

# **United Overseas Insurance Limited**

## **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 2023**

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#### **Opinion**

We have audited the financial statements of United Overseas Insurance Limited (the Company), which comprise the balance sheet as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, 1967 (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 2023 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.

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**Key Audit Matters (continued)**

**Adoption of SFRS(I) 17 and valuation of insurance contracts under SFRS(I) 17**

The Company adopted SFRS(I) 17 *Insurance Contracts* ("SFRS(I) 17") on 1 January 2023. The standard introduces new requirements for the recognition, measurement, presentation and disclosure of insurance contracts. The Company has adopted the general measurement model ("GMM") which requires insurance contract liabilities to be measured using discounted probability-weighted current estimates of future cash flows. This measurement requires management to take into consideration adjustment for non-financial risk and the contractual service margin ("CSM") representing the future profit expected from fulfilling the contracts. These require management to make significant judgements and estimates in determining the discount rates, risk adjustments and estimates of future cashflows which can have a material impact on the valuation of insurance contracts. Accordingly, we have identified this area as a key audit matter.

In auditing the adoption of SFRS(I) 17 and valuation of the insurance contracts liabilities and assets, we performed the following procedures, amongst others:

- Reviewed the new accounting policies, presentation and disclosures adopted by the Company for consistency with the requirements of SFRS(I) 17.
- Obtained an understanding of the Company's implementation process to assess the impact of adoption of SFRS(I) 17, including understanding the changes to the Company's systems, processes and controls.
- Reviewed the de-recognition of the balances relating to legacy SFRS(I) 4 *Insurance Contracts* and recognition of new SFRS(I) 17 balances, which include the liability for incurred claims ("LIC") and liability for remaining coverage ("LRC").
- Evaluated and tested management's data validation processes, which included reconciliations between data from the policy administration systems and the actuarial data used in the SFRS(I) 17 calculation model. We also performed testing on the completeness and accuracy of the data used in the SFRS(I) 17 calculation model.
- Involved our internal actuarial specialists to review the actuarial and risk models to:
  - assess the reasonableness of the key assumptions used in the calculation of the fulfillment cash flows, including future cash flows, risk adjustment for non-financial risk and discount rates, against the Company's historical loss experience and net cashflows over the life of the insurance contract;
  - evaluate the methodology used to determine the coverage units for groups of contracts, is appropriate for each line of business;
  - evaluate the appropriateness of the CSM release pattern against the terms of insurance contracts and market practices;
  - assess the appropriateness and reasonableness of key models and valuation methodologies used to develop key estimates in determining insurance contract liabilities against industry/market and actuarial practices; and

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#### **Key Audit Matters (continued)**

##### **Adoption of SFRS(I) 17 and valuation of insurance contracts under SFRS(I) 17 (continued)**

- perform independent analysis and re-computation of the LIC and LRC balances of selected classes of business for comparison with those performed by management. We evaluated explanations and evidence provided by management for any significant variances.

We reviewed the Company's disclosures required under SFRS(I) 17 which are included in Note 2.2 (SFRS(I) 17 Insurance Contracts), Note 2.6 (Insurance and reinsurance contracts), Note 4.1 (Insurance risks) and Note 10 (Insurance and reinsurance contracts).

#### **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.

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.

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#### **Responsibilities of Management and Directors for the Financial Statements (continued)**

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.
- 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.

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

- 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.

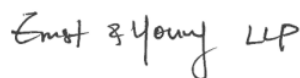
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

#### **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 Du Xiaolin.



Ernst & Young LLP  
Public Accountants and  
Chartered Accountants

Singapore  
20 February 2024