CIGNA EUROPE INSURANCE CO. S.A.-N.V. - SINGAPORE BRANCH
(Incorporated in Belgium)
Branch Registration No. T10FC0145E

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

CIGNA EUROPE INSURANCE CO. S.A.-N.V. - SINGAPORE BRANCH

CHIEF EXECUTIVE'S STATEMENT AND FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2022

TABLE OF CONTENTS	**PAGE**

I, Raymond Ng, the Chief Executive primarily responsible for the financial management of Cigna Europe Insurance Co. S.A.- N.V. - Singapore Branch, state that, in my opinion, the accompanying statement of financial position arising out of operations in Singapore, statement of comprehensive income, statement of changes in head office account and statement of cash flows arising out of the Branch's operations in Singapore, together with the notes therein are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Branch's operations in Singapore as at 31 December 2022, and of the financial performance, changes in head office account and cash flows of the Branch's operations in Singapore for the year ended 31 December 2022.

Raymond Ng
Chief Executive

Singapore, 28 April 2023

135 Cecil Street
#10-01
Singapore 069536

Tel: +65 6224 4022
Fax: +65 6225 3974
www.mazars.sg

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CIGNA EUROPE INSURANCE CO. S.A.-N.V.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Singapore Operations of Cigna Europe Insurance Co. S.A.-N.V. (the "Branch"), pursuant to section 373 of the Companies Act 1967 (the "Act"). These financial statements comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in head office account and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The Branch is a segment of Cigna Europe Insurance Company S.A.-N.V., (incorporated in Belgium) and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded therein.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2022, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Branch's management is responsible for the other information. The other information comprises the Statement by the Chief Executive set out on page 1.

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

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

Report on the Audit of Financial Statements (Continued)

Responsibilities of Management and Directors for the Financial Statements

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the Branch's management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

mazars

Report on the Audit of Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

Report on Other Legal and Regulatory Requirements

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

Mazars LLP

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
28 April 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 $'000	2021 $'000
Gross premiums written	15(b)(ii)	382,648	293,784
Outward reinsurance premiums	15(b)(ii)	(197,267)	(151,125)
Net premiums written		185,381	142,659
Increase in net unearned premium reserves		(8,740)	(12,170)
Net earned premiums	15(b)(ii)	176,641	130,489
Gross claims paid	15(b)(i)	(223,381)	(189,850)
Reinsurer's share	15(b)(i)	116,018	95,697
Net claims paid		(107,363)	(94,153)
Increase in gross outstanding claims provision		(16,409)	(7,932)
Reinsurer's share		8,706	4,319
Increase in net outstanding claims reserves	15(b)(i)	(7,703)	(3,613)
Net claims incurred		(115,066)	(97,766)
Commission income		52,344	37,287
Commission expense		(34,514)	(28,056)
Net commission income		17,830	9,231
Decrease/(increase) in net deferred acquisition costs	15(b)(iii)	1,845	(597)
Net commission earned		19,675	8,634
Investment loss	4	(4,099)	(2,366)
Other miscellaneous gains	5	3,817	3,734
Employee compensation	6	(19,872)	(18,145)
Other operating expenses	7	(21,892)	(15,365)
Profit before income tax		39,204	9,215
Income tax expense	8	(7,533)	(2,120)
Profit for the financial year, representing the total comprehensive income for the year		31,671	7,095

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

CIGNA EUROPE INSURANCE CO. S.A.-N.V. - SINGAPORE BRANCH

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Non-current assets			
Property and equipment	9	107	148
Right-of-use assets	17(a)	770	1,164
Deferred tax assets	8	447	504
Total non-current assets		1,324	1,816
Current assets			
Financial assets, at fair value through profit or loss	10	130,475	130,719
Insurance receivables	11	42,173	53,535
Due from related companies	12	1,725	2,404
Other current assets	13	28,648	6,465
Cash and cash equivalents	14	120,675	67,773
Unearned premiums on reinsurance ceded	15(a)	76,434	65,196
Deferred acquisition cost on unearned premium reserve	15(a)	10,674	8,556
Outstanding claims on reinsurance ceded	15(a)	28,125	19,419
Total current assets		438,929	354,067
Total assets		440,253	355,883
HEAD OFFICE ACCOUNT			
Head office contributions	16	48,500	60,500
Retained earnings		48,238	16,567
Total		96,738	77,067
LIABILITIES			
Non-current liabilities			
Lease liabilities	17(b)	375	765
Total non-current liabilities		375	765
Current liabilities			
Insurance payables	18	106,468	70,840
Due to related companies	12	5,589	24,808
Other creditors and accruals	19	28,428	16,354
Unearned premium reserves	15(a)	139,088	119,110
Unearned ceding commission	15(a)	8,401	8,128
Outstanding claims reserves	15(a)	54,794	38,385
Lease liabilities	17(b)	372	426
Total current liabilities		343,140	278,051
Total liabilities		343,515	278,816
Total head office account and liabilities		440,253	355,883

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

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Head office contributions $'000	Retained earnings $'000	Total $'000
At 1 January 2021	60,500	9,472	69,972
Profit for the financial year, representing total comprehensive profit for the financial year	-	7,095	7,095
At 31 December 2021	60,500	16,567	77,067
Transfer to Head Office (Note 16)	(12,000)	-	(12,000)
Profit for the financial year, representing total comprehensive profit for the financial year	-	31,671	31,671
Balance at 31 December 2022	48,500	48,238	96,738

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 $'000	2021 $'000
Operating activities			
Profit before income tax		39,204	9,215
Adjustments for:			
Write-back of property and equipment	9	-	(22)
Depreciation of property and equipment	9	41	58
Depreciation of right-of-use assets	17	379	399
Write-back of lease liabilities		(4)	-
Interest expense	17	12	6
Fair value losses	4	7,011	3,869
Interest income	4	(3,014)	(1,617)
Operating cash flows before movements in working capital		43,629	11,908
Changes in working capital			
Unearned premium reserves - net		8,740	12,170
DAC on unearned premium reserves – net		(1,845)	597
Outstanding claims reserves - net		7,703	3,613
Insurance receivables		11,362	(8,161)
Due from related companies		679	(1,158)
Other current assets		(21,884)	(4,070)
Insurance payables		35,628	26,076
Due to related companies		(19,219)	16,757
Other creditors and accruals		6,207	4,177
Cash generated from operating activities		71,000	61,909
Interest received		3,764	2,832
Tax paid		(1,620)	(1,456)
Net cash generated from operating activities		73,144	63,285
Investing activities			
Purchase of financial assets, at fair value through profit or loss	10	(51,442)	(43,813)
Disposal of financial assets, at fair value through profit or loss	10	43,625	20,993
Net cash used in investing activities		(7,817)	(22,820)
Financing activities			
Principal repayment of lease liabilities	17	(425)	(417)
Transfer to Head Office		(12,000)	-
Net cash used in financing activities		(12,425)	(417)
Net increase in cash and cash equivalents		52,902	40,048
Cash and cash equivalents at beginning of financial year		67,773	27,725
Cash and cash equivalents at end of financial year	14	120,675	67,773

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

Reconciliation of liabilities arising from financing activities

			Non-cash changes			
2022	**1 January 2022 $'000**	**Principal and interest payments $'000**	**Addition – remeasurement $'000**	**Interest expense $'000**	**Write-back $'000**	**31 December 2022 $'000**
Lease liabilities	1,191	(437)	-	12	(19)	747

			Non-cash changes			
2021	**1 January 2021 $'000**	**Principal and interest payments $'000**	**Addition – remeasurement $'000**	**Interest expense $'000**	**Write-off $'000**	**31 December 2021 $'000**
Lease liabilities	459	(424)	1,150	6	-	1,191

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

1. General

Cigna Europe Insurance Co. S.A.-N.V. - Singapore Branch (the "Branch") (Registration Number: T10FC0145E) is registered and domiciled in Singapore with its registered office at 152 Beach Road, #33-05, The Gateway East, Singapore 189721.

The principal activities of the Branch are to undertake the business of healthcare insurance.

The immediate and ultimate holding corporations of Cigna Europe Insurance Company S.A.-N.V. are Cigna Beechwood Holdings and Cigna Corporation, respectively, incorporated in Belgium and Delaware, USA respectively.

The Singapore branch is a segment of Cigna Europe Insurance Co. S.A.-N.V. (the Head Office), incorporated in Belgium, and is not a separately incorporated legal entity. The financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

The financial statements of the Branch for the financial year ended 31 December 2022 were authorised for issue by the Branch's management on 28 April 2023.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Branch have been drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Branch are presented in Singapore dollars ("SGD" or "$") which is also the functional currency of the Branch, and all values presented are rounded to the nearest thousand ("$'000"), unless otherwise indicated.

In the current financial year, the Branch has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2022. With the exception of the amendments made to FRS 1-37 Onerous Contracts – Cost of Fulfilling a Contract, the adoption of these new/revised FRS and INT FRS did not result in changes to the Branch's accounting policies and has no material effect on the current period's financial statement and is not expected to have a material effect on future periods.

The adoption of FRS 1-37 from 1 January 2022 resulted in a change in accounting policy in the assessment of onerous contracts. Before the amendment, the Branch only included incremental costs to fulfil a contract when determining whether a contract is onerous. With the amendment, the Branch includes both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts when determining whether a contract is onerous.

The amendments are applied on a retrospective basis on contracts for which the Company has not yet fulfilled all its obligations on 1 January 2022. Based on the Branch's assessment, there is no onerous contract identified with the revision of the accounting policy.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Temporary exemption on adoption of FRS 109 *Financial instruments*

FRS 109 addresses the classification, measurement and recognition of financial assets and financial liabilities. FRS 109 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes recognised either in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit loss model will replace the incurred loss impairment model in FRS 39 *Financial Instruments*.

For financial liabilities, the standard retains most of the FRS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to align more closely with the entity's risk management strategies.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which will become effective for financial periods beginning on or after 1 January 2019), but the Branch qualifies for a temporary exemption.

Additional disclosures required by FRS 109 are made in Note 21.

Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts* (Amendments to FRS 104)

These amendments provide a temporary option for companies whose activities are predominantly connected with insurance to defer the effective date of FRS 109 until the earlier of the effective date of FRS 117 *Insurance Contracts* and financial reporting periods beginning on or after 1 January 2023, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before FRS 117 is applied. Based on the amendments to FRS 104, the Branch is eligible for and will elect to apply the temporary option to defer the effective date of FRS 109 in order to implement the changes in parallel with FRS 117.

Deferral for FRS 117 *Insurance Contracts*

In March 2018, the ASC has issued FRS 117 *Insurance Contracts*, effective for annual reporting periods beginning on or after 1 January 2021. FRS 117 Insurance Contracts will replace the current FRS 104 insurance contract standard. FRS 117 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, FRS 117 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. In November 2020, the ASC has issued the amendments to FRS 117, together with the amendments to FRS 104: *Extension of the Temporary Exemption from Applying FRS 109* (the "Amendments"). The Amendments defer the initial application of FRS 117, as well as FRS 109 for eligible entities, to annual reporting periods beginning on or after 1 January 2023

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 117 *Insurance Contracts and Amendments to FRS 117 Insurance Contracts*

The Branch will apply FRS 117 Insurance Contracts and FRS 109 Financial Instruments for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the financial statements in the period of initial application.

FRS 117 replaces FRS 104 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The nature and effects of the changes in the accounting policies are summarised below.

Overview of FRS 117

FRS 117 requires liabilities for insurance contracts to be measured as the total of:

- Fulfilment cash flows, comprising the best estimate of the present value of future cash flows within the contract boundary that are expected to arise and an explicit risk adjustment for non-financial risk; and
- A contractual service margin ("CSM") that is representing the deferral of any day-one gains arising on initial recognition.

Losses are recognised directly into the profit or loss. For measurement purpose, insurance contracts are aggregated into groups of similar risks, profitability profiles and year of issuance, that are managed together.

The determination of CSM on the Branch's in-force business and transition approach

The Branch is adopting FRS 117 with the full retrospective transition approach as required by the standard, to the extent practicable. The full retrospective approach is applied to insurance contracts that are originated less than one year prior to the effective date.

The Branch will determine and present the opening balance sheet under FRS 117 for the comparative information of the first year of adoption. The future cash flows and risk adjustment is measured in the same manner as they would be calculated for subsequent measurement. The key component of transition is the determination of the CSM.

Insurance service results for contracts under FRS 117

Under FRS 117, amounts recognised as insurance revenue are based on the services provided to policyholders, excluding any premiums related to the investment components of the insurance contracts. This will significantly be different from the measurement of premium revenue under the existing FRS 104 currently reported in profit or loss.

Insurance revenue is presented as the recognition of the services provided to policyholders in the period through the release of the CSM and the release of the risk adjustment for non-financial risk. The CSM is released in line with the coverage units, as a measure of the quantity of services provided under a contract, over the period in which the coverage units are provided.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 117 *Insurance Contracts and Amendments to FRS 117 Insurance Contracts (Continued)*

Insurance service results for contracts under FRS 117 (Continued)

FRS 117 introduces measurement models based on the estimates of the present value of future cash flow under the General Measurement Model (“GMM”), the Variable Fee Approach (“VFA”) for contracts with direct participating features or the simplified Premium Allocation Approach (“PAA”) for insurance and reinsurance contracts that meet the eligibility criteria. The Branch expects that it will apply the PAA to all contracts because each of these contracts have a coverage period of one year or less, or meets the eligibility criteria.

Measurement – contracts under the PAA

On initial recognition of each group of insurance contract issued, the Branch measures the liability for remaining coverage (“LRC”) at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

On initial recognition of each group of reinsurance contracts held, the Branch measures the remaining coverage at the amount of ceding premiums paid net of commission, plus broker fees paid to a party other than the reinsurer.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC and the liability for incurred claims (“LIC”), comprising the fulfilment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of the asset for remaining coverage and the asset for incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each subsequent reporting dates, the LRC is:

(a) increased for premiums received in the period;
(b) decreased for insurance acquisition cash flows paid in the period;
(c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
(d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and
(e) increased for net insurance financial expenses recognised during the period.

For reinsurance contracts held, at each subsequent reporting dates, the remaining coverage is:

(a) increased for ceding premiums, net of commission, paid in the period;
(b) increased for broker fees paid in the period;
(c) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period; and
(d) increased for net reinsurance finance income recognised during the period.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 117 *Insurance Contracts and Amendments to FRS 117 Insurance Contracts (Continued)*

Measurement – contracts under the PAA (Continued)

The Branch expects that the time between providing each part of the services and the related premium due date will no more than a year. Accordingly, as permitted under FRS 117, the Branch will not adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Branch will recognise a loss in profit or loss and increase the LRC to the extent that the current estimates of the FCF that relate to the remaining coverage exceed the carrying amount of the LRC.

The Branch will recognise the LIC for a group of contracts at the amount of the FCF relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Branch will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect the features that differ from those of insurance contracts.

Impact assessment

Although the PAA is similar to the Branch's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for contracts under PAA.

Changes from FRS 104	**Impact on equity on transition to FRS 117**
Under FRS 117, the Branch will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year oe less from the date on which the claims are incurred. The Branch does not currently discount such future cash flows.	Increase
The Branch's accounting policy under FRS 117 to recognise separately eligible insurance acquisition cash flows when they are incurred as deferred acquisition costs differs from current practice.	Increase

The Branch is yet to complete production and audit of its 2022 comparative information. In addition, FRS 117 remains subject to developments in market practice. Therefore, the impacts discussed above are subject to change prior to finalisation of the Branch's financial statements for the year ending 31 December 2023.

2. Summary of significant accounting policies (Continued)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from rendering of services in the ordinary course of the Branch's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

Premium income

Premiums on insurance contracts (see Note 2.8) are recognised as revenue at the time of inception of the policy.

Premiums are shown before movements in unearned premium reserves (see Note 2.10) and deduction of commission; and are net of any taxes or duties levied on premiums.

Interest Income

Interest income is recognised using the effective interest method.

2.3 Property and equipment

Measurement

All property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (see Note 2.4).

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

Depreciation

Depreciation on property and equipment is calculated using a straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

		Useful lives
Computers	-	3 years
Office renovation	-	3 years
Office equipment	-	3 years

The residual values and estimated useful lives of property and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure

Subsequent expenditure relating to property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

2. Summary of significant accounting policies (Continued)

2.3 Property and equipment (Continued)

Disposal

On disposal of an item of property and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2.4 Impairment of non-financial assets

Property and equipment are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior financial years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.5 Financial instruments

The Branch classifies its financial assets into loans and receivables and fair value through profit or loss financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables consist of cash and cash equivalents and insurance and other receivables.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

Financial assets (Continued)

Financial assets, at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with the Branch's investment strategy. These assets are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Management has designated all its financial assets as fair value through profit or loss at inception. The designation of financial assets as fair value through profit or loss at inception is irrevocable.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Branch commits to purchase or sell the asset.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when changes arise.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

Financial assets (Continued)

Impairment

The Branch assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent impairment had been recognised in prior periods.

2.6 Leases

The Branch as the lessee

At the inception of the contract, the Branch assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Branch recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s incremental borrowing rate.

2. Summary of significant accounting policies (Continued)

2.6 Leases (Continued)

The Branch as the lessee (Continued)

Lease liabilities (Continued)

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Branch is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Branch is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Branch's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term and low-value leases

The Branch has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Branch's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method.

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Branch expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Branch intends to settle its current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.8 Insurance contracts

The Branch participates in contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risks. As a general guideline, the Branch defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significant when compared to the premiums collected for such contracts.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premium reserves. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date inclusive of provisions for incurred but not reported claims. The Branch does not discount its liabilities for unpaid claims.

2. Summary of significant accounting policies (Continued)

2.9 Reinsurance contracts held

Reinsurance premiums ceded are in respect of the purchase of reinsurance protection of the Branch's healthcare book of business.

The benefits to which the Branch is entitled under its reinsurance contracts held are recognised as reinsurer's share of insurance liabilities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Branch assesses its reinsurance assets for impairment when there is objective evidence that the Branch will not be able to collect all amounts due in accordance with the original terms of the contract. The amount of the allowance is recognised in profit or loss.

An unearned premium reserve on reinsurance ceded is made for the amount of premium ceded not yet incurred at the balance sheet date.

2.10 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves. Both the reserves for outstanding claims and reserves for unearned premium are on an undiscounted basis due to the short-tail nature of the liability.

Unearned premium reserves

An unearned premium reserve is made for the amount of net premium not yet earned at the balance sheet date. For this purpose, net premium refers to premium income written during the year less acquisition costs (Note 2.11). The unearned premium is calculated on a time apportioned basis and relates to the unexpired period of the contracts written.

Where necessary, premium deficiency reserves calculated using actuarial methods on loss statistics are included in unearned premium reserves.

Outstanding claims reserves

The reserve for losses and loss expenses includes reserves for unpaid reported losses and for the losses incurred but not reported ("IBNR"). The reserve for unpaid reported losses and loss expenses is established by management based on counts of mail in hand and pended claims, and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the Branch.

The reserve for incurred but not reported losses and loss expenses is established by management based on actuarial determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in profit or loss in the period in which they become known.

2. Summary of significant accounting policies (Continued)

2.11 Deferred acquisition cost ("DAC")

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

2.12 Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of contractual liabilities net of related DAC. In performing the test, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to profit or loss.

2.13 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Branch has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.14 Employee compensation

<u>Defined contribution plans</u>

Defined contribution plans are post-employment benefit plans under which the Branch pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Branch has no further payment obligations once the contributions have been paid. The Branch's contributions to defined contribution plans are recognised as employee compensation expense in profit or loss when they are due.

<u>Employee leave entitlement</u>

Employee 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.

2.15 Currency translation

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into Singapore Dollars at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits with financial institutions which are subject to an insignificant risks of changes in value.

2. Summary of significant accounting policies (Continued)

2.17 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Branch if that person:

- (i) Has control or joint control over the Branch;
- (ii) Has significant influence over the Branch; or
- (iii) Is a member of the key management personnel of the Branch or of a head office of the Branch.

(b) An entity is related to the Branch if any of the following conditions applies:

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

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly, including any director (whether executive or otherwise) of that company.

3. Critical accounting judgements and key sources of estimation uncertainty

The Branch made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Branch's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Branch's accounting policies

Determination of functional currency

The Branch translates foreign currency items into the functional currency of the Branch. In determining the functional currency of the Branch, judgement is used by the Branch to determine the currency of the primary economic environment in which the entity operates. Consideration factors include the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

Impairment of insurance receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

3.2 Key sources of estimation uncertainty

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Branch establishes provisions, based on reasonable estimates, for possible consequences of auditors by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax auditors and differing interpretations of tax regulations. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Branch.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Branch's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Branch will ultimately pay for such claims. Estimation of the ultimate liability arising from claims is done using actuarial techniques.

Actuarial methodology and key assumptions

The reserves are split into true IBNR (for claims incurred but not yet received), outstanding loss reserves (for claims that have been received in the office but not yet paid) and a claim handling expense/loss adjustment expenses reserve. The true IBNR uses the Bornhuetter-Ferguson approach based on claims triangles and specific loss ratio picks and the outstanding loss reserves use counts of claims forms and data management reports on pended claim forms. The claim handling reserve is a proportion of the IBNR and OSLR amounts. In 2022, the loss ratio assumption used were 68.0% and 67.0% for gross and net of captive reinsurance respectively (2021: 73.1% and 73.0%), with 3.5% (2021: 3.5%) loading for claim payment expenses. A provision for adverse deviation at minimum 75% (2021: 75%) sufficiency is then added to the Best Estimate Claim Liabilities.

4. Investment loss

	2022 $'000	2021 $'000
Interest income	3,014	1,617
Fair value losses	(7,011)	(3,869)
Investment expenses	(102)	(114)
	(4,099)	(2,366)

5. Other miscellaneous gains

	2022 $'000	2021 $'000
Foreign exchange gains - net	799	2,614
Service fee income	2,977	1,000
Others	41	120
	3,817	3,734

6. Employee compensation

	2022 $'000	2021 $'000
Wages, salaries and staff benefits	18,593	17,000
Employer's contribution to defined contribution plans including Central Provident Fund	1,279	1,145
Net employee compensation	19,872	18,145

7. Other operating expenses

	2022 $'000	2021 $'000
Allocated head office expenses	10,122	7,754
Accounting and legal fees	2,798	695
Printing, postage and telecommunications	467	424
Computer costs	177	193
Travelling and entertainment expenses	273	54
Association and license fees	502	419
Bank charges	1,088	831
Advertising	2,192	533
Depreciation of property and equipment	41	58
Impairment loss on receivables	1,293	83
Depreciation of rights-of-use assets	379	399
Interest on lease liabilities	12	6
Project costs	2	1,518
Administrative fee expenses	1,934	1,760
Other expenses	612	638
	21,892	15,365

8. Income tax

Income tax expense

	2022 $'000	2021 $'000
Current tax expense		
Current financial year	7,476	2,286
Deferred tax expense		
Origination and reversal of temporary differences	57	-
Over provision in prior years	-	(166)
	7,533	2,120

The tax on profit before tax differs from the theoretical amount that would rise using the Singapore standard rate of income tax as follows:

	2022 $'000	2021 $'000
Profit before income tax	39,204	9,215
Tax calculated at tax rate of 17% (2021: 17%)	6,665	1,566
Effects of:		
Income not subject to tax	(14,636)	(8,037)
Expenses not deductible for tax purposes	15,464	8,774
Recognition of previously unrecognised deferred tax assets	57	(166)
Tax incentives	(17)	(17)
	7,533	2,120

Deferred taxes

The movement in deferred tax assets during the financial year is as follows:

	Tax depreciation $'000	Provisions $'000	Impairment allowance of insurance receivables $'000	Total $'000
2022				
Beginning of the financial year	43	455	6	504
Credited to profit or loss	(2)	(39)	(16)	(57)
End of the financial year	41	416	(10)	447
2021				
Beginning of the financial year	43	289	6	338
Credited to profit or loss	-	166	-	166
End of financial the year	43	455	6	504

9. Property and equipment

	Computers $'000	Office renovation $'000	Office equipment $'000	Total $'000
Cost				
Balance at 1 January 2021	254	419	2	675
Adjustments	22	-	-	22
Balance at 31 December 2021/ 31 December 2022	276	419	2	697
Accumulated depreciation				
Balance at 1 January 2021	226	263	2	491
Depreciation charge	32	26	-	58
At 31 December 2021	258	289	2	549
Depreciation charge	16	25	-	41
At 31 December 2022	274	314	2	590
Carrying amount				
At 31 December 2022	2	105	-	107
At 31 December 2021	18	130	-	148

10. Financial assets, at fair value through profit or loss

Financial assets, at fair value through profit or loss, include the following:

	2022 $'000	2021 $'000
At fair value		
Fixed income securities, quoted	130,475	130,719

The carrying value is determined as follows:

	2022 $'000	2021 $'000
Balance at beginning of the financial year	130,719	112,986
Additions	51,442	43,813
Redemptions and disposals	(43,625)	(20,993)
Amortisation and accretion of debt securities	(1,050)	(1,218)
Fair value losses	(7,011)	(3,869)
Balance at end of the financial year	130,475	130,719

11. Insurance receivables

	2022 $'000	2021 $'000
Insurance receivables - third parties	43,927	54,018
Less: Allowance for impairment of receivables	(1,754)	(483)
Insurance receivables - net	42,173	53,535

The carrying amounts of insurance receivables approximate their fair values.

Insurance receivables denominated in the following currencies as at the reporting date:

	2022 $'000	2021 $'000
Singapore dollars	28,316	29,638
United States dollars	13,433	23,395
British pound sterling	254	277
Euro	170	225
	42,173	53,535

12. Due from/to related companies

	2022 $'000	2021 $'000
Due from related companies (non-trade)	1,725	2,404
Due to head office (non-trade)	-	75
Due to related companies (non-trade)	5,589	24,733
	5,589	24,808

The carrying amount of amount due from/to related companies are unsecured, interest free, repayable on demand and approximate their fair values.

Due from related companies denominated in the following currencies as at the reporting date:

	2022 $'000	2021 $'000
Singapore dollars	480	26
United States dollars	1,245	759
British pound sterling	-	1,600
Euro	-	19
	1,725	2,404

12. Due from/to related companies (Continued)

Due to head office and related companies denominated in the following currencies as at the reporting date:

	2022 $'000	2021 $'000
United States dollars	4,801	23,101
British pound sterling	579	992
Euro	58	231
Swiss franc	1	5
Hong Kong dollar	150	389
Thai Baht	-	15
	5,589	24,808

13. Other current assets

	2022 $'000	2021 $'000
Other receivables	27,492	4,736
Prepayments	1,052	1,625
Deposits	104	104
	28,648	6,465

The carrying amounts of other current assets (except for prepaid operating expenses) approximate their fair values.

Other current assets denominated in the following currencies as at the reporting date:

	2022 $'000	2021 $'000
Singapore dollars	27,048	5,578
United States dollars	1,600	887
	28,648	6,465

14. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank	120,675	67,773

The carrying amounts of cash and cash equivalents approximate their fair values.

14. Cash and cash equivalents (Continued)

Cash and cash equivalents denominated in the following currencies as at the reporting date:

	2022 $'000	2021 $'000
Singapore dollars	38,753	31,641
United States dollars	79,062	31,717
British pound sterling	1,178	2,661
Euro	1,617	1,686
Swiss franc	65	68
	120,675	67,773

15. Insurance liabilities and reinsurance assets

(a) Insurance liabilities and reinsurance assets comprise of the following:

	2022 $'000	2021 $'000
Gross		
Insurance contracts:		
Gross outstanding claims reserves	54,794	38,385
Gross unearned premium reserves	139,088	119,110
DAC on unearned premium reserve	(10,674)	(8,556)
Total insurance liabilities - gross	183,208	148,939
Recoverable from reinsurers		
Reinsurer's share of outstanding claims reserves	28,125	19,419
Reinsurer's share of unearned premium reserves	76,434	65,196
Reinsurer's share of DAC	(8,401)	(8,128)
	96,158	76,487
Net		
Insurance contracts:		
Net outstanding claims reserves	26,669	18,966
Net unearned premium reserves	62,654	53,914
DAC on unearned premium reserve	(2,273)	(428)
Total insurance liabilities - net	87,050	72,452

15. Insurance liabilities and reinsurance assets (Continued)

(b) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims reserves

	Gross $'000	Reinsurance $'000	Net $'000
At 1 January 2021	30,453	(15,100)	15,353
Claims incurred during the year	197,782	(100,016)	97,766
Claims paid during the year	(189,850)	95,697	(94,153)
At 31 December 2021	38,385	(19,419)	18,966
Claims incurred during the year	239,790	(124,724)	115,066
Claims paid during the year	(223,381)	116,018	(107,363)
At 31 December 2022	54,794	(28,125)	26,669

The table below shows the development of claims over a period of time on a net of reinsurance basis. It shows the cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at each balance sheet date, together with cumulative claims as at the current balance sheet date.

Claims development is shown for the last five accident years, with the liability held as at the current balance sheet date for accident years 2016 and before being shown as a separate item.

Accident Year	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
End of accident year	47,456	60,708	75,479	102,017	121,969	407,629
1 year later	47,111	57,704	71,324	95,236	-	271,375
2 years later	47,004	57,624	71,169	-	-	175,797
3 years later	46,980	57,621	-	-	-	104,601
4 years later	47,020	-	-	-	-	47,020
Cumulative claims incurred	47,020	57,621	71,169	95,236	121,969	393,015
Cumulative payments to date	(47,019)	(57,607)	(71,090)	(94,730)	(95,900)	(366,346)
Liability recognised in the balance sheet	1	14	79	506	26,069	26,669
Outstanding liability pertaining to accident year 2017 and before						-
						26,669

15. Insurance liabilities and reinsurance assets (Continued)

(b) Movements in insurance liabilities and reinsurance assets (Continued)

(ii) Unearned premium reserves

	Gross $'000	Reinsurance $'000	Net $'000
At 1 January 2021	89,435	(47,691)	41,744
Written premium during the year	293,784	(151,125)	142,659
Earned premium during the year	(264,109)	133,620	(130,489)
At 31 December 2021	119,110	(65,196)	53,914
Written premium during the year	382,648	(197,267)	185,381
Earned premium during the year	(362,670)	186,029	(176,641)
At 31 December 2022	139,088	(76,434)	62,654

(iii) Deferred acquisition costs

	Gross $'000	Reinsurance $'000	Net $'000
At 1 January 2021	(6,284)	5,259	(1,025)
Net transfer from statement of comprehensive income	(2,272)	2,869	597
At 31 December 2021	(8,556)	8,128	(428)
Net transfer from statement of comprehensive income	(2,118)	273	(1,845)
At 31 December 2022	(10,674)	8,401	(2,273)

15. Insurance liabilities and reinsurance assets (Continued)

(c) Insurance risk

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.

The principal risk that the Branch faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

The Branch has developed an appropriate reinsurance management strategy to ensure the Branch has sufficient capacity to meet claims obligations as they fall due. The reinsurance arrangements include quota share as well as excess of loss coverage. The effect of such reinsurance management is that the Branch is protected from significant catastrophic events.

(i) Concentration risk

The following tables disclose the concentration of gross and net written premiums in relation to the type of insurance risk accepted by the Branch.

	2022 $'000	2021 $'000
Lines of business – Healthcare		
- Gross written premium	382,648	293,784
- Net written premium	185,381	142,659

(ii) Sensitivity analysis

The table below presents the sensitivity of the value of gross and net outstanding claims reserves to movement in the assumptions used in the estimation of the gross and net outstanding claims reserves.

	Change in assumptions %	Impact on gross outstanding claims reserve $'000	Impact on net outstanding claims reserve $'000	Impact on profit before income tax $'000	Impact on head office account $'000
2022					
-Projected ultimate loss ratio	+5	2,078	1,013	1,013	1,013
- Claims handling experience	+5	2,649	1,289	1,289	1,289
- Projected ultimate loss ratio	-5	(2,078)	(1,013)	(1,013)	(1,013)
- Claims handling experience	-5	(1,807)	(879)	(879)	(879)
2021					
-Projected ultimate loss ratio	+5	1,871	926	926	926
- Claims handling experience	+5	1,857	917	917	917
- Projected ultimate loss ratio	-5	(1,871)	(926)	(926)	(926)
- Claims handling experience	-5	(1,250)	(617)	(617)	(617)

16. Head office contributions

There was a transfer made by the Branch to its Head Office of $12,000,000 during the financial year pertaining to a repatriation of capital to the Head Office.

17. Leases

The Branch as a lessee

Leasehold property

The Branch leases office space for the purpose of business operations.

Equipment and vehicles

The Branch leases office equipment (i.e. photocopier machines) for business purposes.

(a) Carrying amounts – Right-of-use assets

	Leasehold property $'000	Office equipment $'000	Right-of-use asset $'000
At 1 January 2021	408	11	419
Addition	1,144	-	1,144
Depreciation	(393)	(6)	(399)
At 31 December 2021	1,159	5	1,164
Adjustment	(15)	-	(15)
Depreciation	(377)	(2)	(379)
At 31 December 2022	767	3	770

(b) Carrying amounts – Lease liabilities

	2022 $'000	2021 $'000
Lease liabilities – current	372	426
Lease liabilities – non-current	375	765
Total	747	1,191

(c) Depreciation charge during the year

	2022 $'000	2021 $'000
Leasehold property	377	393
Office equipment	2	6
Total	379	399

17. Leases (Continued)

(d) Interest expense

	2022 $'000	2021 $'000
Interest expense on lease liabilities	12	6

(e) Total cash outflow for all leases in 2022 was $425,000 (2021: $417,974).

(f) Remeasurement of ROU assets during the financial year 2022 was $Nil (2021: 1,143,592).

18. Insurance payables

	2022 $'000	2021 $'000
Insurance payables:		
- Related party – Cigna Global Reinsurance Co.	73,268	62,426
- Third parties	33,200	8,414
	106,468	70,840

The carrying amounts of insurance payables approximate their fair values.

Insurance payables denominated in the following currencies as at the reporting date:

	2022 $'000	2021 $'000
Singapore dollars	89,314	60,011
United States dollars	16,009	9,846
British pound sterling	684	533
Euro	461	450
	106,468	70,840

19. Other creditors and accruals

	2022 $'000	2021 $'000
Accrued operating expenses	10,450	5,239
Corporate tax payable	8,121	2,266
GST payable	3,292	2,925
Other payables	6,565	5,924
	28,428	16,354

Other creditors approximate their fair values.

19. Other creditors and accruals (Continued)

Other creditors and accruals denominated in the following currencies as at the reporting date:

	2022 $'000	2021 $'000
Singapore dollars	20,921	10,382
United States dollars	7,487	5,849
British pound sterling	15	19
Euro	5	104
	28,428	16,354

20. Significant related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Branch and related parties during the financial year at terms agreed between the parties:

	2022 $'000	2021 $'000
Income		
Management income received from Head Office, overseas branches of Head Office and related corporation	13,004	10,330
Commission received from related corporation	52,344	37,287
Claims recovered from related corporation	107,456	94,214
Claims rebates received from related corporation	76	63
Charges		
Outward reinsurance premiums paid to related corporation	184,584	142,692
Commission paid to related corporation	663	606
Project cost paid to related corporation	2	1,518
Management expenses paid to Head Office, overseas branches of Head Office and related corporation	23,813	18,804

Key management personnel compensation

The key management personnel compensation incurred by the Branch during the financial year is as follows:

	2022 $'000	2021 $'000
Wages and salaries	869	990
Post-employment benefits – contribution to Central Provident Fund	17	23
Share-based payments	327	106
	1,213	1,119

21. Disclosure on temporary exemption from applying FRS 109 Financial Instruments

According to Amendments to FRS 104 *Insurance Contracts*, the Branch made the assessment based on the financial position as of 31 December 2015, concluding that the carrying amount of the Branch's liabilities arising from contract within the scope of FRS 104 was significant (i.e. greater than 90 percent) compared to the total carrying amount of all its liabilities. There had been no significant change in the activities of the Branch since then that requires reassessment. Therefore, the Branch's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from FRS 109.

(a) The table below presents the fair value of the following groups of financial assets under FRS 109 as at 31 December and fair value charges for the year ended 31 December:

	Fair value as at 31 December		Fair value changes for the year ended 31 December	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial assets that met Solely Payment of Principal and Interest ("SPPI") criteria and are not held for trading or managed on a fair value basis	192,065	128,448	1,754	483
Others	130,475	130,719	(5,591)	(3,758)
	322,540	259,167	(3,837)	(3,275)

(b) The table below presents the credit risk exposure for aforementioned financial assets with contractual terms that give rise on SPPI:

	Carrying amount as at 31 December		Fair value as at 31 December	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
A to AA	120,675	67,773	120,675	67,773
Below B and not rated	73,144	61,158	71,390	60,675
	193,819	128,931	192,065	128,448

For financial assets measured at amortised cost, carrying amount represents amount before adjusting impairment allowance.

22. Financial instruments and financial risks

The Branch's activities expose it to a variety of financial risks: credit risk, market risks (including currency risk and interest risk) and liquidity risk. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Branch. The Branch does not undertake any speculative treasury activities.

Risk management is carried out under policies approved by the Board of Directors of the Head Office (the "Board") which governs the Branch.

22. Financial instruments and financial risks (Continued)

Credit risk

The Branch has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Branch manages the level of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate exposures is material in relation to the Branch's total exposures. The Branch's portfolio of financial assets is diversified along geographic, industry and product sectors. The Branch's investments in debt securities include counterparties having appropriate rating (minimum of investment grade) by Standard and Poor's ("S&P") rating or equivalent when not available from S&P. The cash deposits are also placed by the Branch with financial institutions having appropriate credit rating (minimum of investment grade) by S&P rating or equivalent when not available from S&P.

The Branch's premium debtors are mainly unrated. In order to manage the credit risk, the Branch has in place credit approval, review and monitoring processes and impairment assessment processes. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also monthly management reports showing the aging analysis of balances overdue which are submitted for management review and discussion in the monthly management meeting.

<u>Financial assets that are neither past due nor impaired</u>

Financial assets that are neither past due nor impaired mainly comprise of:

- Deposits with financial institutions with appropriate credit rating by international credit rating agencies;
- Debt securities issued by the Government of Singapore, state-owned corporations and corporations with appropriate credit rating by international credit rating agencies; and
- Premium receivables from agents and brokers with good collection track records with the Branch.

<u>Financial assets that are past due and / or impaired</u>

The following table summarises the carrying value of the Branch's trade receivables and ageing of those that are past due but partially impaired.

	Not due / up to 3 months $'000	3 to 6 months $'000	6 to 12 months $'000	More than 12 months $'000	Total $'000
As at 31 December 2022					
Insurance receivables	33,651	6,654	518	1,350	42,173
As at 31 December 2021					
Insurance receivables	42,103	6,151	3,985	1,296	53,535

22. Financial instruments and financial risks (Continued)

Credit risk (Continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2022 $'000	2021 $'000
Gross amount	43,927	54,018
Less: Allowance for impairment	(1,754)	(483)
	42,173	53,535

Allowance for impairment of receivables

	2022 $'000	2021 $'000
Beginning of financial year	483	395
Impairment loss on receivables	1,293	83
Foreign currency revaluation	(22)	5
End of financial year	1,754	483

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Branch's income or the value of its holdings of financial instruments. The Branch's activities expose it primarily to the financial risks of change in foreign currency exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Foreign currency risk

The Branch foreign currency exposures arise mainly from the exchange rate movements of United States dollar ("USD"), British Pound ("GBP"), Euro ("EUR"), Swiss Franc ("CHF") and Thai Baht ("THB"), and to the Singapore dollar.

The Branch is exposed to some foreign exchange risk due to the fact that premiums are generally paid in US Dollars however the functional currency of the Branch is Singapore Dollars. The risks arising from operational activities are generally short term in nature, and the Branch's policy is to manage this through matching of cash flows in the relevant currencies. Gains and losses on these activities are fully reflected in the profit and loss statement for the period in which they arise.

22. Financial instruments and financial risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

The Branch's exposure to foreign currency risk by major currencies are summarised as follows:

	USD $'000	GBP $'000	EUR $'000	CHF $'000	THB $'000
2022					
Monetary assets					
Insurance receivables	13,433	254	170	-	-
Due from related companies	1,245	-	-	-	-
Other current assets (excluding prepayments)	1,600	-	-	-	-
Cash and cash equivalents	79,062	1,178	1,617	65	-
	95,340	1,432	1,787	65	-
Monetary liabilities					
Insurance payables	(16,009)	(684)	(461)	-	-
Due to related companies	(4,801)	(579)	(58)	(1)	(150)
Other creditors and accruals	(7,487)	(15)	(5)	-	-
	(28,297)	(1,278)	(524)	(1)	(150)
Net monetary assets/ (liabilities)	67,043	154	1,263	64	(150)

	USD $'000	GBP $'000	EUR $'000	CHF $'000	THB $'000
2021					
Monetary assets					
Insurance receivables	23,395	277	225	-	-
Due from related companies	759	1,600	19	-	-
Other current assets (excluding prepayments)	887	-	-	-	-
Cash and cash equivalents	31,717	2,661	1,686	68	-
	56,758	4,538	1,930	68	-
Monetary liabilities					
Insurance payables	(9,846)	(533)	(450)	-	-
Due to related companies	(25,613)	(992)	(231)	(5)	(389)
Other creditors and accruals	(5,849)	(19)	(104)	-	-
	(41,308)	(1,544)	(785)	(5)	(389)
Net monetary assets/ (liabilities)	15,450	2,994	1,145	63	(389)

22. Financial instruments and financial risks (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis

The Company is mainly exposed to USD, GBP, EUR, CHF and THB.

The following table details the Company's sensitivity to a 5% (2021: 5%) change in various foreign currencies against Singapore dollar ("SGD"). The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	Increase/(Decrease) in Profit or Loss	
	2022 $'000	2021 $'000
Strengthens/weakens against SGD		
USD	3,352	773
GBP	8	150
EUR	63	57
CHF	3	3
THB	(8)	(19)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Branch manages its liquidity risk by maintaining sufficient cash and bank balances. The Branch also ensures that its assets are invested in varying maturities, which enables it to ensure appropriate matching with insurance liabilities.

The table below summarises the estimated maturity profile of the Branch's financial liabilities in respect of short-term insurance contracts based on expected undiscounted cash flows.

		12 months	
	Note	2022 $'000	2021 $'000
Financial assets			
Insurance receivables	11	42,173	53,535
Due from related companies	12	1,725	2,404
Other current assets (excluding prepayments)	13	27,596	4,840
		71,494	60,779
Financial liabilities			
Insurance payables	18	106,468	70,840
Due to related companies	12	5,589	24,808
Other creditors and accruals (excluding GST receivables)	19	25,136	13,429
		137,193	109,077

22. Financial instruments and financial risks (Continued)

Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Branch manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The income and operating cash flows are substantially independent of the changes in market interest rates as the Branch's investment policy is to only invest in fixed income securities.

An increase/decrease of 50 basis points (2021: 50 basis points) in the interest yield of investments in bonds classified as fair value through profit or loss, with all other variables including tax rate being held constant, would decrease/increase the market value of the investment and profit after tax by $2,121,000 (2021: $2,274,000).

Financial instruments by category

		12 months	
	Note	2022 $'000	2021 $'000
Financial assets, at fair value through profit or loss	10	130,475	130,719
Financial assets at amortised cost			
Insurance receivables	11	42,173	53,535
Due to related companies	12	1,725	2,404
Other current assets (excluding prepayments)	13	27,596	4,840
Cash and cash equivalents	14	120,675	67,773
		192,169	128,552
Total financial assets		322,644	259,271
Financial liabilities at amortised cost			
Insurance payables	18	106,468	70,840
Due to related companies	12	5,589	24,808
Other creditors and accruals (excluding GST receivables)	19	25,136	13,429
Total financial liabilities		137,193	109,077

23. Fair value of assets and liabilities

The Branch discloses its fair value measurements by level under the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

23. Fair value of assets and liabilities (Continued)

The fair value of financial instruments traded in active markets (financial assets held at fair value through profit and loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Branch is the current bid price.

The following table presents assets and liabilities measured at fair value and classified by level 1:

	2022 $'000	2021 $'000
Financial assets, at fair value through profit or loss	130,475	130,719

24. Capital management policies and objectives

The Branch's objectives while managing capital are as follows:

- To comply with the capital requirements under the Insurance Act, Insurance (Valuation and Capital) Regulations 2004;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns to its shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

An insurer carrying on general insurance business in Singapore is required to maintain the fund solvency margin and capital adequacy ratio as stipulated in the Insurance (Valuation and Capital) Regulations 2004. For each Insurance Fund, the insurer is required to maintain the financial resources at all times not less than the total risk requirement of the fund. The capital adequacy requirement of a licensed insurer shall at all times be such that the financial resources of the insurer are not less than:

(i) The higher of:

- the amount of the total risk requirement of the licensed insurer at the higher solvency intervention level; and

- A minimum amount of $5 million.

(ii) The higher of:

- the amount of the total risk requirement of the licensed insurer at the lower solvency intervention level; and

- A minimum amount of $5 million.

The Branch defines capital as regulatory capital. Regulatory capital is the minimum amount of assets that must be held to meet statutory solvency requirements. The Branch monitors its capital position to ensure that the statutory solvency requirements are met at all times.

The Branch is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2022 and 2021.