to profit or loss	(57,099)	-	(13,074)	(70,173)
Credited to equity (Note 19)	-	(164,433)	-	(164,433)
At 31 December 2018	697,055	(300,078)	(59,887)	337,090

18. Share capital

(a)

	No. of shares issued	Share capital
		$
2019		
Beginning and end of financial year	212,788,000	212,788,000
2018		
Beginning of financial year	95,000,000	95,000,000
Issuance of new shares	117,788,000	117,788,000
End of financial year	212,788,000	212,788,000

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

On 18 January 2018, the Company issued 117,788,000 shares for the advance monies received of $117,788,000. The newly issued shares rank pari passu in all respects with the primary issued shares.

(b) Movements in share-based remuneration reserves

	2019	2018
	$	$
Beginning of financial year	**-**	-
Increase in equity due to value of employee services (Note 7)	**259,298**	259,294
Transfer to share-based remuneration payables	**(259,298)**	(259,294)
End of financial year	**-**	-

19. Fair value reserve

	2019	2018
	$	$
Beginning of financial year	**(1,926,057)**	(1,109,425)
Net fair value gains/(losses) during the financial year	**4,218,777**	(1,087,304)
Deferred tax on fair value changes (Note 17)	**(534,498)**	164,433
Transfer to profit or loss on disposal (Note 4)	**(204,244)**	106,239
End of financial year	**1,553,978**	(1,926,057)

The fair value reserve is non-distributable.

20. Finance Lease

(a) The Company as a lessee

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

There are no externally imposed covenant on these lease arrangements.

	Office space	Office equipment	Total
	$	$	$
Right-of-use asset			
2019			
Cost			
Beginning of financial year	-	-	-
Impact arising from the adoption of FRS 116 (Note 2(a))	5,517,820	278,310	5,796,130
Additions for the year	1,413,379	516,204	1,929,583
Disposals	(660,032)	(267,577)	(927,609)
End of financial year	6,271,167	526,937	6,798,104
Accumulated depreciation			
Beginning of financial year	-	-	-
Depreciation charge	2,434,585	115,990	2,550,575
Disposals	(330,012)	(71,066)	(401,078)
End of financial year	2,104,573	44,924	2,149,497
Net book value			
End of financial year	4,166,594	482,013	4,648,607
Lease liabilities			
Beginning of financial year	-	-	-
Impact arising from the adoption of FRS 116 (Note 2(a))	12,317,125	278,310	12,595,435
Addition for the year	2,915,478	516,204	3,431,682
Principal payment	(5,690,186)	(117,560)	(5,807,746)
Interest expenses	308,890	3,524	312,414
Disposals	(5,632,821)	(198,465)	(5,831,286)
End of financial year	**4,218,486**	**482,013**	**4,700,499**

20. Finance Lease (continued)

(a) The Company as a lessee (continued)

Lease expenses not capitalised in lease liabilities:

	2019
	$
Short-term lease expense	463,924
Variable lease payments which do not depend on index or rate	34,470
Total	**498,394**

Total cash outflow for all leases in 2019 was $5,807,746.

Future cash outflow which are not capitalized in lease liabilities:

(i) Variable lease payments

The leases for some office space contain variable lease payments that are based on additional property tax incurred by landlord and recharged to the Company. Variable lease payments are expensed to profit or loss when incurred and amounted to $34,470 for the financial year ended 31 December 2019.

(ii) Extension option

The leases for some office space contain extension period, for which the related lease payments had not been included in lease liabilities as the Company is not reasonably certain to exercise the extension option. The Company negotiates extension options to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension options are exerciable by the Company and not by the lessor.

(b) The Company as a sublessor

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

Right-of-use assets relating to the head leases with subleases classified as finance lease is derecognized. On 1 December 2019, the Company terminated all subleases and disposed the remaining net investment in sublease. Where the underlying lease remained a liability to the Company, the remaining net investment in sublease was recognised under right-of-use asset.

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

	Total
	$
2019	
Net investment in sublease	
Beginning of financial year	-
Impact arising from the adoption of FRS 116 (Note 2(a))	6,799,305
Addition for the year	1,502,099
Lease payment received	(3,169,144)
Finance income	100,528
Disposals	(5,232,788)
End of financial year	-

21. 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.

22. 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, price risk and interest rate risk), credit risk and liquidity risk.

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

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

Underwriting activity governance

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

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

Investment activity governance

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.

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.

22. Financial risk management (continued)

(a) Market risk

(i) Currency risk

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

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

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

	2019			
	SGD	USD	Others	Total
	S$	S$	S$	S$
Financial assets				
Available-for-sale financial assets	233,126,377	88,477,161	-	321,603,538
Insurance receivables and other receivables	52,058,897	36,286,271	12,153,329	100,498,497
Reinsurance assets	197,665,580	51,972,479	4,615,968	254,254,027
Cash and cash equivalents	33,262,288	12,027,069	-	45,289,357
	516,113,142	**188,762,980**	**16,769,297**	**721,645,419**
Financial liabilities				
Insurance liabilities	359,153,276	64,803,977	9,207,651	433,164,904
Insurance payables and other payables	52,572,263	32,146,287	8,666,570	93,385,120
	411,725,539	**96,950,264**	**17,874,221**	**526,550,024**
Currency exposure		**91,812,716**	**(1,104,924)**	

	2018			
	SGD	USD	Others	Total
	S$	S$	S$	S$
Financial assets				
Available-for-sale financial assets	213,247,474	86,408,631	-	299,656,105
Insurance receivables and other receivables	46,372,814	63,309,443	10,238,216	119,920,473
Reinsurance assets	163,240,715	52,553,375	7,645,414	223,439,504
Cash and cash equivalents	14,412,344	14,574,599	-	28,986,943
	437,273,347	216,846,048	17,883,630	672,003,025
Financial liabilities				
Insurance liabilities	309,140,942	66,748,810	13,670,399	389,560,151
Insurance payables and other payables	34,992,868	78,451,268	5,147,229	118,591,365
	344,133,810	145,200,078	18,817,628	508,151,516
Currency exposure		**71,645,970**	**(933,998)**	

22. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If USD changes against the SGD by 3% (2018: 6%) with all other variables including tax rate being held constant, the effects arising from the currency exposure will be as follows:

	Increase/(decrease)			
	2019		2018	
	Profit before tax	**Impact on equity**	Profit before tax	Impact on equity
	S$	**S$**	S$	S$
Increase/(Decrease)				
USD against SGD				
– strengthened	**2,842,172**	**2,359,003**	4,109,529	3,410,909
– weakened	**(2,842,172)**	**(2,359,003)**	(4,109,529)	(3,410,909)

(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 11 basis points (2018: 13 basis points) for cash and bank deposits and a change of 50 basis points (2018: 50 basis points) for available-for-sale financial assets interest yield across all portfolio consecutively would increase/(decrease) the market value of the investment and equity by the amounts as shown below. This analysis assumes that all other variables remain constant.

	Increase/(decrease)			
	2019		**2018**	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	S$	**S$**	S$	S$
Cash and bank deposits				
- increased by 11 bps (2018: (13 bps))	**10,328**	**-**	10,905	-
- decreased by 11 bps (2018: (13 bps))	**(10,328)**	**-**	(10,905)	-
Available-for-sale financial assets				
- increased by 50 bps (2018: (50 bps))	**-**	**(3,015,870)**	-	(1,466,209)
- decreased by 50 bps (2018: (50 bps))	**-**	**3,147,119**	-	2,625,838

22. Financial risk management (continued)

(b) Credit risk

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

Credit risk – investment

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

Credit risk – insurance operations

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

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

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

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

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

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

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

	Rating* (AAA to A)	Rating* (BBB to B)	Rating* (CCC to D)	Unrated**	Total
	$	$	$	$	$
As at 31 December 2019					
Insurance receivables and other receivables	48,859,556	1,754,523	-	49,884,418	100,498,497
Available-for sale financial assets	217,530,747	35,315,021	-	68,757,770	321,603,538
Cash and cash equivalents	45,289,157	-	-	200	45,289,357
	311,679,460	**37,069,544**	**-**	**118,642,388**	**467,391,392**
As at 31 December 2018					
Insurance receivables and other receivables	64,364,048	826,672	-	54,729,753	119,920,473
Available-for sale financial assets	248,613,992	22,126,058	-	28,916,055	299,656,105
Cash and cash equivalents	28 986,743	-	-	200	28,986,943
	341,964,783	22,952,730	-	83,646,008	448,563,521

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

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

22. Financial risk management (continued)

(b) Credit risk (continued)

(i) 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:

	2019	2018
	$	$
Neither past due nor impaired	**34,975,332**	23,801,301
Past due but not impaired		
– Less than 3 months	**31,902,969**	55,391,836
– Above 3 months but not exceeding 9 months	**13,303,131**	22,883,589
– Above 9 months	**9,159,171**	7,727,358
	89,340,603	109,804,084

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

	2019	2018
	$	$
Gross Amount	**3,618,654**	3,626,492
Less: Allowance for impairment	**(3,618,654)**	(3,626,492)
	-	-
Beginning of financial year	**3,626,492**	2,915,156
Allowance made	**1,510,625**	1,621,665
Allowance utilised	**(1,520,040)**	(908,752)
Currency translation difference	**1,577**	(1,577)
End of financial year	**3,618,654**	3,626,492

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

22. 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
	S$	S$	S$	S$
As at 31 December 2019				
Insurance liabilities	210,248,110	219,285,428	13,723,440	443,256,978
Insurance payables and other payables	93,385,120	-	-	93,385,120
Lease liabilities	2,694,989	2,106,325	-	4,801,314
	306,328,219	**221,391,753**	**13,723,440**	**541,443,412**
As at 31 December 2018				
Insurance liabilities	180,534,268	211,127,116	8,961,021	400,622,405
Insurance payables and other payables	118,591,365	-	-	118,591,365
	299,125,633	211,127,116	8,961,021	519,213,770

(d) Capital risk

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements as set out in the Insurance Act (Chapter 142) Insurance (Valuation and Capital) Regulations. 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 273% (2018: 232.50%) sufficient to optimise shareholder's return and to support the capital required to write its business;
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In addition to other applicable regulatory requirements, insurers are required to maintain actuarial reserves under the Insurance Act (Chapter 142) to protect against the risk of adverse development in claims reserves in the future. The amount of the actuarial reserve is disclosed in Note 14.

(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)).

22. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1	Level 2	Level 3	Total
	S$	S$	S$	S$
As at 31 December 2019				
Financial assets, available-for-sale	**29,825,626**	**291,777,912**	**-**	**321,603,538**
As at 31 December 2018				
Financial assets, available-for-sale	29,122,633	270,533,472	-	299,656,105

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

(f) Insurance risk

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

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

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

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

22. Financial risk management (continued)

(f) Insurance risk (continued)

2019							
Territory		**Financial lines**	**General liabilities**	**Accident and health**	**Fire**	**Others**	**Total**
		$	$	$	$	$	$
Singapore	Gross	72,837,909	52,904,583	29,126,959	39,334,252	38,984,775	233,188,478
	Net	36,129,146	19,727,389	14,099,792	9,459,936	10,733,448	90,149,711
Middle East	Gross	722,136	72,822	4,449	55,604	302,923	1,157,934
	Net	583,664	45,181	2,585	4,636	25,761	661,827
Other Asian Countries	Gross	10,687,981	10,986,250	230,377	25,127,590	18,428,675	65,460,873
	Net	9,385,439	4,755,571	134,332	3,282,448	4,521,949	22,079,739
Europe & USA	Gross	6,930,515	9,416,540	-	1,902,313	5,893,710	24,143,078
	Net	5,066,467	2,439,884	-	383,250	391,640	8,281,241
Total	**Gross**	91,178,541	73,380,195	29,361,785	66,419,759	63,610,083	**323,950,363**
	Net	51,164,716	26,968,025	14,236,709	13,130,270	15,672,798	**121,172,518**

2018							
Territory		**Financial lines**	**General liabilities**	**Accident and health**	**Fire**	**Others**	**Total**
		$	$	$	$	$	$
Singapore	Gross	80,004,987	42,425,660	32,503,000	14,761,457	44,228,257	213,923,361
	Net	44,173,995	14,284,765	14,315,115	6,373,412	5,654,055	84,801,342
Middle East	Gross	961,743	218,147	13,293	22,796	560,345	1,776,324
	Net	322,161	132,299	6,861	(1,582)	335,235	794,974
Other Asian Countries	Gross	11,899,797	8,087,100	174,491	6,513,628	21,013,997	47,689,013
	Net	8,003,317	3,611,105	82,678	2,085,276	4,951,005	18,733,381
Europe & USA	Gross	8,562,933	8,760,313	-	538,395	4,140,537	22,002,178
	Net	5,829,521	1,990,469	-	331,672	187,087	8,338,749
Total	**Gross**	101,429,460	59,491,220	32,690,784	21,836,276	69,943,136	**285,390,876**
	Net	58,328,994	20,018,638	14,404,654	8,788,778	11,127,382	**112,668,446**

23. 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

	2019	2018
	$	$
Immediate holding company		
Premium income	**6,879,297**	14,412,382
Commission expense	**(34,972)**	(1,017,408)
Claims paid	**(509,864)**	-
Premiums ceded	**(11,903,052)**	(14,481,481)
Commissions received	**1,462,215**	1,462,269
Claims recovered	**3,572,892**	-
Other related parties		
Premium income	**25,542,093**	24,942,766
Commission expense	**(3,612,537)**	(3,013,714)
Claims paid	**(32,407,019)**	(31,881,789)
Premiums ceded	**(140,089,545)**	(125,043,815)
Commissions received	**49,378,494**	45,707,616
Claims recovered	**27,178,623**	34,907,525
Loan from related companies	**(6,762,779)**	-
General expenses billed to related companies	**5,107,948**	4,056,979
General expenses allocated by regional office	**(12,162,864)**	(13,272,349)
Information processing expenses billed by a related company	**(6,340,677)**	(3,715,090)
Service fees billed by related companies	**(2,451,978)**	(1,106,196)
Service fees billed to related companies	**3,387,729**	1,828,701

Outstanding balances at 31 December 2019, arising from sales/purchases of services, are set out in Notes 13 and 16, 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:

	2019	2018
	$	$
Salaries and other short-term employee benefits	**3,870,447**	4,604,230
Share based remuneration expenses	**257,483**	282,168
	4,127,930	4,886,398

Annual Report 2019. Singapore. Published 06/2020.

24. 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 2020 and which the Company has not early adopted:

(a) FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2019)

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

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

(i) The table below presents the fair value of the following groups of financial assets under FRS 109 as at 31 December 2019 and fair value changes for the year ended 31 December 2019:

	Fair value as at		Fair value changes for the year ended	
	2019 $	2018 $	**2019 $**	2018 $
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")	**429,693,548**	426,163,323	**(1,553,978)**	1,926,057
Financial assets that are managed and whose performance are evaluated on a fair value basis	**-**	-	**-**	-
	429,693,548	426,163,323	**(1,553,978)**	1,926,057

(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	
	2019 $	2018 $
Investment grade (AAA to BBB-)	**311,222,576**	342,680,445
Not rated	**118,470,972**	83,482,878
	429,693,548	426,163,323

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

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

(b) Deferral for FRS 117 *Insurance Contracts*

FRS 117 *Insurance Contracts* will replace the current FRS 104 *Insurance Contracts* 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 required more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures.

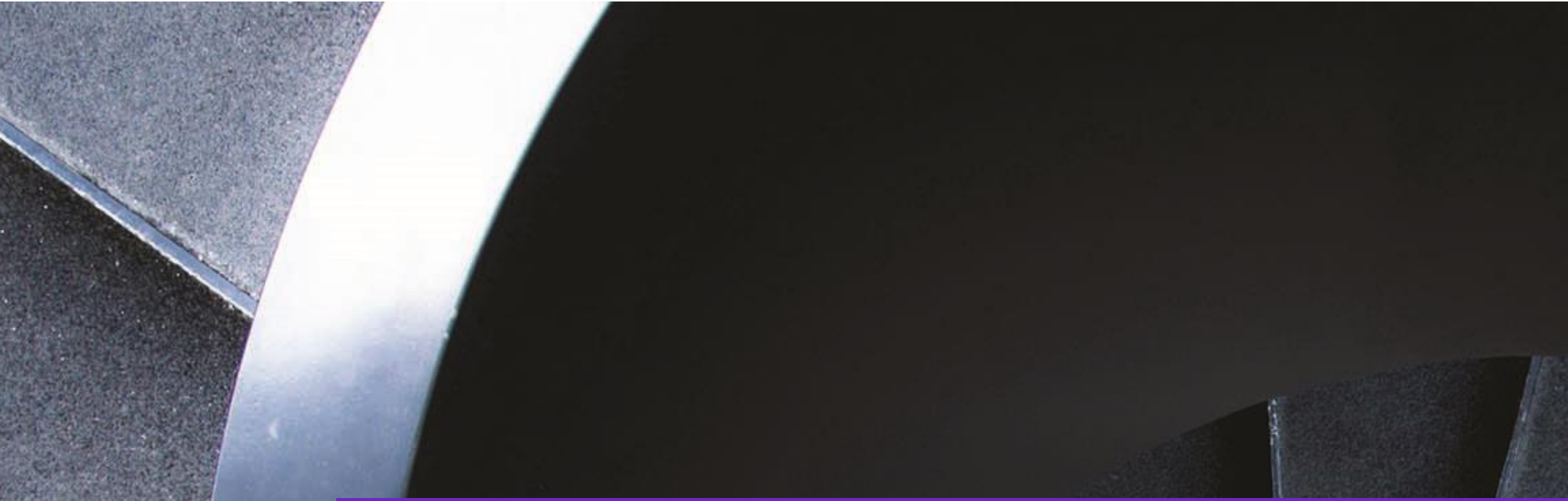
In November 2019, IASB proposed to defer IFRS 17 (equivalent of FRS 117) and the temporary IFRS 9 (equivalent of FRS 109) exemption available to insurers until the financial period beginning on or after 1 January 2021. Subsequently, IASB proposed in June 2020 to defer IFRS 17 and extend the temporary IFRS 9 exemption available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral was published in the Exposure Draft amendments to IFRS 17 for public consultation which ended on 25 September 2019. IASB subsequently decided on 17 March 2020 that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The Board also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 Financial Instruments to enable them to implement both IFRS 9 and IFRS 17 at the same time. The Accounting Standards Council has not made any amendments related to IASB's proposed deferral for FRS 117.

25. Subsequent events

During the first quarter of financial year 2020, worldwide social and economic activities became severely impacted by the spread and threat of the novel coronavirus ("COVID-19"). The Company is taking actions to minimize risk to our employees, including restricting travel and instituting extensive work from home protocols. We seek to minimise any disruption to our clients and operations while ensuring the safety of our employees. The Company is unable to estimate the extent of financial impact at this time. However, the Company estimates that these events will adversely impact the 2020 financial statements due to incurrence of losses and the impact of economic slowdown.

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the board of directors of Chubb Insurance Singapore Limited on 30 April 2020.



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.

Contact Us

Chubb Insurance Singapore Limited
Co Regn. No.: 199702449H
138 Market Street
#11-01 CapitaGreen
Singapore 048946
O +65 6398 8000
F +65 6298 1055
www.chubb.com/sg

Chubb. Insured.™

Annual Report 2019. Singapore. Published 06/2020.