

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

*(Incorporated in Belgium. Registration Number: T10FC0145E)*

**ANNUAL REPORT**

*For the year ended 31 December 2018*

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

*(Incorporated in Belgium. Registration Number: T10FC0145E)*

**ANNUAL REPORT**

*For the year ended 31 December 2018*

# Contents

	Page
Statement By Chief Executive	1
Independent Auditor's Report	2
Statement of Comprehensive Income Arising Out of Operations in Singapore	5
Statement of Assets Used in and Liabilities Arising Out of Operations in Singapore	6
Statement of Changes in Head Office Account	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

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

**STATEMENT BY CHIEF EXECUTIVE**

*For the year ended 31 December 2018*

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I, April Chang, 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 assets used in and liabilities 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, Cap. 50 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 2018, 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 2018.



APRIL CHANG  
CHIEF EXECUTIVE

Singapore, 17 JUL 2019

**INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V.**  
*For the financial year ended 31 December 2018*

**Report on the Audit of the Financial Statements**

**Our opinion**

In our opinion, the accompanying financial statements of the Singapore Operations of Cigna Europe Insurance Co. S.A.-N.V. – Singapore Branch (the "Branch") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("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 2018, 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.

*What we have audited*

The Branch is a segment of Cigna Europe Insurance Co. S.A.-N.V. and is not a separately incorporated legal entity. The accompanying financial statements, which we have audited pursuant to section 373 of the Act, have been prepared from the records of the Branch and reflect only transactions recorded therein and comprise:

- the statement of comprehensive income arising out of operations in Singapore for the year ended 31 December 2018;
- the statement of assets used in and liabilities arising out of operations in Singapore as at 31 December 2018;
- the statement of changes in head office account for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

**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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Branch in accordance with the Accounting and Corporate Regulatory Authority 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.

**Other Information**

The Branch's management is responsible for the other information. The other information comprises the Statement by the Chief Executive but does not include the financial statements and our auditor's report thereon.

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

**INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V.**  
*For the financial year ended 31 December 2018 (continued)*

**Other Information** (continued)

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.

**Responsibilities of Management 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 management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of Cigna Europe Insurance Co. S.A.-N.V. include overseeing the Branch's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Branch's management.

**INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V.**  
*For the financial year ended 31 December 2018 (continued)*

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

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

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

**Report on Other Legal and Regulatory Requirements**

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



PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 17 JUL 2019

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**ARISING OUT OF OPERATIONS IN SINGAPORE**

*For the year ended 31 December 2018*

	Notes	2018 \$'000	2017 \$'000
Gross premiums written	14(b)(ii)	<b>133,570</b>	100,663
Outward reinsurance premiums	14(b)(ii)	<b>(67,556)</b>	(51,941)
Net premiums written		<b>66,014</b>	48,722
Increase in net unearned premium reserves		<b>(7,355)</b>	(1,698)
<b>Net earned premiums</b>	14(b)(ii)	<b>58,659</b>	47,024
Gross claims paid	14(b)(i)	<b>(92,061)</b>	(66,053)
Reinsurer's share	14(b)(i)	<b>45,989</b>	33,113
Net claims paid		<b>(46,072)</b>	(32,940)
Increase in gross outstanding claims provision		<b>(732)</b>	(4,403)
Reinsurer's share		<b>360</b>	2,195
Increase in net outstanding claims reserves	14(b)(i)	<b>(372)</b>	(2,208)
<b>Net claims incurred</b>		<b>(46,444)</b>	(35,148)
Commission income		<b>16,822</b>	16,044
Commission expense		<b>(11,676)</b>	(9,377)
Net commission income		<b>5,146</b>	6,667
Decrease in net deferred acquisition costs	14(b)(iii)	<b>(267)</b>	(3,707)
<b>Net commission earned</b>		<b>4,879</b>	2,960
Investment gain - net	4	<b>1,069</b>	848
Other miscellaneous gains	5	<b>4,201</b>	1,768
Employee compensation	6	<b>(7,301)</b>	(7,082)
Other operating expenses	7	<b>(16,259)</b>	(13,435)
<b>Loss before income tax</b>		<b>(1,196)</b>	(3,065)
Income tax expense	8	<b>(8)</b>	(41)
<b>Net loss after income tax</b>		<b>(1,204)</b>	(3,106)
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<b>(1,204)</b>	(3,106)

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

**STATEMENT OF ASSETS USED IN AND LIABILITIES**  
**ARISING OUT OF OPERATIONS IN SINGAPORE**

*As at 31 December 2018*

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	21,391	13,324
Financial assets, at fair value through profit or loss	10	58,051	43,296
Insurance receivables	11	39,963	30,301
Other current assets	12	2,221	1,215
Unearned premiums on reinsurance ceded	14(a)	23,590	16,237
Deferred acquisition cost on unearned premium reserve	14(a)	3,304	2,405
Outstanding claims on reinsurance ceded	14(a)	8,814	8,454
Reinsurance recoverable on paid claims	14(a)	-	71
		<b>157,334</b>	<b>115,303</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	355	148
		<b>355</b>	<b>148</b>
<b>Total assets</b>		<b>157,689</b>	<b>115,451</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Insurance payables	15	31,171	25,112
Due to related companies	16	5,946	2,271
Other creditors and accruals	17	2,890	1,788
Unearned premium reserves	14(a)	46,989	32,281
Unearned ceding commission	14(a)	5,697	4,531
Outstanding claims reserves	14(a)	17,881	17,149
		<b>110,574</b>	<b>83,132</b>
<b>Total liabilities</b>		<b>110,574</b>	<b>83,132</b>
<b>NET ASSETS</b>		<b>47,115</b>	<b>32,319</b>
<b>HEAD OFFICE ACCOUNT</b>			
Head office contributions		48,500	32,500
Accumulated losses		(1,385)	(181)
		<b>47,115</b>	<b>32,319</b>

*The accompanying notes form an integral part of these financial statements.*



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

**STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT**

*For the year ended 31 December 2018*

	Note	Head office contributions \$'000	(Accumulated losses)/ retained profits \$'000	Total \$'000
<b>Balance at 1 January 2018</b>		32,500	(181)	32,319
Transfer from Head Office	18	16,000	-	16,000
Total comprehensive loss		-	(1,204)	(1,204)
<b>Balance at 31 December 2018</b>		<b>48,500</b>	<b>(1,385)</b>	<b>47,115</b>
<b>Balance at 1 January 2017</b>		32,500	2,925	35,425
Total comprehensive loss		-	(3,106)	(3,106)
<b>Balance at 31 December 2017</b>		<b>32,500</b>	<b>(181)</b>	<b>32,319</b>

*The accompanying notes form an integral part of these financial statements.*

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

**STATEMENT OF CASH FLOWS**

*For the year ended 31 December 2018*

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(1,196)	(3,065)
Adjustments for:			
Depreciation charge	13	49	18
Fair value gains	4	(138)	(196)
Interest income	4	(1,111)	(768)
Operating cash flows before working capital changes		(2,396)	(4,011)
Changes in working capital			
- Outstanding claims reserves - net		372	2,208
- Reinsurance recoverable on paid claims		71	58
- Unearned premium reserves - net		7,355	1,698
- DAC on unearned premium reserves - net		267	3,707
- Insurance receivables		(9,662)	3,954
- Insurance payables		6,059	2,641
- Other current assets		(1,006)	2,033
- Due to related companies		3,675	1,027
- Other creditors and accruals		1,094	(482)
<b>Cash generated from operating activities</b>		<b>5,829</b>	<b>12,833</b>
Interest received		1,191	1,091
Tax paid		-	(667)
<b>Net cash generated from operating activities</b>		<b>7,020</b>	<b>13,257</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(256)	(150)
Purchase of financial assets, at fair value through profit or loss		(17,534)	(11,874)
Disposal of financial assets, at fair value through profit or loss		2,837	6,630
<b>Net cash used in investing activities</b>		<b>(14,953)</b>	<b>(5,394)</b>
<b>Cash from financing activities</b>			
Capital funding received from Head office		16,000	-
<b>Net cash generated from financing activities</b>		<b>16,000</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,067</b>	<b>7,863</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>13,324</b>	<b>5,461</b>
<b>Cash and cash equivalents at end of year</b>	9	<b>21,391</b>	<b>13,324</b>

*The accompanying notes form an integral part of these financial statements.*

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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

**1. General information**

The Branch is registered and domiciled in Singapore. The address of the Branch's registered office is 152 Beach Road, # 33-05 The Gateway East, Singapore 189721.

The Singapore branch is a segment of Cigna Europe Insurance Co. S.A.-N.V., 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 principal activities of the Branch are to undertake the business of healthcare insurance.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

***Interpretations and amendments to published standards in 2018***

On 1 January 2018, the Branch adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Branch's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Branch's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies** (continued)

2.1 Basis of preparation (continued)

***Interpretations and amendments to published standards in 2018*** (continued)

(a) *Adoption of FRS 115 Revenue from Contracts with Customers*

In accordance with the requirements of FRS 1 Presentation of Financial Statements, the Branch adopted FRS 115 retrospectively. The adoption of FRS 115 did not result in substantial changes to the accounting policies of the Branch and had no material effect on the amounts reported for the current or prior financial years. The revenue recognition as disclosed in Note 2.2 does not change under FRS 115.

(b) *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 as explained in Note 2.1(c).

Additional disclosures required by FRS 109 are made in Note 24.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies** (continued)

2.1 Basis of preparation (continued)

***Interpretations and amendments to published standards in 2018*** (continued)

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

As noted in 2.1(b), 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 2021 (please note below that the IASB is proposing to defer the effective date of FRS 117 to 1 January 2022), 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.

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 provision (see Note 2.10(a)) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies (continued)**

**2.3 Property, plant and equipment**

*(a) Measurement*

All property, plant 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, plant 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.

*(b) Depreciation*

Depreciation on property, plant 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:

	<u>Useful lives</u>
Computers	- 3 years
Office renovation	- 3 years
Office equipment	- 3 years

The residual values and estimated useful lives of property, plant 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.

*(c) Subsequent expenditure*

Subsequent expenditure relating to property, plant 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.

*(d) Disposal*

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies (continued)**

**2.4 Impairment of non-financial assets**

Property, plant 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 assets**

*(a) Classification*

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.

*(i) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies (continued)**

**2.5 Financial assets (continued)**

*(a) Classification (continued)*

*(ii) 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.

*(b) 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.

*(c) 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.



**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies** (continued)

2.5 Financial assets (continued)

(d) *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.

(e) *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 Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies (continued)**

**2.7 Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

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 can be realised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Branch expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss for the period.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies (continued)**

**2.8 Insurance contracts (continued)**

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.

**2.9 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.

**(a) *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.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies (continued)**

**2.10 Insurance liabilities (continued)**

*(a) Unearned premium reserves (continued)*

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

*(b) 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.

**2.11 Deferred acquisition costs ("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.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**2. Significant accounting policies (continued)**

**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**

*(a) Defined contribution plans*

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.

**2.15 Currency translation**

These financial statements are presented in Singapore Dollars ("SGD" or "\$"), which is the Branch's functional currency.

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into Singapore Dollars using the exchange rates at the dates of the transactions. 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 change in value.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**3. Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Branch makes estimates and assumptions concerning the future. These estimates are based on management's best knowledge of current events and actions. The actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*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*

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 2018, the loss ratio assumption used was 76% (2017: 72%), with 3.5% (2017: 4%) loading for claim payment expenses. A provision for adverse deviation at minimum 75% (2017:75%) sufficiency is then added to the Best Estimate Claim Liabilities.

*Changes in assumptions*

There have been no significant amendments made to the assumptions used to estimate the Ultimate Claims Costs.

**4. Investment gain - net**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Interest income	1,111	768
Fair value gains	138	196
Investment expenses	(180)	(116)
	<b>1,069</b>	<b>848</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**5. Other miscellaneous gains**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Foreign exchange gains - net	2,243	-
Service fee income	1,944	1,762
Cash grants	14	6
	<b>4,201</b>	<b>1,768</b>

**6. Employee compensation**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Wages, salaries and staff benefits	6,825	6,746
Employer's contribution to defined contribution plans including Central Provident Fund	476	336
Net employee compensation	<b>7,301</b>	<b>7,082</b>

**7. Other operating expenses**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Rental expense - operating leases	258	233
Allocated head office expenses	11,459	8,649
Accounting and legal fees	1,073	387
Printing, postage and telecommunications	340	385
Office utilities and office costs	83	129
Computer costs	86	69
Travelling and entertainment expenses	501	530
Association and license fees	216	213
Bank charges	545	451
Advertising	350	444
Depreciation	49	18
Foreign exchange losses - net	-	596
Programme fees	4	169
Network provider fees	266	61
Impairment of receivables	38	802
Other expenses	991	299
	<b>16,259</b>	<b>13,435</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**8. Income tax expense**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Tax expense attributable to profit is made up of:		
- Current income tax - current year	8	41
- Deferred income tax - current year	-	-
	<u>8</u>	<u>41</u>

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

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Loss before tax	<b>(1,196)</b>	(3,065)
Tax calculated at tax rate of 17% (2017: 17%)	<b>203</b>	521
Effects of:		
Expenses not deductible for tax purposes	-	(72)
Income subject to concessionary tax rate of 10%	<b>68</b>	-
Utilisation of previously unrecognised tax losses and capital allowances	-	(25)
Tax losses not recognised	<b>(271)</b>	(424)
Under provision of tax in prior financial years	<b>(8)</b>	(41)
	<u>(8)</u>	<u>(41)</u>

The Branch has tax losses of approximately \$3,695,393 (2017: \$2,097,226) which can be carried forward and used to offset against future tax profits subject to there being no substantial changes in shareholders in accordance with the provisions of the Income Tax Act and subject to the approval by the Comptroller of Income Tax. Deferred tax assets have not been recognised for these tax losses as the realisation of the related tax benefits through future taxable profits is not probable.

**9. Cash and cash equivalents**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Cash at bank and on hand	<u>21,391</u>	<u>13,324</u>

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



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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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

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

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<i>At fair value</i>		
Fixed income securities, quoted	<b>58,051</b>	43,296

**11. Insurance receivables**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Insurance receivables (third parties)	<b>41,066</b>	31,350
Less: Allowance for impairment of receivables	<b>(1,103)</b>	(1,049)
Insurance receivables - net	<b>39,963</b>	30,301

The carrying amounts of insurance receivables approximate their fair values.

**12. Other current assets**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Other receivables	<b>1,448</b>	332
Prepaid operating expenses	<b>656</b>	812
Deposits	<b>117</b>	71
	<b>2,221</b>	1,215

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**13. Property, plant and equipment**

	<u>Computers</u> \$'000	<u>Office renovation</u> \$'000	<u>Office equipment</u> \$'000	<u>Total</u> \$'000
<b>2018</b>				
<u>Cost</u>				
As at 1 January 2018	175	242	2	419
Additions	79	177	-	256
As at 31 December 2018	<u>254</u>	<u>419</u>	<u>2</u>	<u>675</u>
<u>Accumulated depreciation</u>				
As at 1 January 2018	66	203	2	271
Depreciation charge	40	9	-	49
As at 31 December 2018	<u>106</u>	<u>212</u>	<u>2</u>	<u>320</u>
<u>Net book value</u>				
As at 31 December 2018	<u><b>148</b></u>	<u><b>207</b></u>	<u><b>-</b></u>	<u><b>355</b></u>
<b>2017</b>				
<u>Cost</u>				
As at 1 January 2017	65	202	2	269
Additions	110	40	-	150
As at 31 December 2017	<u>175</u>	<u>242</u>	<u>2</u>	<u>419</u>
<u>Accumulated depreciation</u>				
As at 1 January 2017	49	202	2	253
Depreciation charge	17	1	-	18
As at 31 December 2017	<u>66</u>	<u>203</u>	<u>2</u>	<u>271</u>
<u>Net book value</u>				
As at 31 December 2017	<u><b>109</b></u>	<u><b>39</b></u>	<u><b>-</b></u>	<u><b>148</b></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**14. Insurance liabilities and reinsurance assets**

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

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>Gross</b>		
Insurance contracts:		
Gross outstanding claims reserves	<b>17,881</b>	17,149
Gross unearned premium reserves	<b>46,989</b>	32,281
DAC on unearned premium reserve	<b>(3,304)</b>	(2,405)
Total insurance liabilities - gross	<b>61,566</b>	47,025
<b>Recoverable from reinsurers</b>		
Reinsurer's share of outstanding claims reserves	<b>8,814</b>	8,454
Reinsurer's share of unearned premium reserves	<b>23,590</b>	16,237
Reinsurer's share of DAC	<b>(5,697)</b>	(4,531)
Reinsurer's share of paid claims	<b>-</b>	71
	<b>26,707</b>	20,231
<b>Net</b>		
Insurance contracts:		
Net outstanding claims reserves	<b>9,067</b>	8,695
Net unearned premium reserves	<b>23,399</b>	16,044
DAC on unearned premium reserve	<b>2,393</b>	2,126
Net reinsurance recoverable on paid claims	<b>-</b>	(71)
<b>Total insurance liabilities - net</b>	<b>34,859</b>	26,794

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

(i) *Outstanding claims reserves*

	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	\$'000	\$'000	\$'000
Balance at 1 January 2018	17,149	(8,454)	8,695
Claims incurred during the year	92,793	(46,349)	46,444
Claims paid during the year	(92,061)	45,989	(46,072)
Balance at 31 December 2018	<u>17,881</u>	<u>(8,814)</u>	<u>9,067</u>
Balance at 1 January 2017	12,746	(6,259)	6,487
Claims incurred during the year	70,456	(35,308)	35,148
Claims paid during the year	(66,053)	33,113	(32,940)
Balance at 31 December 2017	<u>17,149</u>	<u>(8,454)</u>	<u>8,695</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**14. Insurance liabilities and reinsurance assets (continued)**

*(b) Movements in insurance liabilities and reinsurance assets (continued)*

*(i) Outstanding claims reserves (continued)*

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 2013 and before being shown as a separate item.

<u>Accident Year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
End of accident year	8,448	18,274	24,695	36,136	47,456	
1 year later	7,272	17,065	23,694	34,962		
2 years later	7,239	17,063	23,822			
3 years later	7,252	17,093				
4 years later	7,255					
Cumulative claims incurred	7,255	17,093	23,822	34,962	47,456	130,588
Cumulative payments to date	(7,254)	(17,066)	(23,696)	(34,649)	(38,856)	(121,521)
Liability recognised in the balance sheet	1	27	126	313	8,600	9,067
Outstanding liability pertaining to accident year 2013 and before						9,067

*(ii) Unearned premium reserves*

	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at 1 January 2018	32,281	(16,237)	16,044
Written premium during the year	133,570	(67,556)	66,014
Earned premium during the year	(118,862)	60,203	(58,659)
Balance at 31 December 2018	46,989	(23,590)	23,399
Balance at 1 January 2017	25,511	(11,165)	14,346
Written premium during the year	100,663	(51,941)	48,722
Earned premium during the year	(93,893)	46,869	(47,024)
Balance at 31 December 2017	32,281	(16,237)	16,044

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**14. Insurance liabilities and reinsurance assets (continued)**

*(b) Movements in insurance liabilities and reinsurance assets (continued)*

*(iii) Deferred acquisition costs*

	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000
Balance at 1 January 2018	(2,405)	4,531	2,126
Net transfer from statement of comprehensive income	(899)	1,166	267
Balance at 31 December 2018	<u>(3,304)</u>	<u>5,697</u>	<u>2,393</u>
Balance at 1 January 2017	(1,581)	-	(1,581)
Net transfer from statement of comprehensive income	(824)	4,531	3,707
Balance at 31 December 2017	<u>(2,405)</u>	<u>4,531</u>	<u>2,126</u>

*(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.

	<b>2018</b> \$'000	2017 \$'000
<b>Lines of business - Healthcare</b>		
- Gross written premium	<u>133,570</u>	<u>100,663</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**14. Insurance liabilities and reinsurance assets (continued)**

(c) *Insurance risk (continued)*

(i) *Concentration risk (continued)*

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>Lines of business – Healthcare</b>		
- Net written premium	<b>66,014</b>	48,722

(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.

	<u>Change in assumptions</u>	<u>Impact on gross outstanding claims reserve</u>	<u>Impact on net outstanding claims reserves</u>	<u>Impact on profit before income tax</u>	<u>Impact on head office account</u>
	%	S\$	S\$	S\$	S\$
<b>2018</b>					
- Projected ultimate loss ratio	+5	1,010,351	512,348	(512,348)	(512,348)
- Claims handling experience	+3	519,476	263,421	(263,421)	(263,421)
- Projected ultimate loss ratio	-5	(1,010,351)	(512,348)	512,348	512,348
- Claims handling experience	-3	(488,136)	(247,751)	247,751	247,751
<b>2017</b>					
- Projected ultimate loss ratio	+5	1,095,944	555,610	(555,610)	(555,610)
- Claims handling experience	+3	496,099	251,538	(251,538)	(251,538)
- Projected ultimate loss ratio	-5	(1,095,944)	(555,610)	555,610	555,610
- Claims handling experience	-3	(465,510)	(236,242)	236,242	236,242

**15. Insurance payables**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Insurance payables:		
- Related party - Cigna Global Reinsurance Co.	<b>23,393</b>	22,641
- Third parties	<b>7,778</b>	2,471
	<b>31,171</b>	25,112

The carrying amounts of insurance payables approximate their fair values.

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**16. Due to related companies**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Due to related companies	<b>5,946</b>	<u>2,271</u>

These are unsecured, interest free, repayable on demand and approximate their fair values.

**17. Other creditors and accruals**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Accrued operating expenses	<b>2,278</b>	1,677
Corporate tax payable	<b>9</b>	8
GST payable	<b>603</b>	103
	<b><u>2,890</u></b>	<u>1,788</u>

Other creditors approximate their fair values.

**18. Head office contributions**

A total of \$16,000,000 (2017: \$-) was transferred to the Branch from its Head Office during the financial year in order to meet the daily operating requirements of the Branch.

**19. Operating lease commitments**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Not later than one year	<b>418</b>	258
Later than one year but not later than five years	<b>842</b>	409
	<b><u>1,260</u></b>	<u>667</u>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**20. Financial risk management**

(a) *Financial risk factors*

The Branch's activities expose it to a variety of financial risks: market risks (including currency risk and interest risk), credit 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 Company (the "Board") which governs the Branch.

(i) *Currency risk*

The Branch foreign currency exposures arise mainly from the exchange rate movements of the United States dollar ("USD") 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.

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

	CHF \$'000	EUR \$'000	GBP \$'000	USD \$'000
<b>2018</b>				
<b>Financial assets</b>				
Cash and cash equivalents	66	986	1,199	9,280
Insurance receivables	-	231	262	11,617
	<u>66</u>	<u>1,217</u>	<u>1,461</u>	<u>20,897</u>
<b>Financial liabilities</b>				
Insurance payables	-	(147)	(59)	(4,863)
				<u>(4,863)</u>
<b>Net financial assets currency exposure</b>	<u>66</u>	<u>1,070</u>	<u>1,402</u>	<u>16,034</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**20. Financial risk management (continued)**

(a) *Financial risk factors (continued)*

(i) *Currency risk (continued)*

	CHF \$'000	EUR \$'000	GBP \$'000	USD \$'000
<b>2017</b>				
<b>Financial assets</b>				
Cash and cash equivalents	66	823	796	9,786
Insurance receivables	-	206	280	18,613
	<u>66</u>	<u>1,029</u>	<u>1,076</u>	<u>28,399</u>
<b>Financial liabilities</b>				
Insurance payables	-	-	-	(5,984)
<b>Net financial assets currency exposure</b>	<u>66</u>	<u>1,029</u>	<u>1,076</u>	<u>22,415</u>

At 31 December 2018, if the USD, GBP, EUR and CHF had strengthened/ weakened by 5% (2017: 5%) against the SGD with all other variables including tax rate being held constant, the Branch's profit after tax for the financial year would have been \$801,700 (2017: \$930,235), \$70,100 (2017: \$44,654), \$53,500 (2017: \$36,334) and \$3,300 (2017: \$2,757) higher/lower as a result of currency translation gains/losses on the USD, GBP, EUR and CHF-denominated financial instruments respectively.

(ii) *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.

**NOTES TO THE FINANCIAL STATEMENTS**  
*For the year ended 31 December 2018*

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**20. Financial risk management (continued)**

(a) *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

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.

*Financial assets that are neither past due nor impaired*

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.

*Financial assets that are past due and/or impaired*

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
<b>As at 31 December 2018</b>					
Insurance receivables	11,270	9,350	17,800	1,543	39,963
<b>As at 31 December 2017</b>					
Insurance receivables	7,346	4,686	17,932	337	30,301

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**20. Financial risk management (continued)**

(a) *Financial risk factors (continued)*

(ii) *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:

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Gross amount	<b>41,066</b>	31,350
Less: Allowance for impairment	<b>(1,103)</b>	(1,049)
	<b>39,963</b>	30,301

Allowance for impairment of receivables

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Beginning of financial year	<b>1,049</b>	477
Provision for impairment	<b>54</b>	572
End of financial year	<b>1,103</b>	1,049

(iii) *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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**20. Financial risk management** (continued)

(a) *Financial risk factors* (continued)

(iii) *Liquidity risk* (continued)

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.

	<b>12 months</b>	Total
	<b>\$'000</b>	\$'000
<b>As at 31 December 2018</b>		
Outstanding claims reserves (Note 14(a))	17,881	17,881
Insurance payables (Note 15)	31,171	31,171
Due to related companies (Note 16)	5,946	5,946
Other creditors (Note 17)	612	612
Total	<u>55,610</u>	<u>55,610</u>

**As at 31 December 2017**

Outstanding claims reserves (Note 14(a))	17,149	17,149
Insurance payables (Note 15)	25,112	25,112
Due to related companies (Note 16)	2,271	2,271
Other creditors	1,788	1,788
Total	<u>46,320</u>	<u>46,320</u>

(iv) *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 (2017: 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 \$871,000 (2017: \$581,000).

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**20. Financial risk management (continued)**

(a) *Financial risk factors (continued)*

(v) *Financial instruments by category*

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>Financial assets, at fair value through profit or loss (Note 10)</b>	<b>58,051</b>	43,296
<b>Loans and receivables</b>		
Cash and cash equivalents (Note 9)	<b>21,391</b>	13,324
Insurance receivables (Note 11)	<b>39,963</b>	30,301
Other receivables (Note 12)	<b>1,565</b>	403
Outstanding claims on reinsurance ceded (Note 14(a))	<b>8,814</b>	8,454
Reinsurance recoverable on paid claims (Note 14(a))	-	71
	<u><b>71,733</b></u>	<u>52,554</u>
<b>Total financial assets</b>	<u><b>129,784</b></u>	<u>95,849</u>
<b>Financial liabilities at amortised cost</b>		
Insurance payables (Note 15)	<b>31,171</b>	25,112
Due to related companies (Note 16)	<b>5,946</b>	2,271
Other creditors (Note 17)	<b>612</b>	1,788
Outstanding claims reserves (Note 14(a))	<b>17,881</b>	17,149
<b>Total financial liabilities</b>	<u><b>55,610</b></u>	<u>46,320</u>

(b) *Capital management*

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.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**20. Financial risk management (continued)**

*(b) Capital management (continued)*

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 registered insurer shall at all times be such that the financial resources of the insurer are not less than:

- (i) The sum of:
- The aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act; and
  - Where the insurer is incorporated in Singapore, the total risk requirement arising from the assets and liabilities of the insurer that do not belong to any insurance fund established and maintain under the Insurance Act;
- (ii) A minimum amount of \$5 million, whichever is higher.

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 2018 and 2017.

*(c) Fair value measurements*

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).

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**20. Financial risk management (continued)**

*(c) Fair value measurements (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:

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Financial assets, at fair value through profit or loss	<b>58,051</b>	43,296

**21. Immediate and ultimate holding corporations**

The Branch is a segment of Cigna Europe Insurance Company S.A.-N.V., incorporated in Belgium. The immediate and ultimate holding corporations of Cigna Europe Insurance Company S.A.-N.V. are Cigna Europe Insurance Company S.A.-N.V. and Cigna Holdings Overseas Inc. respectively, incorporated in Belgium and Delaware, USA respectively.

**22. 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:

*(a) Income and charges for services rendered*

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<u>Income</u>		
Recharge of employee compensation to a fellow branch	<b>452</b>	1,447
<u>Charges</u>		
Outward reinsurance premiums	<b>67,556</b>	51,941
Management expenses paid to fellow subsidiaries	<b>441</b>	-

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

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**22. Related party transactions (continued)**

*(b) Key management personnel compensation*

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

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Wages and salaries	<b>909</b>	546
Post-employment benefits - contribution to Central Provident Fund	<b>17</b>	13
	<b>926</b>	559

**23. New or revised accounting standards and interpretations**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 January 2019 and which the Company has not early adopted:

*(a) FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)*

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

As at the reporting date, the Company has non-cancellable operating lease commitments of \$1,260,000, see Note 19. The Company expects to recognise right-of-use assets and lease liabilities of approximately \$1,308,233 on 1 January 2019. Net current assets will be \$440,979 lower due to the presentation of a portion of the liability as a current liability.

The Company expects that net profit after tax will decrease by approximately \$43,400 for 2019 as a result of adopting FRS116. Operating cash flows will increase and financing cash flows decrease by approximately \$418,324 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.



**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

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**23. New or revised accounting standards and interpretations (continued)**

- (b) INT FRS 123 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- (i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- (ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- (iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- (v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Branch does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

- (c) Deferral for FRS 117 *Insurance Contracts*

FRS 117 *Insurance Contracts* will replace the current FRS 104 *Insurance Contracts* 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 2018, IASB proposed to defer FRS 117 and temporary FRS 109 exemption is made available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral is subject to public consultation, which is expected in 2019.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2018*

**24 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 2018 and fair value changes for the year ended 31 December 2018:

	<b>Fair value as at 31 December <u>2018</u> \$'000</b>	<b>Fair value changes for the year ended 31 December <u>2018</u> \$'000</b>
Financial assets that met Solely Payments of Principal and Interest ("SPPI") criteria and are not held for trading or managed on a fair value basis	62,919	-
Others	58,051	138
	<u>120,970</u>	<u>138</u>

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

	<b>Carrying amount as 31 December <u>2018</u> \$'000</b>	<b>Fair value as at 31 December <u>2018</u> \$'000</b>
A to AA	21,391	21,391
Below B and not rated	41,528	41,528
	<u>62,919</u>	<u>62,919</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
*For the year ended 31 December 2018*

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**25. Authorisation of financial statements**

These financial statements were authorised for issue by the Branch's management  
on **17 JUL 2019**