

**Etiqua Insurance Pte. Ltd.**

**Co. Reg. No. 201331905K**

**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

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 2024. For further information (otherwise stated), please refer to the annual audited financial statements for the year ended 31 December 2024.

## Corporate Information

Etika 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 2024 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. There were no significant changes in the nature of the principal activities of the Company during the financial year.

The immediate, penultimate, and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad (“MAHB”), Etika International Holdings Sdn. Bhd. (“EIHSB”) and Malayan Banking Berhad (“Maybank”) respectively, all of which are incorporated in Malaysia. Maybank is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

## 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 as applicable. The MAS has set certain regulations for the management of insurance funds, prescribes approval and monitoring of activities and 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 audits on the Company.

## 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<sup>1</sup>. This framework ensures that good corporate governance standards are maintained at all times.



<sup>1</sup> 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 Oversight Committee.
- The **Investment Oversight Committee** is a governance body carrying an oversight function for all investment related activities.
- The **Risk Management Committee** assists the Board in fulfilling its supervision and monitoring responsibilities related to internal control. This includes monitoring the risk profile of the legal entity compared to the targeted level of risk appetite set by the Board of Directors.
- 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's Enterprise Risk Management Framework ("ERM Framework") is adopted from Maybank Ageas Holding Berhad ("MAHB") and is intended to institutionalise vigilance and awareness of the management of risk across the Company. The primary objectives of the ERM Framework are as follows:-

- Provides a concise and holistic documentary standard as a single point of reference in providing direction for the management of all risk elements that the Company is exposed to;
- Establishes key risk principles that are fully integrated into the overall risk management structure, process and embedded in the day-to-day management of business;
- Facilitates effective risk oversight through a sound and clearly defined internal governance model, with clear structure of risk ownership and accountability;
- Enhances risk awareness and culture that is guided by the established risk principles, to be seamlessly embedded across the governance structure and business processes; and
- Standardises risk terminologies across the Company to facilitate a consistent and uniform approach to manage risk.

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 Etiqa and across industries, 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 its 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 commensurate with the level of risk of its business activities.

(iv) Risk response

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

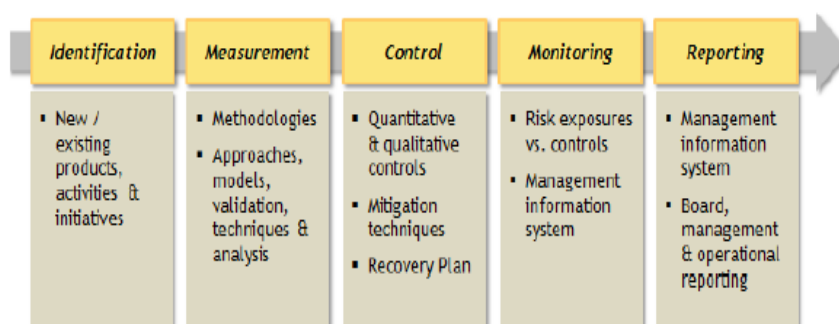
The management of risk broadly takes place at different hierarchical levels. The risk governance structure for the Company is emphasised through various levels of committees, business lines, control and reporting functions.

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

The 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, the 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 testing should be used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the Company's exposure. This involves an assessment of the Company's capability to withstand such changes in relation to the capital, earnings and liquidity to absorb potentially significant losses.

Stress testing is to be conducted on a periodic basis or when required to better understand the risk profile, evaluate business risk and thus, taking appropriate measures to address these risks accordingly.

(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.

### Asset-Liability Management

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.

## Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not 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.

### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk arises mainly through investments in fixed income instruments, fixed and call deposits, cash and bank balances and contracts with policyholders and reinsurance counterparties.

The Company measures and manages its credit risk following the philosophies and principles below:

- Provides Risk Management Department, together with the Investment Department, actively aims to prevent undue concentration by ensuring its credit portfolio is diversified;
- Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and is aligned to risk appetite; and
- Risk Management Department uses key risk indicators ("KRI") to alert the management on impending problems in a timely manner.

At reporting date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company's maximum exposure to credit risk from reinsurance contract assets held is SGD421,956,000 (2023: SGD707,575,000). At 31 December 2024, the Company did not have any significant concentration of credit risk with a single counterparty.

The four (4) risks categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial investments. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk category	Probability of default ("PD") grade	External credit ratings based on:	
		S&P's ratings	Moody's ratings
Very low	1 - 5	AAA to A	Aaa to A3
Low	6 - 10	A- to BBB-	Baa1 to Baa3
Medium	11 - 15	BB+ to BB-	Ba1 to Ba3
High	16 - 21	B+ to CCC	B1 to B3

Risk category is as described below:

- Very low: Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
- Low: Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
- Medium: Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
- High: Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

- Impaired/default: Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated.
- Unrated: Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.
- Sovereign: Refer to obligors which are governments and/or government related agencies.

The table below provides information regarding the credit risk exposure of the company by classifying assets according to the Company's credit ratings of counterparties.

2024	Sovereign SGD'000	Very low SGD'000	Low SGD'000	Medium SGD'000	High SGD'000	Unrated SGD'000	Not subject to credit risk SGD'000	Investment- linked (unitised) **** SGD'000	Total SGD'000
Financial assets at FVTPL	—	27,179	169,484	—	—	—	434,603	337,868	969,134
Financial assets at FVOCI	744,215	852,320	720,356	—	—	—	—	—	2,316,891
Reinsurance contract assets**	—	912	45,557	—	—	245	—	—	46,714
Other receivables***	—	—	—	—	—	67,101	—	969	68,070
Derivative assets	—	1,852	1,127	—	—	—	—	—	2,979
Fixed and call deposits with licensed banks	—	87,713	33,494	—	—	—	—	—	121,207
Unsecured corporate loan	—	—	—	—	—	10,011	—	—	10,011
Cash and bank balances	—	116,009	23,326	—	—	—	—	18,077	157,412
<b>Total credit risk exposure</b>	<b>744,215</b>	<b>1,085,985</b>	<b>993,344</b>	<b>—</b>	<b>—</b>	<b>77,357</b>	<b>434,603</b>	<b>356,914</b>	<b>3,692,418</b>

2023	Sovereign	Very low	Low	Medium	High	Unrated	Not subject to credit risk	Investment- linked (unitised) ****	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Financial assets at FVTPL	–	62,854	235,813	–	–	–	237,538	84,047	620,252
Financial assets at FVOCI	772,240	874,452	647,293	–	–	–	–	–	2,293,985
Reinsurance contract assets**	–	106,284	726	–	–	281	–	–	107,291
Other receivables***	–	–	–	–	–	35,234	–	72	35,306
Derivative assets	–	62,754	–	–	–	–	–	–	62,754
Fixed and call deposits with licensed banks	–	37,355	3,428	–	–	–	–	–	40,783
Cash and bank balances	–	206,943	–	–	–	–	–	4,911	211,854
<b>Total credit risk exposure</b>	<b>772,240</b>	<b>1,350,642</b>	<b>887,260</b>	<b>–</b>	<b>–</b>	<b>35,515</b>	<b>237,538</b>	<b>89,030</b>	<b>3,372,225</b>

\*\* Only includes reinsurance recoverable.

\*\*\* Excluding prepayments and GST recoverable.

\*\*\*\* No credit exposure was disclosed for the Investment-linked fund (unitised) as the exposure is borne by the policyholders.

## (b) Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet short-term financial obligations without having to liquidate assets at a discounted price.

The objective of liquidity risk management is to safeguard the Company's ability to meet all payments when they come due. Liquidity risk management will ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawal, claims and the maturity of liabilities.

Operating and capital expenditure budgets are prepared to facilitate the management of short-term cash flows. The Company's cash management process assesses the liquidity of assets held to ensure that assets can be realised on a reasonably timely basis to settle policyholders' liabilities.

Management believes that the Company's liquid assets, its net cash provided by operations, and access to the capital from holding company will enable it to meet any foreseeable cash requirements.

The tables below summarise the maturity profile of the Company's financial assets and liabilities based on the undiscounted contractual obligations from the reporting date to the contractual maturity or expected repayment date.



	Carrying value SGD'000	No maturity date SGD'000	Up to a year SGD'000	1 to 5 years SGD'000	Over 5 years SGD'000	Investment- linked (unitised) *** SGD'000	Total SGD'000
<b>2024</b>							
<b>Financial assets</b>							
Financial assets at FVTPL	969,134	434,603	23,835	100,363	196,791	337,868	1,093,460
Financial assets at FVOCI	2,316,891	–	406,735	803,228	2,824,957	–	4,034,920
Other receivables*	68,070	–	67,101	–	–	969	68,070
Derivative assets	2,979	–	2,940	39	–	–	2,979
Fixed and call deposits with licensed banks	121,207	–	121,207	–	–	–	121,207
Unsecured corporate loan	10,011	–	–	10,011	–	–	10,011
Cash and bank balances	157,412	139,335	–	–	–	18,077	157,412
Total	3,645,704	573,938	621,818	913,641	3,021,748	356,914	5,488,059
<b>Financial liabilities</b>							
Notes issued	201,414	–	6,016	236,000	6,000	–	248,016
Obligations on financial assets under repurchase agreements	59,620	–	59,680	–	–	–	59,680
Other payables**	57,277	–	38,021	–	–	19,256	57,277
Lease liabilities	11,994	–	2,462	8,738	2,359	–	13,559
Derivative liabilities	85,065	–	85,065	–	–	–	85,065
Total	415,370	–	191,244	244,738	8,359	19,256	463,597
<b>2023</b>							
<b>Financial assets</b>							
Financial assets at FVTPL	620,252	237,538	26,748	225,925	395,284	83,950	969,445
Financial assets at FVOCI	2,293,985	–	190,631	1,007,826	2,669,840	–	3,868,297
Other receivables*	35,306	–	35,234	–	–	72	35,306
Derivative assets	62,754	–	62,754	–	–	–	62,754
Fixed and call deposits with licensed banks	40,783	–	40,783	–	–	–	40,783
Cash and bank balances	211,854	206,943	–	–	–	4,911	211,854
Total	3,264,934	444,481	356,150	1,233,751	3,065,124	88,933	5,188,439
<b>Financial liabilities</b>							
Notes issued	201,414	–	6,000	224,016	24,000	–	254,016
Other payables***	40,356	–	35,438	–	–	4,918	40,356
Lease liabilities	2,868	–	2,146	737	–	–	2,883
Derivative liabilities	5,944	–	5,944	–	–	–	5,944
Total	250,582	–	49,528	224,753	24,000	4,918	303,199

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on insurance receivables and payables expected to be received and paid out, respectively in the periods presented.

	Carrying value SGD'000	Less than 1 year SGD'000	Year 1 SGD'000	Year 2 SGD'000	Year 3 SGD'000	Year 4 SGD'000	Year 5 SGD'000	Total SGD'000
<b>2024</b>								
<b>Financial assets</b>								
Reinsurance contract assets	38,226	36,304	1,528	394	–	–	–	38,226
<b>Financial liabilities</b>								
Insurance contract liabilities****	(65,265)	(64,177)	1,912	–	–	–	–	(62,265)
<b>2023</b>								
<b>Financial assets</b>								
Reinsurance contract assets*	108,455	107,611	487	357	–	–	–	108,455
<b>Financial liabilities</b>								
Insurance contract liabilities	(144,895)	(145,722)	827	–	–	–	–	(144,895)
* Excluding prepayments and GST recoverable.								
** Excluding GST payable and provision for reinstatement.								
*** No liquidity exposure was disclosed for the Investment-linked fund (unitised) as the exposure is borne by the policyholders.								
**** Excluding present value of future cash flows.								

Financial assets and liabilities up to one year maturity are current assets and current liabilities, respectively.

(c) Market risk

Market risk arises principally from the uncertainty that future earnings are exposed to potential changes in volatility, interest rates, foreign currency exchange rates and equity prices.

The Company also issues investment-linked investment policies with a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

(i) Currency risks

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are denominated in Singapore Dollars. However, the Company has exposure to assets and liabilities denominated predominantly in United States Dollars (USD) amounting to SGD56,735,000 (2023: SGD48,620,000) as at 31 December 2024. For sensitivity analysis purpose, holding other variable constant, for every +/- 5% change in USD, the impact on profit before tax is +/- SGD2,837,000 (2023: SGD2,431,000) respectively. To minimise and hedge the foreign currency exposure, the Company utilised derivatives like swaps and forward contracts.

(ii) Interest rate risks

Interest rate risk is the risk that the fair value of a financial instrument and the underlying policy liabilities for which the assets are intended to fund will fluctuate due to changes in market interest rates. It is also known as asset liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages the interest rate risk mainly based on the following three philosophies and principles.

- Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- Set the benchmark for asset duration in line with risk appetite; and
- Use KRI to alert the organisation to impending problems in a timely manner.

The impact on profit before tax and equity is arrived at using the change in variable and the specific modified duration of each financial instrument the Company holds at the reporting date.

Funds	Changes in variables	Impact on profit before tax SGD'000 Increase/ (decrease)	Impact on equity* SGD'000 Increase/ (decrease)
2024			
Shareholders	+ 100 basis points	—	—
	- 100 basis points	—	—
General	+ 100 basis points	(227)	(4,657)
	- 100 basis points	227	4,657
Life	+ 100 basis points	(1,272)	(19,138)
	- 100 basis points	1,272	19,138
2023			
Shareholders	+ 100 basis points	—	—
	- 100 basis points	—	—
General	+ 100 basis points	(328)	(4,154)
	- 100 basis points	328	4,154
Life	+ 100 basis points	(11,408)	(31,455)
	- 100 basis points	11,408	31,455

\* Impact on equity is after tax of 17%.

(iii) Equity price risks

The Company is exposed to equity securities price risk arising from the investments held by the Company. To manage its price risk arising from investment in equity securities, the Company diversifies its portfolio in accordance with the prescribed limits for each class of investments. Limits are also established for the allocation of equity investments which management deems appropriate as part of the overall strategy asset allocation mix. Liabilities are long-term in nature so that a balanced approach between fixed income and equity is taken to achieve an appropriate trade-off between volatility and long-term capital appreciation.

<b>Funds</b>	<b>Market index</b>	<b>Changes in variables</b>	<b>Impact on profit before tax</b> SGD'000 Increase/ (Decrease)	<b>Impact on equity*</b> SGD'000 Increase/ (Decrease)
<b>2024</b>				
General	Singapore Exchange	+10%	887	736
		-10%	(887)	(736)
Life	Singapore Exchange	+10%	3,613	2,999
		-10%	(3,613)	(2,999)
<b>Funds</b>	<b>Market index</b>	<b>Changes in variables</b>	<b>Impact on profit before tax</b> SGD'000 Increase/ (Decrease)	<b>Impact on equity*</b> SGD'000 Increase/ (Decrease)
<b>2023</b>				
General	Singapore Exchange	+10%	362	300
		-10%	(362)	(300)
Life	Singapore Exchange	+10%	1,958	1,625
		-10%	(1,958)	(1,625)

\* Impact on equity is after tax of 17%.

The impact arising from changes in price risk to equity securities of the investment-linked (unitised) fund is retained in the insurance contract liabilities and therefore, is not included in this interest rate risk analysis.

## Insurance Risk

Insurance risk is the risk of loss or of adverse change arising from the underwritten insurance businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectation on which product, pricing, underwriting, claims, reserving and reinsurance have been made.

Reinsurance offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. The risk associated with reinsurance companies is the counterparty risk of reinsurers failing to honor their obligations.

The Company monitors the reinsurers' creditworthiness on a monthly basis. The Company has established appropriate policies and monitoring metrics 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) Underwriting risk

Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment / evaluation, selection, and terms set against underlying assumption/expectation derived in pricing and reserving process.

(ii) Pricing risk

Pricing risk relates to risk of loss or adverse impact arising from inadequate premium charged resulting in higher than expected losses and expenses.

(iii) Reinsurance risk

Reinsurance risk reflects possible loss or adverse impact arising from the reinsurance. The scope of this risk category includes reinsurer and risk mitigating contracts, such as reinsurance arrangements.

(iv) Product risk

Product risk relates to the risk of loss or adverse impact arising from the development of new and management of new and existing products. Product related risks including enterprise risks, insurance risks, financial risks, operational and IT risk, technology risk, legal risk, compliance risk, AML/CFT risk.

(v) Reserving risk

Reserving risk is the risk of loss or adverse impact arising from the inadequate reserves due to unanticipated loss developments.

(vi) Catastrophe risk

Catastrophe Risk is the risk of loss or adverse changes in the value of underwritten insurance liabilities businesses due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood, etc.), which can cause an accumulated loss or a single large loss.

(vii) Claims risk

Claims Risk is the risk of loss or adverse impact arising from the claims management process which is expected to affect client satisfaction and the Company's reputation.

(viii) Others

Almost all of the Company's 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 insurance contract liabilities for life insurance by the type of contract.

	<b>Gross</b> SGD'000	<b>Reinsurance</b> SGD'000	<b>Net</b> SGD'000
<b>2024</b>			
Participating	2,397,091	(1,374)	2,395,717
Non-participating	809,848	(368,808)	441,040
Investment linked	218,580	–	218,580
<b>Total</b>	<b>3,425,519</b>	<b>(370,182)</b>	<b>3,055,337</b>
<b>2023</b>			
Participating	2,326,094	–	2,326,094
Non-participating	1,139,242	(650,108)	489,134
Investment linked	62,148	–	62,148
<b>Total</b>	<b>3,527,484</b>	<b>(650,108)</b>	<b>2,877,376</b>

The table below shows the concentration of insurance revenue and allocation of reinsurance premium for general insurance by the type of contract.

	<b>Gross</b> SGD'000	<b>Reinsurance</b> SGD'000	<b>Net</b> SGD'000
<b>2024</b>			
Motor	46,611	(609)	46,002
Fire	34,811	(22,971)	11,840
Marine Hull & Cargo	2,610	(989)	1,621
Health and Personal			
Accident	17,477	(222)	17,255
Workmen			
Compensation	16,114	(382)	15,732
Miscellaneous	14,181	(2,725)	11,457
<b>Total</b>	<b>131,804</b>	<b>(27,897)</b>	<b>103,907</b>
<b>2023</b>			
Motor	40,269	(1,450)	38,819
Fire	35,259	(24,512)	10,747
Marine Hull & Cargo	2,941	(796)	2,145
Health and Personal			
Accident	13,148	(1,326)	11,822
Workmen			
Compensation	16,110	(880)	12,892
Miscellaneous	15,474	(2,803)	12,671
<b>Total</b>	<b>123,201</b>	<b>(31,767)</b>	<b>91,434</b>

## **Key assumptions – Life Insurance**

Significant judgement is required in determining the insurance contract liabilities. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a periodic basis in order to ensure realistic and reasonable valuations.

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

### Discount rate

For Life business, the Company generally determines risk-free discount rates using the observed yield curves of government securities. The derivation of the illiquidity premium leverages the matching adjustment or illiquidity premium calibrated in accordance to the Risk-based Capital Framework 2 ("RBC 2") technical specifications. Smith-Wilson method is considered for extrapolation between the last liquid point and the ultimate forward rate ("UFR") for discount rates beyond the observable data. The UFR reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate will be subject to revision, it is expected to be updated only upon significant changes in long-term expectations being observed.

### 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 which reflect historical experiences and reinsurance premium rates, adjusted to reflect the Company's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experiences

### Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business i.e. the expectation that policyholders will renew their policies. These rates are based on the Company's historical experience of lapses and surrenders.

### Expenses

Expense assumptions represent the expected amount that will be incurred in servicing the policies over its expected life. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

## 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 insurance service result before reinsurance contracts held SGD'000	Impact on insurance service result SGD'000	Impact on profit before tax SGD'000	Impact on equity before reinsurance contracts held SGD'000
	%				
<b>2024</b>					
Discount rate*	- 1	(26,236)	(26,236)	(26,236)	(26,236)
Mortality and morbidity rates	+/-10 (adverse)	(1,062)	(1,062)	(1,062)	(1,062)
Lapse and surrender rates	+/- 10 (adverse)	(2,045)	(2,045)	(2,045)	(2,045)
Expenses	+ 10	(2,297)	(2,297)	(2,297)	(2,297)

<b>2023</b>					
Discount rate*	- 1	(32,261)	(32,261)	(32,261)	(32,261)
Mortality and morbidity rates	+/-10 (adverse)	(436)	(436)	(436)	(436)
Lapse and surrender rates	+/-10 (adverse)	(2,403)	(2,403)	(2,403)	(2,403)
Expenses	+ 10	(3,987)	(3,987)	(3,987)	(3,987)

		<b>2024</b>		<b>2023</b>	
	Change in assumptions	Impact on CSM before reinsurance contracts held SGD'000	Impact on CSM after reinsurance contracts held SGD'000	Impact on CSM before reinsurance contracts held SGD'000	Impact on CSM after reinsurance contracts held SGD'000
	%				
Discount rate*	- 1	804	804	(1,826)	(1,826)
Mortality and morbidity rates	+/-10 (adverse)	(468)	(494)	(34)	(57)
Lapse and surrender rates	+/-10 (adverse)	(4,205)	(4,518)	(23)	(222)
Expenses	+ 10	(3,558)	(3,558)	(23)	(23)

\* Excludes impact on fixed income assets.



## **Key assumptions – General Insurance**

### Estimation process

The estimation of claims liabilities requires general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The insurance contract liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

For general business, insurance contracts liabilities are calculated by using risk-free discount rates.

The assumptions used in the projection methodologies, including future rates of claims inflation, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect any one-off occurrences, changes in external or market factors such as the public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process explicitly by adding in a provision of risk margin for adverse deviation ("PAD") for the best estimate of the cost of future claim payments.

### Sensitivities

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development in earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the general insurance funds' claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Accordingly, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and equity.

	Change in assumptions %	Impact on insurance service result before reinsurance contracts held SGD'000	Impact on insurance service result SGD'000	Impact on profit before tax SGD'000	Impact on equity before reinsurance contracts held SGD'000
<b>2024</b>					
Net incurred claim ratio	+ 5%	(6,641)	(5,296)	(5,296)	(5,512)
	- 5%	6,641	5,296	5,296	5,512
Interest rate	+ 100 bps	(666)	(453)	(453)	(553)
	- 100 bps	669	454	454	555
<b>2023</b>					
Net incurred claim ratio	+ 5%	(6,310)	(4,759)	(4,759)	(5,238)
	- 5%	6,310	4,759	4,759	5,238
Interest rate	+ 100 bps	(666)	(438)	(438)	(553)
	- 100 bps	668	439	439	555

#### Claim Development Table

The following tables show estimated incurred claim, including both claims notified and incurred but not reported ("IBNR") for each successive accident year at the end of each reporting year, together with cumulative payments to date. The management believes the estimate of total claims outstanding as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

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

	As at 31 December								
	2017	2018	2019	2020	2021	2022	2023	2024	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<b>Estimate of cumulative claims:</b>									
At end of accident year	30,964	31,914	43,438	52,672	36,352	53,597	70,421	98,412	
One year later	30,622	31,443	47,272	51,436	36,345	53,887	67,910		
Two years later	28,261	32,062	44,673	54,597	34,340	52,683			
Three years later	28,806	33,455	47,904	52,590	33,737				
Four years later	29,821	33,831	47,893	51,456					
Five years later	29,937	34,759	47,384						
Six years later	31,772	34,791							
Seven years later	31,622								
Estimate of cumulative claims	31,622	34,791	47,384	51,456	33,737	52,683	67,910	98,412	417,995
Cumulative payments to-date	30,906	33,476	44,768	49,664	29,175	34,611	41,200	44,971	308,771
Gross outstanding claims liabilities	716	1,315	2,616	1,792	4,562	18,072	26,710	53,441	109,224
Provision for prior accident years									810
Unallocated loss adjustment expenses									2,181
Central estimate of outstanding claim liabilities									112,215
Risk adjustment									14,914
Total gross claims liabilities									127,129
Discounting impact									(7,087)
Total discounted gross claim liabilities									120,042
Insurance receivables and payables									15,823
Gross liabilities for incurred claims as at 31 December									135,865

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

	As at 31 December								
	2017	2018	2019	2020	2021	2022	2023	2024	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<b>Estimate of cumulative claims:</b>									
At end of accident year	23,655	25,155	26,428	25,628	26,379	37,315	52,327	60,260	
One year later	24,432	24,346	26,292	26,340	27,197	34,374	50,829		
Two years later	22,929	25,553	29,099	26,929	26,763	34,109			
Three years later	23,213	26,837	28,628	26,391	25,952				
Four years later	23,958	27,123	29,490	25,964					
Five years later	24,069	27,860	29,240						
Six years later	25,435	27,943							
Seven years later	25,303								
Estimate of cumulative claims	25,303	27,943	29,240	25,964	25,952	34,109	50,829	60,260	279,600
Cumulative payments to-date	24,823	26,826	27,699	24,710	23,020	25,890	33,384	21,207	207,559
Gross outstanding claims liabilities	480	1,117	1,541	1,254	2,932	8,219	17,445	39,053	72,401
Provision for prior accident years									669
Unallocated loss adjustment expenses									2,181
Central estimate of outstanding claim liabilities									74,891
Risk adjustment									8,503
Total gross claims liabilities									83,394
Discounting impact									(3,459)
Total discounted gross claim liabilities									79,935
Insurance receivables and payables									4,529
Net liabilities for incurred claims as at 31 December									84,464

## **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 2024 and 2023. The audited CAR of the Company will be available in the Company's audited Annual Return on the MAS website<sup>i</sup>.

## **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 the following asset classes: - equities, government bonds, corporate bonds and private debt securities. 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) while private debt securities are typically unrated.

(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. For unquoted securities, valuations are provided by the fund managers or issuers which are audited on a periodic basis.

(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 and 18.

## **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.

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<sup>i</sup> <https://www.mas.gov.sg/Statistics/Insurance-Statistics/Insurance-Company>Returns.aspx>