Independent Auditor's Report to the Members of United Overseas Insurance Limited

Report on the Audit of the Financial Statements

For the financial year ended 31 December 2019

Opinion

We have audited the financial statements of United Overseas Insurance Limited (the Company), which comprise the balance sheet as at 31 December 2019, the profit and loss statement, statement of comprehensive income, insurance revenue account, and the statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (continued)

Valuation of technical balances

The Company's technical balances, which include the reserve for outstanding claims and reserve for unexpired risks, contain an element of uncertainty inherent in the insurance business on the balance sheet. The estimation of technical balances is complex as it involves a high degree of professional judgement requiring actuarial skills. With regard to the reserve for outstanding claims, the claims department will set up a loss reserve upon notification and after assessing the claim information provided. The claims information is then aggregated and considered as a whole to determine the total estimate of the ultimate losses that will be incurred in respect of the insurance policies underwritten for each line of business. The modelling for the loss reserves takes into account the claims experience, claims development, market conditions, as well as matters that are sensitive to the legal, economic, and various other factors and uncertainties, in order to arrive at the estimation of the ultimate losses. The reserve for unexpired risk is computed based on the premiums booked, nature of the policies, and generally accepted valuation basis. Management reviews the claims and premiums, the inputs into the models, and they also engage a certified independent actuary to review the estimation of ultimate losses and reserve for unexpired risks to ensure that the technical balances are adequate.

In auditing the technical balances, we performed test of controls, test of details, and analytical review procedures on the Company's technical balances. We also compared the actuarial valuation methodologies and assumptions used by management with industry data, and against recognised actuarial practices. Our procedures included a review of the assumptions used by the independent qualified certifying actuary and rationale for conclusions made thereon, an assessment of the consistency of valuation methodologies applied against prior years, and an assessment of whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience. In addition, we performed an independent analysis and re-computation of the technical balances of selected classes of business. Our focus of the independent analysis and re-computation were over the largest reserves. We also compared our independent analysis to those performed by the management and obtained explanations of significant differences noted, if any.

We also considered the adequacy of disclosures in relation to technical balances. The Company's disclosures related to technical balances are included in Note 2(g) (Reserve for Unexpired Risks), Note 2(h) (Deferred Acquisition Costs), Note 2(i) (Claims Paid and Reserve for Outstanding Claims), Note 4(a) (Insurance Risks), Note 16 (Reserve for Unexpired Risks), Note 17 (Deferred Acquisition Costs) and Note 18 (Reserve for Outstanding Claims).

Key Audit Matters (continued)

Valuation of investments and application of SFRS(I) 9 Financial Instruments

The Company invests a significant portion of its funds in financial instruments that comprise mainly fixed income securities and equity shares. These investments are measured at fair value with the corresponding fair value changes recognised in the profit and loss statement, or in other comprehensive income. The valuation is performed by the Company using valuation inputs which have been classified in accordance with the fair value hierarchy stated in SFRS(I) 13 Fair Value Measurement.

In auditing the Company's valuation of investments, we assessed the processes and key controls relating to valuation of investments. We ascertained the existence of the investments through direct confirmations with the custodian and fund manager. We also performed an independent price verification on the investments using external quotes.

In auditing the application of SFRS(I) 9, we assessed the Company's classification and measurement methodology and accounting policies for consistency with the standard. We reviewed the Company's business model assessment and the contractual cash flows characteristics assessment and tested such analysis to the underlying contracts on a sample basis. We also assessed the Company's expected credit loss ("ECL") methodology to evaluate its consistency with the standard. We evaluated the design of the ECL model including the model build, approval process, ongoing monitoring, validation of the key assumptions such as the default rate and forward-looking adjustments used in the determination of the ECL factor to compute the ECL provision, model governance as well as arithmetic accuracy.

We also considered whether the disclosures in relation to the Company's investments comply with the relevant disclosure requirements. The Company's disclosures related to its investments are included in Note 2(n) (Financial Instruments), Note 2(o) (Impairment of Financial Assets) and Note 26 (Investments).

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The Company's annual report is expected to be made available to us after the date of the auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

Other Information (continued)

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit responsible for this independent auditor's report is Philip Ng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
12 February 2020