



INDIA
INTERNATIONAL
INSURANCE
S I N G A P O R E
Serving the region since 1987

ANNUAL
REPORT
2020

CORPORATE DATA

DIRECTORS



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 33rd Annual General Meeting of the Company will be convened and held by electronic means on 11 June 2021 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 2020, and the Auditor's Report thereon.
2. To approve and declare a final dividend of Seven and a half (7.5) Singapore cents per share tax exempt (one-tier) for the year ended 31 December 2020.
3. To approve the payment of S\$ 116,901 as Directors' fees for the year ended 31 December 2020.
4. Conditional upon approval by the Monetary Authority of Singapore, 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.

BY ORDER OF THE BOARD



T. Babu Paul
Managing Director

Date: April 30, 2021

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.sgin 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 Annual Report is sent together with this Notice.

Personal Data Privacy

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.

Books Closure Date and Payment Date for Dividends

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 2021 to determine entitlements to the dividend. Persons who are members of the Company as at 5.00 pm on 29 June 2021 shall be entitled to the dividend. The dividend, if approved by members, will be paid on or before 15 July 2021.

CHAIRMAN'S STATEMENT

I have great pleasure in presenting the thirty-third Annual Report and Accounts of the Company for the financial year ended 31 December 2020.

The global economy which was sluggish in 2020 with COVID-19 pandemic, had adverse impact on businesses, employment, health and well-being of people around the world. The pandemic along with trade wars between major economies and political unrest in a few emerging economies have triggered sharp movements in global financial markets and oil prices, as Governments around the world shuttered businesses, issued stay at home mandates and imposed travel restrictions. Although there is a certain optimism about the acceleration of access to COVID-19 vaccines all over the world, leading to a turnaround in the later part of FY2021, renewed waves and new variants of the virus pose concerns on the outlook.

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

Singapore's economy contracted by 5.4% in 2020, compared to 0.7% growth in the previous year. The uncertainty surrounding the COVID-19 pandemic and the geopolitical uncertainty involving the major economies could impact trade and economic recovery in 2021.

PREMIUM INCOME

Singapore's General Insurance market comprising Singapore Insurance Fund (SIF) and Offshore Insurance Fund (OIF) reported a gross premium of S\$7.3 billion for the year 2020, compared to S\$7.0 billion in the previous year. The marine cargo, marine hull and property segments reported a growth of 12.2%, 8.6% and 17% respectively against the previous year. Though the market continued to be competitive, the industry reported an underwriting profit of S\$128.6 million in the year 2020 as against an underwriting loss of S\$13.1 million in 2019.

The Gross Written Premium of the Company for the year 2020 was S\$ 173.4 million compared to S\$ 149.6 million during 2019. Fire premium was higher at S\$61.5 million (S\$44.4 million in 2019), Marine, Energy & Aviation premium increased by around 5% from S\$51.7 million in 2019 to S\$54.4 million and all other classes recorded S\$57.5 million compared to S\$53.5 million in 2019.

INVESTMENT INCOME

There was a marginal increase in the investment income for the year 2020 from S\$24.3 million to S\$24.4 million due to increase in profit on sale of investments. The volatility in equity markets has resulted in a provision for diminution in value of investments of S\$7.7million.

OPERATING RESULTS

In 2020, with an improved marine hull underwriting performance and consistent underwriting performances from motor and workmen compensation businesses, the company reported an underwriting profit of S\$1.6 million compared to an underwriting loss of S\$14.6million in 2019. The prolonged USD weakening against SGD in 2020 resulted in an exchange loss of S\$7.7 million as against an exchange loss of S\$4.0 million in the previous year. Regardless of the losses due to volatility in the financial markets, the company achieved a profit before taxation of S\$11.9 million in 2020 as compared to S\$10.7 million in 2019.

DIVIDEND

Considering the increase in profit over the previous year, the Directors have considered it appropriate to recommend a first and final dividend of 7.5% on the paid-up capital of S\$50.0 million for the year 2020.

SHAREHOLDERS' FUND

The Shareholders' Fund marginally increased to S\$441.9 million as at 31 December 2020 compared to S\$432.3 million as at 31 December 2019.

TECHNICAL RESERVES

The total of Technical Reserves comprising Premium Reserves and Loss Reserves of the Company as at 31 December 2020 was S\$223.9 million as against S\$229.1 million as at 31 December 2019. The ratio of Technical Reserves to Net Earned Premium increased to 276.1% as at 31 December 2020 from 273.4% for the previous year.

CHAIRMAN'S STATEMENT

TOTAL ASSETS

The total assets of the Company as at 31 December 2020 stood at S\$767.2 million inclusive of increase in market value of investment assets, compared to the total assets of S\$753.7 million as at 31 December 2019.

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 improving market position, strong capital and liquidity position.

LOOKING AHEAD

Last year, the unprecedented spread of the COVID-19 pandemic forced a major re-evaluation of our lifestyles and economic activities. The business environment surrounding our industry is rapidly changing with non-face-to-face, non-contact, paperless operations utilizing digital technologies. In line with the industry, the company adopted necessary technological advancements to shift to remote work environments to ensure regular connect with customers and intermediaries. Throughout the pandemic, we demonstrated our ability to act at pace and flexibility to adapt. Our results show the resilience of our underlying business and efficiency of our employees amid social distancing regulations.

The uncertainties associated with the pandemic and prolonged East-West trade tensions, will remain as major challenges to the industry in FY2021. With significant volatility in equities, foreign exchange and bond markets, investment returns will be under pressure in the coming years. We will continue to improve business operations through promoting digitalization of our processes to address the diversifying needs of our customers in the current changing environment. With strong capital and liquidity resulting in robust financial flexibility, we are sure to surge over the direct and indirect effects of the challenges.

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

CHANGE IN THE BOARD OF DIRECTORS

The changes in the composition of the Board during FY2020 and up to 23 March 2021 were as follows: Mr A. V. Girija Kumar resigned on 31 May 2020. Mrs S. N. Rajeswari was appointed on 3 December 2020 and resigned on 26 February 2021. I am thankful to Mr A.V. Girija Kumar and Mrs. S.N. Rajeswari for their leadership and contribution during their tenure as Chairman and Director of the Board, respectively.

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 2020. The team "III" did well to manage the disruptions brought in by the Covid pandemic and ensured that business and the customers were not affected. I wish to place on record our appreciation of their valuable contribution.

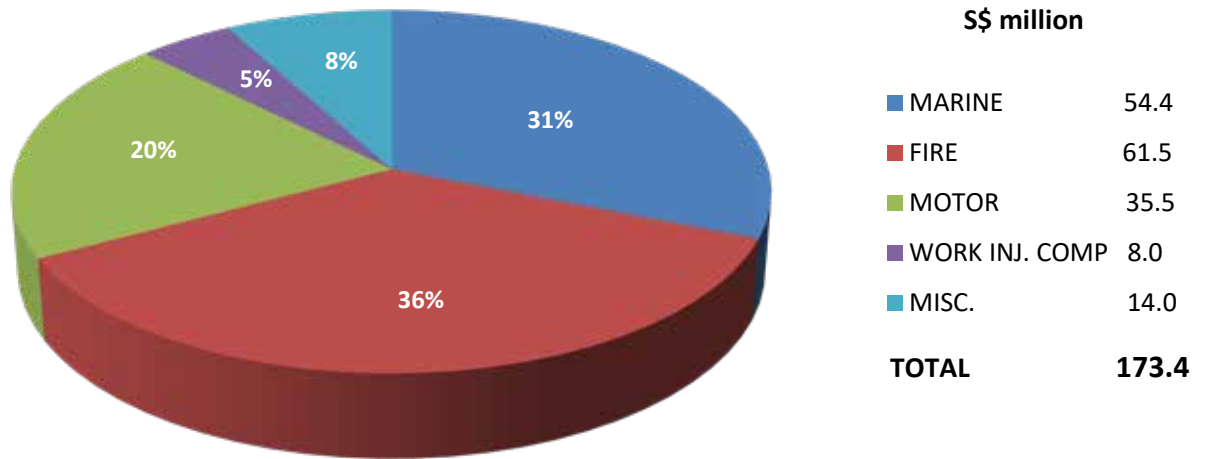
Finally, on behalf of the Board of Directors of the Company, I wish to express my gratitude to the Monetary Authority of Singapore (MAS) for their leadership role and consultative regulatory framework in fostering a free market environment.



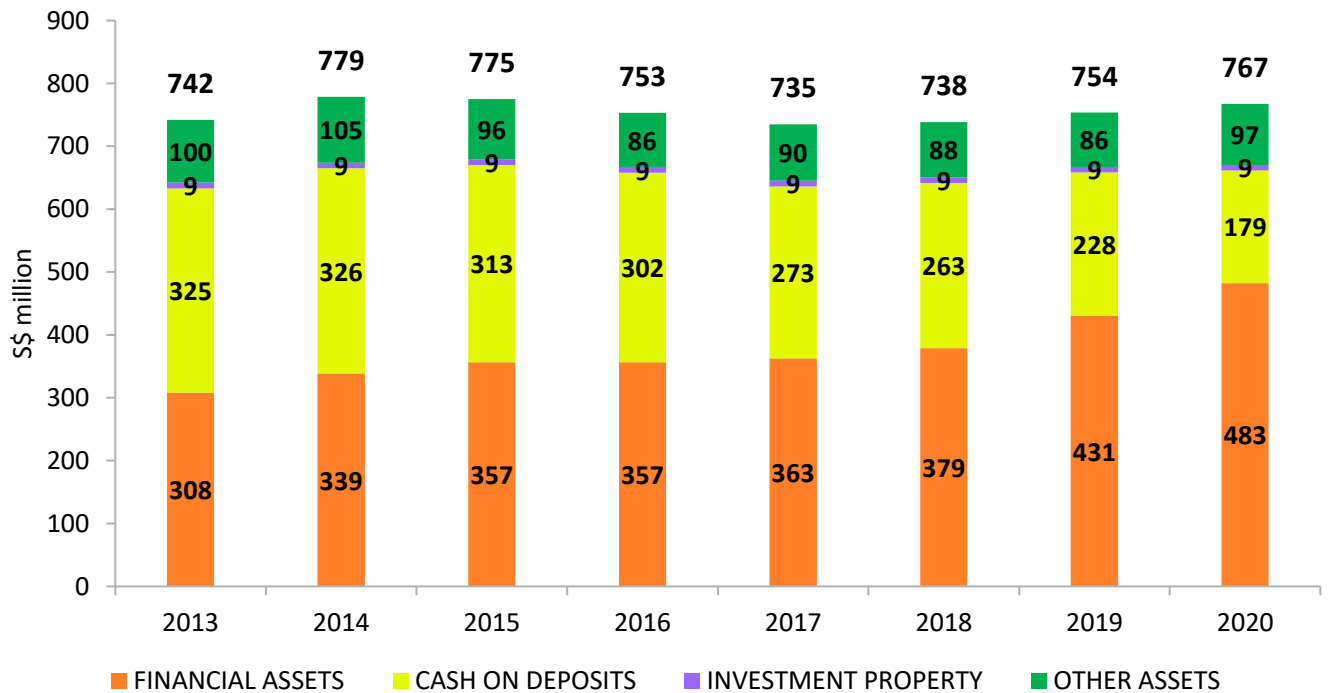
Atul Sahai
Chairman

FINANCIAL HIGHLIGHTS

GROSS WRITTEN PREMIUM

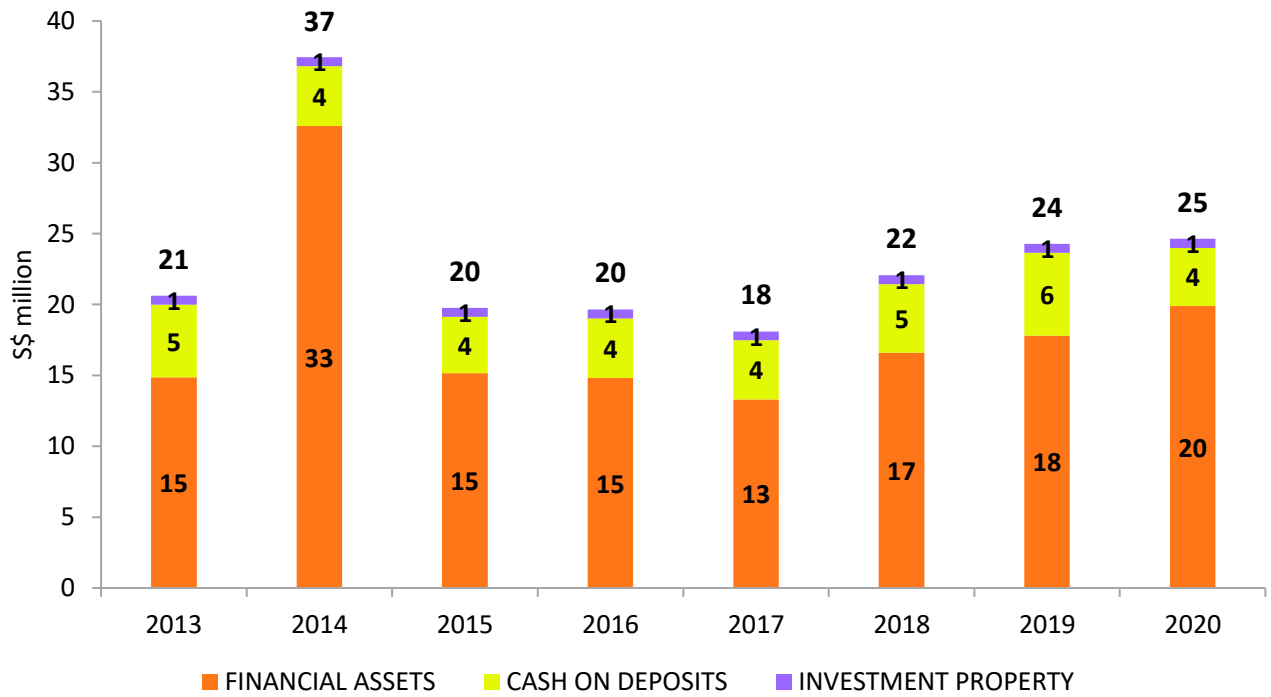


TOTAL ASSETS

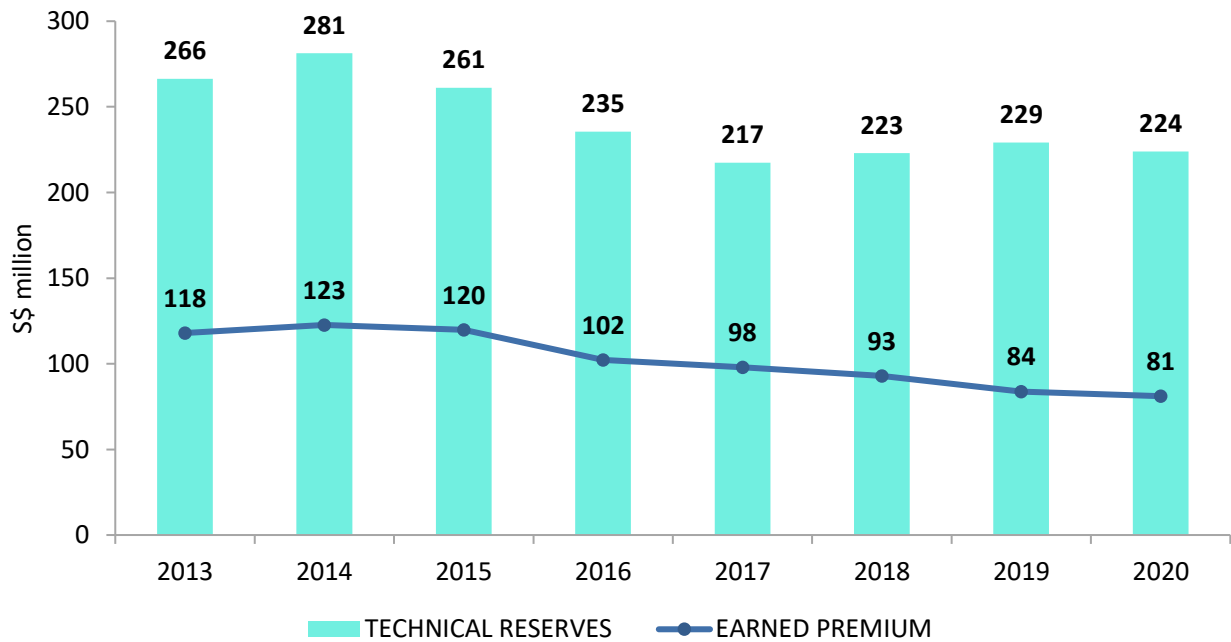


FINANCIAL HIGHLIGHTS

INVESTMENT INCOME



TECHNICAL RESERVES AND EARNED PREMIUM



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 2020 are as shown below:

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

Note:

*Mr A. V. Girija Kumar resigned on 31 May 2020.

#Mrs S. N. Rajeswari was appointed on 3 December 2020.

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.

CORPORATE GOVERNANCE

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.*

The composition of the Board as at 23 March 2021 is as follows:

Mr. Atul Sahai	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. 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 FY2020 and up to 23 March 2021 were as follows: Mr A. V. Girija Kumar resigned on 31 May 2020. Mrs S. N. Rajeswari was appointed on 3 December 2020 and resigned on 26 February 2021.

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:

- 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;
- To conduct periodic meetings with management to discuss key investment issues and to review the Company's investment portfolio and performance; and
- To review and approve investment proposals submitted by management as required under established procedure.

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

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:

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 Atul Sahai, Member Mr Ajit Kumar Saxena, Member Mr N.S.R. Chandra Prasad, Member Mr G. Srinivasan, Member Mrs Tajinder Mukherjee, Member Mr T. Babu Paul, Member
RMC	Mr Atul Sahai, 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 Mrs Tajinder Mukherjee, Member
RC	Mr N.S.R. Chandra Prasad, Chairman Mr Ajit Kumar Saxena, Member Mr G. Srinivasan, Member Mrs Tajinder Mukherjee, Member
ITC	Mrs Tajinder Mukherjee, Chairperson Mr Atul Sahai, Member Mr Ajit Kumar Saxena, Member Mr N.S.R. Chandra Prasad, Member Mr G. Srinivasan, 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. Atul Sahai	Appointed on 21 June 2019, retired and was re-elected at the annual general meeting on 21 June 2019.	<p><u>Listed companies (India)</u></p> <p>Chairman & Managing Director, The New India Assurance Co. Ltd. Director, GIC Housing Finance Ltd.</p> <p><u>Other principal commitments (India and other countries)</u></p> <p>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, Port of Spain.</p>
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.	<p><u>Listed Companies (India)</u></p> <p>Director of GIC Housing Finance Ltd.</p>

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. 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.	<p><u>Listed Companies (up to 31 July 2018)(India)</u></p> <p>Chairman and Managing Director, The New India Assurance Company Limited. Director, GIC Housing Finance Limited. Director, General Insurance Corporation of India</p> <p><u>Other principal commitments (up to 31 July 2018)(India & other countries)</u></p> <p>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.</p> <p><u>Listed Companies (India - present)</u></p> <p>Director, GIC Housing Finance Ltd.</p> <p><u>Other principal commitments (India - present)</u></p> <p>Director of National Insurance Academy. Director, NAVI General Insurance Ltd (formerly known as DHFL General Insurance Limited). Director, Institute of Insurance & Risk Management. Director, Medi Assist Healthcare Services Ltd. Director, BACQ Acquisitions Private Limited.</p> <p><u>(Other countries – present)</u></p> <p>Director, Oasis Inube Fintech FZ-LLC, Dubai.</p>

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.	<p><u>Listed Companies (India)</u></p> <p>Director, GIC Housing Finance Ltd.</p> <p><u>Other principal commitments (India)</u></p> <p>Director, Kshema General Insurance Co. Ltd. Director, Kshema Capital Private Limited. Director, Kshema Holdings Limited.</p>
Mrs. Tajinder Mukherjee	Appointed on 1 March 2019, retired and was re-elected at the annual general meeting on 21 June 2019.	<p><u>Listed Companies (India)</u></p> <p>Director, GIC Housing Finance Ltd.</p> <p><u>Other Principal commitments (India)</u></p> <p>Chairman & Managing Director, National Insurance Company Limited. Director, Agriculture Insurance Company of India Limited. Director, Health Insurance TPA of India Limited</p>
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.	<p><u>Other Principal commitments</u></p> <p>Chairman & Managing Director, Agrocorp International Pte Ltd. Director, Agrocorp Group of Companies. Director, The Grain & Feed Trade Association, United Kingdom. Board Member and Executive Vice-President, Global Pulses Confederation, United Arab Emirates.</p>
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.	<p><u>Principal commitment</u></p> <p>Chief Executive, India International Insurance Pte Ltd.</p>

CORPORATE GOVERNANCE

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.

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.

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

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.

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.

CORPORATE GOVERNANCE

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 2020.

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 FY2020. The Company has an approved whistle-blowing policy and procedures.

During FY2020, 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;

CORPORATE GOVERNANCE

- 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 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.

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.

CORPORATE GOVERNANCE

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, 2020.

In the opinion of the directors, the accompanying financial statements as set out on pages 31 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, 2020 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:

Dr. A. K. Saxena
Mr. G. Srinivasan
Mr. N. S. R. C. Prasad
Mrs. Tajinder Mukherjee
Mr. T. Babu Paul
Mr. Vijaykumar Gopalan Iyengar
Mr. Atul Sahai

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, Chapter 50 except as follows:

Name of director and company in which interests are held	Shareholdings registered in the name of director		Shareholdings in which director are deemed to have an interest	
	At January 1, 2020	At December 31, 2020	At January 1, 2020	At December 31, 2020

Company

(Ordinary shares)

Mr. T. Babu Paul	2	2	-	-
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DIRECTORS' STATEMENT

OPTION TO TAKE UP UNISSUED SHARES

During the financial year, there were no shares of the Company issued 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.

DIRECTORS' STATEMENT

AUDITOR

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

ON BEHALF OF THE DIRECTORS



.....
Atul Sahai
Chairman



.....
T. Babu Paul
Director

Singapore
March 23, 2021

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, 2020, 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 31 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, 2020 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDIA INTERNATIONAL INSURANCE PTE LTD

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDIA INTERNATIONAL INSURANCE PTE LTD

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 23, 2021

STATEMENT OF FINANCIAL POSITION

December 31, 2020

	Note	2020 S\$	2019 S\$
Assets			
Fixed assets	7	1,931,664	1,843,398
Investment property	8	8,721,657	8,758,904
Financial assets:			
Held-to-maturity	9	288,250,113	248,680,945
Available-for-sale	9	194,308,207	182,242,460
Reinsurers' share of technical reserves			
Reserve for unexpired risks	14	33,637,624	20,122,751
Deferred acquisition costs	14	(6,653,305)	(6,469,337)
Loss reserves	15	118,247,995	117,686,737
Amount retained by ceding companies		261,777	261,777
Balances due from policyholders, agents and reinsurers	10	60,682,085	64,477,511
Prepayments		95,000	97,670
Other assets	11	6,447,016	16,875,621
Cash on deposits	12	179,075,205	227,696,361
Cash and bank balances	12	27,468,722	2,767,551
Total Assets		<u>912,473,760</u>	<u>885,042,349</u>
Liabilities and Equity			
Technical reserves			
Reserve for unexpired risks	14	83,454,585	64,996,365
Deferred acquisition costs	14	(9,650,141)	(8,614,755)
Loss reserves	15	295,313,497	304,036,487
Provision for deferred taxation	21	4,568,524	5,764,001
Tax payables	21	473,550	1,308,424
Balances due to agents	13	54,016	61,577
Balances due to reinsurers	13	67,078,929	50,562,119
Other liabilities	13	7,126,307	5,632,401
Total Liabilities		<u>448,419,267</u>	<u>423,746,619</u>
Equity attributable to owners of the Company			
Share capital	16	50,000,000	50,000,000
Retained earnings		391,858,751	382,315,101
Fair value reserves	23	22,195,742	28,980,629
Total Equity		<u>464,054,493</u>	<u>461,295,730</u>
Total Liabilities and Equity		<u>912,473,760</u>	<u>885,042,349</u>

See accompanying notes to financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2020

	Note	2020 S\$	2019 S\$
Gross premiums		<u>173,398,194</u>	<u>149,566,228</u>
Underwriting gain/(loss)		1,607,647	(14,584,078)
Investment and interest income	19	16,693,667	24,103,776
Other income	20	4,205,574	7,906,184
Other expenses	20	<u>(10,570,238)</u>	<u>(6,724,511)</u>
Profit before taxation		11,936,650	10,701,371
Taxation expenses	21	<u>107,000</u>	<u>(759,756)</u>
Profit for the year		<u>12,043,650</u>	<u>9,941,615</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net (loss)/gain on available-for-sale financial assets		(7,873,364)	16,131,518
Income tax relating to available-for-sale financial assets	21	<u>1,088,477</u>	<u>(2,613,924)</u>
Other comprehensive income for the year, net of tax		<u>(6,784,887)</u>	<u>13,517,594</u>
Total comprehensive income for the year		<u>5,258,763</u>	<u>23,459,209</u>

See accompanying notes to financial statements.

REVENUE ACCOUNT

Year ended December 31, 2020

Note	TOTAL		FIRE		MARINE		MISCELLANEOUS	
	2020 S\$	2019 S\$	2020 S\$	2019 S\$	2020 S\$	2019 S\$	2020 S\$	2019 S\$
	Underwriting income							
	173,398,194	149,566,228	61,536,814	44,371,963	43,459,489	45,505,812	68,401,891	59,688,453
	88,224,188	65,354,039	50,261,977	36,466,033	11,576,976	10,592,967	26,385,235	18,295,039
	85,174,006	84,212,189	11,274,837	7,905,930	31,882,513	34,912,845	42,016,656	41,393,414
14	(4,091,929)	(418,663)	347,447	(2,972,144)	153,804	620,200	(4,593,180)	1,933,281
	81,082,077	83,793,526	11,622,284	4,933,786	32,036,317	35,533,045	37,423,476	43,326,695
	Underwriting outgo							
	67,078,062	75,599,926	5,224,502	4,632,036	36,844,244	42,697,071	25,009,316	28,270,819
15	(9,284,248)	5,623,929	8,596,540	5,583,649	(5,945,513)	783,371	(11,935,275)	(743,091)
17	10,247,361	4,418,364	(825,311)	(7,243,323)	6,150,900	6,974,913	4,921,772	4,686,774
	11,433,255	12,735,385	3,690,423	3,778,219	2,613,043	3,874,765	5,129,789	5,082,401
	79,474,430	98,377,604	16,686,154	6,750,581	39,662,674	54,330,120	23,125,602	37,296,903
	1,607,647	(14,584,078)	(5,063,870)	(1,816,795)	(7,626,357)	(18,797,075)	14,297,874	6,029,792

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2020

	Share capital	Retained earnings	Fair value reserves	Total
	S\$	S\$	S\$	S\$
2020				
Balance as at January 1, 2020	50,000,000	382,315,101	28,980,629	461,295,730
Profit for the year	-	12,043,650	-	12,043,650
Other comprehensive loss for the financial year	-	-	(6,784,887)	(6,784,887)
Total comprehensive income for the financial year	-	12,043,650	(6,784,887)	5,258,763
Dividends (Note 22)	-	(2,500,000)	-	(2,500,000)
Balance as at December 31, 2020	50,000,000	391,858,751	22,195,742	464,054,493
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

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2020

	2020	2019
	S\$	S\$
Operating activities		
Profit before taxation	11,936,650	10,701,371
Adjustments for:		
Depreciation of fixed assets	316,517	267,851
Depreciation of investment property	37,247	38,206
Depreciation of right-of-use assets	991,092	991,092
Investments – allowance of impairment	7,729,558	-
Loss on disposal of fixed assets	-	4,541
Investment and interest income	(24,636,146)	(24,277,179)
(Written back)/Provision of bad and doubtful debts	(4,087,275)	2,637,069
Balances due to reinsurers written back	-	7,220,693
Interest expense on lease liabilities	23,537	58,678
Operating cash flow before changes in working capital	(7,688,820)	(2,357,678)
Reserve for unexpired risks – Gross	17,422,834	3,658,692
Reserve for unexpired risks - Reinsurance	(13,330,904)	(3,240,028)
Loss reserve – Gross	(8,722,990)	2,703,645
Loss reserve - Reinsurance	(561,258)	2,920,284
Debtors and prepayments	17,322,883	(17,568,582)
Creditors and other liabilities	17,357,494	(20,488,329)
Cash flows generated from/(used in) operations	21,799,239	(34,371,996)
Investment and interest income received	18,528,949	23,017,642
Interest paid on lease liabilities	(23,537)	(58,678)
Income taxes paid	(834,874)	(962,513)
Net cash flows from/(used in) operating activities	39,469,777	(12,375,545)
Investing activities		
Purchase of fixed assets	(405,519)	(542,849)
Purchase of marketable securities & other investments	(255,147,992)	(34,539,476)
Proceeds on disposal of investments & marketable securities	194,017,352	15,607,858
Proceeds on disposal of fixed assets	736	539
Net cash flows used in investing activities	(61,535,423)	(19,473,928)
Financing activities		
Repayment of lease liability	(1,032,199)	(973,521)
Dividends paid	(2,500,000)	(2,500,000)
Net cash flows used in financing activities	(3,532,199)	(3,473,521)
Net decrease in cash and cash equivalents	(25,597,845)	(35,322,994)
Cash and cash equivalents at beginning of year (Note 12)	227,481,758	262,804,752
Cash and cash equivalents at end of year (Note 12)	201,883,913	227,481,758

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2020

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

	2020	2019
	S\$	S\$
Cash and bank balances	27,468,722	2,767,551
Cash on deposits	179,075,205	227,696,361
	206,543,927	230,463,912
Less Cash collateral (Note 13)	(4,660,014)	(2,982,154)
Cash and cash equivalents	201,883,913	227,481,758

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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/#06-02
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, 2020 were authorised for issue by the Board of Directors on March 23, 2021.

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 2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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, 2023; 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, 2020, 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, 2020, 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).

	FRS 39 classification	SPPI financial assets		Other financial assets	
		Fair value as at December 31, 2020	Fair value changes	Fair value as at December 31, 2020	Fair value changes
		\$	\$	\$	\$
December 31, 2020					
Debt securities	AFS	75,667,021	2,099,226	-	-
Equity securities	AFS	-	-	117,501,686	882,826
Preference shares	AFS	-	-	1,139,500	138,000
Debt securities - HTM	Amortised cost	296,745,208	8,495,095	-	-
Cash, bank balances and cash deposits	Amortised cost	206,543,927	-	-	-

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, 2020, the fair value and carrying amount of SPPI financial assets that do not have low credit risk are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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:

2020 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. In Singapore, 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.

2.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

(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.

2.3 *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.

2.4 *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.

2.5 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

2.6 *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 365th 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.

2.7 *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 2.8 and 3, the assumptions used to estimate the provision require judgment and are subject to uncertainty.

2.8 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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 2020 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

(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 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, 2020. 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 2 percentage increase or decrease in the initial expected loss ratio for each line of business;
- a 2 percentage increase or decrease in the assumed first incurred loss development factor for each line of business;
- a 2 percentage point increase or decrease in the assumed level of indirect claim handling expenses; and
- a 2 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 2 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 2 percentage point increase or decrease in the assumed level of management expense ratio for each line of business; and
- a 2 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, 2020

Claim liability sensitivity analysis

Assumption	+2% ⁽¹⁾	Net	-2% ⁽¹⁾
Reported total actuarial claim liability		177,065,503	
Increase Unexpired Risk Loss Ratio and losses in last Accident Year	178,919,851		175,211,155
Policy maintenance expenses	177,065,503		177,065,503
Claims handling expenses	182,814,709		171,316,297
Future reinsurance costs	177,065,503		177,065,503
Provision for Adverse Deviation ⁵	179,196,090		174,934,916
Discount rates	173,239,415		181,057,118

Premium liability sensitivity analysis

Assumption	+2% ⁽¹⁾	Net	-2% ⁽¹⁾
Reported total actuarial premium liability		46,820,125	
Increase Unexpired Risk Loss Ratio and losses in last Accident Year	47,670,749		45,969,503
Policy maintenance expenses	48,373,620		45,266,633
Claims handling expenses	48,195,634		45,444,617
Future reinsurance costs	47,736,003		45,904,249
Provision for Adverse Deviation ⁵	47,536,887		46,103,364
Discount rates	45,382,376		48,339,871

Change in claim liability sensitivity analysis

Assumption	+2% ⁽¹⁾	Net	-2% ⁽¹⁾
Reported total actuarial claims liability		177,065,503	
Increase Unexpired Risk Loss Ratio and losses in last Accident Year	1,854,348		(1,854,348)
Policy maintenance expenses	-		-
Claims handling expenses	5,749,206		(5,749,206)
Future reinsurance costs	-		-
Provision for Adverse Deviation ⁵	2,130,587		(2,130,587)
Discount rates	(3,826,088)		3,991,616

Change in premium liability sensitivity analysis

Assumption	+2% ⁽¹⁾	Net	-2% ⁽¹⁾
Reported total actuarial claims liability		46,820,125	
Increase Unexpired Risk Loss Ratio and losses in last Accident Year	850,624		(850,622)
Policy maintenance expenses	1,553,495		(1,553,492)
Claims handling expenses	1,375,509		(1,375,508)
Future reinsurance costs	915,878		(915,876)
Provision for Adverse Deviation ⁵	716,762		(716,761)
Discount rates	(1,437,749)		1,519,746

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

Percentage change in claim liability sensitivity analysis

		Net	
Assumption	+2% ⁽¹⁾		-2% ⁽¹⁾
Reported total actuarial claims liability		177,065,503	
Increase Unexpired Risk Loss Ratio and losses in last Accident Year	1%		-1%
Policy maintenance expenses	0%		0%
Claims handling expenses	3%		-3%
Future reinsurance costs	0%		0%
Provision for Adverse Deviation ⁵	1%		-1%
Discount rates	-2%		2%

Percentage change in premium liability sensitivity analysis

		Net	
Assumption	+2% ⁽¹⁾		-2% ⁽¹⁾
Reported total actuarial premium liability		46,820,125	
Increase Unexpired Risk Loss Ratio and losses in last Accident Year	2%		-2%
Policy maintenance expenses	3%		-3%
Claims handling expenses	3%		-3%
Future reinsurance costs	2%		-2%
Provision for Adverse Deviation ⁵	2%		-2%
Discount rates	-3%		3%

Notes:

- (1) Sensitivity analysis assesses impact of a +/- 2% additive change in assumption.
- (2) Initial expected loss ratio sensitivity analysis applies to 2020 accident year.
- (3) First incurred development factor sensitivity assess impact of a +/- 2% multiplicative change in assumption. The sensitivity applies to 2020 accident year.
- (4) Claims handling expense assumption in sensitivity analysis assess the impact of a change from X% to X% +2% and X% to X% -2% of best estimate liability.
- (5) The sensitivity analyses are applied to the PAD factors before the credit for diversification is applied.

2.9 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 a 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, 2020

2.10 **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.

2.11 **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%

2.12 **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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

(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 un-collectibility. 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, 2020

2.13 *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.

NOTES TO THE FINANCIAL STATEMENTS

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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.

2.14 **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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

2.15 **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 2.12.

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 2.13.

2.16 **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 2.12.

2.17 **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.

2.18 **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.

2.19 **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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

(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.

2.20 **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.

2.21 **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, 2020

2.22 *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.

2.23 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

2.24 **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

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.

2.25 **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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

- (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).

2.26 **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.

2.27 **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.

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For the financial year ended December 31, 2020

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 or not 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

COVID-19 uncertainties

The ongoing COVID-19 global pandemic continues to cause increases in ultimate loss ratios, as well as significant disruption in the local and international economies and financial markets, and may continue to adversely impact, the Company's results of operations, financial condition and cash flows. The risks may have manifested, and may continue to manifest, in our financial statements in the areas of, among others, i) investments: increased risk of loss on our investments due to default or deterioration in credit quality or value; ii) insurance liabilities and related balances: potential changes to assumptions regarding investment returns, ultimate losses and policyholder behaviour which are reflected in our insurance liabilities and certain related balances, and iii) other assets and liabilities. The extent to which the Company's future results continue to be affected by COVID-19 will largely depend on, among other factors, country-specific circumstances, measures by public and private institutions, COVID-19's impact on all other causes of death and disruption and the timing of effective treatments and/or a vaccine for COVID-19. Given this background, the Company has exercised judgement in determining the key assumptions used for determining its technical reserves (Note 14 and 15) and actual experience may be materially different in future.

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.

	2020	2019
Marine and aviation	25%	34%
Fire	35%	30%
Motor	20%	23%
Workmen's compensation	5%	6%
Miscellaneous	15%	7%
	<u>100%</u>	<u>100%</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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	Net premium liabilities	Net claims liabilities	Net premium liabilities
	2020	2020	2019	2019
Marine and aviation	48%	42%	49%	46%
Fire	13%	10%	8%	12%
Motor	23%	26%	26%	19%
Workmen's compensation	10%	17%	11%	19%
Miscellaneous	6%	5%	6%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(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.

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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

	Not past due and not impaired	Past due but not impaired			Total
		< 3 months	3 months to 9 months	9 months and above	
December 31, 2020					
Balances due from policy holders, agents, ceding companies and reinsurers	275,887	17,933,729	31,917,310	10,555,159	60,682,085
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

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

	A	AA	AAA	BBB	BB	Not rated	Total
December 31, 2020							
HTM*	61,647,213	4,989,003	42,883,135	100,069,950	7,769,508	70,891,304	288,250,113
AFS*- Debt	-	8,583,003	-	27,413,495	15,778,482	23,892,041	75,667,021
AFS*- Equity	-	-	-	-	-	117,501,686	117,501,686
AFS*- Pref shares	-	-	-	-	-	1,139,500	1,139,500
Cash, bank balances and cash deposits	-	134,406,925	-	71,994,115	82,124	60,763	206,543,927
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

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.

NOTES TO THE FINANCIAL STATEMENTS

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(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, 2020						
Assets						
Held-to-maturity	288,250,113	90,248,105	75,717,664	73,619,387	45,660,207	3,004,750
AFS securities	194,308,207	194,308,207	-	-	-	-
Cash, bank balances and cash deposits	206,543,927	206,543,927	-	-	-	-
Balances due from policy holders, agents, ceding companies and reinsurers	60,682,085	60,682,085	-	-	-	-
Amount retained by ceding companies	261,777	261,777	-	-	-	-
Other assets	9,397,716	9,397,716	-	-	-	-
Liabilities						
Balances due to agents	54,016	54,016	-	-	-	-
Balances due to reinsurers	67,078,929	67,078,929	-	-	-	-
Other liabilities	7,126,307	7,126,307	-	-	-	-
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	-	-	-	-

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For the financial year ended December 31, 2020

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 i) Foreign exchange risk ii) Market price risk iii) 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.

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For the financial year ended December 31, 2020

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

Denominated currency	2020									
	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
S\$	159,371,557	140,869,839	124,872,665	29,440,901	177,524	3,737,275	(98,447,620)	(56,340,052)	(7,126,307)	296,555,782
US\$	128,878,556	50,780,846	80,792,214	18,494,026	11,183	1,703,676	(98,252,862)	(6,589,921)	-	175,817,718
GBP	-	-	293,366	173,995	-	111	(169,843)	(284,216)	-	13,413
AUD	-	-	-	1,741,415	-	-	(874,629)	(2,198,867)	-	(1,332,081)
THB	-	2,656,896	-	192,972	-	-	(859,475)	(25,685)	-	1,964,708
MYR	-	626	585,682	285,402	(6)	1,419	(424,107)	126,193	-	575,209
HKD	-	-	-	41,152	-	-	(1,358,243)	(505,894)	-	(1,822,985)
EUR	-	-	-	3,763,213	-	-	(14,674,539)	(474,165)	-	(11,385,491)
Others	-	-	-	6,549,009	73,076	-	(8,824,309)	(840,338)	-	(3,042,562)
	288,250,113	194,308,207	206,543,927	60,682,085	261,777	5,442,481	(223,885,627)	(67,132,945)	(7,126,307)	457,343,711

* Amounts are reported in their Singapore Dollar equivalent.

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For the financial year ended December 31, 2020

	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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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.

Currency	Change in variable	2020		2019	
		Impact on profit before tax	Impact on equity before tax*	Impact on profit before tax	Impact on equity before tax*
USD	3%	3,751,106	1,523,425	4,199,071	1,011,229
GBP	3%	402	-	718	-
AUD	3%	(39,962)	-	(19,247)	-
THB	3%	(20,766)	79,707	(17,318)	85,594
MYR	3%	17,237	19	33,401	16
HKD	3%	(54,690)	-	(11,625)	-
EUR	3%	(341,565)	-	(570,676)	-
USD	3%	(3,751,106)	(1,523,425)	(4,199,071)	(1,011,229)
GBP	3%	(402)	-	(718)	-
AUD	3%	39,962	-	19,247	-
THB	3%	20,766	(79,707)	17,318	(85,594)
MYR	3%	(17,237)	(19)	(33,401)	(16)
HKD	3%	54,690	-	11,625	-
EUR	3%	341,565	-	570,676	-

* 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\$11,750,169 (2019 : S\$12,391,735), 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, 2020

(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 S\$	1 to 3 years S\$	3 to 5 years S\$	More than 5 years S\$	Total S\$
2020						
<i>Financial assets</i>						
<i>Held-to-maturity</i>						
Debt securities	3.04%	90,248,105	75,717,664	73,619,387	48,664,957	288,250,113
<i>Available-for-sale</i>						
Debt securities						
- Listed	3.94%	-	-	-	61,816,939	61,816,939
- Unlisted	1.18%	-	-	-	13,850,082	13,850,082
Cash on deposits	0.10% - 2.40%	206,543,927	-	-	-	206,543,927
2019						
<i>Financial assets</i>						
<i>Held-to-maturity</i>						
Debt securities	3.92%	59,087,654	80,363,909	56,775,477	52,453,905	248,680,945
<i>Available-for-sale</i>						
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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\$ 2,722,481 (2019 : S\$2,661,102) 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, 2020 and 2019 as follows:

	Level 1	Level 2	Level 3	Total
2020				
Financial assets				
Available for sale financial assets				
Equity shares				
Listed	117,501,686	-	-	117,501,686
Debt securities				
Listed	61,816,939	-		61,816,939
Unlisted	-	13,850,082	-	13,850,082
Preference shares				
Listed	1,139,500	-	-	1,139,500

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

	Level 1	Level 2	Level 3	Total
2019				
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

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:

	2020		2019	
	Carrying amount S\$	Fair value S\$	Carrying amount S\$	Fair value S\$
Financial assets				
<i>Held to maturity</i>				
Listed debt securities	228,464,377	236,408,104	215,013,009	220,352,147
Unlisted debt securities*	49,658,736	49,872,110	14,072,936	12,662,407
Structured debt securities and others*	10,127,000	10,464,994	19,595,000	19,854,951
Total	288,250,113	296,745,208	248,680,945	252,869,505
Unrecognised gain		8,495,095		4,188,560

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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:

<u>Shareholders of the Company</u>	2020	2019
	S\$	S\$
Premiums received	2,095,401	1,190,010
Commission paid	(473,900)	(168,804)
Reinsurance premiums ceded	(28,222,285)	(9,443,787)
Reinsurance commission income	4,779,408	2,401,870
Premium reserve retained	2,696,890	1,306,619
Claims recoveries	4,805,194	5,996,410

7. FIXED ASSETS

	Balance as at 1/1/20	Additions	Disposals	Balance as at 31/12/20
	S\$	S\$	S\$	S\$
Cost				
Motor vehicles	259,888	-	-	259,888
Computers	2,777,109	403,553	-	3,180,662
Office equipment	243,623	1,034	-	244,657
Furniture and fittings	535,247	932	(1,145)	535,034
	<u>3,815,867</u>	<u>405,519</u>	<u>(1,145)</u>	<u>4,220,241</u>
Accumulated depreciation				
Motor vehicles	153,438	21,290	-	174,728
Computers	1,256,691	269,704	-	1,526,395
Office equipment	167,948	11,435	-	179,383
Furniture and fittings	394,392	14,088	(409)	408,071
	<u>1,972,469</u>	<u>316,517</u>	<u>(409)</u>	<u>2,288,577</u>
Net book value				
Motor vehicles	106,450			85,160
Computers	1,520,418			1,654,267
Office equipment	75,675			65,274
Furniture and fittings	140,855			126,963
	<u>1,843,398</u>			<u>1,931,664</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

	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
	<u>3,291,281</u>	<u>542,849</u>	<u>(18,263)</u>	<u>3,815,867</u>
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
	<u>1,717,801</u>	<u>267,851</u>	<u>(13,183)</u>	<u>1,972,469</u>
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
	<u>1,573,480</u>			<u>1,843,398</u>

8. INVESTMENT PROPERTY

	2020	2019
	\$	\$
<i>Location</i>		
6 Raffles Quay, #22-01 to 07, Singapore		
At cost	9,619,025	9,619,025
Provision for depreciation	(897,368)	(860,121)
	<u>8,721,657</u>	<u>8,758,904</u>

Level 3 fair value measurement:

The fair value of the said property is estimated at S\$29,000,000 (2019 : S\$29,000,000) based on comparable sales method (2019 : 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

9. FINANCIAL ASSETS

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

	2020	2019
	\$	\$
Held-to-maturity	288,250,113	248,680,945
Available-for-sale	194,308,207	182,242,460
Loans and receivables, at amortised cost (including cash and cash equivalents)	272,930,270	311,087,729
Total financial assets	755,488,590	742,011,134

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

	2020	2019
	\$	\$
Held-to-maturity financial assets		
Debt securities		
- Listed	228,464,377	215,013,009
- Unlisted	49,658,736	14,072,936
- Structured debt securities and others	10,127,000	19,595,000
Total held-to-maturity financial assets	288,250,113	248,680,945

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\$296,745,208 (2019 : S\$252,869,505).

	2020	2019
	\$	\$
Available-for-sale financial assets		
Equity securities		
- Listed	117,501,686	123,917,349
Debt securities		
- Listed	61,816,939	47,430,712
- Unlisted	13,850,082	8,412,316
Gold		
- Unlisted	-	1,352,083
Preference shares		
- Listed	1,139,500	1,130,000
Total available-for-sale financial assets	194,308,207	182,242,460

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

Investment available-for-sale that are impaired

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

	2020	2019
	S\$	S\$
Financial asset - Available-for-sale	206,004,814	186,209,509
Less: Provision for diminution in investment	<u>(11,696,607)</u>	<u>(3,967,049)</u>
Net balance	<u>194,308,207</u>	<u>182,242,460</u>
Movement in allowance accounts:		
At January 1	3,967,049	3,967,049
Charge for the year	7,729,558	-
At December 31	<u>11,696,607</u>	<u>3,967,049</u>

10. BALANCES DUE FROM POLICYHOLDERS, AGENTS AND REINSURERS

	2020	2019
	\$	\$
Balances due from policyholders and agents	48,202,072	50,449,772
Balances due from reinsurers	19,935,760	25,570,761
Less: Allowance for impairment	<u>(7,455,747)</u>	<u>(11,543,022)</u>
	<u>60,682,085</u>	<u>64,477,511</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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:

	2020	2019
	S\$	S\$
Insurance receivables - nominal amount	7,455,747	11,543,022
Less: Allowance for impairment	<u>(7,455,747)</u>	<u>(11,543,022)</u>
Net balance	<u>-</u>	<u>-</u>
Movement in allowance accounts:		
At January 1	11,543,022	8,905,950
(Reversal)/Charge for the year	<u>(4,087,275)</u>	<u>2,637,072</u>
At December 31	<u>7,455,747</u>	<u>11,543,022</u>

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	Gross amounts offset in the statement of financial position	Net amounts in the statement of financial position*
	\$'000	\$'000	\$'000
2020			
Balances due from policyholders, agents and reinsurers	<u>58,916</u>	<u>9,222</u>	<u>68,138</u>
Balances due to policyholders, agents and reinsurers	<u>57,911</u>	<u>9,222</u>	<u>67,133</u>
2019			
Balances due from policyholders, agents and reinsurers	<u>80,208</u>	<u>(4,187)</u>	<u>76,021</u>
Balances due to policyholders, agents and reinsurers	<u>54,749</u>	<u>(4,187)</u>	<u>50,562</u>

* Before allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

11. OTHER ASSETS

	2020	2019
	\$	\$
Accrued interest	3,955,235	5,151,422
Receivables towards investment sales	-	8,796,325
Others	1,487,246	1,936,782
Right-of-use asset (Note 11 (a))	1,004,535	991,092
Other assets	<u>6,447,016</u>	<u>16,875,621</u>

(a) Right-of-use assets

Included in right-of-use assets are office spaces which are renewed on a yearly basis.

	Office Spaces
	\$
Cost:	
At January 1, 2019	-
Additions	<u>1,982,184</u>
At January 1, 2020	1,982,184
Additions	<u>1,004,535</u>
At December 31, 2020	<u>2,986,719</u>
Accumulated depreciation:	
At January 1, 2019	-
Depreciation for the year	<u>(991,092)</u>
At January 1, 2020	(991,092)
Depreciation for the year	<u>(991,092)</u>
At December 31, 2020	<u>(1,982,184)</u>
Carrying amount:	
At December 31, 2020	<u>1,004,535</u>
At December 31, 2019	<u>991,092</u>

As at December 31, 2020, the lease for rental of premises expired and was renewed on 29 December, 2020. This resulted in additions to right-of-use assets of \$1,004,535 in 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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\$4,660,014 (2019 : S\$2,982,154) 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 0.10% to 2.40% (2019 : 1.30% to 3.35%).

13. OTHER LIABILITIES

	2020	2019
	\$	\$
Cash collaterals from customers	4,660,014	2,982,154
Other creditors	1,161,177	1,349,028
Accrued expenses	300,581	292,557
Lease liabilities [Note 13(a)]	1,004,535	1,008,662
	<hr/>	<hr/>
Other creditors and accruals	7,126,307	5,632,401
Add:		
Balances due to agents	54,016	61,577
Balances due to reinsurers	67,078,929	50,562,119
Total financial liabilities carried at amortised cost	<u>74,259,252</u>	<u>56,256,097</u>

Cash collaterals amounting to S\$4,660,014 (2019: S\$2,982,154) relates to customers to whom performance bonds were issued.

(a) Lease liabilities

	2020	2019
	\$	\$
Maturity analysis:		
Year 1	1,013,340	1,032,199
Year 2	-	-
	<hr/>	<hr/>
	1,013,340	1,032,199
Less: Unearned interest	(8,805)	(23,537)
	<hr/>	<hr/>
	1,004,535	1,008,662
	<hr/>	<hr/>
Analysed as:		
Current	1,004,535	1,008,662
Non-Current	-	-
	<hr/>	<hr/>
	1,004,535	1,008,662
	<hr/>	<hr/>

Repayments of lease liabilities arising from financing activities are amounting to \$1,032,199 (2019: \$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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

14. RESERVE FOR UNEXPIRED RISKS

	Fire \$	Marine \$	Misc \$	Total \$
2020				
Gross reserve in unexpired risks	22,133,720	28,822,372	32,498,493	83,454,585
Less: Gross deferred acquisition cost	(2,823,751)	(3,303,020)	(3,523,370)	(9,650,141)
	<u>19,309,969</u>	<u>25,519,352</u>	<u>28,975,123</u>	<u>73,804,444</u>
Reserve in unexpired risks on reinsurance ceded	(18,262,639)	(7,126,250)	(8,248,735)	(33,637,624)
Deferred acquisition cost on reinsurance ceded	3,852,696	1,070,264	1,730,345	6,653,305
	<u>(14,409,943)</u>	<u>(6,055,986)</u>	<u>(6,518,390)</u>	<u>(26,984,319)</u>
Net reserve in unexpired risks	3,871,081	21,696,122	24,249,758	49,816,961
Net deferred acquisition cost	1,028,945	(2,232,756)	(1,793,025)	(2,996,836)
	<u>4,900,026</u>	<u>19,463,366</u>	<u>22,456,733</u>	<u>46,820,125</u>
<u>Movements in reserve for unexpired risks</u>				
Balance as at January 1, 2020	5,247,473	19,617,169	17,863,554	42,728,196
Change in reserve for unexpired risks	(347,447)	(153,803)	4,593,179	4,091,929
Balance as at December 31, 2020	<u>4,900,026</u>	<u>19,463,366</u>	<u>22,456,733</u>	<u>46,820,125</u>
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)
	<u>10,417,075</u>	<u>22,287,440</u>	<u>23,677,095</u>	<u>56,381,610</u>
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
	<u>(5,169,602)</u>	<u>(2,670,271)</u>	<u>(5,813,541)</u>	<u>(13,653,414)</u>
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)
	<u>(5,247,473)</u>	<u>19,617,169</u>	<u>17,863,554</u>	<u>42,728,196</u>
<u>Movements in reserve for unexpired risks</u>				
Balance as at January 1, 2019	2,275,329	20,327,369	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	<u>5,247,473</u>	<u>19,617,169</u>	<u>17,863,554</u>	<u>42,728,196</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

15. LOSS RESERVES

	Fire	Marine	Misc	Total
	\$	\$	\$	\$
2020				
Gross loss reserves	82,823,067	103,686,534	108,803,896	295,313,497
Reinsurance loss reserves	(59,769,096)	(18,770,145)	(39,708,754)	(118,247,995)
Net loss reserves	23,053,971	84,916,389	69,095,142	177,065,502
<u>Movements in net loss reserves</u>				
Balance at January 1, 2020	14,457,431	90,861,902	81,030,417	186,349,750
Less: Claims Paid	(20,212,687)	(43,760,054)	(36,159,794)	(100,132,535)
Add: Recoveries	14,988,185	6,915,812	11,150,476	33,054,473
	9,232,929	54,017,660	56,021,099	119,271,688
Incurred during the year	13,821,042	30,898,729	13,074,043	57,793,814
Balance at December 31, 2020	23,053,971	84,916,389	69,095,142	177,065,502
Net change in loss reserves	8,596,540	(5,945,513)	(11,935,275)	(9,284,248)

	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
<u>Movements in net loss reserves</u>				
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

The financial statements as at December 31, 2020 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.

INDIA INTERNATIONAL INSURANCE PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended December 31, 2020

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.

Development of gross of reinsurance cumulative claims - (in S\$)

**All Direct & Facultative Lines
As of December 31, 2020**

Accident Year/Underwriting Year ¹	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of cumulative claims									
At the end of accident year/underwriting year	165,815,032	127,440,618	128,852,839	195,722,955	97,613,965	99,658,570	134,378,353	110,854,729	
-one year later	188,407,253	159,151,427	218,953,597	130,389,352	134,946,822	140,946,225	141,634,413		
-two years later	190,698,374	208,318,022	146,057,010	141,966,159	149,090,933	113,783,497			
-three years later	177,632,660	167,280,716	146,594,208	149,045,463	124,654,978				
-four years later	194,306,410	167,550,234	183,165,603	133,862,671					
-five years later	191,588,008	171,343,759	140,086,856						
-six years later	163,075,507	156,347,277							
-seven years later	187,634,344								
Current estimate of ultimate claims	187,634,344	156,347,277	140,086,856	133,862,671	124,654,978	113,783,497	141,634,413	110,854,729	1,108,858,765
Cumulative payments	181,378,460	146,294,574	130,304,131	121,055,298	99,376,397	82,873,059	73,618,617	17,038,295	851,938,831
Gross outstanding claims liabilities	6,255,884	10,052,703	9,782,725	12,807,373	25,278,581	30,910,438	68,015,796	93,816,434	256,919,934
Claims handling expenses	172,509	277,208	269,763	353,170	697,069	852,371	1,875,569	2,587,034	7,084,693
Best estimate of claims liabilities including claims handling expenses	6,428,393	10,329,911	10,052,488	13,160,543	25,975,650	31,762,809	69,891,365	96,403,468	264,004,627

INDIA INTERNATIONAL INSURANCE PTE LTD

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended December 31, 2020

All Direct & Facultative Lines
As of December 31, 2020

**Total All lines (Direct & Facultative,
Treaty)**

Best estimate of claims liabilities including
claims
handling expenses and net of unearned
Best estimate of claims liabilities in respect of
prior years
Total best estimate of claims liabilities
Discounted effect on best estimate of claims
liabilities
Provision for adverse deviation
Total outstanding claims liabilities as per
actuarial report

264,004,627
<u>9,430,202</u>
<u>273,434,829</u>
(920,766)
<u>22,799,434</u>
<u><u>295,313,497</u></u>

INDIA INTERNATIONAL INSURANCE PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended December 31, 2020

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

**Total All Direct & Facultative Lines
As of December 31, 2020**

Accident Year/Underwriting Year ¹	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of cumulative claims									
At the end of accident year/underwriting year	102,146,169	107,734,924	109,594,304	91,794,054	78,862,775	80,600,173	81,748,545	69,411,773	
-one year later	106,430,061	105,602,643	104,909,504	86,502,961	91,940,757	83,456,594	83,597,372		
-two years later	101,610,604	104,367,718	102,761,913	93,935,262	93,288,728	83,333,031			
-three years later	100,347,882	103,495,875	104,695,762	95,206,495	92,306,246				
-four years later	102,601,413	106,853,560	105,127,060	92,884,045					
-five years later	104,370,763	105,246,638	103,757,039						
-six years later	103,483,768	101,739,915							
-seven years later	101,860,066								
Current estimate of ultimate claims	101,860,066	101,739,915	103,757,039	92,884,045	92,306,246	83,333,031	83,597,372	69,411,773	728,880,487
Cumulative payments	97,917,988	95,066,263	96,665,487	80,525,808	73,081,720	63,520,108	49,276,184	14,226,293	576,299,851
Net outstanding claims liabilities	3,942,078	6,673,652	7,071,552	6,358,237	19,224,526	19,812,923	34,321,188	55,185,480	152,589,636
Claims handling expenses	172,509	277,208	269,763	353,170	697,070	852,371	1,875,569	2,587,034	7,084,694
Best estimate of claims liabilities including claims handling expenses	4,114,587	6,950,860	7,341,315	6,711,407	19,921,596	20,665,294	36,196,757	57,772,514	159,674,330
Best estimate of claims liabilities including claims handling expenses and net of unearned claims liabilities in respect of prior years									159,674,330
Total best estimate of claims liabilities									164,441,450
Discounted effect on best estimate of claims liabilities									(550,115)
Provision for adverse deviation									13,174,167
Total outstanding claims liabilities as per actuarial report									177,065,502

INDIA INTERNATIONAL INSURANCE PTE LTD

**NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended December 31, 2020**

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

Accident Year/Underwriting Year ¹ Estimate of cumulative claims	2012	2013	2014	2015	2016	2017	2018	2019	Total
At the end of accident year/underwriting year									
-one year later	160,525,129	165,815,032	127,440,618	128,852,839	195,722,955	97,613,965	99,658,570	134,378,353	
-two years later	187,774,900	188,407,253	159,151,427	218,953,597	130,389,352	134,946,822	140,946,225		
-three years later	184,515,512	190,698,374	208,318,022	146,057,010	141,966,159	149,090,933			
-four years later	181,312,802	177,632,660	167,280,716	146,594,208	149,045,463				
-five years later	130,718,693	194,306,410	167,550,234	183,165,603					
-six years later	176,109,335	191,588,008	171,343,759						
-seven years later	174,165,294	163,075,507							
	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

INDIA INTERNATIONAL INSURANCE PTE LTD

**NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended December 31, 2020**

**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

INDIA INTERNATIONAL INSURANCE PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

Development of net of reinsurance cumulative claims - (in S\$)
Total All Direct & Facultative Lines
As of December 31, 2019

Accident Year/Underwriting Year ¹ Estimate of cumulative claims	2012	2013	2014	2015	2016	2017	2018	2019	Total
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

16. SHARE CAPITAL

	2020	2019	2020	2019
	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, 2020.

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 2020 and 2019, the Company complied fully with these capital requirements.

17. NET COMMISSION - EXPENSE/(INCOME)

	Fire	Marine	Misc	Total
	\$	\$	\$	\$
2020				
Gross commission expense	10,658,067	7,146,789	8,320,056	26,124,912
Less: Reinsurance commission income	(11,483,378)	(995,889)	(3,398,284)	(15,877,551)
	<u>(825,311)</u>	<u>6,150,900</u>	<u>4,921,772</u>	<u>10,247,361</u>
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)
	<u>(7,243,323)</u>	<u>6,974,913</u>	<u>4,686,774</u>	<u>4,418,364</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

18. MANAGEMENT EXPENSES

	2020	2019
	\$	\$
Management expenses include:		
- Compensation of key management personnel		
- Short-term employee benefits	1,281,371	1,235,649
- Contribution to CPF	89,327	90,502
- Directors' fees	116,901	106,224
- Other long-term benefits	3,731	3,983
Total (Management Personnel)	<u>1,491,330</u>	<u>1,436,358</u>
- Salaries, bonuses and other allowances (Other staff), net of amounts received towards Jobs Support Scheme	4,529,956	5,870,318
- Contribution to CPF (Other staff)	795,416	801,910
Total (Other staff)	<u>5,325,372</u>	<u>6,672,228</u>
- Depreciation of fixed assets	316,517	267,851
- Depreciation of ROU assets	<u>991,092</u>	<u>991,092</u>

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

	2020	2019
	\$	\$
- Depreciation expense on right of use assets	991,092	991,092
- Interest expense on lease liabilities	<u>23,537</u>	<u>58,678</u>

19. INVESTMENT AND INTEREST INCOME

	2020	2019
	\$	\$
<u>Interest income from:</u>		
<i>Held-to-maturity financial assets</i>		
Debt securities listed	1,280,160	1,556,266
Debt securities unlisted	8,084,631	8,221,833
Total	<u>9,364,791</u>	<u>9,778,099</u>
<i>Available-for-sale financial assets</i>		
Listed debt securities	2,038,494	1,483,130
Unlisted debt securities	338,596	284,618
Total	<u>2,377,090</u>	<u>1,767,748</u>
<i>Loans and receivables</i>		
Fixed deposits and cash at bank	<u>4,091,319</u>	<u>5,845,685</u>
Gain on sale of investment	1,661,056	1,379,307
Net rental income	639,095	632,005

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

	2020	2019
	\$	\$
<u>Dividend income and security lending fee from:</u>		
<i>Available-for-sale financial assets</i>		
Equity securities		
- listed	6,463,795	4,835,336
Preference shares		
- listed	39,000	38,999
	<u>6,502,795</u>	<u>4,874,335</u>
Total investment and interest income	24,636,146	24,277,179
Less: Investment expenses	(212,921)	(173,403)
Less: Provision for diminution in available for sale investments	(7,729,558)	-
	<u>16,693,667</u>	<u>24,103,776</u>

20. OTHER INCOME/(EXPENSES)

	2020	2019
	\$	\$
Other income:		
Miscellaneous income	110,363	662,168
Brokerages	7,936	23,323
Reversal of allowance for bad and doubtful debts	4,087,275	-
Sundry credit balances written-back	-	7,220,693
	<u>4,205,574</u>	<u>7,906,184</u>
Other expenses:		
Miscellaneous expenses	(220,688)	-
Loss on foreign exchange	(7,761,692)	(4,049,236)
Depreciation on investment property	(37,247)	(38,206)
Allowance for bad and doubtful debts	-	(2,637,069)
Sundry balances written-off	(2,550,611)	-
	<u>(10,570,238)</u>	<u>(6,724,511)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

21. TAXATION

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

	2020	2019
	\$	\$
Current tax expenses	-	1,274,985
Deferred tax	(107,000)	147,000
Current year tax expense	(107,000)	1,421,985
Overprovision in respect of previous year:		
- Current tax	-	(662,229)
	<u>(107,000)</u>	<u>759,756</u>

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% (2019 : 17%) is as follows:

	2020	2019
	\$	\$
Profit before tax	<u>11,936,650</u>	<u>10,701,371</u>
Tax expense on profit before tax at 17% (2019 : 17%)	2,029,231	1,819,233
Adjustments:		
- Items that are not (taxable) deductible for tax purposes	385,430	794,273
- Difference in tax due to lower tax rate applicable on certain income	(1,228,098)	(574,816)
- Exempt dividends	(906,328)	(616,705)
- Overprovision in respect of previous year	-	(662,229)
- Others	(387,235)	-
	<u>(107,000)</u>	<u>759,756</u>

The deferred tax liability is as a result of:

	2020	2019
	\$	\$
<u>Deferred tax liability</u>		
Difference in depreciation	250,000	357,000
<i>Deferred income tax related to other comprehensive income</i>		
Net change in fair value adjustment reserve for available-for-sale financial assets	4,318,524	5,407,001
	<u>4,568,524</u>	<u>5,764,001</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

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

	2020	2019
	\$	\$
<i>Current tax payables</i>		
Tax payables as at 1 January	1,308,424	1,658,181
Amounts charged to profit or loss	-	1,274,985
Tax paid during the year	(834,874)	(962,513)
Reversal of excess provision for prior years	-	(662,229)
Tax payables as at December 31	<u>473,550</u>	<u>1,308,424</u>
<i>Deferred tax liability</i>		
Deferred tax liability as at January 1	5,764,001	3,003,077
Amounts charged to the profit or loss	(107,000)	147,000
Net change in fair value adjustment reserve for available-for-sale financial assets	(1,088,477)	2,613,924
Provision for deferred taxation as at 31 December	<u>4,568,524</u>	<u>5,764,001</u>

22. DIVIDENDS

	2020	2019
	\$	\$
First and final dividend of 5.0 cents per share based on 2019 results (2019 : 5.0 cents per share based on 2018 results)	<u>2,500,000</u>	<u>2,500,000</u>

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.

	2020	2019
	\$	\$
Balance as at January 1	28,980,629	15,463,035
Net change in the reserve, net of tax	(6,784,887)	13,517,594
Balance as at December 31	<u>22,195,742</u>	<u>28,980,629</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended December 31, 2020

	2020	2019
Net change in the reserve, net of tax, arises from:	\$	\$
- Net (gain)/loss on fair value changes during the financial year, net of tax	(5,123,831)	14,896,901
- Net gain on sale of investments recognised in profit or loss	(1,661,056)	(1,379,307)
	<u>(6,784,887)</u>	<u>13,517,594</u>

24. OPERATING LEASE COMMITMENTS

As a Lessor:

The Company has a rental operating lease agreement for its property at 6, Raffles Quay with average lease terms of 2 years (2019 : 3 years). The minimum lease payments receivable are:

	2020	2019
	\$	\$
Within one year	548,181	548,181
After one year but not more than three years	319,773	867,954
	<u>867,954</u>	<u>1,416,135</u>

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Co. Reg. No.: 198703792K
64 Cecil Street, #04, #05-02
IOB Building, Singapore 049711
Tel : +65-6347 6100
www.iii.com.sg