India International Insurance

SINGAPORE

Serving the region since 1987

ANNUAL REPORT 2019

CORPORATE DATA

DIRECTORS


Mr. A. V. Girija Kumar


Mr. Atul Sahai


Mrs. Tajinder Mukherjee


Mr. A. K. Saxena


Mr. G. Srinivasan


Mr. N. S. R. C. Prasad


Mr. Iyengar V. Gopalan


Mr. T. Babu Paul

CHIEF EXECUTIVE

Mr. T. Babu Paul

SECRETARY

Mr. Gerard Seah Jim Hong

REGISTERED OFFICE

64 Cecil Street
#04-02 IOB Building
Singapore 049711

AUDITOR

Deloitte & Touche LLP

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting of the Company will be convened and held by electronic means on the 24th day of June 2020 at 5.30 p.m. or as soon as practicable immediately following the conclusion of the Board meeting of the Company to be held on the same date, to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2019, and the Auditor's Report thereon.

2. To approve and declare a final dividend of Five Singapore cents per share tax exempt (one-tier) for the year ended 31 December 2019.

3. To approve the payment of S$ 106,224 as Directors' fees for the year ended 31 December 2019.

4. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

5. To transact any other business as may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Resolution which will be proposed as a Special Resolution:

6. To amend the Constitution of the Company by inserting a new Article 83A in the Articles of Association of the Company as follows:

83A. (A) The contemporaneous linking together by telephone or video conference or other electronic media of a number of Directors being not less than the quorum required under Article 83 whether or not any one or more of the Directors is physically present at the place in which the meeting is being held shall constitute a meeting of the Directors. Resolutions passed at such meetings by telephone or video conference or other electronic media shall be valid and as effectual as a resolution passed at a meeting of the Directors duly convened and held provided howsoever that the following conditions are fulfilled:-

(i) all the Directors for the time being entitled to receive notice of a meeting of the Directors shall be entitled to notice of a meeting by telephone or video conference or other electronic media and to be linked by telephone or video conference or other electronic media for the purposes of such meeting;

(ii) each of the Directors taking part in the meeting by telephone must be able to hear each of the other Directors taking part in the meeting by telephone and in the case of a meeting by video conference must be able to hear and see each of the other Directors taking part in the meeting by video conference, and in the case of a meeting by other electronic media must be able to hear, or hear and see, each of the other Directors taking part in the meeting;

(iii) at the commencement of the meeting each of the Directors taking part in the meeting must state his presence for the purposes of the meeting to all the other Directors taking part in the meeting; and

(iv) a Director may not leave the meeting by disconnecting his telephone or his video conference or other electronic media link unless he has previously obtained the express consent of the Chairman of the meeting and a Director shall be deemed to have been present and to have formed part of the quorum at all times during the meeting by telephone or video conference or other electronic

media as the case may be, unless he has previously obtained the express consent of the Chairman to leave the meeting as aforesaid.

(B) Minutes of the proceedings at a meeting by telephone or video conference or other electronic media shall be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified to be correct minutes by the Chairman of the meeting. The provisions of these Articles in respect of Directors' meetings shall so far as they are applicable apply to Directors' meeting by telephone or video conference or other electronic media.

BY ORDER OF THE BOARD

T. Babu Paul
Managing Director

Singapore
June 8, 2020

NOTES:-

1. The Annual General Meeting is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream) and submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting, are set out below:

   a. The Company will send a confirmation email to you as soon as practicable before the meeting with a toll-free telephone number and conference code to call for the audio-only stream, or a login password and link to access the live audio-visual webcast, depending on which electronic means of attendance you have chosen.

   b. Please follow the instructions when you call in or log in, as appropriate.

   c. Please note that when you call-in or log in, as appropriate, your attendance will be verified by the Company Secretary.

   d. By registering to attend by electronic means, you and your corporate representative (in the case of a member which is a corporation) consent to the collection, use and disclosure of the member's personal data (and in the case of a member which is a corporation, its corporate representative's personal data) by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the proxy appointed for the Annual General Meeting (including any adjournment thereof), processing of the member's attendance by electronic means (including registration and verification of identity) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, regulations and/or guidelines.

   e. Please note that questions cannot be asked during the Annual General Meeting. If you have any questions, you must email your questions to the Company at ceo@iii.com.sg or mail your questions to the Company at 64 Cecil Street #04-02 IOB Building, Singapore 049711. Your questions must reach the Company within a reasonable time before the meeting. The Annual General Meeting is only for the matters tabled, and only substantial and relevant questions relating to the Annual General Meeting agenda items tabled will be addressed at the Annual General Meeting.

3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/their proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting, if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The proxy form is sent with this Notice.

4. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

5. The Chairman of the Meeting, as proxy, need not be a member of the Company.

6. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   a. If submitted by post, be deposited at the registered office of the Company at 64 Cecil Street #04-02 IOB Building, Singapore 049711; or
   b. If submitted electronically, be submitted via email to the registered office of the Company at ceo@iii.com.sg

in either case not less than 24 hours before the time appointed for holding the Annual General Meeting.

7. A member who wishes to submit an instrument of proxy must fill out accompanying the hard copy proxy form and sign / execute the proxy form before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

8. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

9. The Company's 2019 Annual Report is sent together with this Notice.

<u>Personal Data Privacy</u>
By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty.

<u>Books Closure Date and Payment Date for Dividends</u>

Subject to the approval by members of the final one-tier tax exempt dividend at the Annual General Meeting, the Register of Members will be closed on 30 June 2020 to determine entitlements to the dividend. Persons who are members of the Company as at 5.00 pm on 29 June 2020 shall be entitled to the dividend. The dividend, if approved by members, will be paid on or before 15 July 2020.

CHAIRMAN'S STATEMENT

I have great pleasure in presenting the thirty-second Annual Report and Accounts of the Company for the financial year ended 31 December 2019.

The global economy had a cyclical slowdown in 2019 with prolonged US-China trade tensions, Brexit and slowing industrial production. These have triggered sharp movements in global equity markets, a decline in oil prices and higher capital outflows from emerging economies. In addition to these factors, the expanding COVID 19 pandemic may lead to global recession in FY 2020.

General insurance continued to be subject to soft market conditions. Due to increasing competition, premiums charged in the commercial lines, property and catastrophe markets remained under pressure while investment yields continue to decline.

Singapore's economy grew by a marginal 0.7% in 2019, compared to 3.2% in the previous year. As the COVID 19 pandemic evolves, the Singapore economic situation and the outlook for general insurance industry is expected to downturn in the coming year.

PREMIUM INCOME

Singapore's General Insurance market comprising Singapore Insurance Fund (SIF) and Offshore Insurance Fund (OIF) reported a gross premium of S$7 billion for the year 2019, compared to S$6.4 billion in the previous year. The motor and miscellaneous segments reported a growth of 10% and 7% respectively against the previous year. Though the market continued to be competitive, the overall underwriting loss improved to S$13.10 million in the year 2019 as against an underwriting loss of S$97.6 million in 2018

The Gross Written Premium of the Company for the year 2019 was S$ 149.6 million compared to S$ 136.0 million during 2018. Fire premium was higher at S$44.4 million (S$31.5 million in 2018), Marine, Energy & Aviation premium increased by around 5% from S$49.4 million in 2018 to S$51.7 million and all other classes recorded S$53.5 million compared to S$ 55.1 million in 2018.

INVESTMENT INCOME

There was an increase in the investment income for the year 2019 from S$22.1 million to S$24.3 million due to profit on sales of investment and movement in the asset classes.

OPERATING RESULTS

The Singapore Dollar strengthened marginally against the US Dollar during the year resulting in an exchange loss of S$4 million as against an exchange gain of S$5.7 million in the previous year. The profit before taxation increased to S$10.7 million in 2019 from S$6.2 million in 2018.

DIVIDEND

Considering the increase in profit over the previous year, the Directors have considered it appropriate to recommend a first and final dividend of 5.0% on the paid up capital of S$50.0 million for the year 2019.

SHAREHOLDERS' FUND

The Shareholders' Fund marginally increased to S$432.3 million as at 31 December 2019 compared to S$424.9 million as at 31 December 2018.

TECHNICAL RESERVES

The total of Technical Reserves comprising Premium Reserves and Loss Reserves of the Company as at 31 December 2019 was S$229.1 million as against S$223.0 million as on 31 December 2018. The ratio of Technical Reserves to Net Earned Premium increased to 273.4% as at 31 December 2019 from 240.2% for the previous year

CHAIRMAN'S STATEMENT

TOTAL ASSETS

The total assets of the Company as at 31 December 2019 stood at S$753.7 million inclusive of increase in market value of investment assets, compared to the total assets of S$737.8 million as at 31 December 2018.

RATING OF THE COMPANY

I am pleased to inform that **Standard & Poor's** has reaffirmed the rating of the company to **A-,** long term insurer financial strength and counter party credit. This rating reflects the Company's strong capital and liquidity position.

LOOKING AHEAD

The last few months have been unprecedented and challenging for humanity as we tackle with the most severe COVID 19 pandemic. In these uncertain times across the world, governments and organizations are doing all they can to support their citizens and fight this pandemic. As the pandemic exacerbates recessionary conditions in economies around the world, we expect insurance industry to undergo a massive shift in their operations and interactions with clients, with more focus on automation of processes. Given the uncertainties associated with the pandemic, growth in commercial premiums and amount of claims estimation along with reserving implications remains unclear. With the significant volatility in financial markets, investment returns are also expected to be under pressure.

As a part of essential services in Singapore, the company has been providing support to customers and businesses throughout this challenging time. Business continuity plans have been activated to avoid minimal disruption to customers & intermediaries. We have increased the digitization of our operations and communication, with sufficient security protocols and stringent use of cyber security technologies. We shall, as always, endeavor to improve our service standards to meet the growing expectations of our customers. We are striving to meet market demands and be more competitive to increase business volume. We are confident that with our strong capital and liquidity position, we will tide through this rough waters.

We will continue to ensure compliance with regulatory and statutory requirements at all times.

CHANGE IN THE BOARD OF DIRECTORS

Mrs. Tajinder Mukherjee was appointed as a Director on 1 March 2019. Mr. Atul Sahai and Mr. Iyengar V. Gopalan were appointed as Directors on 21 June 2019.

VOTE OF THANKS

I wish to express my sincere appreciation to all my colleagues on the Board for their valuable contributions in conducting the affairs of the Company.

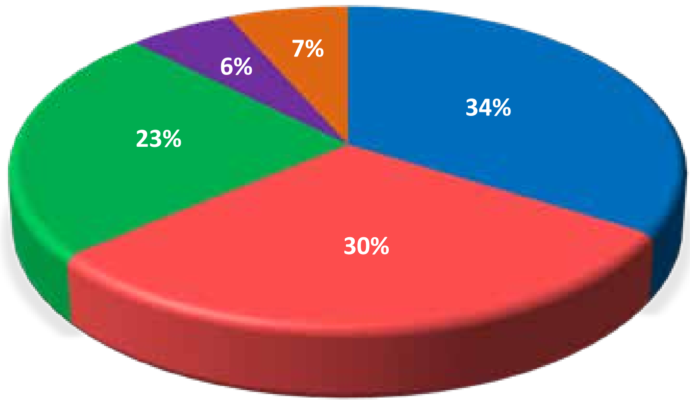
I thank all our business partners for the trust and confidence that they have placed in the Company and I am confident that the Company will continue to get their support in the coming years as well. In turn, the Company will strive in every way to maintain excellence in the level of service it has been rendering in all areas of its activities.

It is my pleasure to acknowledge that without the dedication and hard work of the team of officers and members of the staff, it would not have been possible to achieve the profitable results during 2019. I wish to place on record our appreciation of their valuable contribution. Finally, on behalf of the Board of Directors of the Company, I wish to express my gratitude to the Monetary Authority of Singapore (MAS) for their leadership role and consultative regulatory framework in fostering a free market environment.

A.V.Girija Kumar
Chairman

FINANCIAL HIGHLIGHTS

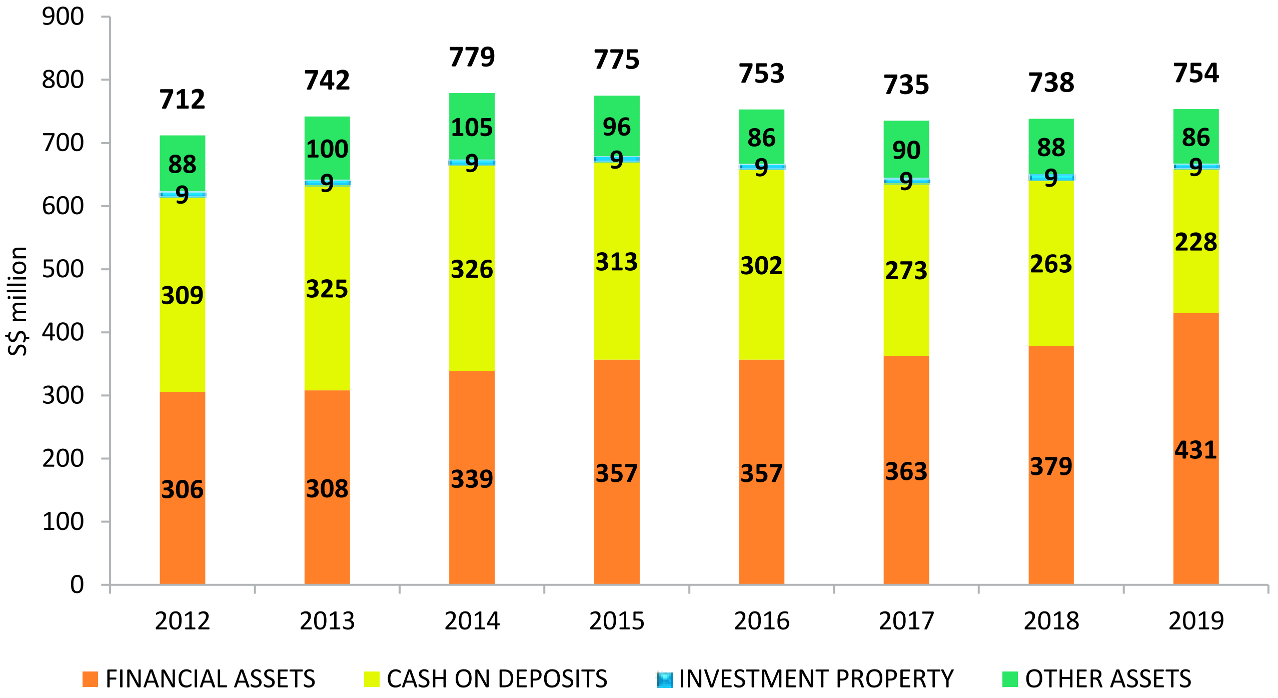
GROSS WRITTEN PREMIUM



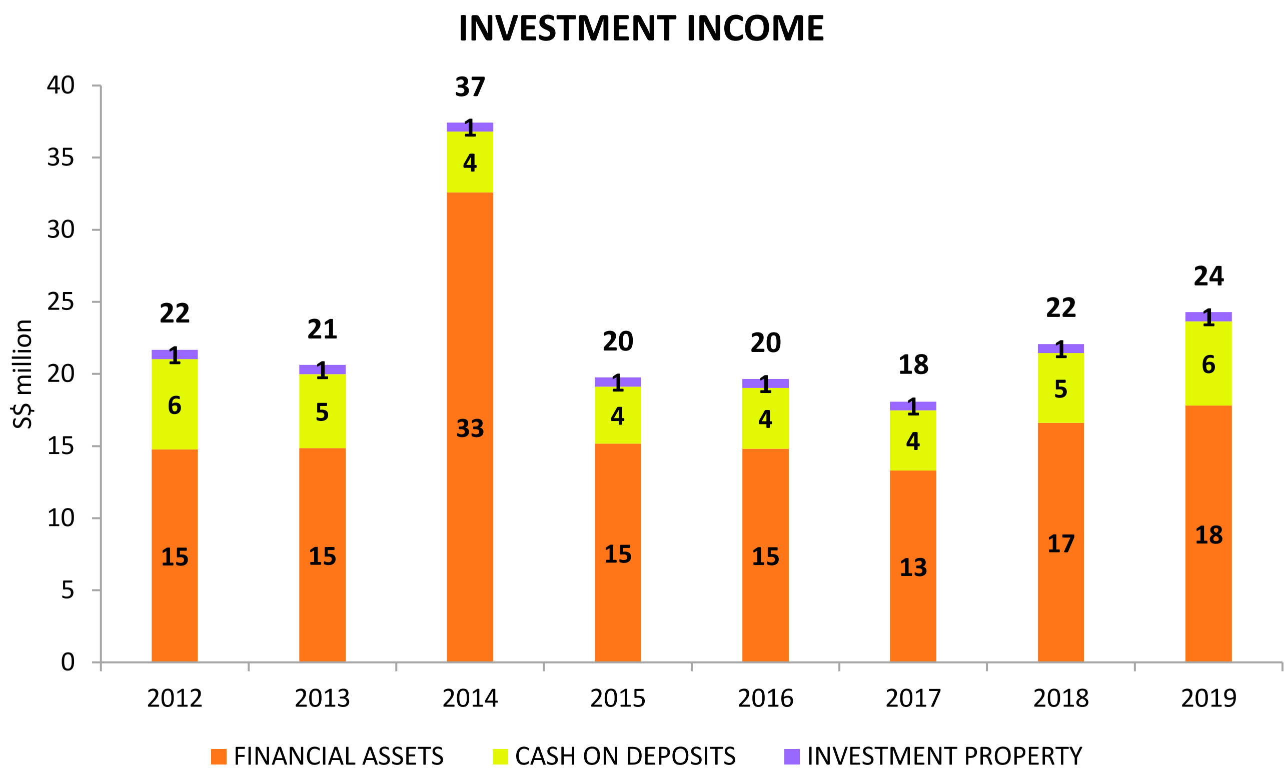
S$ million

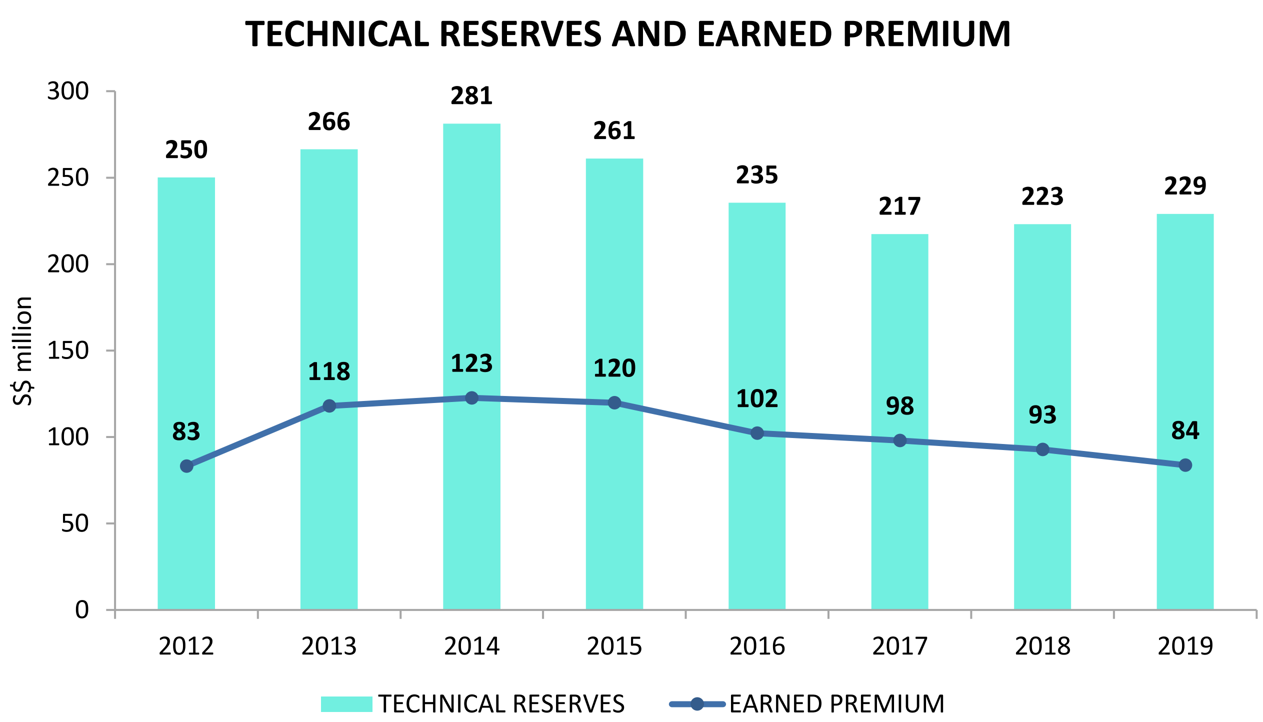
MARINE	51.7
FIRE	44.4
MOTOR	35.1
WORK INJ. COMP	8.6
MISC.	9.8
TOTAL	**149.6**

TOTAL ASSETS



FINANCIAL HIGHLIGHTS





CORPORATE GOVERNANCE

The Board is committed to good corporate governance and has adopted policies pursuant to the principles and guidelines in the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (the "Guidelines") and the Insurance (Corporate Governance) Regulations 2013 (the "Regulations").

The Board is supported by a number of Board Committees, namely the Audit Committee ("AC"), the Investment Committee ("IC"), the Nomination Committee ("NC"), the Remuneration Committee ("RC"), the Risk Management Committee ("RMC") and the Information Technology Committee ("ITC"). These Committees facilitate the effective oversight of the Company and supervision of management. The AC, IC and RMC meet regularly, and the other Committees meet as and when required, to consider the matters within their respective terms of reference and their deliberations and recommendations are minuted and communicated to the Board.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle:

1 Every company should be headed by an effective Board to lead and control the company, The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is responsible for the management and direction of the Company's business including the following:

1. To adopt the Company's overall business strategy and financial objectives;

2. To oversee the implementation of the Company's strategies and policies;

3. To review and approve all significant matters involving the Company including the following:

   a. major transactions and business decisions;
   b. quarterly financial statements;
   c. annual report and audited financial statements;
   d. annual budget and business plan;
   e. declaration of interim dividends and proposal of final dividend;
   f. convening of shareholders meetings; and
   g. approval of corporate strategy;

4. To set and approve risk management policies and to oversee management in the design, implementation and monitoring of the risk management and internal control systems;

5. To review the adequacy and effectiveness of the Company's internal controls to ensure compliance of operational, financial, IT controls and risk management systems to safeguard shareholders' interest and the Company's assets;

6. To review the qualifications, experience, suitability and, where applicable, independence or otherwise of any person to be appointed as a Director or senior executive, and to approve any such appointment, as the case may be;

7. To oversee the general compensation policies of the Company;

8. To ensure regulatory and legal compliance; and

9. To ensure the holding of a minimum of 4 Board meetings in a year.

CORPORATE GOVERNANCE

The Board meets regularly and as warranted by particular circumstances, as deemed appropriate by the Board members. The Board has delegated authority to the various Board Committees in accordance with their respective terms of reference.

The Directors' attendances at the Board and Committee meetings for FY 2019 are as shown below:

	Board	AC	IC	RMC	NC	RC	ITC
No. of meetings held	5	5	3	3	3	4	1
Members	Number of meetings attended						
Mr. A. V. Girija Kumar	5	3	3	3	3	4	1
Mr. A. K. Saxena	5	5	3	3	3	4	1
Mr. G. Srinivasan	4	4	2	3	3	3	1
Mr. N. S. R. Chandra Prasad	5	5	3	3	3	4	1
Mrs. Tajinder Mukherjee	4	4	2	2	2	3	1
Mr. Atul Sahai	2	2	1	1	-	-	1
Mr. Iyengar V. Gopalan	2	-	1	-	-	-	-
Mr. T. Babu Paul	5	-	3	3	-	-	1

The Board does not, at present, provide any orientation and training for new and existing Directors. This is because all Directors already have prior experience as managing directors, directors and/or chief executives of their respective companies. However, the Board is considering the provision of orientation and training, as appropriate, for new and existing Directors who do not have any experience in the insurance industry, and to provide regular training, from to time, on relevant new laws, regulations and changing commercial risks.

The Board is also responsible for the appointment and removal of senior management, and ensures that the roles, responsibilities, accountability and reporting relationships of senior management and key persons in control job functions, are clearly stated and documented.

Any delegation of authority from the Board to the senior management is formally documented and clear.

The Board sets the corporate values of the Company to promote and maintain a high level of professional conduct of the business both for internal dealings and external transactions. Such corporate values discourage excessive risk taking and promote open discussion between the Board and management. The Board also ensures that senior management formulates policies and processes to promote fair practices and high standards of business conduct by staff. The Company has in place clear complaint handling procedures, which are communicated to customers, to ensure that all complaints are dealt with professionally, fairly, promptly and diligently.

BOARD COMPOSITION AND GUIDANCE

Principle:

2 ***There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, In particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

CORPORATE GOVERNANCE

The composition of the Board as at 31 05 2020 is as follows:

Mr. A. V. Girija Kumar	Chairman, Non-Executive and Non-Independent
Mr. A. K. Saxena	Non-Executive and Independent
Mr. G. Srinivasan	Non-Executive and Independent
Mr N. S. R. Chandra Prasad	Non-Executive and Independent
Mrs. Tajinder Mukherjee	Non-Executive and Non-Independent
Mr. Atul Sahai	Non-Executive and Non-Independent
Mr. Iyengar V. Gopalan	Non-Executive and Non-Independent
Mr. T. Babu Paul	Managing Director & Chief Executive, Executive and Non-Independent

The changes in the composition of the Board during FY 2019 and up to 31 05 2020 were as follows: Mrs. Tajinder Mukherjee was appointed as a Director on 1 March 2019. Mr. Atul Sahai and Mr. Iyengar V. Gopalan were appointed as Directors on 21 June 2019.

The Board has 3 Independent Directors and is in compliance with the requirement under the Regulations for at least one-third of the Directors on the Board to be Independent Directors.

The Board is of the view that its present size is appropriate for the Company given the scope and nature of its operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Directors, as a group are able to provide an appropriate balance and diversity of skills, experience and knowledge of the Company, as well as core competencies such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

The Non-Executive Directors, who constitute a majority of the Board, constructively challenge and help develop proposals on strategy and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The terms of reference of the IC are as follows:

1. To draft an investment policy and provide oversight and guidance to management in the management of the Company's investment portfolio and to ensure compliance with applicable regulations for investments;

2. To conduct periodic meetings with management to discuss key investment issues and to review the Company's investment portfolio and performance; and

3. To review and approve investment proposals submitted by management as required under established procedure.

The terms of reference of the ITC are as follows:

1. To approve information technology ("IT") related projects with cost exceeding S$100,000, and to review their implementation and progress;

2. To review the implementation, maintenance and upgrading of the Company's existing core software system and the Company's on-line insurance portal;

3. To approve budgets for IT purchases and licensing of hardware and software including their maintenance, modifications and upgrading;

4. To review the IT security and data security policies and procedures of the Company and their implementation;

5. To review the IT arrangements of the Company for business continuity;

6. To ensure that IT risks are identified, assessed and managed in line with the overall risk management policy of the Company; and

7. To receive, review and adopt the reports of the auditors on IT.

The terms of reference of the other Board Committees are set out below in the relevant Sections of this Report. The composition of the various Board Committees is set out under Principle 4 below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle:

3 There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman and Chief Executive are separate persons. There is a clear division of responsibilities between the Non-Executive Chairman and the Chief Executive who are not related. The Chief Executive is responsible for the day-to-day operations of the Company. The Chairman is responsible for providing leadership to the Board and for facilitating effective communication between the Board and management, among the Directors and with shareholders.

BOARD MEMBERSHIP

Principle:

4 There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

The Board is responsible for the selection and appointment of Directors. For this purpose, the Board has set up the NC to assist and make recommendations to the Board in the selection of suitable candidates, and to assist the Board to review on an annual basis the independence or otherwise of each Director, and that each existing Director remains qualified for the office based on the criteria set out by the Board.

In making the appointment, the Board takes into consideration educational background and experience, including experience within the insurance industry, of the nominee. The Board also considers whether the nominee is a fit and proper person and is qualified for the office taking into account the nominee's track record, age, experience, capabilities, skills and such other relevant facts as may be determined by the Board. The Board will also review on an annual basis that each existing Director remains qualified for the office based on these criteria.

A Director appointed by the Board shall retire from office at the close of the next annual general meeting of the Company, but shall be eligible for re-election. A Director re-elected at the next annual general meeting continues in office until he vacates his office in accordance with the regulations of the Company.

The key information regarding the Directors, the Board Committees served on (as a member or chairman), date of first appointment as a Director, date of last re-appointment as a Director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, is set out below:

CORPORATE GOVERNANCE

Name of Committee	Composition
AC	Mr. G. Srinivasan, Chairman Mr. N.S.R. Chandra Prasad, Member Mr. Ajit Kumar Saxena, Member Mr. Atul Sahai, Member Mrs. Tajinder Mukherjee, Member
IC	Mr. Iyengar Vijaykumar Gopalan, Chairman Mr. Angara Venkata Girija Kumar, Member Mr. Ajit Kumar Saxena, Member Mr. N.S.R. Chandra Prasad, Member Mr. G. Srinivasan, Member Mrs. Tajinder Mukherjee, Member Mr. Atul Sahai, Member Mr. T. Babu Paul, Member
RMC	Mr. Atul Sahai, Chairman Mr. Angara Venkata Girija Kumar, Member Mr. Ajit Kumar Saxena, Member Mr. N.S.R. Chandra Prasad, Member Mr. G. Srinivasan, Member Mrs. Tajinder Mukherjee, Member Mr. Iyengar V. Gopalan, Member Mr. T. Babu Paul, Member
NC	Mr. Ajit Kumar Saxena, Chairman Mr. N.S.R. Chandra Prasad, Member Mr. G. Srinivasan, Member Mr. Angara Venkata Girija Kumar, Member Mrs. Tajinder Mukherjee, Member
RC	Mr. N.S.R. Chandra Prasad, Chairman Mr. Ajit Kumar Saxena, Member Mr. G. Srinivasan, Member Mr. Angara Venkata Girija Kumar, Member Mrs. Tajinder Mukherjee, Member
ITC	Mrs. Tajinder Mukherjee, Chairperson Mr. Angara Venkata Girija Kumar, Member Mr. Ajit Kumar Saxena, Member Mr. N.S.R. Chandra Prasad, Member Mr. G. Srinivasan, Member Mr. Atul Sahai, Member Mr. Iyengar V. Gopalan, Member Mr. T. Babu Paul, Member

CORPORATE GOVERNANCE

Name of Director	Date of first appointment / Date of last re- appointment	Directorships or chairmanships both present and those held over the preceding 3 years in listed companies & other principal commitments
Mr. A. V. Girija Kumar	First appointed on 9 June 2014, retired, was re-elected at the annual general meeting on 16 June 2014 and resigned on 17 March 2015. Re-appointed on 20 September 2017, retired and was re-elected at the annual general meeting on 13 July 2018.	Listed Companies (India) Director, GIC Housing Finance Ltd. Other principal commitments (India) Chairman & Managing Director, The Oriental Insurance Company Limited. Chairman & Director, Health Insurance TPA of India Ltd. Director, Agriculture Insurance Co. Ltd.
Mr. A. K. Saxena	First appointed on 20 September 2012, retired and was re-elected at the annual general meeting on 28 June 2013, resigned on 30 June 2016. Re-appointed on 25 August 2016, retired and was re-elected at the annual general meeting on 29 August 2016.	Listed Companies (India) Director of GIC Housing Finance Ltd. Other principal commitments (India) Director, SBI General Insurance Company Limited.
Mr. G. Srinivasan	First appointed on 19 March 2013, retired and was re-elected at the annual general meeting on 28 June 2013 and resigned on 20 August 2018. Re-appointed on 19 December 2018, retired and was re-elected at the annual general meeting on 21 June 2019.	Listed Companies (up to 31 July 2018) (India) Chairman and Managing Director, The New India Assurance Company Limited. Director, GIC Housing Finance Limited. Director, General Insurance Corporation of India Other prior principal commitments (India & other countries) Director, Prestige Assurance Plc., Nigeria. Chairman, The New India Assurance Co. (Trinidad & Tobago) Ltd. Director, Health Insurance TPA of India Limited. Member of the Governing Board of the National Insurance Academy and the Insurance Information Bureau (all up to 31 July 2018). President of Insurance Institute of India (up to 10 December 2018). Listed Companies (India - present) Director, GIC Housing Finance Ltd. Other principal commitments (India - present) Director, National Insurance Academy. Director, DHFL General Insurance Ltd. Director, Institute of Insurance & Risk Management.

CORPORATE GOVERNANCE

Name of Director	Date of first appointment / Date of last re- appointment	Directorships or chairmanships both present and those held over the preceding 3 years in listed companies & other principal commitments
Mr. N. S. R. Chandra Prasad	First appointed on 28 August 2009, retired and was re-elected at the annual general meeting on 21 June 2010 and resigned on 28 February 2014. Re-appointed on 19 December 2018, retired and was re-elected at the annual general meeting on 21 June 2019.	Listed Companies (India) Director, GIC Housing Finance Ltd. Other principal commitments (India) Director, Chola MS Insurance Co., Ltd. Director, Kshema General Insurance Co. Ltd.
Mrs. Tajinder Mukherjee	Appointed on 1 March 2019, retired and was re-elected at the annual general meeting on 21 June 2019.	Listed Companies (India) Director, GIC Housing Finance Ltd. Other principal commitments (India) Chairman & Managing Director, National Insurance Company Limited. Director, Agriculture Insurance Company of India Limited. Director, Health Insurance TPA of India Limited.
Mr. Atul Sahai	Appointed on 21 June 2019, retired and was re-elected at the annual general meeting on 21 June 2019.	Listed companies (India) Chairman & Managing Director, The New India Assurance Co. Ltd. Director, GIC Housing Finance Ltd. Other principal commitments (India and other countries) Director, Health Insurance TPA of India Limited. Member of Governing Board, National Insurance Academy. Director, Agriculture Insurance Company of India Limited. Council Member, Insurance Institute of India. Director, Prestige Assurance Plc, Nigeria. Director, The New India Assurance Company (Trinidad & Tobago) Ltd.
Mr. Iyengar V. Gopalan	First appointed on 24 August 2009, retired and was re-elected at the annual general meeting on 21 June 2010, resigned on 23 August 2018. Re-appointed on 21 June 2019, retired and was re-elected at the annual general meeting on 21 June 2019.	Other principal commitments Chairman & Managing Director, Agrocorp International Pte Ltd. Director, The Grain & Feed Trade Association, United Kingdom. Board Member and Executive Vice-President, International Pulse Trade and Industries Confederation.

Name of Director	Date of first appointment / Date of last re- appointment	Directorships or chairmanships both present and those held over the preceding 3 years in listed companies & other principal commitments
Mr T. Babu Paul	Appointed as Director on 26 November 2018, and as Managing Director & Chief Executive on 27 November 2018, retired and was re-elected at the annual general meeting on 21 June 2019.	Principal commitment Chief Executive, India International Insurance Pte Ltd.

None of the Directors holds any shares in the Company except for Mr. T. Babu Paul who holds 2 ordinary shares on trust for General Insurance Corporation of India.

The Board reviews the nominations, and reasons for resignations of key appointment holders, namely the Directors, Chief Executive, Chief Financial Officer and certifying actuary. In addition, it ensures that there are adequate policies and procedures relating to the engagement, dismissal and succession of the senior management, and is actively involved in such processes.

BOARD PERFORMANCE

Principle:

5 There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board collectively reviews and evaluates its performance based on the questions contained in a Board Evaluation Questionnaire circulated to the Directors. The Board shall continue to review its performance every year.

ACCESS TO INFORMATION

Principle:

6 In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Directors are provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. The Directors have separate and independent access to the company secretary. The company secretary attends all Board and Board Committee meetings.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle:

7 ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

The Board has established the RC for developing and recommending for approval *by* the Board, policy on executive remuneration and for fixing the remuneration packages of individual Directors. In formulating these policies the RC seeks to ensure that the policies are in line with the strategic objective and corporate values of the Company and do not give rise to conflicts between the objectives of the Company and the interests of individual Directors and senior management. No Director is involved in deciding his own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle:

8 ***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

The level and structure of remuneration are aligned with the long-term interest and risk policies of the Company, and are appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company.

DISCLOSURE ON REMUNERATION

Principle:

9 ***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

The Board sets out the remuneration guidelines and reviews the remuneration framework of the Company. The Company adopts a remuneration policy that is primarily, performance based taking into account each person's job responsibilities and function and market conditions. The remuneration for employees of the Company comprises a fixed component and a performance-related variable component in an effort to link rewards to corporate and individual performance and align the interests with those of shareholders. In setting the remuneration packages, the Company takes into consideration the Company's and the individual's performance, as well as the contribution to the revenue and profitability.

The remuneration policies are in line with the strategic objectives and corporate values of the Company, and do not conflict with the Company's objectives and directions. The remuneration practices do not create incentives for excessive or inappropriate risk-taking behaviour.

No Director decides his own remuneration. The Directors' fees proposed by the Board are subject to shareholders' approval at the Company's annual general meeting.

The Company believes that it is not in its best interest to disclose the precise remuneration of the Directors and key management personnel due to the highly competitive market for talent. Details of management expenses including compensation of key management personnel, salaries and Directors' fees are set out in the Company's Financial Statements. The Company does not employ any immediate family members of any Director or the Chief Executive.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle:

10 The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects as well as annual reports to shareholders of the Company on a prompt basis. These principles guide the presentation of the Company's annual financial statements and quarterly financial statements. The Board is provided with regular management reports that present a balanced and understandable assessment of the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle:

11 The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board Is willing to take in achieving its strategic objectives.

The Board determines the Company's risk tolerance and policies and oversees management in the design, implementation and monitoring of the internal controls. The Board exercises oversight on management through the AC, the RMC and the ITC on the adequacy and effectiveness of the Company's systems of internal controls in compliance, operational, financial, IT and risk management. The AC reviews regularly with management and auditors, both internal *and* external, the continued development in the measures taken by management to further strengthen internal controls.

The Company has established a risk management framework with a view to ensuring that with suitable strengthening in the practices, the Company meets with the regulatory requirement on Enterprise Risk Management for Insurers (MAS Notice 126 issued on 2 April 2013).

The Company's Enterprise Risk Management ("ERM") framework assists the Board in (a) identifying significant risks, as well as determining the Company's levels of risk tolerance and risk policies; and (b) overseeing the design, implementation and monitoring of the Company's risk management and internal control systems. Pursuant to the ERM framework, the RMC has been set up to oversee the implementation and monitoring of the ERM framework, to approve risk appetite and tolerance levels and limits, and review the Company's Own Risk and Solvency Assessment Report. The Board has also appointed a Chief Risk Officer ("CRO") to assist the RMC to implement and monitor the ERM framework.

CORPORATE GOVERNANCE

The AC, RMC and ITC assist the Board in carrying out its risk governance functions to ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The AC, RMC and ITC also assist the Board to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The internal auditors are tasked to perform independent reviews of risks and controls to provide reasonable assurance to the AC, and in the case of IT matters, to the ITC and the Board that such risks have been adequately addressed and controls are operating. The external auditor reports to management and the AC on significant weaknesses in the Company's internal controls which come to their attention during the course of their statutory audit.

Based on the Company's existing framework of management controls, risk management systems, internal control policies and procedures, as well as reviews performed by the management, the external and internal auditors, the Board, with the concurrence of the AC and the RMC, is of the opinion that internal controls of the Company addressing financial, operational, compliance and information technology risks are adequate as at 31 December 2019.

The Board has also received from management, assurances that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and that the Company has in place adequate risk management and internal control systems.

AUDIT COMMITTEE

Principle:

12 The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

At present, the AC is made up of 5 Non-Executive Directors, of which 3 are Independent Directors. The composition of the AC is set out under Principle 4 above.

Terms of Reference of the AC are as follows:

a. to review the adequacy of the internal audit function; to review and approve the audit scope/plans of the external and internal auditors, the results of the auditors' examinations and evaluation of the Company's system of internal accounting controls, and the management's response to their recommendations;

b. with the assistance of the management and the internal and external auditors, to review and report to the Board on the effectiveness and adequacy of the Company's internal controls including financial, operational, compliance and information technology controls;

c. to ensure regulatory and legal compliance;

d. to review the financial statements of the Company each quarter and for each financial year prior to their submission to the Board for adoption;

e. to nominate the external auditor for appointment/re-appointment and to review the external audit fees and recommend to the Board for approval; and

f. to adopt and implement the Company's whistle blowing policy.

The AC has reviewed and approved all audit and non-audit fees paid to the external auditor for FY 2019. The Company has an approved whistle-blowing policy and procedures.

During FY 2019, the AC carried out the following activities:

a. reviewed quarterly unaudited and full-year audited financial statements of the Company, as well as the quarterly business reports of the Company and recommended such reports to the Board for approval;

b. reviewed the adequacy and effectiveness of the Company's risk management and internal control systems;

c. reviewed and approved the annual audit plan of the external auditor;

d. reviewed the report of the external auditor pursuant to their statutory audit;

e. reviewed and approved the internal audit plans of the internal auditors;

f. reviewed the reports of the internal auditors pursuant to the internal audit plans; and

g. reviewed the annual re-appointment of the external auditor and internal auditors and determined their remuneration, and made a recommendation for Board approval.

The AC keeps abreast of changes to accounting standards and issues which have a direct impact on financial statements through the presentation made by the external auditor of their annual audit plan as well as through the report presented by the external auditor pursuant to their annual statutory audit.

INTERNAL AUDIT

Principle:

13 The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has an internal audit function that is adequately resourced and independent of the activities it audits. The internal auditors report to the AC which reviews their internal audit plans and reports, approves their terms of appointment and remuneration, ensures that they are adequately are resourced and assisted by management.

The internal auditors plan their audit schedules in consultation with, but independent of management. The internal audit plans are submitted to the AC for approval prior to implementation. The internal auditors present quarterly reports to the AC and the AC reviews the activities of the internal auditors and meets with the internal auditors to approve their plans and to review their reports. The AC also ensures that the internal auditors have the necessary resources to perform their functions adequately.

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the internal auditors are adequately resourced and have the relevant qualifications and experience and have the appropriate standing and independence to fulfil their responsibilities. The AC is also of the view that the internal auditors have unfettered access to all the Company's documents, records, properties and personnel including access to the AC.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle;

14 ***Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

The Company treats all shareholders fairly and equitably, and recognizes, protects and facilitates the exercise of shareholders' rights as set out in the Company's constitution and under applicable law, and continually reviews and updates such governance arrangements.

COMMUNICATION WITH SHAREHOLDERS

Principle:

15 ***Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

The Company actively engages its shareholders and communicates effectively and fairly with shareholders. Shareholders are provided with notices of all general meetings in a timely manner together with any relevant documents which are required to be provided to shareholders.

CONDUCT OF SHAREHOLDER MEETINGS

Principle:

16 ***Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

Shareholders are entitled to attend and vote at all general meetings through their proxies or corporate representatives.

RELATED PARTY TRANSACTIONS

Principle:

17 ***The Board should ensure that the Financial Institution's related party transactions are undertaken on an arm's length basis.***

The Board reviews all related party transactions to ensure that they are undertaken on an arm's length basis. Material related party transactions are disclosed in the Company's financial statements.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited financial statements of the Company for the financial year ended December 31, 2019.

In the opinion of the directors, the accompanying financial statements as set out on pages 28 to 87 are drawn up so as to give a true and fair view of the financial position of the Company as at December 31, 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

DIRECTORS

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

Mr. A.V. Girija Kumar	
Dr. A. K. Saxena	
Mr. G. Srinivasan	
Mr. N. S. R. C. Prasad	
Mr. T. Babu Paul	
Mrs. Tajinder Mukherjee	(Appointed on March 1, 2019)
Mr. Vijaykumar Gopalan Iyengar	(Appointed on June 21, 2019)
Mr. Atul Sahai	(Appointed on June 21, 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, or debentures in, the Company or any other body corporate.

DIRECTORS INTEREST IN SHARES OR DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of director		Shareholdings in which director are deemed to have an interest	
Name of director and company in which interests are held	At January 1, 2019	At December 31, 2019	At January 1, 2019	At December 31, 2019
<u>Company</u>				
(Ordinary shares)				
Mr. T. Babu Paul	2	2	-	-

DIRECTORS' STATEMENT

OPTION TO TAKE UP UNISSUED SHARES

During the financial year, there were no shares of the Company issues by virtue of the exercise of an option to take up unissued shares.

OPTION EXERCISED

During the financial year, there were no shares issued by virtue of exercise of an option to take up unissued shares.

UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company under option.

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50. It reviewed the audit plans of the internal and external auditors of the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors.

The AC convened four meetings during the year. The AC has also met with internal and external auditors at least once a year.

AUDITOR

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment as auditor.

ON BEHALF OF THE DIRECTORS

A. V. Girija Kumar
Chairman

T. Babu Paul
Director

Singapore
March 27, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDIA INTERNATIONAL INSURANCE PTE LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of India International Insurance Pte Ltd (the "Company") which comprise the statement of financial position of the Company as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 87.

In our opinion, the accompanying financial statements 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 December 31, 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis of Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Financial Highlights, Corporate Governance Statement, which are expected to be made available to us after that date.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDIA INTERNATIONAL INSURANCE PTE LTD

Information Other than the Financial Statements and Auditor's Report Thereon (cont'd)

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Statement, Financial Highlights, Corporate Governance Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibility of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(a) 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.

(b) 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.

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

(d) 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.

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

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

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants

Singapore
March 27, 2020

STATEMENT OF FINANCIAL POSITION

December 31, 2019

	Note	2019 S$	2018 S$
Assets			
Fixed assets	7	1,843,398	1,573,480
Investment property	8	8,758,904	8,797,110
Financial assets:			
Held-to-maturity	9	248,680,945	245,115,326
Available-for-sale	9	182,242,460	133,590,629
Reinsurers' share of technical reserves			
Reserve for unexpired risks	14	20,122,751	13,899,639
Deferred acquisition costs	14	(6,469,337)	(3,486,254)
Loss reserves	15	117,686,737	120,607,021
Amount retained by ceding companies		261,777	261,777
Balances due from policyholders, agents and reinsurers	10	64,477,511	73,829,618
Prepayments		97,670	101,610
Other assets	11	16,875,621	8,333,261
Cash on deposits	12	227,696,361	262,947,164
Cash and bank balances	12	2,767,551	3,259,554
Total Assets		**885,042,349**	**868,829,935**
Liabilities and Equity			
Technical reserves			
Reserve for unexpired risks	14	64,996,365	61,296,359
Deferred acquisition costs	14	(8,614,755)	(8,573,441)
Loss reserves	15	304,036,487	301,332,842
Provision for deferred taxation	21	5,764,001	3,003,077
Tax payables	21	1,308,424	1,658,181
Balances due to agents	13	61,577	18,133
Balances due to reinsurers	13	50,562,119	60,015,106
Other liabilities	13	5,632,401	9,743,157
Total Liabilities		**423,746,619**	**428,493,414**
Equity attributable to owners of the Company			
Share capital	16	50,000,000	50,000,000
Retained earnings		382,315,101	374,873,486
Fair value reserves	23	28,980,629	15,463,035
Total Equity		**461,295,730**	**440,336,521**
Total Liabilities and Equity		**885,042,349**	**868,829,935**

See accompanying notes to financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2019

	Note	2019	2018
		S$	S$
Gross premiums		149,566,228	135,985,970
Underwriting loss		(14,584,078)	(24,477,336)
Investment and interest income	19	24,277,179	22,091,507
Other income	20	7,732,781	8,665,678
Other expenses	20	(6,724,511)	(8,405)
Profit before taxation		10,701,371	6,271,444
Taxation expenses	21	(759,756)	(1,513,100)
Profit for the year		9,941,615	4,758,344
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gain/(loss) on available-for-sale financial assets		16,131,518	(12,776,645)
Income tax relating to available-for-sale financial assets	21	(2,613,924)	2,141,953
Other comprehensive income/(loss) for the year, net of tax		13,517,594	(10,634,692)
Total comprehensive income/(loss) for the year		23,459,209	(5,876,348)

See accompanying notes to financial statements.

REVENUE ACCOUNT

Year ended December 31, 2019

	Note	TOTAL		FIRE		MARINE		MISCELLANEOUS	
		2019	2018	2019	2018	2019	2018	2019	2018
		S$	S$	S$	S$	S$	S$	S$	S$
Underwriting income									
Gross premiums less return premiums		149,566,228	135,985,970	44,371,963	31,520,524	45,505,812	49,373,230	59,688,453	55,092,216
Less: Reinsurance premiums		65,354,039	52,438,493	36,466,033	26,035,235	10,592,967	14,157,308	18,295,039	12,245,950
Net premiums		84,212,189	83,547,477	7,905,930	5,485,289	34,912,845	35,215,922	41,393,414	42,846,266
(Increase)/decrease in reserve for unexpired risks	14	(418,663)	9,300,060	(2,972,144)	1,278,424	620,200	5,796,812	1,933,281	2,224,824
Total underwriting income		83,793,526	92,847,537	4,933,786	6,763,713	35,533,045	41,012,734	43,326,695	45,071,090
Underwriting outgo									
Claims paid less recoveries		75,599,926	79,578,145	4,632,036	2,398,036	42,697,071	50,906,348	28,270,819	26,273,761
Increase/(decrease) in loss reserve	15	5,623,929	15,001,428	5,583,649	1,837,711	783,371	17,654,118	(743,091)	(4,490,401)
Commissions - net incurred	17	4,418,364	10,830,443	(7,243,323)	(2,213,894)	6,974,913	7,373,518	4,686,774	5,670,819
Management expenses		12,735,385	11,914,857	3,778,219	2,750,521	3,874,765	4,303,924	5,082,401	4,860,412
Total underwriting outgo		98,377,604	117,324,873	6,750,581	4,772,374	54,330,120	80,237,908	37,296,903	32,314,591
Underwriting (loss)/profit transferred to income statement		(14,584,078)	(24,477,336)	(1,816,795)	1,991,339	(18,797,075)	(39,225,174)	6,029,792	12,756,499

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2019

	Share capital S$	Retained earnings S$	Fair value reserves S$	Total S$
2019				
Balance as at January 1, 2019	50,000,000	374,873,486	15,463,035	440,336,521
Profit for the year	-	9,941,615	-	9,941,615
Other comprehensive income for the financial year	-	-	13,517,594	13,517,594
Total comprehensive income for the financial year	-	9,941,615	13,517,594	23,459,209
Dividends (Note 22)	-	(2,500,000)	-	(2,500,000)
Balance as at December 31, 2019	50,000,000	382,315,101	28,980,629	461,295,730
2018				
Balance as at January 1, 2018	50,000,000	372,615,142	26,097,727	448,712,869
Profit for the year	-	4,758,344	-	4,758,344
Other comprehensive loss for the financial year	-	-	(10,634,692)	(10,634,692)
Total comprehensive income (loss) for the financial year	-	4,758,344	(10,634,692)	(5,876,348)
Dividends (Note 22)	-	(2,500,000)	-	(2,500,000)
Balance as at December 31, 2018	50,000,000	374,873,486	15,463,035	440,336,521

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

	2019 S$	2018 S$
Operating activities		
Profit before taxation	10,701,371	6,271,444
Adjustments for:		
Depreciation of fixed assets	267,851	203,628
Depreciation of investment property	38,206	39,177
Depreciation of right-of-use assets	991,092	-
Investments – allowance of impairment	-	3,550,682
Loss on disposal of fixed assets	4,541	6,425
Investment and interest income	(24,277,179)	(22,091,507)
Provision of bad and doubtful debts	2,637,072	2,157,017
Balances due to reinsurers written back	7,220,693	8,197,633
Reversal of old treaty balances	-	(254,512)
Interest expense on lease liabilities	58,678	-
Operating cash flow before changes in working capital	(2,357,675)	(1,920,013)
Reserve for unexpired risks - Gross	3,658,692	(8,234,385)
Reserve for unexpired risks - Reinsurance	(3,240,028)	(1,065,675)
Loss reserve - Gross	2,703,645	26,831,292
Loss reserve - Reinsurance	2,920,284	(11,829,864)
Debtors and prepayments	(17,551,014)	1,008,568
Creditors and other liabilities	(20,488,329)	(3,924,633)
Cash flows (used in)/generated from operations	(34,371,996)	865,290
Investment and interest income received	23,017,642	19,131,430
Interest paid on lease liabilities	(58,678)	-
Income taxes paid	(962,513)	(1,382,797)
Net cash flows (used in)/from operating activities	(12,375,545)	18,613,923
Investing activities		
Purchase of fixed assets	(542,849)	(869,309)
Purchase of marketable securities & other investments	(34,539,476)	(47,593,447)
Proceeds on disposal of investments & marketable securities	15,607,858	17,522,290
Proceeds on disposal of fixed assets	539	-
Net cash flows used in investing activities	(19,473,928)	(30,940,466)
Financing activities		
Repayment of lease liability	(973,521)	-
Dividends paid	(2,500,000)	(2,500,000)
Net decrease in cash and cash equivalents	(35,322,994)	(14,826,543)
Cash and cash equivalents at beginning of year (Note 12)	262,804,752	277,631,295
Cash and cash equivalents at end of year (Note 12)	227,481,758	262,804,752

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	2019 S$	2018 S$
Cash and bank balances	2,767,551	3,259,554
Cash on deposits	227,696,361	262,947,164
	230,463,912	266,206,718
Less Cash collateral (Note 12)	2,982,154	3,401,966
Cash and cash equivalents	227,481,758	262,804,752

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

1. GENERAL

The Company (Registration Number 198703792K) is incorporated in Singapore. It is owned by all the state owned insurance companies of the Government of India, namely General Insurance Corporation of India, National Insurance Co. Ltd, New India Assurance Co. Ltd, Oriental Insurance Co. Ltd and United India Insurance Co. Ltd, which are all incorporated in India. The address of the Company's principal place of business and registered office is at:

India International Insurance Pte Ltd
64 Cecil Street
#04/#05-02
IOB Building
Singapore 049711

The financial statements are expressed in Singapore dollars.

The principal activities of the Company are to undertake the business of insurance and reinsurance of all classes of the general insurance and to perform investment functions incidental thereto. The financial statements of the Company for the year ended December 31, 2019 were authorised for issue by the Board of Directors on March 27, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of accounting*

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards in Singapore (FRSs).

The preparation of the financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These estimates and assumptions affect the reported amounts of assets and liabilities at the measurement date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgement of current facts as at the measurement date, the actual outcome may differ from the estimates, possibly significantly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 2.9 and 3.

The financial statements of the Company have been prepared under the historical cost basis except for available-for-sale financial assets that have been measured at their fair values.

All assets and liabilities are presented in the statement of financial position of the Company in order of liquidity as this presentation is more relevant for the insurance industry. The Company regards its fixed assets, investment property and right-of-use asset as non-current assets as these are held for the longer-term use of the Company.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies disclosed below.

Amendments to FRS 104 *Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*

The amendments introduce two optional approaches for entities that issue insurance contracts within the scope of FRS104 Insurance Contracts, which provides some entities with a temporary exemption from application of FRS 109 (the "deferral approach") for annual periods beginning before January 1, 2021; and gives all entities with insurance contracts the option, following full adoption of FRS 109, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (the "overlay approach"). The Company has adopted the deferral approach.

Management has concluded that the Company is qualified for the temporary exemption as the Company has not previously applied FRS 109 and its activities are predominantly connected with insurance. As at December 31, 2019, the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant as compared to the total carrying amount of all its liabilities, and the percentage of the total carrying amount of its liabilities connected with insurance is greater than 90% of the total carrying amount of all its liabilities.

The table below presents an analysis of the fair value of classes of financial assets as at December 31, 2019, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

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

- All financial assets other than those specified in SPPI above ("Other financial assets") (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

		SPPI financial assets		**Other financial assets**	
	FRS 39 classification	Fair value as at December 31, 2019	Fair value changes	Fair value as at December 31, 2019	Fair value changes
		$	$	$	$
December 31, 2019					
Debt securities	AFS	55,843,028	1,362,148	-	-
Equity securities	AFS	-	-	123,917,349	32,825,229
Preference shares	AFS	-	-	1,130,000	130,000
Gold	AFS	-	-	1,352,083	11,112
Debt securities - HTM	Amortised cost	252,869,505	4,188,560	-	-
Cash, bank balances and cash deposits	Amortised cost	230,463,912	-	-	-
Balances due from policy holders, agents, ceding companies and reinsurers	Amortised cost	64,477,511	-	-	-

The carrying amount under FRS 39 for SPPI financial assets analysed by credit risk rating are disclosed in Note 4 (b). As at December 31, 2019, the fair value and carrying amount of SPPI financial assets that do not have low credit risk are insignificant.

2.2 ***Adoption of new and revised standards***

On January 1, 2019, the Company has adopted all the new and revised FRSs, Interpretations of FRS ("INT FRS") and amendments to FRSs that are relevant to its operations. The adoption of these new/revised FRSs, INT FRS and amendments to FRSs does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior year except as disclosed below:

FRS 116 *Leases*

FRS 116 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of FRS 116 on the Company's financial statements is described below.

The date of initial application of FRS 116 for the Company is January 1, 2019.

The Company has applied FRS 116 using the cumulative catch-up approach which:

- requires the Company to recognise any cumulative effect of initially applying FRS 116 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- does not permit restatement of comparatives, which continue to be presented under FRS 17 and INT FRS 104.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to FRS 116 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with FRS 17 and INT FRS 104 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. FRS 116 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in FRS 17 and INT FRS 104.

The Company applies the definition of a lease and related guidance set out in FRS 116 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in FRS 116 does not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

Former operating leases

FRS 116 changes how the Company accounts for leases previously classified as operating leases under FRS 17, which were off-balance-sheet.

Applying FRS 116, for all leases, the Company:

(a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with FRS 116.C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss and other comprehensive income; and

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under FRS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under FRS 116, right-of-use assets are tested for impairment in accordance with FRS 36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by FRS 116. This expense is presented within management expenses in the statement of profit or loss and other comprehensive income.

(c) Financial impact of initial application of FRS 116

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is 4.28%.

The Company does not have any cumulative effect adjusted to the opening balance because the leases were renewed and effective on or after January 1, 2019.

The following table shows the operating lease commitments disclosed applying FRS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019
	$
Operating lease commitments at December 31, 2018	2,064,398
Less: Effect of discounting the above amounts	(82,215)
Lease liabilities recognised as at January 1, 2019	1,982,183

The Company has assessed that there is no tax impact arising from the application of FRS 116.

At the date of authorisation of these financial statements, the following FRSs were issued but not effective and are expected to have an impact to the Company in the periods of their initial application:

Effective for annual periods beginning on or after January 1, 2021

FRS 117 *Insurance Contracts* - FRS 117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes FRS 104 *Insurance Contracts*.

The Standard outlines a Building Block Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty; it takes into account market interest rates and the impact of policyholders' options and guarantees.

Profit from selling insurance policies is deferred in a separate liability component on day 1 and aggregated in groups of insurance contracts; it is then reported systematically through profit or loss over the period during which insurers provide cover after making adjustments from changes in assumptions relating to future coverage.

Management anticipates that the initial application of the FRS 117 will result changes to the accounting policies relating to insurance contract liabilities. Additional disclosures will also be made with respect of insurance contract liabilities, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Company's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 117.

Deferral of the date of initial application of IFRS 17 Insurance Contracts by two years

On March 17, 2020, The International Accounting Standards Board (IASB) has decided that the effective date of IFRS 17 *Insurance Contracts* will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB 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 IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. The Accounting Standards Council ("ASC")'s policy position has been to align Singapore accounting standards with IFRS and plans to apply the same effective date.

2.3 ***Revenue recognition***

(a) ***Premium income***

Premium income on direct insurance business is recognised at the time a policy is issued, which approximates the inception date of the risk. Reinsurance premium income is recognised when advised up to the time of closing the books.

(b) ***Investment income***

Dividend income is recognised as and when received while rental and interest income are accounted for using effective interest method.

(c) ***Services division income***

Services division income from brokerage is recognised when the brokerage service has been rendered, a binding order in respect of the insurance policy between the insured and insurer is received and collectability is reasonably assured.

2.4 ***Product classification***

All the Company's existing products are insurance contracts as defined in FRS 104 *Insurance Contracts*. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life time, even if the insurance risk reduces significantly during the period.

2.5 ***Reinsurance***

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

2.6 ***Reserves for unexpired risks***

Reserves for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves. Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date for any line of business exceeds the unearned premium reserves.

The unearned premium reserves are computed on the following basis:

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

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

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

2.7 *Deferred acquisition costs*

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs ("DAC") are calculated using the 365^{th} method on actual commission. All other acquisition costs are recognised as an expense when incurred.

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

2.8 *Claims paid and provision for outstanding claims*

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

Provision is made for the estimated cost of all claims incurred but not settled at the date of the statement of financial position less reinsurance recoveries, using the best information available at the time. In addition, provision for claims incurred but not reported is made based on the independent actuarial assessment as at reporting date as required under the Insurance Act. The Company does not discount its liabilities for outstanding claims.

Any reduction or increase in the provision is dealt with in the insurance revenue account of the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account of the year in which settlement takes place. For claims from reinsurance, an additional provision is made based on developmental trends as discerned in the running-off of outstanding claims in respect of prior underwriting years.

As explained in Notes 2.9 and 3, the assumptions used to estimate the provision require judgment and are subject to uncertainty.

2.9 *Insurance contract liabilities - Assumptions and sensitivities*

The major classes of general insurance written by the Company include motor, fire, workmen compensation, personal accident, travel, marine cargo and hull. For general insurance contracts, claims provisions (comprising provision for claims reported by policyholders and claims incurred but not reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the statement of financial position date.

The provisions are refined continuously as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques like the Chain Ladder and Bornheutter-Ferguson method. Claims provisions are separately analysed by loss adjustors or separately projected by the actuaries. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Assumptions

(a) Process used to decide on assumptions

The best estimates of claim liabilities have been determined from the projected ultimate claim liabilities based on the incurred loss development, the paid loss development, the Bornhuetter Ferguson, or the expected loss ratio methods.

The selected loss development factors have mostly been based on the historical development pattern from the reported loss development triangles. Judgment was used whenever there was a wide variability in the past development factors due to a small claims sample or due to a fairly new class of business. Also, development factors which seemed abnormal would have been disregarded in selecting the loss development factors.

For most classes of business, the incurred loss development method has been used to select the ultimate best estimates for 2019 and prior accident/underwriting years. The Bornhuetter Ferguson method, along with the expected loss ratio method, was also considered in the selection of the ultimate loss estimates for the most recent accident/underwriting year, and for classes of business with a small claims sample or in cases where little claim information was available as of the valuation date.

Acquisition expenses are assumed to have been incurred at the date of writing the policy and hence does not form part of the loss reserving exercise.

Non-reinsurance recoveries, including salvage and subrogation, were not specifically analysed in this valuation. However, they would implicitly be allowed for in our valuation method, where past recovery patterns are assumed to continue into the projected future years.

The best estimates for premium liabilities have been determined such that the total premium liability provision would be sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

The actuarial liabilities have been discounted to allow for risk-free investment returns which may be earned on India International's reserves before the liability is paid out. This has been owing to the material impact of discounting on the overall claim and premium liabilities.

No explicit inflation adjustment has been made to claim amounts payable in the future. This inflation is, however, implicitly allowed for in the valuation method, where past inflation patterns are assumed to continue into the projected future years.

The principal assumption underlying the estimates is the Company's past claims development experience is representative of the future as well. This includes assumptions in respect of initial expected loss ratios used, first year incurred loss development factors used, claims handling costs and the assumed provision for adverse deviation ("PAD") factor used for each accident/underwriting year. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

(b) Change in assumptions and sensitivity analysis

The sensitivity analysis is based on the assumptions set out in the actuarial report and is subject to the same reliance's and limitations contained in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full.

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

The key assumptions considered in the sensitivity analysis of the claim liabilities include:

- a 5 percentage increase or decrease in the initial expected loss ratio for each line of business;
- a 5 percentage increase or decrease in the assumed first incurred loss development factor for each line of business;
- a 5 percentage point increase or decrease in the assumed level of indirect claim handling expenses; and
- a 5 percentage point increase or decrease in the assumed PAD factor for each line of business.

The key assumptions considered in the sensitivity analysis of the premium liabilities include:

- a 5 percentage point increase or decrease in the assumed ultimate loss ratio for each line of business in the calculation of the unexpired risk reserve ("URR");
- a 5 percentage point increase or decrease in the assumed level of management expense ratio for each line of business; and
- a 5 percentage point increase or decrease in the assumed PAD factor for each line of business.

The sensitivity values shown for each assumption item are independent of changes to other assumption items. In practice a combination of adverse and favourable changes could occur. The sensitivity results are not intended to capture all possible outcomes significantly more adverse or favourable results are possible.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

Claim liability sensitivity analysis

	Net		
Assumption	+5%(1)		–5%(1)
Reported total actuarial claims liability		186,349,750	
Initial Expected Loss Ratio[2]	187,205,969		185,493,531
First Incurred Development Factor[3]	189,494,283		182,875,134
Claim Handling Expenses[4]	201,122,788		171,576,712
Provision for Adverse Deviation[5]	192,744,449		179,955,051

Premium liability sensitivity analysis

	Net		
Assumption	+5%(1)		–5%(1)
Reported total actuarial premium liability		42,728,196	
Ultimate Loss Ratio	44,203,523		41,854,358
Management expense ratio	45,532,030		41,081,730
Provision for Adverse Deviation[5]	42,728,196		42,728,196

Change in claim liability sensitivity analysis

	Net		
Assumption	+5%(1)		–5%(1)
Reported total actuarial claims liability		186,349,750	
Initial Expected Loss Ratio[2]	856,219		(856,219)
First Incurred Development Factor[3]	3,144,532		(3,474,616)
Claim Handling Expenses[4]	14,773,038		(14,773,038)
Provision for Adverse Deviation[5]	6,394,699		(6,394,699)

Change in premium liability sensitivity analysis

	Net		
Assumption	+5%(1)		–5%(1)
Reported total actuarial premium liability		42,728,196	
Ultimate Loss Ratio	1,475,327		(873,838)
Management expense ratio	2,803,834		(1,646,466)

Percentage change in claim liability sensitivity analysis

		Net	
Assumption	+5%(1)		−5%(1)
Reported total actuarial claims liability		186,349,750	
Initial Expected Loss Ratio[2]	0%		0%
First Incurred Development Factor[3]	2%		-2%
Claim Handling Expenses[4]	8%		-8%
Provision for Adverse Deviation[5]	3%		-3%

Percentage change in premium liability sensitivity analysis

		Net	
Assumption	+5%(1)		−5%(1)
Reported total actuarial premium liability		42,728,196	
Ultimate Loss Ratio	3%		-2%
Management expense ratio	7%		-4%
Provision for Adverse Deviation[5]	0%		0%

Notes:

(1) Sensitivity analysis assesses impact of a +/- 5% additive change in assumption.

(2) Initial expected loss ratio sensitivity analysis applies to 2019 accident year.

(3) First incurred development factor sensitivity assess impact of a +/- 5% multiplicative change in assumption. The sensitivity applies to 2019 accident year.

(4) Claims handling expense assumption in sensitivity analysis assess the impact of a change from X% to X% +5% and X% to X% -5% of best estimate liability.

(5) The sensitivity analyses are applied to the PAD factors before the credit for diversification is applied.

2.10 *Reinsurance - Assumptions and methods*

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amount recoverable from reinsurers are estimated in manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurer's share of technical provisions.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

2.11 *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions and improvements are capitalised and expenditure for repairs and maintenance are recognised in profit or loss. When assets are sold or retired, their cost and accumulated depreciation and impairment are removed from the financial statements and any gain or loss resulting from their disposal is included in profit or loss.

Where an indication of impairment exists, the carrying amounts is assessed and written down to their recoverable amounts. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been charged had the provision not been made.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

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

2.12 *Depreciation*

Depreciation of all fixed assets is calculated to write off the cost on reducing balance method over their expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Motor vehicles	-	20%
Computers, office equipment	-	15%
Furniture and fittings	-	10%

2.13 *Financial assets*

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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

(a) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category "financial assets at fair value through the profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

The Company does not designate any financial assets not held for trading as financial assets at fair value through profit or loss.

(b) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(c) *Loans and receivables*

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

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for sale financial assets are measured at fair value. Any gains or losses from changes in value of the fair value asset are recognised in the comprehensive income, except the impairment losses, foreign exchange gain and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

2.14 ***Impairment***

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

(a) *Non-financial assets*

The carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in profit or loss and revenue account.

(i) Calculation of recoverable amount

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment loss

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All other reversals of impairment are recognised in profit or loss and revenue account.

(b) *Financial assets*

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The amount of the loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset. To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unlisted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to the profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.15 ***Investment property***

Investment property is initially recorded at cost. Subsequent to recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment property is calculated to write off the cost on reducing balance method over the expected useful lives of the asset concerned. The principal annual rate used for this purpose is:

Investment property : 2.5% p.a.

Investment property is derecognised when either it is disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.16 *Balances due from Policyholders, Agents, Ceding Companies and Reinsurers*

Balances due from Policyholders, Agents, Ceding Companies and Reinsurers are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

An allowance is made for uncollectible amounts when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in the Note 2.14.

2.17 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the statement of financial positions are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

2.18 *Balances due to Agents, Reinsurers and Other Creditors*

Balances due to Agents, Reinsurers and Other Creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.19 *Provisions*

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

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.20 *Taxation*

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period. Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) *Deferred income tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

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

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

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

2.21 *Foreign currency*

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

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at end of each reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transactions in foreign currencies are recorded at rates prevailing on transaction dates. Exchange differences arising on the settlement of monetary item or on translating monetary item at end of each reporting period are recognised in profit or loss.

2.22 *Dividend distribution*

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

2.23 *Employee benefits*

As required by the law, the Company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

2.24 *Derecognition of financial assets and liabilities*

(a) *Financial assets*

A financial asset (or, where applicable a part of a financial asset) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Company retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

2.25 ***Operating Leases***

(a) The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(b) The Company as lessee

Before January 1, 2019

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

From January 1, 2019

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, comprising the initial amount of the leased liability. 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-to-use asset the end of the lease term.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The Company presents the right-of-use assets in 'other assets' and lease liabilities in other liabilities' in the statement of financial position.

The Company does not recognise right-of-use assets and lease liabilities for short-term leases of machinery that have lease term of 12 months or less and leases of low-value assets. The Company recognises these lease payments associated with these leases as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

2.26 *Related parties*

A related party is defined as follows:

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

(i) Has control or joint control over the Company; or

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a); and

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.27 *Financial liabilities*

Initial recognition and measurement

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

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

2.28 *Offsetting of financial instruments*

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

3. MANAGEMENT OF INSURANCE RISK AND INHERENT UNCERTAINTY IN ACCOUNTING ESTIMATES

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

As general insurance business encompass a wide range of different insurance products, a prudent management of risks is fundamental to our business. This safeguards not only the interest of the shareholders but also that of the customers. The Company has developed a robust underwriting framework to ensure all risks accepted meet with our guidelines and standards.

The Company's business is primarily derived from Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio. The Company has developed a reinsurance management strategy which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of our reinsurance management strategy include protection of shareholders' fund, smoothing out the peaks and troughs of our underwriting result, providing us with competitive advantage, sound and diversified reinsurance securities and developing long-term strategic partnership with key reinsurers.

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The principal uncertainty in the Company's financial statements primarily arises in the technical provisions which include the premium and claim liabilities. The premium liabilities comprise reserve for unexpired risks, net of deferred acquisition cost while the claims liabilities comprise provision for outstanding claims and their values are carried in the statement of financial position as disclosed in Notes 14 and 15 to the financial statements.

Generally, premium and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not develop exactly as projected and may vary from our projection.

The other uncertainties arising under insurance contracts include:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable; and
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, evolving judicial interpretation, legislative changes and claims handling procedures.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherent uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

4. RISK AND FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise available-for-sale investments, held to maturity investments, cash and short term deposits, other receivables and payables. The Company has various other financial assets and liabilities such as insurance receivables and payables, which arise directly from its operations.

The primary objective of the Company's risk and financial management framework is to have efficient and effective risk management systems in place. The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The key financial risks include exposure to underwriting, credit, liquidity risk, currency, price and interest rate risk arise in the normal course of business.

The Company is a Singapore based direct insurer. The table below sets out the composition of gross written premium for current year.

	2019	2018
Marine and aviation	34%	36%
Fire	30%	23%
Motor	23%	24%
Workmen's compensation	6%	7%
Miscellaneous	7%	10%
	100%	100%

The Company's overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) ***Underwriting risk***

The Company principally issues the following types of general insurance contracts: motor, household, fire, marine, commercial and business interruption. Risks under non-life insurance policies usually cover twelve month duration.

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company seeks to minimise underwriting risks with a balanced mix and spread of classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to the security of reinsurers. The Company adopted the actuary’s view on its claims and premium liabilities at reporting date. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricane earthquakes and flood damages). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company’s risk appetite as decided by management.

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

	Net claims liabilities 2019	Net premium liabilities 2019	Net claims liabilities 2018	Net premium liabilities 2018
Marine and aviation	49%	46%	50%	48%
Fire	8%	12%	5%	5%
Motor	26%	19%	26%	15%
Workmen’s compensation	11%	19%	11%	26%
Miscellaneous	6%	4%	8%	6%
	100%	100%	100%	100%

(b) ***Credit risk***

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties. The company’s objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Net exposure limits are set for each counterparty or company of counterparties. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties’ limits that are set each year.

The Company views the management of credit risk as a fundamental and critical part of operations. In respect of amounts due from policyholder, agents and reinsurers and other receivables, the management has a credit policy in place and the exposure to credit risk is actively monitored on an ongoing basis. Loans are only given to selected high net worth individuals and companies with credible and good financial backgrounds. All loans are either backed by guarantees obtained from substantial financial institutions or quality collateral. At end of the reporting period, there are no significant concentrations of credit risk. The maximum exposure to credit risks is represented by the carrying amount of each financial asset on the statement of financial position date. Company minimises credit risk by dealing exclusively with good credit rating counterparties.

Age wise analysis of financial assets past due but not impaired

		Past due but not impaired			
	Not past due and not impaired	< 3 months	3 months to 9 months	9 months and above	Total
December 31, 2019					
Balances due from policy holders, agents, ceding companies and reinsurers	2,118,236	33,485,335	12,445,930	16,428,010	64,477,511
December 31, 2018					
Balances due from policy holders, agents, ceding companies and reinsurers	27,880,583	12,594,751	23,224,027	10,130,257	73,829,618

Credit risk exposure of the Company according to rating of the counterparties

	A	AA	AAA	BBB	BB	Not rated	Total
December 31, 2019							
HTM*	59,277,713	6,598,114	2,000,000	90,132,703	9,646,322	81,026,093	248,680,945
AFS*- Debt	-	-	-	11,486,939	-	44,356,089	55,843,028
AFS*- Equity	-	-	-	-	-	123,917,349	123,917,349
AFS*- Gold	-	-	-	-	-	1,352,083	1,352,083
AFS*- Pref shares	-	-	-	-	-	1,130,000	1,130,000
Cash, bank balances and cash deposits	-	91,853,951		113,990,227	9,720,454	14,899,280	230,463,912
December 31, 2018							
HTM*	58,917,872	4,612,534	6,994,207	76,445,051	14,601,904	83,543,758	245,115,326
AFS*- Debt		-	-	11,806,341	-	22,311,916	34,118,257
AFS*- Equity		-	-	-	-	98,422,372	98,422,372
AFS*- Pref shares		-	-	-	-	1,050,000	1,050,000
Cash, bank balances and cash deposits		132,792,006		109,046,554	13,543,658	10,824,500	266,206,718

Trade and other receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Company.

* HTM denotes Held-to-Maturity.
* AFS denotes Available-for-Sale.

(c) ***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its commitments. The Company manages this risk by monitoring daily and monthly projected and actual cash flows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company sets guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient fund being available to meet insurance and investment contracts obligations. The Company's excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size. The Company does not require external funding in the foreseeable future.

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company:

	Statement of financial position amount	Up to 1 year	1-3 years	3-5 years	5-10 years	Over 10 years
	$	$	$	$	$	$
December 31, 2019						
Assets						
Held-to-maturity	248,680,945	59,087,654	80,363,909	56,775,477	52,453,905	-
AFS securities	182,242,460	182,242,460	-	-	-	-
Cash, bank balances and cash deposits	230,463,912	230,463,912	-	-	-	-
Balances due from policy holders, agents, ceding companies and reinsurers	64,477,511	64,477,511	-	-	-	-
Amount retained by ceding companies	261,777	261,777	-	-	-	-
Other assets	15,884,529	15,884,529	-	-	-	-
Liabilities						
Balances due to agents	61,577	61,577	-	-	-	-
Balances due to reinsurers	50,562,119	50,562,119	-	-	-	-
Other liabilities	5,632,401	5,632,401	-	-	-	-
December 31, 2018						
Assets						
Held-to-maturity	245,115,326	43,925,375	93,396,373	46,384,489	61,409,089	-
AFS securities	133,590,629	133,590,629	-	-	-	-
Cash, bank balances and cash deposits	266,206,718	266,206,718	-	-	-	-
Balances due from policy holders, agents, ceding companies and reinsurers	73,829,618	73,829,618	-	-	-	-
Amount retained by ceding companies	261,777	261,777	-	-	-	-
Other assets	8333,261	8,333,261	-	-	-	-
Liabilities						
Balances due to agents	18,133	18,133	-	-	-	-
Balances due to reinsurers	60,015,106	60,015,106	-	-	-	-
Other liabilities	9,743,157	9,743,157	-	-	-	-

Financial assets and liabilities up to 1 year maturity are current assets and current liabilities respectively.

Due to the nature of its business, the Company's net loss reserves and net reserve for unexpired risks are expected to be short-tail, but without contractual maturity date and likely to materialize within 7 years.

(d) ***Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to three types of market risks a) Foreign exchange risk b) Market price risk c) Market interest rates.

(i) ***Foreign exchange risk management***

The Company is exposed to the effects of foreign currency exchange rate fluctuations primarily because of its foreign currency denominated underwriting revenues (premiums) and expenses (claims). The currencies giving rise to this risk are primarily United States dollars (US$), British Pounds (GBP), Australian dollars (AUD), Thailand Baht (THB) and Malaysian ringgit (MYR). To mitigate this risk, the Company invests premiums received in US$, GBP, THB and MYR in the respective currency assets. The Company reviews periodically to ensure sufficient assets are maintained in the respective major currencies to meet the liabilities. The Company does not use derivative financial instruments to protect against volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business.

The table below sets out financial assets, financial liabilities and policy liabilities, in the currencies in which they are denominated:

	HTM	AFS	Cash, bank balance and cash deposits	Amount due from policy holders, agents and reinsurers	Amount retained by ceding companies	Other assets	Policy liabilities	Amount due to agents and reinsurers	Other liabilities	Net currency exposure
2019										
Denominated currency										
S$	139,187,122	145,681,143	138,369,109	28,692,603	177,524	13,717,130	(107,680,108)	(47,797,395)	(5,632,401)	304,714,727
US$	109,493,823	33,707,631	91,362,704	23,720,354	11,183	2,166,766	(85,334,654)	(1,451,151)	-	173,676,656
GBP	-	-	354,268	20,052	-	599	(329,194)	(21,778)	-	23,947
AUD	-	-	-	18,596	-	-	(641,624)	(18,539)	-	(641,567)
THB	-	2,853,144	-	355,623	-	-	(868,796)	(64,089)	-	2,275,882
MYR	-	542	377,831	1,366,768	(6)	34	(561,805)	(69,441)	-	1,113,923
HKD	-	-	-	234,592	-	-	(604,730)	(17,365)	-	(387,503)
EUR	-	-	-	3,998,784	67,616	-	(22,338,558)	(750,378)		(19,022,536)
Others	-	-	-	6,070,139	5,460	-	(10,718,477)	(433,560)	-	(5,076,438)
	248,680,945	**182,242,460**	**230,463,912**	**64,477,511**	**261,777**	**15,884,529**	**(229,077,946)**	**(50,623,696)**	**(5,632,401)**	**456,677,091**

* - Amounts are reported in their Singapore Dollar equivalent.

	HTM	AFS	Cash, bank balance and cash deposits	Amount due from policy holders, agents and reinsurers	Amount retained by ceding companies	Other assets	Policy liabilities	Amount due to agents and reinsurers	Other liabilities	Net currency exposure
2018										
Denominated currency										
S$	143,142,000	113,174,473	156,495,319	33,644,369	177,524	5,885,522	(110,774,851)	(34,140,853)	(9,743,157)	306,407,248
US$	101,973,326	16,061,223	106,832,075	22,853,934	11,183	2,446,961	(86,679,025)	(14,517,861)	-	146,434,916
GBP	-	-	312,561	748,807	-	580	(18,785)	(426,722)	-	616,441
AUD	-	-	-	46,305	-	-	(28,187)	(188,800)	-	(170,682)
THB	-	3,279,190	-	155,788	-	-	(860,025)	(149,297)	-	2,425,656
MYR	-	813,938	2,566,763	1,197,931	(6)	198	(626,981)	(735,571)	-	3,216,271
HKD	-	-	-	761,493	-	-	(850,581)	(508,414)	-	(597,502)
EUR	-	-	-	4,113,163	67,616	-	(17,710,581)	(718,147)	-	(14,247,949)
Others	-	261,805	-	10,307,828	5,460	-	(17,486,338)	(8,647,574)	-	(9,558,819)
	245,115,326	**133,590,629**	**266,206,718**	**73,829,618**	**261,777**	**8,333,261**	**(223,035,354)**	**(60,033,239)**	**(9,743,157)**	**434,525,579**

* - Amounts are reported in their Singapore Dollar equivalent.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency.

		2019		2018	
Currency	Change in variable	Impact on profit before tax	Impact on equity before tax*	Impact on profit before tax	Impact on equity before tax*
USD	3%	4,199,071	1,011,229	4,167,618	481,837
GBP	3%	718	-	18,493	-
AUD	3%	(19,247)	-	(5,120)	-
THB	3%	(17,318)	85,594	(25,606)	98,376
MYR	3%	33,401	16	72,070	24,418
HKD	3%	(11,625)	-	(17,925)	-
EUR	3%	(570,676)	-	(427,438)	-
USD	(3%)	(4,199,071)	(1,011,229)	(4,167,618)	(481,837)
GBP	(3%)	(718)	-	(18,493)	-
AUD	(3%)	19,247	-	5,120	-
THB	(3%)	17,318	(85,594)	25,606	(98,376)
MYR	(3%)	(33,401)	(16)	(72,070)	(24,418)
HKD	(3%)	11,625	-	17,925	-
EUR	(3%)	570,676	-	427,348	-

* Excludes impact on profit before tax.

(ii) *Price risk management*

The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices. Strict investment guidelines are used to monitor the risks in the Company's investments.

The Company is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted mainly on the Singapore Exchange-Securities Trading Ltd (SGX-ST) in Singapore, Bursa Malaysia in Malaysia and are classified as available-for-sale financial assets. The Company does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk:

At the statement of financial position date if had been 10% higher/lower with all other variables held constant, the net equity would increase/decrease by approximately S$12,391,735 (2018 : S$9,842,237), arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

(iii) *Interest rate risk management*

The Company's earnings can be potentially affected by changes in market interest rates in view of the impact such fluctuations have on interest income from cash and cash equivalents, and other fixed income investments. In accordance with established investment guidelines, senior management regularly monitors the interest rate environment in order to assess and minimise risks to the Company's investment portfolio.

The Company's equities and debt securities portfolio is exposed to the volatility of these markets. To reduce its exposure to this risk, the Company spreads its investments across industries. The Company also selects companies and financial institutions with a sound financial track record to invest in. The Company has an investment committee to provide general overview of the investment policies of the Company and the senior management monitors actively the performance of the Company's investment portfolios on an ongoing basis.

The following tables sets out the carrying amounts, by maturity of the Company's financial instruments that are exposed to interest rate risk.

	Effective interest rate (per annum)	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
		S$	*S$*	*S$*	*S$*	*S$*
2019						
Financial assets						
Held-to-maturity Debt securities	3.92%	60,590,958	80,363,909	56,775,477	50,950,601	248,680,945
Available-for-sale						
Debt securities						
- Listed	3.49%	-	-	-	47,430,712	47,430,712
- Unlisted	-	-	-	-	8,412,316	8,412,316
Gold	-	-	-	-	1,352,083	1,352,083
Cash on deposits	1.30%-3.35%	230,463,912	-	-	-	230,463,912

	Effective interest rate (per annum)	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
		S$	*S$*	*S$*	*S$*	*S$*
2018						
Financial assets						
Held-to-maturity Debt securities	4.05%	43,925,374	93,396,373	46,384,489	61,409,090	245,115,326
Available-for-sale						
Debt securities						
- Listed	3.72%	-	-	-	29,702,526	29,702,526
- Unlisted	-	-	-	-	4,415,731	4,415,731
Cash on deposits	1.30%-3.35%	266,206,718	-	-	-	266,206,718

Sensitivity analysis

At the reporting date, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Company's profit before tax would have been S$2,661,102 (2018 : S$2,710,904) higher/lower, arising as a result of higher/lower interest income from mortgage loans.

5. FAIR VALUE

Effective January 1, 2009, the Company adopted the amendment to FRS 107 which requires the disclosure of fair value measurement by level of the following hierarchy:

(a) Quoted price (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the assessment date (Level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).

(c) Unobservable inputs for the asset or liability (Level 3).

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

The available for sale investments are measured at fair value at December 31, 2019 and 2018 as follows:

2019	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale financial assets				
Equity shares				
Listed	123,917,349	-	-	123,917,349
Debt securities				
Listed	47,430,712	-	-	47,430,712
Unlisted	-	8,412,316	-	8,412,316
Gold				
Unlisted	-	1,352,083	-	1,352,083
Preference shares				
Listed	1,130,000	-	-	1,130,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

2018	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale financial assets				
Equity shares				
Listed	98,422,372	-	-	98,422,372
Debt securities				
Listed	29,702,526	-	-	29,702,526
Unlisted	-	4,415,731	-	4,415,731
Preference shares				
Listed	1,050,000	-	-	1,050,000

The fair values of listed equity shares, debt securities and preference shares are based on the quoted market bid prices at the reporting date due to existence of active market. These investments are included in Level 1.

The fair values of equity shares in unit trusts are based on published (unadjusted) prices at the reporting date. These investments are included in Level 2.

The fair values of unlisted debt securities are estimated based on the quotations obtained from independent pricing services (broker quotes/custodian quotes) due to the existence of active secondary and resale markets. These investments are included in Level 2.

In infrequent circumstances, where a valuation technique is based on significant unobservable input, such instruments are included in Level 3.

The net aggregate fair values of financial assets which are not carried at fair value in the statement of financial position as at December 31 are represented in the following table:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	S$	S$	S$	S$
Financial assets				
Held to maturity				
Listed debt securities	215,013,009	220,352,147	215,530,866	213,647,955
Unlisted debt securities*	14,072,936	12,662,407	14,606,460	15,222,436
Structured debt securities and others*	19,595,000	19,854,951	14,978,000	13,896,952
Total	248,680,945	252,869,505	245,115,326	242,767,343
Unrecognised gain / (loss)		4,188,560		(2,347,983)

* Unlisted debt securities are included under Level 2 and structured debt securities and others are included under Level 2.

The fair value of structured debt securities and others are estimated based on quotes provided by independent brokers/custodians based on factors such as the underlying stock prices, market volatility and outstanding tenures of the instruments.

The carrying amounts of the other financial assets and liabilities that are not listed above approximate their fair values due to the relatively short term maturity of these financial instruments.

6. RELATED PARTY DISCLOSURES

The following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

Shareholders of the Company	2019	2018
	S$	S$
Premiums received	1,190,010	-
Commission paid	(168,804)	-
Reinsurance premiums ceded	(9,443,787)	(10,469,714)
Reinsurance commission income	2,401,870	2,423,742
Premium reserve retained	1,306,619	166,445
Claims recoveries	5,996,410	6,956,955

7. FIXED ASSETS

	Balance as at 1/1/19	Additions	Disposals	Balance as at 31/12/19
	S$	S$	S$	S$
Cost				
Motor vehicles	259,888	-	-	259,888
Computers	2,258,279	518,830	-	2,777,109
Office equipment	242,732	15,124	(14,233)	243,623
Furniture and fittings	530,382	8,895	(4,030)	535,247
	3,291,281	542,849	(18,263)	3,815,867
Accumulated depreciation				
Motor vehicles	126,826	26,612	-	153,438
Computers	1,043,080	213,611	-	1,256,691
Office equipment	166,597	12,256	(10,905)	167,948
Furniture and fittings	381,298	15,372	(2,278)	394,392
	1,717,801	267,851	(13,183)	1,972,469
Net book value				
Motor vehicles	133,062			106,450
Computers	1,215,199			1,520,418
Office equipment	76,135			75,675
Furniture and fittings	149,084			140,855
	1,573,480			1,843,398

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

	Balance as at 1/1/18	Additions	Disposals	Balance as at 31/12/18
	S$	S$	S$	S$
Cost				
Motor vehicles	259,888	-	-	259,888
Computers	1,412,184	846,095	-	2,258,279
Office equipment	240,206	2,526	-	242,732
Furniture and fittings	519,488	20,688	(9,794)	530,382
	2,431,766	869,309	(9,794)	3,291,281
Accumulated depreciation				
Motor vehicles	93,560	33,266	-	126,826
Computers	901,150	141,930	-	1,043,080
Office equipment	153,389	13,208	-	166,597
Furniture and fittings	369,443	15,224	(3,369)	381,298
	1,517,542	203,628	(3,369)	1,717,801
Net book value				
Motor vehicles	166,328			133,062
Computers	511,034			1,215,199
Office equipment	86,817			76,135
Furniture and fittings	150,045			149,084
	914,224			1,573,480

8. INVESTMENT PROPERTY

	2019	2018
	$	$
Location		
6 Raffles Quay, #22-01 to 07, Singapore		
At cost	9,619,025	9,619,025
Provision for depreciation	(860,121)	(821,915)
	8,758,904	8,797,110

Level 3 fair value measurement:

The fair value of the said property is estimated at S$29,000,000 (2018 : S$28,500,000) based on comparable sales method (2018 : comparable sales method), by an independent firm of professional valuers. However, the investment is stated at cost price after providing for the depreciation in accordance with the cost model of FRS 40 with effect from January 1, 2007.

9. FINANCIAL ASSETS

The Company's financial assets are summarised by measurement category below:

	2019	2018
	$	$
Held-to-maturity	248,680,945	245,115,326
Available-for-sale	182,242,460	133,590,629
Loans and receivables (including cash and cash equivalents)	311,087,729	348,631,374
Total financial assets	742,011,134	727,337,329

The assets included in each of the categories above are detailed in the tables below:

	2019	2018
	$	$
Held-to-maturity financial assets		
Debt securities		
- Listed	215,013,009	215,530,866
- Unlisted	14,072,936	14,606,460
- Structured debt securities and others	19,595,000	14,978,000
Total held-to-maturity financial assets	248,680,945	245,115,326

Held-to-maturity financial assets are carried at amortised cost using the effective interest method. The fair value of the held-to-maturity financial assets at reporting date is S$252,869,505 (2018 : S$242,767,343).

	2019	2018
Available-for-sale financial assets	$	$
Equity securities		
- Listed	123,917,349	98,422,372
Debt securities		
- Listed	47,430,712	29,702,526
- Unlisted	8,412,316	4,415,731
	55,843,028	34,118,257
Gold		
- Unlisted	1,352,083	-
Preference shares		
- Listed	1,130,000	1,050,000
	1,130,000	1,050,000
Total available-for-sale financial assets	182,242,460	133,590,629

Available-for-sale financial assets are reported at fair value, which are based on market prices as at reporting date.

10. BALANCES DUE FROM POLICYHOLDERS, AGENTS AND REINSURERS

	2019	2018
	$	$
Balances due from policyholders and agents	50,449,772	60,604,482
Balances due from reinsurers	25,570,761	22,131,086
Less: Allowance for impairment	(11,543,022)	(8,905,950)
	64,477,511	73,829,618

Balances due from policyholders, agents and reinsurers relate to a large number of diversified customers and therefore there is no significant concentration of credit risk. These balances are non-interest bearing and generally on a 60-90 days terms. The carrying amounts of these balances approximate their fair values.

Insurance receivables that are impaired

The Company's insurance receivables that are impaired at the end of the reporting period and the movement of allowances accounts used to record the impairment are as follows:

	2019	2018
	$	$
Insurance receivables - nominal amount	11,543,022	8,905,950
Less: Allowance for impairment	(11,543,022)	(8,905,950)
Net balance	-	-
Movement in allowance accounts:		
At January 1	8,905,950	6,748,933
Charge for the year	2,637,072	2,157,017
At December 31	11,543,022	8,905,950

The amendments to FRS 32 clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also not be contingent on the future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contracts. The Company currently offsets certain balances with the same counterparty as the Company has legal rights to set off the amounts and intends to settle on a net basis.

The Company has arrangements to settle the net amount due to or from, each counterparty on a 60 to 90 days term basis.

Amounts due from Policyholders, Agents and Reinsurers

	Gross carrying amounts $'000	Gross amounts offset in the statement of financial position $'000	Net amounts in the statement of financial position* $'000
2019			
Balances due from policyholders, agents and reinsurers	80,208	(4,187)	76,021
Balances due to policyholders, agents and reinsurers	54,749	(4,187)	50,562
2018			
Balances due from policyholders, agents and reinsurers	88,556	(5,820)	82,736
Balances due to policyholders, agents and reinsurers	65,853	(5,820)	60,033

* Before allowance for impairment.

11. OTHER ASSETS

	2019 $	2018 $
Accrued interest	5,151,422	5,193,154
Payables towards investment purchases	8,796,325	-
Services division debtors	-	507,816
Others	1,936,782	2,632,291
Right-of-use asset (Note 11 (a))	991,092	-
Other assets	16,875,621	8,333,261

(a) Right-of-use assets

Included in right-of-use assets are office spaces with average lease term of 2 years.

	Office Spaces $
Cost:	
At January 1, 2019	-
Additions	1,982,184
At December 31, 2019	1,982,184
Accumulated depreciation:	
At January 1, 2019	-
Depreciation for the year	(991,092)
At December 31, 2019	(991,092)
Carrying amount:	
At December 31, 2019	991,092
At January 1, 2019	-

As at December 31, 2018, the lease for rental of premises expired and was replaced by a new lease. This resulted in additions to right-of-use assets of $1,982,184 in 2019.

12. CASH AND BANK BALANCES, CASH ON DEPOSITS AND SHORT TERM INVESTMENTS

Included in the cash and bank balances are cash collaterals amounting to S$2,982,154 (2018 : S$3,401,966) which pertain to cash held in trust for and on behalf of customers to whom performance bonds were issued.

The Company holds fixed deposits with financial institutions in Singapore dollar, United States dollar, Malaysian Ringgit and British Pound. The interest rate per annum ranges from 1.30% to 3.35% (2018 : 1.30% to 3.35%).

13. OTHER LIABILITIES

	2019	2018
	$	$
Services division creditors	-	3,331,175
Cash collaterals from customers	2,982,154	3,401,966
Other creditors	1,349,028	2,619,107
Accrued expenses	292,557	390,909
Lease liabilities	1,008,662	-
Other creditors and accruals	5,632,401	9,743,157
Add:		
Balances due to agents	61,577	18,133
Balances due to reinsurers	50,562,119	60,015,106
Total financial liabilities carried at amortised cost	56,256,097	69,776,396

Cash collaterals amounting to S$2,982,154 (2018 : S$3,401,966) relates to customers to whom performance bonds were issued.

(a) Lease liabilities

	2019
	$
Maturity analysis:	
Year 1	1,032,199
Year 2	-
	1,032,199
Less: Unearned interest	(23,537)
	1,008,662
Analysed as:	
Current	1,008,662
Non-Current	-
	1,008,662

Repayments of lease liabilities arising from financing activities are amounting to $973,521. Lease liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's finance function.

14. RESERVE FOR UNEXPIRED RISKS

	Fire	Marine	Misc	Total
	$	$	$	$
2019				
Gross reserve in unexpired risks	12,699,272	25,878,451	26,418,642	64,996,365
Less: Gross deferred acquisition cost	(2,282,197)	(3,591,011)	(2,741,547)	(8,614,755)
	10,417,075	22,287,440	23,677,095	56,381,610
Reserve in unexpired risks on reinsurance ceded	(9,515,566)	(3,517,105)	(7,090,080)	(20,122,751)
Deferred acquisition cost on reinsurance ceded	4,345,964	846,834	1,276,539	6,469,337
	(5,169,602)	(2,670,271)	(5,813,541)	(13,653,414)
Net reserve in unexpired risks	3,183,706	22,361,346	19,328,562	44,873,614
Net deferred acquisition cost	2,063,767	(2,744,177)	(1,465,008)	(2,145,418)
	5,247,473	19,617,169	17,863,554	42,728,196
Movements in reserve for unexpired risks				
Balance as at January 1, 2019	2,275,329	20,237,369	19,796,835	42,309,533
Change in reserve for unexpired risks	2,972,144	(620,200)	(1,933,281)	418,663
Balance as at December 31, 2019	5,247,473	19,617,169	17,863,554	42,728,196

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

	Fire	Marine	Misc	Total
	$	$	$	$
2018				
Gross reserve in unexpired risks	8,949,943	25,844,768	26,501,648	61,296,359
Less: Gross deferred acquisition cost	(1,944,647)	(4,220,570)	(2,408,224)	(8,573,441)
	7,005,296	21,624,198	24,093,424	52,722,918
Reserve in unexpired risks on reinsurance ceded	(6,357,759)	(2,214,928)	(5,326,952)	(13,899,639)
Deferred acquisition cost on reinsurance ceded	1,627,792	828,099	1,030,363	3,486,254
	(4,729,967)	(1,386,829)	(4,296,589)	(10,413,385)
Net reserve in unexpired risks	2,592,184	23,629,840	21,174,696	47,396,719
Net deferred acquisition cost	(316,855)	(3,392,471)	(1,377,861)	(5,087,186)
	2,275,329	20,237,369	19,796,835	42,309,533
Movements in reserve for unexpired risks				
Balance as at January 1, 2018	3,553,753	26,034,181	22,021,659	51,609,593
Change in reserve for unexpired risks	(1,278,424)	(5,796,812)	(2,224,824)	(9,300,060)
Balance as at December 31, 2018	2,275,329	20,237,369	19,796,835	42,309,533

15. LOSS RESERVES

	Fire	Marine	Misc	Total
	$	$	$	$
2019				
Gross loss reserves	56,063,661	116,789,362	131,183,464	304,036,487
Reinsurance loss reserves	(41,606,230)	(25,927,460)	(50,153,047)	(117,686,737)
Net loss reserves	14,457,431	90,861,902	81,030,417	186,349,750
Movements in net loss reserves				
Balance at January 1, 2019	8,873,782	90,078,531	81,773,508	180,725,821
Less: Claims Paid	(16,164,884)	(48,826,651)	(49,279,099)	(114,270,634)
Add: Recoveries	11,532,848	6,129,580	21,008,281	38,670,709
	4,241,746	47,381,460	53,502,690	105,125,896
Incurred during the year	10,215,685	43,480,442	27,527,727	81,223,854
Balance at December 31, 2019	14,457,431	90,861,902	81,030,417	186,349,750
Net change in loss reserves	5,583,649	783,371	(743,091)	5,623,929

2018

Gross loss reserves	43,954,417	113,980,314	143,398,111	301,332,842
Reinsurance loss reserves	(35,080,635)	(23,901,783)	(61,624,603)	(120,607,021)
Net loss reserves	8,873,782	90,078,531	81,773,508	180,725,821

Movements in net loss reserves

Balance at January 1, 2018	7,036,071	72,424,413	86,263,909	165,724,393
Less: Claims Paid	(11,857,321)	(55,438,646)	(40,750,823)	(108,046,790)
Add: Recoveries	9,459,285	4,532,298	14,477,062	28,468,645
	4,638,035	21,518,065	59,990,148	86,146,248
Incurred during the year	4,235,747	68,560,466	21,783,360	94,579,573
Balance at December 31, 2018	8,873,782	90,078,531	81,773,508	180,725,821
Net change in loss reserves	1,837,711	17,654,118	(4,490,401)	15,001,428

The financial statements as at December 31, 2019 have included the effects of adjustments arising from the actuarial report prepared according to Section 37 of the Insurance Act, Cap 142 for the year then ended.

Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net of reinsurance basis.

The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive accident and underwriting year at each reporting date, together with cumulative claims as at the current reporting date.

<u>Development of gross of reinsurance cumulative claims - (in S$)</u>

All Direct & Facultative Lines
As of December 31, 2019

Accident Year/Underwriting Year [1]	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of cumulative claims									
At the end of accident year/underwriting year	160,525,129	165,815,032	127,440,618	128,852,839	195,722,955	97,613,965	99,658,570	134,378,353	
-one year later	187,774,900	188,407,253	159,151,427	218,953,597	130,389,352	134,946,822	140,946,225		
-two years later	184,515,512	190,698,374	208,318,022	146,057,010	141,966,159	149,090,933			
-three years later	181,312,802	177,632,660	167,280,716	146,594,208	149,045,463				
-four years later	130,718,693	194,306,410	167,550,234	183,165,603					
-five years later	176,109,335	191,588,008	171,343,759						
-six years later	174,165,294	163,075,507							
-seven years later	149,487,210								
Current estimate of ultimate claims	149,487,210	163,075,507	171,343,759	183,165,603	149,045,463	149,090,933	140,946,225	134,378,353	1,240,533,053
Cumulative payments	146,440,797	153,396,999	152,944,477	165,837,069	128,212,075	105,674,326	81,035,708	40,797,105	974,338,556
Gross outstanding claims liabilities	3,046,413	9,678,508	18,399,282	17,328,534	20,833,388	43,416,607	59,910,517	93,581,248	266,194,497
Claims handling expenses	107,642	316,300	633,880	554,047	703,125	1,181,353	1,673,343	2,508,582	7,678,282
Best estimate of claims liabilities including claims handling expenses	3,154,055	9,994,808	19,033,162	17,882,581	21,536,513	44,597,960	61,583,860	96,089,830	273,872,769

All Treaty Lines
As of December 31, 2019

Underwriting Year	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of cumulative claims									
At the end of underwriting year	96,554	-	-	-	-	-	-	-	
-one year later	958,685	-	-	-	-	-	-		
-two years later	958,685	-	-	-	-	-			
-three years later	-	-	-	-	-				
-four years later	958,685	-	-	-					
-five years later	958,685	-	-						
-six years later	958,685	-							
-seven years later	958,685								
Current estimate of ultimate claims	958,685	-	-	-	-	-	-	-	958,685
Cumulative payments	958,685	-	-	-	-	-	-	-	958,685

Total All lines (Direct & Facultative, Treaty)

Best estimate of claims liabilities including claims handling expenses and net of unearned	273,872,769
Best estimate of claims liabilities in respect of prior years	8,930,197
Total best estimate of claims liabilities	282,802,966
Discounted effect on best estimate of claims liabilities	5,457,734
Provision for adverse deviation	26,691,255
Total outstanding claims liabilities as per actuarial report	**304,036,487**

Development of net of reinsurance cumulative claims - (in S$)

Total All Direct & Facultative Lines
As of December 31, 2019

Accident Year/Underwriting Year [1]	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of cumulative claims									
At the end of accident year/underwriting year	78,813,468	102,146,169	107,734,924	109,594,304	91,794,054	78,862,775	80,600,173	81,748,545	
-one year later	74,488,128	106,430,061	105,602,643	104,909,504	86,502,961	91,940,757	83,456,594		
-two years later	70,909,010	101,610,604	104,367,718	102,761,913	93,935,262	93,288,728			
-three years later	70,374,576	100,347,882	103,495,875	104,695,762	95,206,495				
-four years later	68,111,246	102,601,413	106,853,560	105,127,060					
-five years later	69,262,680	104,370,763	105,246,638						
-six years later	67,764,562	103,483,768							
-seven years later	67,093,083								
Current estimate of ultimate claims	67,093,083	103,483,768	105,246,638	105,127,060	95,206,495	93,288,728	83,456,594	81,748,545	734,650,911
Cumulative payments	65,020,109	97,214,187	94,782,028	95,203,584	83,422,125	68,840,963	50,412,333	19,592,539	574,487,868
Net outstanding claims liabilities	2,072,974	6,269,581	10,464,610	9,923,476	11,784,370	24,447,765	33,044,261	62,156,006	160,163,043
Claims handling expenses	107,641	316,299	633,879	554,046	703,134	1,181,352	1,673,342	2,508,580	7,678,273
Best estimate of claims liabilities including claims handling expenses	2,180,615	6,585,880	11,098,489	10,477,522	12,487,504	25,629,117	34,717,603	64,664,586	167,841,316
Best estimate of claims liabilities including claims handling expenses and net of unearned									167,841,316
Best estimate of claims liabilities in respect of prior years									6,111,858
Total best estimate of claims liabilities									173,953,174
Discounted effect on best estimate of claims liabilities									3,427,871
Provision for adverse deviation									15,824,447
Total outstanding claims liabilities as per actuarial report									**186,349,750**

All Direct & Facultative Lines
As of December 31, 2018

Accident Year/Underwriting Year [1]	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims									
At the end of accident year/underwriting year	141,942,044	160,525,129	165,815,032	127,440,618	128,852,839	195,722,955	97,613,965	99,658,570	
-one year later	167,279,621	187,774,900	188,407,253	159,151,427	218,953,597	130,389,352	134,946,822		
-two years later	168,733,115	184,515,512	190,698,374	208,318,022	146,057,010	141,966,159			
-three years later	159,508,643	181,312,802	177,632,660	167,280,716	146,594,208				
-four years later	154,776,666	130,718,693	194,306,410	167,550,234					
-five years later	131,521,748	176,109,335	191,588,008						
-six years later	153,897,659	174,165,294							
-seven years later	157,163,831								
Current estimate of ultimate claims	157,163,831	174,165,294	191,588,008	167,550,234	146,594,208	141,966,159	134,946,822	99,658,570	1,213,633,126
Cumulative payments	149,297,878	167,040,724	177,175,695	141,245,425	124,259,261	101,282,006	73,980,887	21,131,524	955,413,399
Gross outstanding claims liabilities	7,865,953	7,124,570	14,412,313	26,304,809	22,334,947	40,684,153	60,965,935	78,527,046	258,219,726
Best estimate of claims liabilities including claims handling expenses	8,219,886	7,344,330	14,865,723	27,176,960	23,026,663	41,959,971	62,600,583	80,735,904	265,930,020

All Treaty Lines
As of December 31, 2018

Underwriting Year	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims									
At the end of underwriting year	-	96,554	-	-	-	-	-	-	
-one year later	-	958,685	-	-	-	-			
-two years later	-	958,685	-	-	-				
-three years later	-	-	-	-					
-four years later	-	958,685	-						
-five years later	-	958,685							
-six years later	-								
-seven years later									
Current estimate of ultimate claims	-	958,685	-	-	-	-	-	-	958,685
Cumulative payments	-	958,685	-	-	-	-	-	-	958,685
Gross outstanding claims liabilities	-	-	-	-	-	-	-	-	-
Best estimate of claims liabilities including claims handling expenses and net of unearned	-	-	-	-	-	-	-	-	-

Total All lines (Direct & Facultative, Treaty)	
Best estimate of claims liabilities including claims handling expenses and net of unearned	265,930,020
Best estimate of claims liabilities in respect of 2009 and prior years	12,670,200
Total best estimate of claims liabilities	278,600,220
Discounted effect on best estimate of claims liabilities	6,773,210
Provision for adverse deviation	29,505,832
Total outstanding claims liabilities as per actuarial report	**301,332,842**

Notes: (1) Cargo and Hull Direct & Facultative were previously analysed on an underwriting year basis. The Company have changed this to an accident year basis as per guidance from regulator.

(2) Cumulative claim amounts at the end of the accident/underwriting year for all direct and facultative lines have been restated to reflect the estimated ultimate claims including the unearned amount as at the valuation date, for accident year/underwriting year 2009 and 2010.

Development of net of reinsurance cumulative claims - (in S$)

Total All Direct & Facultative Lines
As of December 31, 2018

Accident Year/Underwriting Year [1]	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims									
At the end of accident year/underwriting year	76,959,380	78,813,468	102,146,169	107,734,924	109,594,304	91,794,054	78,862,775	80,600,173	
-one year later	68,531,682	74,488,128	106,430,061	105,602,643	104,909,504	86,502,961	91,940,757		
-two years later	66,342,322	70,909,010	101,610,604	104,367,718	102,761,913	93,935,262			
-three years later	62,202,005	70,374,576	100,347,882	103,495,875	104,695,762				
-four years later	62,206,151	68,111,246	102,601,413	106,853,560					
-five years later	61,341,924	69,262,680	104,370,763						
-six years later	61,808,696	67,764,562							
-seven years later	60,958,511								
Current estimate of ultimate claims	60,958,511	67,764,562	104,370,763	106,853,560	104,695,762	93,935,262	91,940,757	80,600,173	711,119,350
Cumulative payments	59,037,197	64,878,711	96,272,111	92,776,462	93,253,066	75,273,018	57,231,126	18,785,056	557,506,747
Net outstanding claims liabilities	1,921,314	2,885,851	8,098,652	14,077,098	11,442,696	18,662,244	34,709,631	61,815,117	153,612,603
Best estimate of claims liabilities including claims handling expenses	2,275,247	3,105,610	8,552,063	14,949,249	12,124,413	19,938,062	36,344,278	64,023,974	161,322,896

All Treaty Lines (S$)
As of December 31, 2018

Total All lines (Direct & Facultative, Treaty)	Total
Best estimate of claims liabilities including claims handling expenses and net of unearned	161,322,896
Best estimate of claims liabilities in respect of 2009 and prior years	6,049,707
Total best estimate of claims liabilities	167,372,603
Discounted effect on best estimate of claims liabilities	4,213,238
Provision for adverse deviation	17,566,456
Total outstanding claims liabilities as per actuarial report and included in the statement of financial position	**180,725,821**

Notes: (1) Cargo and Hull Direct & Facultative were previously analysed on an underwriting year basis. The Company have changed this to an accident year basis as per guidance from regulator.

(2) Cumulative claim amounts at the end of the accident/underwriting year for all direct and facultative lines have been restated to reflect the estimated ultimate claims including the unearned amount as at the valuation date, for accident year/underwriting year 2009 and 2010.

16. SHARE CAPITAL

	2019	2018	2019	2018
	Number of ordinary shares		$	$
Issued and fully paid up:				
At beginning and end of the financial year	50,000,000	50,000,000	50,000,000	50,000,000

In accordance with the Companies (Amendment) Act 2005, January 30, 2006, the shares of the Company ceased to have a par value. The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserves. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend pay-outs to shareholders. No changes were made in the objectives, policies or processes during the year ended December 31, 2019.

The Company is subject to minimum capital requirements under the Insurance Act. To determine its capital for regulatory purposes, the Company makes certain adjustments to the carrying values of its assets and liabilities. The regulatory capital requirement is determined by the application of statutory formulae to the Company's business information. Throughout the financial years 2019 and 2018, the Company complied fully with these capital requirements.

17. NET COMMISSION - EXPENSE/(INCOME)

	Fire	Marine	Misc	Total
	$	$	$	$
2019				
Gross commission expense	8,320,784	8,239,190	7,985,729	24,545,703
Less: Reinsurance commission income	(15,564,107)	(1,264,277)	(3,298,955)	(20,127,339)
	(7,243,323)	6,974,913	4,686,774	4,418,364
2018				
Gross commission expense	5,823,456	9,046,248	7,059,285	21,928,989
Less: Reinsurance commission income	(8,037,350)	(1,672,730)	(1,388,466)	(11,098,546)
	(2,213,894)	7,373,518	5,670,819	10,830,443

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2019

18. MANAGEMENT EXPENSES

	2019	2018
	$	$
Management expenses include:		
- Compensation of key management personnel		
- Short-term employee benefits	1,235,649	1,397,528
- Contribution to CPF	90,502	92,961
- Directors' fees	106,224	110,383
- Other long-term benefits	3,983	9,665
Total (Management Personnel)	1,436,358	1,610,537
- Salaries, bonuses and other allowances (Other staff)	5,870,318	5,272,893
- Contribution to CPF (Other staff)	801,910	764,313
Total (Other staff)	6,672,228	6,037,206
- Depreciation of fixed assets	267,851	203,628
- Depreciation of ROU assets	991,902	-
- Operating lease expense for premises	-	1,139,916

Amount recognised in profit or loss relating to leases (the Company as lessee)

	2019	2018
	$	$
- Depreciation expense on right of use assets	991,092	-
- Interest expense on lease liabilities	58,678	-

19. INVESTMENT AND INTEREST INCOME

	2019	2018
	$	$
Interest income from:		
Held-to-maturity financial assets		
Debt securities listed	1,556,266	7,433,221
Debt securities unlisted	8,221,833	1,114,774
Total	9,778,099	8,547,995
Available-for-sale financial assets		
Listed debt securities	1,483,130	1,215,920
Unlisted debt securities	284,618	-
Total	1,767,748	1,215,920
Loans and receivables		
Fixed deposits and cash at bank	5,845,685	4,838,085
Total	5,845,685	4,838,085
Gain on sale of investment	1,379,307	2,130,854
Net rental income	632,005	632,852

	2019	2018
	$	$
Dividend income and security lending fee from:		
Available-for-sale financial assets		
Equity securities		
- listed	4,835,336	4,586,998
Preference shares		
- listed	38,999	138,803
	4,874,335	4,725,801
Total investment and interest income	24,277,179	22,091,507

20. OTHER INCOME / EXPENESES

	2019	2018
	$	$
Other income:		
Services division income	-	7,501
Sundry credit balances write back	7,220,693	8,197,633
Miscellaneous income	488,765	206,032
Reversal of old treaty balances	-	254,512
Brokerages	23,323	-
	7,732,781	8,665,678

Other expenses:		
Allowance for bad and doubtful debts	(2,637,069)	(2,157,017)
Allowance for diminution in value of investments	-	(3,550,682)
(Loss)/Gain on foreign exchange	(4,049,236)	5,738,476
Depreciation on investment property	(38,206)	(39,182)
	(6,724,511)	(8,405)

During the year, the Company performed a review of certain old balances due to reinsurers and have determined that these are no longer payable and hence has written back an amount of S$7.22 million (2018 : S$8.19 million) to profit or loss.

21. TAXATION

The major components of income tax expense for the years ended December 31, are:

	2019	2018
	$	$
Current tax expenses	1,274,985	1,427,700
Deferred tax	147,000	85,400
Current year tax expense	1,421,985	1,513,100
Overprovision in respect of previous year:		
- Current tax	(662,229)	-
	759,756	1,513,100

A reconciliation between the tax provided for the current year and the tax on the pre-tax profits based on the normal corporate tax rate of 17% (2018 : 17%) is as follows:

	2019	2018
	$	$
Profit before tax	10,701,371	6,271,444
Tax expense on profit before tax at 17% (2018 : 17%)	1,819,233	1,066,146
Adjustments:		
- Items that are not (taxable) deductible for tax purposes	794,273	68,676
- Difference in tax due to lower tax rate applicable on certain income	(574,816)	968,741
- Exempt dividends	(616,705)	(590,563)
- Overprovision in respect of previous year	(662,229)	-
	759,756	1,513,000

The deferred tax liability is as a result of:

	2019	2018
	$	$
<u>Deferred tax liability</u>		
Difference in depreciation	357,000	210,000
Deferred income tax related to other comprehensive income		
Net change in fair value adjustment reserve for available-for-sale financial assets	5,407,001	2,793,077
	5,764,001	3,003,077

The movements in tax payables and deferred tax liability are as follows:

	2019	2018
	$	$
Current tax payables		
Tax payables as at 1 January	1,658,181	1,613,278
Amounts charged to profit or loss	1,274,985	1,427,700
Tax paid during the year	(962,513)	(1,382,797)
Reversal of excess provision for prior years	(662,229)	-
Tax payables as at December 31	1,308,424	1,658,181

	2019	2018
Deferred tax liability		
Deferred tax liability as at January 1	3,003,077	5,059,630
Amounts charged to the profit or loss	147,000	85,400
Net change in fair value adjustment reserve for available-for-sale financial assets	2,613,924	(2,141,953)
Provision for deferred taxation as at 31 December	5,764,001	3,003,077

22. DIVIDENDS

	2019	2018
	$	$
First and final dividend of 5.0 cents per share based on 2018 results (2018 : 5.0 cents per share based on 2017 results)	2,500,000	2,500,000

23. FAIR VALUE RESERVE

Fair value reserve consists of cumulative fair value changes of available-for-sale investments, net of deferred income tax, until they are derecognised or impaired.

	2019	2018
	$	$
Balance as at January 1	15,463,035	26,097,727
Net change in the reserve, net of tax	13,517,594	(10,634,692)
Balance as at December 31	28,980,629	15,463,035

	2019	2018
	$	$
Net change in the reserve, net of tax, arises from:		
- Net gain/(loss) on fair value changes during the financial year, net of tax	14,896,901	(12,054,520)
- Net gain on sale of investments recognised in profit or loss	(1,379,307)	(2,130,854)
- Impairment allowance for available-for-sale investments recognised in profit or loss	-	3,550,682
Balance as at December 31	13,517,594	(10,634,692)

24. OPERATING LEASE COMMITMENTS

As a Lessee:

Operating lease payments represent rentals payable by the company for its office properties. Leases are negotiated for an average term of 2 years (2018 : 2 years) and rentals are fixed for an average of 2 years (2018 : 2 years). The minimum lease payments are:

	2018
	$
Within one year	1,032,199
After one year but not more than three years	1,032,199
More than three years	-
	2,064,398

As a Lessor:

The Company has a rental operating lease agreement for its property at 6, Raffles Quay. The minimum lease payments receivable are:

	2019	2018
	$	$
Within one year	548,181	710,043
After one year but not more than three years	867,954	1,852,594
	1,416,135	2,562,637

25 EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated events subsequent to December 31, 2019, through March 27, 2020, the date the financial statements were approved by the Board of Directors. The Company had performed a high-level assessment on its insurance risk exposure to the spread of the COVID 19 virus and has concluded that the impact from the virus will be limited on the Company's financial statement as of the date of this report. As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of any potential impact of the outbreak on the Company's subsequent financial statements.

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Heritage Trees of Singapore

Heritage Trees are conserved trees that mature gracefully over several decades. They serve as important green landmarks of Singapore's tropical garden cityscape against the country's rapid development.

There are many listed magnificent trees of various species which have been given the status of Heritage Trees to promote conservation of mature trees in Singapore.

The species "Tembusu" with its signature low stretching branch and having over 180 years of history is used as a motif on Singapore $5 note signifying long life, hardiness, and attractiveness.

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