Etiqa Insurance Pte. Ltd.

Co. Reg. No. 201331905K

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The following supplementary information does not form part of the audited statutory financial statements of the company

This supplementary information has been prepared to fulfill the requirements of the Monetary Authority of Singapore ("MAS") Notice 124 "Public Disclosure Requirements" for the financial year ended 31 December 2022. For further information (otherwise stated), please refer to the annual audited financial statements for the year ended 31 December 2022.

Corporate Information

Etiqa Insurance Pte. Ltd. (the "Company") is a private limited company, incorporated and domiciled in Singapore. On 13 June 2014, the Company was granted license by MAS to carry on life and general insurance business in Singapore.

The principal activity of the Company in financial year ended 31 December 2022 consists of underwriting life and general insurance and investment-linked businesses. The major types of insurance written by the Company include endowment, whole life, motor, fire and marine cargo products.

Business Objectives

The Company's key strategic priorities are:

- Humanising customer experience through enhancing the customer experience with excellent service and innovative products offering that meet their needs;
- Efficient distribution by strengthening our relationship with key business partners and expanding distribution networks
- Ensuring sustainable growth in market share and profitability.

Regulatory Environment

The Company is required to comply with the Insurance Act 1966 and Regulations where applicable. The MAS has set certain guidelines for the management of insurance funds. The MAS not only prescribes approval and monitoring of activities but also imposes certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise. The MAS also conducts regular compliance audits.

Corporate Governance

The Corporate Governance Framework of the Company outlines the key roles and responsibilities of the Board of Directors, as well as the sub-board committees that have been established to assist the Board of Directors in executing their tasks[1]. This framework ensures that good corporate governance standards are maintained at all times.

[1] No Nomination and Remuneration Committee has been established and the function remains to be assumed by the Board.

- The **Board of Directors** is the ultimate decision-making body for all business activities, including governance and appointment of Directors.
- The Board has delegated specific matters to sub-board committees, such as risk matters to the Risk Management Committee, audit matters to the Audit Committee and investment matters to the Investment Committee.
- The **Risk Management Committee** assists the Board in fulfilling its supervision and monitoring responsibilities related to internal controls. This includes monitoring the risk profile of the Company compared to the targeted level of risk appetite set by the Board of Directors.
- The **Investment Committee** is a governance body carrying an oversight function for all investment related activities.
- The **Audit Committee of the Board** assists the Board of Directors in fulfilling its supervision and monitoring responsibilities related to internal and external audit.

Enterprise Risk Management Framework

The Company has established an Enterprise Risk Management ("ERM") Framework with clear terms of reference and responsibility for developing company-wide policies on enterprise, financial, non-financial and insurance risks. This includes setting the risk taking philosophy, risk governance structure, standards for risk management policies and processes, risk measurement standards, risk limit management techniques and risk classification standards.

Risk is a component inherent in all aspects of the Company's business, which by nature involves risk taking. In its simplest term, risk is the possibility of incurring losses arising from uncertainty which would then impact the Company's objectives. The management of risk has evolved into an important business driver for strategic decisions in support of the Company's business strategies, balancing the appropriate level of risk taken proportionate to the desired level of reward while maintaining the sound financial position and capital of the Company. Essentially, the management of risk involves the establishment of risk principles and strategies as the core foundation in driving risk management practices and processes to be embedded in all processes and activities of the Company.

The ERM Framework sets out the key building blocks which served as the foundation for the management of risk, as presented below:

The components of the ERM Framework are benchmarked against leading industry practices as well as regulatory guidelines, and are closely aligned to the Company's business strategy. These components are executed in accordance with the risk management standards and risk appetite set out by the Board of Directors.

(i) Risk culture

Risk culture is a vital component in strengthening the Company's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management through the risk appetite, by establishing the way in which risks are identified, measured, controlled, monitored and reported.

Risk culture can be strengthened by having a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

In line with the evolving market environment and dynamics within the Company and across the industry, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

(ii) Risk appetite and strategy

The establishment of the risk appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite should enable the Board of Directors and management team to communicate, understand and assess the types and level of risk that they are willing to accept in pursuit of the Company's business objectives.

(iii) Assign adequate capital

Capital management is driven by strategic objectives and accounts for the relevant regulatory, economic and commercial environments in which the Company operates. The capital management approach aims to ensure adequate capital resources and efficient capital structure is in place and commensurate with the level of risk of the Company's business activities.

(iv) Risk response

Risk response is the process of regulating inherited risk and potential risk event from the Company's product offerings, investment decisions, operating processes as well as business strategies. The selected risk response action must align the risks with the Company's risk tolerance and risk appetite.

(v) Governance and oversight function

The Company continuously enhances its integrated risk management approach towards an effective management of enterprise-wide risks. The Company views the overall risk management process with a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholders' value.

The management of risk broadly takes place at different hierarchical levels. The risk governance structure for the Company is emphasised through various levels of committees, business lines, control and reporting functions.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board of Directors and management team in the risk management process to ensure a uniform view of risk across the Company.

(vi) Risk management practices and processes

Risk management practices and processes are fundamental components of the risk principles. To ensure a comprehensive approach to risk management whilst supporting the Company's risk principles, risk management practices and processes are essential in enabling the Company to systematically identify, measure, control, monitor and report risk exposures throughout the Company.

To enable an effective execution of the risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Company.

(vii) Stress test

Stress tests are designed in the Company to assess the bad effects of exceptional events. However, stress events should not be too far-fetched so as to stretch the limit of plausibility. The purpose of stress testing is to incorporate the result into the Company Capital Management Plan, assess the effect of tail events beyond the level of confidence assumed in statistical models, derive the Individual Target Capital Level and develop the Company's Risk Management Framework and Risk Culture.

(viii) Resource and system infrastructure

Appropriate resources and system infrastructure are the foundation and an enabler to effective risk management practices and process. Hence, the Company has equipped itself with the necessary resources, infrastructure and support to perform its roles efficiently.

Financial risk

We hold assets to back our liabilities under our insurance contracts. Financial risk arises when the market values of assets and liabilities do not move consistently in adverse market situations, and as a result, proceeds from the financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Asset Liability Management ("ALM") practices are adopted to ensure business decisions and actions taken with respect to assets and liabilities are coordinated, subject to the Company's risk tolerance and capital resources.

Exposure to different asset classes and issuers are monitored and corresponding risk limits are set to ensure that the Company's financial risk exposures are within the allowable risk tolerance thereby limiting potential losses to an acceptable level.

Strategic asset allocation for each insurance fund is defined in order to ensure the objectives of the fund are being met, given the Company's risk-taking capacity. This is reviewed annually to ensure its relevance in light of evolving market conditions and any new developments in the Company.

Stress tests are also conducted to measure the impact of changes in market variables on the Company's solvency and earnings to ensure that the Company's financial risk exposure is within the Company's risk appetite.

Management Risk Committee and Asset Liability Committee meetings are held on a quarterly basis to monitor and control the implementation of the risk management policies as well as to discuss the Company's risk profile, the exposure against the risk limits and any matters rising from risk and ALM perspectives.

Insurance Risk

Insurance risk relates to the inherent risks associated with the underwriting activities of insurance business. Such risks include pricing, reserving, underwriting and reinsurance risks. Actuarial analysis is performed to manage pricing, underwriting and reserving risks by evaluating trends before benefits and claims become due for payment.

The Company has established appropriate guidelines and framework combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(i) Concentrations of risk may arise when a particular event or a series of events impacts heavily upon the Company's insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Almost all of the Company business is derived from Singapore, with a small proportion from Malaysia, and accordingly a geographical analysis by country is not relevant to the Company.

The table below shows the concentration of actuarial liabilities for life insurance by type of contract.

	Gross SGD'000	Reinsurance SGD'000	Net SGD'000
2022			
Endowment	1,846,136	(461,029)	1,385,107
Whole life	1,286,222	3,808	1,290,030
Mortgage	33	(16)	17
Term assurance	622	(2)	620
Others	12,419	(15)	12,404
Total	3,145,432	(457,254)	2,688,178
2021			
Endowment	1,590,621	(443,211)	1,147,410
Whole life	1,583,477	(948)	1,582,529
Mortgage	33	(16)	17
Term assurance	275	–	275
Others	9,845	(20)	9,825
Total	3,184,251	(444,195)	2,740,056

The table below shows the concentration of premium for general insurance by type of contract.

	Gross SGD'000	Reinsurance SGD'000	Net SGD'000
2022			
Motor	32,129	(1,071)	31,058
Fire	33,799	(23,478)	10,321
Marine Hull & Cargo	3,486	(1,082)	2,404
Bonds	7,112	(1,907)	5,205
Workmen Compensation	14,857	(971)	13,886
Miscellaneous	15,206	(2,258)	12,948
Total	106,589	(30,767)	75,822
2021			
Motor	16,508	(811)	15,697
Fire	30,533	(20,177)	10,356
Marine Hull & Cargo	3,054	(961)	2,093
Bonds	3,237	(836)	2,401
Workmen Compensation	14,147	(839)	13,308
Miscellaneous	11,020	(2,110)	8,910
Total	78,499	(25,734)	52,765

(ii) Key assumptions – Life Insurance

Material judgement is required in setting the assumptions used in the insurance liabilities where there is insufficient experience of the Company. Assumptions in use are based on the Company's own experience (for the expense assumption), industry benchmarks and external market indices which reflect both the risk profile unique to the Company as well as the current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for potentially favourable trends in the future. Assumptions are reviewed on a periodic basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive to are as follows:

Discount rate

Risk free discount rates are derived in accordance with MAS Notice 133. These risk-free discount rates are subsequently combined with the matching adjustment and illiquidity premium, where applicable, to be used to determine:

- Liability in respect of a non-participating policy
- Minimum Condition Liability of a participating policy
- Liability for guaranteed benefits of a universal life policy
- Non-unit reserves of an investment-linked policy

The methodology for determining the risk-free discount rates, matching adjustment, and illiquidity premium are described below.

Risk free discount rates (USD and SGD denominated liabilities)

The risk-free discount rates are derived using the three-segment approach as set out in MAS Notice 133 as follows:

a) Segment 1: Valuation date to Last Liquid Point ("LLP")

For this segment, an insurer must determine the discount rate based on market information on government bonds and use an LLP set as 20 years for SGD and 30 years for USD denominated liabilities.

b) Segment 2: From LLP to end of convergence period

For this segment, an insurer must determine the discount rate based on extrapolating the risk-free forward rates between first segment and third segment. The length of Segment 2 is known as the convergence period and an insurer must set it as 40 years for SGD and 30 years for USD denominated liabilities.

c) Segment 3: From end of convergence period onwards

For this segment, an insurer must determine the discount rate is based on an ultimate forward rate ("UFR").

The UFR is set as 3.8% according to MAS Notice 133. In Segment 2, the risk-free forward rates are extrapolated using the Smith-Wilson method. In the Smith Wilson method, the alpha parameter used (rounded up to the next 0.05) is 0.2 for SGD denominated liabilities and 0.20 for USD denominated liabilities.

Best Estimate Investment Return for Participating Policies

The best estimate investment return was used as the discount rate in determining the liability of total benefits in respect of a participating policy. The best estimate investment return was derived based on the expected returns for each asset class, weighted by the Participating Fund Strategic Asset Allocation and net of investment expenses.

The expected return for bonds consists of 3 segments:

a) Segment 1: Market yield of actual bond holdings

For first N years where N = weighted number of years to first call / maturity date of bonds, apply the weighted (weighted by market value) market yield of bonds.

This segment is reflective of the expected bond returns in the short to medium term, based on the actual bond holdings backing the policy liabilities.

b) Segment 2: Market implied forward rate

After N years and up to 15 years, apply the market implied forward rate. This segment is reflective of the expected bond returns in the medium to long term, which is derived based on observable market data in the calendar quarter prior to valuation date, up to 15 years bond tenor.

15 years bond tenor is chosen because market data is expected to be sufficiently liquid and may be less distorted by short-term market volatility.

c) Segment 3: Long-term expected bond return

After 15 years, apply the long-term expected bond returns approved by the Investment Committee.

Best Estimate Investment Return for Universal Life Policies

The best estimate investment return was used as the discount rate in determining the liability for total benefits in respect of a UL policy. The best estimate investment return was based on the expected investment returns of assets, namely bonds and cash, backing the policy liabilities of the UL products.

The expected return for bonds consists of 2 segments

a) Segment 1: Market yield of actual bond holdings

For first N years where N = weighted number of years to first call / maturity date of bonds, apply the weighted (weighted by market value) market yield of bonds.

This segment is reflective of the expected bond returns in the short to medium term, based on the actual bond holdings backing the policy liabilities.

b) Segment 2: Long-term expected bond return

After N years, apply long-term bond return with duration that corresponds to the remaining liability duration.

The best estimate investment returns were determined at UL product series level and adjusted by product series specific cash allocation, as well as investment expenses.

Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company.

The Company bases mortality and morbidity on local established industry tables and reinsurance premium rates, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets.

Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business, i.e. the probability of policyholders renewing their policies etc. These rates are based on industry benchmarks as sufficient internal data has yet to be accumulated.

Expenses

Expense assumptions represent the expected amount that will be spent on the business. For best estimate assumptions, both current expense levels and the expected expense inflation have been taken into consideration.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

To demonstrate the impact, shocks in each of the assumptions are performed and analysed individually. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	**Impact on gross liabilities**	**Impact on net liabilities****	**Impact on profit before tax**	**Impact on equity**
		Increase		**Decrease**	
	%	SGD'000	SGD'000	SGD'000	SGD'000
2022					
Discount rate*	- 1	188,772	183,086	(183,086)	(151,961)
Mortality and morbidity rates	+/- 10 (adverse)	797	3,296	(3,296)	(2,735)
Lapse and surrender rates	+/- 10 (adverse)	8,965	9,750	(9,750)	(8,092)
Expenses	+ 10	2,968	2,924	(2,924)	(2,427)
2021					
Discount rate*	- 1	31,050	20,461	(20,461)	(16,983)
Mortality and morbidity rates	+/- 10 (adverse)	461	2,795	(2,795)	(2,320)
Lapse and surrender rates	+/- 10 (adverse)	11,768	11,654	(11,654)	(9,673)
Expenses	+ 10	3,957	3,940	(3,940)	(3,270)

* Excludes impact on fixed income assets.

** The impact on net liabilities results has a corresponding impact of opposite figure on surplus arising.

(iii) Key assumptions – General Insurance

Estimation process

The claims provision estimation process involves estimation of reserve of outstanding reported claims (case reserves), and estimation of additional reserves for incurred but not reported ("IBNR") claims and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims ("IBNER" - incurred but not enough reported). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined based on the Certifying Actuary's assessment. The total claims liabilities are subject to a quarterly actuarial review and at year end a formal actuarial report will be provided on the adequacy of the booked reserves.

In forming their view on the adequacy of the claims provisions, actuaries use a variety of statistical projection techniques like the Chain Ladder and Bornhuetter-Ferguson methods. Claims provisions are separately analysed by class of business. The claims provisions are intended to provide a 75% level of assurance of adequacy, and as such includes PAD beyond the expected value (best estimate) of the claims liabilities. The best estimates for premium liabilities have been determined such that the total liability provision would be adequate to pay for future claims and expenses in servicing the unexpired policies as of the valuation date. In calculating these premium liabilities for the various classes, the ultimate incurred loss of the individual class for the latest accident year is used to determine a suitable ultimate loss ratio. The results were used in this case to derive the premium liabilities.

No discounting is made to the recommended claim liability and premium liability provisions to allow for possible future investment earnings. In addition, no explicit inflation adjustment has been made to claim amount payable in future. This inflation is, however, implicitly allowed for in the valuation method, where past inflation patterns are assumed to continue into the projected future years. Given the relatively short run-off periods and the low prevailing interest rate environment, any discounting made is unlikely to result in any material impact.

Assumption of claim liabilities

The principal assumption underlying the actuarial estimate of the claims liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected amounts and variability around those expected amounts. In estimating the required claims provisions, actuaries also consider business strategy, trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Company, as well as the impact of external factors such as market practice, judicial decisions and government legislation. There is typically a lot of judgement involved in estimating the claims liabilities.

Sensitivities

There is uncertainty inherent in the estimation process as the actual amount of ultimate claims can only be ascertained once all claims are closed. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its contracts and is summarised as follows:

	Change in assumptions %	**Impact on gross liabilities** SGD'000	**Impact on net liabilities** SGD'000	**Impact on profit before tax** SGD'000	**Impact on equity** SGD'000
2022					
Net incurred claim ratio	+ 5%	4,776	3,191	(3,191)	(2,648)
	- 5%	(4,776)	(3,191)	3,191	2,648
2021					
Net incurred claim ratio	+ 5%	3,928	2,565	(2,565)	(2,129)
	- 5%	(3,928)	(2,565)	2,565	2,129

Claim Development Table

Reproduced below is an exhibit that shows the development of claims including both notified and IBNR claims over a period of time on a net and gross basis. The disclosure on claims development aims to compare the results of past valuations to the actual claims developed. This is useful to evaluate actual claims development against that assumed in past projections, however, it should be noted that the projected liabilities may not be consistently close to actual liabilities every year due to the random nature of claim incidence and amount. Hence, this comparison should not be used to evaluate past projections for accuracy.

Analysis of claims development – Gross of reinsurance (in SGD'000)

	As at 31 December								
	2015 SGD	**2016** SGD	**2017** SGD	**2018** SGD	**2019** SGD	**2020** SGD	**2021** SGD	**2022** SGD	**Total** SGD
Estimate of cumulative claims:									
At end of accident year	31,508	39,603	30,964	31,914	43,438	52,672	36,352	53,597	
One year later	31,473	36,102	30,622	31,443	47,272	51,436	36,345		
Two years later	30,143	32,322	28,261	32,062	44,673	54,597			
Three years later	27,149	30,559	28,806	33,455	47,904				
Four years later	27,262	30,896	29,821	33,831					
Five years later	27,273	31,379	29,937						
Six years later	27,302	31,108							
Seven years later	27,321								
Estimate of cumulative claims	27,321	31,108	29,937	33,831	47,904	54,597	36,345	53,597	314,640
Cumulative payments to-date	27,214	30,810	29,344	32,541	43,280	46,307	20,832	13,120	243,448
Gross outstanding claims liabilities	107	298	593	1,290	4,624	8,290	15,513	40,477	71,192
Provision for prior accident years									577
Unallocated loss adjustment expenses									1,382
Central Estimate of outstanding Claim Liability									73,151
Provision for adverse deviation									10,517
Total gross claims liabilities									83,668

Analysis of claims development – Net of reinsurance (in SGD'000)

	As at 31 December								
	2015 SGD	**2016** SGD	**2017** SGD	**2018** SGD	**2019** SGD	**2020** SGD	**2021** SGD	**2022** SGD	**Total** SGD
Estimate of cumulative claims:									
At end of accident year	25,840	25,056	23,655	25,155	26,428	25,628	26,379	37,315	
One year later	24,809	26,779	24,432	24,346	26,292	26,340	27,197		
Two years later	23,617	25,376	22,929	25,553	29,099	26,929			
Three years later	20,473	24,182	23,213	26,837	28,628				
Four years later	20,373	24,903	23,958	27,123					
Five years later	20,422	25,360	24,069						
Six years later	20,450	25,218							
Seven years later	20,382								
Estimate of cumulative claims	20,382	25,218	24,069	27,123	28,628	26,929	27,197	37,315	216,861
Cumulative payments to-date	20,367	25,029	23,628	26,014	26,192	22,996	17,357	9,688	171,271
Gross outstanding claims liabilities	15	189	441	1,109	2,436	3,933	9,840	27,627	45,590
Provision for prior accident years									524
Unallocated loss adjustment expenses									1,382
Central Estimate of outstanding Claim Liability									47,496
Provision for adverse deviation									5,690
Total net claims liabilities									53,186

Use of Reinsurance

Reinsurance offers financial protection to insurers against large and catastrophic events. The Company enters into reinsurance arrangements under which the Company is compensated for losses on one or more contracts issued by the Company. Reinsurance contracts that meet the definition of insurance contracts are classified as reinsurance contracts held. The Company employs proportional reinsurance arrangements to manage life insurance risk with a maximum retention limit for any single life insured that is set according to the reinsurance management strategy. To manage general reinsurance risk, the Company entered into proportional reinsurance arrangements such as quota share and surplus treaties to cover various classes such as Fire, Engineering and etc. The Company also entered into non-proportional treaties such as excess of loss cover for most general insurance business class.

Capital Management and Capital Adequacy

The Company's source of funding is from its immediate holding company. The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the MAS;
- to safeguard the Company's ability to continue as a going concern so that it can continue to protect policyholders; and
- to provide an adequate return to holding company by pricing insurance contracts that commensurate with the level of risk.

The Company is required to satisfy the Fund Solvency and Capital Adequacy Requirements as prescribed under the Insurance Act 1966. Under the Risk-based Capital Framework 2 regulation set by MAS, insurance companies are required to maintain a capital adequacy ratio ("CAR") which satisfies the minimum capital requirements ("MCR") of 50% as well as a prescribed capital requirements ("PCR") of 100%. The Company monitors its capital level on a regular basis to assess whether such requirements have been met, and reports to the MAS its fund solvency position at each quarter as well as annually. In addition, MAS may direct different capital adequacy requirements for different insurers from time to time. The Company has a CAR in excess of the current requirement as at 31 December 2022. The audited CAR of the Company will be available in the Company's audited Annual Return on the MAS website[i].

In addition to satisfying regulatory capital requirements, the Company also conducts stress tests on the projected solvency position of the Company to ensure that the management understands the risks to solvency that the Company is facing and plans for risk mitigation actions where necessary.

Investment Management

(i) Investment Objectives

The investment objective is to achieve an adequate investment return to satisfy future liabilities and to optimise the risk/returns characteristics of the company's investment assets whilst maintaining compliance, at all time, with the regulatory requirement of the MAS.

(ii) Policies and Processes

The Investment Policy ("the Policy") provides the principles and requirements to be applied in the management of investments, ensuring that the interests and rights of policy owners and shareholders are not compromised. The policy also sets out the scope, responsibilities and guiding principles for investment management activities by the Investment Management Team.

As the Company is a licensed insurer, all investment activities will be/are carried out prudently to ensure continued stability and consistency. Specific to the Participating Fund, the overall investment objectives ensures that the fund is able to meet the guaranteed liabilities with a high confidence and to invest assets supporting the non-guaranteed liabilities, such as providing stable medium to long term returns to the policyholders.

The Board provides the final approval of the Strategic Asset Allocation (SAA), the Investment strategy and the Investment Policy. The Board, through its Investment Committee exercises its oversight on all investment activities of the Company.

(iii) Investment Portfolio Summary

The company has invested in listed equities, government bonds, corporate bonds and deposits. All corporate bonds held by the company are at least rated as investment grade (BBB- by S&P or Fitch or Baa3 by Moody's).

(iv) Valuation of Investment

For quoted equity instruments, fair value is based on the exchange's official closing while for quoted debt securities, fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting date.

(v) Sensitivity to Market Variables

The Company's investments are exposed to a variety of financial risks, including the effects of changes in equity market prices and interest rates. For further information concerning the level of sensitivity to market variables associated with the Company's asset portfolio, please refer to the Company's annual financial statements.

Financial Performance

For internal management reporting purpose, the Company monitors the financial performance via the different insurance funds. For further information on the financial performance of the various insurance funds, please refer to the Company's annual financial statements and Form 2 of the annual regulatory returns (that will be made available on the MAS website).

The returns of investment assets and components of such returns are available on the financial statements under Note 7, 22, 23 and 24.

Pricing adequacy

All new products are priced in line with the Product Approval and Review Guidelines to ensure adequate pricing considerations, recognition of all relevant risks and the profitability criteria being met.

All in-force products will be reviewed annually by the product development committee. The purpose of the review is to ensure all products continue to meet the appropriate criteria for profitability in light of current experience.

[i] https://www.mas.gov.sg/Statistics/Insurance-Statistics/Insurance-Company-Returns.aspx