Great American Insurance Company
(Incorporated in United States of America)
Singapore Branch
Company Registration No. T15FC0029B

Annual Financial Statements
31 December 2020

Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

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Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement by Chief Executive

For the financial year ended 31 December 2020

In my opinion, the accompanying statement of comprehensive income, statement of financial position, statement of changes in head office account and statement of cash flows together with notes thereto of the Singapore Branch of Great American Insurance Company (the "Branch") are properly drawn up so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2020, and of the results of the Branch's operations in Singapore, changes in head office account and cash flows from such operations for the financial year then ended.

Chee Keng Koon
Chief Executive

Singapore
26 March 2021

Independent Auditor's Report

For the financial year ended 31 December 2020
To the member of Great American Insurance Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Singapore Branch of Great American Insurance Company (the "Branch"), pursuant to section 373 of the Singapore Companies Act, Cap. 50 (the "Act"). These financial statements comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in head office account and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The Branch is a segment of Great American Insurance Company and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded therein.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2020, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the financial 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the Statement by Chief Executive included in page 1, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

For the financial year ended 31 December 2020
To the member of Great American Insurance Company

Responsibilities of management and directors for the financial statements

The Branch's 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, the Branch's management is responsible for assessing the Branch'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 the Branch's management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

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

Independent Auditor's Report
For the financial year ended 31 December 2020
To the member of Great American Insurance Company

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of the Branch's 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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch 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 Branch's management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records examined by us relating to the Branch's operations in Singapore have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

26 March 2021

Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement of Comprehensive Income

For the financial year ended 31 December 2020

	Notes	2020 S$'000	2019 S$'000
Gross written premiums		80,332	77,413
Outward reinsurance premiums		(22,569)	(21,250)
Net written premiums		57,763	56,163
Movement in net reserves for unexpired risks	6	3,056	(2,441)
Net earned premiums		**60,819**	**53,722**
Gross claims paid	5	(38,304)	(48,065)
Reinsurance claims recoveries	5	9,366	12,654
Net claims paid		(28,938)	(35,411)
Movement in net loss reserves		(1,367)	(10,870)
Net claims incurred	5	**(30,305)**	**(46,281)**
Commission expense		(14,696)	(14,234)
Commission income		5,422	4,827
Net commission expense		(9,274)	(9,407)
Movement in net deferred acquisition costs	7	(553)	(61)
Net incurred commission expense		**(9,827)**	**(9,468)**
Net underwriting profit/(loss)		**20,687**	**(2,027)**
Staff costs	15	(9,233)	(9,801)
Depreciation expense on plant and equipment	4	(1,484)	(1,436)
Depreciation expense on right-of-use assets	18, 21	(1,636)	(1,808)
Net loss on foreign exchange		(2,363)	(1,162)
Finance cost	18	(62)	(119)
Other operating expenses	16	(3,200)	(2,502)
Operating and other expenses		**(17,978)**	**(16,828)**
Investment income	19	1,761	2,187
Other income		76	159
Profit/(loss) before tax		**4,546**	**(16,509)**
Income tax expense	17	–	–
Profit/(loss) for the financial year		**4,546**	**(16,509)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on available-for-sale financial assets, net of tax		514	387
Reclassification to profit or loss from equity of net gain on disposal of available-for-sale financial assets		(279)	–
Other comprehensive income for the financial year, net of tax		235	387
Total comprehensive income/(loss) for the financial year		**4,781**	**(16,122)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2020

	Notes	2020 S$'000	2019 S$'000
Assets			
Plant and equipment	4	3,488	3,174
Reinsurers' share of loss reserves	5	12,810	10,565
Reinsurers' share of reserves for unexpired risks	6	6,144	4,951
Deferred acquisition costs	7	5,160	5,401
Other receivables	8	2,383	2,032
Right-of-use assets	18	869	2,474
Insurance receivables	9	27,749	33,415
Available-for-sale financial assets	11	83,871	82,289
Cash and cash equivalents	10	63,595	56,035
Total assets		**206,069**	**200,336**
Liabilities			
Loss reserves	5	82,774	79,162
Reserves for unexpired risks	6	29,908	31,771
Deferred acquisition costs from reinsurers	7	1,953	1,641
Other creditors and accruals	12	4,086	3,489
Lease liabilities	18	857	2,460
Insurance payables	13	9,967	10,070
Total liabilities		**129,545**	**128,593**
Net assets		**76,524**	**71,743**
Head office account			
Head office contribution	14	145,010	145,010
Fair value adjustment reserves		502	267
Accumulated losses		(68,988)	(73,534)
Total head office account		**76,524**	**71,743**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Head Office Account

For the financial year ended 31 December 2020

	Head office contribution S$'000	Accumulated losses S$'000	Fair value adjustment reserves S$'000	Total head office account S$'000
Balance at 1 January 2019	115,000	(57,025)	(120)	57,855
Loss for the financial year, net of tax	–	(16,509)	–	(16,509)
Net fair value gain on available-for-sale financial assets, net of tax	–	–	387	387
Total comprehensive loss for the financial year	–	(16,509)	387	(16,122)
Fund contribution from head office	30,010	–	–	30,010
Balance at 31 December 2019 and 1 January 2020	145,010	(73,534)	267	71,743
Profit for the financial year, net of tax	–	4,546	–	4,546
Net fair value gain on available-for-sale financial assets, net of tax	–	–	235	235
Total comprehensive loss for the financial year	–	4,546	235	4,781
Fund contribution from head office	–	–	–	–
Balance at 31 December 2020	145,010	(68,988)	502	76,524

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement of Cash Flows

For the financial year ended 31 December 2020

	Notes	2020 S$'000	2019 S$'000
Operating activities			
Profit/(loss) before tax		4,546	(16,509)
Adjustments for:			
Gain on disposal of plant and equipment		(13)	–
Depreciation expense on plant and equipment	4	1,484	1,436
Depreciation expense on right-of-use assets	18	1,777	1,808
Write-back of allowance for impairment of insurance receivables	9	(40)	(37)
Bad debts written off	16	49	–
Decrease in gross reserves for unexpired risks		(1,863)	(35)
Decrease/(increase) in gross deferred acquisition costs		241	(384)
Increase in gross loss reserves		3,612	4,214
(Increase)/decrease in reinsurers' share of reserves for unexpired risks		(1,193)	2,476
Increase in reinsurers' share of deferred acquisition costs		312	445
(Increase)/decrease in reinsurers' share of loss reserves		(2,245)	6,656
Interest income		(1,482)	(2,187)
Finance cost	18	62	119
Unrealised foreign exchange loss on available-for-sale financial assets	11	795	697
Gain on disposal of available-for-sale investments	19	(279)	–
Operating cash flows before working capital changes		**5,763**	**(1,301)**
Decrease/(increase) in insurance receivables		5,657	(8,172)
Increase in other receivables		(302)	(161)
Decrease in insurance payables		(103)	(2,611)
Increase/(decrease) in other creditors and accruals		597	(222)
Total changes in working capital		5,849	(11,166)
Finance cost paid	18	(62)	(119)
Net cash flows from/(used in) operating activities		**11,550**	**(12,586)**
Investing activities			
Purchase of plant and equipment	4	(1,814)	(1,663)
Purchase of available-for-sale financial assets	11	(76,279)	(87,783)
Proceeds from disposal of plant and equipment		29	–
Proceeds from disposal and redemption of available-for-sale financial assets		74,663	76,527
Interest received		1,186	2,172
Net cash flows used in investing activities		**(2,215)**	**(10,747)**
Financing activities			
Capital contribution from head office	14	–	30,010
Payment of principal portion of lease liabilities	18	(1,775)	(1,757)
Cash flows (used in)/from financing activities		**(1,775)**	**28,253**
Net increase in cash and cash equivalents		7,560	4,920
Cash and cash equivalents at beginning of financial year		56,035	51,115
Cash and cash equivalents at end of financial year	10	**63,595**	**56,035**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Great American Insurance Company, Singapore Branch ("the Branch") is a branch of Great American Insurance Company, incorporated in Ohio, United States. The Branch was registered under the Companies Act, Cap. 50, on 11 March 2015 and a license to carry on general insurance business in Singapore was granted by the Monetary Authority of Singapore ("MAS") on 15 May 2015.

The Branch is engaged principally in the underwriting of general and reinsurance insurance business. There were no significant changes in the nature of the principal activity during the financial year.

The registered office of the Branch is at 3 Temasek Avenue, #16-01, Centennial Tower, Singapore 039190.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") and Section 373 of the Singapore Companies Act, Cap. 50. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied in the financial statements.

The financial statements are prepared on a historical cost basis, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Branch'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 estimates and assumptions are significant to the financial statements are disclosed in Note 3.

The financial statements are presented in Singapore Dollars and rounded to the nearest thousands (S$'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

Adoption of new and revised standards

The accounting policies used by the Branch are applied consistently in these financial statements. In the current financial year, the Branch has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2020. The adoption of these standards did not have any effect on the financial performance or position of the Branch.

2. Summary of significant accounting policies

2.2 *Changes in accounting policies (cont'd)*

Continuing adoption of Amendments to FRS 104, Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

The Branch applies the temporary exemption from FRS 109 *Financial Instruments* as permitted by the Amendments to FRS 104 *Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts* which is effective for annual periods beginning on or after 1 January 2018. The temporary exemption permits the Branch to continue applying FRS 39 rather than FRS 109 for annual periods beginning before 1 January 2023.

The Branch concluded that it qualified for the temporary exemption from FRS 109 as the Branch has not previously applied any versions of FRS 109 and its activities are predominantly connected with insurance at annual reporting date that immediately precedes 1 April 2016 (i.e. 31 December 2015). As at 31 December 2015, the Branch's gross liabilities connected with insurance represented 92% of the total carrying amount of all its liabilities. Since 31 December 2015, there has been no change in the activities of the Branch that requires reassessment of the use of the temporary exemption.

As at 31 December 2015, the gross liabilities connected with insurance relative to total liabilities were as follows:

	S$'000	% of total liabilities
Liabilities arising from contracts within the scope of FRS 104	15,354	75%
Relevant other liabilities	3,513	17%
Total gross liabilities connected with insurance	18,867	92%
Total gross liabilities not connected with insurance	1,552	8%
Total liabilities	20,419	100%

The table below presents an analysis of the fair value of classes of financial assets as at 31 December 2020 and 31 December 2019, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

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

- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis). As at 31 December 2020, the Branch does not hold financial assets in this category.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

Continuing adoption of Amendments to FRS 104, Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (cont'd)

In the table below, the amortised cost of other receivables excluding prepayment and GST receivable, insurance receivables and cash and cash equivalents has been used as a reasonable approximation to fair value.

At 31 December 2020	**SPPI financial assets**		**Other financial assets**	
	S$'000	S$'000	S$'000	S$'000
	Fair value	Fair value change	Fair value	Fair value change
Other receivables excluding prepayment	2,313	–	–	–
Insurance receivables	27,749	–	–	–
Available-for-sale financial assets	83,871	235	–	–
Cash and cash equivalents	63,595	–	–	–
Total	177,528	235	–	–

At 31 December 2019	**SPPI financial assets**		**Other financial assets**	
	S$'000	S$'000	S$'000	S$'000
	Fair value	Fair value change	Fair value	Fair value change
Other receivables excluding prepayment and GST receivable	1,900	–	–	–
Insurance receivables	33,415	–	–	–
Available-for-sale financial assets	82,289	387	–	–
Cash and cash equivalents	56,035	–	–	–
Total	173,639	387	–	–

Refer to table as disclosed in Note 23.2 that shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades. The carrying amount is measured in accordance with FRS 39 after impairment allowance for those measured at amortised cost.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

Continuing adoption of Amendments to FRS 104, Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (cont'd)

As at 31 December 2020, the fair value under FRS 39 for those SPPI assets that do not have low credit risk was S$ 21,011,000 (2019: S$22,172,000).

The following table provides information on the fair value and carrying amount under FRS 39 for those SPPI assets which the Branch has determined do not have low credit risk. The carrying amount is measured in accordance with FRS 39 after impairment allowance for those measured at amortised cost.

At 31 December 2020	**Fair value**	**Carrying amount**
	S$'000	S$'000
Other receivables excluding prepayment	2,313	2,313
Insurance receivables	18,698	18,698
	21,011	21,011

At 31 December 2019	**Fair value**	**Carrying amount**
	S$'000	S$'000
Other receivables excluding prepayment and GST receivable	1,900	1,900
Insurance receivables	20,272	20,272
	22,172	22,172

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Branch has not adopted the following relevant standards that are issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 103: *Reference to the Conceptual Framework*	1 January 2022
Amendments to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to FRS 1: *Classification of Liabilities as Current or Non-current - Deferral of Effective Date*	1 January 2023
FRS 117: *Insurance Contracts*	1 January 2023

Except for FRS 117, the management expects that the adoption of other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 117 is described below:

FRS 117 Insurance Contracts

In March 2018, Accounting Standards Council in Singapore ("ASC") issued FRS 117 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

The overall objective of FRS 117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in FRS 104 *Insurance Contracts*, which are largely based on previous local accounting policies, FRS 117 provides a comprehensive model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

FRS 117 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The ASC also decided to extend the exemption currently in place for some insurers regarding the application of FRS 109 *Financial Instruments* to enable them to implement both FRS 109 and FRS 117 at the same time.

The Branch is evaluating the impact of the new standard on its financial statements and related disclosures and plans to adopt the new standard on the required effective date together with FRS 109.

2. Summary of significant accounting policies (cont'd)

2.4 ***Plant and equipment***

(a) *Measurement*

All items of plant and equipment are initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Branch and the costs of the item can be reliably measured. All other repairs and maintenance expenses are recognised in profit and loss when incurred.

The cost of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

(b) *Depreciation*

Depreciation is calculated using the straight-line basis over the estimated useful life as follows:

Furniture and Fittings	-	5 years
IT Equipment (Computer Hardware)	-	3 years
IT Equipment (Server Hardware)	-	5 years
IT Equipment (Software)	-	5 years
Office Equipment	-	5 years
Motor Vehicles	-	5 years

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

(c) *Disposal*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 *Impairment of non-financial assets*

Assets are tested for impairment whenever there is an evidence or indication that these assets may be impaired.

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 an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of 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 in the period in which it arises.

2.6 *Financial assets*

Classification

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate, depending on the purpose for which the assets are acquired.

(a) Loans and receivables

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as current assets unless the investment matures or there is intention to dispose these assets more than 12 months after the reporting date.

2. Summary of significant accounting policies (cont'd)

2.6 *Financial assets (cont'd)*

Recognition and derecognition

Financial assets are recognised when, and only when, the Branch becomes a party to the contractual provisions of the financial instrument.

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

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date on which the Branch commits to purchase or sell the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Branch has also transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recongised in profit or loss.

Impairment of financial assets

The Branch assesses at each reporting date whether there is evidence that a financial asset or a group of financial assets is impaired and recognizes for impairment when such evidence arises.

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

If there is evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss will be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset will then be reduced and the loss will be recorded in profit or loss.

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

2. Summary of significant accounting policies (cont'd)

2.7 *Insurance classification*

The Branch issues contracts that transfer significant insurance risk. An insurance contract is a contract under which the Branch (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Branch determines whether it has significant insurance risk by comparing benefits paid with benefits payable, if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remaining of its life-span, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2.8 *Reinsurance*

The Branch cedes and assumes insurance and reinsurance risks in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Reinsurance liabilities represent balances due to reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policies and in accordance with the related reinsurance contracts. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Branch from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence of an event that occurred after the initial recognition of the reinsurance asset in which the Branch may not receive all outstanding amounts due under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Branch will receive from the reinsurer. The impairment loss will be recorded in profit or loss.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2.9 *General insurance underwriting results*

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

2. Summary of significant accounting policies (cont'd)

2.9 *General insurance underwriting results (cont'd)*

(a) *Gross premiums*

Gross premiums are recognised as income at the commencement date of the risk. These premiums are recognised as revenue (earned premium) proportionally over the period of coverage. The portion of premiums received on in-force policies that relates to unexpired risks at the balance sheet date is reported as the reserves for unexpired risks.

(b) *Reinsurance premiums*

Inward reinsurance is recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance is accounted for in the same financial year as the original policy to which the reinsurance relates.

(c) *Unearned premium reserves*

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies, treaties and facultative acceptances in force, and will be earned over the remaining terms of the policies, treaties and facultative acceptances. The unearned premium reserves are calculated on the $1/365^{th}$ method.

(d) *Claims and claims related expenses*

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related claims expenses less recoveries to settle the present obligation at the reporting date. Provision is made for the estimated cost of all claims incurred but not settled at the reporting date less reinsurance recoveries, using the best information available at the time. In addition, provision for claims incurred but not reported is made based on the independent actuarial assessment as at the reporting date as required under the Insurance Act.

(e) *Acquisition costs and deferred acquisition costs ("DAC")*

Commission and other acquisition costs that are related to securing new insurance contracts and renewing existing contracts are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income or expenses.

Acquisition costs are deferred to the extent that the costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised based on the earnings profile over the term of expected future premiums. Amortisation is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.10 *Receivables and payables related to insurance contracts*

Receivables and payables are recognised when due and they are measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance and other receivables are measured at amortised cost. It includes amounts due to and from agents, brokers and insurance contract holders.

2.11 *Insurance contract liabilities*

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise outstanding claims provision and provision for unearned premiums.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for salvage and other recoveries. The liability is calculated at the reporting date using the standard actuarial claim projection techniques based on empirical data and current assumptions, this may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. The unearned premium reserves for all classes of business are calculated using the 1/365th method based on gross written premium less premiums on reinsurance. Premium deficiency reserves are derived using actuarial methods on the Branch's loss statistics. Generally, the reserve is released over the term of the insurance contract and is recognised as earned premium.

Liability adequacy test

At each reporting date, a liability adequacy test is performed to determine if there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios and loss adjustors' expense, if applicable). Where a shortfall is identified, the deficiency is recognised in the profit or loss through the provision for liability adequacy.

2.12 *Provisions for other liabilities and charges*

Provisions for other liabilities and charges are recognised when the Branch has a present obligation where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and will be adjusted to reflect the current best estimate.

2.13 *Investment income*

Interest income from investments is recognized on an accrual basis using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.14 ***Employee benefits***

(a) *Short-term benefits*

Wages, salaries, bonuses and Central Provident Fund ("CPF") contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees which increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) *Defined contribution plans*

As required by law, the Branch makes contributions to the CPF scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

2.15 ***Currency translation***

The financial statements are presented in Singapore Dollars and rounded to the nearest thousands (S$'000). Singapore Dollar is also the functional currency of the Branch.

Transactions in foreign currencies are initially recorded in the functional currency at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting date. All differences are taken to the profit or loss.

Non-monetary items in foreign currency measured in historical cost are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the profit or loss.

2.16 ***Cash and cash equivalents***

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, short-term deposits and cash in hand.

2.17 ***Leases***

As lessee

The Branch assesses at contract inception whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Branch applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

2. Summary of significant accounting policies (cont'd)

2.17 *Leases (cont'd)*

As lessee (cont'd)

(a) *Right-of-use assets*

The Branch recognises right-of-use assets at the commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The lease term includes periods covered by an option to extend if the Branch is reasonably certain to exercise that option. Unless the Branch is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets, as follows:

Property	-	5 years
Office Equipment	-	5 years

The right-of-use assets are subject to impairment assessment in line with the Branch's policy as described in Note 2.5.

(b) *Lease liabilities*

At the commencement of lease date, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Branch uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

(c) *Short-term leases and leases of low-value assets*

The Branch applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

2.18 *Taxation*

Current tax

Current tax assets and liabilities for the current and prior periods are recognised at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

2. Summary of significant accounting policies (cont'd)

2.19 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Branch if that person:
  (i) Has control or joint control over the Branch;
  (ii) Has significant influence over the Branch; or
  (iii) Is a member of the key management personnel of the Branch or of a parent of the head office of the Branch.

(b) An entity is related to the Branch if any of the following conditions applies:
  (i) The entity and the Branch are members of the same Branch (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Branch of which the other entity is a member);
  (iii) Both entities are joint ventures of the same third party;
  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch;
  (vi) The entity is controlled or jointly controlled by a person identified in (a); or
  (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2.20 *Government grants*

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

3. Significant accounting estimates, assumptions and judgements

The preparation of the Branch's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date as well as judgements made by the management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 *Critical judgements made in applying accounting policies*

There are no critical judgements made by the management in the process of applying the Branch's accounting policies that has significant effect on the amount recognised in the financial statements, apart from those involving estimations and assumptions of the insurance contract liabilities, which have the most significant effect on the amounts recognised in the financial statements.

3.2 *Key sources of estimation uncertainty and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) *Impairment of insurance receivables and reinsurance assets*

The Branch assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Branch considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows will be estimated on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2020, there was no allowance for impairment loss recognised for insurance receivables (2019: S$40,000). There was no impairment loss recognised for reinsurance assets for the financial years ended 31 December 2020 and 2019.

3. Significant accounting judgements, estimates and assumptions (cont'd)

3.2 *Key sources of estimation uncertainty and assumptions (cont'd)*

(b) *Impairment of available-for-sale financial assets*

The Branch records impairment charges on available-for-sale financial assets when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Branch evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

There was no impairment loss recognised on available-for-sale financial assets held as at 31 December 2020 and 2019.

(c) *Valuation of general insurance contract liabilities*

The principal uncertainty in the Branch's financial statements primarily arises in the technical provisions, which include the provisions of premium and claim liabilities. The premium liabilities comprise provision for unexpired risks, net of deferred acquisition cost while the claim liabilities comprise provision for outstanding claims. Their values are carried in the statement of financial position as disclosed in Notes 5, 6 and 7 to the financial statements.

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

The other uncertainties arising under insurance contracts include:

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

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

3. Significant accounting judgements, estimates and assumptions (cont'd)

3.2 *Key sources of estimation uncertainty and assumptions (cont'd)*

(c) *Valuation of general insurance contract liabilities (cont'd)*

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

<u>Sensitivity analysis</u>

An analysis of the sensitivity around the various scenarios provide an indication of the adequacy of the Branch's estimation process in respect of its insurance contracts. The tables presented below demonstrate the sensitivity of insured liability estimates to the particular movements in the estimation process assumptions used. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The analysis below has been prepared for a change in one variable with all other variables remaining constant and ignores changes in values of the related assets.

(i) <u>Claim liabilities</u>

2020	**Change in assumptions**	**Impact on gross claim liabilities**	**Impact on net claim liabilities**	**Net impact on profit before tax Increase/ (decrease)**
		S$'000	S$'000	S$'000
Ultimate Loss Ratio (all classes)	+5%	16,563	14,476	(14,476)
	-5%	(16,563)	(14,476)	14,476
Indirect Claim Handling Expenses	+1%	605	600	(600)
	-1%	(605)	(600)	600
Provision for Adverse Deviation	+5%	3,102	2,401	(2,401)
	-5%	(3,102)	(2,401)	2,401

2019	**Change in assumptions**	**Impact on gross claim liabilities**	**Impact on net claim liabilities**	**Net impact on loss before tax (Increase)/ decrease**
		S$'000	S$'000	S$'000
Ultimate Loss Ratio (all classes)	+5%	12,481	11,056	(11,056)
	-5%	(12,481)	(11,056)	11,056
Indirect Claim Handling Expenses	+1%	512	508	(508)
	-1%	(512)	(508)	508
Provision for Adverse Deviation	+5%	2,967	2,355	(2,355)
	-5%	(2,967)	(2,355)	2,355

3. Significant accounting judgements, estimates and assumptions (cont'd)

3.2 *Key sources of estimation uncertainty and assumptions (cont'd)*

(c) *Valuation of general insurance contract liabilities (cont'd)*

(i) Claim liabilities (cont'd)

The key assumptions considered in the sensitivity analysis of claims reported and loss adjustment expenses and claims incurred but not reported include ultimate loss ratio, indirect claim handling expenses and provision for adverse deviation.

(ii) Premium liabilities

2020	**Change in assumptions**	**Impact on gross premium liabilities** S$'000	**Impact on net premium liabilities** S$'000	**Net impact on profit before tax Increase/ (decrease)** S$'000
Expected Loss Ratio (all classes)	+5%	733	1,291	(1,291)
	-5%	–	(884)	884
Indirect Claim Handling Expenses	+1%	41	196	(196)
	-1%	–	(196)	196
Policy Maintenance Expenses	+1%	109	337	(337)
	-1%	–	(337)	337
Provision for Adverse Deviation	+5%	544	891	(891)
	-5%	–	(702)	702

2019	**Change in assumptions**	**Impact on gross premium liabilities** S$'000	**Impact on net premium liabilities** S$'000	**Net impact on loss before tax (Increase)/ decrease** S$'000
Expected Loss Ratio (all classes)	+5%	1,672	1,401	(1,401)
	-5%	(802)	(1,401)	1,401
Indirect Claim Handling Expenses	+1%	226	223	(223)
	-1%	(226)	(223)	223
Policy Maintenance Expenses	+1%	353	349	(349)
	-1%	(314)	(349)	349
Provision for Adverse Deviation	+5%	1,245	1,000	(1,000)
	-5%	(760)	(1,000)	1,000

The key assumptions considered in the sensitivity analysis of unearned premiums and unexpired portion of premiums include expected loss ratio, indirect claim handling expenses, policy maintenance expenses and provision for adverse deviation.

3. Significant accounting judgements, estimates and assumptions (cont'd)

3.2 *Key sources of estimation uncertainty and assumptions (cont'd)*

(d) *Leases - Estimating the incremental borrowing rate*

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Branch 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Branch estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Plant and equipment

	Furniture and fittings S$'000	IT equipment hardware S$'000	IT equipment software S$'000	Office equipment S$'000	Motor vehicles S$'000	Total S$'000
Cost						
At 1 January 2019	1,124	1,583	3,682	162	79	6,630
Additions	81	18	1,555	9	–	1,663
As at 31 December 2019 and 1 January 2020	1,205	1,601	5,237	171	79	8,293
Additions	4	274	1,437	–	99	1,814
Disposal	–	–	–	–	(79)	(79)
At 31 December 2020	1,209	1,875	6,674	171	99	10,028

4. Plant and equipment (cont'd)

	Furniture and fittings S$'000	IT equipment hardware S$'000	IT equipment software S$'000	Office equipment S$'000	Motor vehicles S$'000	Total S$'000
Accumulated depreciation						
At 1 January 2019	773	1,011	1,748	106	45	3,683
Charge for the financial year	232	302	853	33	16	1,436
As at 31 December 2019 and 1 January 2020	1,005	1,313	2,601	139	61	5,119
Charge for the financial year	119	236	1,090	20	19	1,484
Disposals	–	–	–	–	(63)	(63)
At 31 December 2020	1,124	1,549	3,691	159	17	6,540
Net book value						
31 December 2019	200	288	2,636	32	18	3,174
31 December 2020	85	326	2,983	12	82	3,488

5. Loss reserves

	2020 Gross S$'000	2020 Reinsurance S$'000	2020 Net S$'000	2019 Gross S$'000	2019 Reinsurance S$'000	2019 Net S$'000
Outstanding claims notified	34,989	(4,851)	30,138	46,114	(6,018)	40,096
Outstanding claims incurred but not reported ("IBNR")	47,785	(7,959)	39,826	33,048	(4,547)	28,501
	82,774	(12,810)	69,964	79,162	(10,565)	68,597
At beginning of financial year	79,162	(10,565)	68,597	74,948	(17,221)	57,727
Claims paid during the year	(38,304)	9,366	(28,938)	(48,065)	12,654	(35,411)
Claims incurred during the financial year	41,916	(11,611)	30,305	52,279	(5,998)	46,281
At end of financial year	82,774	(12,810)	69,964	79,162	(10,565)	68,597

5. Loss reserves (cont'd)

Loss development triangle

Reproduced below is an exhibit showing the development of claims over a period on a gross and net basis.

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

Analysis of claims development – Gross of reinsurance

	As at 31 December						
Accident Year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Estimate of cumulative claims	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At the end of accident year	2,129	21,933	35,832	59,293	51,698	48,795	
One year later	2,474	26,983	46,386	57,937	48,466		
Two years later	2,129	28,007	47,407	54,085			
Three years later	1,950	28,240	47,139				
Four years later	2,032	28,008					
Five years later	1,979						
Current estimate of ultimate claims	1,979	28,008	47,139	54,085	48,466	48,795	228,472
Cumulative payments to-date	(1,920)	(27,005)	(41,115)	(45,355)	(31,146)	(9,478)	(156,019)
Gross outstanding claims liabilities	59	1,003	6,024	8,730	17,320	39,317	72,453
Claims handling expenses							2,748
Total best estimate of gross claims liabilities							75,201
Provision for adverse deviation							7,573
Total gross claims liabilities as per the statement of financial position							82,774

5. Loss reserves (cont'd)

Analysis of claims development – Net of reinsurance

Accident Year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
			As at 31 December				
Estimate of cumulative claims	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At the end of accident year	1,794	18,414	33,962	43,426	41,529	39,539	
One year later	1,919	20,678	44,066	45,939	35,499		
Two years later	1,814	21,283	44,856	42,590			
Three years later	1,652	21,528	44,708				
Four years later	1,738	21,309					
Five years later	1,687						
Current estimate of ultimate claims	1,687	21,309	44,708	42,590	35,499	39,539	185,332
Cumulative payments to-date	(1,629)	(20,307)	(38,823)	(35,135)	(21,555)	(6,608)	(124,057)
Net outstanding claims liabilities	58	1,002	5,885	7,455	13,944	32,931	61,275
Claims handling expenses							2,747
Total best estimate of net claims liabilities							64,022
Provision for adverse deviation							5,942
Total net claims liabilities as per the statement of financial position							69,964

6. Reserves for unexpired risks

	2020			**2019**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At beginning of financial year	31,771	(4,951)	26,820	31,806	(7,427)	24,379
Movement of reserve during the financial year	(1,863)	(1,193)	(3,056)	(35)	2,476	2,441
At end of financial year	29,908	(6,144)	23,764	31,771	(4,951)	26,820

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For the financial year ended 31 December 2020

7. Deferred acquisition costs

	2020			2019		
	Gross S$'000	Reinsurance S$'000	Net S$'000	Gross S$'000	Reinsurance S$'000	Net S$'000
At beginning of financial year	5,401	(1,641)	3,760	5,017	(1,196)	3,821
Cost deferred during the financial year	(241)	(312)	(553)	384	(445)	(61)
At end of financial year	5,160	(1,953)	3,207	5,401	(1,641)	3,760

8 Other receivables

	2020 S$'000	2019 S$'000
Security deposits	494	494
Down payments on system development	434	26
Prepayment	70	132
Salvage recoveries	930	946
Interest receivable from cash and cash equivalents	3	46
Interest receivable from available-for-sale financial assets	365	273
Other receivables	87	115
	2,383	2,032

Other receivables which are denominated in foreign currencies are disclosed in Note 23 to the financial statements.

9. Insurance receivables

	2020 S$'000	2019 S$'000
Amounts due from policyholders, agents and brokers	10,508	11,721
Amounts due from cedants	12,134	14,349
	22,642	26,070
Less: Allowance for impairment	–	(40)
	22,642	26,030
Reinsurance recoverables	5,107	7,385
Total insurance receivables	27,749	33,415

Insurance receivables relate to amounts due from policyholders, agents, brokers, cedants and reinsurers. The Branch has no credit risk concentration that may arise from the exposure of a single debtor or a group of debtors. The Branch's normal trade credit term ranges from 60 to 90 days. Other credit terms are assessed and approved on a case-by-case-basis. Other credit terms include instalment scheme granted. Insurance receivables which are denominated in foreign currencies are disclosed in Note 23 to the financial statements.

Allowance for impairment relates to the provision for doubtful debt made during the financial year. There was a write-back of allowance for impairment of S$40,000 (2019: net write-back of S$37,000) during the financial year. The Branch currently offsets balances with the same counterparty within the receivables. The Branch has the legal rights to set-off these amounts and intends to settle on a net basis.

The insurance receivables that are offset are as follows:

2020	Gross carrying amount S$'000	Gross amount offset in the statement of financial position S$'000	Amount in the statement of financial position S$'000
Due from policyholders, agents, brokers, cedants and reinsurers	34,180	(6,431)	27,749

2019	Gross carrying amount S$'000	Gross amount offset in the statement of financial position S$'000	Amount in the statement of financial position S$'000
Due from policyholders, agents, brokers, cedants and reinsurers	38,268	(4,853)	33,415

10. Cash and cash equivalents

	2020 S$'000	2019 S$'000
Deposits	34,645	38,777
Cash at banks	28,948	17,256
Cash in hand	2	2
	63,595	56,035

The deposits bear interest at rates ranging from 0.03% to 0.25% per annum (2019: 0.50% to 1.78%), and mature within 3 months from year end, except for a sum of S$684,000 (2019: S$826,000) of deposits held as collateral against performance bonds issued on behalf of policyholders of which S$143,000 (2019: S$175,000) matures within 3 months from year end and S$541,000 (2019: S$651,000) expires after 3 months from year end.

Cash at banks represent non-interest bearing current accounts.

Cash and cash equivalents which are denominated in foreign currencies are disclosed in Note 23 to the financial statements.

11. Available-for-sale financial assets

	2020 S$'000	2019 S$'000
At beginning of financial year	82,289	71,333
Additions	76,279	87,783
Disposals/redemptions	(74,384)	(76,527)
Amortisation	247	10
Currency translation	(795)	(697)
Fair value gain recognised in other comprehensive income	235	387
At end of financial year	83,871	82,289
Less: Current portion	20,886	40,943
Non-current portion	62,985	41,346

The available-for-sale financial assets comprise debt securities which bear a weighted average interest rate of 1.18% per annum (2019: 1.95% per annum) with maturity dates from January 2021 to November 2025 (2019: February 2020 to March 2022).

Available-for-sale financial assets which are denominated in foreign currencies are disclosed in Note 23 to the financial statements.

12. Other creditors and accruals

	2020 S$'000	2019 S$'000
Collateral held in respect of performance bonds (Note 10)	858	826
Other creditors	922	1,031
Accrued operating expenses	2,223	1,628
GST payable	83	4
	4,086	3,489

Other creditors and accruals which are denominated in foreign currencies are disclosed in Note 23 to the financial statements. The collateral held in respect of performance bonds also consists of S$174,000 collateral which has matured during financial year 2020 but yet to be released to policyholder.

13. Insurance payables

	2020 S$'000	2019 S$'000
Due to policyholders, agents and brokers	1,415	4,134
Amounts due to reinsurers	8,552	5,936
	9,967	10,070

The Branch currently offsets balances with the same counterparty within the amount due to policyholders, agents, brokers and reinsurers. The Branch has the legal rights to offset these amounts and intends to settle on a net basis.

2020	**Gross carrying amount** S$'000	**Gross amount offset in the statement of financial position** S$'000	**Amount in the statement of financial position** S$'000
Due to policyholders, agents, brokers and reinsurers	10,263	(296)	9,967

2019	**Gross carrying amount** S$'000	**Gross amount offset in the statement of financial position** S$'000	**Amount in the statement of financial position** S$'000
Due to policyholders, agents, brokers and reinsurers	10,168	(98)	10,070

13. Insurance payables (cont'd)

Insurance payables are non-interest bearing and the normal trade credit term granted to the Branch ranges from 60 to 90 days. Insurance payables which are denominated in foreign currencies are disclosed in Note 23 to the financial statements.

14. Head office account

There was no fund injection from head office for the year end 31 December 2020 (2019: S$30,010,000).

15. Staff costs

	2020 S$'000	2019 S$'000
Salaries and bonuses	7,883	8,416
CPF contributions	917	779
Allowances and other staff-related expenses	433	606
	9,233	9,801

Included within the salaries and bonuses expense is the grant income from the Singapore Government under the Jobs Support Scheme ("JSS") amounting to S$1,105,000 (Note 21).

16. Other operating expenses

	2020 S$'000	2019 S$'000
Other operating expenses include the following:		
Legal and professional fees	441	419
License and association fees	81	70
Management fees	822	851
Other operating expenses	698	353
IT-related expenses	1,148	842
Operating lease expense	1	4
Write-back of allowance for impairment of insurance receivables (Note 9)	(40)	(37)
Bad debts written off	49	–
	3,200	2,502

17. Income tax

A reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate are as follows:

	2020 S$'000	**2019** S$'000
Profit/(loss) before tax	4,546	(16,509)
Tax at statutory tax rate of 17%	773	(2,807)
Adjustments:		
Non-deductible expenses	545	568
Benefit from enhanced deduction	–	(5)
Deferred tax assets not recognised	–	2,244
Utilisation of previously unrecognised tax losses	(1,318)	–
Income tax expense recognised in profit or loss	–	–

Unrecognised tax losses

As at balance sheet date, the Branch has tax losses of approximately S$60,530,000 (2019: S$66,441,000) that are available for offset against future taxable profits. There is an amount of S$7,753,000 which was utilised to offset against the taxable profit incurred this year. No deferred tax asset has been recognised on these tax losses due to uncertainty of its recoverability against future taxable profits. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

18. Leases

The Branch has lease contracts for property and office equipment used in its operations. The lease of property has a lease term of 5 years, while lease of office equipment has a lease term of 3 years. The Branch also has certain leases of office equipment with lease terms of 12 months or less, or with low value. The Branch applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

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18. Leases (cont'd)

	Property S$'000	Office equipment S$'000	Total S$'000
Costs			
At 1 January 2019	–	–	–
Effect of adopting FRS 116	4,149	95	4,244
Transfer from plant and equipment	38	–	38
At 1 January 2019, as adjusted and 1 January 2020	4,187	95	4,282
Additions	–	172	172
At 31 December 2020	4,187	267	4,454
Accumulated depreciation			
As at 1 January 2019	–	–	–
Depreciation charge for the financial year	1,732	76	1,808
As at 1 January 2020	1,732	76	1,808
Depreciation charge for the financial year	1,725	52	1,777
At 31 December 2020	3,457	128	3,585
Net book value			
As at 31 December 2019	2,455	19	2,474
As at 31 December 2020	730	139	869

18. Leases (cont'd)

The movement in lease liabilities are as follows:

	2020
	S$'000
At 1 January 2019	–
Effect of adopting FRS 116	4,217
At 1 January 2019, as adjusted	4,217
Payment	(1,876)
Finance cost	119
As at 31 December 2019 and 1 January 2020	2,460
Payment	(1,837)
Finance cost	62
Additions	172
As at 31 December 2020	857

The following are the amounts recognised in the statement of comprehensive income:

	2020	**2019**
	S$'000	S$'000
Depreciation of right-of-use assets	1,777	1,808
Rental rebate	(84)	–
Property tax rebate	(57)	–
Net depreciation recognised	1,636	1,808
Finance cost	62	119
Expense relating to leases of low-value assets	1	4
	1,699	1,931

Included within the depreciation charged for the financial year of right-of-use assets are COVID-19-related rent concessions received from the lessor of S$141,000 (Note 21).

The following are the amounts recognised in the cash flow statement:

	2020	**2019**
	S$'000	S$'000
Total cash outflows for leases		
- Payment of principal portion of lease liabilities	1,775	1,757
- Finance cost paid	62	119

The maturity analysis of lease liabilities are disclosed in Note 23.1.

19. Investment income

The Branch investment income consists of the following:

	2020 S$'000	2019 S$'000
Interest income from:		
- Available-for-sale investments	1,348	1,658
- Cash and cash equivalents	134	529
Gain on disposal of available-for-sale investments	279	–
	1,761	2,187

20. Operating lease commitments as lessee and lessor

Operating lease expense recognised as an expense in the profit or loss for the financial year ended 31 December 2020 amounted to S$1,000 (2019: S$4,000) (Note 16).

The Branch subleased part of its office space to third party tenants. The subleased income of S$63,000 (2019: S$159,000) was recognised as other income for the financial year ended 31 December 2020. The future minimum rental receivable from the third party tenants are as follows:

	2020 S$'000	2019 S$'000
Within one year	26	91
After one year but not more than three years	–	38
	26	129

The Branch has no lease contracts that have not yet commenced as at 31 December 2020.

21. Government grants

During 2020, the Branch received a grant from the Singapore Government under the Jobs Support Scheme ("JSS") to co-fund the local (Singaporean citizens and Permanent Residents) employees' salaries for a period of 9 months per the "Resilience Budget" and the "Solidarity Budget".

The grant income under the JSS amounting to S$1,105,000 has been presented as a deduction against the salary and bonuses expenses (Note 15).

21. Government grants (cont'd)

	2020
	S$'000
As at 1 January 2020	–
Salary grant received during the financial year	1,105
Released to the statement of comprehensive income	(1,105)
At 31 December 2020	–

The Branch was eligible for the receipt of the grants on the Rental Relief and the Property Tax Rental rebate per the COVID-19 (Temporary Measures) Act 2020. The grant was received in cash from the Branch's office landlord and the amount has been presented as a deduction against the depreciation of right-of-use asset (Note 18).

The impact of the application of Rental Relief rebate and Property Tax Rental rebate is shown as below:

	2020
	S$'000
As at 1 January 2020	–
Rental rebate recognised	84
Property tax rebate received	57
Released to the statement of comprehensive income	(141)
At 31 December 2020	–

22. Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, during the financial year, the significant transactions between the Branch and related parties were as follows:

	2020	**2019**
	S$'000	S$'000
Head office:		
Reimbursement of IT charges	654	723

Amounts due to head office were unsecured, interest-free and were repayable on demand. There are no outstanding amounts due to related party as at 31 December 2020 and 2019.

22. Significant related party transactions (cont'd)

Key management personnel

Key management personnel is defined as persons having authority and responsibility for planning, directing and controlling the activities of the Branch either directly or indirectly. The key management personnel compensation includes salary, bonus and other benefits computed based on the costs incurred by the Branch.

Key management personnel compensation is as follows:

	2020 S$'000	**2019** S$'000
Salaries and other remunerations	987	1,032

23. Financial and insurance risk management objectives and policies

The Branch's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Branch's business whilst managing its liquidity, credit, interest rate, foreign currency, operational and insurance risks. The Branch operates within clearly defined guidelines approved by the Head Office and the Branch's policy is not to engage in speculative transactions. There has been no change to the Branch's exposure to these financial and insurance risks or the manner in which it manages and measures the risks.

23.1 *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting its contractual obligations as they become due because of the inability to liquidate assets or obtain adequate funding without incurring unacceptable losses.

The Branch manages its operating cash flows and the availability of funding to ensure that repayment and funding obligations are met. As part of its overall prudent liquidity management, the Branch maintains sufficient levels of cash to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Branch's financial assets and financial liabilities at the end of the reporting period based on contractual maturities or expected repayment dates.

23. Financial and insurance risk management objectives and policies (cont'd)

23.1 *Liquidity risk (cont'd)*

At 31 December 2020	Carrying amount S$'000	Within 1 year S$'000	1 - 3 years S$'000	Above 3 years S$'000	Total S$'000
Financial assets:					
Other receivables excluding prepayment	2,313	889	1,424	–	2,313
Insurance receivables	27,749	20,819	6,347	583	27,749
Cash and cash equivalents	63,595	63,595	–	–	63,595
Total loans and receivables	93,657	85,303	7,771	583	93,657
Available-for-sale financial assets	83,871	21,082	28,528	34,664	84,274
Total financial assets	177,528	106,385	36,299	35,247	177,931
Financial liabilities:					
Other creditors and accruals excluding GST payable	4,003	3,850	153	–	4,003
Lease liabilities	857	934	88	–	1,022
Insurance payables	9,967	9,967	–	–	9,967
Total financial liabilities at amortised cost	14,827	14,751	241	–	14,992

23. Financial and insurance risk management objectives and policies (cont'd)

23.1 *Liquidity risk (cont'd)*

At 31 December 2019	**Carrying amount** S$'000	**Within 1 year** S$'000	**1 - 3 years** S$'000	**Above 3 years** S$'000	**Total** S$'000
Financial assets:					
Other receivables excluding prepayment and GST receivable	1,900	460	1,440	–	1,900
Insurance receivables	33,415	21,467	11,874	74	33,415
Cash and cash equivalents	56,035	56,035	–	–	56,035
Total loans and receivables	91,350	77,962	13,314	74	91,350
Available-for-sale financial assets	82,289	41,031	41,579	–	82,610
Total financial assets	173,639	118,993	54,893	74	173,960
Financial liabilities:					
Other creditors and accruals excluding GST payable	3,485	3,332	153	–	3,485
Lease liabilities	2,460	1,810	876	–	2,686
Insurance payables	10,070	10,070	–	–	10,070
Total financial liabilities at amortised cost	16,015	15,212	1,029	–	16,241

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

Loss reserves and related reinsurers' share of loss reserves are excluded from the above analysis. Due to the nature of the insurance risks assumed by the Branch, management does not believe that it is practicable to estimate reliably the timing of the future cash flows arising from these liabilities and assets. The inherent liquidity risk assumed by the Branch in this respect is mitigated by the Branch and its ability to obtain cash advances, if required from its Head Office and reinsurers.

23.2 *Credit risk*

Credit risk refers to the risk that the counterparty default on its contractual obligations, resulting in financial loss to the Branch. Credit risks, or the counterparties defaulting risk, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Branch's associations to business partners with high creditworthiness.

23. Financial and insurance risk management objectives and policies (cont'd)

23.2 *Credit risk (cont'd)*

The Branch limits its exposure on securities investment by setting maximum duration of portfolio security holding and maximum portfolio with a single issuer or a Branch of issuers.

Insurance receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Branch. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

The age analysis of insurance receivables are as follows:

	2020	**2019**
	S$'000	S$'000
Up to 90 days	17,714	22,032
Above 90 days but not exceeding 180 days	4,327	5,066
Above 180 days but not exceeding 1 year	3,968	5,227
Above 1 year	1,740	1,090
	27,749	33,415

There is no other class of financial assets that is past due and/or impaired, except for insurance receivables where included in the insurance receivables is an amount of S$11,268,000 (2019: S$15,441,000) that is past due but not impaired. The Branch believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment trends, subsequent receipts and extensive analysis of customer credit risk.

The age analysis of receivables that is past due but not impaired are as follows:

	2020	**2019**
	S$'000	S$'000
Up to 90 days	5,334	6,967
Above 90 days but not exceeding 180 days	2,608	4,293
Above 180 days but not exceeding 1 year	1,989	2,685
Above 1 year	1,337	1,496
	11,268	15,441

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23. Financial and insurance risk management objectives and policies (cont'd)

23.2 *Credit risk (cont'd)*

Financial assets that are past due and impaired are as follows:

	2020 S$'000	2019 S$'000
Gross carrying amount	–	40
Allowance for impairment	–	(40)
	–	–

The table below provides information regarding the credit risk exposure of the Branch by classifying financial assets according to the credit ratings of the counterparties.

At 31 December 2020	AAA S$'000	AA- to AA+ S$'000	A- to A+ S$'000	BBB S$'000	Not rated S$'000	Total S$'000
Financial assets:						
Other receivables excluding prepayment	–	–	–	–	2,313	2,313
Insurance receivables	–	3,172	3,336	2,543	18,698	27,749
Cash and cash equivalents	–	35,699	27,894	–	2	63,595
Total loans and receivables	–	38,871	31,230	2,543	21,013	93,657
Available-for-sale financial assets	83,871	–	–	–	–	83,871
Total financial assets	83,871	38,871	31,230	2,543	21,013	177,528

23. Financial and insurance risk management objectives and policies (cont'd)

23.2 ***Credit risk (cont'd)***

At 31 December 2019	**AAA** S$'000	**AA- to AA+** S$'000	**A- to A+** S$'000	**BBB** S$'000	**Not rated** S$'000	**Total** S$'000
Financial assets:						
Other receivables excluding prepayment and GST receivable	–	–	–	–	1,900	1,900
Insurance receivables	–	6,666	4,030	2,447	20,272	33,415
Cash and cash equivalents	–	33,130	22,903	–	2	56,035
Total loans and receivables	–	39,796	26,933	2,447	22,174	91,350
Available-for-sale financial assets	82,289	–	–	–	–	82,289
Total financial assets	82,289	39,796	26,933	2,447	22,174	173,639

23. Financial and insurance risk management objectives and policies (cont'd)

23.3 *Interest rate risk*

Interest rate risk is the risk that changes in the interest rates will have an adverse financial effect on the Branch's financial condition and/or results.

The Branch's exposure to interest rate risk relates primarily to cash flow interest rate risk and fair value interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and available-for-sale debt securities respectively.

The management considers the Branch's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

The following sensitivity analysis has been determined based on the exposure to interest rates for interest bearing bank balances at the reporting date and the stipulated changes taking place at the beginning of the financial year and held constant throughout the financial year.

If interest rates on interest bearing bank balances had been 50 basis points higher/lower and all other variables were held constant, the net profit before tax for the financial year ended 31 December 2020 would increase/decrease by approximately S$173,000 (2019: Loss before tax would decrease/increase by approximately S$193,000).

If the interest rate had been 50 basis points higher/lower with all other variables held constant, the fair value reserve in equity before tax for the financial year would have been lower/higher by S$1,890,000 and S$767,000 respectively (2019: S$1,096,000 and S$773,000) as a result of decrease/increase in the fair value of debt securities classified as available-for-sale financial assets.

The Branch currently has no borrowings and therefore, is not exposed to interest rate risk resulting from borrowings.

23. Financial and insurance risk management objectives and policies (cont'd)

23.4 *Foreign currency risk*

Foreign currency risk is the risk of loss resulting from changes in the exchange rates. Foreign currency risk is managed through risk limits and policies approved by the Branch.

The net unhedged financial assets and liabilities of the Branch as at the reporting date that are not denominated in their functional currency are as follows:

At 31 December 2020	**Cash and cash equivalents** S$'000	**Available-for-sale financial assets** S$'000	**Insurance receivables** S$'000	**Other receivables excluding prepayment** S$'000	**Insurance payables** S$'000	**Other creditors and accruals excluding GST payable** S$'000	**Net loss reserves** S$'000	**Lease liabilities** S$'000	**Net exposures** S$'000
SGD	24,831	64,410	7,104	1,287	(5,160)	(3,735)	(14,453)	(857)	73,427
USD	38,764	19,461	20,215	1,026	(4,807)	(268)	(51,421)	–	22,970
MYR	–	–	–	–	–	–	(70)	–	(70)
IDR	–	–	–	–	–	–	(20)	–	(20)
PHP	–	–	–	–	–	–	(284)	–	(284)
CNY	–	–	4	–	–	–	(54)	–	(50)
AED	–	–	–	–	–	–	(93)	–	(93)
EUR	–	–	–	–	–	–	(4)	–	(4)
KRW	–	–	–	–	–	–	(768)	–	(768)
HKD	–	–	–	–	–	–	(4)	–	(4)
TWD	–	–	426	–	–	–	(2,793)	–	(2,367)
	63,595	83,871	27,749	2,313	(9,967)	(4,003)	(69,964)	(857)	92,737

23. Financial and insurance risk management objectives and policies (cont'd)

23.4 *Foreign currency risk (cont'd)*

At 31 December 2019	Cash and cash equivalents S$'000	Available-for-sale financial assets S$'000	Insurance receivables S$'000	Other receivables excluding prepayment and GST receivable S$'000	Insurance payables S$'000	Other creditors and accruals excluding GST payable S$'000	Net loss reserves S$'000	Lease liabilities S$'000	Net exposures S$'000
SGD	32,478	62,811	7,495	773	(1,396)	(3,158)	(20,012)	(2,460)	76,531
USD	23,557	19,478	25,903	1,127	(8,674)	(327)	(47,728)	–	13,336
MYR	–	–	–	–	–	–	(72)	–	(72)
IDR	–	–	17	–	–	–	(3)	–	14
PHP	–	–	–	–	–	–	(202)	–	(202)
AED	–	–	–	–	–	–	(61)	–	(61)
EUR	–	–	–	–	–	–	(3)	–	(3)
KRW	–	–	–	–	–	–	(447)	–	(447)
THB	–	–	–	–	–	–	–	–	–
TWD	–	–	–	–	–	–	(69)	–	(69)
	56,035	82,289	33,415	1,900	(10,070)	(3,485)	(68,597)	(2,460)	89,027

23. Financial and insurance risk management objectives and policies (cont'd)

23.4 *Foreign currency risk (cont'd)*

Sensitivity analysis

The following table demonstrates the sensitivity of the Branch's profit/(loss) before tax to a reasonably possible change in exchange rates of the following currencies against the functional currency of the Branch, Singapore Dollars (S$).

	Profit before tax Increase/ (decrease) 2020 S$'000	Loss before tax Decrease/ (increase) 2019 S$'000
USD/SGD		
Strengthened 5%	1,149	667
Weakened 5%	(1,149)	(667)
MYR/SGD		
Strengthened 5%	(4)	(4)
Weakened 5%	4	4
IDR/SGD		
Strengthened 5%	(1)	1
Weakened 5%	1	(1)
PHP/SGD		
Strengthened 5%	(14)	(10)
Weakened 5%	14	10
CNY/SGD		
Strengthened 5%	(3)	–
Weakened 5%	3	–
AED/SGD		
Strengthened 5%	(5)	(3)
Weakened 5%	5	3
KRW/SGD		
Strengthened 5%	(38)	(22)
Weakened 5%	38	22
TWD/SGD		
Strengthened 5%	(118)	(3)
Weakened 5%	118	3

23. Financial and insurance risk management objectives and policies (cont'd)

23.5 *Fair value measurements*

The following table presents assets measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Branch can access at the measurement date;

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

(iii) Level 3 - unobservable inputs for the asset or liability.

2020	**Level 1** S$'000	**Level 2** S$'000	**Level 3** S$'000	**Total** S$'000
Assets				
Recurring fair value measurements				
Available-for-sale financial assets (Note 11)				
- Debt securities	83,871	–	–	83,871
At end of financial year	83,871	–	–	83,871

2019	**Level 1** S$'000	**Level 2** S$'000	**Level 3** S$'000	**Total** S$'000
Assets				
Recurring fair value measurements				
Available-for-sale financial assets (Note 11)				
- Debt securities	82,289	–	–	82,289
At end of financial year	82,289	–	–	82,289

There have been no transfer between Level 1 and Level 2 and Level 3 during the financial years ended 2020 and 2019.

23. Financial and insurance risk management objectives and policies (cont'd)

23.5 *Fair value measurements (cont'd)*

Determination of fair value

(i) Fair value of financial instruments that are carried at fair value

Fair value of debt securities in level 1 is determined by direct reference to their bid price quotations in an active market at the reporting date.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of Cash and cash equivalents (Note 10), Insurance receivables (Note 9), Other receivables excluding prepayment and GST receivable (Note 8), Insurance payables (Note 13) and Other creditors and accruals excluding GST payable (Note 12) are reasonable approximation of fair values due to their short-term nature.

23.6 *Operational risk*

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. When controls fail, operational risks can cause reputational damage and will have legal or regulatory implications which may lead to financial loss.

The Branch has implemented a robust control framework through its Enterprise Risk Management framework. The Risk Management and Compliance department monitors, responds and manages the potential risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff training, self-review and evaluation procedures.

Business risks, such as, changes in environment, technology and the industry are monitored through the Branch's strategic planning and budgeting process and the risk management framework.

23.7 *Insurance risk*

Insurance risk is the risk of variations in the timing, frequency and severity of insured events and claims settlements, relative to the expectations at the time of underwriting. The Branch faces the possibility of incurring higher claims than expected owing to the nature of the claim, their frequency, the severity and the risk of legal or economic conditions changes or behavioral patterns affecting pricing and conditions of insurance or reinsurance cover.

The Branch manages its exposure to large losses and catastrophe events by purchasing various appropriate reinsurance covers.

23. Financial and insurance risk management objectives and policies (cont'd)

23.7 *Insurance risk (cont'd)*

The table below sets out the concentration of general insurance contracts by line of business during the financial years ended 31 December 2020 and 2019.

2020	**Gross written premiums** S$'000	**Outward reinsurance premiums** S$'000	**Net written premiums** S$'000
Engineering	932	(478)	454
General accident	390	(35)	355
General liability	1,061	(119)	942
Marine cargo	18,479	(6,804)	11,675
Marine hull	35,201	(9,900)	25,301
Marine liability	5,507	(1,871)	3,636
Personal accident	3,468	(384)	3,084
Professional liability	5,341	(589)	4,752
Property & Home	4,460	(1,826)	2,634
Workmen compensation	2,741	(287)	2,454
Motor	2,457	(251)	2,206
Group Hospital & Surgical	295	(25)	270
	80,332	(22,569)	57,763

2019	**Gross written premiums** S$'000	**Outward reinsurance premiums** S$'000	**Net written premiums** S$'000
Engineering	939	(455)	484
General accident	744	(84)	660
General liability	1,010	(106)	904
Marine cargo	19,782	(6,750)	13,032
Marine hull	33,953	(10,001)	23,952
Marine liability	6,082	(1,544)	4,538
Personal accident	854	(91)	763
Professional liability	5,791	(696)	5,095
Property & Home	2,630	(1,180)	1,450
Workmen compensation	2,635	(205)	2,430
Motor	2,422	(140)	2,282
Group Hospital & Surgical	571	2	573
	77,413	(21,250)	56,163

23. Financial and insurance risk management objectives and policies (cont'd)

23.7 *Insurance risk (cont'd)*

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Branch's future claims development will follow a similar pattern and industry statistics. This includes assumptions in respect of average claims costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, and internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity analysis of the key assumptions used in this estimation process is found in Note 3.

24. Capital management

The primary objective of the Branch's capital management is to safeguard the Branch's ability to continue as a going concern, to maintain healthy capital ratios and to provide an adequate return to the shareholders. The Branch's capital is represented by the amount in the head office account comprising the capital contribution from the head office offset by accumulated losses.

The Branch is required to satisfy the Fund Solvency and Capital Adequacy Requirements prescribed under the Singapore Insurance Act (Chapter 142). The Branch monitors its capital level on a regular basis to assess whether such requirements are met, and reports to the MAS its fund solvency and capital adequacy positions at each quarter and annually. The Branch has complied with the solvency requirements during the financial years ended 31 December 2020 and 2019.

25. Impact of COVID-19

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases reported. Measures taken by the Singapore government to contain the virus have affected economic activity. The Branch has taken measures to monitor and mitigate the effects of COVID 19, such as safety and health measures for the staff members (i.e social distancing and work from home operating mode).

At this stage, the impact of COVID-19 on the Branch's business performance and results has not been significant and there are no going concern issues. The Branch will continue to follow the Singapore government COVID-19 policies and advice and in parallel, the Branch will do its utmost to continue its operations in the safest way possible without jeopardizing the health of its staff members.

26. Authorisation of financial statements

The financial statements were authorised for issuance by the Chief Executive of the Branch on 26 March 2021.