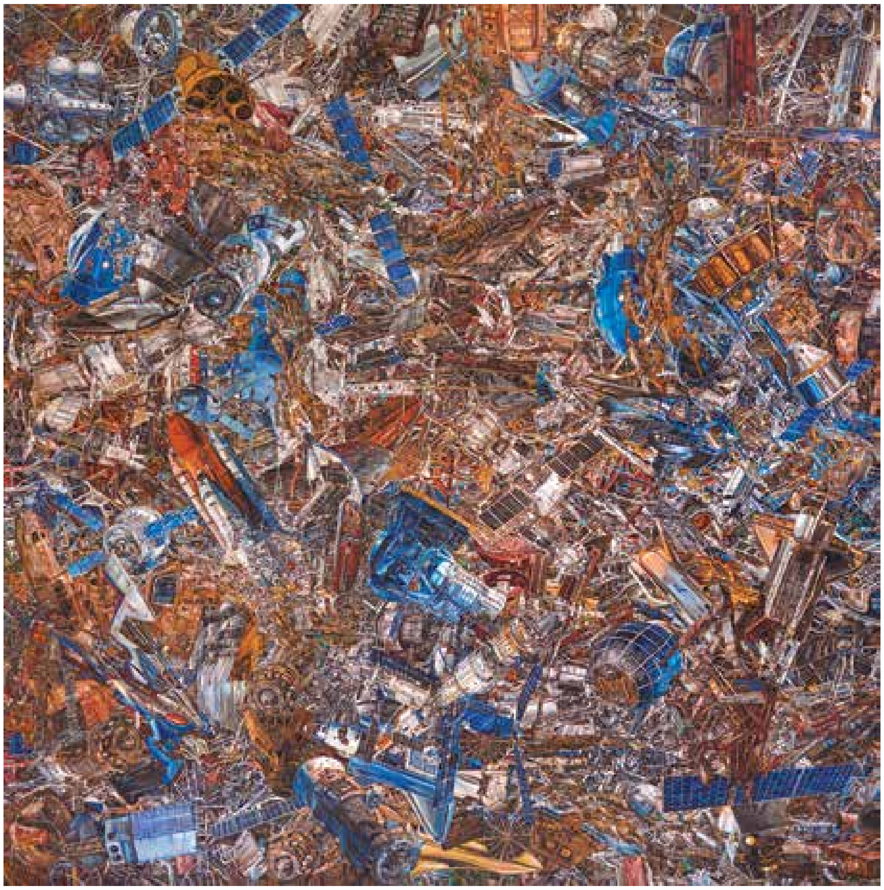
UOI Annual Report 2019

# Balancing Growth with Responsibility

*Wastescape*
Chaichana Luetrakun

Our mission is to be a premier insurer in the Asia Pacific region, committed to providing quality products, excellent customer service while upholding strong corporate governance and enhancing shareholders' value.



## *Wastescape*

**Chaichana Luetrakun**
Acrylic on canvas
180 x 180 cm

*Wastescape*, the winning artwork for the 2019 UOB Painting of the Year (Thailand), Established Artist Category, is the design inspiration for this Annual Report. Mr Chaichana's artwork is a commentary on how innovation can result in scrap metal and its lasting impact on the environment. It reminds us to consider carefully the consequences of our actions and the legacy we want to leave for future generations.

At UOB, our values of Honour, Enterprise, Unity and Commitment guide the decisions we make and actions we take. We believe that for growth to be sustained, it must be balanced with responsibility. This approach enables us to meet the immediate and long-term interests of our stakeholders.

By encouraging the appreciation of art in the region, we hope more minds will be open to imagining new realities and to creating new paradigms for the good of all. The UOB Painting of the Year competition, in its 38th year in 2019, is the Bank's flagship art programme held across four Southeast Asian countries.

# About United Overseas Insurance Limited

Founded in 1971, United Overseas Insurance Limited (UOI) very quickly made its mark in the business community and in just seven years, UOI was listed on the Singapore Exchange. UOI's profitable growth over the years reflects its financial strength and prudence.

The Company's principal activities are the underwriting of general insurance business and reinsurance. General insurance covers a broad spectrum of classes of insurance, among which are fire, marine, motor, engineering, general accident and liability business.

UOI has received a financial strength rating of 'A+' (Superior) and an issuer credit rating of 'aa-' from A.M. Best.

The Company is located at 3 Anson Road, #28-01 Springleaf Tower, Singapore 079909, and its Singapore and international operations are supported by prominent insurance brokers, agents and international reinsurance companies. UOI has a representative office in Yangon, Myanmar.

UOI provides management services for Union (2009) Limited (formerly known as Overseas Union Insurance, Limited).

# Contents

# Chairman's Statement

"We will continue to identify and manage sustainability impacts, risks and opportunities that are most material to the Company's long-term business success"

## 2019 Performance

The Singapore economy grew by 0.7 per cent in 2019, which was slower than the 3.4 per cent growth attained in 2018. The construction and service sectors were the main contributors growing by 2.8 per cent and 1.1 per cent respectively. The manufacturing sector contracted by 1.4 per cent as compared to the 7.0 per cent growth in the previous year.

Amid the slower economic growth, the local general insurance market remained highly competitive. Although the insurance sector expanded 9.4 per cent in terms of premium growth with offshore business contributing 41.5 per cent of the growth, the market as a whole recorded an underwriting loss of $13.1 million attributable to the continued rate erosion despite worsening claims experience. Under these challenging market conditions, the Company was not distracted from its underwriting discipline. It continued to proactively weed out accounts with consistently poor claims experience and inadequate premium rates whilst growing by identifying new opportunities through its regional business with the parent bank and selected partners.

For the financial year ended 31 December 2019 (FY2019), the Company achieved a gross premium income of $105.9 million which was marginally higher than that in the previous year and an underwriting profit of $24.4 million approximating that achieved in FY2018. It is gratifying to note that the Company continues to produce positive underwriting results despite the overall market losses for two consecutive years.

Other income increased to $21.8 million due mainly to gains from the liquidation of equities, securities and unit trusts. Net profit before tax rose to a record of $46.3 million, an increase of 79.4 per cent due mainly to gains in investment income. Total comprehensive income, which includes the performance of investments affecting the net asset value but not profit and loss, increased to a record high of $53.4 million.

During the year, the Company was awarded the Best Risk Management Award (Silver) at the Singapore Corporate Awards. The Company was also presented with the Sustainability Award – Mid Cap, Runner-up at the Investors' Choice Awards.

The Company continues to enjoy a financial strength rating of A+ (Superior), an issuer credit rating of 'aa-' and a stable outlook from A.M. Best, a leading independent international credit rating agency for the insurance industry. The Company's ratings are among the highest ratings awarded by A.M. Best to any insurer and reinsurer in Southeast Asia. The rating reflects the Company's very strong balance sheet, very strong operating performance, neutral business profile and appropriate risk management.

The Board recommends a final one-tier tax-exempt dividend of 8.5 cents per share and a higher special one-tier tax-exempt dividend of 7 cents per share, which is an increase of 2 cents over that paid in the previous year, on account of the record profit during the year under review. Together with the interim dividend of 8.5 cents, the total dividend for FY2019 will be 24 cents per share which is an increase over that of the previous year.

## 2020 Prospects

Amid the many global uncertainties, Singapore and other regional economies will likely face more challenges in 2020. Notwithstanding the intense competition and inadequate premium pricing in the local insurance market, the Company will not be distracted from its principled approach in underwriting. It will continue to act responsibly by competing on the quality of service rather than resorting to reckless rate cutting. In addition to its continued focus on cross-selling initiatives with the parent bank in Singapore and elsewhere in the region, more efforts will be made to develop the insurance intermediary business. It will continue to strive to keep up with the paradigm shift in the *modus operandi* of the more resourceful companies consequent upon the rapid changes in IT technology. Towards this end, the Company will commit more resources to the digitalisation of its insurance services as it is fast becoming an essential part of insurance operations.

The investment markets will continue to be affected by many uncertainties arising particularly from geo-political developments and global trade tensions, not forgetting the inevitable and yet unquantifiable impact from the spread of COVID-19. The Company will continue to manage its investments prudently and defensively.

## Sustainability

The Sustainability Award presented to our Company is testament to our commitment to creating sustainable value for our stakeholders. We will continue to identify and manage sustainability impacts, risks and opportunities that are most material to the Company's long-term business success. Please refer to the Sustainability Report for more information on the Company's performance with respect to its material, environmental, social and governance factors.

## Acknowledgement

Mr Chua Kim Leng joined the Board in February 2020. We welcome him as our new Director. Mr N Ganesan has decided not to seek re-election at the forthcoming Annual General Meeting to facilitate the renewal of the Board. The Board would like to record our deep appreciation to him for his guidance and valuable contributions in the past nine years.

On behalf of the Board, I wish to thank our clients, brokers, agents, reinsurers and shareholders for their steadfast support and our employees for their dedication and hard work. I would also like to thank my fellow directors for their commitment and wise counsel.

**Wee Cho Yaw**
*Chairman*

February 2020

# Board of Directors

As at 12 February 2020

## Wee Cho Yaw, 91

*Chairman*
*Non-Independent and Non-Executive*

First appointed as a director: 17 February 1971
Last re-elected as a director: 13 April 2018

A distinguished banker with more than 60 years' experience, Dr Wee is a veteran in the banking, insurance, real estate and hospitality industries. He was conferred numerous awards and accolades at the national and regional levels for his business achievements and support of education, community welfare and the business community.

### Board Committee Positions
- Nominating Committee (Member)
- Remuneration Committee (Chairman)

### Current Directorships in Other Listed Companies
- UOL Group (Chairman)
- Haw Par Corporation (Chairman)
- United Industrial Corporation (Chairman)

### Other Principal Commitments
- United Overseas Bank (Chairman Emeritus and Honorary Adviser)
- United Overseas Bank (Malaysia) (Chairman Emeritus and Honorary Adviser)
- United Overseas Bank (China) (Supervisor)
- United Overseas Bank (Thai) Public Company (Chairman)
- Pan Pacific Hotels Group (Chairman)
- Marina Centre Holdings (Chairman)
- Nanyang Technological University (Pro-Chancellor)
- Singapore Chinese Chamber of Commerce & Industry (Honorary President)
- Singapore Federation of Chinese Clan Associations (Honorary President)
- Singapore Hokkien Huay Kuan (Honorary President)
- Wee Foundation (Chairman)
- Chung Cheng High School (Chairman)

### Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years
- PT Bank UOB Indonesia (President Commissioner) (till October 2019)
- United Overseas Bank (Malaysia) (Chairman Emeritus and Adviser) (till April 2019)
- Far Eastern Bank (Chairman Emeritus and Adviser) (till May 2018)
- United Overseas Bank (Chairman Emeritus and Adviser) (till April 2018)

### Education and Achievements
- Chinese high school education
- ASEAN Business Advisory Council Legacy Award for Singapore (2017)
- Honorary Doctor of Letters, Nanyang Technological University (2014)
- The Distinguished Service Order, Singapore National Day Award (2011)
- *The Asian Banker* Lifetime Achievement Award (2009)
- Honorary Doctor of Letters, National University of Singapore (2008)
- Credit Suisse-Ernst & Young Lifetime Achievement Award (2006)
- Businessman of the Year, Singapore Business Awards (2001 and 1990)

## David Chan Mun Wai, 65

*Managing Director and Chief Executive*
*Non-Independent and Executive*

First appointed as a director: 10 March 1994
Last re-elected as a director: 12 April 2019
Appointed as Managing Director: 1 January 1996

A chartered insurer with more than 40 years' experience in the insurance industry, Mr Chan is the Deputy Chairman, director and member of the Executive, Audit, Nominating, Remuneration and Investment Committees of Singapore Reinsurance Corporation. He was previously President of the General Insurance Association of Singapore.

### Board Committee Positions
- Nil

### Current Directorships in Other Listed Companies
- Singapore Reinsurance Corporation (Deputy Chairman)

### Other Principal Commitments
- Nil

### Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years
- Nil

### Education and Achievements
- Bachelor of Business Administration, University of Singapore
- Chartered Insurance Institute, UK (Fellow)

## Wee Ee Cheong, 67

*Non-Independent and Non-Executive*

First appointed as a director: 20 March 1991
Last re-elected as a director: 12 April 2019

A career banker with 40 years' experience, Mr Wee is also active in the banking and financial services industry and the community through his involvement in various industry-based organisations. He was previously Deputy Chairman of the Housing & Development Board and a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

### Board Committee Positions
- Nil

### Current Directorships in Other Listed Companies
- United Overseas Bank (Director)

### Other Principal Commitments
- United Overseas Bank (Deputy Chairman and Chief Executive Officer)
- United Overseas Bank (China) (Chairman)
- PT Bank UOB Indonesia (President Commissioner)
- United Overseas Bank (Malaysia) (Deputy Chairman)
- United Overseas Bank (Thai) Public Company (Deputy Chairman)
- The Association of Banks in Singapore (Council Member)
- The Institute of Banking & Finance (Council Member)
- Board of Governors of the Singapore-China Foundation (Member)
- Indonesia-Singapore Business Council (Member)
- Singapore Chinese Chamber of Commerce & Industry (Honorary Council Member)

- Visa APCEMEA Senior Client Council (Member)
- Nanyang Academy of Fine Arts (Patron)
- Wee Foundation (Director)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years
- Far Eastern Bank (Alternate Director) (till May 2018)

Education and Achievements
- Master of Arts (Applied Economics), American University, Washington, DC
- Bachelor of Science (Business Administration), American University, Washington, DC
- Public Service Star (2013)

## Hwang Soo Jin, 84

*Non-Independent[1] and Non-Executive*

First appointed as a director: 17 February 1971
Last re-elected as a director: 13 April 2018

Mr Hwang is a chartered insurer with more than 50 years' experience. He is an honorary fellow of the Singapore Insurance Institute and a Justice of the Peace.

Board Committee Positions
- Nominating Committee (Chairman)
- Remuneration Committee (Member)

Current Directorships in Other Listed Companies
- Haw Par Corporation (Director)
- United Industrial Corporation (Director)

Other Principal Commitments
- Singapore Reinsurance Corporation (Senior Advisor and Chairman Emeritus)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years
- Singapore Reinsurance Corporation (Director) (till April 2019)

Education and Achievements
- Chartered Insurance Institute, UK (Chartered Insurer)
- Singapore Insurance Institute (Honorary Fellow)
- Asia Insurance Industry Awards, Lifetime Achievement Award (2013)

## Yang Soo Suan, 83

*Non-Independent[1] and Non-Executive*

First appointed as a director: 20 March 1991
Last re-elected as a director: 12 April 2019

An architect by training with close to 50 years' experience in professional practice, Mr Yang is a life fellow member of the Singapore Institute of Architects and a fellow member of the Singapore Society of Project Managers.

Board Committee Positions
- Audit Committee (Chairman)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Current Directorships in Other Listed Companies
- United Industrial Corporation (Director)

Other Principal Commitments
- Nil

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years
- United International Securities (Director) (till December 2015)

Education and Achievements
- Bachelor of Architecture (Hons) in Design, Town Planning and Building, Melbourne University, Australia
- Singapore Institute of Architects (Life Fellow)
- Singapore Society of Project Managers (Fellow)
- Public Service Star (1996)

## N Ganesan, 72

*Independent and Non-Executive*

First appointed as a director: 27 July 2011
Last re-elected as a director: 13 April 2017

Mr Ganesan has more than 30 years' experience in the financial sector and has previously served as the Managing Director of The Insurance Corporation of Singapore and President of the Life Insurance Association, Singapore.

Board Committee Position
- Audit Committee (Member)

Current Directorships in Other Listed Companies
- Nil

Other Principal Commitments
- Nil

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years
- Nil

Education and Achievements
- Bachelor of Arts (Hons) in Economics, University of Malaya
- Master of Business Administration, Harvard University

1. Messrs Hwang Soo Jin and Yang Soo Suan are non-independent directors under the Insurance (Corporate Governance) Regulations 2013 and independent directors under the MAS Guidelines[2] and Code of Corporate Governance (6 August 2018).

2. "MAS Guidelines" means the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (3 April 2013). It comprises the Code of Corporate Governance that was issued in 2012 for companies listed on the SGX-ST and supplementary principles and guidelines added by the MAS.

# Board of Directors

As at 12 February 2020

## Professor Ho Yew Kee, 56

*Independent and Non-Executive*

First appointed as a director: 1 June 2015
Last re-elected as a director: 13 April 2018

Professor Ho is the Associate Provost (SkillsFuture and Staff Development) of Singapore Institute of Technology. He was previously the Head of the Department of Accounting and Vice Dean (Finance & Administration) of the NUS Business School and has also held academic positions in Monash University and Carnegie Mellon University. Professor Ho is also actively involved in community work and serves on the boards of several not-for-profit organisations.

### Board Committee Position

- Audit Committee (Member)
- Remuneration Committee (Member)

### Current Directorships in Other Listed Companies

- Nil

### Other Principal Commitments

- St Luke's Eldercare (Director)
- Dover Park Hospice Governing Council (Member)
- Commonwealth Association of Accountants (Guarantee) Limited (Council Member)
- CPA Australia - Singapore Division (Council Member)
- Prison Fellowship Singapore (Director)
- Christian Business Men's Committee (Singapore) (Director)

### Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- St Luke's Hospital (Director) (till January 2020)
- Tax Academy of Singapore (Director) (till July 2017)
- Accounting and Corporate Regulatory Authority (Director) (till March 2017)

### Education and Achievements

- Bachelor of Economics (Hons), Monash University, Australia
- Master of Economics, Monash University, Australia
- Master of Science in Industrial Administration, Carnegie Mellon University, USA
- Doctor of Philosophy (Accounting), Carnegie Mellon University, USA
- Institute of Singapore Chartered Accountants (Fellow Chartered Accountant)
- CPA Australia (Fellow Certified Practising Accountant)
- Singapore Institute of Directors (Fellow)
- CFA Institute, USA (Chartered Financial Analyst)

## Chng Hwee Hong, 69

*Independent and Non-Executive*

First appointed as a director: 28 January 2016
Last re-elected as a director: 13 April 2017

Mr Chng was an executive Director of Haw Par Corporation prior to his retirement in 2012. He was a member of the Sub-Committee on Maximising Value from Land as a Scarce Resource of the Economic Strategies Committee of Singapore and a member of the Singapore-Sichuan Trade & Investment Committee. Mr Chng is also actively involved in community and social work and serves in a number of community and not-for-profit organisations.

### Board Committee Position

- Audit Committee (Member)

### Current Directorships in Other Listed Companies

- United Industrial Corporation (Director)

### Other Principal Commitments

- Singapore Corporation of Rehabilitative Enterprises (Chairman)
- Industry & Services Co-operative (Chairman, Board of Trustees)
- National Council Against Drug Abuse (Member)

### Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Yuhua Citizens' Consultative Committee (Chairman) (till March 2017)
- Kong Meng San Phor Kark See Monastery (co-opted Audit Committee Chairman) (till February 2016)

### Education and Achievements

- Bachelor of Science (Hons) in Applied Chemistry, University of Singapore
- Diploma in Business Administration, University of Singapore
- Diploma in Management Studies, University of Chicago and Singapore National Productivity Board
- Graduate Certificate in International Arbitration, National University of Singapore
- Public Service Award (2014)

## Chua Kim Leng, 50

*Independent and Non-Executive*

First appointed as a director: 1 February 2020

Mr Chua stepped down from his role as Special Advisor (Financial Supervision) at the Monetary Authority of Singapore in 2018 after 25 years of distinguished service at the organisation. Prior to that, he was the Assistant Managing Director in charge of the Banking and Insurance Group where he was responsible for the licensing and supervision of banks, insurance and finance companies, and anti-money laundering supervision for the financial sector. He was also a member of its Executive Committee where he was involved in policy making and the overall oversight of the authority.

Currently, he sits on the board of the Casino Regulatory Authority and a few financial institutions, and provides consultancy and training services.

### Board Committee Positions

- Nil

### Current Directorships in Other Listed Companies

- Nil

### Other Principal Commitments

- Casino Regulatory Authority (Director)
- ICHX Tech (Director)
- Sygnum AG (Director)
- Sygnum (Director)
- Ternary Fund Management (Director)

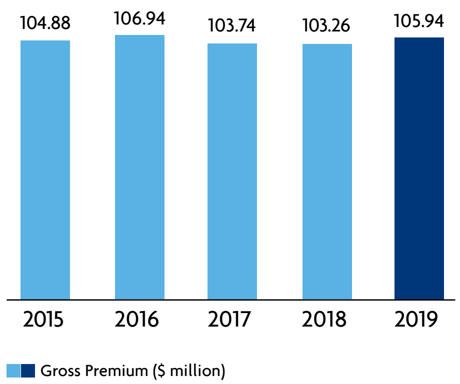
### Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Nil

### Education and Achievements

- Bachelor of Business Administration (Honours), National University of Singapore
- Public Administration Medal (2014)

# Financial Highlights

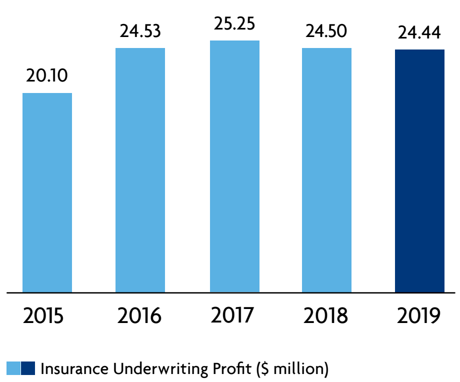



## Gross Premium

Over the last five years, the Company had maintained its gross premium at $100 million or more. In 2019, gross premium increased by 2.6%, with growth in all classes of business except Work Injury Compensation, Other Accident and Marine Cargo. The decreases in Work Injury Compensation, Other Accident and Marine Cargo were mainly due to premium rate erosion.

**$105.94 million**

+ 2.6%

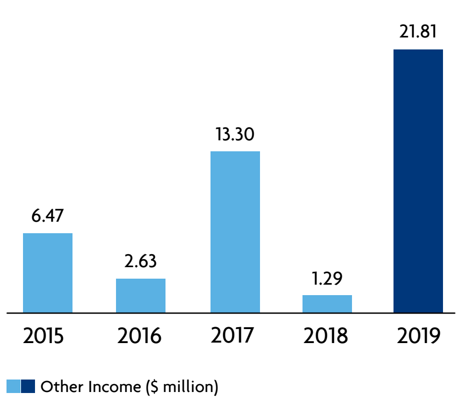



## Insurance Underwriting Profit

The Company achieved an underwriting profit of $24.44 million in 2019, a decrease of 0.2% over that of 2018 due to higher net claims incurred.

**$24.44 million**

- 0.2%



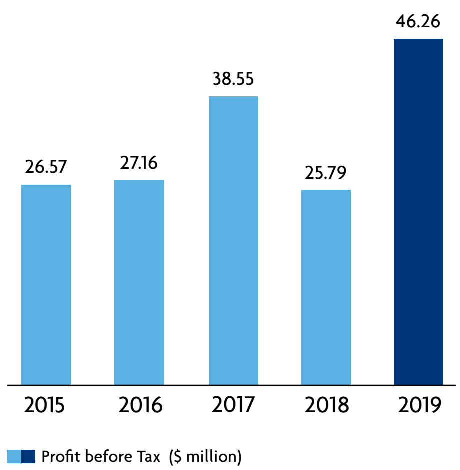

## Other Income

Other income increased by $20.52 million to $21.81 million as compared to $1.29 million in the previous period. This was mainly due to higher dividend income and higher gains from sales of investment.

**$21.81 million**

+ 1,590.7%

# Financial Highlights

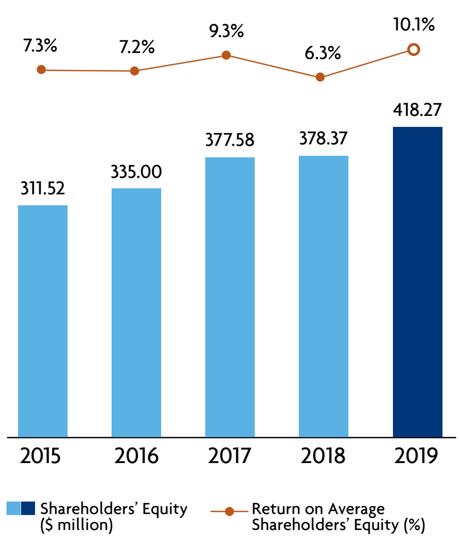



## Profit Before Tax

Profit before tax increased by 79.4% to $46.26 million as compared with 2018. It was mainly due to higher investment profits.

$46.26 million

+ 79.4%




## Shareholders' Equity/Return on Average Shareholders' Equity

The Company's shareholders' equity as at 31 December 2019 increased by 10.5% to $418.27 million when compared with the preceding year. The increase was due to profits from insurance operation and investing activities, and higher unrealised gains from investments reported under Statement of Other Comprehensive Income. Return on average shareholders' equity was 10.1% in 2019 as compared with 6.3% in 2018.

Shareholders' Equity

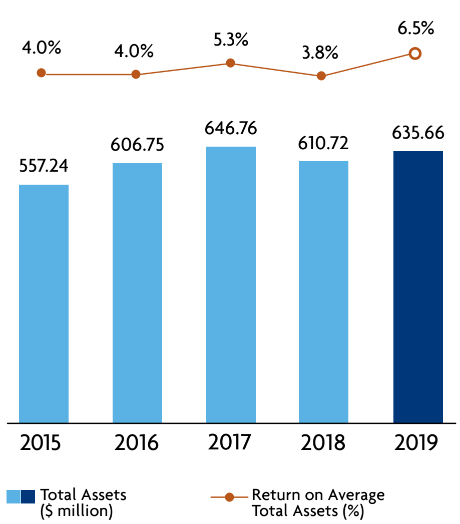
$418.27 million

+ 10.5%

Return on Average Shareholders' Equity

10.1%

+ 3.8% pt




## Total Assets/Return on Average Total Assets

The total assets of the Company increased by 4.1% to $635.66 million as at 31 December 2019. Return on average total assets increased from 3.8 % in 2018 to 6.5% in 2019.

Total Assets

$635.66 million

+ 4.1%

Return on Average Total Assets

6.5%

+ 2.7% pt

# Five-Year Company Financial Summary

| Key Indicators | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Profit for the Financial Year ($'000)** | | | | | |
| Gross premium | 104,883 | 106,943 | 103,744 | 103,258 | **105,943** |
| Insurance underwriting profit | 20,098 | 24,525 | 25,248 | 24,495 | **24,443** |
| Other income | 6,474 | 2,631 | 13,300 | 1,293 | **21,814** |
| Profit before tax | 26,572 | 27,156 | 38,548 | 25,788 | **46,257** |
| **Selected Balance Sheet Items as at Year-end ($'000)** | | | | | |
| Total assets | 557,235 | 606,745 | 646,756 | 610,724 | **635,664** |
| Net technical balances | 87,757 | 85,097 | 79,572 | 72,740 | **71,089** |
| Shareholders' equity | 311,519 | 335,002 | 377,580 | 378,374 | **418,272** |
| **Financial Ratios** | | | | | |
| Earnings per share - basic and diluted (cents) | 36.6 | 37.8 | 53.9 | 39.0 | **66.1** |
| Return on average shareholders' equity (ROE) (%) | 7.3 | 7.2 | 9.3 | 6.3 | **10.1** |
| Return on average total assets (ROA) (%) | 4.0 | 4.0 | 5.3 | 3.8 | **6.5** |
| Incurred loss ratio (%) [1] | 36.1 | 27.0 | 21.6 | 22.8 | **25.8** |
| Net commissions ratio (%) [2] | (10.4) | (9.5) | (8.9) | (13.8) | **(17.6)** |
| Management expenses ratio (%) [3] | 28.2 | 28.0 | 29.1 | 31.8 | **34.0** |
| Underwriting profit ratio (%) [4] | 46.1 | 54.5 | 58.2 | 59.2 | **57.7** |
| Declared dividend per share (cents) | | | | | |
| Interim | 3.0 | 3.0 | 3.0 | 8.5 | **8.5** |
| Special | 2.0 | 2.0 | 5.0 | 5.0 | **7.0** |
| Final | 12.0 | 12.0 | 14.0 | 8.5 | **8.5** |
| Total | 17.0 | 17.0 | 22.0 | 22.0 | **24.0** |
| Net assets value per share ($) | 5.1 | 5.5 | 6.2 | 6.2 | **6.8** |

Note:

1 Incurred loss ratio is computed by dividing net claims incurred by net earned premium.

2 Net commission ratio is computed by dividing net commission by net earned premium.

3 Management expenses ratio is computed by dividing management expenses for insurance operations by net earned premium.

4 Underwriting profit ratio is computed by dividing net underwriting profit by net earned premium.

# 2019 in Review

Driven by intense competition and slow economic growth, the challenges in the business environment of 2018 flowed into 2019. Although the general insurance sector grew in 2019 by 9.4 per cent in gross premium, the market suffered an underwriting loss of $13.1 million due to a deteriorating trend in losses.

Amid such tough market conditions, we maintained our prudent underwriting approach while focusing our efforts on strengthening our client-centric organisational culture, improving operational efficiencies and building product capabilities.

Our focus on human capital management remained an important pillar in this challenging business environment. In 2019, there were more management development programmes and training courses geared towards service excellence and enhancing product suites. The Company maintained its prudent underwriting in this competitive market and continued to pursue its digitalisation and business automation initiatives.

## Client-Centricity

Client-centricity remains a cornerstone of UOI's business model. This client-centric focus requires building and managing business relationships and is people-driven. In 2019, we re-organised our business engagement teams to further strengthen our proven client-centric business strategy while maintaining underwriting prudence.

During 2019, our business engagement teams continued to work closely with United Overseas Bank (UOB) and intermediaries to roll out various business initiatives. We design products with our clients' needs in mind. For example, we introduced cyber risk coverage into our business insurance package for SMEs as cyber threats are now becoming a key business risk.

Although the personal line insurance segment remained one of the Company's significant contributors of premium growth, we also focused our efforts on growing our corporate insurance portfolio. Leveraging the UOB Group network and selected intermediaries, we deepened our distribution channels with customer acquisition strategies and product promotions. We also stepped up our cross-selling activities with the UOB Group and expanded our intermediary network.

In an environment of keen competition, we continued to strengthen our customer retention strategies and rolled out several loyalty programmes to encourage the renewal of policies. We have a dedicated team to monitor and execute our retention strategies.

## Investment in Digital Technology

Client-centricity is also one of the key drivers in our digitalisation of products and services. We use our digital platform to reach out to our individual customers to meet their personal insurance needs. This platform is also an effective enabler for our agents to facilitate and boost their marketing efforts and customer service support. Throughout 2019, ongoing enhancements to our online service delivery included increasing the array of products on our e-commerce platforms and deploying our B2B platform to more agents. To further enhance our digitalisation capabilities, the Company will be rolling out an e-claims system. Among many of its features, this online claims notification application will also allow our customers to submit insurance claims online.

The Company continued to invest in digital technology to support its digitalisation of products, services and business process automation initiatives. We are further enhancing our core application system into a web-based integrated insurance digital platform. Besides strengthening our client-centric approach to business development, we will also accelerate our business process automation initiatives to improve our operational efficiencies and to reduce costs. The digital platform will also facilitate future integration with other third-party platforms and specialised insurance service providers.

In the second half of 2019, we successfully launched a pilot scheme for the automation of our renewal process for a large business portfolio. This initiative to reduce cost and to deliver faster service is expected to be rolled out in stages in the near future.

## Regional Insurance

In 2019, the Company maintained its prudent underwriting approach in its offshore segment while leveraging UOB's regional network to grow its offshore insurance portfolio. As some overseas markets are prone to natural catastrophes, risk selection remains the key priority, with adequate reinsurance protection to manage these offshore risks.

In 2019, further liberalisation in the Myanmar market saw some foreign insurers establishing local presence either through joint ventures with local insurers or setting up new business operations in Myanmar. Competition is expected to accelerate and exert more pressure in the pricing of risks. We will continue to remain engaged in Myanmar and will selectively grow our business there.

## Prudence in Investment Management

The Company's prudence reflected in its insurance operation also applies to the management of its investment portfolio. It is the Company's policy to manage its investment prudently rather than speculatively. Throughout 2019, the Company remained cautious in its investment activities.

In the first half of 2019, equities recovered from the severe downturn in 2018. Despite weaker economic data and trade tensions, investors shrugged off the weaker macro outlook as global central banks turned increasingly accommodative. Traders piled into bonds and high yield stocks as yields tumbled.

Stocks across markets rose higher during the fourth quarter, aided by the phase one trade deal between the US and China.

With these favourable market conditions as a backdrop, the Company's investment portfolio performed strongly in 2019.

# UOI in the Community


UOI colleagues and their families volunteered at the 2019 UOB Heartbeat Run/Walk to raise funds for charity.

## Towards our Community

At UOI, we believe in giving back to the communities in which we operate.

In 2019, more than 18,800 UOB Group colleagues, their families and clients participated in the annual UOB Heartbeat Run/Walk to raise more than $1.7 million for disadvantaged children and children with special needs across Asia. As a member of the UOB Group, our colleagues and their families joined the event to raise funds for charity.

## Towards our Environment

As part of our sustainability efforts, employees are encouraged to adopt green office practices such as double-sided printing, as well as reusing and repurposing office materials. We also digitised our processes for leave applications and insurance policy documents to reduce the usage of paper.

United Overseas Insurance Limited
(Incorporated in Singapore)

31 December 2019

# Governance

# Corporate Governance

UOI complies with the following regulations, rules, guidelines and/or best practices:

(a) the Insurance (Corporate Governance) Regulations (Insurance Regulations) that are applicable to UOI as a Tier 2 insurer;

(b) the listing rules of the Singapore Exchange Securities Trading Limited (SGX-ST);

(c) all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (MAS Guidelines) issued by the Monetary Authority of Singapore (MAS) in 2013; and

(d) the Code of Corporate Governance 2018 issued on 6 August 2018 (2018 Code).

The MAS Guidelines comprise the Code of Corporate Governance that was issued in 2012 for companies listed on the SGX-ST (2012 Code) and supplementary principles and guidelines added by the MAS. Where UOI's practices differ from the MAS Guidelines and/or the 2018 Code, an explanation is provided. A summary of the disclosures required under the 2018 Code and the supplementary MAS Guidelines can be found on pages 24 and 25.

## Board Matters

### Board Duties

The Board oversees the business affairs of UOI and has written terms of reference for the performance of its duties, which are principally to:

- provide strategic direction, entrepreneurial leadership and guidance;
- approve business plans and annual budgets;
- ensure that financial statements are true and fair;
- monitor financial performance;
- determine capital structure;
- declare dividends;
- approve major acquisitions and divestments;
- review risk management framework and risk management system;
- oversee the performance of Senior Management;
- set company values and standards;
- consider sustainability issues when formulating the Company's strategies;
- determine environmental, social and governance (ESG) factors that are material to the business and oversee the management and monitoring of the ESG factors;
- perform succession planning; and
- establish a board diversity policy.

### Board Approval

Board approval is required for material matters such as business plans and annual budgets, major acquisitions and divestments, issue of shares, capital, dividend and other distributions, and announcements of financial results.

### Board Delegation

The Board has established the Audit Committee (AC), Nominating Committee (NC) and Remuneration Committee (RC) to assist it in the discharge of its duties. The written terms of reference of the committees are reviewed annually for continued relevance, and approved by the Board. UOI does not have a board risk committee because the AC also helps to oversee risk management matters. An executive committee is not required because UOI's current scope of business and scale of operations can be overseen by the Board directly, and the directors are easily available for consultation and decision-making, when required.

After each meeting, the NC, RC and AC give a short report on the matters discussed and decisions made to the Board. Minutes of the meetings are circulated to the Board when they are finalised.

### Key Processes

Meetings of the Board and Board Committees and the annual general meeting (AGM) are scheduled well in advance. Additional meetings are held as required. Materials for the meetings contain all necessary information for Directors to make fully informed decisions and are made available in advance with sufficient time for careful review. Directors also have the option of receiving the materials for Board and Board Committee meetings via a secure portal on tablets provided by the Company.

A director who is unable to attend a meeting in person may participate via telephone and/or video conference or make his views known through another director or the company secretary. Board and Board Committee resolutions are approved by majority vote at meetings or through written resolutions circulated to all members. Minutes of all meetings and written resolutions are maintained by the Company.

### Managing Potential Conflicts of Interests

Directors who have personal, professional or business interests in matters that may conflict with the interests of the Company must disclose such interests to the Company, recuse themselves from the discussions and abstain from voting on the matters.

Directors have to notify UOI in a timely manner of any change in their interests. Before a director accepts any additional appointment, the Board must be satisfied that the additional appointment will not give rise to any conflict of interest or hamper him in the discharge of his duties to UOI. This also ensures that directors have sufficient time to attend to the affairs of the Company.

# Corporate Governance

## Board Independence and Composition

**Overview of the Board**

- 9 members
  - Wee Cho Yaw *(Chairman)*
  - David Chan Mun Wai *(Managing Director and Chief Executive)*
  - Wee Ee Cheong
  - Hwang Soo Jin
  - Yang Soo Suan
  - N Ganesan
  - Ho Yew Kee
  - Chng Hwee Hong
  - Chua Kim Leng
- Tenure
  - 4 have served fewer than 9 years
  - 5 have served more than 9 years
- Separation of roles of Chairman and Managing Director and Chief Executive

There are currently nine members on the Board. Every year, the NC reviews the size and composition of the Board, the independence of directors and that they remain fit and proper and qualified for office. When assessing the independence of each director, the NC is guided by the criteria in the Insurance Regulations, SGX-ST Listing Rules, MAS Guidelines and the 2018 Code.

According to the Insurance Regulations, a director is independent if he is independent from substantial shareholders of the company, does not have management and business relationships with the company and has not served on the board of the company for nine continuous years or more.

Under the SGX-Listing Rules, a director is not independent if he is employed by the company or any of its related companies for the current or any of the past three financial years. A director is also not independent if he has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related companies and whose remuneration is determined by the remuneration committee.

The MAS Guidelines look at whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. It allows the Board to consider a director of more than nine years' standing as independent if the Board, after performing a rigorous review, is satisfied that he is independent.

The 2018 Code defines an independent director as one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, substantial shareholders or officers that could interfere, or be reasonably perceived to interfere with the exercise of the director's independent business judgement in the best interests of the company.

In assessing a director's independence, the NC also takes into account the director's conduct and contributions during and outside of the meetings, the director's other appointments, relationships with UOI Management and substantial shareholders, and his response to questions relating to independence and fitness and propriety in a self-assessment questionnaire.

The NC's assessment of the independence status of each director is as follows:

- Mr N Ganesan, Professor Ho Yew Kee and Mr Chng Hwee Hong are independent and non-executive directors. Each of them has been on the board for less than nine years. None of their immediate family members is employed by UOI or its related corporations in the current or past three financial years. They have demonstrated independence in conduct, character and judgement, and have no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company;

- Mr David Chan Mun Wai is a non-independent and executive director. He is UOI's Managing Director and Chief Executive;

- Dr Wee Cho Yaw and Mr Wee Ee Cheong are non-independent and non-executive directors. Dr Wee Cho Yaw is a substantial shareholder of United Overseas Bank Limited (UOB), the parent company of UOI. Mr Wee Ee Cheong is a substantial shareholder and director, and the chief executive officer of UOB;

- Messrs Hwang Soo Jin and Yang Soo Suan are non-executive directors. They are non-independent under the Insurance Regulations (as each has served for more than nine continuous years), but have been determined by the NC to be independent under the prevailing SGX-ST Listing Rules, MAS Guidelines and the 2018 Code. They are not connected to any substantial shareholder and are independent from any management or business relationship with UOI or its related corporations or officers. Neither they nor their respective immediate family members was employed by UOI or its related corporations in the current or past three financial years. The NC has conducted a rigorous review and concluded that their character, conduct and judgement have not been compromised despite their long service on the Board and they have remained objective and impartial; and

- Mr Chua Kim Leng was assessed to be independent as part of the process of his appointment. Hence he was not part of the NC's annual assessment.

The current composition of the Board meets the requirement of the Insurance Regulations that at least one-third of the Board comprises independent directors and the SGX-ST Listing Rule requirement that at least two non-executive directors are independent and free of any material business or financial connection with UOI. The Board is of the view that it has an appropriate level of independence and diversity of thought to enable it to make decisions in the best interests of UOI.

| Name of director | ED/ NED[1] | Independence status under[2] Insurance Regulations | SGX-ST Listing Rules/ MAS Guidelines/ 2018 Code | Number of meetings attended in 2019 AGM | Board | NC | RC | AC |
|---|---|---|---|---|---|---|---|---|
| Wee Cho Yaw | NED | NID | NID | • 1 | • 4 / 4 | 1 / 1 | • 1 / 1 | – |
| David Chan Mun Wai | ED | NID | NID | 1 | 4 / 4 | – | – | – |
| Wee Ee Cheong | NED | NID | NID | 1 | 4 / 4 | – | – | – |
| Hwang Soo Jin[3] | NED | NID | ID | 1 | 4 / 4 | • 1 / 1 | 1 / 1 | 3 / 3 |
| Yang Soo Suan | NED | NID | ID | 1 | 3 / 4 | 1 / 1 | 1 / 1 | • 3 / 4 |
| N Ganesan | NED | ID | ID | 1 | 4 / 4 | – | – | 4 / 4 |
| Ho Yew Kee[4] | NED | ID | ID | 1 | 4 / 4 | – | – | 1 / 1 |
| Chng Hwee Hong | NED | ID | ID | 1 | 4 / 4 | – | – | 4 / 4 |
| Chua Kim Leng[5] | NED | ID | ID | – | – | – | – | – |
| **Number of meetings held in 2019** | | | | 1 | 4 | 1 | 1 | 4 |

1. "ED" means executive director and "NED" means non-executive director.
2. "ID" means independent director and "NID" means non-independent director.
3. Mr Hwang Soo Jin stepped down from the AC on 7 October 2019.
4. Professor Ho Yew Kee was appointed to the RC on 12 February 2019 and to the AC on 7 October 2019.
5. Mr Chua Kim Leng was appointed to the Board on 1 February 2020.

• Denotes chairman.

The profiles of the directors can be found in the Board of Directors section. Collectively, the directors possess skills and expertise in insurance business, accounting, management, strategic planning investment and regulatory compliance. These are competencies essential to UOI's business. The diversity of background, professional qualifications, expertise, credentials and tenure among the directors allows for different perspectives on UOI's business and affairs.

Every year, directors are assessed on whether they remain fit and proper for office using a questionnaire based on the MAS Guidelines on Fit and Proper Criteria. The NC has reviewed each director's profile and response to the questionnaire and observed no change in the circumstances of the directors since their assessment in the previous year. It has assessed that each director remains fit and proper and qualified for office and nothing has come to its attention that any director may have any issue that would disqualify him from office. The NC considers a board size of eight to nine members appropriate for overseeing UOI's affairs after taking into account UOI's business and scope of operations and the need for progressive board renewal.

## Chairman and Managing Director and Chief Executive

The roles of the Board Chairman and the Managing Director and Chief Executive are separate. The Chairman Dr Wee Cho Yaw and the Managing Director and Chief Executive Mr David Chan are not related to each other by family ties.

As Chairman of the Board, Dr Wee Cho Yaw sets the agenda for board meetings, ensures timely and comprehensive information is given to directors to make informed decisions, and promotes open and candid discussions. He ensures good corporate governance is observed and encourages constructive dialogue with shareholders at general meetings.

Mr David Chan is the Managing Director and Chief Executive. He leads the management team in seeking business opportunities and implementing strategies approved by the Board, oversees the Company's operations and ensures that the Company's system of internal controls and risk management is adequate and effective. He is assisted by the key management personnel. As a member of the Board and the leader of the management team, Mr David Chan ensures that the Board is kept fully apprised of material developments affecting the business. He also facilitates effective communication between the Board and Management.

## Lead Independent Director

The Board is of the view that it is not necessary to appoint a lead independent director because there is a strong independent element on the Board. The independent directors ensure that matters affecting stakeholders and customers receive proper consideration and are handled objectively in the best interest of the Company. Complaints may be lodged with any director or relayed to the Company through established channels listed on its website.

# Corporate Governance

## Time Commitment and Performance

At the end of each year, each director performs a confidential self-assessment and an assessment of the work performed by the Board and Board Committees by completing a questionnaire. The assessments are submitted directly to the company secretary who collates the results for the NC to evaluate and make its recommendations to the Board. The NC is of the view that it was not necessary to engage an external facilitator for the directors to perform the assessment as all directors were able to speak candidly throughout the process.

The factors that the NC considers in assessing the effectiveness of the Board and Board Committees include UOI's financial and share performance, conformity with accounting standards, compliance with applicable laws and regulations, the opinions of regulators and rating agencies, overall achievement of the Board and the directors' responses in the questionnaire which includes an assessment of the adequacy and effectiveness of the Company's system of internal controls and risk management.

The review of each director's performance took into account:

- competence and commitment to the role including commitment of time;
- attendance at Board and Board Committee meetings and at the AGM;
- participation in Board and Board Committee discussions;
- other directorships and principal commitments; and
- advice and counsel given during and outside of meetings.

The attendance record of directors in 2019 is shown on page 15.

The NC is satisfied that each director has devoted time and effort to attend to UOI's affairs and has contributed to the effectiveness of the Board and Board Committees. The NC does not believe in limiting the number of directorships that UOI directors may hold because each director knows best the number of appointments he is capable of handling. Further, the ability of a director to accept another appointment is subject to the prior review of the Board.

## Selection Process, Appointment and Re-Election

Any director may nominate candidates to the NC. The NC reviews the suitability of candidates for appointment to the Board having regard to the board diversity policy. The Board seeks diversity in terms of qualification, business experience, expertise, skills, age, gender, ethnicity and culture among other attributes when reviewing potential directors. It also considers the candidates' current commitments, independence, qualification for office, personal attributes and whether he would have sufficient time to commit to UOI's affairs.

At least one-third of the directors retire from office by rotation at the AGM every year and all directors are subject to retirement and re-election at least once every three years. The NC takes into account the competencies, commitment, contribution and performance of a director in recommending the director for re-election. New directors have to stand for re-election at the first AGM following their appointments. Appointments of directors and the board chairman are subject to the approval of the MAS.

During the year, on the recommendation of the NC, the Board approved the appointment of Mr Chua Kim Leng as a director. Upon receipt of MAS approval, Mr Chua joined the Board on 1 February 2020. His background, qualifications, age, experience and regulatory expertise add to the diversity of the Board.

The Board has nominated Professor Ho Yew Kee and Mr Chng Hwee Hong for re-election by rotation at the upcoming AGM as each of them continues to make valuable contributions and has served less than nine years and is considered independent. The NC was of the view that both of them have been diligent in their discharge of duties as directors. Mr Chua Kim Leng is subject to re-election as he was appointed by the directors in the course of the year. Please refer to pages 105 to 107 for additional information on the directors seeking re-election.

In the interest of progressive renewal of the Board, Mr N Ganesan, who is due to retire by rotation at the 2020 AGM, has decided not to seek re-election as he will have served nine years come July 2020.

## Induction and Continuous Development

New directors receive an induction soon after they join the Board. They receive a manual that contains the constitution of the Company, the terms of reference of the Board and Board Committees, Articles of Directorship, Code of Corporate Governance, Code of Conduct and extracts of applicable laws and regulations. The Articles of Directorship set out a director's term of office, duties, responsibilities, remuneration and disclosure obligations. The Articles and any subsequent amendment are approved by the Board and apply to all directors irrespective of when they were appointed. The induction for new directors includes a meeting with key management personnel and briefings on UOI's corporate development, culture, values, organisational structure, business, operations and financial performance.

The NC oversees the training programme and budget for directors. In-house training was conducted in 2019 on various subjects including cyber security, technology risks, developments in accounting standards and products offered by the Company. Directors are also encouraged to attend conferences/seminars conducted by the Singapore Institute of Directors. The NC is of the view that the 2019 training programme has increased the directors' store of knowledge and helped them in discharging their duties.

To comply with the SGX-ST Listing Rules, directors who have no prior listed company experience will undergo the necessary training conducted by the Singapore Institute of Directors. The training will be funded by the Company.

## Succession Planning for Key Management Positions

The NC reviews the succession plan for the position of chief executive officer (CEO), and other key management positions. UOI identifies and prepares suitable internal candidates for key management positions through mentoring, training and job rotation. If there is no suitable candidate, the Company will recruit from external sources. The NC also reviews the reasons behind the resignation of senior executives.

During the year, Management established a Strategic Corporate Development Committee, one of whose objectives is the nurturing and mentoring of the Company's potential next generation leaders, including the successor for the CEO and managing director. The NC will continue to monitor the progress made in grooming these talents and building a succession pipeline.

## Access to Information, Management and Company Secretary

Directors have unfettered access to information, Management, and the internal and external auditors. Comprehensive reports on the Company's operations and financial position are given to directors in advance, with ample time for them to prepare for meetings. Senior executives are present at meetings to provide additional information or clarification as needed. If necessary, professional advisers are invited to brief the Board or Board Committees. The common memberships in the Board Committees facilitate information sharing between the Board Committees and contribute to a holistic view of matters covered by separate Board Committees.

The appointment and removal of the company secretary is decided by the Board. Directors have separate and independent access to the company secretary who assists directors in the discharge of their duties, attends all Board and Board Committee meetings, advises on governance matters and applicable laws, coordinates the induction of new directors and facilitates directors' attendance at seminars and training courses.

Directors may seek independent professional advice at UOI's expense should they need advice on any matter in order to discharge their duties. The company secretary will assist the directors in such instances.

## Composition of Board Committees

The NC conducts an annual review of the size and composition of the Board Committees to assess if any change is needed.

## Nominating Committee

| NC membership |
|---|
| • Hwang Soo Jin *(chairman)*, Wee Cho Yaw and Yang Soo Suan |
| • Majority of members, including the chairman, are independent directors pursuant to the SGX-ST Listing Rules, MAS Guidelines and the 2018 Code |

The main responsibilities of the NC are:

- to recommend the appointment, re-election and retirement of directors;
- to assess the performance of the Board, Board Committees and each director;
- to determine the independence of directors;
- to perform succession planning; and
- to review the progress made in the implementation of the board diversity policy.

Its main activities are outlined in pages 14 to 17.

# Remuneration Matters

## Remuneration Committee

| RC membership |
|---|
| • Wee Cho Yaw *(chairman)*, Hwang Soo Jin, Yang Soo Suan and Ho Yew Kee *(appointed on 12 February 2019)* |
| • Majority of members are independent directors pursuant to the SGX-ST Listing Rules, MAS Guidelines and the 2018 Code |

The RC's main responsibilities are:

- to establish a remuneration policy and framework that are in line with the Company's strategic objectives, corporate values and prudent risk-taking;
- to determine the level and structure of remuneration that are appropriate and proportionate to the sustained performance and value creation of the Company and to promote the long-term success of the Company; and
- to review and to recommend the remuneration for directors and key management personnel.

The Board has determined that Dr Wee Cho Yaw, a non-independent director, shall remain as the RC chairman because of his in-depth experience in remuneration matters.

## Remuneration and Disclosure

UOI adopts the remuneration policy of the UOB Group with variations appropriate for the insurance industry. The policy sets out the principles and philosophies adopted to provide competitive remuneration terms that would attract, motivate and retain employees and directors to provide good stewardship and effective management. The service of an external remuneration consultant was not required during the year under review.

# Corporate Governance

## Directors' Remuneration

In recommending the fees to be paid to directors in respect of a financial year, the RC takes into account the directors' responsibilities as well as UOI's size, scope of business and its financial performance in that year. Mr David Chan, the Managing Director and Chief Executive and the only executive director on the Board, is remunerated as a key management personnel. He does not receive any director fee.

Non-executive directors are paid a basic fee for service on the Board and additional fees for service on Board Committees. During the year, the RC reviewed and recommended that the structure of the directors' fees remain unchanged.

The annual fee structure for the Board and Board Committees for 2019 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming AGM.

No director is involved in the deliberation or determination of his own remuneration.

| Fee Structure | Chairman | Member |
|---|---|---|
| Basic Retainer Fee | $40,000 | $22,500 |
| Audit Committee | $12,500 | $10,000 |
| Nominating Committee | $7,500 | $5,000 |
| Remuneration Committee | $7,500 | $5,000 |

Details of the total fees and other remuneration paid/payable by the Company to the directors for the financial year ended 31 December 2019 are disclosed in the table below:

| | Directors' fees | Base or fixed salary | Variable performance bonus | Benefits-in-kind and others | Total |
|---|---|---|---|---|---|
| ***$750,000 to $999,999*** | | | | | |
| David Chan Mun Wai | – | 51.0% | 41.2% | 7.8% | 100% |
| ***Below $250,000*** | | | | | |
| Wee Cho Yaw | $52,500 | – | – | – | $52,500 |
| Wee Ee Cheong[1] | $22,500 | – | – | – | $22,500 |
| Hwang Soo Jin | $45,000 | – | – | – | $45,000 |
| Yang Soo Suan | $45,000 | – | – | – | $45,000 |
| N Ganesan | $32,500 | – | – | – | $32,500 |
| Ho Yew Kee | $32,500 | – | – | – | $32,500 |
| Chng Hwee Hong | $32,500 | – | – | – | $32,500 |
| **Total Directors' Fees** | **$262,500** | – | – | – | **$262,500** |

1 Director's fee payable to Mr Wee Ee Cheong will be paid to United Overseas Bank Limited.

## Employee Remuneration

UOI's remuneration framework is designed to encourage sustained performance and value creation for the Company in the long term. Value creation is measured based on several metrics (including financial performance, dividend yield, net asset value, shareholder fund) over five to ten years. Remuneration programmes are designed to support the Company's business strategy and objectives, aligned to a pay-for-performance philosophy by linking remuneration to financial, non-financial and individual performance, and providing flexibility to respond to dynamic business needs. The remuneration package comprises fixed salaries, variable bonuses and benefits. To ensure salaries are appropriate and proportionate to performance, they are benchmarked against comparable roles in the insurance industry. Variable bonuses are granted based on the performance of UOI and the individual. Care is taken to ensure that employees are not rewarded for short-term gains that come through taking excessive or undue risks. UOI has a variable performance bonus deferral policy to be applied as appropriate. UOI did not apply it for financial year 2019 as circumstances did not warrant its application.

UOI's key management personnel consist of the Managing Director and Chief Executive and four Assistant General Managers. The names of the Assistant General Managers can be found in the Corporate Information section.

Each year, the RC reviews the performance of the Managing Director and Chief Executive before recommending his remuneration package for the Board's approval. The variable performance bonus pool for other key management personnel and executives is also recommended by the RC each year while the performance bonuses for the other employees are based on a formula agreed with the Singapore Insurance Employees' Union.

The RC also reviews the terms of contract of key management personnel to ensure that the contracts contain fair and reasonable termination clauses.

The Company operates in an intensely competitive environment and the skills required in the insurance industry are highly specialised. Mindful of its employees' right to privacy, UOI has decided not to disclose the remuneration of key executives whether individually or in the aggregate. The Company will continue to disclose the remuneration of the Managing Director and Chief Executive in bands of $250,000.

The Company does not have any employee share option or share-based incentive scheme or plan.

No employee of the Company was a substantial shareholder of UOI or an immediate family member of any director, Chief Executive or substantial shareholder of UOI during the financial year ended 31 December 2019.

# Accountability and Audit

## Audit Committee

| AC membership |
| --- |
| • Yang Soo Suan *(chairman)*, N Ganesan, Chng Hwee Hong and Ho Yew Kee *(appointed on 7 October 2019)*<br>• All members, including the chairman, are independent and non-executive directors pursuant to the SGX-ST Listing Rules, MAS Guidelines and 2018 Code |

The AC's duties include reviewing and, where appropriate, approving the following:

- financial statements and quality of, and any significant change in, accounting policies and practices;
- adequacy and effectiveness of internal accounting control systems and internal controls;
- risk management policies, frameworks and systems and adequacy of measures taken in relation to material risks;
- nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation;
- approach in identifying, measuring and monitoring its key and emerging risks and the governance and measurement of these risks;
- assurance provided by the CEO and other key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control system;
- appointment, reappointment, removal (if necessary), evaluation, remuneration and terms of engagement of the internal and external auditors;
- internal and external audit plans and reports;
- scope and results of the internal and external audits;
- effectiveness, independence, knowledge, competence and objectivity of the external auditor;
- adequacy, effectiveness, independence and efficiency of the internal audit function;
- performance and appointment of the certifying actuary;
- policies and procedures for handling fraud and whistle-blowing cases;
- interested person transactions and material related party transactions; and
- the Company's business and financial sustainability practices in light of its long-term strategic goals.

# Corporate Governance

The AC has authority to investigate any matter within its terms of reference. It has the full cooperation of Management and the internal and external auditors to discharge its functions properly. The internal and external auditors report their significant audit findings and recommendations to the AC independently. At least once a year, the AC meets separately with the internal and external auditors in the absence of Management.

The AC reviews the policies and procedures for handling fraud and whistle-blowing cases, which are reported to the AC for review and investigation, if necessary. Please refer to page 23 for more information on the whistle-blowing policy.

The external auditor briefs the AC on changes in accounting standards which may have a direct impact on financial statements during AC meetings. Additional sessions may be arranged, where appropriate.

Each quarter, the AC meets to review the financial statements and makes its recommendation to the Board for approval. In its review, the AC assesses the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements. The AC has discussions with Management and the external auditor over key audit matters, which may provide greater depth to the audited financial statements.

The external auditor has given UOI an unqualified opinion on the Company's financial statements for the financial year ended 31 December 2019. It has also noted no anomalies in the systems and procedures of controls in the areas audited.

In relation to the key audit matters, the AC remains vigilant in its oversight of Management's evaluation of the technical balances because of the element of uncertainty that is inherent in the insurance business. To ensure accuracy in estimation of the technical balances, an additional safeguard in the form of a mandatory actuarial evaluation is conducted annually by an external actuary approved by the regulatory authority. The Company's annual estimation of the technical balances as compared with the actuary's estimation has been consistently prudent. The same extent of financial prudence applies to the Company's management of its investment portfolio and estimated credit loss provisions.

The Company has transitioned from SFRS(I) 1-39 *Financial Instruments* to SFRS(I) 9 *Financial Instruments*. Measures taken by Management on the changes in the financial reporting requirements continue to be monitored by the AC. The external auditor has assessed that the methodology deployed and the accounting standards adopted are appropriate.

## Internal Auditor

The internal auditor, PricewaterhouseCoopers Risk Services Pte. Ltd., performs its duties in accordance with the Internal Audit Charter, the *International Standards for the Professional Practice of Internal Auditing* set by The Institute of Internal Auditors and other relevant best practices. The internal auditor has confirmed that it has received appropriate access to information and cooperation from Management to perform its duties.

The internal auditor adopts a risk-based approach in the audit of the Company's internal controls. It develops the audit work plan independently after meeting with Management. The audit plan, together with information on the personnel involved in the audit, is then reviewed and approved by the AC. The audit reports and significant findings are reported to the AC on a quarterly basis although the internal auditor has access to the AC at any time, if necessary. The AC may request the internal auditor to assist in the review of specific topics. During 2019, the AC requested the internal auditor to review the state of UOI's technology infrastructure, following which the internal auditor recommended enhancements.

Each year, the internal auditor performs a self-assessment before it is assessed by the AC. The AC took into account the interaction between the internal auditor and Management, its conduct of the audit and the quality of the reports submitted. The AC is satisfied that the internal auditor is independent, effective and has adequate resources including suitably qualified and experienced staff to perform the internal audit function.

## External Auditor

Ernst & Young LLP, the current external auditor, is registered with the Accounting and Corporate Regulatory Authority (ACRA). The partner in charge of auditing the Company is rotated every five financial years in accordance with the SGX-ST Listing Rules. The AC recommends the appointment or reappointment of the external auditor for the Board's approval. It approves the terms of engagement of the external auditor and reviews the external auditor's audit plan and reports. More information on the work carried out by the external auditor can be found in the Independent Auditor's Report.

Before recommending the reappointment of the external auditor to the Board, the AC assesses the effectiveness, independence, knowledge, competence and objectivity of the external auditor. In performing its assessment, the AC is guided by the *Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors* (ACRA/SGX-ST), ACRA's Audit Quality Indicators Disclosure Framework, and the *Guidebook for Audit Committees in Singapore* (MAS/ACRA/SGX-ST). The external auditor is also required to perform a self-assessment.

The AC also takes into account the quality of the external auditor's work, quarterly affirmation of independence and relationships with UOI, as well as the audit and non-audit fees paid to the external auditor. During the financial year, the external auditor was engaged to prepare compliance transfer pricing documentation based on new Income Tax (Transfer Pricing Documentation) Rules. The non-audit fee payable to the external auditor was equivalent to 10 per cent of the audit fee for the year. The AC was of the view that the non-audit fee paid to the external auditor did not affect its independence. Particulars of the audit and non-audit fees for the financial year are disclosed in Note 6 to the Financial Statements.

The AC is of the view that the external auditor was effective, independent and objective in its audit of the Company in 2019 and that it has the requisite expertise and resources to be the external auditor for the next financial year. The AC has therefore nominated Ernst & Young LLP for reappointment at the forthcoming AGM. UOI has complied with Rule 712 of the SGX-ST Listing Rules with regard to the appointment of the auditing firm.

### Risk Management and Controls

The AC helps the Board to oversee the risk management functions of UOI. The NC recommended, and the Board agreed, that there is no need to establish a separate board risk committee or appoint an independent chief risk officer since UOI is a relatively small company and its business and setup are not complex.

UOI's system of risk management and internal controls involves management oversight and control, risk identification and management, as well as audits.

The Company has put in place an Enterprise Risk Management Framework which is commensurate with the Company's level of activity, type of business and risk profile. Under the framework, key risks are identified and managed based on four risk dimensions. Each dimension has a defined risk tolerance limit. Management reviews the framework annually and proposed changes are submitted to the AC for endorsement before the revised framework is approved by the Board. The Managing Director and Chief Executive, and the seven management committees are responsible for the continued development of risk management practices and implementation of systems and controls for managing material risks effectively. UOI has established policies and procedures which are appropriate for the nature, complexity and materiality of the Company's activities, and compliance with such policies and procedures is monitored. More information on the management committees, risk dimensions and key risk types under UOI's Enterprise Risk Management Framework can be found in the Risk Management section.

The external and internal auditors conduct independent audits and report on any material non-compliance or lapse in internal controls. The auditors evaluate the overall adequacy and effectiveness of the Company's risk management processes and internal control systems. The internal auditor has performed an independent review of certain processes in the Company's operations in 2019 in accordance with the two-year cycle audit plan.

As a member of the UOB Group, UOI has access to the UOB Group policies, guidelines and procedures. UOI adapts these policies and guidelines to suit UOI's business operations where applicable. As technology is widely used in the conduct of business and daily life, the AC has been increasing its attention on cybersecurity and technology risk management in recent years. It has also focused on climate change risk given the increasing occurrence of unusual climate and weather events.

### Adequacy and Effectiveness

Each year, self-assessment tools are used to evaluate the Company's compliance with internal controls and risk management processes. The AC and Management have performed an assessment of UOI's system of risk management and internal controls, including financial, operational, compliance and information technology controls. The result of Management's assessment is reviewed by the AC.

The Board has conducted its own review of the adequacy and effectiveness of UOI's internal controls and risk management. In its review, the Board took into account the work performed by the internal and external auditors, Management and the AC, and opinions of the internal and external auditors and the AC. The Board has received assurance from the Managing Director and Chief Executive and the Head/Deputy Head of Corporate Services (including Finance) that the system of risk management and internal controls is effective, the financial records have been properly maintained and the financial statements give a true and fair view of UOI's operations and finances.

Following its review and with the concurrence of the AC, the Board opined that the Company's system of risk management and internal controls (including financial, operational, compliance and information technology controls) was adequate and effective as at 31 December 2019. The Board notes that no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud, and that the Company's system of risk management and internal controls provides reasonable but not absolute assurance that the Company will not be affected by any adverse event which may be reasonably foreseen.

## Shareholder Rights and Engagement

### Shareholder Rights and Conduct of Shareholder Meetings

UOI treats all shareholders fairly and equitably. Material information on the Company's financial performance and business are disclosed on SGXNet and the UOI website so that shareholders can make informed decisions on their investment in UOI shares.

All shareholders are entitled to attend and participate in the proceedings at general meetings. The notice of general meeting, related information and a proxy form are sent to shareholders at least 14 days before the meeting. The notice of meeting is also published in certain widely-read local newspapers, on SGXNet and on the UOI website. Each substantial matter is proposed as a separate and distinct resolution at the general meeting. Explanatory notes to the resolutions to be voted on are provided in the notice.

Shareholders may attend and vote at general meetings in person or by proxy. The rules for the appointment of proxies are set out in the notice of general meeting and proxy form. Shareholders who are not relevant intermediaries as defined in the Companies Act may appoint up to two proxies to attend, to speak and to vote at general meetings in their place. Nominee companies and custodian banks which are relevant intermediaries may appoint more than two proxies. Investors who hold shares through such nominee companies and custodian banks may attend and vote as proxies of the nominee companies or custodian banks. The completed proxy forms must be deposited at the place specified in the notice of general meeting at least 72 hours before the time set for holding the general meeting. UOI currently does not implement voting in absentia by mail or electronic means.

At each general meeting, each ordinary share carries one vote and electronic poll-voting services are provided by an independent contractor. Shareholders and proxies are briefed on the procedures before voting commences. The votes cast for or against each resolution are tallied and displayed immediately at the close of voting. An independent scrutineer is also present to validate the voting results before they are announced on SGXNet on the same day as the general meeting.

# Corporate Governance

### Engagement with Shareholders

To ensure equal access to information by all shareholders and other stakeholders, all pertinent information relating to the Company is disclosed in a timely manner via SGXNet and the UOI website (www.uoi.com.sg). The Investor Relations webpage on the UOI website contains the latest financial results, annual report and other corporate information. The first three quarters' financial results are announced within 45 days from the end of the quarter and the full-year financial results are announced within 60 days from the financial year end. The annual report is sent to all registered shareholders at least 14 days before the AGM, which is held within four months from the financial year end. The annual report, which is available online and in print, contains the audited financial statements, AGM notice, proxy form and other pertinent information. It is also available on SGXNet and the UOI website.

Shareholders who are present at a general meeting are given adequate time to ask questions relating to the resolutions to be passed at the meeting. Directors and Management and, where necessary, the Company's professional advisers are in attendance at the meeting. Their names and those of the directors present at the general meeting are recorded in the minutes. The minutes of general meetings are posted on the UOI website.

Shareholders, analysts and other stakeholders may provide feedback to the Company's Investor Relations team whose contact details are in the Corporate Information section and on the UOI website.

### Dividend Payment

Dividends recommended or declared for payment are announced on SGXNet. Interim dividends are paid within 30 days after they are declared and final dividends are paid within 30 days after they are approved by shareholders at the AGM. The Company's dividend policy aims to pay sustainable dividends to shareholders over the long term by balancing the Company's growth with prudent capital management.

## Managing Stakeholder Relationships

### Engagement with Stakeholders

UOI has adopted a stakeholder engagement policy to assist the Company in identifying its primary stakeholders and their concerns. The policy also sets out the approach to be taken by UOI in engaging its stakeholders. Particulars of UOI's engagement with its stakeholders can be found in the Sustainability Report.

## Related Party Transactions and Interested Person Transactions

The AC reviews all interested person transactions and material related party transactions to assess if the transactions are undertaken in the ordinary course of business, on normal commercial terms and at arm's length. All directors and the Managing Director and Chief Executive have to declare any interest which could conflict with UOI's interest and abstain from voting on matters in which they have an interest. Information on related party transactions is disclosed in the Notes to the Financial Statements. The particulars of interested person transactions entered into during 2019 are disclosed in the table below.

Interested Person Transactions

| Name of interested person | Nature of Relationship | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|---|---|
| United Overseas Bank Limited | Controlling Shareholder | UOB provided the following services to UOI:<br>• telemarketing service valued at approximately $2.6 million;<br>• web and digital services valued at approximately $11,000;<br>• corporate secretarial and tax services valued at $61,000;<br>• marketing service at UOB branches. Fees payable are based on sales generated; and<br>• end user support service valued at approximately $53,000. | Nil |

### Material Contracts

On 18 December 2019, UOI entered into an agreement to buy the office building at 146 Robinson Road Singapore from UOB, its controlling shareholder, at the price of $52 million. The purchase was approved by UOI shareholders at an extraordinary general meeting held on 18 February 2020 where UOB and its associates abstained from voting.

Save as may be disclosed on SGXNet or herein, no material contract involving the interest of the Managing Director and Chief Executive, any director or controlling shareholder of UOI has been entered into by the Company since the end of the previous financial year, and no such contract subsisted as at 31 December 2019.

## Ethical Standards

### Code of Conduct

UOI has a written Code of Conduct which lays down the principles of personal and professional integrity and behaviour expected of all employees. The principles covered in the Code include:

- fair dealing with customers in the conduct of business;
- maintaining confidentiality of customer information;
- protection of personal data;
- equal opportunity for employees on the basis of merit;
- non-tolerance of any kind of discrimination, bullying, harassment or other forms of degrading behaviour that is inimical to the existence of a safe and harmonious working environment;
- maintaining professional independence and objectivity;
- compliance with applicable laws and regulations, including competition and anti-trust law;
- zero tolerance of bribery, corruption and illegal or unethical dealings, including insider trading and facilitation payments; and
- whistle-blowing.

Employees are required to read the Code of Conduct when they join the Company and whenever the Code of Conduct is revised. All employees are required to refresh their knowledge of the Code of Conduct annually through an e-learning course.

### Whistle-blowing Policy

UOI's whistle-blowing policy provides for any person to report in confidence, anonymously or otherwise, any impropriety in financial or other matters. The policy also sets out the procedures by which whistle-blowing cases are investigated. Whistle-blowing reports may be sent to the AC chairman (c/o Company Secretary, 80 Raffles Place, UOB Plaza 1, Singapore 048624). All whistle-blowing reports received are investigated independently by the AC with the assistance of the internal auditor or an external independent consultant firm. UOI prohibits reprisal in any form against whistle-blowers who have acted in good faith.

### Securities Dealing

Directors, employees and UOB personnel involved in providing services to UOI have to observe a code on dealing in securities. The code requires them to adhere to applicable laws on insider dealings at all times and prohibits dealings in UOI's securities in the following situations:

- on short-term considerations;
- during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year, and one month before the announcement of the Company's full-year financial statements. The Company does not deal in its securities during the prohibited dealing periods and informs directors and employees in advance of the commencement of the prohibited dealing periods; and
- whenever they are in possession of price-sensitive information.

Directors and the Chief Executive must notify the Company of their interests in the securities of UOI and its related corporations within two business days after they acquire or dispose of such interests or become aware of any change in interests so that the Company can announce it on SGXNet, where applicable.

# Corporate Governance

## Summary of disclosures – Express disclosure requirements in the 2018 Code and Supplementary MAS Guidelines

| Principles and provisions of the 2018 Code – Express disclosure requirements | Page reference |
|---|---|
| **Provision 1.2**<br>The induction, training and development provided to new and existing Directors. | 16 |
| **Provision 1.3**<br>Matters that require Board approval. | 13 |
| **Provision 1.4**<br>Names of the members of the board committees, terms of reference, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities. | 13-22 |
| **Provision 1.5**<br>The number of meeting of the Board and board Committees held in the year, as well as the attendance of every board member at these meetings. | 15 |
| **Provision 2.4**<br>The board diversity policy and progress made towards implementing the board diversity policy, including objectives. | 16 |
| **Provision 4.3**<br>Process for the selection, appointment and reappointment of directors to the Board, including criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates. | 16 |
| **Provision 4.4**<br>Where the Board considers a director to be independent notwithstanding the existence of a relationship between the director with the Company, its related corporation, its substantial shareholders or its officers, which may affect his or her independence, such relationship and the reasons for considering him/her as independent should be disclosed. | 14 |
| **Provision 4.5**<br>The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties. | 4-6, 16 |
| **Provision 5.2**<br>How the assessment of the Board, its board committees and each director has been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors. | 16 |
| **Provision 6.4**<br>The company discloses the engagement of any remuneration consultants and their independence. | Not applicable |
| **Provision 8.1**<br>The company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel. | 17-19 |

| Principles and provisions of the 2018 Code – Express disclosure requirements | Page reference |
|---|---|
| **Provision 8.2**<br>Names and remuneration of employees who are substantial shareholders of the company, or are immediate family member of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000. The disclosure should states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder. | Not applicable |
| **Provision 8.3**<br>All forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company, including the details of employee share schemes. | 18-19 |
| **Provision 9.2**<br>The Board should discloses whether it has received assurance from: (a) the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems. | 21 |
| **Provision 11.3**<br>Directors' attendance at general meetings of shareholders held during the financial year. | 15 |
| **Provision 12.1**<br>The steps to solicit and understand the views of shareholders. | 22 |
| **Provision 13.2**<br>The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period. | 22, 30-31 |

| Supplementary MAS Guidelines – Express disclosure requirements | Page reference |
|---|---|
| **Guideline 1.16**<br>An assessment of how induction, orientation and training provided to new and existing directors meet the requirements as set out by the NC to equip the Board and the respective board committees with relevant knowledge and skills in order to perform their roles effectively. | 16 |
| **Guideline 2.13**<br>Names of the members of the board executive committee (EXCO) and the key terms of reference of the EXCO, explaining its role and the authority delegated to it by the Board. | Not applicable |
| **Guideline 4.13**<br>Resignation or dismissal of key appointment holders. | Not applicable |
| **Guideline 4.14**<br>Deviation and explanation for the deviation from the internal guidelines on time commitment. | 16 |
| **Guideline 11.14**<br>Names of the members of the board risk committee and the key terms of reference of the board risk committee, explaining its role and the authority delegated to it by the Board. | Not applicable |
| **Guideline 17.4**<br>Material related party transactions. | 22-23 |

# Sustainability

## Our Commitment To Sustainability

Established in 1971, UOI has been serving the insuring public for almost half a century. It remains the only indigenous general insurer listed on the Singapore Exchange Securities Trading Limited (SGX-ST). Since its inception, it has been growing from strength to strength with widening clientele. In its constant effort to maximise shareholder value, the Company has not lost sight of the importance of embracing certain moral values to guide it in its role as an insurer in particular, and as a responsible corporate citizen in general.

Values such as honesty, sense of fair play, social conscience, the constant pursuit of excellence in professionalism and commitment for the long-term success are very much embedded in the Company's daily operational practices across the board.

The recent development of sustainability which implicitly and explicitly covers most of our corporate values and widens to include broader environmental issues as a management objective is therefore not an entirely new concept to us. The internationalisation and adoption of universal standards in sustainability reporting have, however given us an excellent opportunity to deepen and redefine our commitment to sound and principled approach in our continued services to the public. It is with this in mind that we have prepared this report and thus rendered our processes in greater transparency.

## About This Report

This report is UOI's third annual sustainability report prepared in accordance with the SGX-ST Sustainability Reporting Guide. We have used the GRI Standards 2016 issued by the Global Reporting Initiative (GRI). The report has been prepared in accordance with the GRI Standards: Core option.

This report presents UOI's progress against the material Environmental, Social and Governance (ESG) factors for FY2019, including our commitment to the UN Sustainable Development Goals (SDGs).

### Reporting Principles

We have determined the content of this report by applying the reporting principles contained in the GRI Standards (GRI 101: Foundation 2016) that include the principles of stakeholder inclusiveness, sustainability context, materiality and completeness. As such, this report focuses on topics that represent UOI's material impacts on the economy, the environment and society and which are of interest to our stakeholders. The report takes into account the wider sustainability context relevant to the insurance sector and the local demographics and market conditions.

We have applied the GRI's Principles for Defining Report Quality to ensure the quality of information presented in the report by paying attention to accuracy, reliability, clarity, comparability, timeliness and balance.

### Restatements

There are no restatements of ESG data in this report.

### External Assurance

UOI's current practice is to rely on internal checks and verifications for data presented in its sustainability report, instead of seeking external assurance.

### Availability

This report, as a part of our Annual Report, is available on UOI's website in PDF format for viewing and download.

### Feedback

Any questions or feedback relating to this report may be sent to contactus@uoi.com.sg

## Sustainability Approach

At UOI, sustainability is integrated into its governance and strategy. As a leading local general insurance company in Singapore, we live and operate by high standards of ethics, integrity and governance while ensuring exceptional client experience.

Driven by our core values, we remain committed to growing our business in a sustainable manner by adopting responsible business practices. We firmly believe that our ability to create value in the short, medium and long term for our stakeholders and shareholders is vital for the sustainable growth of UOI's business.

Our insurance solutions protect our clients from risk in an increasingly complex operating environment driven by globalisation, climate change, disruptive technologies, and shifting demographics. We use our risk expertise to help individual, business and industrial customers manage their whole plethora of risks.

Within our own operations, we carefully identify and address significant social and environmental impacts, risks and opportunities. We integrate responsible investment principles into our investment operations wherever possible. We actively participate in community initiatives organised by the Company and our parent company, United Overseas Bank.

We are cognisant of the fact that to remain sustainable, we need to keep up with change. The late Mr Lee Kuan Yew, Singapore's founding Prime Minister said "Change is the very essence of life. The moment we cease to change, to be able to adapt, to adjust, to respond effectively to new situations, then we have begun to die." Embracing change, UOI has over the years successfully computerised many of its manual processes and have moved on to digitalising our customer services and deploying new technologies such as optical imaging into our insurance operations.

Digital transformation of economies means it has become ever more important that our employees continue to upgrade and possess the necessary digital skills by engaging in ongoing learning.

### Board Statement

At UOI, the Board is actively engaged in constantly assessing and addressing material economic, social, environmental and governance risks and opportunities. The Board sets policies, provides direction and guidance to the management for effectively managing sustainability issues. The Board considers sustainability topics in framing and reviewing business strategy, determines the ESG factors material to creating short, medium and long term value for the business and stakeholders and monitors the management's implementation of the material ESG issues presented in sustainability reporting.

# Sustainability Governance

## Reporting Process

Our reporting process adheres to the GRI Standards. UOI's sustainability report is prepared under the overall direction of the Board which sets the policies for implementation by Management via their Management Committee (MC), comprising senior executives from key functions. The MC is chaired by the Managing Director and Chief Executive, who is also a member of the Board.

Based on the Board's direction, the MC will review and assess the sustainability context, material ESG issues, report content and boundaries, and topics to be included in the report. The MC then reports to the Board to obtain its approval of material factors and ESG targets.

In deciding the content of the report, formal and informal feedback from a range of internal and external stakeholders are taken into account. A reporting project team has the responsibility for gathering and verifying ESG performance data for reporting to the Board.

## Sustainability Management

UOI management is responsible for implementing sustainability policies and strategies set by the Board and overseeing operational matters through senior executive committees.

Dedicated committees ensure adherence to the Company's sustainability principles and practices. These committees and their responsibilities *inter alia*:

**Risk Management and Compliance Committee:** examines all risk management, corporate governance and compliance issues affecting the Company, including ESG risks.

**Underwriting and Claims Committee:** establishes underwriting and claims policies and procedures, and monitors the compliance of such policies and procedures by all operational units. This Committee monitors underwriting risks and oversees the development of any new underwriting policy and strategy.

**Investment Committee:** monitors and manages the Company's investment portfolios, ensuring sound and responsible economic performance.

The Risk Management section of this Annual Report contains more information about the functions of the various committees.

## Material ESG Issues

We have determined UOI's material economic, environmental, social and governance impacts by applying the principles of materiality, stakeholder inclusiveness and sustainability context as outlined in the GRI Standards 2016 (GRI 101: Foundation 2016). This report covers all issues identified to be material.

Our materiality assessment has considered the issues that are of importance to our primary stakeholders as well as of significant relevance to the general insurance sector. We have also consulted GRI's Financial Services Sector Disclosures while identifying the most material impacts of UOI's business activities.

During the year, we also examined the UN SDGs to identify areas where UOI can contribute. As a start, we have identified the SDGs that align with our material topics.

A summary of UOI's material topics is presented in the table below.

| Material Factors | Relevant Topic-specific GRI Standards | Where the Impact Occurs | UOI's Involvement | SDG Supported |
|---|---|---|---|---|
| **Highly Material Factors** | | | | |
| Client Satisfaction | • Product and Service Labelling | Outside | Direct and Indirect |   |
| Social impact of the business | • Local Communities | Outside | Indirect |   |
| Digitalisation, privacy and data security | • Customer Privacy | Within and Outside | Direct |   |
| Regulations | • Compliance<br>• Product and Service Labelling<br>• Marketing Communications | Within and Outside | Direct |   |
| Financial and economic performance | • Economic Performance<br>• Indirect Economic Performance | Within and Outside | Direct and Indirect |   |

# Sustainability

| Material Factors | Relevant Topic-specific GRI Standards | Where the Impact Occurs | UOI's Involvement | SDG Supported |
|---|---|---|---|---|
| **Material Factors** | | | | |
| Responsible investment | • Product Portfolio *(G4 Financial Services Sector Disclosures)* | Outside | Indirect | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| Climate change | • Economic Performance | Outside | Indirect | 13 CLIMATE ACTION |
| Attracting, developing and retaining talent | • Employment<br>• Training and Education | Within | Direct | 8 DECENT WORK AND ECONOMIC GROWTH |
| Diversity and inclusion | • Diversity and Equal Opportunity | Within | Direct | 5 GENDER EQUALITY |
| Building a risk-focused organisation culture | • Training and Education | Within and Outside | Direct | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| Employee engagement and satisfaction | • Employment | Within | Direct | 8 DECENT WORK AND ECONOMIC GROWTH |
| Demographical Change | • Local Communities | Outside | Indirect | 3 GOOD HEALTH AND WELL-BEING |
| **Important Factors** *(Considered important but not material)* | | | | |
| Environmental impacts of own operations | • Energy<br>• Greenhouse Gas emissions | Outside | Direct | 13 CLIMATE ACTION |
| Community | • Local Communities | Outside | Indirect | 11 SUSTAINABLE CITIES AND COMMUNITIES |

The following are the goals and targets that have been set for the Highly Material ESG factors:

| Highly Material Factors | Goals | Targets |
|---|---|---|
| Client Satisfaction | Continue with our long-established customer-centric culture and provide customers with appropriate risk transfer advice:<br>• Maintain a dedicated client satisfaction task force which regularly monitors and implements customer service excellence initiatives<br>• Maintain our commitment to acting fairly and respectfully to our customers<br>• Continue to monitor and improve client satisfaction | To conduct our business professionally and ethically, that delivers value and fair dealing outcomes to our customers |

| Highly Material Factors | Goals | Targets |
|---|---|---|
| Social impact of the business | Support social causes:<br>• Monitor trends in claims and share relevant information with clients to help them in loss prevention and loss reduction, leading to a safer environment for the community<br>• Participate actively in community initiatives and employee volunteering programs | Committed to be a responsible corporate citizen and to contribute to various social programmes |
| Digitalisation, privacy and data security | Accelerate and increase digitalisation of business of delivery of insurance services and process automation | To target by 2022 to automate and be able to deliver our insurance services on a digital platform |
| Regulations | Maintain regulatory compliance and awareness of relevant compliance requirements | To maintain zero breaches or incidents of non-compliance with cybersecurity, personal data protection, laws and regulations<br><br>To refresh training programs for all full-time and contract staff on relevant regulatory compliance topics and achieve 100 per cent passing rate |
| Financial and economic performance | Optimise financial performance to improve shareholder value and provide job security to employees | Continue to achieve underwriting profit and positive investment return<br><br>Maintain strong capital adequacy and solvency |

## Our Sustainability Context

Climate change, the global push for a transition to a low-carbon economy, digital transformation, InsurTech, cyber threats, fraud risk, over-regulation, terrorism, generational changes, disruptive technologies, and rising healthcare costs continue to be the big issues facing the insurance sector.

At UOI, we have been augmenting our digital capabilities to be more efficient and productive. A key challenge is to continuously match clients' expectations of a faster and more intuitive experience of online transactions. Constant training of our people and partners as well as attracting digitally-savvy talent are important areas for us.

The increasing use of digital technologies across our business also comes with higher exposure to cyber-security risks and the need to comply with the necessary data protection regulations. Securing our IT infrastructure remains a top priority for management.

The sector is also witnessing a shift from being product-centric to becoming customer-centric. This requires an organisation-wide cultural change to operationalise customer-centricity. Customer-centricity is also driving investments in data analytics to gain better insights into markets and to develop more personalised approaches to serving customers. Artificial Intelligence is playing an increasing role in underwriting as digitisation continues to simplify the underwriting processes.

Climate change is believed to be increasing the incidents of natural catastrophes such as wildfires, flooding, storms or hail in many parts of the world, resulting in mounting losses for the general insurance industry. If this trend continues, reinsurers and insurers may be forced to adjust their risk pricing, leading to the increased cost of insurance.

At UOI, we closely monitor the new developments and wider trends in the insurance sector that are relevant to our business to inform our strategies.

## Our Stakeholders

We need to understand stakeholder needs to offer the right products and solutions. Insights from our ongoing interactions with stakeholders help us adopt policies and practices that maximise value for stakeholders as well as for our business. Feedback from our stakeholders also helps us prioritise ESG issues.

We engage and collaborate with a wide range of stakeholders that may include groups, institutions or individuals who are important to our business. Insights gathered from stakeholder interactions are regularly shared at and discussed in internal management meetings to help us focus our strategies on the right issues.

# Sustainability

Our engagement activities focus on the following principal stakeholders:

| Our Stakeholders | What They Expect | How We Engage | How We Respond |
|---|---|---|---|
| Customers | • Adequate cover<br>• Affordable premiums<br>• Clarity in policy terms and conditions<br>• Fast claim settlements<br>• Respect and fair treatment<br>• Products tailored to their needs | • Product brochures and communications<br>• Web portal<br>• Customer Services<br>• Through the sales process<br>• Through claims process<br>• 24-hour hotline for UOI customers for specific products | • Via a customer-centric business approach<br>• Hiring of skilled personnel<br>• Adherence to Industry code of practice<br>• Adherence to Employee's Code of Conduct<br>• Employees' behavioural service standards<br>• Product training for employees and sales personnel<br>• Product development that aligns with customers' needs<br>• Product review committee to assess all new products<br>• Niche products to match customers' needs<br>• Annual review of agents to ensure their suitability in serving our customers |
| Employees | • Conducive work environment<br>• Trust and respect<br>• Job satisfaction<br>• Skills training<br>• Career advancement<br>• Work-life balance<br>• Job security<br>• Safe Workplace | • Intranet, emails and meetings<br>• Team bonding activities and events<br>• Performance appraisal<br>• Internal customers survey<br>• Reward programme<br>• Conduct Workplace safety assessment regularly | • Compliance with Workplace Safety and Health Act<br>• Employment policies and practices that promote inclusivity, diversity, fair treatment, safe working conditions, reward and recognition for performance, teamwork, work-life balance, and career growth<br>• Flexi-work arrangements<br>• Annual training plan |
| Agents and Brokers | • Attractive sales commission and incentives<br>• Product training and development<br>• After-sales support<br>• Fast claims settlements<br>• Payment of commission as agreed<br>• Competitive products and pricing<br>• Wide coverage<br>• Underwriting expertise | • Regular meetings with Agents and Brokers<br>• Dedicated Account<br>• Relationship Managers<br>• Product briefings<br>• Networking sessions with Brokers | • Agency agreement with clear terms and conditions<br>• Regular training opportunities<br>• Agency management framework |
| Regulators | • Compliance with applicable regulations<br>• Adherence to various sector-specific guidelines<br>• Fair dealing | • Attendance of briefings and consultations organised by regulatory agencies<br>• Communication through emails and letters | • Compliance with applicable rules and guidelines<br>• Robust management of risks<br>• Sound underwriting policy and strategies<br>• Promptly responding to requests for information |

| Our Stakeholders | What They Expect | How We Engage | How We Respond |
| --- | --- | --- | --- |
| Trade Associations | • Support through membership subscriptions | • Attendance of industry seminars and conferences | • Membership of relevant associations such as the General Insurance Association of Singapore |
| Investors | • Consistent returns<br>• Good governance<br>• Sustainable growth of business<br>• High standards of ethics and integrity | • Annual General Meeting (AGM)<br>• Dedicated Investor Relations pages on UOI website<br>• Dedicated Investor Relations Officer | • Professional and ethical conduct<br>• An experienced management team that runs the business efficiently and generates optimum returns<br>• Sustainable business growth policies and strategies<br>• Prudent business planning and risk management<br>• Good governance, transparency and disclosure |
| Community | • Good corporate citizenship<br>• Support for social causes | • Various community outreach activities | • Participation in the parent company's and organise our own community initiatives and employee volunteering programmes |

## Membership of Associations

UOI engages with industry and insurance sector associations through membership.

Some of our association memberships include:

- General Insurance Association of Singapore;
- Singapore National Employers Federation; and
- Singapore Business Federation.

# Our Marketplace

Client-centricity remains a cornerstone of UOI's business model.

Besides ensuring that we offer insurance products that best fit the needs of Singapore's insuring public, we also operate with the highest ethical standards when dealing with and engaging our customers and other stakeholders.

We consistently strive to maintain our role as a responsible and innovative player in the financial sector and be a caring and nurturing employer.

UOI's economic performance over the years is a testament to our financial acumen, business prudence and good governance.

## Our Insurance Operation

**Client Satisfaction**
Client-centricity is a long-established organisational culture at UOI. We design our insurance products to meet our clients' needs. Our business and individual clients can look forward to the right coverage and affordable premium. UOI provides a number of mandatory insurance products such as motor insurance, domestic helper insurance and works injury compensation at competitive pricing to help clients meet their legal obligations.

We maintain a dedicated client satisfaction task force, which regularly monitors and implements customer service excellence initiatives. The task force constantly looks for ways to improve client satisfaction.

**Fair Dealing**
We are committed to acting fairly and respectfully when dealing with customers. Our advertising and promotional materials, as well as our product information, are transparent, clear and straightforward. Our policy is to provide adequate and relevant information, explanation and advice for customers to make an informed decision before buying an insurance policy.

We require our agents to explain all the main features of the products and services that we offer and provide a product summary highlighting essential details of cover and benefits, significant restrictions, warranties or exclusions, and significant conditions or obligations which our customers must meet.

**Free Look Policy**
Our clients enjoy a "Free Look" period of 14 to 30 business days from the date of receiving the policy document for some of our insurance products. Customers of these products may return the original policy document to the respective intermediary or to us within this period for a full refund of their premium if they decide not to continue with the insurance purchased.

# Sustainability

**Fair Claim Processing**
We are committed to handling claims and complaints fairly, reasonably and promptly.

We ensure that claim procedures are clearly explained to clients at the time of selling and that policyholders know how to make a claim under their insurance policy. The UOI website also provides detailed information about claim procedures. Clients can also call our friendly claim executives to find out more about our claim procedures.

Our goal is to acknowledge all claims within three business days of receiving them. Once we have received all the necessary information and a full investigation has been completed, we then decide the outcome as soon as practicable.

**Demographic Change**
It is estimated that a quarter of Singapore's population will be aged 65 and over by 2030. This presents new challenges as well as opportunities for the insurance sector.

For example, the ageing population is likely to result in rising healthcare and caregiving costs. With an increase in the retirement age in Singapore, more seniors are likely to continue to work. This presents insurers with challenges as it may result in a potential increase in workplace injuries and subsequent rise in the cost of insurance products.

Whenever possible, UOI shares the claims trends with customers and provides them with practical tips on preventing workplace -related injuries.

As people live longer, there will also be healthier and wealthier seniors with lifestyle needs such as travelling for leisure. UOI is well-placed to benefit from this trend by continuously upgrading our products, notably the Travel Insurance Package.

Keeping in line with the needs of an ageing population and longer life span, the eligibility enrolment age for our Personal Accident plans (PA Builder and Accident Care Refund Plan) has increased from age 59 to age 65. Our insurance plans are also now renewable up to the age of 85 years instead of the earlier 70 years.

Our Personal Accident (PA) plan (SilverCare) has been developed to cater for UOB customers aged between 45 to 69 years old.

**Products for Small and Medium Enterprises (SMEs)**
We offer insurance products tailored to protect SMEs against the damage of their assets and any subsequent loss of income.

In collaboration with UOB, we offer BizCare to UOB's Business Banking customers. BizCare is a comprehensive business insurance package that provides coverage against loss and damage to contents, work injury compensation and other types of protection.

**Loan Insurance Scheme**
UOI is a Participating Financial Institution in the Loan Insurance Scheme, a joint programme with Enterprise Singapore that helps companies and small businesses secure trade financing loans from banks. UOI is one of the approved insurers for the Scheme, insuring UOB's loans to their borrowers against insolvency.

**Takaful**
We have built the business infrastructure to support the selling and servicing of Syariah-compliant products such as Takaful. Takaful is a form of Islamic insurance founded on the principles of equitability and transparency and advocates collective responsibility and cooperation.

In Takaful, contributions paid by policyholders are kept in a Tabarru Fund or Donation (for designated purposes) Fund which is used to pay for claims and costs for operating the scheme.

**Digitalisation**
Digital transformation is becoming a crucial need in the insurance sector. As internet-based services mature, customers increasingly expect the convenience of buying insurance products online.

UOI has been investing in boosting its IT infrastructure to support the digitalisation of products and services. UOI's digitalisation programme is designed to meet the challenges posed by rapid technological advances, shifting business environment, stringent regulatory requirements and customers' emerging demands. The critical components of our digitalisation strategy encompass building a customer service-oriented digital platform, leveraging on data analytics and digital marketing to improve the delivery of insurance products and reducing operational costs by process automation.

Our online service delivery strategy is to engage technologically savvy clients on their platform(s) of choice via a multi-touchpoint digital journey. The use of Big Data will enable us to craft more personalised and relevant insurance propositions and associated messaging for improved effectiveness. The Internet of Things will enable us to enhance our customers' access to insurance products and services more holistically.

Many of our products and services are now available over mobile and web-based digital marketing and e-commerce platforms. For instance, our customers can get an instant quote and purchase our travel insurance products on our secure internet platform. Customers can also buy our travel insurance products via e-commerce platforms like online B2C portals available on UOI, UOB and UOB Travel Planners' websites and UOB Mobile Banking. Our B2B online application system is deployed to UOI's agents to facilitate the sales of our travel insurance.

UOI also has a B2B online application system for the telemarketing sales of motor insurance to UOB customers.

Over the years, we have successfully transitioned several of our processes relating to insurance proposals, processing, approvals, renewals, and billing to the electronic transmission methods that make the entire process more efficient and minimise the use of paper. The paper savings extend to our customers who can play their part for the environment by opting for a soft copy of their policy document.

Our customer outreach programmes for personal line insurances have started relying more on direct electronic mailers, mobile text messages and digital web-based marketing, further reducing the use of paper.

We recognise the need to continuously enhance our bancassurance business model, especially in the utilization of a new digital platform for claims servicing and policy administration.

To continue to outperform our competitors in an ever-changing business environment and customer expectations, as well as more stringent regulatory requirements, UOI will continue to capitalise on constantly evolving technological advances by investing in the requisite robust IT infrastructure and associated digital resources.

Our digitalisation drive also includes staff development programmes, especially to drive innovation in key areas such as marketing, underwriting and claims servicing in a digital operating environment.

### Regulatory Compliance

The Monetary Authority of Singapore regulates UOI's business operation in accordance with the Insurance Act. We take regulatory compliance seriously and maintain a zero-tolerance policy for the breach of any applicable laws.

The Company's Risk Management and Compliance Committee provides oversight of all regulatory compliance matters. Operational manuals and toolkits are readily accessible to guide our employees on regulatory compliance.

UOI employees also refresh their knowledge annually through training programs on regulatory compliance topics that include insider trading and market misconduct, anti-money laundering, anti-bribery, banking secrecy, computer misuse and cybersecurity, and fair dealing.

There were no incidents of non-compliance with laws or regulations in the social and economic area in the reported period.

## Our Business Practices

### Anti-corruption

UOI is committed to the highest standards of ethics and integrity and maintains a zero-tolerance position against fraud and corruption. Our policy bars bribery and corruption. There was no confirmed incident of corruption during the reported period.

### Code of Practice

UOI is committed to selling insurance products responsibly. In addition to rules and regulations governing the conduct of the general insurance industry, we also adhere to the Singapore General Insurance Code of Practice, issued by the General Insurance Association of Singapore, which also includes Service Standards of General Insurers.

The Code of Practice sets clear and consistent standards for the insurance industry to improve policyholders' confidence and trust through transparency in comprehensive insurance products. The Code of Practice encourages enabling policyholders to make informed choices when making purchasing decisions.

### Customer Privacy and Data Security

UOI complies with the Personal Data Protection Act of Singapore to protect the privacy of our customers. A privacy notice outlining how UOI manages personal data including the purposes for which personal data may have been or may be collected, used and disclosed is publicly available on our website.

UOI is committed to maintaining the best and most robust privacy practices to ensure our customers' data security. Our measures to strengthen cybersecurity include implementing a security system that safeguards the confidentiality of our customers' account information and their particulars through multiple levels of firewalls between our internal computer systems and our internet servers.

There were no substantiated complaints received concerning breaches of customer privacy in the reported period.

## Our Participation in Market Pools

### Motor Insurers' Bureau

UOI contributes to the Motor Insurers' Bureau, an independent body funded by all motor insurers in Singapore whose primary purpose is to compensate road users for bodily injury in road accidents caused by untraced or uninsured motorists.

### Suppliers

Our purchase from suppliers mainly includes IT equipment, office equipment and consumables, utilities, banks, legal advisors, providers of telemarketing and direct marketing services, loss adjusters and claim handling service providers. Our broader value chain includes reinsurers, agents and brokers who market and sell our insurance products.

## Our People

UOI remains focused on fostering a talented, engaged and skilled workforce to serve its clients efficiently. Our ability to recruit and retain the right talent is vital to our sustained growth.

Our Human Resource policies promote diversity, inclusion, engagement, mutual respect, teamwork, meritocracy, and employee well-being.

As at the end of 2019, UOI employed 99 people, of which 86 per cent were permanent employees. The average age of an employee was 52 years with many long-serving staff.

### Promoting Diversity and Inclusion

We are committed to developing an inclusive workplace where diversity is a strength. Women's representation in our workforce is 82 per cent and they account for 84 per cent of managerial and supervisory positions.

In 2019, UOI rehired 11 retiring employees that included nine women.

### Attracting and Retaining Talent

UOI's goal is to attract, cultivate and retain the best talent in the industry. We benchmark our employee turnover against the national insurance sector turnover rates published by the Department of Manpower Research and Statistics Department of Singapore's Ministry of Manpower. Our staff turnover rate has consistently remained lower compared with industry trends.

We conduct exit interviews for all departing employees to understand their reasons for leaving and use the insights to review our HR policies.

In 2019, eight employees left UOI; all were women. Of those who left, one was under 30 years in age, five and two were in the age groups of '30-40 years' and 'above 50 years' respectively.

# Sustainability

**Developing People**
In 2019, we invested $12,270 in employee training, helping them to acquire the relevant skills and knowledge to successfully understand the business landscape and meet stakeholders' needs. We also organised training sessions conducted internally by our pool of experienced underwriters and claim handlers.

During the year, our employees attended a range of in-house briefings, talks and workshops. Professional development courses attended by our employees aimed at enhancing skills in digitisation, cyber security, risk management and an array of other topics. Some of the training courses, workshop, e-learning modules and conferences our employees attended were as follows:

- Application of UOI's Treaty Programme and Risk Assessment
- Cyber Risk - Sales Approach and Underwriting
- Cyber Risks and Computer Crime Insurance
- Practical Understanding of Cyber Insurance Risk Management
- Be Inspired and Motivated
- Employee Benefits – Worker Injury and Foreign Worker Medical Insurance
- Digital Skills for Managers: Data Management, Analytics and Visualisation
- Medical Malpractice - Sales Approach and Underwriting
- Foreign Account Tax Compliance Act (FATCA) and Comon Reporting Standard (CRS) General Awareness
- UOB Code of Conduct
- Sustainability Workshop
- Cause and Effect Market Presentation – Intention and Interpretations
- Respond to Service Challenges
- UOB Group Mortgage Auto Batch Renewal Process
- Essential Skills and Strategies for Effective Supervision
- A Focus on Commercial Crime Insurance and Cyber Insurance
- Strategic Changes in Singapore Maritime Landscape
- Skillsfuture for Digital Workplace
- IFRS 17 Phase 2 Training Workshop
- C&E Mkt Presentation V – Risk Engineering – Is It Worth The Time and Money?
- MAS Fair Dealing
- Operational Risk Management (ORM) Begins With Me
- UOB IT Security
- Anti-Money Laundering/ Countering Financing of Terrorism and Sanctions
- Fraud Awareness Programme
- Privacy of Customer Information and Computer Misuse/ Cybersecurity
- Insider Trading and Market Misconduct
- UK Bribery Act
- UOB Risk Culture and Code of Conduct
- Human Centred Design
- 4th Asia Cyber Risk Summit
- Asia Insurtech Summit 2019

**Building a Risk-focused Organisational Culture**
Nurturing a risk-aware organisational culture is essential for our business success. Through various ongoing initiatives, we ensure that our employees have a sound understanding of risks.

We regularly review and monitor the Company's tolerance limits and risk metrics to ensure compliance. This superior risk management capability is the best protection for our policyholders.

Our risk-management approach encompasses several initiatives and programmes throughout the Company.

A Board-approved Enterprise Risk Management Framework, with a clearly defined risk tolerance statement and operational tolerance limits, is reviewed and updated at least once a year and regularly communicated to managers at all levels.

UOI's Risk Management and Compliance Committee (RMCC) monitors and manages risks, including unquantifiable but identifiable risks. These risks include strategic, reputational, cyber, geo-political, earthquake and other catastrophes, automation technology, climate change such as extreme drought, rains, rising sea levels and business process outsourcing.

The RMCC receives reports from various risk committees which address the key risks emanating from the Company's core business activities namely the Underwriting and Claims Committee (UCC) and Credit Control Committee (CCC). These committees comprising the managerial staff of UOI, meet monthly to deliberate on issues relating to underwriting, claims handling, reinsurance, credit, asset allocation, concentration, investment management, liquidity, foreign exchange, operational risks as well as the identified and emerging risks falling within their jurisdiction. Insights are then disseminated to all other staff members through departmental meetings.

The impact of climate change continues to be one of the key discussion topics in particular, the emerging trends of secondary perils which are defined as those natural catastrophes that generate moderate losses and occur fairly regularly such as heat waves, torrential rainfall or localized flooding. Secondary peril catastrophes are happening more frequently and are increasingly responsible for most of the damages. One of the driving factors behind these secondary perils is climate change and these are often side effects of larger "primary" natural catastrophes like hurricanes and earthquakes. The events after a secondary peril, like flooding, can be insured. Examples of such events include relocating the people affected by the flood and cleaning up the affected area.

Besides climate change, the RMCC also looked into the innovative use of technologies in business processes and further explored a case study of automating current business processes by leveraging on robotic process automation to bring about improvement in productivity, cost savings, space optimization and redeployment of staff for greater job satisfaction.

It is important that our employees' working knowledge remain updated. That is why we provide learning opportunities to managers at all levels, especially the younger executives. We involve them in identifying and resolving risk and strategic issues by coaching them and giving them opportunities to conduct research in relevant risk topics and participate in various risk committees and task forces.

During 2019, we conducted training for our managerial staff on a number of risk topics including Anti-Money Laundering and Terrorist Financing, Banking Secrecy, Computer Misuse & Cybersecurity, Insider Trading and Market Misconduct, IT Security Awareness, UK Bribery Act, Fraud Awareness Programme, FATCA and CRS General Awareness, ORM Begins with Me, Insights into Claim Fraud and Disruptive Technologies and Cyber Risks, MAS Fair Trading.

Our employees are also required to participate in annual training on the Code of Conduct and regulatory compliance matters that are relevant to our business operations.

**Freedom of Association**

We support and respect employee rights. Our employees have the right to freedom of association and collective bargaining in accordance with the local laws. UOI has actively engaged the Singapore Insurance Employees' Union since 2004 when we signed our first collective bargaining agreement with the union. The agreement, reviewed and revised every three years, mainly covers employment benefits for bargainable employees, which comprise nearly 30 per cent of UOI's workforce.

**Managing Performance**

We promote a meritocratic culture that encourages performance excellence. We are committed to objectively and fairly supporting the development of our people and fairly rewarding performance.

Our performance management process enables employees and their managers to engage in an open, employee-centric and business-focused dialogue to help achieve their personal development goals and those of UOI.

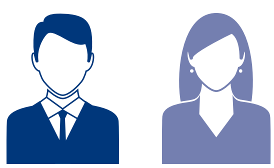
Employees' performance is assessed against Key Performance Indicators (KPI) and competencies. Established at the beginning of each year, the progress of these KPIs are regularly discussed by the managers and their respective staff throughout the year. Performance feedback dialogues are conducted half-yearly and formal appraisals at the end of the year.

All permanent employees participated in performance and career development reviews in the reported period.

## Our People – Performance Charts

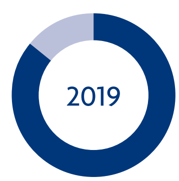
Our people performance data is presented in the charts below.

Gender Diversity 2019



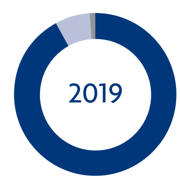
18% Male
82% Female

Employee Profile



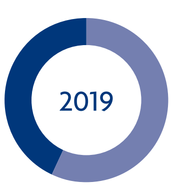

Permanent 86%
Fixed-term Contract 14%

Local Employees




Citizens 92%
PRs 7%
Foreigners 1%

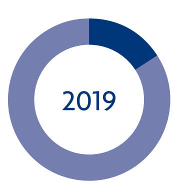
Gender Diversity: HODs




57% 43%

Male
Female

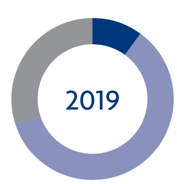
Gender Diversity: Managers and Supervisors




16% 84%

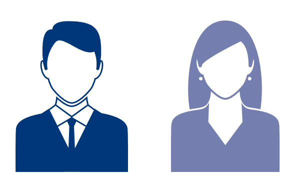
Male
Female

New Hiring by Age



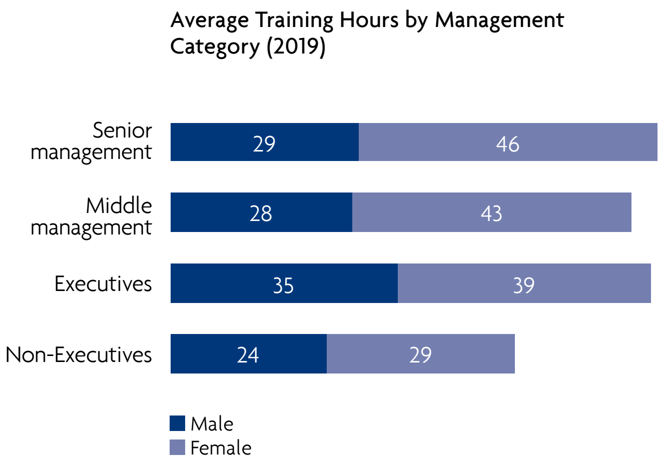

Less than 30 years 10%
30-50 years 60%
Above 50 years 30%

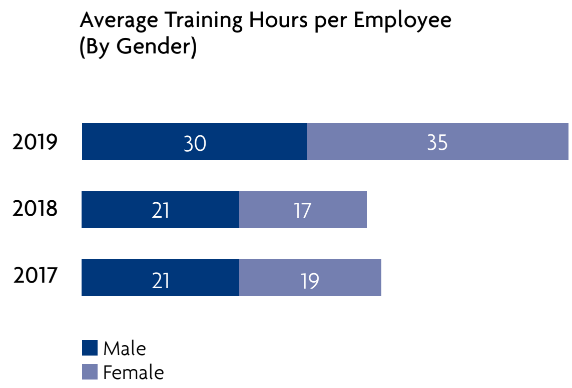
New Hiring by Gender 2019

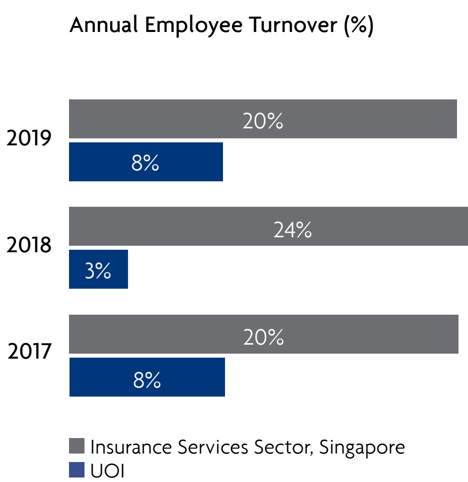


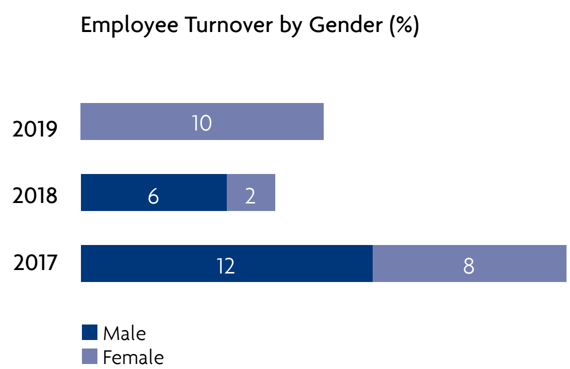
20% Male
80% Female

# Sustainability



## Our Environment

Given our adherence to judicious underwriting which takes into account an insured's degree of commitment to safety, we will continue to make our contributions towards a safe environment in the following areas:

1. Home Safety
2. Industrial Safety
3. Workplace Safety
4. Road Safety
5. Fire Safety

With regard to our environment, we have a social responsibility to promote a safety culture among our personal and commercial customers. Our personal insurance and property insurance products encourage clients to be safety conscious in the home (fire insurance), workplace (work injury insurance), industrial premises (commercial insurance) and even on the road (motor insurance). Our judicious underwriting and adequate pricing are intended to promote safety consciousness and avoidance and prevention of physical and moral hazards, thus minimising the risk of economic wastage arising from loss and damage to the insured interests.

We believe there are potential opportunities in new and green business growth areas, such as insurance solutions that support environmentally friendly lifestyles, products and projects.

At the same time, rapid technological advancements, many of them disruptive in nature, pose new challenges for our approach to risk assessment and underwriting of risks.

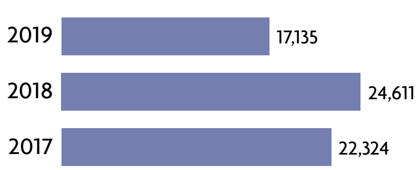
We are committed to investing our funds responsibly. As part of their due diligence, our fund manager, UOB Asset Management Ltd (UOBAM) considers ESG factors in its investment decisions. On 5 January 2020, UOBAM became a signatory of the United Nations (UN)-supported Principles for Responsible Investment. The move is testament to a commitment to responsible investing, integrating ESG considerations into its investment policies, processes and practices and its objective to develop sustainable investment solutions for clients.

We remain committed to minimising the environmental footprint of our activities. In this regard, UOI's environmental impact stems mainly from the use of electricity and paper in our head office. We measure our electrical and paper consumption and paper recycling for monitoring and reporting purposes.

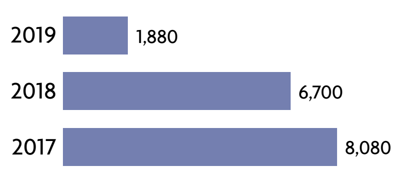
Our efforts to reduce electricity consumption include switching off lights and equipment that are not in use. We promote the judicious use of paper and recycling in our office through employee awareness.

We continue to transition to digital forms and collaterals that also reduces paper consumption. We encourage our customers to receive their travel insurance policy documents in soft copy to save paper.

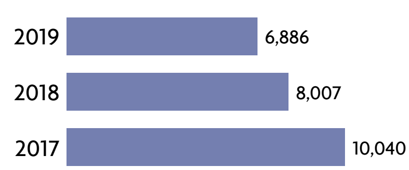
### Our Environment - Performance Charts



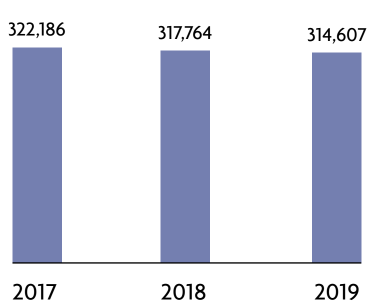
Office Paper Consumption (Kg)



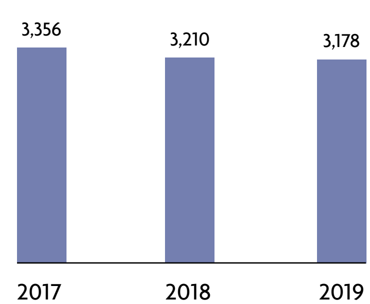
Paper Recycled (Kg)



General Waste (Kg)

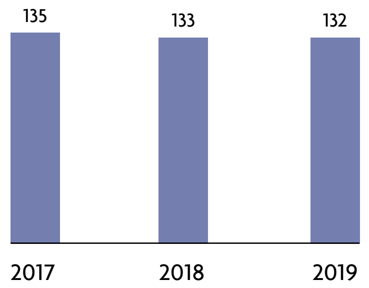


Electricity Consumption (kWh)

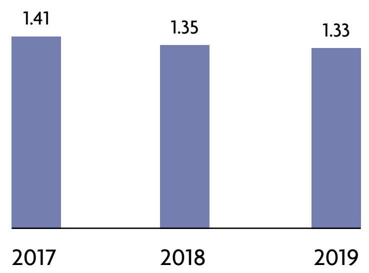


Energy Intensity (kWh per Employee)

# Sustainability




Carbon Emission from Purchased Electricity ($tCO_2$)




Carbon Emission Intensity ($tCO_2$ Emissions per Employee)

## Climate Change

With extreme weather events becoming more intense and frequent and projected rise in sea levels, climate change presents many potential risks and opportunities for the insurance sector.

Singapore, a small and low-lying city-state, is particularly vulnerable to the effects of climate change. The annual mean temperature in Singapore increased from 26.6°C to 27.7°C from 1972 to 2014, according to the National Climate Change Secretariat. In the period 1975 to 2009, the mean sea level in the Straits of Singapore increased at the rate of 1.2mm to 1.7mm per year. As a result, Singapore is experiencing increasingly extreme weather conditions such as rising temperatures, prolonged dry spells and more intense rainfall, which has already led to several flash floods over the years. The mean annual temperature in Singapore has been rising with 2015 to 2018 being amongst the warmest years on record.

We support the Singapore government's efforts to become a low-carbon global city-state by reducing the nation's greenhouse gas emissions. The insurance sector can find innovative solutions that can help businesses and individuals adopt low-carbon technologies, for example.

## Our Community

UOI is committed to be a responsible corporate citizen and contributes to various community initiatives.

### Employee Volunteering

Our employees regularly volunteer in community programmes organised by UOB. In 2019, our employee volunteers participated in programmes to support the following organisations:

- Asian Women's Welfare Association, Singapore
- Care Corner Singapore
- Down Syndrome Association (Singapore)
- Extraordinary People, Singapore

In 2019, our employees volunteered 172 man hours in various community initiatives as against 943 hours in the prior year. The monetary value of volunteering hours in 2019 was $5,816.

## Our Economic Performance

We are committed to the sustainable growth of our business to create value for our investors and stakeholders.

### Financial Performance

Please refer to the Financial Report section of this Annual Report to read about our financial performance, which includes how we create and distribute value.

### Indirect Economic Impact

As a general insurance business, we make a positive contribution to the local economy. Our insurance plans protect businesses and people from risk and make them more resilient.

As risks become more complex due to climate change and technological changes, businesses can rely on our insurance plans to avoid unforeseen losses and disruptions.

Our insurance cover enhances businesses' access to capital from financial institutions. To help small businesses, we work with various government agencies to offer insurance coverage so that they can obtain the necessary working capital.

We also participate in the Special Risk Pool programme. The programme helps to extend insurance cover for risks that are difficult to get insurance coverage due to their high or complex risk profile.

Our business creates direct and indirect job opportunities in the local economy, including income opportunities for our agents, brokers, and other service providers.

## Global Reporting Initiative (GRI) Content Index
## 'In accordance' – Core

| GRI Standard | Disclosure | Page Number, URL and/or Reference |
|---|---|---|
| GRI 101: Foundation 2016 | | |
| **General Disclosures** | | |
| GRI 102: General Disclosures 2016 | 102-1 Name of the organisation | 2 |
| | 102-2 Activities, brands, products, and services | 2 |
| | 102-3 Location of headquarters | 2, 60, 113 |
| | 102-4 Location of operations | 2, 60, 113 |
| | 102-5 Ownership and legal form | 2, 60 |
| | 102-6 Markets served | 2, 92 |
| | 102-7 Scale of the organisation | 7-9, 33, 53-56 |
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| | 102-49 Changes in reporting | 26 |
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| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | 33-34 |
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| | 103-3 Evaluation of the management approach | 33-34 |
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| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | 28 |
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| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | 28 |
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| | 103-3 Evaluation of the management approach | 28, 33 |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 35-36 |
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| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | 28 |
| | 103-2 The management approach and its components | 28, 35 |
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| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | 36 |
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| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | 28 |
| | 103-2 The management approach and its components | 33 |
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| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 35 |

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| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments and development programmes | 38 |
| Customer Privacy | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | 27 |
| | 103-2 The management approach and its components | 27, 29 |
| | 103-3 Evaluation of the management approach | 27, 29 |
| GRI 418: Customer Privacy 2016 | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | 33 |
| Socio-economic Compliance | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | 27 |
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# Risk Management

As the management of risks is fundamental to the financial soundness and integrity of the Company, risk evaluation forms an integral part of the Company's business strategy development. The Company's risk management philosophy is that returns must be commensurate with the business risks taken and has put in place processes and systems to identify, assess, monitor and manage all reasonably foreseeable and relevant material risks. These processes and systems have been articulated into a robust Enterprise Risk Management (ERM) framework.

The Company is committed to maintaining a strong ERM framework and is guided by the principles and provisions in the MAS Notice 126 "Enterprise Risk Management for Insurers".

The Company's Board-approved ERM framework provides for the identification, assessment and management of the key risks, including emerging risks, and how they are translated into management actions for strategic planning and capital management. Significant changes to the Company's ERM framework require the Board's approval.

The Board has overall responsibility for determining the type and level of business risks that the Company undertakes to achieve its corporate objectives. The Board has delegated to the Management the authority to formulate, review and approve policies and processes on identifying, monitoring and managing risk exposures within the Company's ERM framework. Major policy decisions and proposals affecting the Company's risk exposures approved by Management are subject to review by the Board.

Management of the Company has the responsibility of operationalising the Company's ERM framework and establishing and implementing appropriate systems and controls in managing and mitigating risks arising from its business operations. The systems and controls are designed to identify, assess, manage and monitor, rather than eliminate, the risks in the Company's business operations and can only provide reasonable and not absolute assurance.

Various committees, comprising the managerial staff of the Company, meet regularly to deliberate on matters relating to the key types of risks under their respective supervision.

The **Strategic Corporate Development Committee (SCDC)** is responsible for the development and implementation of strategies that will enhance the Company's position and progress in specific areas. Members of the SCDC work closely with all operational units to further the interests of the Company. It meets quarterly with the Managing Director to chart out, execute and monitor outcomes of the strategies and are actively involved in talent management.

The **Management Committee** monitors the overall operational matters of the Company. It formulates, reviews and approves policies and strategies relating to the monitoring and management of operational risks and develops appropriate action plans across all business and support units. It also sets strategic directions of the Company, determines the allocation of resources and monitors the execution of strategic plans and key performance indicators.

The **Risk Management and Compliance Committee** addresses all risk management, corporate governance and compliance issues affecting the Company. These issues can emanate from regulatory authorities, industry associations, parent company, auditors and other relevant bodies as well as innovation, technological advancement and climate change. It monitors the implementation of risk management policies and procedures by all operational units. It also develops and implements compliance policies, procedures and guidelines to meet the regulatory requirements applicable to the Company. As part of its risk management monitoring function, it receives reports from committees which address the key risks emanating from the Company's core business activities namely the Underwriting and Claims Committee and Credit Control Committee.

The **Underwriting and Claims Committee** establishes underwriting and claims policies and procedures and monitors the compliance of such policies and procedures by all operational units. It also monitors market trends and developments that may affect the Company's underwriting and claims policies. Appropriate risk management strategies are applied to address the variety of underwriting risks accepted to ensure the Company's retention is appropriate and adequate reinsurance protection is in place. Issues arising from claims development and provisions are dealt with judiciously.

The **Credit Control Committee** establishes credit control policies and procedures and ensures that the premium collection process is implemented by all operational units. It approves write-off of bad debts and develops action plans to improve collection or initiate remedial recovery actions.

The **Business Development Committee** develops and executes business plans of the Company, reviews business performance and formulates action plans to enhance business performance. Market trends and changes in business risks and product affecting are identified, addressed and managed accordingly.

In addition, the **Investment Committee**, which comprises senior managerial staff of UOI, investment specialists from its parent company and representatives of its fund manager, meets regularly to monitor and manage the Company's investment.

Under the Company's ERM framework, risks are categorised and managed under four risk dimensions.

## (1) Risk Dimension – Earnings

**Underwriting Risk**

The principal activity of the Company is the underwriting of general insurance business. As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to our business. This safeguards not only the interest of our shareholders but also that of our customers. The Company has developed a robust underwriting framework to ensure that risks accepted meet with all the underwriting guidelines issued to our trained pool of underwriters. This framework allows for the proper selection of risks at adequate but competitive pricing for our products.

# Risk Management

**Reinsurance Risks**
Reinsurance refers to the cession of a portion of risks assumed by an insurer to another insurer or reinsurer.

The Company's business activities lie primarily in Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio. Based on historical experience of loss frequency and severity of similar risks and in similar geographical zones, the Company has developed its reinsurance strategy to manage such concentration of insurance risks.

In particular, a written Reinsurance Management Strategy has been approved by the Board to set guiding principles and objectives for the Company to manage its reinsurance risks and ensure that a prudent and appropriate reinsurance protection programme is in place. Significant changes to the Strategy are subject to review by the Board annually.

**Premium and Claims Liability Risk**
One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in the technical provisions, which include the provisions of premium and claims liabilities.

Premium liabilities refer to the reserves for unearned premium and include liabilities for all benefits, claims and expenses, acquisition costs, maintenance costs and policyholders' experience refund to be incurred after the balance sheet date. Claims liabilities refer to obligation, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the balance sheet date and include reserves for claims reported, incurred but not reported and incurred but not enough reported, as well as direct and indirect claim expenses. The Company's unearned premium reserves are calculated based on formula generally accepted by the industry while its outstanding claims liabilities are reviewed by our experienced claims officers. Both the premium and claims liabilities are reviewed and certified annually by an external independent actuary.

Generally, premium and claims 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 claims liabilities will not develop exactly as projected and may vary from our projection.

The other uncertainties arising under insurance contracts will 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 of policy coverage and limits 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 lag between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claims liabilities can vary substantially from the initial estimates.

**Investment Risk**
The Company's investment objective is to invest in quality investment for long-term appreciation and to achieve a reasonable return annually. The Company has appointed a professional fund manager to manage its investments in pursuant to its Board-approved investment policy. Through regular meetings with the fund manager and performance reports, the Company reviews and monitors the performance of its investment funds. The Company has also established a policy to address the selection, review and management of its fund manager.

**Market price risk**
Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Company is exposed to market price risk arising from its investments comprising quoted equity securities, debt securities, unit trusts, hedge funds and exchange-traded funds (ETFs). The Company has established a Board-approved investment policy, which sets strategic asset allocation and maximum exposure limits for its investment portfolio. The quoted equity securities and ETFs are listed on the Singapore Exchange or other regulated stock exchanges overseas.

#### Foreign exchange risk

The Company has transactional currency exposures arising from its offshore insurance business. The Company is also exposed to foreign exchange risk arising from its investing activities. When it is necessary, the Company enters into forward contracts to manage its foreign exchange exposure arising from its investments denominated in foreign currencies. Other than the exposure arising from its investing activities, the Company does not consider its exposure to foreign exchange risk to be significant.

#### Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash outflow commitment is substantially independent of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the interest income on the Company's fixed deposits and the fair value of debt securities. When it is necessary, the Company uses interest rate futures to manage its interest rate risk.

### (2) Risk Dimension – Operational

#### Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems and frauds or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Company's credibility and ability to transact, maintain liquidity and obtain new business. The Company has put in place processes for monitoring, controlling and reporting of significant operational risks.

#### Business Continuity Risk

The Company has formulated a comprehensive Business Continuity Management Plan and annual test-run is conducted to ensure its readiness to handle the targeted events that could affect the Company's business operations.

### (3) Risk Dimension – Capital

#### Insolvency Risk

Insolvency risk refers to the risk that an entity is unable to meet its financial obligations and regulatory capital adequacy requirements. The Company has consistently maintained its capitalisation higher than the local regulatory requirements, put in place monitoring controls to ensure that its solvency and capitalisation meet internal targets and maintained adequate financial resources as buffers.

### (4) Risk Dimension - Liquidity

#### Liquidity risk

Due to the nature of its business and type of assets being held, the Company is not exposed to significant liquidity risk. The Company has formulated a liquidity policy to manage its liquidity risk. It is the Company's policy to maintain adequate liquidity at all times, honour all cash outflow commitments on an ongoing basis and avoid raising funds from credit facilities or through the forced sale of investments.

#### Credit risk

The Company has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Company has also established a selection and management policy for its reinsurers to ensure that they are financially sound and set maximum exposure limits for its reinsurers based on their financial strength.

## United Overseas Insurance Limited
(Incorporated in Singapore)

31 December 2019

# Financial Report

# Directors' Statement

for the financial year ended 31 December 2019

The directors are pleased to present their statement to the members together with the audited financial statements of the Company for the financial year ended 31 December 2019.

## Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and

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

## Directors

The directors of the Company holding office as at the date of this report are:

Wee Cho Yaw *(Chairman)*
David Chan Mun Wai *(Managing Director and Chief Executive)*
Wee Ee Cheong
Hwang Soo Jin
Yang Soo Suan
N Ganesan
Ho Yew Kee
Chng Hwee Hong
Chua Kim Leng *(appointed 1 February 2020)*

## Arrangements to enable directors to acquire shares or debentures

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

## Directors' interests in shares and debentures

According to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act Chapter 50, the interests of the directors who held office as at 31 December 2019, in the share capital of the Company and related corporations were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | Shareholdings registered in name of directors | | Shareholdings in which directors are deemed to have an interest | |
| | At 31.12.2019 | At 1.1.2019 | At 31.12.2019 | At 1.1.2019 |
| **The Company** | | | | |
| *United Overseas Insurance Limited* | | | | |
| Wee Cho Yaw | **38,100** | 38,100 | – | – |
| Hwang Soo Jin | **100,000** | 100,000 | – | – |
| David Chan Mun Wai | **21,000** | 21,000 | – | – |
| **Holding Company** | | | | |
| *United Overseas Bank Limited* | | | | |
| Wee Cho Yaw | **21,599,798** | 21,599,798 | **290,003,084** | 290,003,084 |
| Wee Ee Cheong | **3,081,455** | 3,056,455 | **173,701,487** | 173,701,487 |
| David Chan Mun Wai | **6,654** | 6,654 | – | – |
| Ho Yew Kee | **1,065** | 1,065 | – | – |

# Directors' Statement

for the financial year ended 31 December 2019

## Directors' Remuneration

The proposed annual fee structure for the Board for 2019 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming Annual General Meeting.

No director is involved in the deliberation or determination of his own remuneration.

| Fee Structure | Chairman | Member |
|---|---|---|
| Basic Fee | $40,000 | $22,500 |
| Audit Committee | $12,500 | $10,000 |
| Nominating Committee | $7,500 | $5,000 |
| Remuneration Committee | $7,500 | $5,000 |

Details of the total fees and other remuneration paid/payable by the Company to the directors for the financial year ended 31 December 2019 are as follows:

| | Directors' fees | Base or fixed salary | Variable performance bonus | Benefits-in-kind and others | Total |
|---|---|---|---|---|---|
| **$750,000 to $999,999** | | | | | |
| David Chan Mun Wai | – | 51.0% | 41.2% | 7.8% | 100% |
| **Below $250,000** | | | | | |
| Wee Cho Yaw | $52,500 | – | – | – | $52,500 |
| Wee Ee Cheong [1] | $22,500 | – | – | – | $22,500 |
| Hwang Soo Jin | $45,000 | – | – | – | $45,000 |
| Yang Soo Suan | $45,000 | – | – | – | $45,000 |
| N Ganesan | $32,500 | – | – | – | $32,500 |
| Ho Yew Kee | $32,500 | – | – | – | $32,500 |
| Chng Hwee Hong | $32,500 | – | – | – | $32,500 |
| **Total Directors' Fees** | **$262,500** | – | – | – | **$262,500** |

1 Director's fee payable to Mr Wee Ee Cheong will be paid to United Overseas Bank Limited.

## Share options

There was no share option granted by the Company during the financial year.

No share was issued during the financial year pursuant to any exercise of options to take up unissued shares of the Company.

There was no unissued share of the Company under option as at 31 December 2019.

## Audit Committee

The Audit Committee comprises four members, all of whom are non-executive and independent directors. The members of the Audit Committee are:

Yang Soo Suan *(Chairman)*
N Ganesan
Chng Hwee Hong
Ho Yew Kee

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditor's evaluation of the system of internal accounting controls, the scope and results of internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of external auditor, the significant findings of internal audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the Managing Director and Chief Executive and/or other senior management staff, as appropriate.

## Auditor

The Audit Committee has nominated Ernst & Young LLP for reappointment as auditor of the Company and Ernst & Young LLP has expressed its willingness to be reappointed.

On behalf of the Board of Directors,

**Wee Cho Yaw**
Chairman

**David Chan Mun Wai**
Managing Director and
Chief Executive

Singapore
12 February 2020

# Independent Auditor's Report

for the financial year ended 31 December 2019

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

## Report on the Audit of the Financial Statements

### 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.

*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.

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.

# Independent Auditor's Report

for the financial year ended 31 December 2019

## 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.

- 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 Philip Ng.

**Ernst & Young LLP**
Public Accountants and
Chartered Accountants

Singapore
12 February 2020

# Profit and Loss Account

for the financial year ended 31 December 2019

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Insurance underwriting profit** | | 24,443 | 24,495 |
| Other income: | | | |
| Dividend income from investments | 5(a) | 7,744 | 3,704 |
| Interest income from investments | 5(b) | 8,617 | 7,925 |
| Interest on fixed deposits and bank balances from: | | | |
| – Holding company | | 102 | 56 |
| – Other financial institutions | | 749 | 331 |
| Net losses on disposal of fixed assets | | (1) | – |
| Miscellaneous income | | 312 | 151 |
| Net fair value (losses)/gains on interest rate futures – realised | | (3,008) | 125 |
| Net fair value gains/(losses) on interest rate futures – unrealised | 21 | 882 | (882) |
| Net fair value losses on mandatorily measured at fair value through profit or loss (FVTPL) investments – unrealised | | (3,697) | (5,980) |
| Net gains/(losses) on disposal of mandatorily measured at FVTPL investments | | 12,461 | (1,003) |
| Net gains/(losses) on disposal of fair value through other comprehensive income (FVOCI) investments | 19 | 918 | (482) |
| Net (provision)/write-back of expected credit loss on debt securities at FVOCI | 32(d) | (73) | 64 |
| Amortisation of premium on investments | | (243) | (49) |
| Net fair value gains/(losses) on forward contracts – realised | | 1,073 | (3,235) |
| Net fair value gains/(losses) on forward contracts – unrealised | 21 | 1,019 | (1,204) |
| Exchange (losses)/gains | | (3,121) | 3,389 |
| | | (1,029) | (1,050) |
| Add/(Less) | | | |
| Management expenses not charged to insurance revenue account: | | | |
| – Management fees | | (1,171) | (1,058) |
| – Other operating expenses | | (749) | (559) |
| **Non-underwriting income** | | 21,814 | 1,293 |
| **Profit before tax** | | 46,257 | 25,788 |
| Tax expense | 9(a) | (5,865) | (1,957) |
| Profit, net of tax | | 40,392 | 23,831 |
| **Profit attributable to:** | | | |
| **Equity holders of the Company** | | 40,392 | 23,831 |
| Earnings per share: | | | |
| Basic and diluted | 10 | 66.05 cents | 38.97 cents |

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

# Statement of Comprehensive Income

for the financial year ended 31 December 2019

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| Net profit | | 40,392 | 23,831 |
| **Other comprehensive income :** | | | |
| **Items that will not be reclassified to profit or loss :** | | | |
| Net fair value gains/(losses) on equity securities at FVOCI | | 6,288 | (1,214) |
| Tax related to the above | | (1,108) | 206 |
| | | 5,180 | (1,008) |
| **Items that may be reclassified subsequently to profit or loss :** | | | |
| Debt securities at FVOCI | | | |
| Changes in fair value | | 10,156 | (6,640) |
| Transfer to profit or loss on disposal | 19 | (918) | 482 |
| Changes in allowance for expected credit loss | 32(d) | 73 | (64) |
| Tax related to the above | 15 | (1,531) | 1,058 |
| | | 7,780 | (5,164) |
| Other comprehensive income for the financial year, net of tax | | 12,960 | (6,172) |
| Total comprehensive income for the financial year, net of tax | | 53,352 | 17,659 |
| Total comprehensive income attributable to equity holders of the Company | | 53,352 | 17,659 |

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

# Insurance Revenue Account

for the financial year ended 31 December 2019

| | Note | Fire $'000 | General Accident $'000 | Marine $'000 | 2019 Total $'000 | 2018 Total $'000 |
|---|---|---|---|---|---|---|
| Gross premium written | | 44,046 | 59,833 | 2,064 | 105,943 | 103,258 |
| Reinsurance premium ceded | | (23,943) | (37,856) | (884) | (62,683) | (62,655) |
| Net premium written | | 20,103 | 21,977 | 1,180 | 43,260 | 40,603 |
| Movement in net reserve for unexpired risks | 16 | (587) | (746) | 111 | (1,222) | 804 |
| Movement in net deferred acquisition costs | 17 | 194 | 132 | (16) | 310 | (15) |
| **Net earned premium** | | 19,710 | 21,363 | 1,275 | 42,348 | 41,392 |
| Less | | | | | | |
| Gross claims paid | | 13,868 | 18,599 | 599 | 33,066 | 39,360 |
| Reinsurance claims recoveries | | (10,009) | (9,223) | (18) | (19,250) | (23,875) |
| Net claims paid | 18 | 3,859 | 9,376 | 581 | 13,816 | 15,485 |
| Change in net outstanding claims | | (469) | (2,593) | 189 | (2,873) | (6,028) |
| **Net claims incurred** | 18 | 3,390 | 6,783 | 770 | 10,943 | 9,457 |
| Gross commission | | 9,877 | 10,539 | 322 | 20,738 | 19,021 |
| Reinsurance commission | | (13,984) | (13,867) | (328) | (28,179) | (24,744) |
| **Net commission** | | (4,107) | (3,328) | (6) | (7,441) | (5,723) |
| Management expenses : | | | | | | |
| Staff costs | 7 | 3,605 | 4,898 | 169 | 8,672 | 8,135 |
| Rental expenses | 6 | – | – | – | – | 1,306 |
| Other operating expenses | 6 | 2,382 | 3,237 | 112 | 5,731 | 3,722 |
| **Total outgoing** | | 5,270 | 11,590 | 1,045 | 17,905 | 16,897 |
| **Insurance underwriting profit transferred to profit and loss account** | | 14,440 | 9,773 | 230 | 24,443 | 24,495 |

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

# Balance Sheet

as at 31 December 2019

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Share capital** | | | |
| – Issued and fully paid | 12 | 91,733 | 91,733 |
| **Reserves** | | | |
| General reserve | 14 | 22,880 | 22,880 |
| Revaluation on investment reserve | 19 | 47,363 | 34,523 |
| Retained profits | | 256,296 | 229,238 |
| **Total equity attributable to equity holders of the Company** | | 418,272 | 378,374 |
| **Liabilities** | | | |
| Insurance creditors | 20 | 10,780 | 15,516 |
| Non-trade creditors and accrued liabilities | 20 | 6,557 | 5,706 |
| Lease liabilities | 28 | 2,368 | – |
| Amount owing to related companies | 20 | 640 | 566 |
| Derivative financial liabilities | 21 | 84 | 882 |
| Tax payable | 9(b) | 7,210 | 6,562 |
| Deferred tax liabilities | 15 | 10,009 | 7,355 |
| Deferred acquisition costs - reinsurers' share | 17 | 9,424 | 9,470 |
| Gross technical balances | | | |
| – Reserve for unexpired risks | 16 | 56,473 | 56,170 |
| – Reserve for outstanding claims | 18 | 113,847 | 130,123 |
| | | 217,392 | 232,350 |
| | | 635,664 | 610,724 |
| **Assets** | | | |
| Bank balances and fixed deposits | 22 | 92,965 | 63,895 |
| Insurance debtors | 23 | 16,827 | 11,310 |
| Non-trade debtors and accrued interest receivables | 23 | 8,905 | 4,114 |
| Derivative financial assets | 21 | 1,748 | 645 |
| Associated company | 25 | 1 | 1 |
| Investments | 26 | 404,167 | 408,828 |
| Fixed assets | 27 | 825 | 203 |
| Right-of-use assets | 28 | 2,556 | – |
| Deferred acquisition costs - gross | 17 | 8,439 | 8,175 |
| Reinsurers' share of technical balances | | | |
| – Reserve for unexpired risks | 16 | 34,264 | 35,183 |
| – Reserve for outstanding claims | 18 | 64,967 | 78,370 |
| | | 635,664 | 610,724 |
| | | 635,664 | 610,724 |

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

# Statement of Changes in Equity

for the financial year ended 31 December 2019

| | Note | Share capital $'000 | General reserve $'000 | Revaluation on investment reserve $'000 | Retained profits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the Company | | | | |
| Balance at 1 January 2019 | | 91,733 | 22,880 | 34,523 | 229,238 | 378,374 |
| Profit net of tax | | – | – | – | 40,392 | 40,392 |
| Other comprehensive income for the financial year, net of tax | | – | – | 12,960 | – | 12,960 |
| Total comprehensive income for the financial year, net of tax | | – | – | 12,960 | 40,392 | 53,352 |
| Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax | 19 | – | – | (120) | 120 | – |
| Dividend for Year 2018 | 11 | – | – | – | (8,256) | (8,256) |
| Dividend for Year 2019 | 11 | – | – | – | (5,198) | (5,198) |
| **Balance at 31 December 2019** | | 91,733 | 22,880 | 47,363 | 256,296 | 418,272 |
| Balance at 1 January 2018 | | | | | | |
| – as previously reported | | 91,733 | 22,880 | 49,717 | 213,250 | 377,580 |
| – effect of adopting SFRS(I) 9 | 19 | – | – | (9,616) | 9,569 | (47) |
| – as restated | | 91,733 | 22,880 | 40,101 | 222,819 | 377,533 |
| Profit net of tax | | – | – | – | 23,831 | 23,831 |
| Other comprehensive income for the financial year, net of tax | | – | – | (6,172) | – | (6,172) |
| Total comprehensive income for the financial year, net of tax | | – | – | (6,172) | 23,831 | 17,659 |
| Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax | 19 | – | – | 594 | (594) | – |
| Dividend for Year 2017 | 11 | – | – | – | (11,620) | (11,620) |
| Dividend for Year 2018 | 11 | – | – | – | (5,198) | (5,198) |
| Balance at 31 December 2018 | | 91,733 | 22,880 | 34,523 | 229,238 | 378,374 |

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

# Cash Flow Statement

for the financial year ended 31 December 2019

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Profit before tax | 46,257 | 25,788 |
| | | |
| Adjustments for: | | |
| Movement in net reserve for unexpired risks | 1,222 | (804) |
| Movement in net deferred acquisition costs | (310) | 15 |
| Movement in net reserve for outstanding claims | (2,873) | (6,028) |
| Net fair value (gains)/losses on forward contracts – unrealised | (1,019) | 1,204 |
| Net fair value (gains)/losses on interest rate futures – unrealised | (882) | 882 |
| Depreciation | 1,413 | 94 |
| Interest paid | 69 | – |
| Net fair value losses on mandatorily measured at FVTPL investments – unrealised | 3,697 | 5,980 |
| Net (gains)/losses on disposal of mandatorily measured at FVTPL investments | (12,461) | 1,003 |
| Net (gains)/losses on disposal of FVOCI investments | (918) | 482 |
| Net losses on disposal of fixed assets | 1 | – |
| Amortisation of premium on investments | 243 | 49 |
| Net provision/(write-back) of expected credit loss on debt securities at FVOCI | 73 | (64) |
| Dividend income from investments | (7,744) | (3,704) |
| Interest income from investments | (8,617) | (7,925) |
| Interest on fixed deposits and bank balances | (851) | (387) |
| Exchange differences | 2,962 | (3,408) |
| Operating profit before working capital changes | 20,262 | 13,177 |
| Changes in working capital: | | |
| Trade and other receivables | (9,980) | (647) |
| Trade and other payables | (4,212) | 1,793 |
| Amount owing to related companies | 74 | (1,402) |
| Cash generated from operations | 6,144 | 12,921 |
| Tax paid | (5,202) | (5,365) |
| Interest paid | (69) | – |
| **Net cash flows from operating activities** | 873 | 7,556 |
| | | |
| **Cash Flows from Investing Activities** | | |
| Proceeds from disposal of investments | 345,369 | 77,654 |
| Purchase of investments | (318,705) | (70,875) |
| Purchase of fixed assets | (715) | (50) |
| (Placement in)/proceeds from long-term fixed deposits | (4) | 6,163 |
| Dividend received from investments | 7,716 | 3,706 |
| Interest received from investments | 8,340 | 7,883 |
| Interest received on fixed deposits and bank balances | 828 | 387 |
| **Net cash flows from investing activities** | 42,829 | 24,868 |

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

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Cash Flows from Financing Activity** | | |
| Leases paid | (1,182) | – |
| Dividend paid | (13,454) | (16,818) |
| **Cash flows used in financing activity** | (14,636) | (16,818) |
| | | |
| **Net increase in cash and cash equivalents** | 29,066 | 15,606 |
| Cash and cash equivalents at beginning of year | 61,466 | 45,860 |
| **Cash and cash equivalents at end of year** | 90,532 | 61,466 |

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Cash and bank balances (Note 22 (a)) | 16,679 | 16,165 |
| Fixed deposits placement less than 3 months (Note 22 (b)) | 73,853 | 45,301 |
| Cash and cash equivalents | 90,532 | 61,466 |
| Fixed deposits placement more than 3 months (Note 22 (b)) | 2,433 | 2,429 |
| | 92,965 | 63,895 |

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

# Notes to the Financial Statements

for the financial year ended 31 December 2019

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

## 1 General

United Overseas Insurance Limited (the Company) is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The Company is a member of the United Overseas Bank Group. The holding company which is also the ultimate holding company is United Overseas Bank Limited, incorporated in Singapore, which owns 58% of the issued share capital of the Company.

The address of the Company's registered office is as follows:
80 Raffles Place
UOB Plaza
Singapore 048624

The address of the Company's principal place of business is as follows:
3 Anson Road
#28-01, Springleaf Tower
Singapore 079909

## 2 Significant Accounting Policies

### (a) Basis of Preparation

The financial statements of the Company, which are presented in Singapore dollars($) and rounded to the nearest thousand ($'000) except when otherwise indicated, have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) as required by the Companies Act.

The preparation of the financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Except as otherwise stated, the financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets and all financial derivatives.

### (b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the applicable new and revised standards which are effective for annual periods beginning on or after 1 January 2019.

*Changes during the financial year*

The Company adopted the following reporting standards during the financial year:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatment
- Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures
- Annual improvements to SFRS(I)s 2015 – 2017 Cycle

Except for the adoption of SFRS(I) 16 Leases described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

***SFRS(I) 16 Leases***

SFRS(I) 16 supercedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases – Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leasees to recognise most leases on the balance sheet.

The Company adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of application.

## 2 Significant Accounting Policies (continued)

(b) **Changes in Accounting Policies (continued)**

*SFRS(I) 16 Leases (continued)*

The effect of adoption of SFRS(I) 16 as at 1 January 2019 is as follows:

| | $'000 |
|---|---|
| Assets | |
| Right-of-use assets | 3,868 |
| Total assets | 3,868 |
| | |
| Liabilities | |
| Lease liabilities | 3,541 |
| Non-trade creditors and accrued liabilities | 327 |
| Total liabilities | 3,868 |

The Company has lease contracts for various items of property and office equipment. Before the adoption of SFRS(I) 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2(y) Leases for the accounting policy before 1 January 2019.

Upon adoption of SFRS(I) 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2(z) Leases for the accounting policy after 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of $3,868,000 were recognised and presented separately in the statement of financial position.
- Lease liabilities of $3,541,000 were recognised.
- Accrued liabilities of $327,000 related to reinstatement cost were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

| | $'000 |
|---|---|
| Operating lease commitments as at 31 December 2018 | 3,810 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 2.3% |
| Discounted operating lease commitments as at 1 January 2019 | 3,620 |
| Less: | |
| Commitments relating to short-term leases | (10) |
| Commitments relating to leases of low-value assets | (69) |
| **Lease liabilities as at 1 January 2019** | 3,541 |

## 2 Significant Accounting Policies (continued)

### (c) Standards Issued but Not Yet Effective

The Company has not adopted the following standards applicable that have been issued but not yet effective:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| (i) | Amendments to References to the Conceptual Framework in SFRS(I) standards | 1 January 2020 |
| (ii) | Amendments to SFRS(I) 3 Definition of a Business | 1 January 2020 |
| (iii) | Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material | 1 January 2020 |
| (iv) | Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS (I) 7 Interest Rate Benchmark Return | 1 January 2020 |
| (v) | SFRS(I) 17 Insurance Contracts | 1 January 2021 |
| (vi) | Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Date to be determined |

Except for SFRS(I) 17 Insurance Contracts, the directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

### (d) Revenue Recognition

(i) *Premium income*

Premium income from direct and facultative reinsurance business is taken up as income at the time a policy is issued which approximates the inception date of the risk.

Premium income from treaty reinsurance is taken up in the insurance revenue account based on statements received up to the time of closing of the books.

(ii) *Investment income*

Dividend income is recognised when such dividends are declared. Interest income is accounted for on an accrual basis using the effective interest method. Profits or losses on disposal of investments are recognised in the profit and loss statement, or in other comprehensive income.

### (e) Reinsurance

The Company assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

### (f) Product Classification

All the Company's existing products are insurance contracts as defined in SFRS(I) 4. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

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

## 2 Significant Accounting Policies (continued)

**(g) Reserve for Unexpired Risks**

Reserve for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves.

Unearned premium reserves are calculated on the following basis:

(i) Unearned premium reserves, other than for marine cargo and inward treaties, are calculated using the 1/24th method based on gross premiums written less premiums on reinsurances.

(ii) Unearned premium reserves on marine cargo direct business are calculated at 25% of the gross premiums written less premiums on reinsurances.

(iii) Unearned premium reserves on inward treaties are calculated at 40% of gross premiums written less premiums on reinsurances.

Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserves in relation to such policies.

Reserve for unexpired risks are compared with the report issued by a certifying actuary, which is prepared for a valuation of the premium liabilities in accordance with Section 37 of the Insurance Act, Cap. 142, on a yearly basis.

**(h) Deferred Acquisition Costs**

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs (DAC) are calculated using the 1/24th method on actual commission. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and the carrying value is written down to the recoverable amount.

**(i) Claims Paid and Reserve for Outstanding Claims**

Claims are charged against the insurance revenue account when incurred based on the estimated liability for compensation owed to policyholders or damage suffered by third party claimants. They comprise direct and indirect claims settlement costs, including loss adjustment expenses and professional fees, and arise from events that have occurred up to the balance sheet date even if they have not been reported to the Company.

Provision is made for the estimated costs of all claims notified but not settled as at the balance sheet date using the best information available at that time for individual cases. Provision is also made for the estimated costs of claims incurred but not reported (IBNR) as at the balance sheet date using statistical methods and compared with the assessment of a certifying actuary as required under the Insurance Act. The Company does not discount its reserve for outstanding claims. Any reduction or increase in the reserve is dealt with in the insurance revenue account of the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account of the year in which settlement takes place. For claims from assumed reinsurance, an additional reserve is made based on developmental trends as discerned in the running-off of outstanding claims in respect of prior underwriting years.

As explained in Note 4, the assumptions used to estimate the reserve require judgement and are subject to uncertainty.

*Liabilities and related assets under liability adequacy test*

Insurance contracts are tested for adequacy by comparing current estimates of all future contractual cash flows with the carrying value of the liability. Where a shortfall is identified, an additional reserve is made and the Company recognises the deficiency in profit or loss for the financial year.

**(j) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

## 2 Significant Accounting Policies (continued)

**(k) Trade and Other Debtors**

Trade debtors comprise receivables related to insurance contracts and include amounts due from policyholders, agents and reinsurers. Loss allowance is measured at an amount equal to lifetime ECL with impairment loss recognised in the profit or loss. The additional accounting policies applicable to trade and other debtors can be found in Note 2(o).

**(l) Fixed Assets and Depreciation**

All items of fixed assets are initially recorded at cost. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:

| | % |
|---|---|
| Furniture and fixtures | 10 |
| Office equipment | 20 to 33 1/3 |
| Motor vehicles | 20 |

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down to its recoverable amount and the impairment loss is charged to the profit or loss. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been recognised in the profit or loss had the provision not been made.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit or loss in the year the asset is derecognised.

**(m) Impairment of Non-financial Assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in the profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

## 2 Significant Accounting Policies (continued)

### (n) Financial Instruments

#### (i) *Classification*

Financial instruments and financial liabilities are classified as follows:

***Financial instruments at fair value through profit or loss***

Financial instruments within a held for trading business model are classified and measured at fair value through profit or loss. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

***Debts instruments***

The debt instruments with contractual cash flows that represent solely payments of principal and interest are classified and measured as follows:

- at amortised cost (AC) if they are held within a business model whose objective is to collect contractual cash flows from the assets;
- at FVOCI if the objective of the business model is both for collection of contractual cash flows and for sale; or
- at FVTPL (designated) if so designated to eliminate or reduce accounting inconsistency.

***Equity instruments***

Equity instruments are classified and measured at FVTPL unless elected at inception to be classified and measured at FVOCI.

***Financial liabilities***

Financial liabilities are classified and measured at amortised cost (AC). They may be designated at fair value through profit or loss FVTPL (designated) at initial recognition if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

For financial liabilities that are designated at FVTPL, the fair value changes attributable to own credit risk are taken to other comprehensive income unless this would create accounting mismatch, in which case such fair value changes are taken to profit or loss.

#### (ii) *Measurement*

***Initial measurement***

Financial instruments are recognised initially at their fair value which is generally the transaction price, reduced by loss allowance for financial assets at AC. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at FVTPL.

***Subsequent measurement***

Held for trading financial instruments and those designated as FVTPL measured at fair value with fair value changes recognised in the profit or loss.

Financial instruments classified as FVOCI are measured at fair value with fair value changes taken to the fair value reserve. For debt assets, the fair value change in the fair value reserve is taken to the profit or loss upon disposal or impairment of the assets. For equity instruments elected to be classified as FVOCI, only dividend income is recognised in profit or loss.

All other financial instruments are measured at amortised cost using the effective interest method less allowance for impairment.

Interest and dividend income on all non-derivative financial instruments at FVTPL are recognised separately from fair value changes. The effective interest rate applied to Stage 1 and Stage 2 financial assets is on their gross carrying amount. For Stage 3 financial assets the effective interest rate is applied to the net carrying amount.

## 2 Significant Accounting Policies (continued)

### (n) Financial Instruments (continued)

(ii) *Measurement (continued)*
*Fair Value Determination*
Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the balance sheet date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

(iii) *Recognition and derecognition*
Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognised in equity are recognised in the profit and loss statement, or in other comprehensive income.

### (o) Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments held at FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument.

In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### (p) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 2 Significant Accounting Policies (continued)

### (q) Financial Liabilities

**Initial recognition and measurement**
Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**
The measurement of financial liabilities depends on their classification as follows:

(i) *Financial liabilities at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded deriatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*
After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**Derecognition**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (r) Trade and Other Creditors
Liabilities for trade and other creditors and amounts owing to related companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### (s) Foreign Currency

(i) *Functional currency*
The financial statements of the Company are presented in Singapore dollars, which is the functional currency of the Company.

(ii) *Transactions and balances*
Foreign currency monetary assets and liabilities are converted to Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are converted into the functional currency using the rates of exchange ruling on the transaction dates. Exchange differences are taken up in the insurance revenue accounts or in profit or loss as appropriate.

Exchange differences on non-monetary items, such as unit trusts, ETFs and equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Exchange differences on non-monetary items; such as equities classified as FVOCI financial assets, are recognised in other comprehensive income and accumulated under the revaluation on investment reserve in equity.

## 2 Significant Accounting Policies (continued)

(t) Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(u) Deferred Income Tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements at the balance sheet date. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(v) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, and fixed deposits.

(w) Dividend Distribution

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

(x) Employees' Benefits

(i) *Defined contribution plan*

As required by law, the Company makes contributions to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised in compensation expense in the same period as the employment that gives rise to the contributions.

(ii) *Employees' leave entitlement*

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

(y) Leases – before 1 January 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

## 2 Significant Accounting Policies (continued)

**(z) Leases – after 1 January 2019**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property 3 years
- Office equipment 3 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as described in Note 2(m).

*Lease Liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company 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 office equipment that are considered to be 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.

**(aa) Associate**

An associate is an entity over which the Company has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Company's investment in material associate is accounted for using the equity method.

The Company accounts for its investments in associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Company's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

## 2 Significant Accounting Policies (continued)

**(aa) Associate (continued)**

Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associate. Distributions received from associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Company recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Company and associate are eliminated to the extent of the interest in the associate.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in associate. The Company determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate is prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

**(ab) Share Capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**(ac) Segment Reporting**

The Company is organised into operating segments based on its separate fund accounts in accordance with the Singapore Insurance Act (Chapter 142). Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

**(ad) Related Parties**

A related party is a person or entity that is related to the Company.

(i) A person or a close member of that person's family is related to the Company if that person:
- (a) has control or joint control over the Company;
- (b) has significant influence over the Company; or
- (c) is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:
- (a) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member);
- (c) Both entities are joint ventures of the same third party;
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (f) The entity is controlled or jointly controlled by a person identified in (i); and
- (g) A person identified in (i)(a) 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).

## 3 Principal Activities

The principal activities of the Company is the underwriting of general insurance business. There have been no significant changes in the nature of these activities during the financial year.

## 4 Judgements and Inherent Uncertainty in Accounting Estimates

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Insurance Risks

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to the Company's business. This safeguards not only the interest of its shareholders but also that of its customers. The Company has developed a robust underwriting framework to ensure that all risks accepted meet with its guidelines and standards.

The Company's business is primarily derived from Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio. The Company has developed a reinsurance management strategy which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Company's reinsurance management strategy include protection of shareholders' fund, smoothing out the peaks and troughs of underwriting result, providing the Company with competitive advantage, sound and diversified reinsurance securities and developing long-term strategic partnership with key reinsurers.

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The principal uncertainty in the Company's financial statements primarily arises in the technical reserves which include the reserves of premium and claim liabilities. The premium liabilities comprise reserve for unexpired risks, net of deferred acquisition cost while the claim liabilities comprise reserve for outstanding claims and their values are carried in the balance sheet as disclosed in Notes 16, 17 and 18 to the financial statements.

Although the premium and claim liabilities are estimated based on management's best knowledge and judgement of current facts including consultations with its certifying actuary as at the balance sheet date, the actual outcome may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

For general insurance contracts, claims reserve, compromising provision for claims reported by policyholders and claims incurred but not reported (IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date. The provisions are revised continuously as part of a regular ongoing process as claims are settled and further claims are reported.

(i) *Estimation process*

The claims reserve estimation process involves estimation of reserve of outstanding reported claims (case reserves), and estimation of additional reserves for IBNR and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims incurred but not enough reported (IBNER). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined by the Company after taking into account the certifying actuary's assessment. The total claim liabilities are subject to a yearly actuarial review and at year end a formal actuarial report will be provided on the adequacy of the Company's claim liabilities.

In forming their view on the adequacy of the claims reserve, the actuary uses a variety of statistical projection techniques like the Chain Ladder and Bornhuetter-Ferguson methods. Claims reserve is separately analysed by class of business and it is intended to provide a minimum of 75% level of assurance of adequacy, and as such include a provision for adverse deviation (PAD) beyond the best estimate of the claim liabilities.

The best estimates for premium liabilities have been determined such that the total liability reserve would be adequate to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

## 4 Judgements and Inherent Uncertainty in Accounting Estimates (continued)

### (a) Insurance Risks (continued)

(ii) *Assumptions*

The principal assumption underlying the actuarial estimate of the claim liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected amounts and variability around those expected amounts. In estimating the required claims reserve, actuary also considers business strategy, trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Company. There is typically a lot of judgement involved in estimating the claim liabilities.

(iii) *Sensitivities*

The estimates of premium and claim liabilities are an inherently uncertain process. The uncertainty may be due to a number of factors, which include variation in the mix of risks insured, changes in social and legal environments, which affect the final settlement costs of unsettled claims, and changes in claim management procedures and, as a consequence of this uncertainty, the eventual value of premium and claim liabilities can vary from the initial estimates.

The following table shows an analysis of sensitivity performed by the certifying actuary on the technical balances on gross and net (that is, reserve for unexpired risks and reserve for outstanding claims, net of reinsurers' share and deferred acquisition cost), profit before tax and equities.

| | Change in assumptions | Impact on gross liabilities $ million | Impact on net liabilities $ million | Impact on profit before tax $ million | Impact on equity $ million |
|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | |
| Provision for adverse deviation margin | +20% | 2.16 | 0.98 | (0.35) | (0.29) |
| Loss ratio | +20% | 10.66 | 5.12 | (4.50) | (3.73) |
| Claims handling expenses | +20% | 0.98 | 0.98 | (0.35) | (0.29) |
| As at 31 December 2018 | | | | | |
| Provision for adverse deviation margin | +20% | 2.43 | 0.99 | (0.08) | (0.07) |
| Loss ratio | +20% | 12.21 | 4.95 | (4.04) | (3.35) |
| Claims handling expenses | +20% | 0.98 | 0.98 | (0.07) | (0.06) |

### (b) Leases – Estimating the Incremental Borrowing Rate

The Company 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 Company 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 Company '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 Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

### (c) Impairment Losses on Financial Assets

The measurement of impairment losses under SFRS(I) 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used. For more details on the Company's ECL methodology and assumptions and loss allowance recognised for the year ended 31 December 2019, refer to Note 32(d).

## 5 Other Income

| | | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| (a) | Dividend income from: | | |
| | – Equity securities at FVOCI | 7,216 | 2,660 |
| | – Unit trusts and ETFs mandatorily measured at FVTPL | 528 | 1,044 |
| | | 7,744 | 3,704 |
| (b) | Interest income from: | | |
| | – Debt securities measured at FVOCI | 8,617 | 7,925 |

## 6 Management Expenses

Included in management expenses are the following:

| | Charged to insurance revenue accounts 2019 $'000 | 2018 $'000 |
|---|---|---|
| Depreciation on: | | |
| Right-of-use assets | 1,321 | – |
| Furniture and fixtures | 22 | 23 |
| Office equipment | 66 | 67 |
| Motor vehicles | 4 | 4 |
| | 1,413 | 94 |
| Auditor's remuneration: | | |
| Payable to the auditors of the Company | | |
| – Audit fees | 168 | 156 |
| – Non-audit fees | 16 | – |
| | 184 | 156 |
| Foreign exchange losses/(gains) | 43 | (29) |
| Rental expenses | – | 1,306 |
| License/levy | 183 | 177 |
| Printing and stationery | 105 | 123 |
| Upkeep of application software | 846 | 733 |
| Allowance for bad debts written off | 1 | 8 |
| Write-back for allowance for doubtful debts | – | (8) |

# Notes to the Financial Statements

for the financial year ended 31 December 2019

## 7 Staff Information (Including an Executive Director)

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Wages, salaries and other employee benefits | 7,829 | 7,343 |
| Central Provident Fund contribution | 843 | 792 |
| | 8,672 | 8,135 |

| | 2019 | 2018 |
|---|---|---|
| Number of persons employed at the end of year | 99 | 99 |

## 8 Directors' Remuneration

The number of directors of the Company whose total remuneration from the Company falls into the following bands is:

| | 2019 | 2018 |
|---|---|---|
| $750,000 to $999,999 | 1 | – |
| $500,000 to $749,999 | – | 1 |
| $250,000 to $499,999 | – | – |
| Below $250,000 | 7 | 7 |
| Total | 8 | 8 |

## 9 Income Tax

### (a) Tax Expense

The tax expense attributable to profit is made up of:

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| On the profit of the year: | | |
| Singapore current income tax (Note 9(b)) | 6,828 | 3,921 |
| Transfer from/(to) deferred taxation (Note 15) | 39 | (57) |
| | 6,867 | 3,864 |
| Overprovision in respect of prior financial years | (1,002) | (1,907) |
| Income tax expenses recognised in profit and loss | 5,865 | 1,957 |

The tax expense on the results of the Company for the financial year differs from the theoretical amount that would arise by applying the Singapore statutory income tax rate to profit before tax due to the following:

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Profit before tax | 46,257 | 25,788 |
| Tax calculated at a tax rate of 17% (2018: 17%) | 7,864 | 4,384 |
| Singapore statutory stepped income exemption | (17) | (26) |
| Exempt income | (1,041) | (438) |
| Expenses not deductible for tax purposes | 436 | 72 |
| Income not subject to tax | (262) | – |
| Income tax rebate | – | (10) |
| Income from qualifying debt securities and offshore insurance, taxed at a rate of 10% | (136) | (297) |
| Overprovision in respect of prior financial years | (1,002) | (1,907) |
| Others | 23 | 179 |
| Actual tax expense | 5,865 | 1,957 |

### (b) Movement in Tax Payables

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Balance at beginning of the financial year | 6,562 | 8,334 |
| Effect of adopting SFRS(I) 9 | – | 1,700 |
| Income tax paid | (5,202) | (5,365) |
| Current financial year's tax payable on profit | 6,828 | 3,921 |
| Tax relating to net gains/(losses) on disposal of FVOCI equity securities | 24 | (121) |
| Overprovision in respect of prior financial years | (1,002) | (1,907) |
| Balance at end of financial year | 7,210 | 6,562 |

## 10 Earnings Per Share

Earnings per share is calculated by dividing the profit after tax attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Net profit | **40,392** | 23,831 |
| Weighted average number of ordinary shares ('000) | **61,155** | 61,155 |
| Basic and diluted earnings per share (cents) | **66.05** | 38.97 |

## 11 Dividend Paid

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Interim dividend of 8.5 cents per share (one-tier tax-exempt) (2018: 8.5 cents per share one-tier tax-exempt in respect of the financial year 2018), in respect of the financial year 2019 | **5,198** | 5,198 |
| Special dividend of 5 cents per share (one-tier tax-exempt) (2018: 5 cents per share one-tier tax-exempt in respect of the financial year 2017), in respect of the financial year 2018 | **3,058** | 3,058 |
| Final dividend of 8.5 cents per share (one-tier tax-exempt) (2018: 14 cents per share one-tier tax-exempt in respect of the financial year 2017), in respect of the financial year 2018 | **5,198** | 8,562 |
| | **13,454** | 16,818 |

The directors have proposed a final one-tier tax-exempt dividend of 8.5 cents per share and a special one-tier tax-exempt dividend of 7 cents per share in respect of the financial year ended 31 December 2019 amounting to $9,479,025. These financial statements do not reflect this dividend payable, which, if approved at the forthcoming Annual General Meeting, will be accounted for in the shareholders' equity as an appropriation of retained profits in the year ending 31 December 2020.

## 12 Share Capital

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **No. of shares issued<br>'000** | **$'000** | No. of shares issued<br>'000 | $'000 |
| Issued and fully paid, at beginning and end of financial year | **61,155** | **91,733** | 61,155 | 91,733 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

## 13 Capital Management

The Company's capital management policy is to enhance shareholder value, deliver sustainable returns to shareholders, support business growth and maintain an adequate capital position to meet policyholders' obligations, regulatory requirements and the underlying risks of the Company's business and operations. Capital includes equity attributable to the owners of the Company less the investment reserve. There have been no changes to the Company's basis in determining capital.

The Company's capital management processes include the following key measures:

- observing an established dividend policy, which aims to support the Company's business needs, comply with regulatory requirements and reward shareholders reasonably;
- setting appropriate risk limits to control the Company's exposure in the underlying risks of its business and operations;
- investing the Company's funds in liquid and marketable securities and following an appropriate asset allocation strategy to maintain high liquidity and achieve the Company's objective in growth and preservation of capital; and
- stress-testing the Company's financial conditions and capital adequacy under various stress scenarios to assess and enhance the Company's financial stability.

The Company is also required to maintain a minimum amount of capital and solvency requirements as prescribed under the Singapore Insurance Act (Chapter 142) and relevant Regulations. The Company has complied with such requirements during the financial year. The Company monitors its capital level on a regular basis to assess whether the capital adequacy requirements have been met.

The Company has no borrowings, contingent liabilities and loan capital as at 31 December 2019. There was no change in the Company's capital management objectives, policies and processes during the years ended 31 December 2019 and 31 December 2018.

The Company's equity as at 31 December 2019 was $418,272,000 (2018: $378,374,000).

## 14 General Reserve

In each financial year, a certain amount of retained profits may be transferred to general reserve of the Company. The general reserve has not been earmarked for any particular purpose. In the year of 2019, there is no transfer of retained profits to general reserve.

## 15 Deferred Tax Liabilities

Deferred tax liabilities as at 31 December relate to the following:

| | Balance sheet | | Profit and loss | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Differences in tax depreciation | 26 | 30 | (4) | (5) |
| Differences in interest receivable | 353 | 297 | 56 | (9) |
| Differences in expected credit loss | (56) | (43) | (13) | (43) |
| Deferred income tax related to other comprehensive income: | | | | |
| Revaluation of investments | | | | |
| – Balance at 1 January | 7,071 | 10,183 | – | – |
| – Effect of adopting SFRS(I) 9 | – | (1,969) | – | – |
| – Net gains/(losses) on fair value changes of FVOCI equity securities | 1,084 | (85) | – | – |
| – Net gains/(losses) on fair value changes of FVOCI debt securities | 1,531 | (1,058) | – | – |
| Balance at 31 December | 10,009 | 7,355 | | |
| Deferred income tax expense | | | 39 | (57) |

## 16 Reserve for Unexpired Risks

Movements in reserve for unexpired risks:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of the financial year | 56,170 | (35,183) | 20,987 | 64,153 | (42,362) | 21,791 |
| Movement in reserve during the financial year | 303 | 919 | 1,222 | (7,983) | (7,179) | (804) |
| Balance at end of the financial year | 56,473 | (34,264) | 22,209 | 56,170 | (35,183) | 20,987 |

## 17 Deferred Acquisition Costs

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of the financial year | 8,175 | (9,470) | (1,295) | 8,074 | (9,354) | (1,280) |
| Movement in deferred acquisition cost during the financial year | 264 | 46 | 310 | 101 | (116) | (15) |
| Balance at end of the financial year | 8,439 | (9,424) | (985) | 8,175 | (9,470) | (1,295) |

## 18 Reserve for Outstanding Claims

Reserve for outstanding claims will become payable and materialise into claims paid as and when the amounts of insured losses suffered by policyholders or third party claimants are ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the reserve is not ascertainable but is likely to fall within six years.

The reserve is sensitive to many factors such as interpretation of circumstances, legislative changes, judicial decisions and economic conditions and is also subject to uncertainties such as:

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

Movements in reserve for outstanding claims:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of the financial year | 130,123 | (78,370) | 51,753 | 155,413 | (97,632) | 57,781 |
| Claims paid during the financial year | (33,066) | 19,250 | (13,816) | (39,360) | 23,875 | (15,485) |
| Claims incurred | 16,790 | (5,847) | 10,943 | 14,070 | (4,613) | 9,457 |
| Balance at end of the financial year | 113,847 | (64,967) | 48,880 | 130,123 | (78,370) | 51,753 |

## 18 Reserve for Outstanding Claims (continued)

The following are the Company's actual claims compared with previous estimates on gross and net basis:

| Accident Year | 2009 & prior | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total ($'000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimate of claims incurred – **gross** | | | | | | | | | | | | |
| – at end of accident year | | 41,749 | 44,992 | 50,653 | 80,354 | 51,991 | 49,497 | 67,666 | 50,098 | 45,449 | 44,683 | |
| – one year later | | 43,718 | 54,297 | 53,641 | 79,297 | 54,793 | 48,664 | 67,916 | 43,213 | 41,787 | | |
| – two years later | | 41,440 | 51,295 | 51,420 | 64,022 | 52,172 | 45,692 | 65,144 | 41,472 | | | |
| – three years later | | 38,125 | 48,677 | 46,423 | 59,966 | 47,179 | 41,671 | 57,644 | | | | |
| – four years later | | 34,661 | 43,555 | 43,229 | 54,375 | 40,311 | 40,072 | | | | | |
| – five years later | | 33,576 | 41,559 | 40,962 | 50,165 | 38,627 | | | | | | |
| – six years later | | 31,450 | 39,181 | 38,166 | 46,124 | | | | | | | |
| – seven years later | | 29,966 | 36,880 | 31,230 | | | | | | | | |
| – eight years later | | 29,030 | 36,472 | | | | | | | | | |
| – nine years later | | 28,728 | | | | | | | | | | |
| Current estimate of cumulative claims incurred | | 28,728 | 36,472 | 31,230 | 46,124 | 38,627 | 40,072 | 57,644 | 41,472 | 41,787 | 44,683 | |
| Less: cumulative claims paid to date | | 27,998 | 35,470 | 30,282 | 43,792 | 30,936 | 33,213 | 41,216 | 28,731 | 16,634 | 6,091 | |
| Liability recognised in the balance sheet | 1,371 | 730 | 1,002 | 948 | 2,332 | 7,691 | 6,859 | 16,428 | 12,741 | 25,153 | 38,592 | 113,847 |
| Estimate of claims incurred – **net** | | | | | | | | | | | | |
| – at end of accident year | | 20,394 | 22,500 | 24,853 | 27,458 | 22,829 | 24,872 | 24,275 | 20,090 | 17,621 | 17,567 | |
| – one year later | | 20,277 | 26,822 | 23,624 | 26,472 | 22,111 | 20,214 | 22,206 | 19,530 | 17,455 | | |
| – two years later | | 19,860 | 25,989 | 23,702 | 25,101 | 21,096 | 19,353 | 21,555 | 19,370 | | | |
| – three years later | | 18,338 | 25,338 | 21,261 | 22,665 | 18,894 | 17,530 | 20,418 | | | | |
| – four years later | | 17,172 | 22,218 | 19,585 | 20,438 | 17,041 | 16,462 | | | | | |
| – five years later | | 16,533 | 21,350 | 18,495 | 19,545 | 16,173 | | | | | | |
| – six years later | | 15,464 | 20,134 | 17,410 | 17,858 | | | | | | | |
| – seven years later | | 15,035 | 19,278 | 16,284 | | | | | | | | |
| – eight years later | | 14,713 | 19,046 | | | | | | | | | |
| – nine years later | | 14,559 | | | | | | | | | | |
| Current estimate of cumulative claims incurred | | 14,559 | 19,046 | 16,284 | 17,858 | 16,173 | 16,462 | 20,418 | 19,370 | 17,455 | 17,567 | |
| Less: cumulative claims paid to date | | 13,995 | 18,253 | 15,476 | 16,672 | 13,517 | 13,242 | 13,952 | 13,369 | 7,143 | 1,812 | |
| Liability recognised in the balance sheet | 1,119 | 564 | 793 | 808 | 1,186 | 2,656 | 3,220 | 6,466 | 6,001 | 10,312 | 15,755 | 48,880 |

# Notes to the Financial Statements
for the financial year ended 31 December 2019

## 19 Revaluation on Investment Reserve

Revaluation on investment reserve records the cumulative fair value changes in FVOCI investments, net of deferred income tax, until they are derecognised or impaired.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Balance at 1 January | 34,523 | 49,717 |
| Effect of adopting SFRS(I) 9 | – | (9,616) |
| | 34,523 | 40,101 |
| Net change in the reserve, net of tax | 12,840 | (5,578) |
| Balance at 31 December | 47,363 | 34,523 |

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Net change in the reserve arises from: | | |
| – Net gains/(losses) on fair value changes and changes in allowance for ECL during the financial year, net of tax | 13,722 | (6,571) |
| – Recognised in the profit and loss account on disposal of FVOCI debt securities, net of 17% tax (2018: 17%) | (762) | 399 |
| – Recognised in the retained profits on disposal of FVOCI equity securities, net of 17% tax (2018: 17%) | (120) | 594 |
| | 12,840 | (5,578) |

## 20 Amount owing to Trade and Non-trade Creditors

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Amount owing to policyholders and agents | 162 | 147 |
| Amount owing to reinsurers | 7,692 | 12,525 |
| Amount retained from reinsurers | 2,926 | 2,844 |
| Insurance creditors | 10,780 | 15,516 |
| | | |
| Non-trade creditors and accrued liabilities | 6,557 | 5,706 |
| Amount owing to related companies | 640 | 566 |
| Total financial liabilities carried at amortised cost | 17,977 | 21,788 |

**(a) Amount owing to Policyholders, Agents and Reinsurers**
These amounts are non-interest bearing and are normally settled on 90-day term.

## 20 Amount owing to Trade and Non-trade Creditors (continued)

### (b) Amount Retained from Reinsurers

| | 2019 | | |
|---|---|---|---|
| | Gross carrying amount | Gross amount offset in the balance sheet | Amount in the balance sheet |
| | $'000 | $'000 | $'000 |
| Amount retained from reinsurers | 2,978 | (52) | 2,926 |

| | 2018 | | |
|---|---|---|---|
| | Gross carrying amount | Gross amount offset in the balance sheet | Amount in the balance sheet |
| | $'000 | $'000 | $'000 |
| Amount retained from reinsurers | 2,891 | (47) | 2,844 |

These amounts are interest bearing. They are normally settled on a yearly basis.

### (c) Non-trade Creditors and Accrued Liabilities

These amounts are unsecured, non-interest bearing and repayable on demand.

### (d) Amount owing to Related Companies

These amounts are unsecured, non-interest bearing and repayable on demand.

# Notes to the Financial Statements

for the financial year ended 31 December 2019

## 21 Financial Derivatives

Financial derivatives are instruments whose values change in response to the change in prices of the underlying instruments.

The Company transacts in forward contracts to manage its foreign exchange exposure arising from investment in fixed income securities denominated in foreign currencies.

The Company also transacts in interest rate futures to hedge certain of the Company's fixed income securities against interest rate risk.

The table below shows the Company's foreign exchange forward contracts and interest rate futures and their fair values measured by valuation technique with market observable inputs at the balance sheet date. The most frequently applied valuation techniques include forward and future pricing models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot, forward rates and interest rate futures. They are classified as level 2 in the fair value hierarchy. These amounts do not necessarily represent future cash flows and amounts at risk of the forward contracts and interest rate futures.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Recurring fair value measurements** | **Contract/ notional amount** | **Derivative financial assets** | **Derivative financial liabilities** | Contract/ notional amount | Derivative financial assets | Derivative financial liabilities |
| | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 |
| Foreign exchange forwards | | | | | | |
| Sell USD/Buy SGD | 225,477 | 1,748 | – | 145,108 | 645 | – |
| Buy USD/Sell SGD | 9,926 | – | 84 | – | – | – |
| Interest rate futures | – | – | – | 42,288 | – | 882 |

For the year ended 31 December 2019, the Company recognised net unrealised fair value gains on financial derivatives of $1,901,000 (2018: net unrealised fair value losses $2,086,000).

The foreign exchange forward contracts have maturity dates in March 2020 (2018: February to March 2019). Counterparties are mainly graded at A-1+.

## 22 Bank Balances and Fixed Deposits

### (a) Cash and Bank Balances

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Bank balances with: | | |
| Holding company | 4,820 | 4,971 |
| Other financial institutions | 11,857 | 11,192 |
| Cash on hand | 2 | 2 |
| | 16,679 | 16,165 |

Cash and bank balances earn interest at rates based on daily deposit rates.

### (b) Fixed Deposits

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Fixed deposits with: | | |
| Holding company | 1,313 | 6,022 |
| Other financial institutions | 74,973 | 41,708 |
| | 76,286 | 47,730 |
| Fixed deposits with: | | |
| 3 months or less | 73,853 | 45,301 |
| More than 3 months | 2,433 | 2,429 |
| | 76,286 | 47,730 |

The Company's fixed deposits with the holding company and other financial institutions mature on varying dates within 6 months (2018: 6 months) from the financial year end and earn interest at the respective fixed deposit rates. The weighted average effective interest rate of these deposits at 31 December 2019 for the Company was 1.32% (2018: 1.35%) per annum.

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Total bank balances and fixed deposits | 92,965 | 63,895 |

## 23 Loans and Receivables

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Bank balances and fixed deposits | **92,965** | 63,895 |
| Amount due from policyholders and agents (Note 24(a)) | **5,081** | 4,955 |
| Amount due from reinsurers (Note 24(b)) | **9,327** | 4,870 |
| Amount retained by ceding companies (Note 24(c)) | **2,419** | 1,485 |
| Insurance debtors | **16,827** | 11,310 |
| Non-trade debtors and accrued interest receivables (excluding prepayments of $117,000 in 2019, $112,000 in 2018) | **8,788** | 4,002 |
| Loans and receivables | **118,580** | 79,207 |

All bank balances, fixed deposits, non-trade debtors and accrued interest receivables are placed with counterparties that are graded from A- to AA-. Amount due from reinsurers and ceding companies with counterparties that are mainly graded from B++ to AA+.

## 24 Amount Due from Policyholders and Agents, Reinsurers and Ceding Companies

The Company has arrangements to settle the net amount due to or from each counterparty on a 90-day term basis.

### (a) Amount Due from Policyholders and Agents

| | 2019 | | |
|---|---|---|---|
| | Gross carrying amount<br>$'000 | Gross amount offset in the balance sheet<br>$'000 | Amount in the balance sheet<br>$'000 |
| Amount due from policyholders and agents (Note 23) | **5,900** | **(819)** | **5,081** |
| Amount owing to policyholders and agents (Note 20) | **(981)** | **819** | **(162)** |

| | 2018 | | |
|---|---|---|---|
| | Gross carrying amount<br>$'000 | Gross amount offset in the balance sheet<br>$'000 | Amount in the balance sheet<br>$'000 |
| Amount due from policyholders and agents (Note 23) | 6,711 | (1,756) | 4,955 |
| Amount owing to policyholders and agents (Note 20) | (1,903) | 1,756 | (147) |

These amounts are unsecured and non-interest bearing with payment terms not exceeding 90 days.

## 24 Amount Due from Policyholders and Agents, Reinsurers and Ceding Companies (continued)

### (b) Amount Due from Reinsurers

| | 2019 Gross carrying amount $'000 | 2019 Gross amount offset in the balance sheet $'000 | 2019 Amount in the balance sheet $'000 |
|---|---|---|---|
| Amount due from reinsurers (Note 23) | 45,614 | (36,287) | 9,327 |
| Amount owing to reinsurers (Note 20) | (43,979) | 36,287 | (7,692) |

| | 2018 Gross carrying amount $'000 | 2018 Gross amount offset in the balance sheet $'000 | 2018 Amount in the balance sheet $'000 |
|---|---|---|---|
| Amount due from reinsurers (Note 23) | 42,339 | (37,469) | 4,870 |
| Amount owing to reinsurers (Note 20) | (49,994) | 37,469 | (12,525) |

These amounts are unsecured and non-interest bearing with payment terms not exceeding 90 days.

### (c) Amount Retained by Ceding Companies

| | 2019 Gross carrying amount $'000 | 2019 Gross amount offset in the balance sheet $'000 | 2019 Amount in the balance sheet $'000 |
|---|---|---|---|
| Amount retained by ceding companies (Note 23) | 2,471 | (52) | 2,419 |

| | 2018 Gross carrying amount $'000 | 2018 Gross amount offset in the balance sheet $'000 | 2018 Amount in the balance sheet $'000 |
|---|---|---|---|
| Amount retained by ceding companies (Note 23) | 1,532 | (47) | 1,485 |

## 25 Associated Company

This represents the Company's investment in the following company:

| Name of company | Country of incorporation & place of business | Principal activity | Cost of investment | | % of paid-up capital held by the Company | |
|---|---|---|---|---|---|---|
| | | | **2019** | 2018 | **2019** | 2018 |
| | | | **$'000** | $'000 | **%** | % |
| United Insurance Agency Pte Ltd* | Singapore | General Insurance Agent | **1** | 1 | **49** | 49 |

* Audited by KPMG LLP, Singapore

The Company's investment in associate is considered immaterial and therefore does not apply equity accounting as at 31 December 2019.

## 26 Investments

Financial instruments as at 31 December 2019

| | 2019 | 2018 |
|---|---|---|
| | **$'000** | $'000 |
| Mandatorily measured at fair value through profit or loss | | |
| – Debt securities | **–** | 1,937 |
| – Unit trusts and ETFs | **5,375** | 111,700 |
| | **5,375** | 113,637 |
| At fair value through other comprehensive income | | |
| – Debt securities | **281,009** | 219,023 |
| – Equity securities | **117,783** | 76,168 |
| | **398,792** | 295,191 |
| Total | **404,167** | 408,828 |
| Net carrying amount | | |
| Current | **56,710** | 23,609 |
| Non-current | **347,457** | 385,219 |
| | **404,167** | 408,828 |

The debt securities bear an effective weighted average interest rate of 3.59% (2018: 3.42%) per annum with maturity dates from October 2020 to July 2034 (2018: August 2019 to May 2028). The other government securities bear an effective weighted average interest rate of 3.82% (2018: 3.99%) per annum with maturity dates from April 2023 to January 2025 (2018: April 2024 to January 2025).

The Company's debt securities and other government securities are all graded as investment grade.

## 26 Investments (continued)

*Fair value measurements*

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

(b) Level 2 – Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

(c) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The investments are measured at fair value at 31 December as follows:

| | 2019 | | | |
|---|---|---|---|---|
| **Recurring fair value measurements** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
| Mandatorily measured at FVTPL | | | | |
| – Unit trusts | 5,375 | – | – | 5,375 |
| At FVOCI | | | | |
| – Debt securities | 281,009 | – | – | 281,009 |
| – Equity securities | 117,783 | – | – | 117,783 |
| | 404,167 | – | – | 404,167 |

| | 2018 | | | |
|---|---|---|---|---|
| Recurring fair value measurements | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| Mandatorily measured at FVTPL | | | | |
| – Debt securities | 1,937 | – | – | 1,937 |
| – Unit trusts and ETFs | 111,700 | – | – | 111,700 |
| At FVOCI | | | | |
| – Debt securities | 219,023 | – | – | 219,023 |
| – Equity securities | 76,168 | – | – | 76,168 |
| | 408,828 | – | – | 408,828 |

The fair value of investments traded in active markets is based on the quoted market bid prices at the balance sheet date. These investments are included in Level 1.

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices, dealer quotes or net tangible asset values for similar instruments as well as other techniques, such as estimated discounted cash flows are used to estimate fair value of these instruments. These investments are included in Level 2.

In infrequent circumstances, where a valuation technique for an investment is based on significant unobservable inputs, such instruments are included in Level 3.

## 27 Fixed Assets

| | Furniture and fixtures $'000 | Office equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2018 | 422 | 2,000 | 70 | 2,492 |
| Additions | – | 50 | – | 50 |
| Disposals | (18) | (13) | – | (31) |
| At 31 December 2018 and 1 January 2019 | 404 | 2,037 | 70 | 2,511 |
| Additions | – | 715 | – | 715 |
| Disposals | – | (17) | – | (17) |
| **At 31 December 2019** | 404 | 2,735 | 70 | 3,209 |
| **Accumulated depreciation** | | | | |
| At 1 January 2018 | 332 | 1,863 | 50 | 2,245 |
| Depreciation charge for the year | 23 | 67 | 4 | 94 |
| Disposals | (18) | (13) | – | (31) |
| At 31 December 2018 and 1 January 2019 | 337 | 1,917 | 54 | 2,308 |
| Depreciation charge for the year | 22 | 66 | 4 | 92 |
| Disposals | – | (16) | – | (16) |
| **At 31 December 2019** | 359 | 1,967 | 58 | 2,384 |
| **Net book value** | | | | |
| At 31 December 2018 | 67 | 120 | 16 | 203 |
| **At 31 December 2019** | 45 | 768 | 12 | 825 |

## 28 Leases

The Company has lease contracts for various items of property and office equipment used in its operations. The lease of property has a lease term of 3 years, while office equipment have lease terms between 3 and 5 years.

The Company also has certain leases of office equipment with lease terms of 12 months or less, or with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

| | Property $'000 | Office equipment $'000 | Total $'000 |
|---|---|---|---|
| Balance as at 1 January 2019 | 3,769 | 99 | 3,868 |
| Depreciation charge for the year | (1,292) | (29) | (1,321) |
| Additions to right-of-use assets | – | 9 | 9 |
| Balance as at 31 December 2019 | 2,477 | 79 | 2,556 |

## 28 Leases (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | Total<br>$'000 |
|---|---|
| Balance as at 1 January 2019 | 3,541 |
| Additions | 9 |
| Accretion of interest | 69 |
| Payments | (1,251) |
| Balance as at 31 December 2019 | 2,368 |

The maturity analysis of lease liabilities are disclosed in Note 32(f).

The following are the amounts recognised in profit or loss:

| | **2019**<br>**$'000** |
|---|---|
| Depreciation charge on right-of-use assets | 1,321 |
| Interest expense on lease liabilities | 69 |
| Expense relating to short-term leases | 5 |
| Expense relating to leases of low-value assets | 64 |
| Total amount recognised in profit or loss | 1,459 |

The Company had total cash outflows for leases of $1,320,000 in 2019 (Nil in 2018). The Company also had non-cash additions to right-of-use assets and lease liabilities of $9,000 in 2019.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide operational flexibility and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

## 29 Commitments

(a) **Capital Commitments**
The Company has no lease contracts that have not yet commenced as at 31 December 2019.

(b) **Operating Lease Commitments – as Lessee**
At 31 December 2018, the Company has rental commitments under a non-cancellable operating lease. The minimum lease payments are:

| | 2018<br>$'000 |
|---|---|
| Lease which expires: | |
| Within one year | 1,306 |
| Between one and three years | 2,504 |
| | 3,810 |

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $1,306,000.

## 30 Related Party Transactions

The following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Gross premium income from: | | |
| – Holding company | 5,354 | 6,488 |
| – Related companies | 469 | 49 |
| – Associated companies of the holding company | 1,151 | 991 |
| Commission expenses paid to: | | |
| – Holding company | 8,263 | 7,600 |
| – Related companies | 141 | 82 |
| – Associated company | 634 | 687 |
| Gross claims incurred/(written back) from: | | |
| – Holding company | (3,947) | 308 |
| – Related companies | 2 | (10) |
| – Associated companies of the holding company | (523) | 978 |
| Rental paid to an associated company of the holding company | – | 1,306 |
| Lease payments paid to an associated company of the holding company | 1,220 | – |
| Management fee received from an associated company of the holding company | 750 | 750 |
| Management fee charged by a related company | 1,171 | 1,058 |
| Service fee charged by holding company | 2,689 | 2,125 |
| Interest income earned from holding compny | 102 | 56 |
| Compensation of key management personnel | | |
| – Directors of the Company | 1,015 | 995 |

Directors' remuneration included fees, salary, bonus, Central Provident Fund contribution and other emoluments (including benefits-in-kind) computed based on costs incurred by the Company.

## 31 Segment Information

The Company is principally engaged in the business of underwriting general insurance. As the Company has different operating segments, its business are segregated into separate fund accounts in accordance with the requirements of the Singapore Insurance Act (Chapter 142).

As required under the Singapore Insurance Act, the Company has established and maintained a Singapore Insurance Fund (SIF) for insurance business relating to Singapore policies and an Offshore Insurance Fund (OIF) for insurance business relating to offshore policies. Shareholders' Fund (SHF) relates to the Company's investment activities of its non-insurance funds.

The segment information has been prepared in accordance with the Company's accounting policy and SFRS(I).

| | SIF<br>$'000 | OIF<br>$'000 | SHF<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **For Year 2019** | | | | |
| Gross premium written | 77,625 | 28,318 | – | 105,943 |
| Net earned premium | 29,456 | 12,892 | – | 42,348 |
| Net claims incurred | (3,157) | (7,786) | – | (10,943) |
| Net commission | 7,971 | (530) | – | 7,441 |
| Management expenses | (11,730) | (2,673) | – | (14,403) |
| Underwriting profit | 22,540 | 1,903 | – | 24,443 |
| Gross dividends from investments | 1,432 | 276 | 6,036 | 7,744 |
| Interest income from investments | 4,675 | 1,022 | 2,920 | 8,617 |
| Interest on fixed deposits and bank balances | 471 | 183 | 197 | 851 |
| Net losses on disposal of fixed assets | (1) | – | – | (1) |
| Net fair value losses on financial derivatives | (42) | (25) | 33 | (34) |
| Net fair value losses on FVTPL investments – unrealised | (2,176) | (558) | (963) | (3,697) |
| Exchange losses | (1,692) | (344) | (1,085) | (3,121) |
| Net gains on disposal of FVTPL Investments | 6,866 | 1,783 | 3,812 | 12,461 |
| Net gains on disposal of FVOCI investments | 463 | 181 | 274 | 918 |
| Other income/(expenses) | 146 | (39) | (111) | (4) |
| Management expenses not charged to insurance revenue account – net | (724) | (158) | (1,038) | (1,920) |
| Profit before tax | 31,958 | 4,224 | 10,075 | 46,257 |
| Tax expense | (4,836) | (277) | (752) | (5,865) |
| Profit after tax | 27,122 | 3,947 | 9,323 | 40,392 |
| Segment total assets as at 31 December 2019 | 347,018 | 87,695 | 200,951 | 635,664 |
| Segment total liabilities as at 31 December 2019 | 162,984 | 44,233 | 10,175 | 217,392 |

# Notes to the Financial Statements
for the financial year ended 31 December 2019

## 31 Segment Information (continued)

| | SIF $'000 | OIF $'000 | SHF $'000 | Total $'000 |
|---|---|---|---|---|
| For Year 2018 | | | | |
| Gross premium written | 78,589 | 24,669 | – | 103,258 |
| Net earned premium | 29,396 | 11,996 | – | 41,392 |
| Net claims incurred | 2,946 | 6,511 | – | 9,457 |
| Net commission | (6,251) | 528 | – | (5,723) |
| Management expenses | 10,688 | 2,475 | – | 13,163 |
| Underwriting profit | 22,013 | 2,482 | – | 24,495 |
| Gross dividends from investments | 1,331 | 256 | 2,117 | 3,704 |
| Interest income from investments | 4,299 | 937 | 2,689 | 7,925 |
| Interest on fixed deposits and bank balances | 182 | 138 | 67 | 387 |
| Net fair value losses on financial derivatives | (2,822) | (623) | (1,751) | (5,196) |
| Net fair value losses on mandatorily measured at FVTPL investments – unrealised | (3,174) | (721) | (2,085) | (5,980) |
| Net losses on disposal of mandatorily measured at FVTPL Investments | (623) | (66) | (314) | (1,003) |
| Net losses on disposal of FVOCI investments | (240) | (77) | (165) | (482) |
| Other income | 168 | (9) | 7 | 166 |
| Exchange gains | 1,817 | 422 | 1,150 | 3,389 |
| Management expenses not charged to insurance revenue account – net | (645) | (136) | (836) | (1,617) |
| Profit before tax | 22,306 | 2,603 | 879 | 25,788 |
| Tax expense | (1,462) | 69 | (564) | (1,957) |
| Profit after tax | 20,844 | 2,672 | 315 | 23,831 |
| Segment total assets as at 31 December 2018 | 346,259 | 77,880 | 186,585 | 610,724 |
| Segment total liabilities as at 31 December 2018 | 185,302 | 38,337 | 8,711 | 232,350 |

***Information about major external customers***
For the year ended 31 December 2019 and the preceding period, the Company did not have any external customer whose premium income exceeded 10% of the Company's total revenue.

***Geographical information***
Geographical information of the Company's revenue derived from external customers based on location of insurance risks and non-current assets are as follows:

| | Revenue for | | Non-current assets as at | |
|---|---|---|---|---|
| | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 |
| Singapore | **80,724** | 81,181 | **3,381** | 203 |
| ASEAN countries | **17,823** | 16,574 | **–** | – |
| Others | **7,396** | 5,503 | **–** | – |
| | **105,943** | 103,258 | **3,381** | 203 |

The Company's non-current assets presented above consist of fixed assets and right-of-use assets.

## 32 Financial Risk Factors and Management

The Company's business activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and market prices. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

(a) **Foreign Exchange Risk**

The Company has transactional currency exposures arising from its offshore insurance business.

The Company is also exposed to foreign exchange risk arising from its investing activities. The Company transacts in forward contracts to manage its foreign exchange exposure arising from investments denominated in foreign currencies. Other than the exposure arising from investments denominated in foreign currencies, the Company does not consider its exposure to foreign exchange risk to be significant.

The Company monitors its exposure in each foreign currency as well as its aggregate exposure in all foreign currencies on a regular basis. The Company's net position in foreign currencies is as follows:

| | Total net assets/(liabilities) position | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount in foreign currency 1,000 units | Amount in reporting currency $'000 | Amount in foreign currency 1,000 units | Amount in reporting currency $'000 |
| Australian | (6) | (6) | 2 | 2 |
| Chinese Renminbi | 2,782 | 529 | 371 | 66 |
| Euro | 1 | 2 | – | – |
| Hong Kong Dollar | (41,533) | (7,273) | (40,277) | (7,053) |
| Indian Rupee | (440,475) | (43) | (2,396,089) | (225) |
| Indonesian Rupiah | (55,899) | (1,183) | (118,484) | (2,376) |
| Japanese Yen | (1,454) | (18) | (2,265) | (28) |
| Korean Won | (4,643) | (5) | (4,658) | (6) |
| Malaysia Ringgit | 11,863 | 3,899 | (704) | (234) |
| Sterling Pound | – | – | (4) | (7) |
| Thai Baht | 7,202 | 326 | (3,279) | (137) |
| US Dollar | 14,528 | 19,526 | 19,741 | 26,900 |
| | | 15,754 | | 16,902 |

The following table shows the sensitivity of the Company's profit before tax and the Company's equity to a reasonable possible change in the Singapore dollar exchange rate against all other currencies, with all other variables held constant:

| | Increase/ Decrease in $ exchange rate | Effect on Profit before tax $'000 | Effect on equity net of tax $'000 |
|---|---|---|---|
| **2019** | +5% | 158 | (785) |
| | -5% | (158) | 785 |
| 2018 | +5% | 494 | 291 |
| | -5% | (494) | (291) |

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

## 32 Financial Risk Factors and Management (continued)

(b) **Interest Rate Risk**
Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's operating cash outflow commitment is substantially independent of changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to the interest income on the Company's fixed deposits and the debt securities measured at fair value through other comprehensive income and through profit or loss. When it is necessary, the Company uses interest rate futures to manage its interest rate risk.

During 2019 and as at 31 December 2019, if interest rates had been 10 basis points higher/lower, with all other variables held constant, the Company's profit before tax for the year is estimated to be $351,000 (2018: $267,000) higher/lower, due mainly to higher/lower interest income on fixed deposits and fixed income securities. The Company's equity as at 31 December 2019 is estimated to be $1,016,000 (2018: $728,000) lower/higher due to unrealised loss/gain on fixed income securities.

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

(c) **Market Price Risk**
Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than exchange or interest rates). The Company is exposed to market price risk arising from its investments comprising mainly quoted equity securities, debt securities and unit trusts. The Company has established an investment policy, which sets strategic asset allocation and maximum exposure limits for its investment portfolio. The quoted equity securities are listed on the Singapore Exchange or other regulated stock exchanges overseas.

At the balance sheet date, if the market prices of the equity investments and debt securities had been 2% (2018: 2%) higher/lower with all other variables held constant. The Company's equity would have been $6,620,000 (2018: $4,900,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments and debt securities.

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

(d) **Credit Risk**
Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Company has no significant concentration of credit risk.

The Company has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Company has also established a selection and management policy for reinsurers to ensure that they are financially sound and set maximum exposure limits for its reinsurers based on their financial strength.

Notwithstanding the measures taken, the failure of one or more of the Company's policyholders, agents, ceding companies, reinsurers and other counter-parties including issuers of debt securities to honour their contractual obligations, may result in doubtful or bad debts being incurred and this will adversely affect the Company's financial position.

The Company applies a simplified approach in calculating ECLs on trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company recognises an allowance for expected credit losses (ECLs) for all debt securities not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

## 32 Financial Risk Factors and Management (continued)

### (d) Credit Risk (continued)

The Company generally considers that balances outstanding for more than 90 days as due. The ageing summary of balances due to the Company is as follows:

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 3 months $'000 | 3 to 6 months $'000 | Above 6 months $'000 | Total $'000 | Up to 3 months $'000 | 3 to 6 months $'000 | Above 6 months $'000 | Total $'000 |
| Amount due from policyholders and agents (Note 24 (a)) | 3,719 | 899 | 466 | 5,084 | 3,544 | 1,160 | 253 | 4,957 |
| Less Expected credit loss | – | – | (3) | (3) | – | – | (2) | (2) |
| | 3,719 | 899 | 463 | 5,081 | 3,544 | 1,160 | 251 | 4,955 |
| Amount due from reinsurers (Note 24 (b)) | 4,392 | 387 | 4,553 | 9,332 | 4,163 | 488 | 221 | 4,872 |
| Less Expected credit loss | – | – | (5) | (5) | – | – | (2) | (2) |
| | 4,392 | 387 | 4,548 | 9,327 | 4,163 | 488 | 219 | 4,870 |

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Movement in allowance accounts relating to trade receivables: | | |
| At 1 January | – | 8 |
| – Write-back | – | (8) |
| At 31 December | – | – |
| Movement in ECL accounts: | | |
| At 1 January | 4 | – |
| – Provision | 4 | 4 |
| At 31 December | 8 | 4 |

As stated in Note 23, the Company's counterparties to its financial assets other than its FVOCI measured debt securities are mainly graded from B++ to AA+ and as such, the Company has minimal credit risk. The Company's ECL loss allowance as at 31 December 2019 is based on lifetime ECL.

## 32 Financial Risk Factors and Management (continued)

### (d) Credit Risk (continued)

The ageing summary of the gross receivables not subject to offsetting arrangements is as follows:

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 3 months $'000 | 3 to 6 months $'000 | Above 6 months $'000 | Total $'000 | Up to 3 months $'000 | 3 to 6 months $'000 | Above 6 months $'000 | Total $'000 |
| Amount due from policyholders and agents (Note 24 (a)) | 4,205 | 1,124 | 571 | 5,900 | 5,048 | 1,327 | 336 | 6,711 |
| Amount due from reinsurers (Note 24 (b)) | 33,786 | 2,812 | 9,016 | 45,614 | 34,409 | 4,402 | 3,528 | 42,339 |

The loss allowance provision for debt securities at fair value through other comprehensive income as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| As at 1 January 2019 – as previously reported | 252 | – |
| Effect of adopting SFRS(I) 9 | – | 316 |
| As restated | 252 | 316 |
| Loss allowance measured at: | | |
| 12-month ECL | | |
| – provision/(write-back) of ECL | 73 | (64) |
| As at 31 December 2019 | 325 | 252 |

The Company's FVOCI measured debt securities are mainly graded from BBB- to AA+ and as such, the Company has minimal credit risk. The Company's ECL loss allowance as at 31 December 2019 is based on 12-month ECL.

Financial assets that are neither past due nor impaired

Amounts due from policyholders, agents and reinsurers that are neither past due nor impaired are mainly creditworthy debtors with good payment record with the Company. With regard to other financial assets of the Company, which comprise cash and bank balances, fixed deposits, receivables and investments, they are placed with or entered into with reputable financial institutions or companies with high credit rating and no history of default.

The Company's exposure to credit risk, arising from default of the counterparty, has a maximum exposure equal to the carrying amount of these assets in the balance sheet.

### (e) Concentration Risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place to monitor and manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. The Company's exposures are within the concentration limits set by regulators.

(f) **Liquidity Risk**

Liquidity risk is the risk that the Company is unable to meet its cash outflow commitment as and when they fall due. These commitments are generally met through cash and time deposits held by the Company and cash inflows generated from its operation, supplemented by assets readily convertible into cash. Liquidity risk may also arise if the cash flows related to assets and liabilities are mismatched.

Although the Company is not exposed to significant liquidity risk, it has formulated a liquidity policy to manage its liquidity risk. It is the Company's policy to maintain adequate liquidity at all times. The Company aims to honour all cash outflow commitments on an ongoing basis and to avoid raising funds from credit facilities or through the forced sale of investments.

*Maturity profile*

The table below summarises the maturity profile of the Company's assets and liabilities excluding the prepayments and technical balances based on remaining undiscounted contractual obligations.

| | 2019 | | | | |
|---|---|---|---|---|---|
| | <3 months | 3 – 12 months | > 1 year | Total | Carrying Amount |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Investments | | | | | |
| At FVTPL | | | | | |
| Unit trust* | 5,375 | – | – | 5,375 | 5,375 |
| At FVOCI | | | | | |
| Debt securities | – | 3,750 | 270,921 | 274,671 | 281,009 |
| Equities securities* | 117,783 | – | – | 117,783 | 117,783 |
| Insurance debtors | 8,111 | 8,341 | 375 | 16,827 | 16,827 |
| Non-trade debtors and accrued interest receivables excluding prepayments | 8,788 | – | – | 8,788 | 8,788 |
| Bank balances and fixed deposits | 91,549 | 976 | 440 | 92,965 | 92,965 |
| Derivative financial assets | 1,748 | – | – | 1,748 | 1,748 |
| Associated company* | 1 | – | – | 1 | 1 |
| Fixed assets | 825 | – | – | 825 | 825 |
| Right-of-use assets | 217 | 1,108 | 1,231 | 2,556 | 2,556 |
| Assets | 234,397 | 14,175 | 272,967 | 521,539 | 527,877 |
| Insurance creditors | 562 | 9,731 | 487 | 10,780 | 10,780 |
| Non-trade creditors and accrued liabilities | 6,230 | – | 327 | 6,557 | 6,557 |
| Lease liabilities | 200 | 1,011 | 1,157 | 2,368 | 2,368 |
| Amount owing to related companies | 640 | – | – | 640 | 640 |
| Derivative financial liabilities | 84 | – | – | 84 | 84 |
| Tax payable | 7,210 | – | – | 7,210 | 7,210 |
| Deferred tax liabilities | – | – | 10,009 | 10,009 | 10,009 |
| Liabilities | 14,926 | 10,742 | 11,980 | 37,648 | 37,648 |

* No maturity date

## 32 Financial Risk Factors and Management (continued)

### (f) Liquidity Risk (continued)

*Maturity profile (continued)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | <3 months | 3 – 12 months | > 1 year | Total | Carrying amount |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Investments | | | | | |
| At FVTPL | | | | | |
| Debt securities | – | – | 2,000 | 2,000 | 1,937 |
| Unit trusts and ETFs* | 111,700 | – | – | 111,700 | 111,700 |
| At FVOCI | | | | | |
| Debt securities | 5,470 | 3,550 | 215,041 | 224,061 | 219,023 |
| Equities securities* | 76,168 | – | – | 76,168 | 76,168 |
| Insurance debtors | 7,707 | 3,133 | 470 | 11,310 | 11,310 |
| Non-trade debtors and accrued interest receivables excluding prepayments | 4,002 | – | – | 4,002 | 4,002 |
| Bank balances and fixed deposits | 62,489 | 1,086 | 320 | 63,895 | 63,895 |
| Derivative financial assets | 645 | – | – | 645 | 645 |
| Associated company* | 1 | – | – | 1 | 1 |
| Fixed assets | 203 | – | – | 203 | 203 |
| **Assets** | 268,385 | 7,769 | 217,831 | 493,985 | 488,884 |
| Insurance creditors | 4,958 | 8,949 | 1,609 | 15,516 | 15,516 |
| Non-trade creditors and accrued liabilities | 5,706 | – | – | 5,706 | 5,706 |
| Amount owing to related companies | 566 | – | – | 566 | 566 |
| Derivative financial liabilities | 882 | – | – | 882 | 882 |
| Tax payable | 6,562 | – | – | 6,562 | 6,562 |
| Deferred tax liabilities | – | – | 7,355 | 7,355 | 7,355 |
| **Liabilities** | 18,674 | 8,949 | 8,964 | 36,587 | 36,587 |

* No maturity date

Due to the nature of its business, the Company's premium and claim liabilities, which comprise reserve for unexpired risks and reserve for outstanding claims, net of deferred acquisition costs and the related reinsurers' share of those balances are excluded from the above analysis as management are of opinion that, due to inherent uncertainties as to amount and timing, no meaningful maturity analysis of such items are practicable. The inherent liquidity risk assumed by the Company in this respect is mitigated by the Company's liquidity policy.

## 33 Fair Values of Financial Instruments

The carrying values of the financial assets and financial liabilities as at the balance sheet date approximate their fair values as shown in the balance sheet.

## 34 Events Occurring After the Reporting Period

On 18 December 2019, the Board announced that the Company had entered into a Property Sale Agreement with UOB pursuant to which UOB has agreed to sell for an aggregate consideration of $52 million, and the Company has agreed to purchase, the Property located at 146 Robinson Road, Singapore 068909, comprised in Land Lot No. 99752A of Town Subdivision 2, together with the plant and equipment located therein, subject to the terms and conditions set out in the Property Sale Agreement. The Proposed Acquisition is subjection to and conditional upon the approval of the Shareholders at the Extraordinary General Meeting (EGM) which would be held on 18 February 2020.

As at the date when this set of financial statements was approved by the Board, the EGM has not taken place and the ultimate outcome of the Proposed Acquisition is uncertain. The financial statements for the year ended 31 December 2019 has not been adjusted for the financial effect of the Proposed Acquisition except for expenses incurred for the 5% deposit of the aggregate consideration of $52 million, relevant taxes and professional fees.

## 35 Authorisation of Financial Statements

The financial statements were authorised for issue in accordance with a resolution of the directors on 12 February 2020.

## United Overseas Insurance Limited

(Incorporated in Singapore)

31 December 2019

# Investor Reference

# Statistics of Shareholdings

as at 21 February 2020

## Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 120 | 6.71 | 1,782 | 0.00 |
| 100 – 1,000 | 376 | 21.03 | 247,913 | 0.41 |
| 1,001 – 10,000 | 1,012 | 56.60 | 3,932,294 | 6.43 |
| 10,001 – 1,000,000 | 276 | 15.44 | 17,168,761 | 28.07 |
| 1,000,001 and above | 4 | 0.22 | 39,804,250 | 65.09 |
| **Total** | **1,788** | **100.00** | **61,155,000** | **100.00** |

## Public Float

Under Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, at least 10 per cent of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) of a listed company in a class that is listed must be at all times held by public.

Based on information available to the Company as at 21 February 2020, approximately 41.4 per cent of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

## Twenty Largest Shareholders *(as shown in the Register of Members and Depository Register)*

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Tye Hua Nominees Private Limited | 35,707,500 | 58.39 |
| 2 | Citibank Nominees Singapore Pte Ltd | 1,886,750 | 3.09 |
| 3 | Chong Chew Lim @ Chong Ah Kau | 1,205,000 | 1.97 |
| 4 | Chen Siong Seng | 1,005,000 | 1.64 |
| 5 | Maybank Kim Eng Securities Pte. Ltd. | 974,800 | 1.59 |
| 6 | OCBC Securities Private Limited | 789,012 | 1.29 |
| 7 | Ng Poh Cheng | 729,150 | 1.19 |
| 8 | Thia Cheng Song | 684,700 | 1.12 |
| 9 | India International Insurance Pte Ltd - SIF | 603,750 | 0.99 |
| 10 | DBS Nominees (Private) Limited | 565,770 | 0.93 |
| 11 | Chong Chin Chin (Zhang JingJing) | 562,000 | 0.92 |
| 12 | Chong Kian Chun (Zhang JianJun) | 542,500 | 0.89 |
| 13 | Ng Ean Nee Mrs. Chee Ying Lin @ Ooi Ean Nee | 500,000 | 0.82 |
| 14 | Singapore Reinsurance Corporation Ltd – Shareholders | 470,000 | 0.77 |
| 15 | Raffles Nominees (Pte.) Limited | 455,800 | 0.75 |
| 16 | Chen Swee Kwong | 455,000 | 0.74 |
| 17 | United Overseas Bank Nominees (Private) Limited | 421,700 | 0.69 |
| 18 | Yeoh Phaik Ean | 375,000 | 0.61 |
| 19 | Estate of Teo Guan Seng, Deceased | 340,650 | 0.56 |
| 20 | Tan Chong Hock | 317,250 | 0.52 |
| | **Total** | **48,591,332** | **79.47** |

## Substantial Shareholder *(As shown in the Register of Substantial Shareholder)*

| | Shareholding registered in the name of substantial shareholder | Other shareholding in which the substantial shareholder is deemed to have an interest |
|---|---|---|
| Name of substantial shareholder | No. of Shares | No. of Shares |
| United Overseas Bank Limited | – | *35,707,500 |

Note:

* United Overseas Bank Limited is deemed to have an interest in the 35,707,500 UOI shares held by Tye Hua Nominees Private Limited.

# Notice of Annual General Meeting

## United Overseas Insurance Limited

(Incorporated in the Republic of Singapore)
Company Registration No. 197100152R

Notice is hereby given that the **49th Annual General Meeting** of members of United Overseas Insurance Limited (the **Company**) will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 62nd Storey, UOB Plaza 1, Singapore 048624 on Thursday, 16 April 2020 at 10.30 a.m. to transact the following business:

### AS ORDINARY BUSINESS

**Resolution 1** To receive the Financial Statements, the Directors' Statement and the Auditor's Report for the year ended 31 December 2019.

**Resolution 2** To declare a final one-tier tax-exempt dividend of 8.5 cents per share and a special one-tier tax-exempt dividend of 7 cents per share for the year ended 31 December 2019.

**Resolution 3** To approve Directors' fees of $262,500 for 2019 (2018: $252,500).

**Resolution 4** To reappoint Ernst & Young LLP as Auditor of the Company and authorise the Directors to fix its remuneration.

To re-elect the following Directors:

**Resolution 5** Professor Ho Yew Kee (retiring by rotation)

**Resolution 6** Mr Chng Hwee Hong (retiring by rotation)

**Resolution 7** Mr Chua Kim Leng (retiring under Article 92(3))

Additional information on Professor Ho Yew Kee, Mr Chng Hwee Hong and Mr Chua Kim Leng can be found on pages 105 to 107 of this Annual Report.

### AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolution:

**Resolution 8** "THAT authority be and is hereby given to the Directors to:

(a) (i) issue ordinary shares in the capital of the Company (**Shares**) whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued Shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall be less than 10 per cent of the total number of issued Shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation and adjustment as may be prescribed by the Singapore Exchange Securities Trading Limited (**SGX-ST**)) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares, excluding treasury shares and subsidiary holdings, at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting (**AGM**) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

In this Resolution 8, "**subsidiary holdings**" shall have the meaning ascribed to it in the SGX-ST Listing Manual.

## Notes to Resolutions

**Resolution 2** is to approve the final and special dividends. The Transfer Books and Register of Members will be closed on 28 April 2020, for the preparation of the final and special dividends. Registrable transfers received up to 5.00 p.m. on 27 April 2020 (record date) will be entitled to the final and special dividends. If approved, the final and special dividends will be paid on 8 May 2020.

**Resolution 3** is to approve Directors' fees for 2019. If approved, the Director's fee payable to Mr Wee Ee Cheong will be paid to United Overseas Bank Limited. Mr David Chan Mun Wai, an employee of the Company, will not receive a Director's fee.

**Resolution 5** is to re-elect Professor Ho Yew Kee as a director. Professor Ho is a non-executive and independent director. If re-elected, Professor Ho will continue as a member of the Audit and Remuneration Committees.

**Resolution 6** is to re-elect Mr Chng Hwee Hong as a director. Mr Chng is a non-executive and independent director. If re-elected, Mr Chng will be appointed as the chairman of the Audit Committee with effect from the close of the AGM on 16 April 2020. Mr Yang Soo Suan will remain as a member of the Audit Committee.

**Resolution 7** is to re-elect Mr Chua Kim Leng as a director. Mr Chua is a non-executive and independent director. If re-elected, Mr Chua will be appointed as a member of the Audit Committee with effect from the close of the AGM on 16 April 2020.

**Resolution 8** is to empower the Directors to issue ordinary shares in the capital of the Company (**Shares**) and to make or grant instruments (such as warrants, debentures or options) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued Shares, excluding treasury shares and subsidiary holdings, of which the number of Shares that may be issued other than on a *pro rata* basis to shareholders shall be less than 10 per cent of the total number of Shares that may be issued (**General Mandate**). For the purpose of determining the aggregate number of Shares that may be issued pursuant to the General Mandate, the percentage of issued Shares shall be based on the total number of issued Shares, excluding treasury shares and subsidiary holdings, at the time that Resolution 8 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares.

By ORDER OF THE BOARD

**Vivien Chan**
Company Secretary

Singapore
18 March 2020

Notes

(1) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, to speak and to vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, to speak and to vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(2) A proxy need not be a member of the Company.

(3) To be effective, the instrument appointing a proxy must be deposited at 80 Raffles Place, #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 72 hours before the time set for holding the AGM of the Company.

# Notice of Annual General Meeting

## United Overseas Insurance Limited

### PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, to speak and to vote at the AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company* for the purpose of the processing, administration and analysis by the Company* of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes, notes of discussion and other documents relating to the AGM (including any adjournment thereof) for publication of the names and comments of the members, proxies and representatives on the Company's website, and in order for the Company* to comply with any applicable law, listing rule, take-over rule, regulation and/or guideline (collectively, the **Purposes**);

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company*, the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company* of the personal data of such proxy(ies) and/or representative(s) for the Purposes and agrees to provide the Company with written evidence of such prior consent upon reasonable request; and

(iii) agrees that the member will indemnify the Company in respect of any penalty, liability, claim, demand, loss and damage as a result of the member's breach of warranty.

* including the Company's agents and/or service providers

### PRECAUTIONARY MEASURES AT THE AGM

1. In line with recent advisories issued by Singapore Ministry of Health (MOH) in relation to the COVID-19 situation, the Company will be implementing precautionary measures at the AGM.

2. All persons attending the AGM will have to undergo temperature screening.

3. Persons who are unwell, under quarantine order, or have been placed on leave of absence or Home-Stay Notice, or have recent travel history to the following places:

   - Mainland China;
   - Iran;
   - Northern Italy;
   - Japan;
   - Republic of Korea; and/or
   - any other places which the MOH had issued travel advisories against,

   during the last 14 days prior to the AGM or who display any of the following symptoms will not be admitted to the AGM:

   (a) Fever
   (b) Runny nose
   (c) Sore throat
   (d) Cough
   (e) Shortness of breath
   (f) Headache/body ache
   (g) Tiredness/fatigue

4. Shareholders who are not able to attend the AGM may wish to appoint a proxy to attend on their behalf. Proxy forms must be deposited at 80 Raffles Place, #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 72 hours before the time set for holding the AGM, that is, by 10.30 a.m. on 13 April 2020.

5. All persons attending the AGM will be required to declare their recent travel history and to provide contact details in case contact tracing is needed. Please arrive early as the precautionary measures may cause delay in the registration process.

6. Refreshments: To minimise contact between persons, the Company will not be providing coffee, tea or food at the AGM.

7. As the COVID-19 situation continues to evolve, shareholders are advised to read the health advisories from the MOH. The Company will monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to persons attending the AGM.

8. We seek your kind understanding and cooperation.

# Additional Information on Directors Seeking Re-election

(Information as at 12 February 2020)

| Name of Director | Ho Yew Kee | Chng Hwee Hong | Chua Kim Leng |
|---|---|---|---|
| Date of Appointment | 1 June 2015 | 28 January 2016 | 1 February 2020 |
| Date of last reappointment (if applicable) | 13 April 2018 | 13 April 2017 | Not Applicable |
| Age | 56 | 69 | 50 |
| Country of principal residence | Singapore | Singapore | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board is of the view that Professor Ho Yew Kee has made valuable contribution to the Board. He contributes his knowledge of finance and investment at board discussions and gives good advice to the Company. The Board is confident he will continue to make valuable contributions on re-election. | The Board recommends the re-election of Mr Chng Hwee Hong as he has made valuable contribution based on his years of experience in commerce, and given insight to Management in the development of business strategies. | The Board recommends the re-election of Mr Chua Kim Leng because he meets the fit and proper criteria for appointment in view of his background, qualifications and skillsets. The Board is confident he will add to the diversity of skills and experience of the Board. |
| Whether appointment is executive, and if so, the area of responsibility | Non-executive | Non-executive | Non-executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member, etc) | • Non-executive and Independent Director<br>• Member of Audit Committee<br>• Member of Remuneration Committee | • Non-executive and Independent Director<br>• Member/Chairman of Audit Committee, if re-elected as Director | • Non-executive and Independent Director<br>• Member of Audit Committee, if re-elected as Director |
| Professional Qualifications | • Bachelor of Economics (Hons), Monash University, Australia<br>• Master of Economics, Monash University, Australia<br>• Master of Science in Industrial Administration, Carnegie Mellon University, USA<br>• Doctor of Philosophy (Accounting), Carnegie Mellon University, USA<br>• Institute of Singapore Chartered Accountants (Fellow Chartered Accountant)<br>• CPA Australia (Fellow Certified Practising Accountant)<br>• Singapore Institute of Directors (Fellow)<br>• CFA Institute, USA (Chartered Financial Analyst) | • Bachelor of Science (Hons) in Applied Chemistry, University of Singapore<br>• Diploma in Business Administration, University of Singapore<br>• Diploma in Management Studies, University of Chicago and Singapore National Productivity Board<br>• Graduate Certificate in International Arbitration, National University of Singapore | • Bachelor of Business Administration (Hons), National University of Singapore |

# Additional Information on Directors Seeking Re-election

(Information as at 12 February 2020)

| Name of Director | Ho Yew Kee | Chng Hwee Hong | Chua Kim Leng |
|---|---|---|---|
| Working experience and occupation(s) during the past 10 years | Professor Ho is the Associate Provost (SkillsFuture and Staff Development) of Singapore Institute of Technology. He previously served as the Head of the Department of Accounting and Vice Dean (Finance & Administration) at NUS Business School, National University of Singapore. | Mr Chng was an Executive Director of Haw Par Corporation prior to his retirement in 2012. | Mr Chua performed a variety of roles within the supervisory division of the Monetary Authority of Singapore (MAS) prior to his departure in 2018. He was also involved in policy making and the overall oversight of the MAS during his term as a member of its Executive Committee. |
| Shareholding interest in the listed issuer and its subsidiaries | Nil | Nil | Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries | Nil | Nil | Nil |
| Conflict of interest (including any competing business) | Nil | Nil | Nil |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes |
| Other Principal Commitments[1] including Directorships: | | | |
| Past (for the last five years) | • St Luke's Hospital (Director)<br>• Tax Academy of Singapore (Director)<br>• Accounting and Corporate Regulatory Authority (Director) | • Yuhua Citizens' Consultative Committee (Chairman)<br>• Kong Meng San Phor Kark See Monastery (co-opted Audit Committee Chairman) | Nil |
| Present | • St Luke's Eldercare (Director)<br>• Dover Park Hospice Governing Council (Member)<br>• Commonwealth Association of Accountants (Guarantee) Limited (Council Member)<br>• CPA Australia – Singapore Division (Council Member)<br>• Prison Fellowship Singapore (Director)<br>• Christian Business Men's Committee (Singapore) (Director) | • United Industrial Corporation (Director)<br>• Singapore Corporation of Rehabilitative Enterprises (Chairman)<br>• Industry & Services Co-operative (Chairman, Board of Trustees)<br>• National Council Against Drug Abuse (Member) | • Casino Regulatory Authority (Director)<br>• ICHX Tech (Director)<br>• Sygnum AG (Director)<br>• Sygnum (Director)<br>• Ternary Fund Management (Director) |

[1] "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance 2018.

Name of Director: Ho Yew Kee, Chng Hwee Hong and Chua Kim Leng

Information required

**Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**

| | | |
|---|---|---|
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | **No** |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | **No** |
| (c) | Whether there is any unsatisfied judgment against him? | **No** |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | **No** |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | **No** |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | **No** |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | **No** |
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | **No** |
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | **No** |
| (j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: | |
| | (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | **No** |
| | (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; | **No** |
| | (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | **No** |
| | (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | **No** |
| | in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | |
| (k) | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | **No** |

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# Proxy Form

UNITED OVERSEAS INSURANCE LIMITED

UOI
MEMBER OF THE UOB GROUP

(Incorporated in the Republic of Singapore)
Company Registration No. 197100152R

IMPORTANT
1. This proxy form is not valid for use by CPF/SRS investors who have purchased UOI shares with CPF/SRS monies. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any query regarding their appointment as proxies.
2. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 18 March 2020.
3. Refreshments: **No coffee, tea or food** will be served at the Annual General Meeting.

I/We, ____________________ (Name), NRIC/Passport/Co. Reg. No. __________

of ______________________________ (Address)

being a member/members of United Overseas Insurance Limited (**Company**), hereby appoint

| Name | | NRIC/ Passport No. | | Proportion of Shareholdings | |
|---|---|---|---|---|---|
| | | | | No. of Shares | % |
| Address | | | | | |

and/or * *(please delete as appropriate)*

| Name | | NRIC/ Passport No. | | Proportion of Shareholdings | |
|---|---|---|---|---|---|
| | | | | No. of Shares | % |
| Address | | | | | |

or failing him/them, the **Chairman of the Meeting** as my/our proxy/proxies, to attend, to speak and to vote for me/us on my/our behalf at the 49th **Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 62nd Storey, UOB Plaza 1, Singapore 048624 on **Thursday, 16 April 2020 at 10.30 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote as indicated below. If no voting instruction is indicated, my/our proxy/proxies may vote or abstain from voting as he/they may deem fit, and on any other matter arising at the Meeting and at any adjournment thereof.

| No. | Ordinary Resolutions | No. of Votes For** | No. of Votes Against** | No. of Votes Abstaining** |
|---|---|---|---|---|
| 1 | Financial Statements, Directors' Statement and Auditor's Report | | | |
| 2 | Final and Special Dividends | | | |
| 3 | Directors' Fees | | | |
| 4 | Auditor and its remuneration | | | |
| 5 | Re-election (Professor Ho Yew Kee) | | | |
| 6 | Re-election (Mr Chng Hwee Hong) | | | |
| 7 | Re-election (Mr Chua Kim Leng) | | | |
| 8 | Authority to issue ordinary shares | | | |

** Voting will be conducted by poll. If you wish to exercise all your votes **For** or **Against** or to **Abstain** from, a resolution, please tick (√) against the relevant box. Alternatively, please indicate the number of votes **For** or **Against** or **Abstaining** from, a resolution.

Dated this __________ day of __________ 2020.

| Shares in: | No. of Shares |
|---|---|
| (i) Depository Register | |
| (ii) Register of Members | |
| Total (see Note 1) | |

______________________________

Signature(s) or Common Seal of Shareholder(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM

NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited (**CDP**)), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, to speak and to vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which, the appointment shall be invalid.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, to speak and to vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy, failing which, the appointment shall be invalid.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore (the **Act**).
3. A proxy need not be a member of the Company.
4. **The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 72 hours before the time appointed for holding the Meeting.**
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by a resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Meeting, in accordance with its Constitution and Section 179 of the Act.
9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by the CDP to the Company.
10. Any alteration made in this instrument appointing a proxy or proxies must be initialled by the person who signs it.

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*2nd fold*

UOI

MEMBER OF THE UOB GROUP

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
**United Overseas Insurance Limited**
80 Raffles Place, #04-20, UOB Plaza 2
Singapore 048624

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# Corporate Information

As at 12 February 2020

## Board of Directors

Wee Cho Yaw *(Chairman)*
David Chan Mun Wai *(Managing Director and Chief Executive)*
Wee Ee Cheong
Hwang Soo Jin
Yang Soo Suan
N Ganesan
Ho Yew Kee
Chng Hwee Hong
Chua Kim Leng *(Appointed on 1 February 2020)*

## Audit Committee

Yang Soo Suan *(Chairman)*
N Ganesan
Chng Hwee Hong
Ho Yew Kee *(Appointed on 7 October 2019)*

## Nominating Committee

Hwang Soo Jin *(Chairman)*
Wee Cho Yaw
Yang Soo Suan

## Remuneration Committee

Wee Cho Yaw *(Chairman)*
Hwang Soo Jin
Yang Soo Suan
Ho Yew Kee *(Appointed on 12 February 2019)*

## Secretary

Vivien Chan

## Assistant General Managers

Faridah Rahmat Ali
Andrew Tang Ming Leung
Andrew Lim Chee Hua
Kenny Lok Kian Meng

## Business Address

3 Anson Road #28-01
Springleaf Tower
Singapore 079909
Telephone: (65) 6222 7733
Facsimile: (65) 6327 3869/6327 3870
E-mail: ContactUs@uoi.com.sg
Website: uoi.com.sg

## Registered Office

80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No: 197100152R
Telephone: (65) 6222 2121
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Partner-in-charge: Philip Ng Weng Kwai
*(Appointed on 12 April 2019)*

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Company Registration No.: 197100152R

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