India International Insurance
SINGAPORE
*Serving the region since 1987*

# ANNUAL REPORT 2022

# CORPORATE DATA

## DIRECTORS

**Mrs. Suchita Gupta**

**Mr. A. K. Saxena**

**Mr. G. Srinivasan**

**Mr. N. S. R. C. Prasad**

**Mrs. Neerja Kapur**

**Mr. Iyengar V. Gopalan**

**Mrs. Nalini Venugopal**

## CHIEF EXECUTIVE

Mrs. Nalini Venugopal

## SECRETARY

Mr. Gerard Seah Jim Hong

## REGISTERED OFFICE

6 Raffles Quay
#22-00
Singapore 048580

## AUDITOR

Deloitte & Touche LLP

# INDEX

Page

CHAIRMAN’S STATEMENT .......... 3

FINANCIAL HIGHLIGHTS .......... 6

CORPORATE GOVERNANCE .......... 8

DIRECTORS' STATEMENT .......... 38

INDEPENDENT AUDITOR’S REPORT .......... 41

STATEMENT OF FINANCIAL POSITION .......... 44

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .......... 45

REVENUE ACCOUNT .......... 46

STATEMENT OF CHANGES IN EQUITY .......... 47

STATEMENT OF CASH FLOWS .......... 48

NOTES TO THE FINANCIAL STATEMENTS .......... 50

## CHAIRMAN'S STATEMENT

I have great pleasure in presenting the thirty-fifth Annual Report and Accounts of the Company for the financial year ended 31 December 2022.

The year 2022 witnessed prolonged COVID-19 pandemic and consequential effects, geo-political conflicts, Russia-Ukraine war, inflation, hardened monetary policies and weakening economic outlook, resulting in severe volatility in both insurance business and in investment portfolio.

General Insurance continued to be subjected to the 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.

The general insurance sector in Singapore increased by around 15% in 2022 in terms of gross written premiums in both offshore and domestic segments, predominantly driven by growth in demand for health insurance in Singapore.

### PREMIUM INCOME

Singapore's General Insurance market comprising Singapore Insurance Fund (SIF) and Offshore Insurance Fund (OIF) reported a gross premium of S$9.3 billion for the year 2022, compared to S$8.1 billion in the previous year. Though the market continued to be competitive, the industry reported an underwriting profit of S$683.7 million in the year 2022 as against an underwriting profit of S$568.2 million in 2021.

The Gross Written Premium of the Company for the year 2022 was S$ 296.8 million compared to S$ 216.1 million during 2021. Fire premium was higher at S$91.0 million (S$76.1 million in 2021), Marine, Energy & Aviation premium increased to S$149.8 million (S$90.3 million in 2021) and all other classes recorded S$56.1 million in 2022(S$49.7 million in 2021).

### INVESTMENT INCOME

There was a decline in the investment income for the year 2022 from S$25.8 million to S$24.0 million primarily due to decrease in income from sale of securities, albeit the increase in income from fixed deposits and debt securities.

### OPERATING RESULTS

In 2022, with a few major losses in offshore Property and marine segment, the company reported an underwriting loss of S$3.5 million compared to an underwriting profit of S$0.8million in 2021. With Singapore dollar weakening against USD in 2022, the company provided for an exchange loss of S$11.7mn in 2022, compared to the exchange gain of S$0.2Mn in 2021, due to revaluation of investments & technical reserves. The volatility in financial markets had resulted in a provision of diminution in value of available for sale securities to the extent of S$13.7Mn in 2022, which has further impacted the company's results. Due to all the reasons stated above, the company reported a net loss of S$7.8Mn in 2022 compared to profit before tax of S$25.3Mn in 2021.

### DIVIDEND

The Directors have recommended a first and final dividend of 10.0% on the paid-up capital of S$50.0 million for the year 2022.

### SHAREHOLDERS' FUND

The Shareholders' Fund decreased to S$445.7 million as of 31 December 2022 compared to S$459.3 million as at 31 December 2021, due to net loss reported in 2022.

# CHAIRMAN'S STATEMENT

## TECHNICAL RESERVES

The total of Technical Reserves comprising Premium Reserves and Loss Reserves of the Company as at 31 December 2022 was S$249.7 million as against S$222.2 million as at 31 December 2021. The ratio of Technical Reserves to Net Earned Premium decreased to 277.6% as at 31 December 2022 from 287.5% for the previous year.

## TOTAL ASSETS

The total assets of the Company as at 31 December 2022 stood at S$809.8 million inclusive of increase in market value of investment assets, compared to the total assets of S$780.8 million as at 31 December 2021.

## RATING OF THE COMPANY

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

## LOOKING AHEAD

While we look ahead to 2023, the company will look back on 2022 as a year full of turbulence. We believe the geo-political conflicts, natural catastrophic losses and volatile macroeconomic environment may continue to present hurdles for the global insurance business in the coming year. However, the company as always remains committed to its core values of growth with profit. We will intensify our efforts to improve our market share and our market position with prudent underwriting approach and sound risk management practices. While the economic environment impacted the company's results significantly in FY 2022, our business is incredibly resilient due to the strength of our people coupled with strong & stable balance sheet.

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

## CHANGE IN THE BOARD OF DIRECTORS

Mr.T,Babu Paul resigned on 28 November 2022. Mrs.Nalini Venugopal was appointed on 29 November 2022. Mr.Anjan Dey resigned on 25 January 2023. Mrs. Neerja Kapur was appointed on 20 March 2023.

## CHAIRMAN'S STATEMENT

### 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.

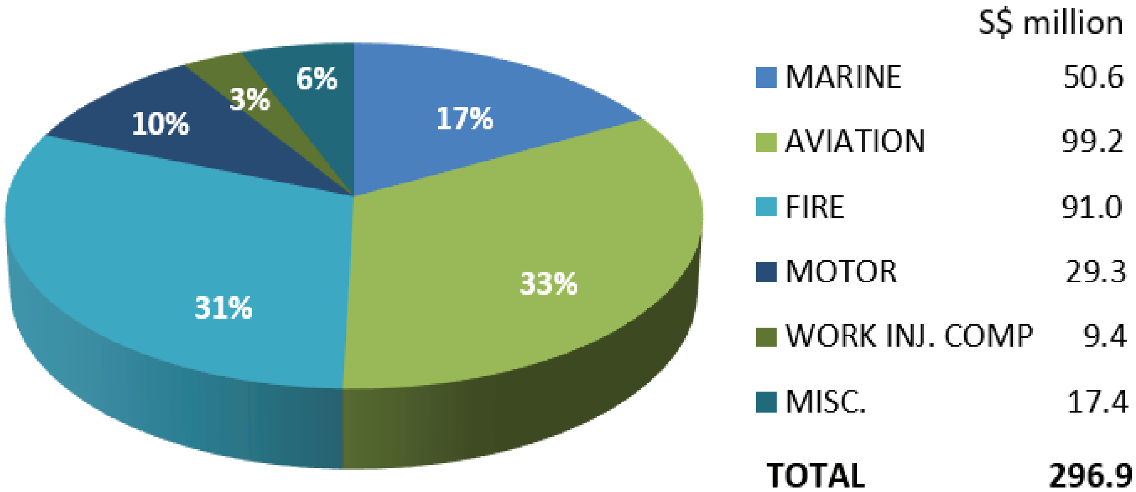
It is my pleasure to acknowledge the dedication and hard work of the team of officers and members of the staff. I wish to place on record our appreciation of their valuable contribution.

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.

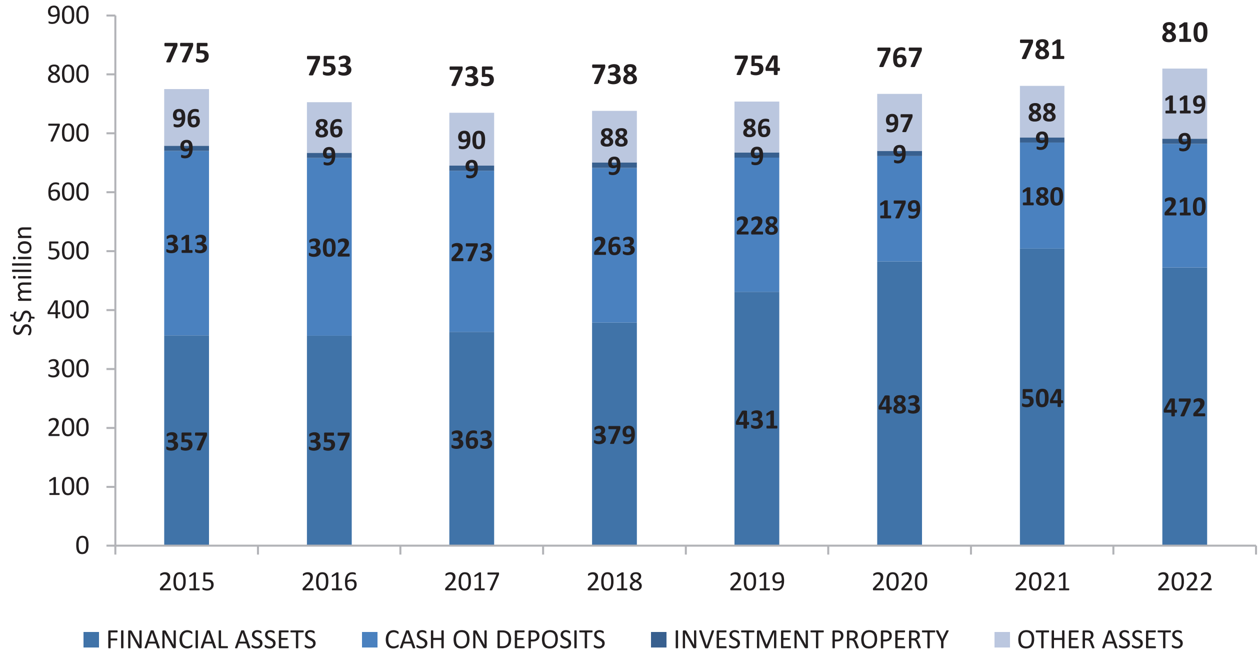
Mrs. Suchita Gupta
Chairman

## FINANCIAL HIGHLIGHTS

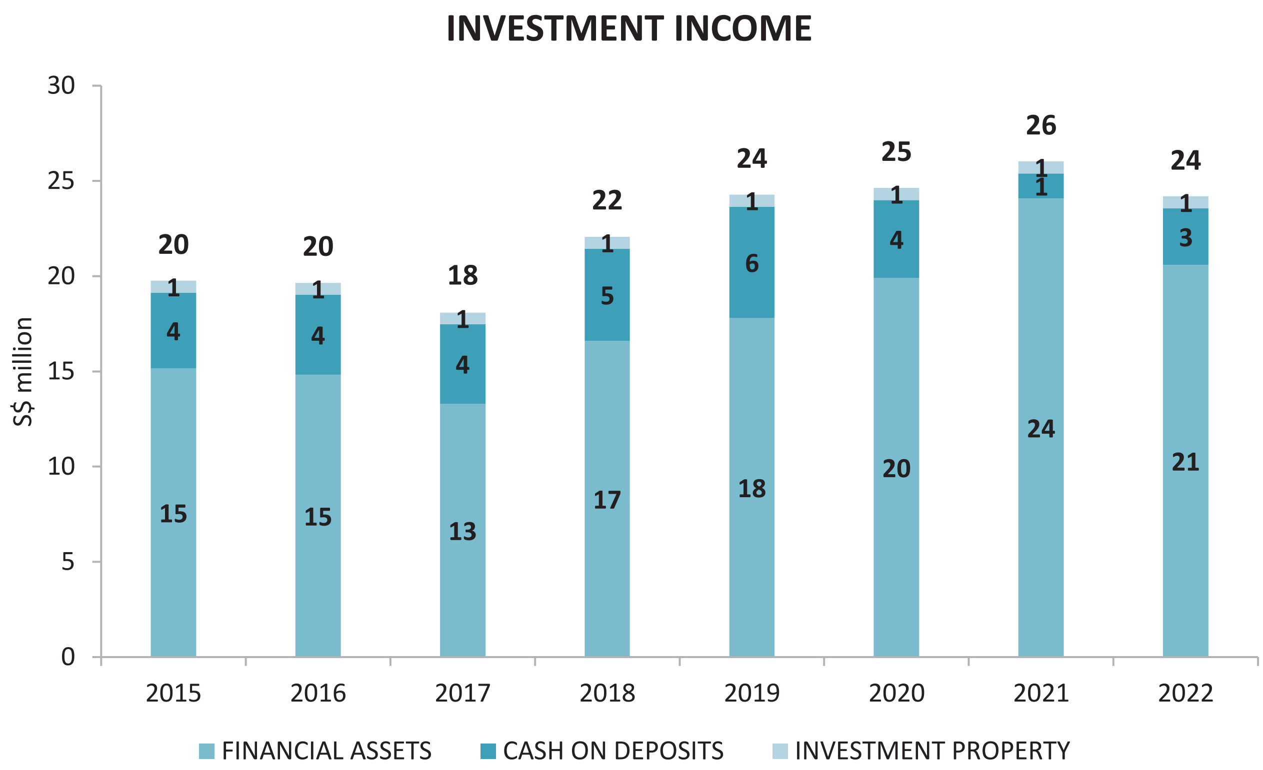
### GROSS WRITTEN PREMIUM

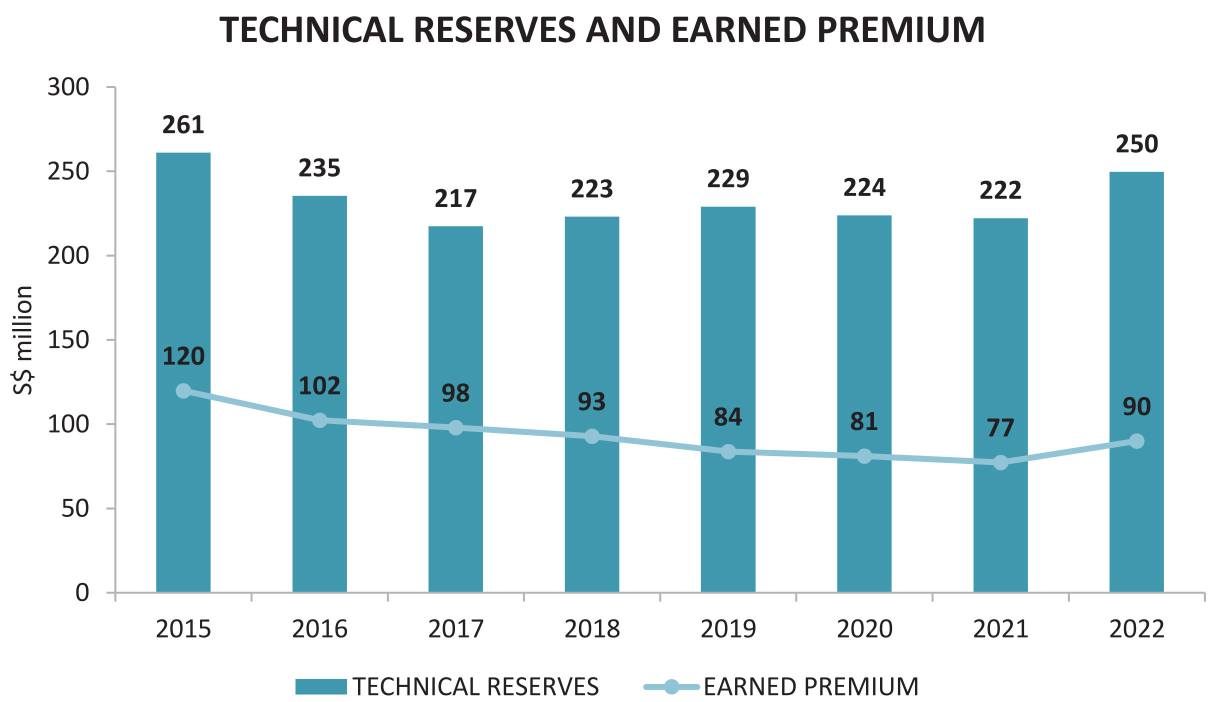



### TOTAL ASSETS



## FINANCIAL HIGHLIGHTS



# CORPORATE GOVERNANCE

The Board of Directors ("Board") of India International Insurance Pte Ltd (the "Company") is committed to good corporate governance. The Company has adopted policies pursuant to the Principles, Provisions and Additional Guidelines set out in the Guidelines on Corporate Governance for Designated Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore issued on 9 November 2021 (the "CG Guidelines") complies with the applicable Regulations in the Insurance (Corporate Governance) Regulations 2013 (the "CG Regulations").

The Board is supported by a number of Board Committees, each constituted by the Board with terms of reference approved by the Board, namely the Audit Committee, Investment Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Information Technology Committee. The Board, Audit Committee, Investment Committee and Risk Management Committee meet at least quarterly, and the other Committees meet as and when required.

## BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

***Principle:***

**1 The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its board committees and individual directors.**

1.1 Board composition is as follows:

| | |
|---|---|
| Mrs. Suchita Gupta | Chairperson, 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. Neerja Kapur | Non-executive and non-independent |
| Mr. Iyengar V. Gopalan | Non-executive and non-independent |
| Mrs. Nalini Venugopal | Executive and non-independent |

1.2 The changes in the Board during FY 2022 and up to the date of this Report were as follows:

Mr. Atul Sahai resigned on 28 February 2022
Mrs. Suchita Gupta was appointed on 24 March 2022
Mr. T. Babu Paul resigned on 28 November 2022
Mrs. Nalini Venugopal was appointed on 29 November 2022
Mr. Anjan Dey resigned on 25 January 2023.
Mrs. Neerja Kapur was appointed on 20 March 2023.
Mrs Suchita Gupta was appointed as Chairperson on 20 March 2023.

## CORPORATE GOVERNANCE

1.3 The Board's role is to provide leadership, approve and oversee the implementation of the Company's strategic direction and overall business objectives, and ensure that the necessary resources are in place for the Company to meet its objectives, taking into account the need to safeguard customers' interests.

1.4 The Board discusses and approves the organizational structure of the Company. This includes ensuring that adequate corporate governance frameworks and systems are in place across the Company.

1.5 The Board provides oversight of senior management. It is responsible for the appointment and removal of senior management of the Company. The Board sets out clearly the roles, responsibilities, accountability, delegated authority and reporting relationships of senior management and key persons in control job functions (which includes risk management, finance, compliance, internal audit, human resources and risk control related operations), and has these properly documented.

1.6 The Board ensures that the knowledge and expertise of senior management and key persons in control job functions are appropriate given the risk profile and nature of the Company's business.

1.7 The Board ensures that senior management carries out the day-to-day operations of the Company effectively and in accordance with the Company's code of conduct and ethics, business objectives and strategies, and long-term interests and viability.

1.8 The Board oversees the establishment of policies to strengthen the organizational culture of the Company.

1.9 The Board ensures that senior management formulates policies and processes to promote fair practices and high standards of business conduct by staff. Such policies address any misrepresentation, in particular, making of false and misleading statements and misconduct by the staff and also apply to its distribution channels and its claims adjudication.

1.10 The Board ensures that there are clear complaint handling procedures in place to ensure that all complaints are dealt with professionally, fairly, promptly and diligently. These complaint handling procedures are clearly communicated to customers.

1.11 The Board meets regularly with senior management, including key persons in control job functions, to discuss and review critically the decisions made, information provided and any explanations given by senior management and key persons in control job functions, relating to the business and operations of the Company.

1.12 The Board reviews the Company's corporate governance framework, culture and conduct framework, business objectives and strategies on a periodic basis, and where there are material developments, shall ensure that they remain relevant and effective.

1.13 The Board promotes and maintains a high level of professional conduct of the business and emphasizes, among others, integrity, honesty and proper conduct at all times, both with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest, discourages excessive risk-taking activities, promotes open discussions and encourages issues to be raised upwards within the organization where appropriate.

1.14 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. Most of them also hold directorships and senior management positions in entities which are subject to regulatory supervision in their respective places of incorporation. 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.

1.15 All significant matters involving the Company must be approved by the Board. These matters include:

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;
h. risk management framework and internal control systems;
i. nomination and appointment of Directors and senior executives; and
j. compensation policies and remuneration framework.

1.16 The names of the Committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each Committee's activities are set out below.

**a. Audit Committee ("AC")**

Composition

The AC comprises the following:

Mr. G. Srinivasan, Chairman
Mr. A. K. Saxena, Member
Mr. N. S. R. Chandra Prasad, Member
Mrs. Suchita Gupta, Member

The AC comprises 3 independent Directors and 1 non-independent & non-executive Director. The Chairman of the AC is an independent Director. The AC does not comprise any former partners or Directors of the Company's existing auditing firm or auditing corporation.

Terms of Reference

(1) Pursuant to its terms of reference, the AC:

(a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviews at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;

(c) reviews the assurance from the Chief Executive and the Chief Financial Officer ("CFO") on the financial records and financial statements;

(d) makes recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(e) reviews the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

(f) reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(g) meets with the external auditor and the internal auditor at least annually;

(h) ensures that the financial statements of the Company are prepared in accordance with accounting policies and practices that are accepted in Singapore;

(i) determines the appropriate criteria for selecting the external auditor and has policies and procedures to regularly monitor and assess the knowledge, competence, independence and effectiveness of the external auditor;

(j) ensures that the external auditor has unrestricted access to information and persons within the Company as necessary to conduct the audit. The AC also understands the external auditor's approach to providing reasonable assurance that the financial statements are free from material misstatements, and reviewing the adequacy of internal controls relevant to the audit;

(k) requires that the external auditor promptly communicates to the AC any information regarding internal control weaknesses, deficiencies, or any other relevant matters. The AC ensures that significant findings and observations regarding weaknesses are promptly rectified and that this is supported by a formal process for reviewing and monitoring the implementation of recommendations by the external auditor;

(l) assesses the independence of external auditor;

(m) ensures that the scope of the internal auditor's responsibility shall be clear and appropriate for the risks which the Company is or could be exposed to, including those risks arising from proposed new lines of business or products; and

(n) ensures that the internal audit function has adequate processes in place for ensuring that recommendations raised in internal audit reports are dealt with in a timely manner, and shall ensure that outstanding exceptions or recommendations are closely monitored by the internal auditor and reported to the AC.

<u>Activities of the AC</u>

(2) During FY 2022, the activities of the AC included the following:

(a) reviewed quarterly unaudited and full-year audited financial statements of the Company, as well as the quarterly business reports of the Company;

(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 plan of the internal auditor;

(f) reviewed the reports of the internal auditor pursuant to the internal audit plan;

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

(h) met with the external auditor and the internal auditor.

**b. Risk Management Committee ("RMC")**

Composition

The RMC comprises the following:

Mrs. Suchita Gupta, Chairperson
Mr. A. K. Saxena, Member
Mr. N.S.R. Chandra Prasad, Member
Mr. G. Srinivasan, Member
Mrs. Neerja Kapur, Member
Mr. Iyengar V. Gopalan, Member
Mrs. Nalini Venugopal, Member

The members of the RMC are appropriately qualified to discharge their responsibilities. The members of the RMC have the relevant technical financial sophistication in risk disciplines or business experience, as the Board interprets such qualification in its judgment.

Terms of Reference

(1) Pursuant to its terms of reference, the RMC:

(a) assists the Board in the governance of risk and to ensure that management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders;

(b) assists the Board to determine the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation;

(c) assists the Board to have a sound understanding of the business strategy, nature of the business activities of the Company and their associated risks, and to ensure that senior management has established an adequate risk management system to identify, measure, monitor, control and report those risks;

(d) assists the Board to seek advice, where necessary, from within the Company or externally to enable it to discharge its functions properly;

(e) assists the Board to set the tone and inculcating an appropriate risk culture throughout the Company;

(f) assists the Board in overseeing the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis;

(g) assists the Board in approving the risk appetite framework, which is comprehensive and actionable, linked with the Company's business strategy and strategic decision- making and integrated with associated internal processes such as capital planning, funding and liquidity management planning, budgeting, human resource planning, assessing mergers and acquisitions, new products and pricing approval, stress testing, underwriting, claims management, reinsurance, asset-liability matching, investment, recovery and resolution planning and strategic planning;

(h) assists the Board in ensuring that senior management has established adequate risk management practices for the financial and non-financial risks which the Company is or may be exposed to, including but not limited to credit, market, liquidity, operational, technology, conduct, money laundering and terrorism financing, legal, regulatory, reputational, strategic and environmental risks, on a regular basis;

(i) assists the Board in reviewing the current risk profile, risk tolerance level and risk strategy of the Company;

(j) assists the Board in obtaining a periodic independent assessment of the design and effectiveness of the Company's risk governance framework on a regular basis;

(k) ensures that the risk management function has adequate resources and is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively, and that the risk management function has appropriate reporting lines that are independent of business lines; and

(l) obtains from senior management information on all financial and non- financial risks which the Company is or may be exposed to (e.g. credit, market, liquidity, operational, technology, conduct, money laundering and terrorism financing, legal, regulatory, reputational, strategic and environmental risks), and satisfies itself that the information they receive is comprehensive, accurate, complete and timely to enable effective decision-making on the firm's strategy, risk profile and emerging risks.

<u>Activities of the RMC</u>

(2) During FY 2022, the activities of the RMC included the following:

(a) reviewed the Company's Enterprise Risk Management Framework;

(b) reviewed the Company's Own Risk and Solvency Assessment Report ("ORSA");

(c) reviewed the Company's MAS Stress Test Report;

(d) reviewed the Company's MAS Climate Stress Test Report; and

(e) reviewed the quarterly reports of the Company's Chief Risk Officer ("CRO").

**c. Nomination Committee ("NC")**

Composition

The NC comprises the following:

Mr. A. K. Saxena, Chairman
Mr. N.S.R. Chandra Prasad, Member
Mr. G. Srinivasan, Member
Mrs. Suchita Gupta, Member

The NC comprises at least three Directors, the majority of whom, including the NC Chairman, are independent.

Terms of Reference

(1) Pursuant to its terms of reference, the NC reviews and recommends to the Board on:

(a) succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the Chief Executive and key management personnel;

(b) the process and criteria for evaluation of the performance of the Board, Board Committees and Directors;

(c) training and professional development programs for the Board and Directors;

(d) the appointment, re-appointment and cessation of Directors (including alternate directors, if any);

(e) the appointment of key management and their cessation of appointment;

(f) the independence of Directors and their qualification for office (including conflicts of interest and their ability to discharge their duties); and

(g) whether any additional engagement accepted by the certifying actuary to carry out any duty or function that is equivalent to any duty or function of an appointed actuary or a certifying actuary for any other insurer, would adversely affect the quality of work of the appointed actuary or certifying actuary, or result in actual or potential conflict of interest.

(2) The NC determines annually, and as and when circumstances require, if a Director is independent having regard to the requirements of the CG Regulations and the CG Guidelines.

(3) The NC ensures that new Directors are aware of their duties and obligations and also reviews if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company. Where a Director holds a significant number of listed company directorships and other principal commitments, the NC provides its reasoned assessment of the ability of the Director to diligently discharge his or her duties.

(4) In reviewing nominations, the NC satisfies itself that each 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 factors as may be determined by the NC. In addition, the NC reviews, on an annual basis, whether each existing Director remains qualified for the office based on these criteria.

(5) The NC develops a framework to identify the skills that the Board collectively needs in order to discharge the Board's responsibilities effectively, taking into account the complexity of the Company's existing risk profile, business operations and future business strategy.

(6) The NC assesses, at least on an annual basis, if the Board and the respective Board Committees lack any skills to perform their roles effectively and identify steps to improve the effectiveness of the Board and the respective Board Committees.

(7) The NC reviews the nominations, and reasons for resignations, of key appointment holders such as Directors, Chief Executive, CFO and CRO, and certifying actuary and relevant senior management staff. 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.

Activities of the NC

(8) During FY 2022, the activities of the NC included the following:

(a) reviewed the reasons for the resignation of Directors;

(b) reviewed the additional directorships and appointments of various Directors;

(c) review the independence of the Directors, their qualification for office and ability to discharge their duties and responsibilities;

(d) reviewed the nomination of new Directors; and

(e) reviewed the additional engagements of the certifying actuary.

**d. Remuneration Committee ("RC")**

Composition

The RC comprises the following:

Mr. N.S.R. Chandra Prasad, Chairman
Mr. A. K. Saxena, Member
Mr. G. Srinivasan, Member
Mrs. Suchita Gupta, Member

The RC comprises at least three Directors. All members of the RC are non-executive Directors, the majority of whom, including the RC Chairman, are independent.

Terms of Reference

(1) Pursuant to it terms of reference, the RC reviews the following:

(a) the framework of remuneration for the Board, key management personnel and executive officers;

(b) the specific remuneration packages for each Director as well as for the key management personnel and executive officers; and

(c) the remuneration practices of the Company to ensure that they are aligned with the recommendations made in accordance with the approved frameworks.

(2) The RC ensures that remuneration polices do not create incentives for excessive risk-taking behavior, relevant control job functions are involved in the design of remuneration policies, and provide inputs on performance evaluation and remuneration outcomes.

(3) The RC also:

(a) considers all aspects of remuneration, including termination terms, to ensure they are fair;

(b) seeks to ensure that the remuneration policies are in line with the strategic objectives, and do not give rise to conflicts between the objectives of the Company and the interests of employees;

(c) if it deems appropriate, seeks inputs from the RMC and ensures that remuneration practices do not create incentives for excessive or inappropriate risk-taking behavior;

(d) oversees the design of remuneration policies and pays sustained attention to the operation of remuneration policies that cover all employees of the Company to ensure that the policies operate as intended, with particular attention to key management personnel and other employees whose actions may have a material impact on the risk exposure of the Company;

(e) ensures that senior management exercise active oversight and monitor the implementation and effectiveness of remuneration policies, reviews remuneration outcomes, risk measurements and risk outcomes regularly for consistency with the intentions of remuneration policies; and

(f) assesses the compliance of the Company's remuneration policies with any relevant regulations and guidelines.

Activities of the RC

(4) During FY 2022, the RC reviewed the Company's remuneration framework.

**e. Investment Committee**

Composition

The IC comprises the following:

Mr. Iyengar V. Gopalan, Chairman
Mrs. Suchita Gupta, Member
Mr. A. K. Saxena, Member
Mr. N.S.R. Chandra Prasad, Member
Mr. G. Srinivasan, Member
Mrs. Neerja Kapur, Member
Mrs. Nalini Venugopal, Member

## CORPORATE GOVERNANCE

Terms of Reference

(1) Pursuant to its terms of reference, the IC:

(a) provides oversight and guidance to management in the management of the Company's investment portfolio and compliance with applicable regulations;

(b) recommends to the Board for approval of the Company’s Investment Policy, Asset Liability Management Policy, and short-term and long-term investment plans;

(c) conducts periodic meetings with management to discuss key investment issues and to review the Company's investment portfolio and performance;

(d) monitors the progress and development of the investment decisions taken by management;

(e) determines the strategic direction and identifies suitable investment opportunities;

(f) to reviews investment activities conducted by management;

(g) ensures judicious management of the investment portfolio in line with the risk appetite of and tolerance limits set by the Board in order that there will always be adequate liquidity to support the underwriting activities;

(h) approves investment proposals submitted by management as required under established procedure; and

(i) reviews the minutes of the Company’s internal investment committee.

Activities of the IC

(2) During FY 2022, activities of the IC included the following:

(a) reviewed and approved the Company’s Strategic and Tactical Investment Policy;

(b) reviewed and approved the Company’s Asset Liability Management Policy;

(c) reviewed and approved the Company’s short-term and long- term investment plans and targets;

(d) reviewed and approved the Company’s Environment Social Governance Investment Policy;

(e) reviewed the activities of the Internal Investment Committee; and

(f) reviewed the Investment Income Analysis and Investment Activities of the Company.

**f. Information Technology Committee ("ITC")**

Composition

The ITC comprises the following:

Mrs. Neerja Kapur, Chairperson
Mrs. Suchita Gupta, Member
Mr. A. K. Saxena, Member
Mr. N.S.R. Chandra Prasad, Member
Mr. G. Srinivasan, Member
Mr. Iyengar V. Gopalan, Member
Mrs. Nalini Venugopal, Member

Terms of Reference

(1) Pursuant to its terms of reference, the ITC:

(a) approves IT-related projects with cost exceeding S$100,000, and reviews their implementation and progress;

(b) reviews the implementation, maintenance and upgrading of the Company's existing core software system and the Company's on-line insurance portal;

(c) approves budgets for IT purchases and licensing of hardware and software including their maintenance, modifications and upgrading;

(d) reviews the IT security and data security policies and procedures of the Company and their implementation;

(e) reviews the IT arrangements of the Company for business continuity;

(f) ensures that IT risks are identified, assessed and managed in line with the overall risk management policy of the Company; and

(g) reviews the reports of the auditors on IT.

Activities of the ITC

(2) During FY 2022, activities of the ITC included the following:

(a) reviewed the progress of the implementation of the Company's Core IT system;

(b) reviewed and approved the IT budget of the Company;

(c) reviewed the Company's digitalization plan and its implementation; and

(d) received a briefing on Technology Risk Management and Cybersecurity Risks.

## CORPORATE GOVERNANCE

1.17 Attendance at Board, Committee and General meetings for FY 2022 is set out below:

| | Board | AC | IC | RMC | NC | RC | ITC | AGM^^ |
|---|---|---|---|---|---|---|---|---|
| No. of meetings held | 5 | 4 | | 4 | 5 | 1 | 3 | 1 |
| Members | No. of meetings attended | | | | | | | |
| Mr. Anjan Dey | 5 | 4 | 4 | 3 | 5 | 1 | 2 | 1 |
| Mr. Atul Sahai[**] | - | - | - | - | - | - | - | - |
| Mr. A. K. Saxena | 5 | 4 | 3 | 3 | 5 | 1 | 2 | 1 |
| Mr. G. Srinivasan | 5 | 4 | 4 | 4 | 5 | 1 | 3 | 1 |
| Mr. N. S. R. Chandra Prasad | 4 | 3 | 3 | 3 | 3 | - | 3 | 1 |
| Mr. Iyengar V. Gopalan | 4 | - | 3 | 3 | - | - | 2 | - |
| Mrs. Suchita Gupta[##] | 3 | - | 2 | 2 | - | - | 1 | - |
| Mr. T. Babu Paul[#] | 4 | - | 3 | 3 | - | - | 2 | 1 |
| Mrs. Nalini Venugopal[^] | 1 | - | 1 | 1 | - | - | 1 | - |

Note:
[**]Mr. Atul Sahai resigned on 28 February 2022.
[#]Mr. T. Babu Paul resigned on 28 November 2022
[##]Mrs. Suchita Gupta was appointed on 24 March 2022
^Mrs. Nalini Venugopal was appointed on 29 November 2022
^^annual general meeting

**BOARD COMPOSITION AND GUIDANCE**

**Principle:**

**2 The Board has an appropriate balance of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

**Board Composition**

2.1 The composition of the Board is stated in Paragraph 1.1 above. All members of the Board have been approved by the Monetary Authority of Singapore.

**Board Independence and Composition**

2.2 More than one-third of the Board are independent Directors. Non-executive Directors make up a majority of the Board. As at the date of this Report, the Company does not comply with the requirement for independent Directors to make up at least half of the Board where the Chairperson is not independent (the “Independence Requirement”). The Board is working towards complying with the Independence Requirement, with a Board of 8 Directors comprising the Managing Director, 3 non-executive, non-independent Directors nominated by the substantial shareholders of the Company, and 4 independent Directors. The Board intends to do this through a process of Board renewal and the appointment of another independent Director in the course of the year.

During the interim period when the Independence Requirement is not met, the Board composition will still have an appropriate balance of independence and diversity of thought and background in its composition based on the experience, qualification, background and gender of the existing Directors. Even though independent Directors make up less than of half of the total number of Directors, the situation is mitigated by the fact that the Company has 5 substantial shareholders, comprising insurance companies and all holding an equal percentage of shares, and no controlling shareholder.

Accordingly, the Company does not have a large and diffuse number of minority shareholders who would otherwise require a larger number of independent Directors on the Board to safeguard their interests. The Board is of the view that 3 independent Directors would be sufficient to provide a counter-weight to the non-independent Directors during any interim period when the Independence Requirement is not met.

2.3 The Company's independent Directors are Mr. A. K. Saxena, Mr. G. Srinivasan and Mr. N. S. R. Chandra Prasad. Mrs. Suchita Gupta, Mrs. Neerja Kapur, Mr. Iyengar V. Gopalan and Mrs. Nalini Venugopal are non-independent Directors. All the Directors are non-executive Directors except for Mrs. Nalini Venugopal who is the Managing Director and Chief Executive. Mrs. Suchita Gupta is the Chairperson of the Board.

2.4 The NC and the Board, with the relevant Director abstaining in respect of his or her own review, have reviewed the declarations, disclosures and information provided by and/or obtained in respect of each Director, to:

a. determine whether such Director is independent from management and business relationship with the Company and independent from any substantial shareholder of the Company and has served on the Board for a continuous period of 9 years or longer; and

b. review and assess whether such Director remains qualified for the office using the criteria applied in reviewing his or her proposed appointment or nomination, in accordance with the requirements under the CG Regulations including:

(1) whether the Director has any conflict of interest or any other concerns that would hamper his/her ability to discharge his/her duties as a Director;

(2) whether the Director is able to devote sufficient time and attention to his/her appointment in view of his/her directorships in listed companies and other principal commitments; and

(3) whether the Director is a fit and proper person to act as a Director.

2.5 Based on their review, the NC and the Board have determined that:

a. Messrs Suchita Gupta and Neerja Kapur:

(1) have not served on the Board for a continuous period of 9 years or longer;

(2) are independent from management relationships with the Company;

(3) are not independent of business relationships with the Company as the respective corporations in which they are the Chairman cum Managing Director ("CMD"), namely National Insurance Company Limited ("National") and The New India Assurance Company Limited ("New India"), provide reinsurance to the Company in the current and immediately preceding financial year; and

(4) are not independent from a substantial shareholder of the Company, being the CMD of National and New India respectively, which are substantial shareholders of the Company.

b. Mrs. Nalini Venugopal is:

(1) not independent from a management relationship with the Company by reason of her appointment as Managing Director and Chief Executive of the Company;

(2) not independent from a business relationship with the Company by reason of her being an executive officer of New India which is a corporation which carries on business for profit to which the Company has made and from which the Company has received payments in the current and immediately preceding financial year under reinsurance arrangements with the Company;

(3) independent from substantial shareholders of the Company because notwithstanding that she remains an executive officer of New India, upon her appointment as Chief Executive and Managing Director of the Company, she is not employed by New India in that she will not have any duties or responsibilities to New India, and will not be entitled to any salary or benefits from New India except that her term of employment with the Company will be counted towards her term of service with New India. Mrs. Nalini Venugopal will only have duties and responsibilities to and be entitled to salary and benefits from the Company instead; and

(4) has not served on the Board for a continuous period of 9 years or longer.

c. Mr. Iyengar V. Gopalan, is independent from management and business relationships with the Company and from substantial shareholders of the Company but is not independent because he has served as a Director for a continuous period of 9 years.

d. Mr. A. K. Saxena is independent from management and business relationships with the Company and has not served on the Board for a continuous period of 9 years or longer, but is not independent from substantial shareholders of the Company by reason of his being:

(1) an independent director of Health Insurance TPA of India Limited ("HITPA"), where 4 of the substantial shareholders of the Company each holds 23.75% of the shares in HITPA namely: New India, National, United India Insurance Company Limited ("United India") and The Oriental Assurance Company Limited ("Oriental), and the other substantial shareholder, General Insurance Corporation of India ("GIC Re") holds the remaining 5% of the shares; and

(2) an independent director of GIC Housing Finance Limited ("GICHF"), a listed corporation in India in which the substantial shareholders of the Company hold an aggregate shareholding of 42.24%, with each of them holding less than 20% of the shares of GICHF.

e. Notwithstanding the foregoing relationship with the substantial shareholders, the NC and the Board have determined that Mr. A. K. Saxena's independent business judgement and ability to act in the interests of the Company will not be impeded for the following reasons:

(1) in relation to HITPA:

(a) Mr. A. K. Saxena has been appointed as an independent non-executive director of HITPA in accordance with applicable Indian law;

(b) Mr. A. K. Saxena's independence in relation to HITPA allows him to maintain his independence in relation to the Company;

(c) Mr. A. K. Saxena has been nominated by the nomination committee of HITPA which was headed by an independent director;

(d) Mr. A. K. Saxena has no pecuniary relationship with HITPA (other than for director's fees) and no pecuniary relationship with any of the shareholders of HITPA (which comprised the shareholders of the Company);

(e) HITPA carries on business in India does not have any business relationship with the Company; and

(f) The Company has not received any payments from or made any payments to HITPA in the current or immediately preceding financial year, or at any other time; and

(2) in relation to GICHF:

(a) GICHF is a publicly listed company in India, and Mr. A.K. Saxena is an independent director of GICHF, being considered, under applicable Indian laws and regulations, as independent from the promoters of GICHF (which are the substantial shareholders of the Company), namely GIC Re, Oriental, New India, National and United India;

(b) Under applicable Indian laws and regulations, as an independent director of GICHF, Mr. A.K. Saxena is not a nominee director, meaning that he has not been nominated by any financial institution pursuant to the provisions of any law, or of any agreement, or appointed by any Government or any other person to represent its interests;

(c) Under applicable Indian laws and regulations, the Company's substantial shareholders, namely GIC Re, Oriental, New India, National and United India, have been since 2000, totally independent of each other and are fully Board-run companies. GIC Re and New India are listed companies which are no longer 100% owned by the Government of India. They are also regulated by the Securities & Exchange Board of India ("SEBI"). GICHF is a listed company and is also subject to SEBI and is regulated by the National Housing Bank ("NHB"), a subsidiary of India's central bank, the Reserve Bank of India;

(d) The Company's substantial shareholders collectively hold a minority shareholding of about 42.24% in GICHF, with GIC Re holding 15.26%, New India holding 8.53%, National holding 5.58%, Oriental holding 5.52% and United India holding 7.35%., and are totally independent of each other and are fully Board-run companies, where each of them does not control the actions of the others in relation to the management of GICHF or the Company; and

(e) GICHF is in the business of providing housing finance and regulated by NHB. GICHF is not in the business of insurance and reinsurance. Hence the business of GICHF is unrelated to the business of the Company or any of the Company's substantial shareholders.

f. Mr. N.S.R. Chandra Prasad is independent from management and business relationships with the Company, has not served on the Board for a continuous period of 9 years or longer, but is not independent from substantial shareholders of the Company by reason of his being:

(1) an independent director of GICHF, a listed corporation in India in which the substantial shareholders of the Company hold an aggregate shareholding of 42.24%, with each of them holding less than 20% of the shares of GICHF; and

(2) an independent director of Prestige Assurance Plc, Nigeria ("Prestige"), a corporation which is a subsidiary of New India, a substantial shareholder of the Company.

g. Notwithstanding the foregoing relationship with the substantial shareholders, the NC and the Board have determined that Mr. N. S. R. Chandra Prasad's independent business judgement and ability to act in the interests of the Company will not be impeded for the following reasons:

(1) in relation to GICHF:

(a) GICHF is a publicly listed company in India, and Mr. N. S. R. Chandra Prasad is an independent director of GICHF, being considered, under applicable Indian laws and regulations, as independent from the promoters of GICHF (which are the substantial shareholders of the Company), namely GIC Re, Oriental, New India, National and United India;

(b) Under applicable Indian laws and regulations, as an independent director of GICHF, Mr. N. S. R. Chandra Prasad is not a nominee director, meaning that he has not been nominated by any financial institution pursuant to the provisions of any law, or of any agreement, or appointed by any Government or any other person to represent its interests;

(c) Under applicable Indian laws and regulations, the Company's substantial shareholders, namely GIC Re, Oriental, New India, National and United India, have been since 2000, totally independent of each other and are fully Board-run companies. GIC Re and New India are listed companies which are no longer 100% owned by the Government of India. They are also regulated by SEBI. GICHF is a listed company and is also subject to SEBI and is regulated by the NHB, a subsidiary of India's central bank, the Reserve Bank of India;

(d) The Company's substantial shareholders collectively hold a minority shareholding of about 42.24% in GICHF, with GIC Re holding 15.26%, New India holding 8.53%, National holding 5.58%, Oriental holding 5.52% and United India holding 7.35%., and are totally independent of each other and are fully Board-run companies, where each of them does not control the actions of the others in relation to the management of GICHF or the Company; and

(e) GICHF is in the business of providing housing finance and regulated by NHB. GICHF is not in the business of insurance and reinsurance. Hence the business of GICHF is unrelated to the business of the Company or any of the Company's substantial shareholders; and

(2) in relation to Prestige:

(a) Mr. N. S. R. Chandra Prasad has been appointed as an independent non-executive director of Prestige in accordance with applicable Nigerian law and regulations;

(b) Mr. N. S. R. Chandra Prasad's independence in relation to Prestige allows him to maintain his independence in relation to the Company;

(c) Prestige is a publicly listed company in Nigeria, which is subject to regulations governing the appointment of independent directors;

(d) Mr. N. S. R. Chandra Prasad was nominated by the Administration Committee of Prestige, which is headed by an independent director;

(e) Mr. N. S. R. Chandra Prasad has no pecuniary relationship with Prestige (other than for director's fees) and no pecuniary relationship with any of the shareholders of Prestige including The New India Assurance Co Ltd, the 69% shareholder of Prestige; and

(f) the Company has not received payments from or made payments to Prestige in the current or immediately preceding financial year.

h. Mr. G. Srinivasan is independent from management and business relationships with the Company, has not served on the Board for a continuous period of 9 years or longer, but is not independent from substantial shareholders of the Company by reason of his being:

(1) a non-executive director of GICHFL Financial Services Private Limited ("GFinance"), a wholly-owned subsidiary of GICHF, a listed corporation in India in which the substantial shareholders of the Company hold an aggregate shareholding of 42.24%, with each of them holding less than 20% of the shares of GICHF; and

(2) a non-executive independent director of New India Assurance (T and T) Limited ("NIATT"), a subsidiary of New India, a substantial shareholder of the Company.

i. Notwithstanding the foregoing relationship with the substantial shareholders, the NC and the Board have determined that Mr G. Srinivasan's independent business judgement and ability to act in the interests of the Company will not be impeded for the following reasons:

(1) in relation to GFinance:

(a) Mr. G. Srinivasan has no pecuniary relationship with GFinance (other than for director's fees) and no pecuniary relationship with GICHF;

(b) GFinance and GICHF carry on business in India which is unrelated to the business of the Company, and do not have any business relationship with the Company;

(c) The Company has not received any payments from or made any payments to GFinance and GICHF Limited in the current or immediately preceding financial year, or at any other time;

(d) GICHF is a publicly listed company in India, and

(e) the Company's substantial shareholders collectively hold a minority shareholding of about 42.24% in GICHF, but with each holding less than 20% of the total shareholding, namely: GIC Re holding 15.26%, New India holding 8.53%, National holding 5.58%, Oriental holding 5.52% and United India holding 7.35%., and being totally independent of each other and fully Board-run companies, where each of them does not control the actions of the others in relation to the management of GICHF or Finance; and

(2) in relation to NIATT:

(a) Mr. G. Srinivasan has been appointed as an independent non-executive director of NIATT in accordance with applicable Indian law;

(b) Mr. G. Srinivasan's independence in relation to NIATT allows him to maintain his independence in relation to the Company;

(c) Mr. G. Srinivasan has no pecuniary relationship with NIATT (other than for director's fees) and no pecuniary relationship with New India or any of the minority shareholders of NIATT;

(d) NIATT carries on business in India does not have any business relationship with the Company; and

(e) The Company has not received any payments from or made any payments to NIATT in the current or immediately preceding financial year, or at any other time.

2.6 A Director's length of service on the Board is also taken into consideration when assessing a Director's independence on the Board. The NC and the Board, with the relevant Director abstaining from deliberations and voting in respect of his review, have noted that a number of Directors have served on the Board for an aggregate period of close to or more than 9 years, namely:

a. Mr. A. K. Saxena, who has served as a non-executive and non-independent Director from 20 September 2012 to 30 June 2016, and as an independent Director from 25 August 2016 to current date, being an aggregate period of approximately 10 years and 4 months.

b. Mr. Gopalan Srinivasan, who has served as a non-executive and non-independent Director from 19 March 2013 to 20 August 2018, and as an independent Director from 19 December 2018 to current date, being an aggregate period of about 9 years and 8 months.

c. Mr. N. S. R. Chandra Prasad, who has served as a non-executive and non-independent Director from 24 August 2009 to 28 February 2014, and as an independent Director from 19 December 2018 to current date, being an aggregate period of about 8 years and 9 months.

d. Mr. Iyengar V. Gopalan, who has served as a non-executive and independent Director from 24 August 2009 to 23 August 2018, and as non-executive and non-independent Director from 21 June 2019 to current date, being an aggregate period of approximately 12 years and 9 months.

Except for Mr. Iyengar V. Gopalan who has served for a continuous period of more than 9 years and is deemed to be a non-independent Director, the NC and the Board, with the relevant Director abstaining from deliberations and voting in respect of his review, have assessed that for Messrs A. K. Saxena, G. Srinivasan and N. S. R. Chandra Prasad, despite their aggregate periods of service as Directors being close to or more than 9 years, their independent business judgement and ability to act in the interests of the Company have not been impeded, and they remain objective, impartial, robust, knowledgeable and perceptive in their oversight of management and the discharge of their duties.

2.7 With the relevant Director abstaining from deliberations and voting in respect of his review, the NC and the Board have determined that no independent Director:

a. is or has been employed by the Company for the current or any of the past three financial years; and

b. has an immediate family member who is or has been employed by the Company as an executive officer or other material risk taker, or whose remuneration is determined by the RC, for the current or any of the past three financial years.

2.8 The NC and the Board, with the relevant Director abstaining in respect of his or her own review, reviewed the declarations, disclosures and information provided by and/or obtained in respect of each Director, and have assessed that:

a. each of the above Directors remains qualified for the office based on the criteria applied in reviewing his proposed appointment or nomination, namely:

(1) the appointment of each of the Directors will not result in non-compliance with the requirement under the CG Regulations that the Board must comprise at least one-third of Directors who are independent Directors;

(2) each of the Directors is a fit and proper person for the office and is qualified for the office taking into account the Director's track record, age, experience, capabilities and skills;

(3) each of the Directors does not have any conflict of interest or any other concerns that would hamper his/her ability to discharge his/her duties as a Director; and

(4) each of the Directors is able to devote sufficient time and attention to his/her appointment in view of his/her directorships in listed companies and other principal commitments.

2.9 The Board and Board Committees are of an appropriate size, and comprise Directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. There is presently no Board diversity policy as the process and criteria for selection of Directors has been able to achieve Board diversity. However, the Board may consider formally establishing such a policy if the situation requires it in future.

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

**Principle:**

**3 There is a clear division of responsibilities between the leadership of the Board and management, and no one individual has unfettered powers of decision-making.**

3.1 The Chairperson and the Chief Executive are separate persons. There is clear division of responsibilities between the Chairperson and the Chief Executive. The overall role of the Board Chairperson is to lead and ensure the effectiveness of the Board. This includes:

a. promoting a culture of openness and debate at the Board;

b. facilitating the effective contribution of all Directors; and

c. promoting high standards of corporate governance. The Chief Executive is responsible for the day-to-day management and operations of the Company and for implementing the policies, strategies and directions of the Board.

3.2 The Board has not appointed a lead independent Director as the independent Directors individually and collectively have the experience and stature to act and to lead when the situation requires. The independent Directors are available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or management are inappropriate or inadequate. The independent Directors are known to the shareholders and shareholders are free to contact them directly.

3.3 The independent Directors, individually and collectively, provide independent leadership on the Board, and act as a sounding board for the Chairman. The independent Directors do not hesitate to raise relevant queries and ensure that there is a check and balance between the Board and senior management. The independent Directors also meet regularly with each other to assess the performance of the Chairman and senior management.

## BOARD MEMBERSHIP

**Principle:**

**4 The Board has a formal and transparent process for the appointment and re- appointment of directors, taking into account the need for progressive renewal of the Board.**

4.1 Information on the professional qualifications, dates of appointment / re-election and directorships & other principal commitments for each of Directors is set out below.

| **Name of Director / Professional Qualifications** | **Date of first appointment / Date of last re-appointment** | **Present Directorships or chairmanships in listed companies & other principal commitments** |
|---|---|---|
| Mr. Anjan Dey | First appointed on 11 June 2021, retired and was re-elected at the annual general meeting on 11 June 2021. Resigned on 25 January 2023. | Listed Companies (India)<br><br>Director, GIC Housing Finance Ltd.<br><br>Other principal commitments<br><br>Chairman and Managing Director of The Oriental Insurance Company Limited.<br><br>Director, Health Insurance TPA of India Limited.<br><br>Director, Agriculture Insurance Company of India Limited.<br><br>Director, Industrial Credit Company Limited. |

# CORPORATE GOVERNANCE

| Name of Director / Professional Qualifications | Date of first appointment / Date of last re-appointment | Present Directorships or chairmanships in listed companies & other principal commitments |
|---|---|---|
| Mr. A. K. Saxena / Associate Member, Insurance Institute of India | 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. Retiring and will be eligible for re-election at the annual general meeting for 2023. | Listed Companies (India)<br><br>Director of GIC Housing Finance Ltd.<br><br>Other principal commitments<br><br>Director, Health Insurance TPA of India Limited. |
| Mr. G. Srinivasan / Associate Member, Institute of Cost Accountants of India; Fellow Member, Insurance Institute of India | 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. Retiring and will be eligible for re-election at the annual general meeting for 2023. | Listed Companies (India)<br><br>Director, P.B. Fintech Ltd.<br><br>Other principal commitments<br><br>Director of National Insurance Academy.<br><br>Director, NAVI General Insurance Ltd (formerly known as DHFL General Insurance Limited).<br><br>Director, Medi Assist Healthcare Services Ltd.<br><br>Director, BACQ Acquisitions Private Limited.<br><br>Director, Valueattics Reinsurance Co. Ltd.<br><br>Director, Insuretech Digital Solutions India Pvt. Ltd.<br><br>Director, Director, GICHFL Financial Services Limited.<br><br>Director, New India Assurance (T and T) Ltd..<br><br>Director, Agamanalytics Pvt Ltd. |

## CORPORATE GOVERNANCE

| Name of Director / Professional Qualifications | Date of first appointment / Date of last re-appointment | Present Directorships or chairmanships in listed companies & other principal commitments |
|---|---|---|
| Mr. N. S. R. Chandra Prasad / Fellow Member, Insurance Institute of India; Certified Associate, Indian Institute of Bankers. | 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. Retiring and will be eligible for re-election at the annual general meeting for 2023. | Listed Companies (India)<br><br>Director, GIC Housing Finance Ltd.<br><br>Listed Companies (Other countries)<br><br>Director, Prestige Assurance Plc, Nigeria. |
| Mrs. Suchita Gupta / Fellow Member, Insurance Institute of India; Fellow Member, Institute of Company Secretaries of India | Appointed on 24 March 2022, retired and was re-elected at the annual general meeting on 27 June 2022. | Listed Companies (India)<br><br>Director, GIC Housing Finance Ltd.<br><br>Other Principal commitments<br><br>Chairperson & Managing Director, National Insurance Company Limited.<br><br>Director, Agriculture Insurance Company of India Limited.<br><br>Director, Health Insurance TPA of India Limited.<br><br>Member of the Governing Board, National Insurance Academy, Pune.<br><br>Chairman of the Governing Board, General Insurers' (Public Sector)Association of India (GIPSA).<br><br>Chairperson, Council for Insurance Ombudsmen. |

## CORPORATE GOVERNANCE

| Name of Director / Professional Qualifications | Date of first appointment / Date of last re-appointment | Present Directorships or chairmanships in listed companies & other principal commitments |
|---|---|---|
| Mrs. Neerja Kapur / Fellow Member, Insurance Institute of India. | Appointed on 20 March 2023, retiring and will be eligible for re-election at the annual general meeting for 2023. | Listed Companies (India)<br><br>Chairperson cum Managing Director, the New India Assurance Company Limited.<br><br>Director, GIC Housing Finance Corporation Ltd<br><br>Listed Companies (Other countries)<br><br>Director, Prestige Assurance Plc, Nigeria.<br><br>Other Principal Commitments<br><br>Director, Health Insurance TPA of India Limited<br><br>Member of the Governing Board, National Insurance Academy<br><br>Director, Agriculture Insurance Company of India Limited<br><br>Council Member, Insurance Institute of India<br><br>Director, The New India Assurance Company<br>(Trinidad & Tobago) Ltd, Port of Spain, Trinidad & Tobago |
| 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.<br>Re-appointed on 21 June 2019, retired and was re-elected at the annual general meeting on 21 June 2019. Retiring and has declined to be nominated for re-election at the annual general meeting for 2023. | Other Principal commitments<br><br>Chairman & Managing Director, Agrocorp International Pte Ltd. Director, Agrocorp Group of Companies.<br><br>Board Member and Executive Vice-President, Global Pulses Confederation, United Arab Emirates.<br><br>Non-executive Director of directorship in Global Pulses Inc. |
| Mrs. Nalini Venugopal / Fellow Member (Non-Life Insurance), Insurance Institute of India. | Appointed as Director, Managing Director & Chief Executive on 29 November 2022, retiring and will be eligible for re-election at the annual general meeting for 2023. | Principal commitment<br><br>Managing Director & Chief Executive, India International Insurance Pte Ltd. |

None of the Directors has any relationships including immediate family relationships with any of the other Directors, the Company or its substantial shareholders except as disclosed under Principle 2 of this Report.

4.2 The process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new Directors and channels used in searching for appropriate candidates is set out below:

a. The Managing Director is selected from a list of short-listed candidates by the Governing Board of the General Insurers' (Public Sector) Association of India (GIPSA). These candidates are identified from among the senior management of the 5 substantial shareholders of the Company, namely GIC Re, Oriental, New India, National and United India. Upon selection by GIPSA, the candidate is seconded to and employed by the Company for a term.

b. The CMD for the time being, of each of Oriental, New India and National is, by convention, put forward to the NC to be nominated as a non-executive, non-independent Director of the Company. Each of these Directors is a nominee of their respective corporations on the Board. These Directors serve on the Board for so long as they remain the CMD of their corporations.

c. The other Directors are identified from among the past Directors who have resigned after their retirement as the CMD of their corporations and who have not previously served on the Board for a continuous period of 9 years, retired senior civil servants or government officials, or prominent members of the business or professional community in India or Singapore, with the requisite academic and professional qualifications, experience and business acumen and contacts which could be relevant to the business of the Company. These persons are identified through recommendations given by existing and former Directors and their business and professional contacts in Singapore and India.

4.3 The NC and the Board determine annually, and as and when circumstances require, if a Director is independent, and qualified for the office, having regard to the requirements of the CG Regulations and the CG Guidelines. Directors disclose their relationships with the Company, its substantial shareholders and its officers, if any, which may affect their independence, to the Board. The process for the assessment of the independence and qualification for office of Directors is set out under Principle 2 of this Report.

4.4 The NC and the Board ensure that new Directors are aware of their duties and obligations. A memorandum on Directors' Duties is sent to all Directors on appointment and annually in connection with the annual updating of their disclosures, particulars and interests. The NC and the Board also determine if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The listed company directorships and other principal commitments of each Director are set out in Paragraph 4.1 of this Report. The NC and Board have reviewed the listed company directorships and principal commitments of each Director. Based on the information provided by each Director on the nature of their directorships and principal commitments (namely executive or non-executive) and the annual time commitments (including number of meetings) for each directorship or appointment, and taking into account their management experience and capabilities, the NC and Board have assessed that each of the Directors is able to diligently discharge his or her duties.

4.5 In reviewing nominations for appointment or re-appointment, the NC and the Board satisfy themselves that each 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 factors as may be determined by the NC. The review process is the same as that described under Principle 2 above. The review conducted by the NC and the Board is based on the declarations and disclosures provided by each Director. The Company also conducts a background check on each Director as part of the nomination process.

4.6 The names of the Directors submitted for appointment or re-appointment are accompanied by details and information to enable shareholders and the Board to make informed decisions. In the case of appointments by the Board, the information is tabled in the Board papers and for re-appointment or re-election of directors, the information is set out in the annual report (if such re-appointment is to take place at the annual general meeting) or as an appendix or note to the Notice of General Meeting, which accompanies the relevant resolution

4.7 The Constitution of the Company was amended on 20 March 2023 to provide for one third of the Directors to retire and be eligible for re-election at each annual general meeting. Accordingly, all Directors will, from the annual general meeting to be held in 2023, submit themselves for re-nomination and re-election at least once every three years.

**BOARD PERFORMANCE**

**Principle:**

**5 The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its board committees and individual directors.**

5.1 The Board collectively reviews and evaluates its performance based on the questions contained in a Board Evaluation Questionnaire circulated to the Directors. The performance criteria and process for evaluation are determined by the Board.

5.2 The Board conducts an annual performance assessment. Each Director responds to the questionnaire and the results and comments received are tabulated and summarized without reference to specific Directors. The results are then reviewed by the Board which may make recommendations or decide on action to be taken.

5.3 There is no separate evaluation of each Board committee or of individual Directors. The Board is of the view that separate evaluation by committee or of individual Directors results in a duplication of effort and does not yield any significant new information or perspectives. This is because there is an overlap between the composition of the Board and various Committees. The RMC, IC and ITC have the same composition as the Board. Directors who are not members of the AC, RC and NC are in attendance and are appraised of the proceedings of these Committees. Furthermore, the Board would rather focus on their collective strengths and shared responsibility for the management of the Company rather than to focus on individual strengths and weaknesses, which might be counterproductive and damage the sense of collegiality of the Board. No external facilitators are engaged for the evaluation exercise.

## REMUNERATION MATTERS
## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**Principle:**

**6 The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her 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. The Company does not engage any remuneration consultants.

## LEVEL AND MIX OF REMUNERATION

**Principle:**

**7 The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

7.1 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.

7.2 Remuneration of Directors is recommended by the RC Committee to the Board. The RC has recommended and the Board has adopted the practice of uniform remuneration for all non-executive Directors. All Directors' remuneration is approved by the shareholders at the annual general meeting of the Company. The Managing Director is not entitled to separate remuneration, being an executive of the Company.

7.3 Remuneration of the Chief Executive is fixed by the Board based on experience, skill and according to the pay scale fixed by the Board. Other benefits included housing, transport and a performance-based incentive. The performance parameters are based on long term considerations (presently 3-year average) and linked to underwriting results and growth in overall profitability.

7.4 Remuneration of executives and non-union staff is based on the job functions undertaken by them and aligned to the pay scale as approved by the Board. Remuneration is fixed by the Chief Executive in consultation with the Company's Human Resource Department and on KPI-based performance appraisal. Market salary, productivity and performance of the executive, loyalty, and inflation are among the factors considered. Executives are also paid incentives based on the overall performance of the Company, performance of their department and individual performance.

7.5 Remuneration of unionised staff is covered by the Collective Agreement, with remuneration fixed by the union as per the grade and a salary schedule has been also worked out for 3 years. The schedule has been approved by the Industrial Arbitration Court, and is revised every 3 years when a new Collective Agreement is signed.

7.6 The Company does not have any employee share scheme. The Company also does not have any malus, claw-back or deferral arrangements, as these add complexity with limited benefits in the context of the Company's remuneration framework. The Company does not pay any guaranteed bonuses.

7.7 The Remuneration Framework for 2022 remained the same as for 2021.

**DISCLOSURE ON REMUNERATION**

**Principle:**

**8 The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

8.1 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 behavior.

8.2 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.

8.3 The Company does not employ any person who is a substantial shareholder of the Company, or are immediate family members of any Director, the Chief Executive, or a substantial shareholder of the Company.

**ACCOUNTABILITY AND AUDIT**
**RISK MANAGEMENT AND INTERNAL CONTROLS**

**Principle:**

**9 The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

9.1 The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The RMC has been set up to address this. The composition and terms of reference of the RMC are set out in Paragraph 1.16 of this Report.

9.2 The Company has established an Enterprise 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).

9.3 The Company's Enterprise Risk Management 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. The RMC oversees the implementation and monitoring of the Enterprise Risk Management framework, to approve risk appetite and tolerance levels and limits, and review the Company's ORSA. The Board has also appointed a CRO to assist the RMC to implement and monitor the Enterprise Risk Management framework.

9.4 The Board has received assurance from:

(a) the Chief Executive and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
(b) the Chief Executive and other such key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

9.5 The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls, and risk management systems) are adequate and effective. The AC concurs with the Board's view.

## AUDIT COMMITTEE

**Principle:**

**10 The Board has an Audit Committee which discharges its duties objectively.**

10.1 The terms of reference, composition and activities of the AC are set out in Paragraph 1.16 of this Report.

10.2 The Company has a whistle-blowing policy and employees have been informed of the existence of this whistle-blowing policy and procedures for raising any concerns.

10.3 The Company has an internal audit function that is adequately resourced and independent of the activities it audits. The internal auditor reports to the AC which reviews his internal audit plans and reports, approves his terms of appointment and remuneration, ensures that he is adequately resourced and assisted by management, has unfettered access to all the Company's documents, records, properties and personnel, including the AC and has appropriate standing within the Company. The Company has engaged a third-party consultant to conduct an internal audit of its information technology system and processes.

10.4 The internal auditor plans his 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 auditor presents quarterly reports to the AC and the AC reviews the activities of the internal auditor and meets with the internal auditor to approve his plans and to review his reports.

10.5 The AC meets with the external auditors at least annually, and with the internal auditor once every quarter. The AC may at its discretion, or at the request of the external or internal auditors, meet the external or internal auditors without the presence of management.

10.6 The AC is of the view that the internal audit function is independent, effective and adequately resourced.

## SHAREHOLDER RIGHTS AND ENGAGEMENT
## SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

**Principle:**

**11 The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

## CORPORATE GOVERNANCE

11.1 The Company accords to all shareholders all their rights and entitlements under the Company's Constitution and applicable laws and regulations. Shareholders have the right to attend and vote, whether in person or by proxy, at all general meetings of the Company. The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting.

11.2 All Directors attend general meetings of shareholders, and if required by the Board or requested by shareholders, the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in Paragraph 1.17 of this Report.

11.3 The Company makes available to shareholders on request minutes of general meetings of shareholders as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders, if any, relating to the agenda of the general meeting, and responses from the Board and management.

11.4 The Company does not have a dividend policy. The Board is of the view that it would be preferable to recommend dividends based on the Company's performance, and capital and cash-flow requirements, on a year-by-year basis.

**ENGAGEMENT WITH SHAREHOLDERS**

**Principle:**

**12 The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.**

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, so that they can attend, vote and ask questions at the meeting.

**MANAGING STAKEHOLDERS RELATIONSHIPS**
**ENGAGEMENT WITH STAKEHOLDERS**

**Principle:**

**13 The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

The Company strives to maintain clear and open channels of communication with its shareholders, reinsurers, agents, brokers, customers and regulator. Stakeholders can reach out to the Company through its official communication channels, as set out on its corporate website. The Company strives to be attentive and responsive to the enquiries and feedback which it receives. The Company endeavors to communicate with its stakeholders in a clear, timely, ethical and responsible manner, taking consideration of the various and differing needs and concerns of its stakeholders.

**ADDITIONAL GUIDELINES OF THE AUTHORITY RELATED PARTY TRANSACTIONS**

14. The Board reviews all material related party transactions to ensure that they are undertaken on an arm's length basis, authorized, monitored, reviewed and, if necessary, written off in accordance with applicable procedures. The terms and conditions of all related party transactions and are not more favourable than transactions conducted with non-related parties under similar circumstances. 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, 2022.

In the opinion of the directors, the accompanying financial statements as set out on pages 7 to 62 are drawn up so as to give a true and fair view of the financial position of the Company as at December 31, 2022 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:

Mrs. Suchita Gupta
Dr. A. K. Saxena
Mr. G. Srinivasan
Mr. N. S. R. C. Prasad
Mrs. Neerja Kapur
Mr. Vijaykumar Gopalan Iyengar
Mrs. Nalini Venugopal

## 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 1967 except as follows:

| | Shareholdings registered in the name of director | | Shareholdings in which director are deemed to have an interest | |
|---|---|---|---|---|
| Name of director and company in which interests are held | At January 1, 2022 | At December 31, 2022 | At January 1, 2022 | At December 31, 2022 |
| Company | | | | |
| (Ordinary shares) | | | | |
| Mr. T. Babu Paul (resigned) | 2 | - | - | - |
| Mrs. Nalini Venugopal | - | 2 | - | - |

# DIRECTORS' STATEMENT

## OPTION TO TAKE UP UNISSUED SHARES

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

## OPTION EXERCISED

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

## UNISSUED SHARES UNDER OPTION

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

## AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act 1967. 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

..........................................................
Mrs. Suchita Gupta
Chairman

..........................................................
Mrs. Nalini Venugopal
Director

Singapore
March 31, 2023

# 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, 2022, 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 7 to 62.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at December 31, 2022 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.

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.

# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF INDIA INTERNATIONAL INSURANCE PTE LTD**

**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.

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.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

March 31, 2023

## STATEMENT OF FINANCIAL POSITION

**December 31, 2022**

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | S$ | S$ |
| **Assets** | | | |
| Fixed assets | 7 | 1,237,511 | 1,761,882 |
| Investment property | 8 | 8,649,933 | 8,685,341 |
| Financial assets: | | | |
| Held-to-maturity | 9 | 249,596,600 | 258,217,560 |
| Available-for-sale | 9 | 222,666,915 | 245,954,960 |
| **Reinsurers' share of technical reserves** | | | |
| Reserve for unexpired risks | 14 | 65,079,694 | 35,024,010 |
| Deferred acquisition costs | 14 | (14,237,199) | (7,682,032) |
| Loss reserves | 15 | 187,632,528 | 157,884,602 |
| Amount retained by ceding companies | | 261,777 | 261,777 |
| Balances due from policyholders, agents and reinsurers | 10 | 106,533,274 | 64,736,949 |
| Prepayments | | - | 2,671 |
| Tax Receivables | 21 | 225,599 | - |
| Other assets | 11 | 5,633,641 | 10,007,400 |
| Cash on deposits | 12 | 209,867,396 | 180,289,898 |
| Cash and bank balances | 12 | 5,120,991 | 10,842,205 |
| **Total Assets** | | 1,048,268,660 | 965,987,223 |
| **Liabilities and Equity** | | | |
| **Technical reserves** | | | |
| Reserve for unexpired risks | 14 | 129,273,838 | 85,188,885 |
| Deferred acquisition costs | 14 | (17,881,173) | (10,886,640) |
| Loss reserves | 15 | 376,785,957 | 333,122,948 |
| Provision for deferred taxation | 21 | 1,641,357 | 5,351,144 |
| Tax payables | 21 | - | 3,000,585 |
| Balances due to agents | 13 | 33,780 | 9,295 |
| Balances due to reinsurers | 13 | 90,924,313 | 48,723,502 |
| Other liabilities | 13 | 14,580,966 | 11,871,633 |
| **Total Liabilities** | | 595,359,038 | 476,381,352 |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 16 | 50,000,000 | 50,000,000 |
| Retained earnings | | 395,733,486 | 409,345,504 |
| Fair value reserves | 23 | 7,176,136 | 30,260,367 |
| **Total Equity** | | 452,909,622 | 489,605,871 |
| **Total Liabilities and Equity** | | 1,048,268,660 | 965,987,223 |

See accompanying notes to financial statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**Year ended December 31, 2022**

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | S$ | S$ |
| **Gross premiums** | | 296,848,902 | 216,085,739 |
| **Underwriting (loss)/gain** | | (3,471,199) | 765,522 |
| Investment and interest income | 19 | 10,259,716 | 24,798,555 |
| Other income | 20 | 274,667 | 255,869 |
| Other expenses | 20 | (14,865,353) | (481,188) |
| (Loss)/Profit before taxation | | (7,802,169) | 25,338,759 |
| Income tax expenses | 21 | (809,849) | (4,102,005) |
| (Loss)/Profit for the year | | (8,612,018) | 21,236,754 |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Net (loss)/gain on available-for-sale financial assets | | (26,794,018) | 8,847,245 |
| Income tax relating to available-for-sale financial assets | 21 | 3,709,787 | (782,620) |
| Other comprehensive (loss)/gain for the year, net of tax | | (23,084,231) | 8,064,625 |
| Total comprehensive (loss)/income for the year | | (31,696,249) | 29,301,379 |

See accompanying notes to financial statements.

# REVENUE ACCOUNT

**Year ended December 31, 2022**

| | | TOTAL | | FIRE | | MARINE | | MISCELLANEOUS | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | | S$ | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **Underwriting income** | | | | | | | | | |
| Gross premiums less return premiums | | 296,848,902 | 216,085,739 | 90,975,264 | 76,072,791 | 50,564,435 | 48,243,480 | 155,309,203 | 91,769,468 |
| Less: Reinsurance premiums | | 193,307,586 | 138,668,858 | 70,930,440 | 62,510,176 | 15,633,486 | 15,998,137 | 106,743,660 | 60,160,545 |
| Net premiums | | 103,541,316 | 77,416,881 | 20,044,824 | 13,562,615 | 34,930,949 | 32,245,343 | 48,565,543 | 31,608,923 |
| (Increase)/Decrease in reserve for unexpired risks | 14 | (13,589,902) | (140,141) | (5,297,537) | (1,081,986) | (2,427,959) | 381,372 | (5,864,406) | 560,473 |
| Total underwriting income | | 89,951,414 | 77,276,740 | 14,747,287 | 12,480,629 | 32,502,990 | 32,626,715 | 42,701,137 | 32,169,396 |
| **Underwriting outgo** | | | | | | | | | |
| Claims paid less recoveries | | 58,772,485 | 62,157,062 | 8,066,508 | 6,439,865 | 29,096,504 | 31,600,355 | 21,609,473 | 24,116,842 |
| (Decrease)/Increase in loss reserve | 15 | 13,915,083 | (1,827,156) | 10,940,764 | 3,161,157 | (3,323,518) | (4,426,065) | 6,297,837 | (562,248) |
| Commissions - net incurred | 17 | 5,368,061 | 2,534,126 | (436,925) | (3,794,886) | 6,056,744 | 5,512,048 | (251,758) | 816,964 |
| Management expenses | | 15,366,984 | 13,647,186 | 6,616,765 | 5,782,305 | 3,677,626 | 3,666,994 | 5,072,593 | 4,197,887 |
| Total underwriting outgo | | 93,422,613 | 76,511,218 | 25,187,112 | 11,588,441 | 35,507,356 | 36,353,332 | 32,728,145 | 28,569,445 |
| Underwriting gain/(loss) transferred to income statement | | (3,471,199) | 765,522 | (10,439,825) | 892,188 | (3,004,366) | (3,726,617) | 9,972,992 | 3,599,951 |

See accompanying notes to financial statements.

## STATEMENT OF CHANGES IN EQUITY

**Year ended December 31, 2022**

| | Share capital S$ | Retained earnings S$ | Fair value reserves S$ | Total S$ |
|---|---|---|---|---|
| **2022** | | | | |
| Balance as at January 1, 2022 | 50,000,000 | 409,345,504 | 30,260,367 | 489,605,871 |
| Loss for the year | - | (8,612,018) | - | (8,612,018) |
| Other comprehensive loss for the financial year | - | - | (23,084,231) | (23,084,231) |
| Total comprehensive loss for the financial year | - | (8,612,018) | (23,084,231) | (31,696,249) |
| Dividends (Note 22) | - | (5,000,000) | - | (5,000,000) |
| Balance as at December 31, 2022 | 50,000,000 | 395,733,486 | 7,176,136 | 452,909,622 |
| **2021** | | | | |
| Balance as at January 1, 2021 | 50,000,000 | 391,858,751 | 22,195,742 | 464,054,493 |
| Profit for the year | - | 21,236,754 | - | 21,236,754 |
| Other comprehensive gain for the financial year | - | - | 8,064,625 | 8,064,625 |
| Total comprehensive income for the financial year | - | 21,236,754 | 8,064,625 | 29,301,379 |
| Dividends (Note 22) | - | (3,750,000) | - | (3,750,000) |
| Balance as at December 31, 2021 | 50,000,000 | 409,345,504 | 30,260,367 | 489,605,871 |

See accompanying notes to financial statements.

India International Insurance Singapore
Serving the region since 1987

## STATEMENT OF CASH FLOWS

**Year ended December 31, 2022**

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| **Operating activities** | | |
| (Loss)/Profit before taxation | (7,802,169) | 25,338,759 |
| Adjustments for: | | |
| Depreciation of fixed assets | 211,614 | 300,436 |
| Depreciation of investment property | 35,408 | 36,316 |
| Depreciation of right-of-use assets | 1,003,431 | 1,004,535 |
| Investments – allowance of impairment | 13,701,448 | 1,041,535 |
| Investment and interest income | (24,181,542) | (26,029,468) |
| (Written back)/Provision of bad and doubtful debts | 2,076,714 | 179,567 |
| Sundry Credit balances written off | 496,384 | 259,586 |
| Gain on disposal of Fixed assets | (210) | - |
| Interest expense on lease liabilities | 9,909 | 8,805 |
| Operating cash flow before changes in working capital | (14,449,013) | 2,140,071 |
| | | |
| Reserve for unexpired risks – Gross | 37,090,420 | 497,802 |
| Reserve for unexpired risks - Reinsurance | (23,500,517) | (357,659) |
| Loss reserve – Gross | 43,663,009 | 37,809,451 |
| Loss reserve - Reinsurance | (29,747,926) | (39,636,607) |
| Debtors and prepayments | (40,966,424) | (8,966,609) |
| Creditors and other liabilities | 42,800,250 | (13,072,660) |
| Cash flows generated from (used in) operations | 14,859,799 | (21,586,211) |
| | | |
| Investment and interest income received | 10,098,040 | 26,161,541 |
| Interest paid on lease liabilities | (9,909) | (8,805) |
| Income taxes paid | (4,036,033) | (1,574,970) |
| Net cash flows from operating activities | 20,911,897 | 2,991,555 |
| | | |
| **Investing activities** | | |
| Purchase of fixed assets | (146,039) | (130,962) |
| Purchase of marketable securities & other investments | (162,832,731) | (285,605,007) |
| Proceeds on disposal of investments & marketable securities | 168,329,772 | 271,664,444 |
| Proceeds on disposal of fixed assets | 459,006 | 308 |
| Net cash flows from (used in) investing activities | 5,810,008 | (14,071,216) |
| | | |
| **Financing activities** | | |
| Repayment of lease liability | (1,013,340) | (1,013,340) |
| Dividends paid | (5,000,000) | (3,750,000) |
| Net cash flows used in financing activities | (6,013,340) | (4,763,340) |
| | | |
| Net increase/(decrease) in cash and cash equivalents | 20,708,565 | (15,843,001) |
| Cash and cash equivalents at beginning of year (Note 12) | 186,040,912 | 201,883,913 |
| **Cash and cash equivalents at end of year (Note 12)** | 206,749,477 | 186,040,912 |

## STATEMENT OF CASH FLOWS (CONT'D)

**Year ended December 31, 2022**

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Cash and bank balances | 5,120,991 | 10,842,205 |
| Cash on deposits | 209,867,396 | 180,289,898 |
| | 214,988,387 | 191,132,103 |
| Less Cash collateral (Note 13) | (8,238,910) | (5,091,191) |
| Cash and cash equivalents | 206,749,477 | 186,040,912 |

See accompanying notes to financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended December 31, 2022**

## 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
6 Raffles Quay
#22-00
Singapore 048580

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, 2022 were authorised for issue by the Board of Directors on March 31, 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of accounting*

The financial statements have been prepared on 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 1967 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.

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, 2015, 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, 2022, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest ("SPPI financial assets"), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above ("Other financial assets") (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

| | | SPPI financial assets | | Other financial assets | |
|---|---|---|---|---|---|
| | FRS 39 classification | Fair value as at December 31, 2022 | Fair value changes | Fair value as at December 31, 2022 | Fair value changes |
| | | S$ | S$ | S$ | S$ |
| **December 31, 2022** | | | | | |
| Debt securities | AFS | 63,035,730 | (7,301,310) | - | - |
| Equity securities | AFS | - | - | 158,661,185 | (36,980,377) |
| Preference shares | AFS | - | - | 970,000 | (31,000) |
| Debt securities - HTM | Amortised cost | 249,596,600 | (10,179,462) | - | - |
| Cash, bank balances and cash deposits | Amortised cost | 214,988,387 | - | - | - |

| | | SPPI financial assets | | Other financial assets | |
|---|---|---|---|---|---|
| | FRS 39 classification | Fair value as at December 31, 2021 | Fair value changes | Fair value as at December 31, 2021 | Fair value changes |
| | | S$ | S$ | S$ | S$ |
| **December 31, 2021** | | | | | |
| Debt securities | AFS | 103,247,140 | (912,035) | - | - |
| Equity securities | AFS | - | - | 141,652,820 | 10,742,261 |
| Preference shares | AFS | - | - | 1,055,000 | 54,000 |
| Debt securities - HTM | Amortised cost | 258,217,560 | 2,366,369 | - | - |
| Cash, bank balances and cash deposits | Amortised cost | 191,132,103 | - | - | - |

The carrying amount under FRS 39 for SPPI financial assets analysed by credit risk rating are disclosed in Note 4 (b).

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

Effective for annual periods beginning on or after January 1, 2023

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 General Measurement 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.

Impact assessment

Although the Premium Allocation Approach is similar to the company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for contracts under PAA.

| Changes from FRS 104 | Impact on equity on transition to FRS 117 at January 1, 2022 |
|---|---|
| Under FRS 117, the company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date of which the claims are incurred. The company generally does not currently discount such future cash flows. | Increase |
| The company's accounting policy under FRS 117 to recognise separately eligible insurance acquisition cash flows when they are incurred as deferred acquisition costs differs from current practice. | Increase |

## 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.

**(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) $365^{th}$ 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, 25% of the premiums and for marine cargo, 25% of the premiums; and

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

2.6 ***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 365$^{th}$ method on actual commission. All other acquisition costs are recognised as an expense when incurred.

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

2.7 ***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.

*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 2022 and prior accident/underwriting years. The Bornhuetter Ferguson method, along with the expected loss ratio method, was also considered in the selection of the ultimate loss estimates for the most recent accident/underwriting year, and for classes of business with a small claims sample or in cases where little claim information was available as of the valuation date.

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

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

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

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

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

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

(b) Change in assumptions and sensitivity analysis

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

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the net of reinsurance actuarial valuation of outstanding claim and premium liabilities as at December 31, 2022. 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.

**Claim liability sensitivity analysis**

| | | Net | |
|---|---|---|---|
| Assumption | +2%[1] | | –2%[1] |
| Reported total actuarial claim liability | | 189,153,429 | |
| Increase Unexpired Risk Loss Ratio and losses in last Accident Year | 190,983,283 | | 187,323,581 |
| Policy maintenance expenses | 189,153,429 | | 189,153,429 |
| Claims handling expenses | 196,427,600 | | 181,879,258 |
| Future reinsurance costs | 189,153,429 | | 189,153,429 |
| Provision for Adverse Deviation[5] | 191,426,619 | | 186,880,239 |
| Discount rates | 184,517,184 | | 194,003,728 |
| Additional Future Inflation | 194,002,973 | | 184,332,977 |

**Premium liability sensitivity analysis**

| | | Net | |
|---|---|---|---|
| Assumption | +2%[1] | | –2%[1] |
| Reported total actuarial premium liability | | 60,550,170 | |
| Increase Unexpired Risk Loss Ratio and losses in last Accident Year | 61,589,911 | | 59,510,428 |
| Policy maintenance expenses | 63,440,648 | | 57,659,691 |
| Claims handling expenses | 62,560,742 | | 58,539,597 |
| Future reinsurance costs | 61,791,770 | | 59,308,568 |
| Provision for Adverse Deviation[5] | 61,472,840 | | 59,627,499 |
| Discount rates | 58,670,360 | | 62,540,727 |
| Additional Future Inflation | 62,861,680 | | 58,280,341 |

Notes:

(1) Sensitivity analysis assesses impact of a +/- 2% additive change in assumption.

(2) Initial expected loss ratio sensitivity analysis applies to 2022 accident year.

(3) First incurred development factor sensitivity assess impact of a +/- 2% multiplicative change in assumption. The sensitivity applies to 2022 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.

### 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.

(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.

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) <u>Calculation of recoverable amount</u>

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) <u>Reversal of impairment loss</u>

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) <u>Assets carried at amortised cost</u>

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

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

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

(ii) Assets carried at cost

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

(iii) Available-for-sale financial assets

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

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

### 2.14 ***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, 2022**

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.

(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.

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.

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.

(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.

## 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.

With the Russia and Ukraine war still current, it has widespread implications on economic and global financial markets and exacerbates ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. The Company considers that it does not have direct material exposures to this event but is closely monitoring the indirect effects arising from the conflict between Russia and Ukraine. Hence management does not consider it practicable to provide a quantitative estimate of the potential impact on the Company's financial statements.

## 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.

| | 2022 | 2021 |
|---|---|---|
| Marine | 17% | 22% |
| Fire | 31% | 35% |
| Motor | 10% | 12% |
| Workmen's compensation | 3% | 3% |
| Miscellaneous | 39% | 28% |
| | 100% | 100% |

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

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

(a) ***Underwriting risk***

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

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

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

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

| | Net claims liabilities 2022 | Net premium liabilities 2022 | Net claims liabilities 2021 | Net premium liabilities 2021 |
|---|---|---|---|---|
| Marine & aviation | 41% | 37% | 46% | 41% |
| Fire | 20% | 19% | 15% | 13% |
| Motor | 22% | 29% | 22% | 28% |
| Workmen's compensation | 10% | 10% | 10% | 14% |
| Miscellaneous | 7% | 5% | 7% | 4% |
| | 100% | 100% | 100% | 100% |

(b) ***Credit risk***

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

The Company views the management of credit risk as a fundamental and critical part of operations. In respect of amounts due from policyholder, agents and reinsurers and other receivables, the management has a credit policy in place and the exposure to credit risk is actively monitored on an ongoing basis. 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 generally dealing with good credit rating and/or reputed counterparties.

*Age wise analysis of financial assets past due but not impaired*

| | | Past due but not impaired | | | |
|---|---|---|---|---|---|
| | Not past due and not impaired | < 3 months | 3 months to 9 months | 9 months and above | Total |
| **December 31, 2022** | | | | | |
| Balances due from policy holders, agents, ceding companies and reinsurers | 48,873,769 | 25,421,629 | 19,371,838 | 12,866,038 | 106,533,274 |
| **December 31, 2021** | | | | | |
| Balances due from policy holders, agents, ceding companies and reinsurers | 17,654,153 | 19,350,952 | 15,471,654 | 12,260,190 | 64,736,949 |

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

| | A | AA | AAA | BBB | BB | Not rated | Total |
|---|---|---|---|---|---|---|---|
| **December 31, 2022** | | | | | | | |
| HTM* | 63,482,176 | 9,810,652 | 20,573,775 | 104,094,298 | 3,343,737 | 48,291,962 | 249,596,600 |
| AFS*- Debt | - | 2,498,010 | 1,572,180 | 25,786,599 | 3,735,070 | 29,443,871 | 63,035,730 |
| AFS*- Equity | - | - | - | - | - | 158,661,185 | 158,661,185 |
| AFS*- Pref shares | - | - | - | - | - | 970,000 | 970,000 |
| Cash, bank balances and cash deposits | 125,107,975 | 8,417,594 | - | 81,059,132 | 369,068 | 34,618 | 214,988,387 |
| Trade receivables | 44,265,238 | 2,296,810 | 559,159 | 20,066,788 | 2,403,437 | 36,941,842 | 106,533,274 |
| **December 31, 2021** | | | | | | | |
| HTM* | 76,572,209 | 9,746,295 | 8,965,515 | 100,677,174 | 3,355,571 | 58,900,795 | 258,217,560 |
| AFS*- Debt | - | 3,058,650 | 1,989,180 | 33,480,528 | 9,793,568 | 54,925,214 | 103,247,140 |
| AFS*- Equity | - | - | - | - | - | 141,652,820 | 141,652,820 |
| AFS*- Pref shares | - | - | - | - | - | 1,055,000 | 1,055,000 |
| Cash, bank balances and cash deposits | 101,246,898 | 4,902,073 | - | 74,747,504 | 10,187,165 | 48,463 | 191,132,103 |
| Trade receivables | 19,066,202 | 2,273,098 | 425,657 | 10,739,064 | 1,443,326 | 30,789,602 | 64,736,949 |

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

* HTM denotes Held-to-Maturity.

* AFS denotes Available-for-Sale.

(c) ***Liquidity risk***

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

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

| | Statement of financial position amount | Up to 1 year | 1-3 years | 3-5 years | 5-10 years |
|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ |
| **December 31, 2022** | | | | | |
| **Assets** | | | | | |
| Held-to-maturity | 249,596,600 | 76,584,804 | 85,717,064 | 57,658,147 | 29,636,585 |
| AFS securities | 222,666,915 | 222,666,915 | - | - | - |
| Cash, bank balances and cash deposits | 214,988,387 | 214,988,387 | - | - | - |
| Balances due from policy holders, agents, ceding companies and reinsurers | 106,533,274 | 106,533,274 | - | - | - |
| Amount retained by ceding companies | 261,777 | 261,777 | - | - | - |
| Other assets | 5,633,641 | 5,633,641 | - | - | - |
| **Liabilities** | | | | | |
| Balances due to agents | 33,780 | 33,780 | - | - | - |
| Balances due to reinsurers | 90,924,313 | 90,924,313 | - | - | - |
| Other liabilities | 14,580,966 | 14,580,966 | - | - | - |
| **December 31, 2021** | | | | | |
| **Assets** | | | | | |
| Held-to-maturity | 258,217,560 | 72,394,938 | 87,480,570 | 69,895,232 | 28,446,820 |
| AFS securities | 245,954,960 | 245,954,960 | - | - | - |
| Cash, bank balances and cash deposits | 191,132,103 | 191,132,103 | - | - | - |
| Balances due from policy holders, agents, ceding companies and reinsurers | 64,736,949 | 64,736,949 | - | - | - |
| Amount retained by ceding companies | 261,777 | 261,777 | - | - | - |
| Other assets | 9,003,968 | 9,003,968 | - | - | - |
| **Liabilities** | | | | | |
| Balances due to agents | 9,295 | 9,295 | - | - | - |
| Balances due to reinsurers | 48,723,502 | 48,723,502 | - | - | - |
| Other liabilities | 11,871,633 | 11,871,633 | - | - | - |

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

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

(d) ***Market risk***

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

(i) *Foreign exchange risk management*

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

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

| | HTM | AFS | Cash, bank balance and cash deposits | Amount due from policy holders, agents and reinsurers | Amount retained by ceding companies | Other assets | Policy liabilities | Amount due to agents and reinsurers | Other liabilities | Net currency exposure |
|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | | | |
| Denominated currency | | | | | | | | | | |
| S$ | 111,722,205 | 158,772,777 | 84,110,963 | 43,205,320 | 177,524 | 2,757,173 | (353,812,382) | (47,861,338) | (13,531,261) | (14,459,019) |
| US$ | 137,874,395 | 57,741,511 | 130,044,985 | 48,172,084 | 11,183 | 2,872,711 | (84,666,776) | (34,219,043) | (925,492) | 256,905,558 |
| GBP | | - | 389,783 | 24,909 | - | 1,986 | (104,195) | (59,175) | (2,754) | 250,554 |
| AUD | | - | - | 162,169 | - | - | (185,468) | (145,192) | - | (168,491) |
| THB | | 5,631,898 | - | 403,713 | - | 107 | (1,101,031) | (171,390) | (18,024) | 4,745,273 |
| MYR | | 376 | 442,656 | 433,463 | (6) | 1,487 | (2,671,328) | (114,444) | (62,242) | (1,970,038) |
| HKD | | 520,353 | | 299,369 | - | - | (1,099,188) | (277,229) | (3,466) | (560,161) |
| EUR | | - | - | 6,598,630 | - | - | (13,321,089) | (2,976,015) | (52,327) | (9,750,801) |
| Others | | - | - | 7,233,617 | 73,076 | 177 | (31,217,165) | (5,134,267) | 14,600 | (29,029,962) |
| | **249,596,600** | **222,666,915** | **214,988,387** | **106,533,274** | **261,777** | **5,633,641** | **(488,178,622)** | **(90,958,093)** | **(14,580,966)** | **205,962,913** |

* Amounts are reported in their Singapore dollar equivalent.

| | HTM | AFS | Cash, bank balance and cash deposits | Amount due from policy holders, agents and reinsurers | Amount retained by ceding companies | Other assets | Policy liabilities | Amount due to agents and reinsurers | Other liabilities | Net currency exposure |
|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | | | |
| Denominated currency | | | | | | | | | | |
| S$ | 106,335,157 | 166,926,490 | 107,208,087 | 24,420,213 | 177,524 | 7,047,570 | (278,889,429) | (33,120,800) | (9,232,317) | 90,872,495 |
| US$ | 151,882,403 | 63,636,741 | 83,242,246 | 27,799,966 | 11,183 | 1,954,818 | (79,138,351) | (12,828,603) | (2,405,956) | 234,154,447 |
| GBP | - | - | 306,979 | 54,931 | - | 220 | (104,089) | 36,142 | (18,745) | 275,437 |
| AUD | - | - | - | 248,194 | - | - | (985,135) | (31,012) | - | (767,953) |
| THB | - | 13,514,256 | - | 295,145 | - | - | (1,391,794) | (3,729) | (19,333) | 12,394,545 |
| MYR | - | 584 | 374,790 | 487,946 | (6) | 1,361 | (1,196,695) | 45,106 | (6,326) | (293,240) |
| HKD | - | 542,843 | - | 62,404 | - | - | (801,840) | (19,999) | (255) | (216,847) |
| EUR | - | 1,334,046 | - | 2,911,953 | - | - | (14,330,464) | (119,987) | (282,231) | (10,486,683) |
| Others | - | - | - | 8,456,198 | 73,076 | - | (30,587,396) | (2,689,915) | 93,531 | (24,654,507) |
| | **258,217,560** | **245,954,960** | **191,132,103** | **64,736,949** | **261,777** | **9,003,969** | **(407,425,193)** | **(48,732,797)** | **(11,871,632)** | **301,277,694** |

* Amounts are reported in their Singapore dollar equivalent.

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

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| Currency | Change in variable | Impact on profit before tax | Impact on equity before tax* | Impact on profit before tax | Impact on equity before tax* |
| USD | 3% | 5,974,921 | 1,732,245 | 5,115,531 | 1,909,102 |
| GBP | 3% | 7,517 | - | 8,263 | - |
| AUD | 3% | (5,055) | - | (23,039) | - |
| THB | 3% | (26,599) | 168,957 | (33,591) | 405,428 |
| MYR | 3% | (59,112) | 11 | (8,815) | 18 |
| HKD | 3% | (32,415) | 15,611 | (22,791) | 16,285 |
| EUR | 3% | (292,524) | - | (354,622) | 40,021 |
| USD | (3%) | (5,974,921) | (1,732,245) | (5,115,531) | (1,909,102) |
| GBP | (3%) | (7,517) | - | (8,263) | - |
| AUD | (3%) | 5,055 | - | 23,039 | - |
| THB | (3%) | 26,599 | (168,957) | 33,591 | (405,428) |
| MYR | (3%) | 59,112 | (11) | 8,815 | (18) |
| HKD | (3%) | 32,415 | (15,611) | 22,791 | (16,285) |
| EUR | (3%) | 292,524 | - | 354,622 | (40,021) |

* 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 other exchanges 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$22,266,692 (2021 : S$24,595,496), arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

(iii) *Interest rate risk management*

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

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

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

| | Effective interest rate (per annum) | Within 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| | | S$ | S$ | S$ | S$ | S$ |
| **2022** | | | | | | |
| *Financial assets* | | | | | | |
| *Held-to-maturity* Debt securities | 3.43% | 76,584,804 | 85,717,064 | 57,658,147 | 29,636,585 | 249,596,600 |
| | | | | | | |
| *Available-for-sale* | | | | | | |
| Debt securities | | | | | | |
| - Listed | 3.51% | - | - | - | 63,035,730 | 63,035,730 |
| - Unlisted | - | - | - | - | - | - |
| Cash on deposits | 0.40%-5.86% | 214,988,387 | - | - | - | 214,988,387 |
| | | | | | | |
| **2021** | | | | | | |
| *Financial assets* | | | | | | |
| *Held-to-maturity* Debt securities | 3.84% | 72,394,938 | 87,480,570 | 69,895,232 | 28,446,820 | 258,217,560 |
| | | | | | | |
| *Available-for-sale* | | | | | | |
| Debt securities | | | | | | |
| - Listed | 3.82% | - | - | - | 93,344,142 | 93,344,142 |
| - Unlisted | 0.86% | - | - | - | 9,902,998 | 9,902,998 |
| Cash on deposits | 0.15%-1.75% | 191,132,103 | - | - | - | 191,132,103 |

<u>Sensitivity analysis</u>

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$2,612,499 (2021 : S$2,708,773) 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, 2022 and 2021 as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **Financial assets** | | | | |
| Available for sale financial assets | | | | |
| **Equity shares** | | | | |
| Listed | 146,638,343 | - | - | 146,638,343 |
| Unlisted | | 12,022,842 | | 12,022,842 |
| **Debt securities** | | | | |
| Listed | 63,035,730 | - | - | 63,035,730 |
| Unlisted | - | - | - | - |
| **Preference shares** | | | | |
| Listed | 970,000 | - | - | 970,000 |

## NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended December 31, 2022**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2021** | | | | |
| **Financial assets** | | | | |
| Available for sale financial assets | | | | |
| **Equity shares** | | | | |
| Listed | 141,652,820 | - | - | 141,652,820 |
| **Debt securities** | | | | |
| Listed | 93,344,142 | - | - | 93,344,142 |
| Unlisted | - | 9,902,998 | - | 9,902,998 |
| **Preference shares** | | | | |
| Listed | 1,055,000 | - | - | 1,055,000 |

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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | S$ | S$ | S$ | S$ |
| **Financial assets** | | | | |
| *Held to maturity* | | | | |
| Listed debt securities | 218,189,332 | 208,379,771 | 215,473,235 | 219,996,981 |
| Unlisted debt securities* | 17,021,518 | 16,872,237 | 13,136,825 | 13,230,942 |
| Structured debt securities and others* | 14,385,750 | 14,165,130 | 29,607,500 | 27,356,006 |
| Total | 249,596,600 | 239,417,138 | 258,217,560 | 260,583,929 |
| Unrecognised gain | | (10,179,462) | | 2,366,369 |

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

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

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

### 6. RELATED PARTY DISCLOSURES

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

| **Shareholders of the Company** | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Premiums received | 2,194,813 | 2,560,054 |
| Commission paid | (168,817) | (258,439) |
| Reinsurance premiums ceded | (91,390,339) | (35,540,023) |
| Reinsurance commission income | 16,981,285 | 3,343,818 |
| Premium reserve retained | 6,520,585 | 3,227,103 |
| Claims recoveries | 5,719,483 | 14,617,722 |

### 7. FIXED ASSETS

| | Balance as at 1/1/22 | Additions | Disposals | Balance as at 31/12/22 |
|---|---|---|---|---|
| | S$ | S$ | S$ | S$ |
| **Cost** | | | | |
| Motor vehicles | 259,888 | - | - | 259,888 |
| Computers | 3,307,990 | 144,932 | (1,403,516) | 2,049,406 |
| Office equipment | 246,949 | 1,107 | (243,622) | 4,434 |
| Furniture and fittings | 535,731 | | (535,731) | - |
| | 4,350,558 | 146,039 | (2,182,869) | 2,313,728 |
| **Accumulated depreciation** | | | | |
| Motor vehicles | 191,760 | 13,626 | - | 205,386 |
| Computers | 1,786,971 | 197,523 | (1,114,620) | 869,874 |
| Office equipment | 189,443 | 465 | (188,951) | 957 |
| Furniture and fittings | 420,502 | - | (420,502) | - |
| | 2,588,676 | 211,614 | (1,724,073) | 1,076,217 |
| **Net book value** | | | | |
| Motor vehicles | 68,128 | | | 54,502 |
| Computers | 1,521,019 | | | 1,179,532 |
| Office equipment | 57,506 | | | 3,477 |
| Furniture and fittings | 115,229 | | | - |
| | 1,761,882 | | | 1,237,511 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended December 31, 2022**

| | Balance as at 1/1/21 | Additions | Disposals | Balance as at 31/12/21 |
|---|---|---|---|---|
| | S$ | S$ | S$ | S$ |
| **Cost** | | | | |
| Motor vehicles | 259,888 | - | - | 259,888 |
| Computers | 3,180,662 | 127,328 | - | 3,307,990 |
| Office equipment | 244,657 | 2,292 | - | 246,949 |
| Furniture and fittings | 535,034 | 1,342 | (645) | 535,731 |
| | 4,220,241 | 130,962 | (645) | 4,350,558 |
| **Accumulated depreciation** | | | | |
| Motor vehicles | 174,728 | 17,032 | - | 191,760 |
| Computers | 1,526,395 | 260,576 | - | 1,786,971 |
| Office equipment | 179,383 | 10,060 | - | 189,443 |
| Furniture and fittings | 408,071 | 12,768 | (337) | 420,502 |
| | 2,288,577 | 300,436 | (337) | 2,588,676 |
| **Net book value** | | | | |
| Motor vehicles | 85,160 | | | 68,128 |
| Computers | 1,654,267 | | | 1,521,019 |
| Office equipment | 65,274 | | | 57,506 |
| Furniture and fittings | 126,963 | | | 115,229 |
| | 1,931,664 | | | 1,761,882 |

## 8. INVESTMENT PROPERTY

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| *Location* | | |
| 6 Raffles Quay, #22-01 to 07, Singapore | | |
| At cost | 9,619,025 | 9,619,025 |
| Provision for depreciation | (969,092) | (933,684) |
| | 8,649,933 | 8,685,341 |

*Level 3 fair value measurement:*

The fair value of the said property is estimated at S$30,000,000 (2021 : S$29,500,000) based on comparable sales method (2021 : 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 *Investment Property* with effect from January 1, 2007.

## 9. FINANCIAL ASSETS

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Held-to-maturity | 249,596,600 | 258,217,560 |
| Available-for-sale | 222,666,915 | 245,954,960 |
| Loans and receivables, at amortised cost (including cash and cash equivalents) | 326,884,790 | 265,134,797 |
| **Total financial assets** | 799,148,305 | 769,307,317 |

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| **Held-to-maturity financial assets** | | |
| Debt securities | | |
| - Listed | 218,189,332 | 215,473,235 |
| - Unlisted | 17,021,518 | 13,136,825 |
| - Structured debt securities and others | 14,385,750 | 29,607,500 |
| Total held-to-maturity financial assets | 249,596,600 | 258,217,560 |

| | 2022 | 2021 |
|---|---|---|
| **Available-for-sale financial assets** | S$ | S$ |
| Equity securities | | |
| - Listed | 146,638,343 | 141,652,820 |
| - Unlisted | 12,022,842 | - |
| | 158,661,185 | 141,652,820 |
| Debt securities | | |
| - Listed | 63,035,730 | 93,344,142 |
| - Unlisted | - | 9,902,998 |
| | 63,035,730 | 103,247,140 |
| Preference shares | | |
| - Listed | 970,000 | 1,055,000 |
| | 970,000 | 1,055,000 |
| Total available-for-sale financial assets | 222,666,915 | 245,954,960 |

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

***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:

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Financial asset - Available-for-sale | 249,106,505 | 258,693,102 |
| Less: Provision for diminution in investment | (26,439,590) | (12,738,142) |
| Net balance | 222,666,915 | 245,954,960 |
| | | |
| Movement in allowance accounts: | | |
| At January 1 | 12,738,142 | 11,696,607 |
| Charge for the year | 13,701,448 | 1,041,535 |
| At December 31 | 26,439,590 | 12,738,142 |

## 10. BALANCES DUE FROM POLICYHOLDERS, AGENTS AND REINSURERS

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Balances due from policyholders and agents | 103,091,017 | 58,436,772 |
| Balances due from reinsurers | 13,154,285 | 13,935,491 |
| Less: Allowance for impairment | (9,712,028) | (7,635,314) |
| | 106,533,274 | 64,736,949 |

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

### *Insurance receivables that are impaired*

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Insurance receivables - nominal amount | 9,712,028 | 7,635,314 |
| Less: Allowance for impairment | (9,712,028) | (7,635,314) |
| Net balance | - | - |
| | | |
| Movement in allowance accounts: | | |
| At January 1 | 7,635,314 | 7,455,747 |
| (Reversal)/Charge for the year | 2,076,714 | 179,567 |
| At December 31 | 9,712,028 | 7,635,314 |

The amendments to FRS 32 *Financial Instruments : Presentation* 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* |
|---|---|---|---|
| | S$'000 | S$'000 | S$'000 |
| **2022** | | | |
| Balances due from policyholders, agents and reinsurers | 106,533 | 9,712 | 116,245 |
| Balances due to policyholders, agents and reinsurers | 81,246 | 9,712 | 90,958 |
| **2021** | | | |
| Balances due from policyholders, agents and reinsurers | 64,737 | 7,635 | 72,372 |
| Balances due to policyholders, agents and reinsurers | 41,098 | 7,635 | 48,733 |

* Before allowance for impairment.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended December 31, 2022**

## 11. OTHER ASSETS

| | 2022 S$ | 2021 S$ |
|---|---|---|
| Accrued interest | 4,032,114 | 3,231,344 |
| Receivables towards investment sales | 110,520 | 4,769,198 |
| Others | 988,745 | 1,003,427 |
| Right-of-use asset (Note 11 (a)) | 502,262 | 1,003,431 |
| | 5,633,641 | 10,007,400 |

(a) Right-of-use assets

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

| | Office spaces S$ |
|---|---|
| Cost: | |
| At January 1, 2021 | 2,986,719 |
| Additions | 1,003,431 |
| At December 31, 2021 | 3,990,150 |
| Additions | 502,262 |
| At December 31, 2022 | 4,492,412 |
| Accumulated depreciation: | |
| At January 1, 2021 | (1,982,184) |
| Depreciation for the year | (1,004,535) |
| At December 31, 2021 | (2,986,719) |
| Depreciation for the year | (1,003,431) |
| At December 31, 2022 | (3,990,150) |
| Carrying amount: | |
| At December 31, 2022 | 502,262 |
| At December 31, 2021 | 1,003,431 |

As at December 31, 2022, the lease for rental of premises expired and was renewed on January 12, 2023. This resulted in additions to right-of-use assets of S$502,262 in 2022.

## 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$8,238,910 (2021 : S$5,091,191) 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 0.40% to 5.86% (2021 : 0.15% to 1.75%).

## 13. OTHER LIABILITIES

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Cash collaterals from customers | 8,238,910 | 5,091,191 |
| GST Payable | 3,479,430 | 1,720,017 |
| Other creditors | 1,977,476 | 3,777,774 |
| Accrued expenses | 382,888 | 279,220 |
| Lease liabilities [Note 13(a)] | 502,262 | 1,003,431 |
| Other creditors and accruals | 14,580,966 | 11,871,633 |
| Add: | | |
| Balances due to agents | 33,780 | 9,295 |
| Balances due to reinsurers | 90,924,313 | 48,723,502 |
| Total financial liabilities carried at amortised cost | 105,539,059 | 60,604,430 |

Cash collaterals amounting to S$8,238,910 (2021 :S$5,091,191) relates to customers to whom performance bonds were issued.

(a) Lease liabilities

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Maturity analysis: | | |
| Year 1 | 506,670 | 1,013,340 |
| Year 2 | - | - |
| | 506,670 | 1,013,340 |
| Less: Unearned interest | (4,408) | (9,909) |
| | 502,262 | 1,003,431 |
| Analysed as: | | |
| Current | 502,262 | 1,003,431 |
| Non-Current | - | - |
| | 502,262 | 1,003,431 |

Repayments of lease liabilities arising from financing activities are amounting to S$1,013,340 (2021 : S$1,013,340). 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, 2022**

## 14. RESERVE FOR UNEXPIRED RISKS

| | Fire | Marine | Misc | Total |
|---|---|---|---|---|
| | S$ | S$ | S$ | S$ |
| **2022** | | | | |
| Gross reserve in unexpired risks | 41,298,847 | 27,855,923 | 60,119,068 | 129,273,838 |
| Less: Gross deferred acquisition cost | (5,684,226) | (3,383,652) | (8,813,295) | (17,881,173) |
| | 35,614,621 | 24,472,271 | 51,305,773 | 111,392,665 |
| Reserve in unexpired risks on reinsurance ceded | (31,410,967) | (3,692,738) | (29,975,989) | (65,079,694) |
| Deferred acquisition cost on reinsurance ceded | 7,075,895 | 730,420 | 6,430,884 | 14,237,199 |
| | (24,335,072) | (2,962,318) | (23,545,105) | (50,842,495) |
| Net reserve in unexpired risks | 9,887,880 | 24,163,185 | 30,143,079 | 64,194,144 |
| Net deferred acquisition cost | 1,391,669 | (2,653,232) | (2,382,411) | (3,643,974) |
| | 11,279,549 | 21,509,953 | 27,760,668 | 60,550,170 |
| Movements in reserve for unexpired risks | | | | |
| Balance as at January 1, 2022 | 5,982,013 | 19,081,994 | 21,896,261 | 46,960,268 |
| Change in reserve for unexpired risks | 5,297,537 | 2,427,959 | 5,864,406 | 13,589,902 |
| Balance as at December 31, 2022 | 11,279,550 | 21,509,953 | 27,760,667 | 60,550,170 |
| **2021** | | | | |
| Gross reserve in unexpired risks | 26,590,817 | 26,431,255 | 32,166,813 | 85,188,885 |
| Less: Gross deferred acquisition cost | (3,514,387) | (3,125,838) | (4,246,415) | (10,886,640) |
| | 23,076,430 | 23,305,417 | 27,920,398 | 74,302,245 |
| Reserve in unexpired risks on reinsurance ceded | (21,972,938) | (5,272,913) | (7,778,159) | (35,024,010) |
| Deferred acquisition cost on reinsurance ceded | 4,878,520 | 1,049,490 | 1,754,022 | 7,682,032 |
| | (17,094,418) | (4,223,423) | (6,024,137) | (27,341,978) |
| Net reserve in unexpired risks | 4,617,879 | 21,158,342 | 24,388,654 | 50,164,875 |
| Net deferred acquisition cost | 1,364,133 | (2,076,348) | (2,492,393) | (3,204,608) |
| | 5,982,012 | 19,081,994 | 21,896,261 | 46,960,267 |
| Movements in reserve for unexpired risks | | | | |
| Balance as at January 1, 2021 | 4,900,026 | 19,463,366 | 22,456,734 | 46,820,126 |
| Change in reserve for unexpired risks | 1,081,986 | (381,372) | (560,473) | 140,141 |
| Balance as at December 31, 2021 | 5,982,012 | 19,081,994 | 21,896,261 | 46,960,267 |

## 15. LOSS RESERVES

| | Fire | Marine | Misc | Total |
|---|---|---|---|---|
| | S$ | S$ | S$ | S$ |
| **2022** | | | | |
| Gross loss reserves | 137,651,719 | 119,827,650 | 119,306,588 | 376,785,957 |
| Reinsurance loss reserves | (100,495,828) | (42,660,844) | (44,475,856) | (187,632,528) |
| Net loss reserves | 37,155,891 | 77,166,806 | 74,830,732 | 189,153,429 |
| Movements in net loss reserves | | | | |
| Balance at January 1, 2022 | 26,215,128 | 80,490,324 | 68,532,894 | 175,238,346 |
| Less: Claims Paid | (29,216,830) | (33,322,128) | (33,702,012) | (96,240,970) |
| Add: Recoveries | 21,150,322 | 4,225,624 | 12,092,539 | 37,468,485 |
| | 18,148,620 | 51,393,820 | 46,923,421 | 116,465,861 |
| Incurred during the year | 19,007,272 | 25,772,986 | 27,907,310 | 72,687,568 |
| Balance at December 31, 2022 | 37,155,892 | 77,166,806 | 74,830,731 | 189,153,429 |
| Net change in loss reserves | 10,940,764 | (3,323,518) | 6,297,837 | 13,915,083 |
| **2021** | | | | |
| Gross loss reserves | 111,232,358 | 109,959,749 | 111,930,841 | 333,122,948 |
| Reinsurance loss reserves | (85,017,231) | (29,469,425) | (43,397,946) | (157,884,602) |
| Net loss reserves | 26,215,127 | 80,490,324 | 68,532,895 | 175,238,346 |
| Movements in net loss reserves | | | | |
| Balance at January 1, 2021 | 23,053,971 | 84,916,389 | 69,095,142 | 177,065,502 |
| Less: Claims Paid | (28,855,003) | (35,999,129) | (41,404,286) | (106,258,418) |
| Add: Recoveries | 22,415,138 | 4,398,774 | 17,287,444 | 44,101,356 |
| | 16,614,106 | 53,316,034 | 44,978,300 | 114,908,440 |
| Incurred during the year | 9,601,022 | 27,174,290 | 23,554,594 | 60,329,906 |
| Balance at December 31, 2021 | 26,215,128 | 80,490,324 | 68,532,894 | 175,238,346 |
| Net change in loss reserves | 3,161,157 | (4,426,065) | (562,248) | (1,827,156) |

The financial statements as at December 31, 2022 have included the effects of adjustments arising from the actuarial report prepared according to Section 37 of the Insurance Act 1966 for the year then ended.

*Loss development triangle*

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

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

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

**All Direct & Facultative Lines**
**As of December 31, 2022**

| **Accident Year/Underwriting Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Estimate of cumulative claims** | | | | | | | | | |
| At the end of accident year/underwriting year | 128,852,839 | 195,722,955 | 97,613,965 | 99,658,570 | 134,378,353 | 110,854,729 | 132,519,014 | 155,264,575 | |
| -one year later | 218,953,597 | 130,389,352 | 134,946,822 | 140,946,225 | 141,634,413 | 130,768,379 | 132,790,792 | | |
| -two years later | 146,057,010 | 141,966,159 | 149,090,933 | 113,783,497 | 144,603,568 | 122,603,419 | | | |
| -three years later | 146,594,208 | 149,045,463 | 124,654,978 | 113,894,235 | 144,837,607 | | | | |
| -four years later | 183,165,603 | 133,862,671 | 118,976,368 | 112,446,122 | | | | | |
| -five years later | 140,086,856 | 133,495,508 | 118,895,908 | | | | | | |
| -six years later | 137,964,861 | 132,086,529 | | | | | | | |
| -seven years later | 135,019,386 | | | | | | | | |
| Current estimate of ultimate claims | 135,019,386 | 132,086,529 | 118,895,908 | 112,446,122 | 144,837,607 | 122,603,419 | 132,790,792 | 155,264,575 | 1,053,944,338 |
| Cumulative payments | 132,925,035 | 126,625,648 | 109,365,415 | 96,491,225 | 111,266,159 | 79,688,393 | 49,151,536 | 17,857,595 | 723,371,006 |
| Gross outstanding claims liabilities | 2,094,351 | 5,460,881 | 9,530,493 | 15,954,897 | 33,571,448 | 42,915,026 | 83,639,256 | 137,406,980 | 330,573,332 |
| Claims handling expenses | 76,008 | 198,187 | 345,882 | 579,037 | 1,218,379 | 1,557,478 | 3,035,447 | 4,986,792 | 11,997,210 |
| Best estimate of claims liabilities including claims handling expenses | 2,170,359 | 5,659,068 | 9,876,375 | 16,533,934 | 34,789,827 | 44,472,504 | 86,674,703 | 142,393,772 | 342,570,542 |

### All Direct & Facultative Lines
### As of December 31, 2022

| **Total All lines (Direct & Facultative, Treaty)** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Best estimate of claims liabilities including claims handling expenses and net of unearned | | | | | | | | | 342,570,542 |
| Best estimate of claims liabilities in respect of prior years | | | | | | | | | 13,614,198 |
| Total best estimate of claims liabilities | | | | | | | | | 356,184,740 |
| Discounting effect on best estimate of claims liabilities | | | | | | | | | (8,947,357) |
| Provision for adverse deviation | | | | | | | | | 29,548,574 |
| Total outstanding claims liabilities as per actuarial report | | | | | | | | | 376,785,957 |

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

### Total All Direct & Facultative Lines
### As of December 31, 2022

| Accident Year/Underwriting Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Estimate of cumulative claims** | | | | | | | | | |
| At the end of accident year/underwriting year | 109,594,304 | 91,794,054 | 78,862,775 | 80,600,173 | 81,748,545 | 69,411,773 | 67,049,147 | 81,290,390 | |
| -one year later | 104,909,504 | 86,502,961 | 91,940,757 | 83,456,594 | 83,597,372 | 71,046,058 | 65,410,381 | | |
| -two years later | 102,761,913 | 93,935,262 | 93,288,728 | 83,333,031 | 84,307,780 | 70,115,658 | | | |
| -three years later | 104,695,762 | 95,206,495 | 92,306,246 | 84,026,823 | 84,397,256 | | | | |
| -four years later | 105,127,060 | 92,884,045 | 86,868,739 | 82,736,861 | | | | | |
| -five years later | 103,757,039 | 94,075,123 | 85,363,112 | | | | | | |
| -six years later | 102,172,247 | 92,318,933 | | | | | | | |
| -seven years later | 100,083,851 | | | | | | | | |
| Current estimate of ultimate claims | 100,083,851 | 92,318,933 | 85,363,112 | 82,736,861 | 84,397,256 | 70,115,658 | 65,410,381 | 81,290,390 | 661,716,442 |
| Cumulative payments | 98,291,561 | 89,434,164 | 80,337,673 | 72,597,845 | 69,165,100 | 47,982,425 | 31,533,197 | 12,634,475 | 501,976,440 |
| Net outstanding claims liabilities | 1,792,290 | 2,884,769 | 5,025,439 | 10,139,016 | 15,232,156 | 22,133,233 | 33,877,184 | 68,655,915 | 159,740,002 |
| Claims handling expenses | 76,008 | 198,187 | 345,882 | 579,037 | 1,218,379 | 1,557,478 | 3,035,447 | 4,986,792 | 11,997,210 |
| Best estimate of claims liabilities including claims handling expenses | 1,868,298 | 3,082,956 | 5,371,321 | 10,718,053 | 16,450,535 | 23,690,711 | 36,912,631 | 73,642,707 | 171,737,212 |
| Best estimate of claims liabilities including claims handling expenses and net of unearned | | | | | | | | | 171,737,212 |
| Best estimate of claims liabilities in respect of prior years | | | | | | | | | 7,572,206 |
| Total best estimate of claims liabilities | | | | | | | | | 179,309,418 |
| Discounting effect on best estimate of claims liabilities | | | | | | | | | (4,448,625) |
| Provision for adverse deviation | | | | | | | | | 14,292,636 |
| Total outstanding claims liabilities as per actuarial report | | | | | | | | | 189,153,429 |

## All Direct & Facultative Lines
## As of December 31, 2021

| Accident Year/Underwriting Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Estimate of cumulative claims** | | | | | | | | | |
| At the end of accident year/underwriting year | 127,440,618 | 128,852,839 | 195,722,955 | 97,613,965 | 99,658,570 | 134,378,353 | 110,854,729 | 132,519,014 | |
| -one year later | 159,151,427 | 218,953,597 | 130,389,352 | 134,946,822 | 140,946,225 | 141,634,413 | 130,768,379 | | |
| -two years later | 208,318,022 | 146,057,010 | 141,966,159 | 149,090,933 | 113,783,497 | 144,603,568 | | | |
| -three years later | 167,280,716 | 146,594,208 | 149,045,463 | 124,654,978 | 113,894,235 | | | | |
| -four years later | 167,550,234 | 183,165,603 | 133,862,671 | 118,976,368 | | | | | |
| -five years later | 171,343,759 | 140,086,856 | 133,495,508 | | | | | | |
| -six years later | 156,347,277 | 137,964,861 | | | | | | | |
| -seven years later | 153,178,701 | | | | | | | | |
| Current estimate of ultimate claims | 153,178,701 | 137,964,861 | 133,495,508 | 118,976,368 | 113,894,235 | 144,603,568 | 130,768,379 | 132,519,014 | 1,065,400,634 |
| Cumulative payments | 148,163,997 | 132,433,498 | 124,769,435 | 106,268,075 | 91,965,900 | 100,396,607 | 53,907,860 | 19,440,683 | 777,346,055 |
| Gross outstanding claims liabilities | 5,014,704 | 5,531,363 | 8,726,073 | 12,708,293 | 21,928,335 | 44,206,961 | 76,860,519 | 113,078,331 | 288,054,579 |
| Claims handling expenses | 137,789 | 151,985 | 239,766 | 349,185 | 602,524 | 1,214,674 | 2,111,895 | 3,107,050 | 7,914,868 |
| Best estimate of claims liabilities including claims handling expenses | 5,152,493 | 5,683,348 | 8,965,839 | 13,057,478 | 22,530,859 | 45,421,635 | 78,972,414 | 116,185,381 | 295,969,447 |

## All Direct & Facultative Lines
## As of December 31, 2021

| **Total All lines (Direct & Facultative, Treaty)** | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Best estimate of claims liabilities including claims handling expenses and net of unearned | | | | | | | | | 295,969,447 |
| Best estimate of claims liabilities in respect of prior years | | | | | | | | | 12,821,866 |
| Total best estimate of claims liabilities | | | | | | | | | 308,791,313 |
| Discounting effect on best estimate of claims liabilities | | | | | | | | | (1,772,521) |
| Provision for adverse deviation | | | | | | | | | 26,104,156 |
| Total outstanding claims liabilities as per actuarial report | | | | | | | | | 333,122,948 |

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

### Total All Direct & Facultative Lines
### As of December 31, 2021

| **Accident Year/Underwriting Year** | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Estimate of cumulative claims** | | | | | | | | | |
| At the end of accident year/underwriting year | 107,734,924 | 109,594,304 | 91,794,054 | 78,862,775 | 80,600,173 | 81,748,545 | 69,411,773 | 67,049,147 | |
| -one year later | 105,602,643 | 104,909,504 | 86,502,961 | 91,940,757 | 83,456,594 | 83,597,372 | 71,046,058 | | |
| -two years later | 104,367,718 | 102,761,913 | 93,935,262 | 93,288,728 | 83,333,031 | 84,307,780 | | | |
| -three years later | 103,495,875 | 104,695,762 | 95,206,495 | 92,306,246 | 84,026,823 | | | | |
| -four years later | 106,853,560 | 105,127,060 | 92,884,045 | 86,868,739 | | | | | |
| -five years later | 105,246,638 | 103,757,039 | 94,075,123 | | | | | | |
| -six years later | 101,739,915 | 102,172,247 | | | | | | | |
| -seven years later | 99,714,370 | | | | | | | | |
| Current estimate of ultimate claims | 99,714,370 | 102,172,247 | 94,075,123 | 86,868,739 | 84,026,823 | 84,307,780 | 71,046,058 | 67,049,147 | 689,260,287 |
| Cumulative payments | 95,490,701 | 97,814,317 | 88,395,268 | 78,195,222 | 69,667,468 | 63,052,270 | 35,630,857 | 12,062,372 | 540,308,475 |
| Net outstanding claims liabilities | 4,223,669 | 4,357,930 | 5,679,855 | 8,673,517 | 14,359,355 | 21,255,510 | 35,415,201 | 54,986,775 | 148,951,812 |
| Claims handling expenses | 137,789 | 151,985 | 239,766 | 349,185 | 602,524 | 1,214,674 | 2,111,895 | 3,107,050 | 7,914,868 |
| Best estimate of claims liabilities including claims handling expenses | 4,361,458 | 4,509,915 | 5,919,621 | 9,022,702 | 14,961,879 | 22,470,184 | 37,527,096 | 58,093,825 | 156,866,680 |
| Best estimate of claims liabilities including claims handling expenses and net of unearned | | | | | | | | | 156,866,680 |
| Best estimate of claims liabilities in respect of prior years | | | | | | | | | 6,265,518 |
| Total best estimate of claims liabilities | | | | | | | | | 163,132,198 |
| Discounting effect on best estimate of claims liabilities | | | | | | | | | (943,991) |
| Provision for adverse deviation | | | | | | | | | 13,050,139 |
| Total outstanding claims liabilities as per actuarial report | | | | | | | | | 175,238,346 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended December 31, 2022**

## 16. SHARE CAPITAL

| | 2022 | 2021 | 2022 | 2021 |
|---|---|---|---|---|
| | Number of ordinary shares | | S$ | S$ |
| 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, on 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, 2022.

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 2022 and 2021, the Company complied fully with these capital requirements.

## 17. NET COMMISSION - EXPENSE/(INCOME)

| | Fire | Marine | Misc | Total |
|---|---|---|---|---|
| | S$ | S$ | S$ | S$ |
| **2022** | | | | |
| Gross commission expense | 15,357,104 | 7,962,449 | 18,371,429 | 41,690,982 |
| Less: Reinsurance commission income | (15,794,029) | (1,905,705) | (18,623,187) | (36,322,921) |
| | (436,925) | 6,056,744 | (251,758) | 5,368,061 |
| **2021** | | | | |
| Gross commission expense | 12,849,927 | 7,388,423 | 10,028,632 | 30,266,982 |
| Less: Reinsurance commission income | (16,644,813) | (1,876,375) | (9,211,668) | (27,732,856) |
| | (3,794,886) | 5,512,048 | 816,964 | 2,534,126 |

## 18. MANAGEMENT EXPENSES

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Management expenses include: | | |
| - Compensation of key management personnel | | |
| - Short-term employee benefits | 1,531,258 | 1,405,102 |
| - Contribution to CPF | 91,782 | 90,426 |
| - Directors' fees | 118,740 | 124,219 |
| - Other long-term benefits | 6,430 | 3,925 |
| Total (Management Personnel) | 1,748,210 | 1,623,672 |
| | | |
| - Salaries, bonuses and other allowances (Other staff), net of amounts received towards Jobs Support Scheme | 6,563,123 | 5,939,130 |
| - Contribution to CPF (Other staff) | 917,672 | 837,586 |
| Total (Other staff) | 7,480,795 | 6,776,716 |
| | | |
| - Depreciation of fixed assets | 211,614 | 300,436 |
| - Depreciation of ROU assets | 1,003,431 | 1,004,535 |

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| - Depreciation expense on right of use assets | 1,003,431 | 1,004,535 |
| - Interest expense on lease liabilities | 9,909 | 23,537 |

## 19. INVESTMENT AND INTEREST INCOME

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Interest income from: | | |
| *Held-to-maturity financial assets* | | |
| Debt securities listed | 1,588,041 | 2,095,573 |
| Debt securities unlisted | 7,592,026 | 7,773,840 |
| Total | 9,180,067 | 9,869,413 |
| *Available-for-sale financial assets* | | |
| Listed debt securities | 3,277,978 | 2,783,264 |
| Unlisted debt securities | 223,088 | 630,081 |
| Total | 3,501,066 | 3,413,345 |
| *Loans and receivables* | | |
| Fixed deposits and cash at bank | 2,956,386 | 1,305,156 |
| | | |
| Gain on sale of investment (Note 23) | 1,618,651 | 5,539,529 |
| Net rental income | 639,095 | 639,095 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended December 31, 2022**

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Dividend income and security lending fee from: | | |
| *Available-for-sale financial assets* | | |
| Equity securities | | |
| - listed | 6,266,938 | 5,223,931 |
| Preference shares | | |
| - listed | 19,339 | 38,999 |
| | 6,286,277 | 5,262,930 |
| Total investment and interest income | 24,181,542 | 26,029,468 |
| Less: Investment expenses | (220,378) | (189,378) |
| Less: Provision for diminution in available for sale investments | (13,701,448) | (1,041,535) |
| | 10,259,716 | 24,798,555 |

## 20. OTHER INCOME/(EXPENSES)

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Other income: | | |
| Miscellaneous income | 270,353 | 105,790 |
| Brokerages | 4,314 | - |
| Reversal of allowance for bad and doubtful debts | - | - |
| Gain on Foreign Exchange | - | 150,079 |
| | 274,667 | 255,869 |
| Other expenses: | | |
| Miscellaneous expenses | (583,650) | - |
| Loss on foreign exchange | (11,673,197) | - |
| Depreciation on investment property | (35,408) | (36,316) |
| Brokerages | - | (5,719) |
| Allowance for bad and doubtful debts | (2,076,714) | (179,567) |
| Sundry balances written-off | (496,384) | (259,586) |
| | (14,865,353) | (481,188) |

## 21. TAXATION

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Current tax expenses | - | 3,000,585 |
| Deferred tax | - | - |
| Current year tax expenses | - | 3,000,585 |
| Under provision in respect of previous years | | |
| - Current tax | 809,849 | 1,101,420 |
| | 809,849 | 4,102,005 |

A reconciliation between the tax provided for the current year and the tax on the pre-tax (losses)/profits based on the normal corporate tax rate of 17% (2021 : 17%) is as follows:

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| (Loss)/Profit before tax | (7,802,169) | 25,338,759 |
| Tax (credit)/expense on profit before tax at 17% (2021 : 17%) | (1,326,369) | 4,307,589 |
| Adjustments: | | |
| - Items that are not (taxable) deductible for tax purposes | 225,114 | 38,828 |
| - Difference in tax due to lower tax rate applicable on certain income | - | (225,260) |
| - Exempt dividends | (1,024,217) | (665,725) |
| - Under Provision in respect of previous years: | 809,849 | 1,101,420 |
| - Effect of Deferred tax asset not recognised | 2,125,472 | - |
| Others | - | (454,847) |
| | 809,849 | 4,102,005 |

The deferred tax liability is as a result of:

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Deferred tax liability | | |
| Difference in depreciation | 250,000 | 250,000 |
| *Deferred income tax related to other comprehensive income* | | |
| Net change in fair value adjustment reserve for available-for-sale financial assets | 1,391,357 | 5,101,144 |
| | 1,641,357 | 5,351,144 |

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| *Current tax payables* | | |
| Tax payables as at January 1 | 3,000,585 | 473,550 |
| Amounts charged to profit or loss | 809,849 | 4,102,005 |
| Tax paid during the year | (4,036,033) | (1,574,970) |
| Tax (receivables)/payables as at December 31 | (225,599) | 3,000,585 |
| | | |
| *Deferred tax liability* | | |
| Deferred tax liability as at January 1 | 5,351,144 | 4,568,524 |
| Net change in fair value adjustment reserve for available-for-sale financial assets | (3,709,787) | 782,620 |
| Provision for deferred taxation as at December 31 | 1,641,357 | 5,351,144 |

## 22. DIVIDENDS

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| First and final dividend of 10 cents per share based on 2021 results (2021 : 7.5 cents per share based on 2020 results) | 5,000,000 | 3,750,000 |

## 23. FAIR VALUE RESERVE

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

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Balance as at January 1 | 30,260,367 | 22,195,742 |
| Net change in the reserve, net of tax | (23,084,231) | 8,064,625 |
| Balance as at December 31 | 7,176,136 | 30,260,367 |
| | | |
| Net change in the reserve, net of tax, arises from: | | |
| - Net loss/(gain) on fair value changes during the financial year, net of tax | 21,465,580 | (13,604,154) |
| - Reclassification to profit or loss | 1,618,651 | 5,539,529 |
| Net loss/(gain) recognised in Other comprehensive income | 23,084,231 | (8,064,625) |

## 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 1 month (2021 : 1 year). The minimum lease payments receivable are:

| | 2022 | 2021 |
|---|---|---|
| | S$ | S$ |
| Within one year | 45,682 | 319,773 |
| | 45,682 | 319,773 |

## 25. SUBSEQUENT EVENTS

In March 2023, the global banking sector was hit by rising concerns about the stability of the banking system in various developed markets. While the underlying factors with regards to this instability may vary, the market has been on high alert for elevated risks. As the situation is still fluid, Management is still assessing the situation to determine the impact on the liquidity of the Company.

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