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

Annual Financial Statements
31 December 2022

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

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(Incorporated in the United States of America)
Singapore Branch

Statement by Chief Executive

For the financial year ended 31 December 2022

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 2022, 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
6 March 2023

Independent Auditor's Report

For the financial year ended 31 December 2022
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 1967 (the "Act"). These financial statements comprise the statement of financial position as at 31 December 2022, 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 2022, 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 2022
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 2022
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

6 March 2023

Statement of Comprehensive Income

For the financial year ended 31 December 2022

	Notes	2022 S$'000	2021 S$'000
Gross written premiums		112,913	86,962
Outward reinsurance premiums		(37,211)	(26,106)
Net written premiums		75,702	60,856
Movement in net reserves for unexpired risks	6	(3,595)	1,521
Net earned premiums		**72,107**	**62,377**
Gross claims paid	5	(33,637)	(33,015)
Reinsurance claims recoveries	5	7,304	5,740
Net claims paid		(26,333)	(27,275)
Movement in net loss reserves		(1,596)	190
Net claims incurred	5	**(27,929)**	**(27,085)**
Commission expense		(20,717)	(16,415)
Commission income		9,214	6,365
Net commission expense		(11,503)	(10,050)
Movement in net deferred acquisition costs	7	418	18
Net incurred commission expense		**(11,085)**	**(10,032)**
Net underwriting profit		**33,093**	**25,260**
Staff costs	15	(13,166)	(10,962)
Depreciation expense on plant and equipment	4	(1,291)	(1,216)
Depreciation expense on right-of-use assets	18	(1,664)	(1,663)
Net (loss)/gain on foreign exchange		(2,539)	2,298
Finance cost	18	(31)	(37)
Other operating expenses	16	(4,424)	(3,382)
Operating and other expenses		**(23,115)**	**(14,962)**
Investment income	19	1,183	695
Other income		97	18
Profit before tax		**11,258**	**11,011**
Income tax expense	17	–	–
Profit for the financial year		**11,258**	**11,011**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on available-for-sale financial assets, net of tax		(1,921)	(1,368)
Reclassification to profit or loss from equity of net gain on disposal of available-for-sale financial assets		–	(21)
Other comprehensive loss for the financial year, net of tax		(1,921)	(1,389)
Total comprehensive income for the financial year		**9,337**	**9,622**

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

Statement of Financial Position

As at 31 December 2022

	Notes	2022 S$'000	2021 S$'000
Assets			
Plant and equipment	4	2,482	3,585
Right-of-use assets	18	2,352	3,747
Reinsurers' share of loss reserves	5	21,763	13,382
Reinsurers' share of reserves for unexpired risks	6	10,052	7,898
Deferred acquisition costs	7	6,303	5,371
Other receivables	8	1,360	971
Insurance receivables	9	29,566	31,121
Available-for-sale financial assets	11	81,423	83,296
Cash and cash equivalents	10	96,696	71,884
Total assets		**251,997**	**221,255**
Liabilities			
Loss reserves	5	93,133	83,156
Reserves for unexpired risks	6	35,890	30,141
Deferred acquisition costs from reinsurers	7	2,660	2,146
Other creditors and accruals	12	5,316	4,064
Lease liabilities	18	2,324	3,957
Insurance payables	13	17,191	11,645
Total liabilities		**156,514**	**135,109**
Net assets		**95,483**	**86,146**
Head office account			
Head office contribution	14	145,010	145,010
Fair value adjustment reserves		(2,808)	(887)
Accumulated losses		(46,719)	(57,977)
Total head office account		**95,483**	**86,146**

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 2022

	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 2021	145,010	(68,988)	502	76,524
Profit for the financial year, net of tax	–	11,011	–	11,011
Net fair value loss on available-for-sale financial assets, net of tax	–	–	(1,389)	(1,389)
Total comprehensive income for the financial year	–	11,011	(1,389)	9,622
Fund contribution from head office	–	–	–	–
Balance at 31 December 2021 and 1 January 2022	145,010	(57,977)	(887)	86,146
Profit for the financial year, net of tax	–	11,258	–	11,258
Net fair value loss on available-for-sale financial assets, net of tax	–	–	(1,921)	(1,921)
Total comprehensive income for the financial year	–	11,258	(1,921)	9,337
Fund contribution from head office	–	–	–	–
Balance at 31 December 2022	145,010	(46,719)	(2,808)	95,483

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

Statement of Cash Flows

For the financial year ended 31 December 2022

	Notes	2022	2021
		S$'000	S$'000
Operating activities			
Profit before tax		11,258	11,011
Adjustments for:			
Loss on disposal of plant and equipment		–	2
Depreciation expense on plant and equipment	4	1,291	1,216
Depreciation expense on right-of-use assets	18	1,664	1,663
Impairment of insurance receivables	9	18	–
Write-back of allowance for impairment of insurance receivables	9	(7)	–
Bad debts written off	16	–	9
Increase in gross reserves for unexpired risks	6	5,749	233
Increase in gross deferred acquisition costs	7	(932)	(211)
Increase in gross loss reserves		9,977	382
Increase in reinsurers' share of reserves for unexpired risks	6	(2,154)	(1,754)
Increase in reinsurers' share of deferred acquisition costs	7	514	193
Increase in reinsurers' share of loss reserves		(8,381)	(572)
Interest income		(1,183)	(716)
Finance cost	18	31	37
Unrealised foreign exchange loss on available-for-sale financial assets	11	935	354
Loss on disposal of available-for-sale investments	19	–	21
Operating cash flows before working capital changes		**18,780**	**11,868**
Decrease/(increase) in insurance receivables		1,544	(3,381)
(Increase)/decrease in other receivables		(329)	1,353
Increase in insurance payables		5,546	1,678
Increase/(decrease) in other creditors and accruals		983	(22)
Total changes in working capital		7,744	(372)
Finance cost paid	18	(31)	(37)
Net cash flows from operating activities		**26,493**	**11,459**
Investing activities			
Purchase of plant and equipment	4	(188)	(1,316)
Purchase of available-for-sale financial assets	11	(84,375)	(66,928)
Proceeds from disposal of plant and equipment		–	1
Proceeds from disposal and redemption of available-for-sale financial assets	11	83,648	66,261
Interest received		867	253
Net cash flows used in investing activities		**(48)**	**(1,729)**
Financing activities			
Payment of principal portion of lease liabilities	18	(1,633)	(1,441)
Net cash flows used in financing activities		**(1,633)**	**(1,441)**
Net increase in cash and cash equivalents		24,812	8,289
Cash and cash equivalents at beginning of financial year		71,884	63,595
Cash and cash equivalents at end of financial year	10	**96,696**	**71,884**

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 1967, 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 1967. 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 2022. 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 2022 and 31 December 2021, 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 2022, the Branch does not hold financial assets in this category.

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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, insurance receivables and cash and cash equivalents has been used as a reasonable approximation to fair value.

At 31 December 2022	**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	1,353	–	–	–
Insurance receivables	29,566	–	–	–
Available-for-sale financial assets	81,423	(1,921)	–	–
Cash and cash equivalents	96,696	–	–	–
Total	209,038	(1,921)	–	–

At 31 December 2021	**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	971	–	–	–
Insurance receivables	31,121	–	–	–
Available-for-sale financial assets	83,296	(1,368)	–	–
Cash and cash equivalents	71,884	–	–	–
Total	187,272	(1,368)	–	–

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 2022, the fair value under FRS 39 for those SPPI assets that do not have low credit risk was S$18,209,000 (2021: S$19,846,00).

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 2022	**Fair value**	**Carrying amount**
	S$'000	S$'000
Other receivables excluding prepayment	1,353	1,353
Insurance receivables	16,856	16,856
	18,209	18,209

At 31 December 2021	**Fair value**	**Carrying amount**
	S$'000	S$'000
Other receivables excluding prepayment	971	971
Insurance receivables	18,875	18,875
	19,846	19,846

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 1: *Classification of Liabilities as Current or Non-current - Deferral of Effective Date*	1 January 2023
Amendments to FRS 1: *Disclosure of Accounting Policies*	1 January 2023
Amendments to FRS 12: *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	1 January 2023
FRS 117: *Insurance Contracts*	1 January 2023
Amendment to FRS 117: *Insurance Contracts*	1 January 2023
Amendments to FRS 8: *Definition of Accounting Estimates*	1 January 2023
Amendments to FRS 116: *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to FRS 1: *Non-current Liabilities with Covenants*	1 January 2024

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

(a) *General measurement model*

FRS117 provides a comprehensive model (the general measurement model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration which typically applies to certain non-life insurance contracts. The overall objective of FRS 117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

The general measurement model in the standard requires insurance contract liabilities to be measured using discounted probability-weighted current estimates of future cash flows, an adjustment for non-financial risk, and a contractual service margin representing the profit expected from fulfilling the contracts. Effects of changes in the estimates of future cash flows (and the risk adjustment for non-financial risk) relating to future services are recognised over the period services are provided rather than immediately in profit or loss.

The Branch has the necessary level of historical data, system feasibility and data points available from the Branch inception (Underwriting Year 2015) and will be adopting the full retrospective approach at transition.

(b) *Recognition*

The Branch has used the following procedure to determine the CSM at initial recognition for these contracts:

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

2.3 ***Standards issued but not yet effective (cont'd)***

FRS 117 Insurance Contracts (cont'd)

(b) *Recognition (cont'd)*

- Estimated future cash flows at the end date of initial recognition as the amount of the future cash flows at the transition date. The cash flows that are known to have occurred include cash flows resulting from contracts that ceased to exist before the transition date.

- Discount rates applied to cash flows in the period before transition date were based on 10 years averaged obtained from Monetary Authority of Singapore (MAS) and U.S Treasury Bond yield curve obtained from US Treasury Department.

- Estimated the risk adjustment for non-financial risk at the date of initial recognition by adjusting the risk adjustment at transition date by the expected release of risk in the periods before transition. The expected release of risk was determined with reference to the release of risk for similar contracts that the Branch has issued after the transition date.

The CSM at transition date has been further determined by:
- Using the modified discount rates at initial recognition to accrete interest on the CSM.
- Applying the amount of the CSM recognized in profit or loss because of the transfer of services before the transition date, by comparing the remaining coverage units at that date with the coverage units provided under the group of contracts before the transition date.

(c) *Level of aggregation*

FRS 117 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Branch is determined firstly by dividing the business written into portfolios. Portfolios comprise of groups of contracts with similar risks which are managed together.

The Branch has defined portfolios of insurance and reinsurance contracts based on product class and issuance year. The expected profitability of these portfolios are determined by a profitability metric within the accounting system which is based on the CSM at initial recognition and the present value of premium cash flows.

(d) *Onerous group of contracts*

The Branch will assess the group of contracts based on the profitability matrix within the system. Any contracts falling within the onerous threshold will be grouped together as an onerous profitability group.

(e) *Changes to presentation and disclosure*

For presentation in the statement of financial position, the Branch aggregates insurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets

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

2.3 ***Standards issued but not yet effective (cont'd)***

FRS 117 Insurance Contracts (cont'd)

(e) *Changes to presentation and disclosure (cont'd)*

- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the FRS 117 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared to those disclosed under FRS 104. Under FRS 104 the Branch reported the following line items in their financial statements:

- Gross premiums written
- Net written premiums
- Movement in the net provision for unearned premiums
- Movement in the net provision for outstanding claims
- Net earned premiums
- Net claims incurred

In the adoption of FRS 117, the standard requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Branch provides disaggregated qualitative information about significant judgements, and changes in those judgements, when applying the standard.

Amendment to FRS 109 as a result of FRS 117 Implementation

FRS 109 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Branch will apply the overlay approach where under the amendment, it permits the Branch to reclassify the financial assets from FVTPL to FVOCI. FRS 117 allows an election for the effect of changes in discount rates to be recognised in either profit or loss ("P&L") or other comprehensive income ("OCI"). Because of this, the Branch has to be cognisant of how the balance sheet management strategies, and the accounting treatment under FRS 109 of the assets used for these strategies as it will impact the Branch's statement of comprehensive income. Choices will impact the volatility of their profit or loss and net asset positions.

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.

2.5 ***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. Summary of significant accounting policies (cont'd)

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.

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 recognised 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 recognises for impairment when such evidence arises.

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

2.6 *Financial assets (cont'd)*

Assets carried at amortised cost
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.

2.7 *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.

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

2.8 *Reinsurance (cont'd)*

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.

(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 1/365th 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 1966.

(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.

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

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

(e) *Acquisition costs and deferred acquisition costs ("DAC") (cont'd)*

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.

2.10 *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. Summary of significant accounting policies (cont'd)

2.13 *Investment income*

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

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);
- (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); or
- (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*

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Branch accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) *Determining the lease term of contracts with renewal options*

The Branch determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it reasonable certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Branch has the option, under its office premises lease to lease the office premises for an additional term of three years. The Branch apples judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

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 2022 and for the financial year then ended, there was an allowance of S$18,000 for impairment loss recognised for insurance receivables (2021: Nil).

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 2022 and 2021.

(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.

Sensitivity analysis

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) Claim liabilities

2022	**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%	6,391	4,388	(4,388)
	-5%	(6,391)	(4,388)	4,388
Indirect Claim Handling Expenses	+1%	653	647	(647)
	-1%	(653)	(647)	647
Provision for Adverse Deviation	+5%	3,453	2,432	(2,432)
	-5%	(3,453)	(2,432)	2,432

2021	**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%	20,474	17,998	(17,998)
	-5%	(20,474)	(17,998)	17,998
Indirect Claim Handling Expenses	+1%	607	602	(602)
	-1%	(607)	(602)	602
Provision for Adverse Deviation	+5%	3,119	2,396	(2,396)
	-5%	(3,119)	(2,396)	2,396

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

2022	**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%	–	835	(835)
	-5%	–	(91)	91
Indirect Claim Handling Expenses	+1%	–	99	(99)
	-1%	–	(91)	91
Policy Maintenance Expenses	+1%	–	217	(217)
	-1%	–	(91)	91
Provision for Adverse Deviation	+5%	–	392	(392)
	-5%	–	(91)	91

2021	**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%	–	702	(702)
	-5%	–	(281)	281
Indirect Claim Handling Expenses	+1%	–	92	(92)
	-1%	–	(92)	92
Policy Maintenance Expenses	+1%	–	180	(180)
	-1%	–	(180)	180
Provision for Adverse Deviation	+5%	–	443	(443)
	-5%	–	(281)	281

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 2021	1,209	1,875	6,674	171	99	10,028
Additions	40	53	1,212	11	–	1,316
Disposal	–	(5)	–	–	–	(5)
As at 31 December 2021 and 1 January 2022	1,249	1,923	7,886	182	99	11,339
Additions	–	167	21	–	–	188
Disposal	–	–	–	–	–	–
At 31 December 2022	1,249	2,090	7,907	182	99	11,527

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 2021	1,124	1,549	3,691	159	17	6,540
Charge for the financial year	42	127	1,021	6	20	1,216
Disposals	–	(2)	–	–	–	(2)
As at 31 December 2021 and 1 January 2022	1,166	1,674	4,712	165	37	7,754
Charge for the financial year	27	138	1,101	5	20	1,291
Disposals	–	–	–	–	–	–
At 31 December 2022	1,193	1,812	5,813	170	57	9,045
Net book value						
31 December 2021	83	249	3,174	17	62	3,585
31 December 2022	56	278	2,094	12	42	2,482

5. Loss reserves

	2022			2021		
	Gross S$'000	Reinsurance S$'000	Net S$'000	Gross S$'000	Reinsurance S$'000	Net S$'000
Outstanding claims notified	41,747	(9,926)	31,821	35,430	(6,012)	29,418
Outstanding claims incurred but not reported ("IBNR")	51,386	(11,837)	39,549	47,726	(7,370)	40,356
	93,133	(21,763)	71,370	83,156	(13,382)	69,774
At beginning of financial year	83,156	(13,382)	69,774	82,774	(12,810)	69,964
Claims paid during the year	(33,637)	7,304	(26,333)	(33,015)	5,740	(27,275)
Claims incurred during the financial year	43,614	(15,685)	27,929	33,397	(6,312)	27,085
At end of financial year	93,133	(21,763)	71,370	83,156	(13,382)	69,774

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**	**2021**	**2022**	**Total**
Estimate of cumulative claims	S$'000	S$'000	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	41,589	52,573	
One year later	2,474	26,983	46,386	57,937	48,466	39,500	35,798		
Two years later	2,129	28,007	47,407	54,085	47,615	34,409			
Three years later	1,950	28,240	47,139	53,186	47,348				
Four years later	2,032	28,008	49,952	52,485					
Five years later	1,979	28,103	49,564						
Six years later	1,950	28,054							
Seven years later	1,950								
Current estimate of ultimate claims	1,950	28,054	49,564	52,485	47,348	34,409	35,798	52,573	302,181
Cumulative payments to-date	(1,947)	(27,703)	(46,344)	(49,363)	(41,447)	(26,956)	(23,270)	(5,549)	(222,579)
Gross outstanding claims liabilities	3	351	3,220	3,122	5,901	7,453	12,528	47,024	79,602
Claims handling expenses									4,111
Total best estimate of gross claims liabilities									83,713
Provision for adverse deviation									9,420
Total gross claims liabilities as per the statement of financial position									93,133

5. Loss reserves (cont'd)

Analysis of claims development – Net of reinsurance

Accident Year	**2015**	**2016**	**2017**	**As at 31 December 2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of cumulative claims	S$'000	S$'000	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	34,994	36,819	
One year later	1,919	20,678	44,066	45,939	35,499	32,363	29,507		
Two years later	1,814	21,283	44,856	42,590	34,396	28,124			
Three years later	1,652	21,528	44,708	41,644	33,731				
Four years later	1,738	21,309	46,013	41,188					
Five years later	1,687	21,404	45,940						
Six years later	1,657	21,356							
Seven years later	1,657								
Current estimate of ultimate claims	1,657	21,356	45,940	41,188	33,731	28,124	29,507	36,819	238,322
Cumulative payments to-date	(1,655)	(21,004)	(42,804)	(38,546)	(29,167)	(21,658)	(18,852)	(3,889)	(177,575)
Net outstanding claims liabilities	2	352	3,136	2,642	4,564	6,466	10,655	32,930	60,747
Claims handling expenses									4,111
Total best estimate of net claims liabilities									64,858
Provision for adverse deviation									6,512
Total net claims liabilities as per the statement of financial position									71,370

6. Reserves for unexpired risks

	2022 Gross	**Reinsurance**	**Net**	**2021 Gross**	**Reinsurance**	**Net**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At beginning of financial year	30,141	(7,898)	22,243	29,908	(6,144)	23,764
Movement of reserve during the financial year	5,749	(2,154)	3,595	233	(1,754)	(1,521)
At end of financial year	35,890	(10,052)	25,838	30,141	(7,898)	22,243

7. Deferred acquisition costs

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At beginning of financial year	5,371	(2,146)	3,225	5,160	(1,953)	3,207
Cost deferred during the financial year	932	(514)	418	211	(193)	18
At end of financial year	6,303	(2,660)	3,643	5,371	(2,146)	3,225

8 Other receivables

	2022	**2021**
	S$'000	S$'000
Security deposits	429	414
Down payments on system development	277	14
Prepayment	7	–
Salvage recoveries	168	169
Interest receivable from cash and cash equivalents	144	5
Interest receivable from available-for-sale financial assets	225	304
Other receivables	110	65
	1,360	971

Other receivables which are denominated in foreign currencies are disclosed in Note 23.4 to the financial statements.

9. Insurance receivables

	2022 S$'000	2021 S$'000
Amounts due from policyholders, agents and brokers	10,509	9,276
Amounts due from cedants	13,500	14,503
	24,009	23,779
Less: Allowance for impairment	18	–
	23,991	23,779
Reinsurance recoverables	5,575	7,342
Total insurance receivables	29,566	31,121

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 23.4 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 doubtful debts amounting to S$7,400 during the financial year (2021: Nil). 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:

2022	**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	35,812	(6,246)	29,566

2021	**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	36,006	(4,885)	31,121

10. Cash and cash equivalents

	2022 S$'000	**2021** S$'000
Deposits	49,206	42,478
Cash at banks	47,489	29,405
Cash in hand	1	1
	96,696	71,884

The deposits bear interest at rates ranging from 0.66% to 4.42% per annum (2021: 0.02% to 0.34%), and mature within 3 months from year end, except for a sum of S$964,000 (2021: S$990,000) of deposits held as collateral against performance bonds issued on behalf of policyholders of which S$323,000 (2021: S$163,000) matures within 3 months from year end and S$641,000 (2021: S$827,000) 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 23.4 to the financial statements.

11. Available-for-sale financial assets

	2022 S$'000	**2021** S$'000
At beginning of financial year	83,296	83,871
Additions	84,375	66,928
Disposals/redemptions	(83,648)	(66,282)
Amortisation	256	522
Currency translation	(935)	(354)
Fair value loss recognised in other comprehensive income	(1,921)	(1,389)
At end of financial year	81,423	83,296
Less: Current portion	37,442	31,587
Non-current portion	43,981	51,709

The available-for-sale financial assets comprise debt securities which bear a weighted average interest rate of 1.77% per annum (2021: 0.75% per annum) with maturity dates from January 2023 to March 2026 (2021: January 2022 to March 2026).

Available-for-sale financial assets which are denominated in foreign currencies are disclosed in Note 23.4 to the financial statements.

12. Other creditors and accruals

	2022 S$'000	2021 S$'000
Collateral held in respect of performance bonds (Note 10)	964	975
Other creditors	407	408
Accrued operating expenses	3,828	2,600
GST payable	117	81
	5,316	4,064

Other creditors and accruals which are denominated in foreign currencies are disclosed in Note 23.4 to the financial statements. Other creditors include provision for reinstatement cost amounting to S$269,000 (2021: S$95,000) which has also been included in right-of-use assets (Note 18). There was no collateral held in respect of performance bonds matured during the financial year 2022 (2021: S$277,000).

13. Insurance payables

	2022 S$'000	2021 S$'000
Due to policyholders, agents and brokers	820	1,159
Amounts due to reinsurers	16,371	10,486
	17,191	11,645

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.

2022	**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	18,748	(1,557)	17,191

2021	**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	12,225	(580)	11,645

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 23.4 to the financial statements.

14. Head office account

There was no fund injection from head office for the financial year ended 31 December 2022 (2021: Nil).

15. Staff costs

	2022 S$'000	**2021** S$'000
Salaries and bonuses	11,386	9,260
CPF contributions	1,027	947
Allowances and other staff-related expenses	753	755
	13,166	10,962

Included within the salaries and bonuses expense are the government grants disclosed in Note 21.

16. Other operating expenses

	2022 S$'000	**2021** S$'000
Other operating expenses include the following:		
Legal and professional fees	1,109	650
License and association fees	91	91
Management fees	838	817
Other operating expenses	928	641
IT-related expenses	1,447	1,174
Impairment of insurance receivables (Note 9)	18	–
Write-back of allowance for impairment of insurance receivables (Note 9)	(7)	–
Bad debts written off	–	9
	4,424	3,382

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:

	2022 S$'000	2021 S$'000
Profit before tax	11,258	11,011
Tax at statutory tax rate of 17% (2021: 17%)	1,914	1,872
Adjustments:		
Non-deductible expenses	604	523
Utilisation of previously unrecognised tax losses	(2,518)	(2,395)
Income tax expense recognised in profit or loss	–	–

<u>Unrecognised tax losses</u>

As at balance sheet date, the Branch has tax losses of approximately S$36,355,000 (2021: S$49,324,000) that are available for offset against future taxable profits. There is an amount of S$14,812,000 (2021: S$14,088,000) 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 3 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.

In March 2021, the Branch entered a property lease modification, to renew the conditions of the existing lease. The modification of the lease results into contract end date in June 2024.

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

18. Leases (cont'd)

	Property S$'000	Office equipment S$'000	Total S$'000
As at 31 December 2020 and 1 January 2021	730	139	869
Additions	4,541	–	4,541
Depreciation charge for the financial year	(1,607)	(56)	(1,663)
As at 31 December 2021 and 1 January 2022	3,664	83	3,747
Additions	269	–	269
Depreciation charge for the financial year	(1,608)	(56)	(1,664)
At 31 December 2022	2,325	27	2,352

The movement in lease liabilities are as follows:

	2022 S$'000
As at 31 December 2020 and 1 January 2021	857
Payment	(1,478)
Finance cost	37
Additions	4,541
As at 31 December 2021 and 1 January 2022	3,957
Payment	(1,664)
Finance cost	31
Additions	–
As at 31 December 2022	2,324

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

	2022 S$'000	2021 S$'000
Depreciation of right-of-use assets	1,664	1,663
Finance cost	31	37
	1,695	1,700

18. Leases (cont'd)

The following are the amounts recognised in the statement of cash flows:

	2022 S$'000	**2021** S$'000
Total cash outflows for leases		
- Payment of principal portion of lease liabilities	1,633	1,441
- Finance cost paid	31	37

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

In 2022, the Branch had a non-cash addition of S$269,000 of right-of-use assets relating to reinstatement cost (Note 12).

19. Investment income

The Branch investment income consists of the following:

	2022 S$'000	**2021** S$'000
Interest income from:		
- Available-for-sale investments	452	682
- Cash and cash equivalents	731	34
Loss on disposal of available-for-sale Investments	–	(21)
	1,183	695

20. Operating lease commitments as lessee and lessor

There was no operating lease expense recognised for the financial year ended 31 December 2022 (2021: S$1,000) (Note 16).

The Branch subleased part of its office space to third party tenants. The subleased income of S$2,800 (2021: S$18,000) was recognised as other income for the financial year ended 31 December 2022. The future minimum rental receivable from the third party tenants are as follows:

	2022 S$'000	**2021** S$'000
Within one year	1	1
After one year but not more than three years	–	–
	1	1

The Branch has no lease contracts that have not yet commenced as at 31 December 2022.

21. Government grants

During 2021, the Branch received grants from Singapore Government under Jobs Support Scheme ("JSS") to help enterprises retain local employees, Wage Credit Scheme ("WCS") to co-fund wage increase given to employees and Jobs Growth Incentive ("JGI") to support employers to expand local hiring. During 2022, only the grants from WCS and JGI have been received as grant from JSS has been fully received in 2021.

The grant income under the JSS amounting to Nil (2021: S$132,000), WCS amounting to S$74,000 (2021: S$64,000) and JGI amounting to S$201,000 (2021: S$63,000) has been presented as deduction against the salary and bonus expenses (Note 15).

	S$'000
As at 1 January 2021	–
Salary grant received during the financial year	259
Released to the statement of comprehensive income	(259)
At 31 December 2021 and 1 January 2022	–
Salary grant received during the financial year	275
Released to the statement of comprehensive income	(275)
As at 31 December 2022	–

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:

	2022 S$'000	**2021** S$'000
Head office:		
Reimbursement of IT charges	707	683

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 2022 and 2021.

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:

	2022	**2021**
	S$'000	S$'000
Salaries and other remunerations	1,461	1,042

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 2022	**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	1,353	755	598	–	1,353
Insurance receivables	29,566	22,653	6,913	–	29,566
Cash and cash equivalents	96,696	96,696	–	–	96,696
Total loans and receivables at amortised cost	127,615	120,104	7,511	–	127,615
Available-for-sale financial assets	81,423	37,911	45,602	2,293	85,806
Total financial assets	209,038	158,015	53,113	2,293	213,421
Financial liabilities:					
Other creditors and accruals excluding GST payable and provision for reinstatement cost	4,930	4,930	–	–	4,930
Lease liabilities	2,324	1,636	705	–	2,341
Insurance payables	17,191	17,191	–	–	17,191
Total financial liabilities at amortised cost	24,445	23,757	705	–	24,462

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

23.1 *Liquidity risk (cont'd)*

At 31 December 2021	**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	971	388	583	–	971
Insurance receivables	31,121	24,055	6,669	397	31,121
Cash and cash equivalents	71,884	71,884	–	–	71,884
Total loans and receivables at amortised cost	103,976	96,327	7,252	397	103,976
Available-for-sale financial assets	83,296	31,846	18,551	34,960	85,357
Total financial assets	187,272	128,173	25,803	35,357	189,333
Financial liabilities:					
Other creditors and accruals excluding GST payable and provision for reinstatement cost	3,888	3,888	–	–	3,888
Lease liabilities	3,957	1,665	2,341	–	4,006
Insurance payables	11,645	11,645	–	–	11,645
Total financial liabilities at amortised cost	19,490	17,198	2,341	–	19,539

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:

	2022 S$'000	2021 S$'000
Up to 90 days	18,950	18,012
Above 90 days but not exceeding 180 days	4,875	4,798
Above 180 days but not exceeding 1 year	3,379	4,274
Above 1 year	2,362	4,037
	29,566	31,121

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$12,040,000 (2021: S$13,220,000) 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:

	2022 S$'000	2021 S$'000
Up to 90 days	5,171	6,479
Above 90 days but not exceeding 180 days	2,651	2,898
Above 180 days but not exceeding 1 year	2,867	2,602
Above 1 year	1,351	1,241
	12,040	13,220

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:

	2022 S$'000	2021 S$'000
Gross carrying amount	18	–
Allowance for impairment	(18)	–
	–	–

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 2022	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	–	–	–	–	1,353	1,353
Insurance receivables	–	3,915	5,909	2,886	16,856	29,566
Cash and cash equivalents	–	56,870	39,825	–	1	96,696
Total loans and receivables at amortised cost	–	60,785	45,734	2,886	18,210	127,615
Available-for-sale financial assets	81,423	–	–	–	–	81,423
Total financial assets	81,423	60,785	45,734	2,886	18,210	209,038

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

23.2 *Credit risk (cont'd)*

At 31 December 2021	**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	–	–	–	–	971	971
Insurance receivables	–	6,240	3,857	2,149	18,875	31,121
Cash and cash equivalents	–	43,644	28,239	–	1	71,884
Total loans and receivables at amortised cost	–	49,884	32,096	2,149	19,847	103,976
Available-for-sale financial assets	83,296	–	–	–	–	83,296
Total financial assets	83,296	49,884	32,096	2,149	19,847	187,272

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 2022 would increase/decrease by approximately S$246,000 (2021: Profit before tax would increase/decrease by approximately S$212,000).

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$1,361,000 and S$823,000 respectively (2021: S$1,650,000 and S$942,000) 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 2022	**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$'000	**Other creditors and accruals excluding GST payable and provision for reinstatement cost** S$'000	**Net loss reserves** S$'000	**Lease liabilities** S$'000	**Net exposures** S$'000
SGD	19,094	63,115	7,694	642	(11,835)	(4,849)	(15,689)	(2,324)	55,848
USD	77,602	18,308	21,854	711	(5,356)	(81)	(52,723)	–	60,315
IDR	–	–	16	–	–	–	(6)	–	10
PHP	–	–	–	–	–	–	–	–	–
CNY	–	–	2	–	–	–	(254)	–	(252)
AED	–	–	–	–	–	–	(37)	–	(37)
KRW	–	–	–	–	–	–	(390)	–	(390)
HKD	–	–	–	–	–	–	(11)	–	(11)
TWD	–	–	–	–	–	–	(2,206)	–	(2,206)
THB	–	–	–	–	–	–	(54)	–	(54)
	96,696	81,423	29,566	1,353	(17,191)	(4,930)	(71,370)	(2,324)	113,223

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

23.4 *Foreign currency risk (cont'd)*

At 31 December 2021	**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$'000	**Other creditors and accruals excluding GST payable and provision for reinstatement cost** S$'000	**Net loss reserves** S$'000	**Lease liabilities** S$'000	**Net exposures** S$'000
SGD	23,997	63,733	6,145	755	(5,855)	(3,693)	(13,790)	(3,957)	67,335
USD	47,887	19,563	24,904	216	(5,790)	(195)	(50,984)	–	35,601
IDR	–	–	18	–	–	–	(16)	–	2
PHP	–	–	50	–	–	–	–	–	50
CNY	–	–	4	–	–	–	(117)	–	(113)
AED	–	–	–	–	–	–	(37)	–	(37)
KRW	–	–	–	–	–	–	(200)	–	(200)
HKD	–	–	–	–	–	–	(10)	–	(10)
TWD	–	–	–	–	–	–	(4,613)	–	(4,613)
THB	–	–	–	–	–	–	(7)	–	(7)
	71,884	83,296	31,121	971	(11,645)	(3,888)	(69,774)	(3,957)	98,008

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 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) 2022 S$'000	Profit before tax Increase/ (decrease) 2021 S$'000
USD/SGD		
Strengthened 5%	3,016	1,780
Weakened 5%	(3,016)	(1,780)
IDR/SGD		
Strengthened 5%	1	–
Weakened 5%	(1)	–
PHP/SGD		
Strengthened 5%	–	3
Weakened 5%	–	(3)
CNY/SGD		
Strengthened 5%	(13)	(6)
Weakened 5%	13	6
AED/SGD		
Strengthened 5%	(2)	(2)
Weakened 5%	2	2
KRW/SGD		
Strengthened 5%	(20)	(10)
Weakened 5%	20	10
TWD/SGD		
Strengthened 5%	(110)	(231)
Weakened 5%	110	231
HKD/SGD		
Strengthened 5%	(1)	(1)
Weakened 5%	1	1
THB/SGD		
Strengthened 5%	(3)	–
Weakened 5%	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.

2022	**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	81,423	–	–	81,423
At end of financial year	81,423	–	–	81,423

2021	**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	83,296	–	–	83,296
At end of financial year	83,296	–	–	83,296

There have been no transfer between Level 1 and Level 2 and Level 3 during the financial years ended 2022 and 2021.

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 (Note 8), Insurance payables (Note 13) and Other creditors, accruals excluding GST payable and provision for reinstatement cost (Note 12) and Lease liabilities (Note 18) 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, authorisation 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 2022 and 2021.

2022	**Gross written premiums** S$'000	**Outward reinsurance premiums** S$'000	**Net written premiums** S$'000
Engineering	1,406	(813)	593
General liability	2,446	(290)	2,156
Marine cargo	25,735	(9,981)	15,754
Marine hull	45,333	(15,095)	30,238
Marine liability	6,592	(2,364)	4,228
Personal accident	649	(58)	591
Professional liability	9,144	(1,058)	8,086
Property & Home	12,985	(5,817)	7,168
Workmen compensation	4,549	(545)	4,004
Motor	2,685	(310)	2,375
Group Hospital & Surgical	1	1	2
Others	1,388	(881)	507
	112,913	(37,211)	75,702

2021	**Gross written premiums** S$'000	**Outward reinsurance premiums** S$'000	**Net written premiums** S$'000
Engineering	872	(296)	576
General liability	1,149	(141)	1,008
Marine cargo	19,917	(7,339)	12,578
Marine hull	37,130	(11,035)	26,095
Marine liability	5,674	(2,105)	3,569
Personal accident	2,511	(302)	2,209
Professional liability	6,999	(862)	6,137
Property & Home	6,968	(2,867)	4,101
Workmen compensation	2,543	(314)	2,229
Motor	2,278	(283)	1,995
Group Hospital & Surgical	11	(4)	7
Others	910	(558)	352
	86,962	(26,106)	60,856

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 1966. 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 2022 and 2021.

25. Authorisation of financial statements

The financial statements were authorised for issuance by the Chief Executive of the Branch on 6 March 2023.