2021 ANNUAL REPORT

MS FirstCapital

CORPORATE DATA

Board of Directors
Mr. Ajit Nair, Chairman
Mr. Ramaswamy Athappan
Mr. Arumugam Muthu
Mr. Lee Kwong Foo, Edward
Mr. Dileep Nair
Mr. Tetsuya Adachi
Mr. Clemens Philippi
Mr. Shintaro Shimada
Mr. Akio Takai

Chief Executive
Mr. Ramaswamy Athappan

Executive Director
Mr. Akio Takai

Secretary
Mr. Gerard Seah

Registered Office
6 Raffles Quay
#21-00
Singapore 048580

Auditor
KPMG LLP

MANAGEMENT TEAM

Senior Management
Ms. Chin Oi Leng, Chief General Manager
Mr. T. U. Shetty, General Manager
Ms. Angeline Ang, Chief Financial Officer
Mr. Vikas Shukla, Chief Risk Officer
Mr. R. Vaidyanathan, General Manager
Mr. Keisuke Takita, Deputy General Manager
Mr. Ando Takumi, Deputy General Manager
Mr. Wakasa Hiroaki, Deputy General Manager

Senior Managers and Managers
Mr. Low Weng Seng, Information Technology
Mr. Jerryson Kagoo, Information Technology
Ms. G. Neelamalar, Marine Hull Claims
Ms. Mary Nelson, Motor Claims
Mr. Alex Salikin, Non-Motor Claims
Ms. Mary Tan, Underwriting
Ms. Tan Li Choo, Underwriting
Ms. Linda Leman, Underwriting
Mr. Dey Kaustav, Underwriting
Ms. May Lee, Underwriting
Mr. Galvin Hu, Underwriting
Ms. Laura Ow, Underwriting
Ms. Kwok Pui Chee, Finance
Ms. Sonia Too, Finance
Mr. Gunjan Basu, Finance
Mr. Ashish Agarwal, Finance

CONTENT

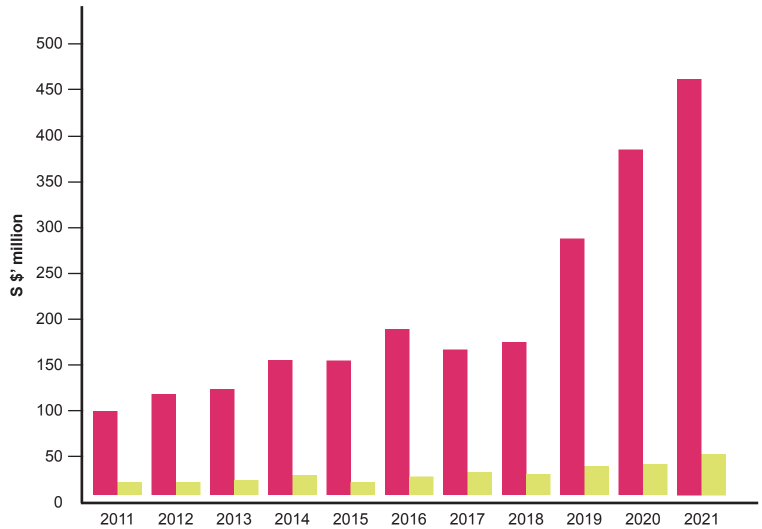
SGD'000

Segment	2021	2020
Total Assets#	1,936,778	1,893,233
Shareholders' Fund	1,046,311	988,967
Technical Reserves	536,819	531,965
Gross Written Premium	748,718	758,659
Net Written Premium	155,482	209,675
Underwriting Balance	101,199	97,283
Combined Ratio	38.8%	54.9%
Profit Before Tax	124,793	124,609
Profit After Tax	109,487	104,349

#Exclude reinsurers' share of technical reserves

FINANCIAL HIGHLIGHTS
GROSS AND NET WRITTEN PREMIUM

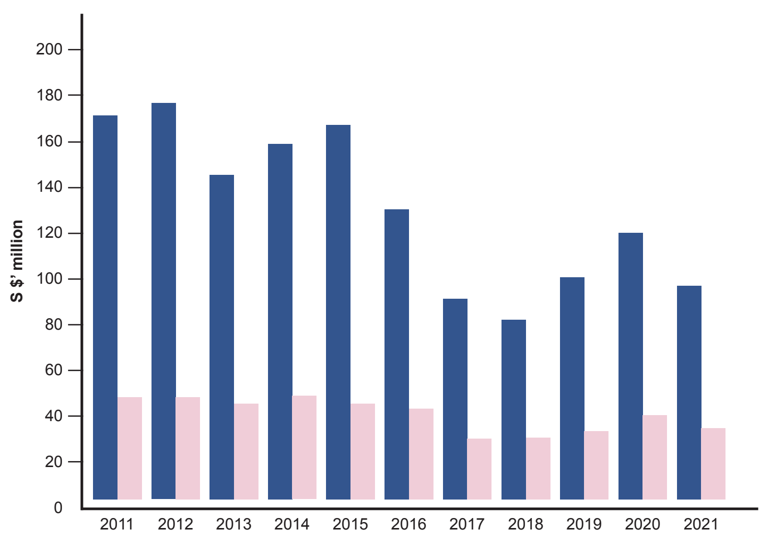
Fire



	Gross Premium S$'million	Net Premium S$'million
2011	102.0	17.1
2012	119.2	17.0
2013	124.7	20.3
2014	158.0	25.5
2015	157.7	19.6
2016	195.8	24.8
2017	176.4	27.0
2018	180.8	26.4
2019	304.1	35.3
2020	388.0	42.1
2021	465.6	51.6

Gross Premium
Net Premium

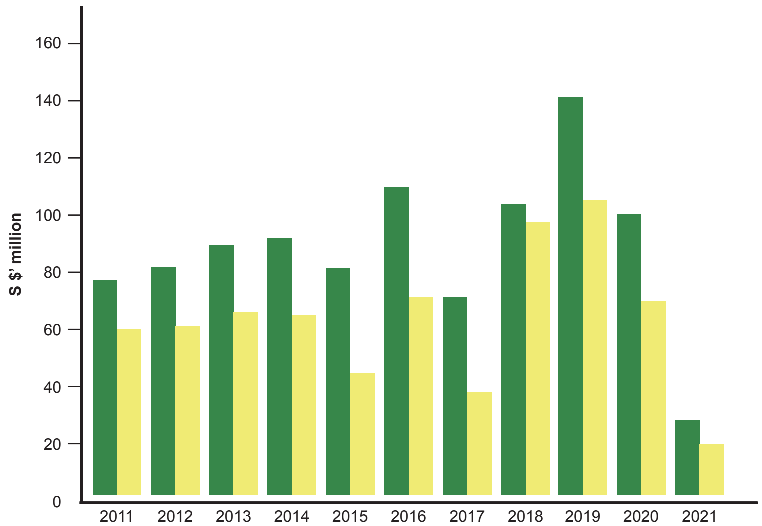
Marine



	Gross Premium S$'million	Net Premium S$'million
2011	169.4	48.3
2012	174.8	48.0
2013	146.8	46.0
2014	159.2	48.4
2015	166.1	45.7
2016	130.5	43.1
2017	90.4	29.6
2018	82.6	31.2
2019	105.4	33.6
2020	117.9	39.9
2021	98.3	34.6

Gross Premium
Net Premium

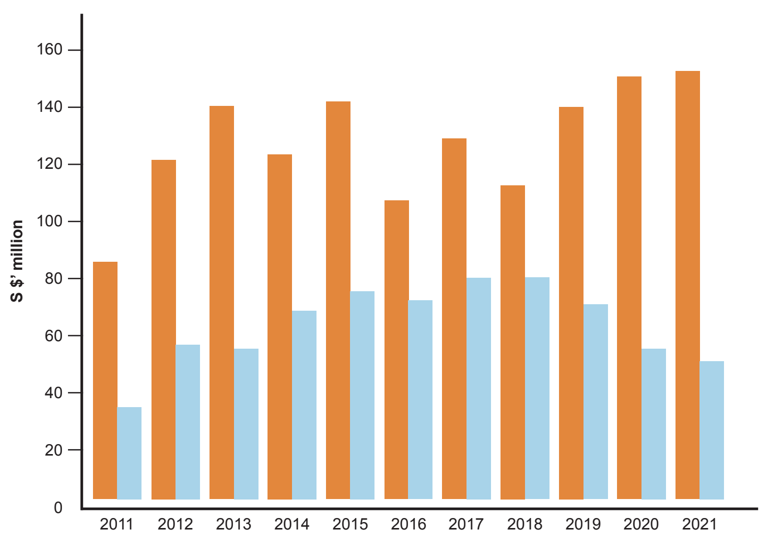
Motor



	Gross Premium S$'million	Net Premium S$'million
2011	76.9	57.2
2012	81.0	60.3
2013	87.4	64.9
2014	90.7	63.6
2015	79.8	42.8
2016	108.0	69.3
2017	71.0	37.6
2018	103.2	96.4
2019	141.5	103.7
2020	101.4	71.2
2021	29.4	19.7

Gross Premium
Net Premium

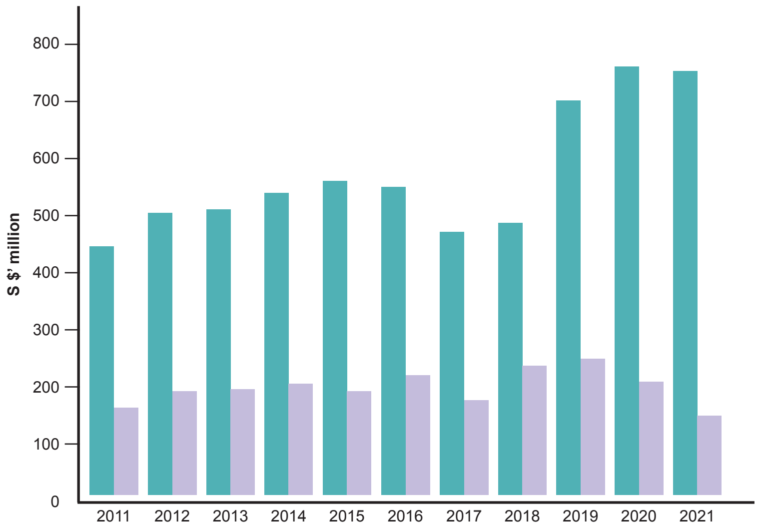
Miscellaneous



	Gross Premium S$'million	Net Premium S$'million
2011	88.4	34.4
2012	121.2	56.0
2013	140.3	55.2
2014	124.4	68.9
2015	144.4	76.7
2016	108.1	72.4
2017	127.0	79.9
2018	113.7	81.5
2019	139.9	69.6
2020	151.3	56.4
2021	155.3	49.5

Gross Premium
Net Premium

Total Gross and Net Premium



	Gross Premium	Net Premium
	S$'million	S$'million
2011	436.7	157.0
2012	496.3	181.3
2013	499.1	186.3
2014	532.4	206.4
2015	548.1	184.8
2016	542.4	209.5
2017	464.8	174.1
2018	480.3	235.5
2019	690.9	242.2
2020	758.7	209.7
2021	748.7	155.5

Gross Premium
Net Premium

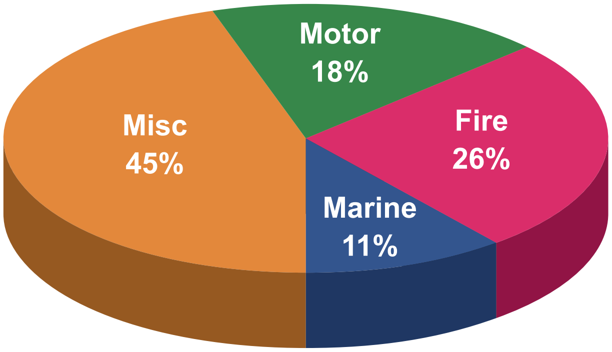
Technical Provision Compared to Net Premium

	Technical Provision	Net Premium
	S$'million	S$'million
2011	325.7	157.0
2012	382.6	181.4
2013	422.9	186.3
2014	441.9	206.4
2015	442.4	184.8
2016	443.3	209.5
2017	449.1	174.1
2018	473.7	235.5
2019	501.2	242.2
2020	532.0	209.7
2021	536.8	155.5

Gross Premium
Net Premium

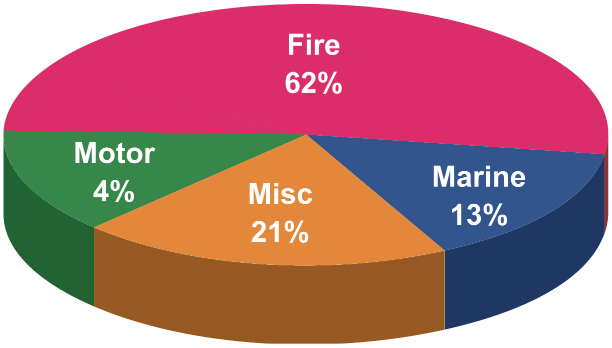
Gross Premium Composition

YEAR 2002



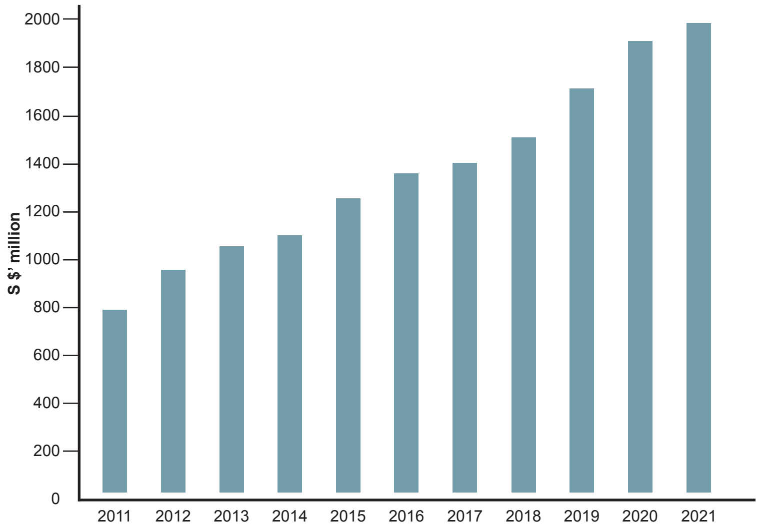
	Year 2002 ($'000)	Year 2021 ($'000)
Marine	3,481	98,343
Fire	7,941	465,592
Motor	5,517	29,444
Misc	13,634	155,340
Total	30,573	748,718

YEAR 2021



FINANCIAL HIGHLIGHTS

Total Assets

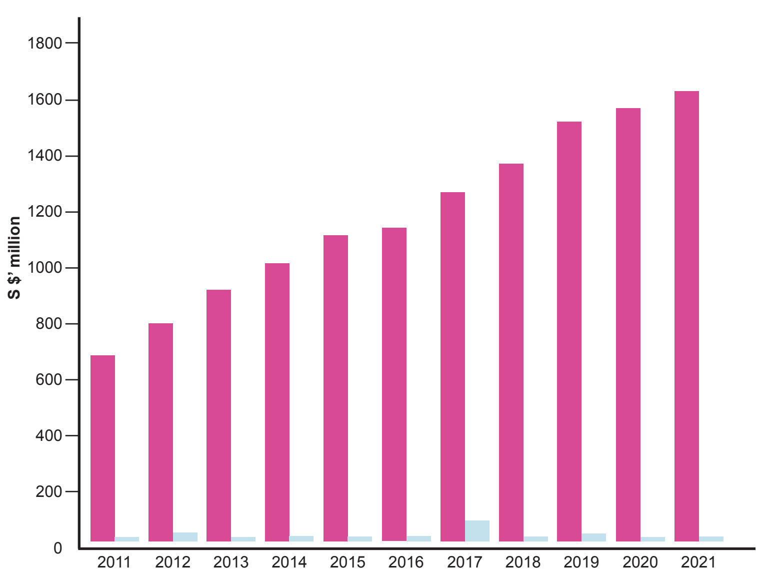


	Total Assets#
	S$'million
2011	785.6
2012	972.8
2013	1,069.9
2014	1,156.0
2015	1,263.8
2016	1,359.4
2017	1,416.5
2018	1,494.0
2019	1,728.1
2020	1,893.2
2021	1,936.8

Total Assets

Excluding reinsurers' share of technical reserves

Total Investment and Investment Income



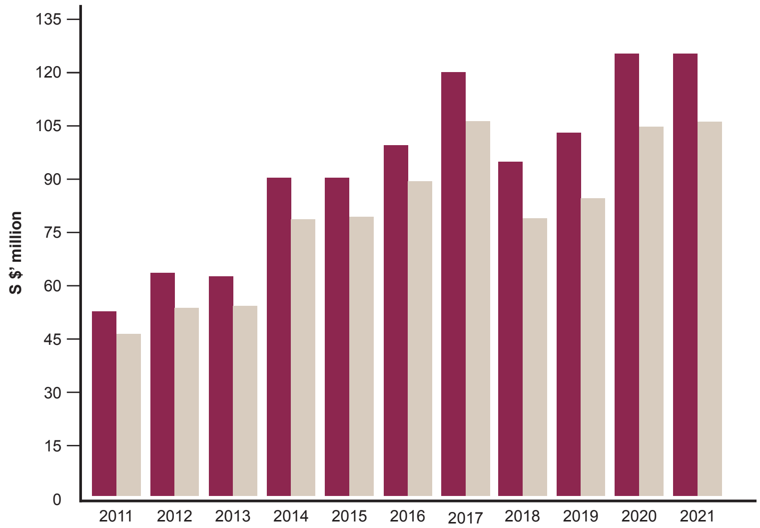
	Total Investment	Investment Income*
	S$'million	S$'million
2011	652.8	18.7
2012	731.9	48.6
2013	876.2	25.1
2014	947.4	30.5
2015	1,053.9	24.5
2016	1,087.9	31.8
2017	1,213.3	90.8
2018	1,303.0	23.5
2019	1,471.3	39.0
2020	1,560.9	25.4
2021	1,634.9	15.9

Total Investment

Investment Income

*Before expenses and foreign exchange

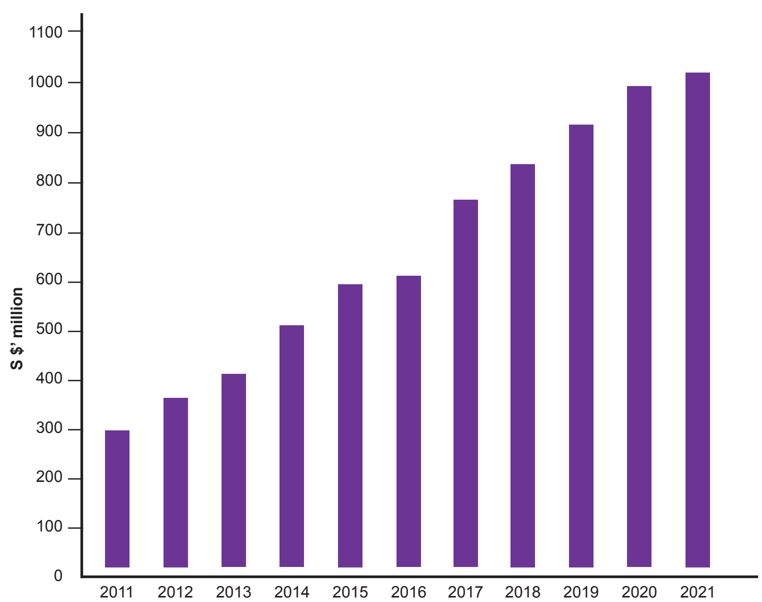
Profit Before and After Tax



	Profit before tax S$'million	Profit after tax S$'million
2011	53.3	46.5
2012	64.2	54.6
2013	63.6	55.5
2014	92.1	79.4
2015	92.0	80.0
2016	103.9	89.6
2017	119.1	107.5
2018	94.2	80.8
2019	100.3	85.2
2020	124.6	104.3
2021	124.8	109.5

Profit before tax
Profit after tax

Shareholder's Equity



	Shareholders' Equity S$'million
2011	296.5
2012	357.5
2013	412.1
2014	501.4
2015	578.1
2016	664.2
2017	748.3
2018	828.9
2019	914.7
2020	989.0
2021	1,046.3

Shareholders' Equity

The directors present their statement to the members together with the audited financial statements for the financial year ended 31 December 2021.

In the opinion of the directors,

(a) the financial statements set out on pages 21 to 77 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021, and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Ramaswamy Athappan
Ajit Nair
Arumugam Muthu
Lee Kwong Foo, Edward
Alan John Wilson
Tetsuya Adachi
Kiyoshi Nakagawa
Akio Takai (Appointed on 14 April 2021)
Dileep Nair (Appointed on 9 November 2021)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Kiyoshi Nakagawa		
MS&AD Insurance Group Holdings, Inc.		
- Ordinary shares		
- Interests held	1,800	1,800
- Deemed interests	342	413
BPI/MS Insurance Corporation		
- Ordinary shares		
- Interests held	1	1
Ueang Mai Co., Ltd		
- Ordinary shares		
- Interests held	–	1
Yardhimar Company Limited		
- Ordinary shares		
- Interests held	–	1
Alan John Wilson		
MS&AD Insurance Group Holdings, Inc.		
- Options in shares		
- Interests held	949	949
BPI/MS Insurance Corporation		
- Ordinary shares		
- Interests held	1	1
Ueang Mai Co Ltd		
- Ordinary shares		
- Interests held	1	1
Yardhimar Company Limited		
- Ordinary shares		
- Interests held	1	1
Tetsuya Adachi		
MS&AD Insurance Group Holdings, Inc.		
- Ordinary shares		
- Deemed interests	2,726	2886

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ramaswamy Athappan		
MS First Capital Insurance Limited		
- Ordinary shares		
- Interests held	1#	1#

The share is held in trust for the immediate holding corporation, Mitsui Sumitomo Insurance Company, Limited.

Share options

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

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

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

Independent auditor

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the directors

RAMASWAMY ATHAPPAN
Director

AKIO TAKAI
Director

25 March 2022

Members of the Company
MS First Capital Insurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MS First Capital Insurance Limited ('the Company'), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 77.

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 31 December 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' 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 *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.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls 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 controls.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 March 2022

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 $	2020 $
Gross insurance premium income		**748,718,281**	758,659,072
Reinsurance premium ceded to reinsurers		**(593,236,677)**	(548,984,123)
Net insurance premium income		**155,481,604**	209,674,949
Movement in net premium liabilities	15(c)	**14,979,699**	14,652,711
Movement in net deferred acquisition costs	15(c)	**(5,220,649)**	(8,636,902)
Net premiums earned		**165,240,654**	215,690,758
Gross claims paid		**(296,055,889)**	(250,294,091)
Claims recovered from reinsurers		**172,147,470**	135,740,199
Net claims paid	15(a)	**(123,908,419)**	(114,553,892)
Change in loss reserves		**(272,488,910)**	(177,413,740)
Change in loss reserves recoverable from reinsurers		**257,876,629**	140,635,567
Net claims incurred	15(a)	**(138,520,700)**	(151,332,065)
Gross commission		**(111,316,415)**	(105,582,985)
Commission income from reinsurers		**211,435,365**	162,724,382
Net commission earned		**100,118,950**	57,141,397
Employee compensation	7	**(21,496,818)**	(19,206,728)
Depreciation expense on property, plant and equipment	13	**(584,815)**	(434,580)
Depreciation expense on right-of-use assets	22	**(1,197,018)**	(1,170,359)
Other operating expenses	6	**(2,361,680)**	(3,405,087)
		(25,640,331)	(24,216,754)
Underwriting profit		**101,198,573**	97,283,336
Net investment income	4	**20,656,132**	26,275,897
Finance costs	22	**(35,215)**	(68,584)
Other net operating income	5	**2,973,979**	1,117,869
Profit before tax		**124,793,469**	124,608,518
Tax expense	8	**(15,306,387)**	(20,260,000)
Profit for the year		**109,487,082**	104,348,518
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale			
- Fair value movement	18	**(10,428,097)**	5,405,478
- Transfer to profit or loss on disposal	18	**25,825**	(655,861)
Other comprehensive income, net of tax		**(10,402,272)**	4,749,617
Total comprehensive income for the year		**99,084,810**	109,098,135

STATEMENT OF FINANCIAL POSITION

For the financial year ended 31 December 2021

	Note	2021 $	2020 $
ASSETS			
Non-current assets			
Property, plant and equipment	13	**9,339,349**	9,882,856
Right-of-use assets	22	**627,986**	1,736,026
Reinsurers' share of technical reserves	15	**53,899,687**	47,082,954
Deferred tax assets	16	**769,200**	–
Mortgage loans	12	**15,003,178**	7,357,341
Financial assets	10	**674,399,882**	604,034,468
		754,039,282	670,093,645
Current assets			
Reinsurers' share of technical reserves	15	**1,080,873,602**	799,709,050
Insurance and other receivables			
- insurance receivables	11(a)	**277,098,059**	265,049,164
- other receivables	11(b)	**9,141,136**	8,515,108
Mortgage loans	12	**10,525,623**	18,150,000
Financial assets	10	**129,247,736**	154,840,698
Derivative financial instruments		**40,024**	483,684
Cash and cash equivalents	9	**810,586,226**	823,183,699
		2,317,512,406	2,069,931,403
Total assets		**3,071,551,688**	2,740,025,048
EQUITY			
Share capital	17	**26,500,000**	26,500,000
General reserve		**250,000**	250,000
Fair value reserve	18	**(4,586,428)**	5,815,844
Retained earnings		**1,024,147,802**	956,400,720
Total equity		**1,046,311,374**	988,966,564
LIABILITIES			
Non-current liabilities			
Technical reserves	15	**64,811,281**	58,753,402
Insurance payables	14(a)	**28,596,123**	10,138,797
Lease liabilities	22	**17,971**	559,313
Deferred tax liabilities	16	**–**	1,360,600
		93,425,375	70,812,112
Current liabilities			
Technical reserves	15	**1,606,780,646**	1,320,004,009
Derivative financial instruments		**35,385**	446,107
Insurance and other payables			
- insurance payables	14(a)	**289,251,937**	307,448,236
- other payables	14(b)	**18,157,839**	26,694,259
Lease liabilities	22	**630,317**	1,213,726
Current tax liabilities		**16,958,815**	24,440,035
		1,931,814,939	1,680,246,372
Total liabilities		**2,025,240,314**	1,751,058,484
Total equity and liabilities		**3,071,551,688**	2,740,025,048

	Note	Share capital $	General reserve $	Fair value reserve $	Retained earnings $	Total $
Balance at 1 January 2021		26,500,000	250,000	5,815,844	956,400,720	988,966,564
Profit for the year		–	–	–	109,487,082	109,487,082
Dividend paid	17	–	–	–	(41,740,000)	(41,740,000)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax	18	–	–	(10,402,272)	–	(10,402,272)
Total comprehensive income for the year		–	–	(10,402,272)	67,747,082	57,344,810
Balance at 31 December 2021		**26,500,000**	**250,000**	**(4,586,428)**	**1,024,147,802**	**1,046,311,374**
Balance at 1 January 2020		26,500,000	250,000	1,066,227	886,927,202	914,743,429
Profit for the year		–	–	–	104,348,518	104,348,518
Dividend paid	17	–	–	–	(34,875,000)	(34,875,000)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets, net of tax	18	–	–	4,749,617	–	4,749,617
Total comprehensive income for the year		–	–	4,749,617	69,473,518	74,223,135
Balance at 31 December 2020		**26,500,000**	**250,000**	**5,815,844**	**956,400,720**	**988,966,564**

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Profit for the year		**109,487,082**	104,348,518
Adjustments for:			
Tax expense	8	**15,306,387**	20,260,000
Depreciation expense on property, plant and equipment	13	**584,815**	434,580
Depreciation expense on right-of-use assets	22	**1,197,018**	1,170,359
Loss on disposal of property, plant and equipment	5	**206**	–
Loss/(Gain) on disposal of financial assets, available-for-sale	4	**31,125**	(790,161)
Impairment of financial assets, available-for-sale	4	**2,558,549**	–
Interest income	4	**(28,549,520)**	(27,879,801)
Accretion of premium, available for sale	4	**8,028,886**	2,712,649
Fair value loss on financial assets, at fair value through profit or loss	4	**2,015,301**	544,488
Unrealised currency translation on financial assets, available-for-sale		**(1,508,934)**	467,579
Finance costs	22	**35,215**	68,584
Operating cash flow before working capital changes		**109,186,130**	101,336,795
Change in working capital			
Insurance and other receivables		**(13,331,685)**	(60,385,089)
Movements in net technical reserves		**(367,417)**	22,125,462
Movements in net deferred acquisition costs		**5,220,649**	8,636,902
Insurance and other payables		**(5,077,521)**	42,788,781
Cash generated from operations		**95,630,156**	114,502,851
Interest received		**8,373,277**	20,207,236
Interest payment of lease liabilities		**(35,215)**	(68,584)
Income tax paid		**(22,735,754)**	(11,162,964)
Net cash flows from operating activities		**81,232,464**	123,478,539
Cash flows from investing activities			
Purchases of property, plant and equipment	13	**(41,665)**	(901,572)
Purchases of financial assets, available-for-sale		**(675,559,264)**	(826,349,774)
Proceeds from sale/redemption of financial assets, available-for-sale		**609,093,408**	292,051,499
Mortgage loans granted		**(5,550,000)**	(500,000)
Mortgage loans repayments received		**5,528,540**	4,639,582
Interest received		**20,833,008**	7,505,566
Derivative financial instruments		**(1,982,363)**	418,166
Net cash flows used in investing activities		**(47,678,336)**	(523,136,533)
Cash flows from financing activities			
Payment of dividend	17	**(41,740,000)**	(34,875,000)
Payment of lease liabilities	22	**(1,213,729)**	(1,154,774)
Net cash used in financing activities		**(42,953,729)**	(36,029,774)
Net decrease in cash and cash equivalents		**(9,399,601)**	(435,687,768)
Cash and cash equivalents at beginning of the financial year		**813,264,041**	1,248,951,809
Cash collateral at end of the financial year		**6,721,786**	9,919,658
Cash and cash equivalents at end of the financial year	9	**810,586,226**	823,183,699

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

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

1. General

The Company is incorporated and domiciled in Singapore. The address of its registered office is 6 Raffles Quay #21-00 Singapore 048580.

The principal activity of the Company consists of the acceptance of general insurance and reinsurance business and performance of investment functions incidental thereto. There have been no significant changes in the nature of these activities during the year.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The assets and liabilities of the Company which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act 1966. Such assets and liabilities are accounted for in the books of the respective insurance funds established under Section 17 of the Insurance Act. The net assets of the Company held in the insurance funds must be sufficient to meet the solvency requirements stipulated in Section 18 of the Insurance Act at all times. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the Company continues to be able to meet the solvency requirements of Section 18 of the Insurance Act. All other assets and liabilities are accounted for in the books of the "shareholders' fund".

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2. Significant accounting policies (continued)

2.2 Changes in accounting policies

The Company has applied the following FRS, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2021:

- *COVID-19-Related Rent Concessions (Amendments to FRS 116)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39, FRS 104, FRS 107 and FRS 116)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

2.3 Revenue recognition

The recording of premium revenue and the determination of underwriting results of each financial year reflect delays in receipt of information from cedants and brokers. Premium income on direct and facultative insurance business is recognised at the time a policy is issued on the basis of final closing advices received from cedants and brokers. Reinsurance premium income on inward treaty insurance business is recognised on the basis of the returns and statement of accounts received from cedants and brokers.

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying reinsurance contracts (see Note 2.5).

Reinsurance profit commission income is recognised based on the terms of the underlying reinsurance contract, and when the amount of revenue and related cost of the reinsurance transaction can be reliably measured.

Interest income on short-term bank deposits, corporate bonds and mortgage loans is accounted for using the effective interest method. Dividends from equity investments are taken up in profit or loss in the accounting period in which the right to receive payment is established.

2.4 Product classification

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

2. Significant accounting policies (continued)

2.4 Product classification (continued)

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

2.5 Reinsurance

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. Reinsurance assets comprise of reinsurers' share of technical reserves and claims recoverable from reinsurers.

Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in statement of financial position as reinsurers' 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.

Reinsurance assets are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

2.6 Loss reserves

Claims are charged to profit or loss when incurred based on the estimated liability for compensation owed to policyholders or for 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 reporting date.

2. Significant accounting policies (continued)

2.6 Loss reserves (continued)

Loss reserves and reinsurance and other recoveries are assessed by reviewing individual claims, advice from ceding and broking companies, and making allowance for claims incurred but not reported, taking into consideration foreseeable events, past experience and trends. These loss reserves are reviewed by actuaries. Any reduction or increase in the provision is dealt with in profit or loss in the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in profit or loss in the year in which settlement takes place.

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

Net claim liabilities is an amount not less than the value of the expected future payments in relation to all claims incurred prior to the valuation date (other than payments which have fallen due for payment before the valuation date), whether or not they have been reported to the insurer, including any expense expected to be incurred in settling those claims and provision for any adverse deviation from the expected experience, calculated based on the 75% level of sufficiency.

2.7 Premium liabilities

Premium liabilities relate to reserves established to cover the unexpired portion of premium written. Premium liabilities are calculated as an amount not less than the aggregate unearned premium reserves or the unexpired risk reserves, whichever is higher.

Unearned premium reserves are calculated on gross premiums written during the financial year less premiums on reinsurances, using the following methods:

For direct business	
- Marine cargo business	25% method
- All other class of business	1/365th method
For reinsurance business	
- Marine cargo business	25% method
- All other class of business	
- Proportional treaties	40% method
- Facultative	1/365th method

Where the 1/365th method is used, provision for unearned premiums is determined after allowing for acquisition costs.

2. Significant accounting policies (continued)

2.7 Premium liabilities (continued)

Unexpired risk reserve as at the reporting date is calculated based on the requirements under section 19 of the Insurance (Valuation and Capital) Regulations 2004 and any amendments thereof.

Unexpired risk reserve as at the reporting date is the sum of the value of the expected future payments arising from future events insured under policies in force as at the valuation date, including any expenses expected to be incurred in administering the policies and settling relevant claims and any provision for any adverse deviation from the expected experience, calculated based on the 75% level of sufficiency.

2.8 Deferred acquisition costs

Acquisition costs are deferred and amortised over the period of the insurance cover. The deferred acquisition costs comprise the portion of the commissions incurred in connection with acquisition or renewal of insurance policies that relate to the unearned premiums.

2.9 Liability adequacy tests

The liability of the Company under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of the technical reserves for unexpired risks and insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss.

2.10 Property, plant and equipment

(a) *Measurement*

(i) Land and building

Land and building are initially recorded at cost. No depreciation is provided on freehold land; however the carrying value is adjusted for any impairment losses. Building are subsequently stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. Significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Motor vehicles	8 years
Office equipment	5 years
Furniture and fittings	5 years
Building on freehold land	40 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured. All other repair and maintenance expense is recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2.11 Impairment of non-financial assets

Property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit ("CGU") to which the asset belongs to.

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

Property, plant and equipment (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease to the extent of any previously recorded revaluation.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

2.12 Financial assets

(a) *Classification*

The Company classifies its investments in financial assets in the following categories: at fair value through profit or loss, mortgage loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(a) Classification (continued)

(i) Financial assets, at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated as fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented Company investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets.

Loans and receivables comprise cash and cash equivalents, other receivables and mortgage loans.

Cash and cash equivalents comprise cash balances and bank deposits, and are used by the Company in the management of its short-term commitments.

(iii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the reporting date.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

(d) *Subsequent measurement*

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets, at fair value through profit or loss are recognised in profit or loss when the changes arise. The effects of currency translation, interest and dividend income are recognised separately in profit or loss.

Interest and dividend income on financial assets, available-for-sale are recognised separately in profit or loss. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(e) Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss on debt securities. The impairment losses recognised in profit or loss on equity securities are not reversed through profit or loss.

2. Significant accounting policies (continued)

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.14 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.15 Receivables and payables related to insurance contracts

Insurance receivables and insurance payables are recognised on the date that the Company becomes a party to the insurance contract. These include amounts due to and from insurance contract holders. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivables is impaired, the Company reduces the carrying amount of the insurance receivables and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in note 2.12(b).

2. Significant accounting policies (continued)

2.16 Tax

Current tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred tax liability is recognised on temporary differences arising on investment in subsidiary, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax is measured:

(i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Provisions

Provisions for other liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2. Significant accounting policies (continued)

2.17 Provisions (continued)

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.18 Employee compensation

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's contributions are recognised as employee compensation expense when they are due.

Annual Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is the Singapore dollar.

(b) Transactions and balances

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

2. Significant accounting policies (continued)

2.19 Currency translation (continued)

(b) Transactions and balances (continued)

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.21 Dividends to Company's shareholders

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

2.22 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in FRS 116.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. Significant accounting policies (continued)

2.22 Leases (continued)

As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

2. Significant accounting policies (continued)

2.22 Leases (continued)

As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.23 Government grants

Government grants related to assets are initially recognized as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are recognized as an offset against staff cost in profit or loss under ‘Employee compensation’ on a systematic basis over the useful life of the asset.

3. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Insurance liabilities

Assumptions and sensitivities

(i) Process used to decide on assumptions

The major classes of general insurance written by the Company include property, motor, work injury compensation, professional indemnity, marine hull and cargo, and miscellaneous. For general insurance contracts, claims provisions (comprising provision for claims reported by policyholders and claims incurred but not reported (“IBNR”)) 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 reporting date.

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(i) Process used to decide on assumptions (continued)

The best estimates of claims liabilities have been determined from the projected ultimate claim liabilities based on different methods, including the incurred loss development, the paid loss development, the Bornhuetter-Ferguson method and/or the expected loss ratio method.

Claims paid and incurred claims net of reinsurance recoveries were obtained for each of the last 12 years, as well as for 2009 and prior, and shown in a triangular form by accident/underwriting year and development year. Ratios of claim amount at successive development years were calculated to build loss development factor triangles.

For direct and facultative business, the incurred loss development method has been used to select the ultimate best estimates for 2017 and prior accident/underwriting years, as the actual claims experience in these periods are generally more stable. For more recent periods (i.e. 2018 to 2021 accident/underwriting years) where there is greater uncertainty, a combination of the claims experience and loss ratio assumptions, such as the Bornhuetter-Ferguson method and the expected loss ratio method, are used. In addition, allowance for late reported large losses based on information provided by the Company and the reporting and development patterns of historical large losses are applied.

For treaty business where little claim information was available as of the valuation date, greater reliance is placed on the expected loss ratio method for the 2017 to 2021 underwriting years. For 2016 and prior underwriting years where claims experience is generally more stable, a combination of methods, such as the IBNR to case estimates ratios and factor-to-ultimate ratios, are used in selecting the ultimate best estimates.

In estimating the ultimate best estimates for treaty business, an estimate of the claims that have been incurred but not reported by the cedants as at the valuation date is derived.

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(ii) Process used to decide on assumptions (continued)

The claims data includes external claims handling expenses but does not include internal claims handling expenses. A provision for internal claims expenses ("ULAER") has been determined for the direct and facultative business, based on the ratio of paid ULAE to net average of paid and incurred losses of 11.5%. This ULAE percentage was applied to one half of the total of the case reserves plus the IBNR.

Acquisition expenses are assumed to have been incurred at the date of writing the policy and hence do not form parts 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 the valuation method, where past recovery patterns are assumed to continue into the projected future years.

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

A discounting factor for future investment earnings has been applied to claim and premium provisions. The selected discount rate of 0.54% is consistent with posted one-year government bond yields.

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 provision for adverse deviation ("PAD") allows for inherent uncertainty of the best estimate of the insurance liabilities. It takes into consideration the variability of claim experience within a class of business (PAD before diversification) and also the diversification between classes of business (diversification allowance).

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(i) Process used to decide on assumptions (continued)

To estimate the variability around the best estimate, an internal model based on internal company data was used. In deriving the 75% level of sufficiency for the claims liabilities, a Bootstrap method was used.

Bootstrapping procedures are useful when the theoretical distribution of a statistic of interest is complicated or unknown.

The indicated PAD loading for the claims liabilities is based on the ratio of the 75% estimate to the mean estimate of the total claims reserves from the model. Based on the model output and judgement, the PAD loading is selected for claims liabilities.

Whilst there is inherent uncertainty attached to risks in respect to claims liabilities, the corresponding PAD for premium liabilities would be subject to a higher level of uncertainty as the claim events relating to unexpired policies have yet to occur. The Company has assumed that the PAD loading for premium liabilities is a multiple of the selected PAD loading for claims liabilities.

(ii) Change in assumptions and sensitivity analysis

The Company maintains separate insurance funds – SIF and OIF – for each class of insurance business carried on by the Company that relates to Singapore policies and offshore policies, respectively. The Company's insurance liabilities are analysed on a fund level basis i.e. SIF and OIF and not at Company level.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect to its insurance contracts. Certain assumptions can be expected to impact the actuarial liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(ii) Change in assumptions and sensitivity analysis (continued)

The following analyses have been prepared for a change in one variable with all other variables remaining constant and ignore changes in values of related assets. The Company recognised that some of the assumptions are interdependent but it will be difficult to analyse such dependencies.

The key assumptions considered in the sensitivity analysis are as follow:

- Initial Expected Loss Ratio ("IELR") for accident/underwriting year 2021;
- Selected Ultimate Loss Ratio ("ULR") for accident/underwriting year 2021

The result of the sensitivity analysis (net of reinsurance) and the impact on the unexpired risk reserves and claim liabilities as at 31 December 2021 are as follows:

Singapore Insurance Fund ("SIF")

	IELR		ULR	
	+15%	**-15%**	**+15%**	**-15%**
	$'000	**$'000**	**$'000**	**$'000**
2021				
Unexpired risk reserves	–	–	4,851	(4,851)
Claims liabilities	5,654	(5,654)	9,518	(9,518)
Total	**5,654**	**(5,654)**	**14,369**	**(14,369)**
2020				
Unexpired risk reserves	–	–	5,226	(5,226)
Claims liabilities	6,273	(6,273)	11,121	(11,121)
Total	**6,273**	**(6,273)**	**16,347**	**(16,347)**

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(ii) Change in assumptions and sensitivity analysis (continued)

Offshore Insurance Fund ("OIF")

	IELR		ULR	
	+15%	**-15%**	**+15%**	**-15%**
	$'000	**$'000**	**$'000**	**$'000**
2021				
Unexpired risk reserves	–	–	6,701	(6,701)
Claims liabilities	10,733	(10,733)	13,306	(13,306)
Total	**10,733**	**(10,733)**	**20,007**	**(20,007)**
2020				
Unexpired risk reserves	–	–	8,386	(8,386)
Claims liabilities	8,002	(8,002)	11,980	(11,980)
Total	**8,002**	**(8,002)**	**20,366**	**(20,366)**

The actual loss development on SIF direct and facultative business reserved on an accident year basis was better than expected by $19.3 million. Actual loss development on SIF direct and facultative business reserved on an underwriting year basis was better than expected by $9.6 million. Overall, SIF direct and facultative business reported loss development of $8.9 million, which was better than the expected loss development of $37.8 million by $28.9 million. For more homogenous grouping of business, taxi fleet programs (SMRT, Comfort, SMART, TransCab, Prime Car and CityCab), as well as Singapore Law Society professional indemnity direct business, are separated out from Motor and Miscellaneous lines respectively and analysed on an underwriting year basis. For SIF Inward Treaties and Runoff business, ultimate loss estimates are higher by $15.2 million mainly from late reported claims from one treaty.

The ultimate loss estimates on SIF business for this year's valuation are lower than last year's by $2.7 million, stemming from decreases in most prior years, offset by an increase in ultimate from the Inward Treaties.

The actual loss development on OIF direct and facultative business of $2.4 million was better than expected loss development of $22.6 million by $20.2 million. For OIF Inward Treaties and Runoff Business, ultimate loss estimates are lower by $72,000.

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(ii) Change in assumptions and sensitivity analysis (continued)

The ultimate loss estimates on OIF business for this year's valuation are lower than last year's by $13.6 million, also stemming from decreases in most of prior years.

(b) Investments in financial assets

Impairment of financial assets, available-for-sale

The Company follows the guidance of FRS 39 in determining when an investment is considered impaired. This determination requires significant judgment. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and near-term business outlook of the issuer of the instrument, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Taxes

The Company is subject to Singapore income tax laws. Judgment is involved in determining the Company's provision for income taxes. The Company recognises liabilities for tax based on estimates. For these estimates the ultimate tax determination is based on the final assessment. Where the final assessment is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Premium recognition

In line with the Company's accounting policy described in Note 2.3, the Company records premium income from businesses in pipeline only upon receipt of documents from counterparty, rather than recording it as of the date of inception of risk.

The directors are of the view that due to the nature of the business, specifically where it relates to large risks, recording of the premium should only be done upon receipt of documents from the counterparty and consider the impact of the time lag to the financial statements as being insignificant as this application has been adopted consistently year on year and that the insurance liabilities recognised as at 31 December 2021 are adequate. In addition, the directors have also considered the credit risk arising from the unprocessed business not recognised as at 31 December 2021 to be insignificant.

4. Net investment income

	2021 $	2020 $
Fair value gain / (loss)		
- financial assets, fair value through profit or loss	**(2,015,301)**	(544,488)
- financial assets, available-for-sale	**1,339,379**	(467,642)
Realised gains on disposal		
- financial assets, available-for-sale	**(31,125)**	790,161
Interest income	**28,549,520**	27,879,801
Impairment of financial assets,AFS	**(2,558,549)**	–
Net amortisation of premium	**(8,028,886)**	(2,712,649)
Investment expenses	**(837,885)**	(358,680)
Net gain on foreign exchange	**4,238,979**	1,689,394
Net investment income	**20,656,132**	26,275,897

5. Other net operating income

	2021 $	2020 $
Brokerage income	**1,794,215**	1,532,631
Net currency exchange loss on operations	**(370,358)**	(1,281,530)
Loss on disposal of property, plant & equipment	**(206)**	–
Allowance for impairment of receivables	**(78,491)**	(399,863)
Service fee income	**1,096,483**	979,692
Miscellaneous income	**532,336**	286,939
	2,973,979	1,117,869

6. Other operating expenses

	2021 $	2020 $
Professional fees	**575,244**	1,511,886
Rental & occupancy income	**303,167**	279,018
Management fees	**225,354**	286,202
Directors' fees	**225,000**	225,000
Advertising and promotional expenses	**98,632**	174,015
Travelling expenses	**70,176**	104,020
Levy and subscriptions	**147,959**	118,555
Computer supplies & maintenance	**435,589**	342,922
Miscellaneous expenses	**280,559**	363,469
	2,361,680	3,405,087

7. Employee compensation

	2021	2020
	$	$
Wages and salaries	**19,781,528**	19,402,841
Other benefits	**533,563**	573,331
Government grants	**(532,827)**	(2,373,120)
Employer's contribution to defined contribution plans including Central Provident Fund	**1,714,554**	1,603,676
	21,496,818	19,206,728

Government grant income

The Company has been awarded a COVID-19 relief government grant by the Singapore Government under the Jobs Support Scheme ("JSS"). The grant received by the Company for the financial year ended 31 December 2021, amounts to $267,952 (2020: $2,223,573) and is conditional on the payment of salaries to local employees and that of related CPF contributions on those salaries paid for the period mentioned in the announcement. For the financial year ended 31 December 2021, JSS grant income was recognised in the profit or loss on a systematic basis over the period of economic uncertainty.

8. Tax expense

Tax recognised in profit or loss

	2021	2020
	$	$
Tax expense attributable to profit is made up of:		
Current income tax - Singapore	**15,250,000**	20,200,000
Deferred tax (Note 16)	**–**	60,000
Underprovision in prior financial year	**56,387**	–
Tax charge	**15,306,387**	20,260,000

8. Tax expense (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

	2021 **$**	2020 $
Profit before tax	**124,793,469**	124,608,518
Tax calculated at a tax rate of 17% (2020: 17%)	**21,214,890**	21,183,448
Effects of:		
- Income not taxable for tax purposes	**(30,731)**	(240,728)
- Effect of income taxed at rate of 10%	**(7,362,540)**	(3,178,461)
- Singapore statutory stepped income exemption	**(17,425)**	(25,925)
- Under provision in prior financial year	**56,387**	–
- Others	**1,445,806**	2,521,666
	15,306,387	20,260,000

Pursuant to Section 43C of the Singapore Income Tax Act 1947, qualifying income is subject to the tax concessionary rate of 10% instead of the standard rate of 17%.

The Company's tax liabilities have been measured based on the corporate tax rate and tax laws prevailing at reporting date.

9. Cash and cash equivalents

	2021 **$**	2020 $
Cash at bank and on hand	**28,170,483**	72,029,565
Short-term bank deposits	**782,415,743**	751,154,134
	810,586,226	823,183,699

Included in the Company's cash at bank and on hand is $6,721,786 (2020: $9,919,658) of cash collateral collected from policy holders.

Short-term bank deposits at the reporting date had maturity ranging between 1 – 6 months (2020: 1 - 6 months) from the end of the financial year with the following weighted average effective interest rates:

	2021	2020
Singapore Dollar	**0.40%**	0.60%
United States Dollar	**0.54%**	0.57%
Others	**1.70%**	1.79%

10. Financial assets

Financial assets, available-for-sale are analysed as follows:

	2021 **$**	2020 $
Debt securities:		
- Listed	**713,886,202**	633,425,498
- Unlisted	**89,761,416**	125,449,668
Total financial assets, available-for-sale	**803,647,618**	758,875,166
Current	**129,247,736**	154,840,698
Non-current	**674,399,882**	604,034,468
Total financial assets, available-for-sale	**803,647,618**	758,875,166

The debt securities are fixed rate bonds with a weighted average effective interest rate of 2.75% (2020: 2.68%).

11. Insurance and other receivables

(a) Insurance receivables

	2021 **$**	2020 $
Amounts due from insureds, agents, brokers, insurers and reinsurers		
- External receivables	**265,011,233**	243,486,364
- Immediate holding company	**1,729,728**	3,811,862
- Related companies	**10,739,792**	18,333,916
	277,480,753	265,632,142
Less: Allowance for impairment of receivables	**(382,694)**	(582,978)
Total insurance receivables	**277,098,059**	265,049,164

(b) Other receivables

	2021 **$**	2020 $
Deposits	**535,188**	536,623
Accrued interest and dividend income	**5,990,805**	6,647,567
Other receivables	**2,368,866**	1,071,425
Prepayments	**246,277**	259,493
	9,141,136	8,515,108

12. Mortgage loans

	2021	2020
	$	$
Mortgage loans maturing within 1 year	**10,525,623**	18,150,000
Mortgage loans maturing after 1 year	**15,003,178**	7,357,341
	25,528,801	25,507,341

Mortgage loans are secured with interest rates ranging from 2.22% to 5.50% per annum (2020: 2.25 % to 5.00% per annum).

13. Property, plant and equipment

	Motor vehicles	Office equipment	Furniture and fittings	Building	Land	Total
	$	$	$	$	$	$
2021						
Cost						
At 1 January 2021	**429,999**	**2,588,280**	**1,124,294**	**2,350,000**	**7,264,164**	**13,756,737**
Additions	**–**	**38,765**	**2,900**	**–**	**–**	**41,665**
Disposals	**–**	**(836)**	**–**	**–**	**–**	**(836)**
At 31 December 2021	**429,999**	**2,626,209**	**1,127,194**	**2,350,000**	**7,264,164**	**13,797,566**
Accumulated depreciation						
At 1 January 2021	**139,589**	**1,605,811**	**1,070,981**	**1,057,500**	**–**	**3,873,881**
Depreciation for the year	**45,272**	**442,661**	**38,132**	**58,750**	**–**	**584,815**
Disposals	**–**	**(479)**	**–**	**–**	**–**	**(479)**
At 31 December 2021	**184,861**	**2,047,993**	**1,109,113**	**1,116,250**	**–**	**4,458,217**
Net book value at 31 December 2021	**245,138**	**578,216**	**18,081**	**1,233,750**	**7,264,164**	**9,339,349**
2020						
Cost						
At 1 January 2020	429,999	1,926,754	1,129,781	2,350,000	7,264,164	13,100,698
Additions	–	887,636	13,936	–	–	901,572
Disposals	–	(226,110)	(19,423)	–	–	(245,533)
At 31 December 2020	429,999	2,588,280	1,124,294	2,350,000	7,264,164	13,756,737
Accumulated depreciation						
At 1 January 2020	94,317	1,549,798	1,041,969	998,750	–	3,684,834
Depreciation for the year	45,272	282,123	48,435	58,750	–	434,580
Disposals	–	(226,110)	(19,423)	–	–	(245,533)
At 31 December 2020	139,589	1,605,811	1,070,981	1,057,500	–	3,873,881
Net book value at 31 December 2020	290,410	982,469	53,313	1,292,500	7,264,164	9,882,856

13. Property, plant and equipment (continued)

The fair value of the office building for the Company as at 31 December 2021 was approximately $30,000,000 (2020: $30,000,000). The property of the Company was valued by an independent professional valuer using the sales comparison approach as at 31 December 2020. Under the sales comparison approach, the recent sale prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location, condition of the properties. The most significant input into this valuation approach is selling price per square foot.

14. Insurance and other payables

(a) Insurance payables

At the reporting date, the carrying amounts of balances due to agents, brokers and reinsurers approximated their fair values.

	2021	2020
	$	$
Amounts due to insureds, agents, brokers, insurers and reinsurers		
- External payables	**317,792,870**	317,595,097
- Immediate holding company	**15,209**	2,701
- Related companies	**39,981**	(10,765)
	317,848,060	317,587,033

(b) Other payables

	2021	2020
	$	$
Cash collateral	**6,721,786**	9,919,658
Accrued operating expenses	**3,457,234**	4,224,650
Amount due to related company	**277,338**	250,000
Other creditors	**7,701,481**	12,299,951
	18,157,839	26,694,259

15. Technical reserves

	2021	2020
	$	$
Technical reserves		
- premium liabilities	**358,228,874**	337,883,267
- loss reserves	**1,313,363,053**	1,040,874,144
Total technical reserves, gross	**1,671,591,927**	1,378,757,411
Reinsurers' share of technical reserves		
- premium liabilities on reinsurance ceded	**255,382,793**	225,278,136
- loss reserves recoverable from reinsurers	**879,390,496**	621,513,868
Total reinsurers' share of technical reserves	**1,134,773,289**	846,792,004
Net		
- premium liabilities	**102,846,081**	112,605,131
- loss reserves	**433,972,557**	419,360,276
Total technical reserves, net	**536,818,638**	531,965,407

Technical reserves are disclosed as follows:

Current	**525,907,044**	520,294,959
Non-current	**10,911,594**	11,670,448
	536,818,638	531,965,407

(a) Movements in net loss reserves are as follows:

	2021	2020
	$	$
Balance at beginning of financial year	**419,360,276**	382,582,103
Net claims paid	**(123,908,419)**	(114,553,892)
Claims incurred	**138,520,700**	151,332,065
Balance at end of financial year	**433,972,557**	419,360,276

(b) Loss development triangles

Disclosed 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.

15. Technical reserves (continued)

(b) Loss development triangles (continued)

Loss reserves (Gross)

Direct & Facultative Lines Accident Year Basis
As at 31 December 2021

	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$
Accident Year						
Estimate of ultimate claim costs:						
- At end of accident year	266,521,592	236,655,170	354,035,992	341,210,780	471,440,688	
- one year later	258,110,881	224,421,628	357,632,516	319,550,292		
- two years later	240,222,416	211,977,438	347,184,414			
- three years later	230,066,873	201,521,504				
- four years later	219,781,904					
Current estimate of cumulative claims	219,781,904	201,521,504	347,184,414	319,550,292	471,440,688	1,559,478,802
Cumulative payments to date	(184,295,265)	(150,500,739)	(266,008,577)	(94,308,731)	(38,060,034)	(733,173,346)
Liability recognised in actuarial valuation	35,486,639	51,020,765	81,175,837	225,241,561	433,380,654	826,305,456

Direct & Treaty Lines Underwriting Year Basis
As at 31 December 2021

	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$
Underwriting Year						
Estimate of ultimate claim costs:						
- At end of underwriting year	61,916,810	96,878,136	106,712,335	52,403,791	36,774,244	
- one year later	96,106,686	143,839,632	164,262,731	95,127,511		
- two years later	98,559,851	156,960,961	213,862,053			
- three years later	95,648,571	165,933,094				
- four years later	93,488,895					
Current estimate of cumulative claims	93,488,895	165,933,094	213,862,053	95,127,511	36,774,244	605,185,797
Cumulative payments to date	(83,491,269)	(123,743,789)	(120,506,492)	(27,834,306)	(1,940,974)	(357,516,830)
Liability recognised in actuarial valuation	9,997,626	42,189,305	93,355,561	67,293,205	34,833,270	247,668,967

Total All Lines (Direct & Facultative & Treaty)	
Liability recognised in actuarial valuation	1,073,974,423
Reserve in respect of prior years	79,158,571
Total reserve including ULAE	1,153,132,994
PAD, Discounting	143,380,745
Total reserve included in actuarial valuation	1,296,513,739
Total reserve included in the statement of financial position	1,313,363,053

15. Technical reserves (continued)

(b) Loss development triangles (continued)

Loss reserves (Gross)

Direct & Facultative Lines Accident Year Basis
As at 31 December 2020

Accident Year	2016 $	2017 $	2018 $	2019 $	2020 $	Total $
Estimate of ultimate claim costs:						
- At end of accident year	271,138,805	266,521,592	236,655,170	354,035,992	341,210,780	
- one year later	260,113,205	258,110,881	224,421,628	357,632,516		
- two years later	237,400,979	240,222,416	211,977,438			
- three years later	237,826,084	230,066,873				
- four years later	220,787,632					
Current estimate of cumulative claims	220,787,632	230,066,873	211,977,438	357,632,516	341,210,780	1,361,675,239
Cumulative payments to date	(193,201,471)	(174,639,896)	(133,507,149)	(210,516,803)	(30,004,962)	(741,870,281)
Liability recognised in actuarial valuation	27,586,161	55,426,977	78,470,289	147,115,713	311,205,818	619,804,958

Direct & Treaty Lines Underwriting Year Basis
As at 31 December 2020

Underwriting Year	2016 $	2017 $	2018 $	2019 $	2020 $	Total $
Estimate of ultimate claim costs:						
- At end of underwriting year	55,473,915	61,916,810	96,878,136	106,712,335	52,403,791	
- one year later	91,042,119	96,106,686	143,839,632	164,262,731		
- two years later	95,492,216	98,559,851	156,960,961			
- three years later	92,723,732	95,648,571				
- four years later	91,488,224					
Current estimate of cumulative claims	91,488,224	95,648,571	156,960,961	164,262,731	52,403,791	560,764,278
Cumulative payments to date	(84,028,284)	(82,357,552)	(111,747,537)	(63,901,955)	(3,391,972)	(345,427,300)
Liability recognised in actuarial valuation	7,459,940	13,291,019	45,213,424	100,360,776	49,011,819	215,336,978

Total All Lines (Direct & Facultative & Treaty)	
Liability recognised in actuarial valuation	835,141,936
Reserve in respect of prior years	76,958,678
Total reserve including ULAE	912,100,614
PAD, Discounting	111,724,215
Total reserve included in actuarial valuation	1,023,824,829
Total reserve included in the statement of financial position	1,040,874,144

15. Technical reserves (continued)

(b) Loss development triangles (continued)

Loss reserves (Net)

	Direct & Facultative Lines Accident Year Basis As at 31 December 2021					
	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$
Accident Year						
Estimate of ultimate claim costs:						
- At end of accident year	79,321,731	96,902,398	88,759,842	104,949,930	116,225,651	
- one year later	86,884,976	88,295,755	85,901,107	89,764,953		
- two years later	81,345,370	82,429,649	81,484,125			
- three years later	78,349,612	76,176,646				
- four years later	74,566,489					
Current estimate of cumulative claims	74,566,489	76,176,646	81,484,125	89,764,953	116,225,651	438,217,864
Cumulative payments to date	(62,229,797)	(57,686,769)	(56,505,613)	(34,604,244)	(16,930,243)	(227,956,666)
Liability recognised in actuarial valuation	12,336,692	18,489,877	24,978,512	55,160,709	99,295,408	210,261,198

	Direct & Treaty Lines Underwriting Year Basis As at 31 December 2021					
Underwriting Year						
Estimate of ultimate claim costs:						
- At end of underwriting year	37,656,634	88,431,398	69,779,707	29,523,059	16,477,675	
- one year later	69,719,958	123,177,511	96,703,190	46,555,181		
- two years later	73,248,266	129,798,527	120,287,950			
- three years later	71,567,314	136,282,906				
- four years later	70,085,375					
Current estimate of cumulative claims	70,085,375	136,282,906	120,287,950	46,555,181	16,477,675	389,689,087
Cumulative payments to date	(63,733,826)	(105,435,350)	(74,977,277)	(15,893,968)	(1,449,075)	(261,489,496)
Liability recognised in actuarial valuation	6,351,549	30,847,556	45,310,673	30,661,213	15,028,600	128,199,591

Total All Lines (Direct & Facultative & Treaty)	
Liability recognised in actuarial valuation	338,460,789
Reserve in respect of prior years	29,097,427
Total reserve including ULAE	367,558,216
PAD, Discounting	49,565,027
Total reserve included in actuarial valuation	417,123,243
Total reserve included in the statement of financial position	433,972,557

15. Technical reserves (continued)

(b) Loss development triangles (continued)

Loss reserves (Net) (continued)

Direct & Facultative Lines Accident Year Basis
As at 31 December 2020

	2016	2017	2018	2019	2020	Total
	$	$	$	$	$	$
Accident Year						
Estimate of ultimate claim costs:						
- At end of accident year	94,566,547	79,321,731	96,902,398	88,759,842	104,949,930	
- one year later	94,957,755	86,884,976	88,295,755	85,901,107		
- two years later	83,056,072	81,345,370	82,429,649			
- three years later	79,631,665	78,349,612				
- four years later	72,721,080					
Current estimate of cumulative claims	72,721,080	78,349,612	82,429,649	85,901,107	104,949,930	424,351,378
Cumulative payments to date	(63,874,967)	(59,411,626)	(52,955,843)	(43,139,002)	(12,739,241)	(232,120,679)
Liability recognised in actuarial valuation	8,846,113	18,937,986	29,473,806	42,762,105	92,210,689	192,230,699

Direct & Treaty Lines Underwriting Year Basis
As at 31 December 2020

	2016	2017	2018	2019	2020	Total
	$	$	$	$	$	$
Underwriting Year						
Estimate of ultimate claim costs:						
- At end of underwriting year	30,349,724	37,656,634	88,431,398	69,779,707	29,523,059	
- one year later	64,597,654	69,719,958	123,177,511	96,703,191		
- two years later	67,551,607	73,248,266	129,798,527			
- three years later	65,302,237	71,567,314				
- four years later	64,592,201					
Current estimate of cumulative claims	64,592,201	71,567,314	129,798,527	96,703,191	29,523,059	392,184,292
Cumulative payments to date	(60,264,152)	(63,235,860)	(96,366,630)	(40,843,388)	(3,803,032)	(264,513,062)
Liability recognised in actuarial valuation	4,328,049	8,331,454	33,431,897	55,859,803	25,720,027	127,671,230

Total All Lines (Direct & Facultative & Treaty)	
Liability recognised in actuarial valuation	319,901,929
Reserve in respect of prior years	32,455,906
Total reserve including ULAE	352,357,835
PAD, Discounting	49,953,128
Total reserve included in actuarial valuation	402,310,963
Total reserve included in the statement of financial position	419,360,276

15. Technical reserves (continued)

(c) Movements in premium liabilities are as follows:

	2021			2020		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Premium liabilities						
Balance at beginning of financial year	**370,909,998**	**(288,273,678)**	**82,636,320**	323,913,164	(226,624,133)	97,289,031
Movement during the year	**24,214,811**	**(39,194,510)**	**(14,979,699)**	46,996,834	(61,649,545)	(14,652,711)
Balance at end of financial year	**395,124,809**	**(327,468,188)**	**67,656,621**	370,909,998	(288,273,678)	82,636,320
Deferred acquisition costs						
Balance at beginning of financial year	**33,026,731**	**(62,995,542)**	**(29,968,811)**	31,665,824	(52,997,733)	(21,331,909)
Costs deferred during the year	**3,869,204**	**(9,089,853)**	**(5,220,649)**	1,360,907	(9,997,809)	(8,636,902)
Balance at end of financial year	**36,895,935**	**(72,085,395)**	**(35,189,460)**	33,026,731	(62,995,542)	(29,968,811)
Premium liabilities, net of deferred acquisition costs						
Balance at beginning of financial year	**337,883,267**	**(225,278,136)**	**112,605,131**	292,247,340	(173,626,400)	118,620,940
Movement during the year	**20,345,607**	**(30,104,657)**	**(9,759,050)**	45,635,927	(51,651,736)	(6,015,809)
Balance at end of financial year	**358,228,874**	**(255,382,793)**	**102,846,081**	337,883,267	(225,278,136)	112,605,131

16. Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement in deferred tax liabilities is as follows:

	Accelerated tax depreciation	Fair value (loss)/gain	Total
	$	$	$
2021			
Beginning of financial year	**170,000**	**1,190,600**	**1,360,600**
Credited to:			
- Equity (Note 18)	**–**	**(2,129,800)**	**(2,129,800)**
End of financial year	**170,000**	**(939,200)**	**(769,200)**
2020			
Beginning of financial year	110,000	217,800	327,800
Credited to:			
- Profit and Loss (Note 8)	60,000	–	60,000
- Equity (Note 18)	–	972,800	972,800
End of financial year	170,000	1,190,600	1,360,600

The Company's deferred tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at reporting date.

17. Share capital

The share capital comprises of fully paid-up 25,000,000 (2020: 25,000,000) ordinary shares with no par value, amounting to a total of $26,500,000 (2020: $26,500,000).

The holder of ordinary shares are entitled to receive dividend as declared from time to time, and are entitled to one vote per share at the meeting of the Company.

17. Share capital (continued)

Dividends

The following exempt (one-tier) dividends were declared and paid by the Company:

For the year ended 31 December

	2021	2020
	$	$
Paid by the Company to owners of the Company		
1.6696 dollars per qualifying ordinary share (2020: 1.395 dollars)	**41,740,000**	34,875,000
	41,740,000	34,875,000

18. Fair value reserve

	2021	2020
	$	**$**
Beginning of financial year	**5,815,844**	1,066,227
Financial assets, available-for-sale		
Fair value (loss)/gain	**(12,563,197)**	6,512,578
Tax on fair value changes (Note 16)	**2,135,100**	(1,107,100)
	(10,428,097)	5,405,478
Transfer to profit or loss on disposal	**31,125**	(790,161)
Tax effect (Note 16)	**(5,300)**	134,300
	25,825	(655,861)
End of financial year	**(4,586,428)**	5,815,844

19. Management of insurance and financial risk

Exposure to underwriting, credit, market, liquidity and capital risks arise in the normal course of business. The management of these risks is discussed below:

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

	Singapore %	Overseas %
2021		
Marine and aviation	14	13
Fire	37	75
Motor	8	2
Workmen's compensation	13	–
Miscellaneous accident	28	10
	100	100
2020		
Marine and aviation	14	17
Fire	29	64
Motor	17	11
Workmen's compensation	12	–
Miscellaneous accident	28	8
	100	100

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

(a) *Underwriting risk*

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 Company having either received insufficient premiums for the risks it has agreed to underwrite and hence not having adequate funds to invest and pay claims. The Company seeks to minimise underwriting risks with a balanced mix and spread of classes of business and by observing underwriting guidelines and limits, and high standards applied to the security of reinsurers. The Company adopted the Company's appointed actuary's view on its claims and premium liabilities at reporting date.

19. Management of insurance and financial risk (continued)

(a) *Underwriting risk (continued)*

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

	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%
2021				
Marine and aviation	17	19	14	19
Fire	48	22	46	41
Motor	11	25	3	8
Workmen's compensation	5	10	4	10
Miscellaneous accident	19	24	33	22
	100	100	100	100
2020				
Marine and aviation	18	19	20	22
Fire	41	17	39	29
Motor	19	34	9	20
Workmen's compensation	5	9	4	9
Miscellaneous accident	17	21	28	20
	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 by reviewing credit grades provided by rating agencies and other publicly available financial information. The exposure to individual counterparties is managed by monitoring the payment history for significant contract holders with whom the Company regularly transacts. The exposure to individual counterparties is also managed by other mechanisms, such as, withholding premiums deposits and the right to offset where counterparties are both debtors and creditors of the Company.

19. Management of insurance and financial risk (continued)

(b) Credit risk (continued)

	AAA $	AA $	A $	BBB $	BB $	Not rated / analysed $	Total $
2021							
Cash and cash equivalents#	–	**88,041,348**	**399,566,609**	**312,715,168**	–	**10,263,101**	**810,586,226**
Financial assets	**340,554,398**	**49,974,562**	**153,990,001**	**167,232,929**	**5,101,109**	**86,794,619**	**803,647,618**
Insurance receivables	–	**10,308,444**	**77,242,748**	**23,666,310**	**7,603,982**	**158,276,575**	**277,098,059**
Other receivables*#	**1,861,752**	**536,199**	**3,767,247**	**1,458,600**	**117,881**	**1,153,180**	**8,894,859**
Derivative financial instruments	–	–	**4,639**	–	–	–	**4,639**
Mortgage loans#	–	–	–	–	–	**25,528,801**	**25,528,801**
	342,416,150	**148,860,553**	**634,571,244**	**505,073,007**	**12,822,972**	**282,016,276**	**1,925,760,202**
2020							
Cash and cash equivalents#	–	109,661,579	421,178,680	277,185,249	10,000,000	5,158,191	823,183,699
Financial assets	393,440,765	35,473,653	152,622,986	148,262,393	1,759,663	27,315,706	758,875,166
Insurance receivables	27,695	12,114,636	49,260,605	18,005,936	8,793,951	176,846,341	265,049,164
Other receivables*#	1,898,147	550,634	3,622,803	1,308,708	27,176	848,147	8,255,615
Derivative financial instruments	–	–	37,577	–	–	–	37,577
Mortgage loans#	–	–	–	–	–	25,507,341	25,507,341
	395,366,607	157,800,502	626,722,651	444,762,286	20,580,790	235,675,726	1,880,908,562

* Excludes prepayments

\# These are the financial assets that meet the SPPI conditions of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have credit-ratings as determined by international credit-rating agencies. Financial assets, insurance receivables and reinsurance receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

Mortgage loans are not exposed to credit risk as these loans are fully collaterised. For financial assets that do not have any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the statement of financial position.

19. Management of insurance and financial risk (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for insurance and other receivables.

The age analysis of insurance receivables and other receivables (excluding prepayments) is disclosed below.

	Gross 2021 $	**Impairment losses 2021 $**	Gross 2020 $	Impairment losses 2020 $
Insurance and other receivables				
Not past due	**243,666,091**	**4,780**	236,990,472	–
4-6 months	**25,082,235**	**5,937**	20,625,060	–
7-12 months	**12,725,421**	**1,393**	12,858,132	312,421
More than one year	**4,901,865**	**370,584**	3,414,093	270,557
	286,375,612	**382,694**	273,887,757	582,978

Movement in provision for impairment:

	2021 $	2020 $
At 1 January	**582,978**	954,198
Provision for the year	**125,250**	453,996
Write-back for the year	**(2,305)**	(54,133)
Written-off for the year	**(323,229)**	(771,083)
At 31 December	**382,694**	582,978

(c) Market risk

(i) Currency risk

The Company is exposed to foreign exchange rate fluctuations because of its foreign currency denominated investments, bank deposits and insurance policies. Exposures to foreign currency risks on investments and bank deposits are monitored on an ongoing basis. The exposures to foreign currency risks on insurance policies are reviewed annually. The currency giving rise to this foreign currency risk is primarily the US Dollar.

19. Management of insurance and financial risk (continued)

(c) *Market risk* (continued)

(i) Currency risk (continued)

The table below summarises the Company's exposures to foreign currency exchange rate movements as at 31 December 2021. The Company's assets and liabilities at carrying amounts are included in the table, categorised by currency denomination at their carrying amounts. All the amounts are presented in Singapore Dollars.

	Denominated in:			
	SGD $	USD $	Others $	Total $
2021				
Cash and cash equivalents	519,284,851	197,010,961	94,290,414	810,586,226
Financial assets	699,224,229	104,423,389	–	803,647,618
Mortgage loans	25,528,801	–	–	25,528,801
Insurance and other receivables	99,141,945	105,390,071	81,707,179	286,239,195
Derivative financial instruments	4,639	–	–	4,639
Reinsurers' share of technical reserves	492,806,736	290,122,673	351,843,880	1,134,773,289
	1,835,991,201	696,947,094	527,841,473	3,060,779,768
Insurance and other payables	(280,629,675)	(41,373,952)	(14,002,272)	(336,005,899)
Technical reserves	(828,047,432)	(372,331,803)	(471,212,692)	(1,671,591,927)
	(1,108,677,107)	(413,705,755)	(485,214,964)	(2,007,597,826)
Net exposure	727,314,094	283,241,339	42,626,509	1,053,181,942
2020				
Cash and cash equivalents	513,549,461	203,134,039	106,500,199	823,183,699
Financial assets	697,184,416	56,635,881	5,054,869	758,875,166
Mortgage loans	25,507,341	–	–	25,507,341
Insurance and other receivables	75,525,032	94,357,166	103,682,074	273,564,272
Derivative financial instruments	37,577	–	–	37,577
Reinsurers' share of technical reserves	418,015,576	219,162,589	209,613,839	846,792,004
	1,729,819,403	573,289,675	424,850,981	2,727,960,059
Insurance and other payables	(301,768,247)	(31,089,982)	(11,423,063)	(344,281,292)
Technical reserves	(745,656,153)	(294,483,388)	(338,617,870)	(1,378,757,411)
	(1,047,424,400)	(325,573,370)	(350,040,933)	(1,723,038,703)
Net exposure	682,395,003	247,716,305	74,810,048	1,004,921,356

19. Management of insurance and financial risk (continued)

(c) *Market risk* (continued)

(i) Currency risk (continued)

If the foreign currencies exchange rate change against the Singapore dollar by 5% (2020: 5%), with all other variables including tax rate being held constant, the effects arising from the net position will be as follows:

	Increase /(Decrease)			
	2021 Profit after tax	**2021 Equity**	2020 Profit after tax	2020 Equity
Foreign currencies against SGD	**5%**	**5%**	5%	5%
- Strengthened	**9,411,390**	**9,411,390**	11,085,513	11,085,513
- Weakened	**(9,411,390)**	**(9,411,390)**	(11,085,513)	(11,085,513)

(ii) Price risk

The Company is not exposed to equity price risk as all investments are debt securities.

19. Management of insurance and financial risk (continued)

(c) Market risk (continued)

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily arising from its interest-bearing short-term bank deposits, interest-bearing debt securities and interest-bearing loans and receivables. Strict investment guidelines are used to monitor the risks in the Company's investments.

The tables below set out the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the maturity date.

	Variable rates	Fixed rates					
	Amount $	Less than 6 months $	6 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
2021							
Cash and cash equivalents	–	**776,885,068**	**5,530,675**	–	–	**28,170,483**	**810,586,226**
Insurance and other receivables						**286,239,195**	**286,239,195**
Mortgage loans	**14,725,623**	**10,000,000**	–	–	**803,178**	–	**25,528,801**
Derivative financial instruments	–	–	–	–	–	**4,639**	**4,639**
Financial assets	**70,002,908**	**74,035,700**	**55,212,036**	**390,657,936**	**213,739,038**	–	**803,647,618**
2020							
Cash and cash equivalents	–	751,154,134	–	–	–	72,029,565	823,183,699
Insurance and other receivables	–	–	–	–	–	273,564,272	273,564,272
Mortgage loans	9,675,624	–	15,000,000	–	831,717	–	25,507,341
Derivative financial instruments	–	–	–	–	–	37,577	37,577
Financial assets	77,304,777	140,406,169	14,434,530	335,536,140	191,193,550	–	758,875,166

19. Management of insurance and financial risk (continued)

(c) *Market risk* (continued)

(iii) Interest rate risk (continued)

If interest rates increase by 200 basis points ("bp"), with all other variables including tax rate being held constant, the profit after tax will be higher by $1,406,494 (2020: $1,443,875). A 200 bp decrease will have an equal but opposite effect on profit after tax.

Other comprehensive income would have been higher/lower by $45,066,630 (2020: $40,575,441) as a result of market value fluctuations on the debt securities portfolio based on the above movements in interest rates.

(d) *Liquidity risk*

The Company manages liquidity risk by maintaining sufficient cash and marketable securities to meet normal operating commitments. The Company's cash management process assesses the liquidity of assets held to ensure that assets can be realised on a reasonably timely basis to settle insurance liabilities.

The Company is required to satisfy the solvency requirements prescribed by the Singapore Insurance Act. The Company will assess at each quarter as well as annually whether solvency requirements have been met as part of their reporting process to the Monetary Authority of Singapore, which is the regulatory body for insurance companies in Singapore. Appropriate actions are taken by management to ensure the Company maintains a sound financial position throughout the year and in the long term.

Management believes that the Company's liquid assets and net cash from operations will enable it to meet any foreseeable cash requirements.

The table below analyses contractual maturities of the liabilities of the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

19. Management of insurance and financial risk (continued)

(d) *Liquidity risk (continued)*

	Carrying amount $	Contractual cash flow $	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
2021						
Insurance and other payables	336,005,899	336,005,899	307,409,774	10,922,933	14,936,690	2,736,502
Lease liabilities	648,288	652,848	634,848	18,000	–	–
Technical reserves - loss reserves, net of reinsurers' share	433,972,557	437,014,676	216,253,767	102,116,401	102,772,121	15,872,387
2020						
Insurance and other payables	344,281,292	344,281,292	334,142,495	5,505,461	3,804,883	828,453
Lease liabilities	1,773,039	1,810,717	1,247,869	562,848	–	–
Technical reserves - loss reserves, net of reinsurers' share	419,360,276	421,624,615	197,222,881	92,894,249	106,945,890	24,561,595

(e) *Capital risk*

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to comply with capital adequacy requirements prescribed by the Singapore Insurance Act as an authorised insurer to carry on insurance business in or from Singapore, so that it can continue to provide returns for shareholders, by pricing products and services commensurate with the level of risk.

Regulatory capital requirements require the Company to hold assets sufficient to cover liabilities. The Company will assess at each quarter as well as annually whether the capital adequacy requirements as defined by the Singapore Insurance Act have been met as part of their reporting process to the Monetary Authority of Singapore.

The table below shows the minimum amount of capital that must be held by the Company in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

	2021	2020
Capital Adequacy Ratio Held	**599%**	**582%**
Minimum regulatory Capital Adequacy Ratio	**100%**	**100%**

In addition, MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different types of insurers from time to time. The Company is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2021 and 31 December 2020.

19. Management of insurance and financial risk (continued)

(f) Accounting classifications and fair values

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

19. Management of insurance and financial risk (continued)

(f) *Accounting classifications and fair values (continued)*

	Note	Carrying amount: Available-for-sale $	Carrying amount: Fair value through profit or loss $	Carrying amount: Loans and receivables $	Carrying amount: Other financial liabilities $	Carrying amount: Total $	Fair value: Level 1 $	Fair value: Level 2 $	Fair value: Level 3 $	Fair value: Total $
2021										
Financial assets measured at fair value										
Financial assets, available for sale	10	803,647,618	–	–	–	803,647,618	713,886,202	89,761,416	–	803,647,618
Derivative financial instruments		–	4,639	–	–	4,639	–	4,639	–	4,639
		803,647,618	4,639	–	–	803,652,257				
Financial assets not measured at fair value										
Mortgage loans#	12	–	–	25,528,801	–	25,528,801	–	–	25,528,801	25,528,801
Other receivables*#	11(b)	–	–	8,894,859	–	8,894,859				
Cash and cash equivalents#	9	–	–	810,586,226	–	810,586,226				
		–	–	845,009,886	–	845,009,886				
Financial liabilities not measured at fair value										
Other payables	14(b)	–	–	–	(18,157,839)	(18,157,839)				

* *Excludes prepayments*

\# These are the financial assets that meet the SPPI conditions of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109.

19. Management of insurance and financial risk (continued)

(f) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	**Available-for-sale $**	**Fair value through profit or loss $**	**Loans and receivables $**	**Other financial liabilities $**	**Total $**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
2020										
Financial assets measured at fair value										
Financial assets, available for sale	10	758,875,166	–	–	–	758,875,166	633,425,498	125,449,668	–	758,875,166
Derivative financial instruments		–	37,577	–	–	37,577	–	37,577	–	37,577
		758,875,166	37,577	–	–	758,912,743				
Financial assets not measured at fair value										
Mortgage loans#	12	–	–	25,507,341	–	25,507,341	–	–	25,507,341	25,507,341
Other receivables*#	11(b)	–	–	8,255,615	–	8,255,615				
Cash and cash equivalents#	9	–	–	823,183,699	–	823,183,699				
		–	–	856,946,655	–	856,946,655				
Financial liabilities not measured at fair value										
Other payables	14(b)	–	–	–	(26,694,259)	(26,694,259)				

* *Excludes prepayments*

\# These are the financial assets that meet the SPPI conditions of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109.

19. Management of insurance and financial risk (continued)

(g) Measurement of fair values

(i) Financial instruments measured at fair value

Debt securities

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of debt securities classified as financial assets, available-for-sale, financial assets at fair value through profit or loss and derivative financial instruments (total return swaps) are based on over-the-counter quotes at the reporting date. These are based on market observable inputs such as benchmark yields, reported trades and broker-dealer quotes available for these investments. These investments are included in Level 2.

Derivative financial instruments

The fair value of financial derivative instruments for disclosure purposes is estimated based on quoted market prices for dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(ii) Financial instruments not measured at fair value

The fair value of mortgage loans approximates their carrying amount.

20. Immediate and ultimate holding companies

Mitsui Sumitomo Insurance Company, Limited and MS&AD Insurance Group Holdings, Inc. both incorporated in Japan, are the Company's immediate and ultimate holding companies respectively.

21. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties.

(a) Transactions

	2021	2020
	$	$
Immediate holding company		
Premiums received/receivable	**10,551,013**	9,870,828
Reinsurance premiums paid/payable	**(59)**	(2,785)
Commissions received	**–**	70
Commissions paid	**(1,036,693)**	(1,685,439)
Claims paid	**(128,437)**	(409,595)
Other related companies		
Premiums received/receivable	**41,242,529**	38,317,479
Reinsurance premiums paid/payable	**(509,960)**	(370,789)
Commissions received	**77,103**	69,740
Commissions paid	**(6,554,816)**	(5,832,849)
Claims paid	**(2,296,424)**	(1,775,147)
Claims recovered	**92**	9,320
Management fees	**(225,354)**	(286,202)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	2021	2020
	$	$
Salaries and other short-term employee benefits	**6,253,268**	5,738,988
Employer's contribution to defined contribution plans including Central Provident Fund	**49,982**	52,738
	6,303,250	5,791,726

22. Leases

Leases as lessee (FRS 116)

The Company leases properties consisting of office premises and expatriates' housing. The leases typically runs for a period of 2 to 3 years, with an option to renew the lease after that date. Lease payments are renegotiated every 2 to 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets relates to leased properties that do not meet the definition of investment property.

	Leased premises	
	2021	2020
	$	$
Balance at 1 January	**1,736,026**	2,430,024
Depreciation charge for the year	**(1,197,018)**	(1,170,359)
Additions to right-of-use assets	**141,319**	527,723
Derecognition of right-of-use assets	**(52,341)**	(51,362)
Balance at 31 December	**627,986**	1,736,026

Lease liabilities

When measuring lease liabilities for leases that were entered during the year, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 2.9%.

Amounts recognised in profit or loss

	2021	2020
	$	$
Interest on lease liabilities	**35,215**	68,584

22. Leases (continued)

Amounts recognised in statement of cash flows

	2021 $	2020 $
Total cash outflow for leases	**1,248,944**	1,462,701

Future minimum rental payments under non-cancellable operating leases are as follows:

	2021 $	2020 $
Within one year	**634,848**	1,247,869
After one year but not more than five years	**18,000**	562,848
	652,848	1,810,717

23. New or revised accounting Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these statements.

- *FRS 117 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to FRS 1)*
- *Covid-19-Related Rent Concessions (Amendment to FRS 116)*
- *Property, plant and equipment- Proceeds before intended use (Amendments to FRS 16)*
- *Onerous contracts- Cost of Fulfilling a Contract (Amendment to FRS 37)*
- *Definition of Accounting Estimates (Amendments to FRS 8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to FRS 12)*

Except FRS 117, the application of new standards and amendments to standards are not expected to have material effect on the financial statements of the Company in future financial periods.

FRS 117 Insurance Contracts is expected to have material impact on the financial statements of the Company in future financial periods.

23. New or revised accounting Standards and Interpretations (continued)

Applicable to 2023 financial statements

FRS 117 Insurance Contracts

FRS 117 Insurance Contracts which is expected to be effective for years beginning on 1 January 2023, and is to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard will replace *FRS 104 Insurance Contract*s and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. The Company is assessing the impact of FRS 117 on its financial statements.

24. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Directors on 25 March 2022.

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