FINANCIAL STATEMENT 2014

DIRECTORS' REPORT

For the financial year ended 31 December 2014

The directors present their report to the shareholder together with the audited financial statements of the Company for the financial year ended 31 December 2014.

Directors

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

- Eric Sanderson
- Mack Eng Lip Chian
- Daniel Andrew Albert Vanderkemp

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares in, or debentures of, the Company or its related corporations, except as follows:

	Holdings registered in the name of director or nominee	
	At 31.12.2014	At 1.1.2013
ACE Limited, ultimate holding corporation		
Restricted stock award[1]		
Mack Eng Lip Chian	1,627	1,755
Daniel Andrew Albert Vanderkemp	4,441	4,728
Restricted stock options[1]		
Mack Eng Lip Chian	4,556	3,867
Daniel Andrew Albert Vanderkemp	10,652	8,844
Common shares at par value CHF24.77 each		
Mack Eng Lip Chian	3,571	2,822
Daniel Andrew Albert Vanderkemp	3,745	2,034

[1] This refers to restricted stock award and stock options granted by ACE Limited (incorporated in Switzerland) under the Group's 2004 Long-Term Incentive Plans.

All shares and options are shares and options in ACE Limited, the ultimate holding corporation.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except that certain directors receive remuneration as a result of their employment with related corporations.

Published 07/2015

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Mack Eng Lip Chian
Director

Daniel Andrew Albert Vanderkemp
Director

30 April 2015

STATEMENT BY DIRECTORS
For the financial year ended 31 December 2014

In the opinion of the directors,

(a) the financial statements as set out on pages 5 to 45 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and

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

On behalf of the directors

Mack Eng Lip Chian
Director

Daniel Andrew Albert Vanderkemp
Director

30 April 2015

INDEPENDENT AUDITOR'S REPORT

To the members of ACE Insurance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of ACE Insurance Limited (the "Company") set out on pages 5 to 45, which comprise the balance sheet as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 30 April 2015

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Notes	2014 $	2013 $
Insurance premium revenue		**167,136,493**	152,237,388
Insurance premium ceded to reinsurers		**(111,910,273)**	(108,154,531)
Net insurance premium revenue	3	**55,226,220**	44,082,857
Fee income from insurance contracts		**40,240,233**	35,531,631
Investment income - net	4	**1,464,941**	1,798,178
Other operating income	5	**448,966**	220,740
Income		**97,380,360**	81,633,406
Other gain – net – currency exchange		**1,170,861**	1,188,713
Insurance claims and loss adjustment expenses		**(22,226,647)**	(34,490,409)
Insurance claims and loss adjustment expenses recovered from reinsurers		**12,492,693**	26,181,750
Net insurance claims	6	**(9,733,954)**	(8,308,659)
Expenses for acquisition of insurance contracts		**(36,896,623)**	(31,389,764)
Expenses for asset management services received		**(282,375)**	(91,203)
Operating expenses:			
- Employee benefits	7	**(20,672,616)**	(20,019,510)
- Depreciation expense	10	**(313,191)**	(252,491)
- Other operating expenses	8	**(12,513,633)**	(11,279,586)
		(33,499,440)	(31,551,587)
Expenses		**(80,412,392)**	(71,341,213)
Profit before income tax		**18,138,829**	11,480,906
Income tax expense	9(a)	**(2,873,065)**	(1,370,429)
Net profit		**15,265,764**	10,110,477
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale			
- Fair value gains/(losses) during the financial year	18	**93,174**	(1,369,358)
- Fair value gains transferred to profit or loss on disposal	18	**(11,447)**	(350,320)
Income tax (expense)/credit on fair value changes	18	**(11,935)**	272,008
Other comprehensive income/(loss), net of tax		**69,792**	(1,447,670)
Total comprehensive income		**15,335,556**	8,662,807

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

BALANCE SHEET
As at 31 December 2014

	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	14	**8,429,030**	8,830,525
Financial assets, available-for-sale	11	**102,156,107**	86,055,097
Insurance receivables and other receivables	12	**46,807,983**	49,040,335
Reinsurance assets	13	**70,462,451**	71,294,916
		227,855,571	215,220,873
Non-current assets			
Property, plant and equipment	10	**472,446**	442,792
Reinsurance assets	13	**25,937,550**	36,905,580
Deferred income tax assets	16	**27,717**	25,550
		26,437,713	37,373,922
Total assets		**254,293,284**	252,594,795
LIABILITIES			
Current liabilities			
Insurance liabilities	13	**113,907,331**	114,061,028
Insurance payables and other payables	15	**40,202,916**	32,065,670
Current income tax liabilities	9(b)	**3,280,826**	1,980,387
		157,391,073	148,107,085
Non-current liabilities			
Insurance liabilities	13	**36,908,539**	49,336,474
		36,908,539	49,336,474
Total liabilities		**194,299,612**	197,443,559
NET ASSETS		**59,993,672**	55,151,236
EQUITY			
Share capital	17	**35,000,000**	35,000,000
Fair value reserve	18	**(51,507)**	(121,299)
Retained profits		**25,045,179**	20,272,535
Total equity		**59,993,672**	55,151,236

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

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2014

	Notes	Share capital $	Fair value reserve $	Retained profits $	Total equity $
2014					
Beginning of financial year		**35,000,000**	**(121,299)**	**20,272,535**	**55,151,236**
Total comprehensive income		-	69,792	15,265,764	15,335,556
Dividends paid	19	-	-	(10,493,120)	(10,493,120)
End of financial year		**35,000,000**	**(51,507)**	**25,045,179**	**59,993,672**
2013					
Beginning of financial year		**35,000,000**	**1,326,371**	**22,698,943**	**59,025,314**
Total comprehensive income		-	(1,447,670)	10,110,477	8,662,807
Dividends paid	19	-	-	(12,536,885)	(12,536,885)
End of financial year		**35,000,000**	**(121,299)**	**20,272,535**	**55,151,236**

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

STATEMENT OF CASHFLOWS
For the financial year ended 31 December 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Net profit		**15,265,764**	10,110,477
Adjustments for:			
Income tax expense		**2,873,065**	1,370,429
Depreciation expense		**313,191**	252,491
Net gain on sale of available-for-sale financial assets		**(11,447)**	(350,320)
Unrealised foreign exchange gain, net		**(1,056,324)**	(927,053)
Interest income		**(1,453,494)**	(1,447,858)
Operating cash flow before working capital changes		**15,930,755**	9,008,166
Change in working capital:			
Insurance receivables and other receivables		**2,363,983**	2,732,378
Insurance payables and other payables		**8,137,246**	(5,063,377)
Net insurance liabilities		**(781,137)**	(2,091,692)
Cash generated from operations		**25,650,847**	4,585,475
Income tax paid – net	9(b)	**(1,586,728)**	(1,473,358)
Net cash provided by operating activities		**24,064,119**	3,112,117
Cash flows from investing activities			
Purchases of property, plant and equipment		**(492,939)**	(138,954)
Proceeds from disposal of property, plant and equipment		**150,094**	-
Purchases of investments		**(44,251,994)**	(30,720,001)
Proceeds from sale of investments		**28,414,904**	29,994,090
Interest received		**2,207,441**	2,221,324
Net cash (used in)/provided by investing activities		**(13,972,494)**	1,356,459
Cash flows from financing activity			
Dividends paid to shareholder of the Company		**(10,493,120)**	(12,536,885)
Net cash used in financing activity		**(10,493,120)**	(12,536,885)
Net decrease in cash and cash equivalents held		**(401,495)**	(8,068,309)
Cash and cash equivalents at beginning of financial year	14	**8,830,525**	16,898,834
Cash and cash equivalents at end of financial year	14	**8,429,030**	8,830,525

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

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

1 General Information

ACE Insurance Limited (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 600 North Bridge Road #04-02, Parkview Square, Singapore 188778.

The Company is licensed under the Insurance Act, Chapter 142 as a direct general insurer.

The principal activity of the Company consists of underwriting of general insurance including reinsurance of all classes of risks.

2 Significant accounting policies

(a) 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 area involving a higher degree of judgement or complexity, or area where estimates and assumptions are significant to the financial statements is the estimation of ultimate liability arising from claims made under insurance contracts, disclosed in Note 13.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company'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 Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

(b) Revenue recognition

Premiums on insurance contracts are recognised as written, at the time of inception of the policies.

Gross written premium is shown before movement in unearned premium provision and deduction of commission and is net of taxes or duties levied on premium.

Fee income from insurance contracts relates to income earned in acquiring new and/or renewing existing reinsurance contracts and certain insurance contracts and is recognised as revenue over the period in which the related services are performed.

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised using the effective interest method.

2 Significant accounting policies (continued)

(c) Property, plant and equipment

All property, plant and equipment is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2(d)).

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is 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. The projected cost of dismantlement, removal or restoration is recognised as part of the cost of property, plant and equipment if such obligation is incurred as a consequence of acquiring or using the asset.

Depreciation is calculated using the straight line basis to allocate their depreciable amounts over their estimated useful lives as follows:

Leasehold improvements	20% - 33 1/3%
Office equipment	20%
Furniture and fittings	20%
Computer equipment	20% - 33 1/3%

The residual values, estimated useful lives and depreciation method 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.

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 Company and the cost of the item can be reliably measured. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

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

(d) Impairment of non-financial assets

Property, plant and equipment are tested 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 the 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 (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss of 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 this 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 any accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2 Significant accounting policies (continued)

(e) Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and 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 expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Receivables arising from insurance contracts and other receivables are classified in this category. Insurance receivables comprise of amounts due from insured, agents, brokers and reinsurers.

(ii) Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as current assets unless the investment matures or management intends to dispose of the assets more than 12 months after the balance sheet date.

(2) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(3) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(4) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Financial assets, available-for-sale are subsequently carried at fair value.

Interest and dividend income on financial assets, available-for-sale, are recognised separately in profit or loss.

Changes in the fair value of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

2 Significant accounting policies (continued)

(e) Financial assets (continued)

(5) Impairment

The Company 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.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are 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 assets previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2 (e)(5)(i), a significant or prolonged decline in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(f) Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. When appropriate, quoted market prices or dealer quotes for similar instruments are used where appropriate. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(g) Insurance payables

Insurance payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

2 Significant accounting policies (continued)

(h) Insurance

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contracts are classified depending on the coverage and the terms and conditions.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Professional and Directors and Officers insurance contracts mainly indemnify the Company's customers against the legal liability as well as liability as a result of a breach of duty owed in a professional capacity in connection with the customer's business.

Marine cargo and hull insurance contracts protect the Company's customers from the financial losses resulting from marine transportation and transit which can have a drastic impact to their business.

Accident and health insurance contracts protect the Company's customers from the consequences of events such as hospitalisation, total permanent disability or death arising from accident or sickness or diagnosis for dreaded diseases. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Political risk insurance contracts protect the Company's customers against financial losses caused by government action or political force majeure in respect of loans (export and pre-export finance), or sales, purchase or service contracts.

Credit insurance contracts protect the lenders involved in highly structured and/or secured trade transactions against default by a borrower/obligor due to either a political or credit event or protect exporters, contractors and sponsors against the calling of on-demand guarantees.

Return of Premiums Products Plans are contracts where all or part of the premium received will be refunded after a specified number of years if the policy criteria for refund are met. The ultimate outcome of this can only be determined upon the expiry of the policies under the Plan and a provision for premium refundable for this class of policies is calculated by the in-house actuary. The best estimate of provision for premiums refund is deducted from gross written premium.

2 Significant accounting policies (continued)

(i) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (insurance receivables and other receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amount recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment losses in profit or loss. The Company gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held as loans and receivables. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 2(e).

(j) Insurance liabilities

(i) Unearned premium reserve/ deferred acquisition cost

The portion of premium received on in-force contract that relate to unexpired risks at the balance sheet date is reported as unearned premium reserve.

Unearned premium reserve is calculated using the 1/365th method, except for direct marketing business which is calculated using the 1/24th method, on gross premiums written less return premiums, premiums on reinsurance and deferred acquisition costs.

Commission and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are netted off against unearned premium provision. All other costs are recognised as expenses when incurred.

Commission income and commission expense are deferred and subsequently amortised over the life of the policies as the premiums are ceded or earned.

Unearned premium provision also includes premium deficiency provisions which are derived using actuarial methods on the Company's loss statistics.

(ii) Outstanding claims reserves

Outstanding claims reserves are estimates of claims which have been incurred and reported to the Company and estimates of losses which have occurred, but not yet reported to the Company. Provision made for claims incurred but not reported (IBNR) is based on the amount calculated and determined by an Appointed Actuary as at the balance sheet date. Any deficiency is immediately charged to profit or loss.

In line with Section 37(1) (b) of the Insurance Act, an actuarial investigation is made on the claims liabilities and a provision for adverse deviation at a minimum 75% level of confidence is included in the loss reserves.

2 Significant accounting policies (continued)

(k) Liability adequacy test

At the balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, current best estimates of future contractual cashflows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss.

(l) 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 lease. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(m) 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 an asset or liability in a transaction that 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 and tax losses can be utilised.

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 Company 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, except to the extent that the tax arises from a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on available-for-sale financial assets is charged or credited directly to equity in the same period the temporary differences arise.

(n) Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Company 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 the amount can be reliably estimated.

2 Significant accounting policies (continued)

(o) Employee benefits

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

(2) Employee leave entitlement

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

(3) Share-based compensation

The Company's ultimate holding corporation operates several share based compensation plans as described in Note 17(b). The total amount of equity-settled transactions to be recognised over the vesting period is determined by reference to the fair value on the date of the grant. The cost of equity-settled transactions is recognised as an expense together with a corresponding increase in equity over the vesting period, and subsequently recharged by the Company's ultimate holding corporation.

(p) Currency translation

(1) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(2) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency 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 balance sheet date are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in profit or loss, and other changes are recognised in fair value reserve within equity.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gain or loss is recognised in profit or loss are reported as part of the fair value gain or loss in profit or loss. Currency translation differences on non-monetary items whereby the gains or losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets are included in the fair value reserve.

(q) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, cash at bank and fixed deposits with financial institutions which are subject to an insignificant risk of change in value.

2 Significant accounting policies (continued)

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant are recognised in other operating income in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

(s) Share capital

Ordinary shares are classified as equity.

(t) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(u) Dividend

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

3 Net insurance premium avenue

	2014 **$**	2013 $
Short-term insurance contracts		
- gross written premium	**168,117,021**	152,236,341
- change in unearned premium reserve (Note 13 (f)(ii))	**(980,528)**	1,047
Premium revenue arising from insurance contracts issued	**167,136,493**	152,237,388
Short-term reinsurance contracts		
- ceded written premium	**(112,351,750)**	(108,449,455)
- change in unearned premium reserve (Note 13 (f)(ii))	**441,477**	294,924
Premium revenue ceded to reinsurers for insurance contracts purchased	**(111,910,273)**	(108,154,531)
Net insurance premium revenue	**55,226,220**	44,082,857

4 Investment income - net

	2014 **$**	2013 $
Financial assets, available-for-sale:		
- interest income	**1,445,134**	1,433,522
Cash and cash equivalents:		
- interest income from banks	**8,360**	14,336
Net realised gains on available-for-sale financial assets (Note 18)	**11,447**	350,320
	1,464,941	1,798,178

5 Other operating income

	2014 $	2013 $
Government grant	**241,659**	70,889
Recovery of expenses from a related corporation	**160,307**	109,484
Other miscellaneous income	**47,000**	40,367
	448,966	220,740

6 Net insurance claims

	2014 $	2013 $
Insurance claims and loss adjustment expenses		
- gross claims paid	**(34,566,133)**	(33,871,764)
- change in outstanding claims	**12,339,486**	(618,645)
	(22,226,647)	(34,490,409)
Insurance claims and loss adjustment expenses recovered		
- paid claims recovered	**24,734,665**	23,988,928
- change in outstanding claims	**(12,241,972)**	2,192,822
	12,492,693	26,181,750
Net insurance claims	**(9,733,954)**	(8,308,659)

7 Employee benefits

	2014 $	2013 $
Wages and salaries	**17,211,001**	16,833,510
Share-based remuneration expenses (Note 17(b))	**178,581**	178,578
Staff related expenses	**1,721,293**	1,491,527
	19,110,875	18,503,615
Employer's contribution to Central Provident Fund	**1,561,741**	1,515,895
	20,672,616	20,019,510

8 Other operating expenses

The following items have been included in other operating expenses during the financial year:

	2014 $	2013 $
Management fees	**3,392,885**	4,076,053
IT related expenses	**1,171,159**	1,034,334
Rental on operating lease	**1,602,007**	1,667,281
Impairment of insurance receivables	**163,805**	316,105
Sales incentives paid to sponsors	**15,856**	161,404
Outsourcing expenses	**3,587,805**	3,080,201
Other expenses	**2,580,116**	944,208
	12,513,633	11,279,586

9 Income tax

(a) Income tax expense

	2014 $	2013 $
Tax expense attributable to profit is made up of:		
- current income tax	**2,847,833**	1,762,800
- deferred income tax (Note 16)	**(14,102)**	(13,481)
	2,833,731	1,749,319
Under/(over) provision in prior financial years		
- current income tax	**39,334**	(378,890)
	2,873,065	1,370,429

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	2014 $	2013 $
Profit before income tax	**18,138,829**	11,480,906
Tax calculated at a tax rate of 17% (2013: 17%)	**3,083,601**	1,951,754
Effects of:		
- Income taxed at concessionary rate of 10%	**(221,183)**	(170,922)
- Expenses not deductible for tax purposes	**77,840**	55,295
- Singapore statutory stepped income exemption	**(25,925)**	(25,925)
- Tax incentives	**(80,602)**	(60,883)
Tax charge	**2,833,731**	1,749,319

9 Income tax (continued)

(b) Movements in current income tax liabilities

	2014 $	2013 $
At beginning of financial year	**1,980,387**	2,069,835
Income tax paid	**(1,754,895)**	(1,568,455)
Income tax refunded	**168,167**	95,097
Tax payable on profit for current financial year	**2,847,833**	1,762,800
(Under)/over provision in prior financial year tax expense	**39,334**	(378,890)
At end of financial year	**3,280,826**	1,980,387

10 Property, plant and equipment

	Leasehold improvements $	Office equipment $	Furniture and fittings $	Computer equipment $	Total $
2014					
Cost					
Beginning of financial year	3,256,693	917,955	1,522,819	2,064,833	7,762,300
Additions	322,107	-	72,445	98,387	492,939
Disposals	(158,658)	-	-	(199,304)	(357,962)
End of financial year	3,420,142	917,955	1,595,264	1,963,916	7,897,277
Accumulated depreciation					
Beginning of financial year	3,138,342	899,600	1,471,498	1,810,068	7,319,508
Depreciation charge	140,063	5,694	26,907	140,527	313,191
Disposals	(93,564)	-	-	(114,304)	(207,868)
End of financial year	3,184,841	905,294	1,498,405	1,836,291	7,424,831
Net book value					
End of financial year	**235,301**	**12,661**	**96,859**	**127,625**	**472,446**
2013					
Cost					
Beginning of financial year	3,256,693	906,902	1,522,819	1,936,932	7,623,346
Additions	-	11,053	-	127,901	138,954
End of financial year	3,256,693	917,955	1,522,819	2,064,833	7,762,300
Accumulated depreciation					
Beginning of financial year	3,059,441	893,315	1,455,956	1,658,305	7,067,017
Depreciation charge	78,901	6,285	15,542	151,763	252,491
End of financial year	3,138,342	899,600	1,471,498	1,810,068	7,319,508
Net book value					
End of financial year	**118,351**	**18,355**	**51,321**	**254,765**	**442,792**

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11 Financial assets, available-for-sale

The movements during the year are as follows:

	2014 $	2013 $
Beginning of financial year	**86,055,097**	86,594,808
Additions	**44,251,994**	30,720,001
Fair value gains/(losses) recognised in other comprehensive income	**93,174**	(1,369,358)
Amortisation of premiums (net of discounts)	**(885,578)**	(823,315)
Disposals	**(28,414,904)**	(29,994,090)
Currency translation differences	**1,056,324**	927,051
End of financial year	**102,156,107**	86,055,097

Available-for-sale financial assets are analysed as follows:

	2014 $	2013 $
Listed securities:		
Government securities – SGD	**39,406,348**	30,646,158
Government securities – USD	**11,086,959**	10,128,802
	50,493,307	40,774,960
Loan stocks in corporations – SGD	**37,080,759**	31,373,799
Loan stocks in corporations – USD	**14,582,041**	13,906,338
	51,662,800	45,280,137
	102,156,107	86,055,097

The loan stocks and government securities have maturity dates from January 2014 to December 2049 with the following weighted average effective interest rates:

	2014	2013
Singapore Dollar	**2.66%**	2.57%
United States Dollar	**2.44%**	2.64%

The exposure of investments to interest rate risks is disclosed in Note 22(a)(ii).

12 Insurance receivables and other receivables

	2014 **$**	2013 $
Receivables from insurance and reinsurance contracts:		
- related companies	**7,236,781**	4,257,267
- third parties	**32,388,792**	41,689,779
	39,625,573	45,947,046
Less provision for impairment of receivables		
- third parties	**(313,858)**	(262,647)
	39,311,715	45,684,399
Other receivables:		
- Prepayments	**628,175**	112,417
- Receivables from related companies	**1,915,354**	528,235
- Accrued interest receivable	**784,636**	653,005
- Rental and other deposits	**2,123,495**	974,460
- Sundry receivables	**2,044,608**	1,087,819
	7,496,268	3,355,936
Total insurance receivables and other receivables	**46,807,983**	49,040,335

The carrying amounts of the insurance receivables and other receivables approximate their fair values.

The receivables from related companies are unsecured, interest-free and are repayable on demand.

13 Insurance liabilities and reinsurance assets

	2014 $	2013 $
Gross		
Current:		
- outstanding claims reserves	**47,941,740**	49,180,933
- reserves for unearned premium*	**62,730,233**	61,749,705
- no claims bonus provision	**3,235,358**	3,130,390
	113,907,331	114,061,028
Non-current:		
- outstanding claims reserves	**33,942,155**	45,042,448
- provision for premiums refund	**2,966,384**	4,294,026
	36,908,539	49,336,474
Total insurance liabilities, gross	**150,815,870**	163,397,502
Recoverable from reinsurers		
Current:		
- outstanding claims reserves	**36,610,434**	37,884,376
- reserves for unearned premium	**33,852,017**	33,410,540
	70,462,451	71,294,916
Non-current:		
- outstanding claims reserves	**25,937,550**	36,905,580
Total reinsurer's share of insurance liabilities	**96,400,001**	108,200,496

* Reserves for unearned premium are shown net of deferred acquisition cost.

	2014 $	2013 $
Net		
Current:		
- outstanding claims reserves	**11,331,306**	11,296,557
- reserves for unearned premium provision	**28,878,216**	28,339,165
- no claims bonus provision	**3,235,358**	3,130,390
	43,444,880	42,766,112
Non-current:		
- outstanding claims reserves	**8,004,605**	8,136,868
- provision for premiums refund	**2,966,384**	4,294,026
	10,970,989	12,430,894
Total insurance liabilities, net	**54,415,869**	55,197,006

13 Insurance liabilities and reinsurance assets (continued)

Actuarial methods, assumptions and sensitivity analysis

(a) Methods

Four standard actuarial methods (Chain ladder on Incurred and Paid Claims, Bornhuetter-Ferguson and Average Incurred Cost Development) have been applied to each class of business to determine the undiscounted insurance liabilities. The selection of an appropriate method depends on the nature of the claim development and claim volatility. The Outstanding Liability is equal to the Case Estimates in situations where no further loss development is expected.

The insurance liabilities also include an appropriate allowance for allocated and unallocated future claim handling expenses. In addition, an administration expense reserve of 4.8% (2013: 4.8%) of gross premiums (or gross unearned premium reserve) and excess of loss ceded premiums has been included in the assessment of the premium liability.

(b) Assumptions

The following assumptions were used in determining the gross outstanding claim liabilities.

Discounted average weighted term to settlement

The discounted average weighted term to settlement is calculated separately by class of business based on historical payment patterns.

Ultimate claim number – current year

The ultimate claim number for the current accident year is estimated separately by class of business by projecting the number of claims reported to date based on historical reporting patterns.

Average claim size – current year

The average claim size for the current accident year is estimated separately by class of business by projecting the ultimate claims cost based on historical claim development patterns and dividing by the estimated ultimate claim number.

Unallocated claim expense rate (or indirect claim expense rate)

The unallocated claim expense rate is calculated separately by class of business based on historical unallocated claim expenses as a percentage of historical payments.

Discount rate

The discount rate is derived from market yields of government securities at the balance sheet date.

Inflation rate

The inflation rate is implicit in the valuation models used so no explicit inflation rate is used in the valuation. Movement in average claim size provides a de facto estimate of the inflation rate implied in the valuation.

13 Insurance liabilities and reinsurance assets (continued)

(c) Sensitivity analysis

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company. The table below shows how a change in each assumption will affect the outstanding claims liabilities (net) and profit or loss. As no explicit inflation rate is used in the valuation no sensitivity analysis is able to be carried out for a change in the inflation rate.

Variables	Change in variable	Increase / (decrease) in liability $	Increase / (decrease) in profit before tax $
Discounted average weighted term to settlement	+ 0.5 years	(46,051)	46,051
	- 0.5 years	52,792	(52,792)
Ultimate claim number - current year	+ 10%	1,899,151	(1,899,151)
	- 10%	(1,899,151)	1,899,151
Average claim size - current year	+ 10%	1,899,151	(1,899,151)
	- 10%	(1,899,151)	1,899,151
Unallocated claim expense rate	+ 1%	780,373	(780,373)
	- 1%	(780,373)	780,373
Discount rate	+ 1%	(235,734)	235,734
	- 1%	247,742	(247,742)

(d) Process for determining risk margin

The overall risk margin was determined after allowing for uncertainty of the outstanding claim estimate. Uncertainty was analysed for each class of business taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models and the general insurance environment.

The estimate of uncertainty is greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The assumptions regarding uncertainty for each class were applied to the gross and net central estimates, and the results were aggregated to arrive at an overall provision which is intended to have a 75% probability of sufficiency. The risk margin applied in 2014 is 14.7% (2013: 14.6%).

13 Insurance liabilities and reinsurance assets (continued)

(e) Claims development tables (for all lines)

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years:

Gross

Accident year	2005 $	2006 $	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	Total $
Estimate of ultimate claims costs:											
- at end of accident year	26,379,774	30,045,680	45,913,501	32,837,304	42,464,715	42,429,626	46,821,241	47,924,426	50,202,369	**44,785,161**	
- one year later	18,400,679	26,424,190	37,024,162	26,893,995	44,190,460	33,566,706	46,802,599	43,235,716	**42,203,265**		
- two years later	16,545,497	24,087,594	37,091,297	26,197,343	40,030,663	31,682,587	42,581,975	**38,166,395**			
- three years later	16,366,296	22,413,438	36,711,639	25,094,506	37,901,754	30,558,523	**36,196,967**				
- four years later	15,709,789	20,940,647	36,207,525	23,401,250	36,270,307	**29,764,524**					
- five years later	14,926,791	20,734,686	35,412,979	23,012,851	**31,535,544**						
- six years later	14,732,351	22,710,628	35,326,658	**26,644,914**							
- seven years later	14,718,652	19,370,336	**36,588,186**								
- eight years later	14,747,433	**18,781,302**									
- Nine years later	**14,777,558**										
Current estimate of cumulative claims	14,777,558	18,781,302	36,588,186	26,644,914	31,535,544	29,764,524	36,196,967	38,166,395	42,203,265	44,785,161	319,443,816
Cumulative payments to date	(14,777,451)	(18,620,071)	(36,561,236)	(24,064,271)	(29,919,865)	(28,496,715)	(31,209,186)	(25,742,598)	(28,957,287)	(12,835,625)	(251,184,305)
Outstanding claims – undiscounted	107	161,231	26,950	2,580,643	1,615,679	1,267,809	4,987,781	12,423,797	13,245,978	31,949,536	68,259,511
Discount	(0)	(221)	(37)	(3,544)	(4,309)	(2,892)	(17,250)	(50,112)	(80,347)	(236,870)	(395,582)
Outstanding claims	107	161,010	26,913	2,577,099	1,611,370	1,264,917	4,970,531	12,373,685	13,165,631	31,712,666	67,863,929
Outstanding claims in respect of prior accident years											206,893
Risk margin											10,491,431
Claims handling costs											3,321,642
Total net outstanding claims											81,883,895

13 Insurance liabilities and reinsurance assets (continued)

(e) Claims development tables (for all lines) (continued)

Net

Accident year	2005 $	2006 $	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	Total $
Estimate of ultimate claims costs:											
- at end of accident year	6,767,470	8,796,499	8,684,039	8,140,996	9,725,452	9,544,407	12,724,979	11,168,927	11,079,608	13,399,865	
- one year later	5,486,659	8,571,017	7,511,480	6,559,241	9,066,624	9,429,816	13,371,816	9,868,167	9,647,115		
- two years later	5,174,158	8,155,807	7,024,983	6,635,147	8,877,843	8,804,654	12,754,415	9,135,836			
- three years later	4,993,767	7,674,113	6,925,373	6,580,737	8,319,805	8,490,895	11,987,156				
- four years later	4,821,876	7,379,051	6,954,269	6,310,748	7,945,912	8,035,862					
- five years later	5,013,038	7,443,926	6,890,184	6,188,027	8,142,405						
- six years later	4,945,312	7,085,453	6,847,504	6,265,912							
- seven years later	5,110,962	6,937,861	6,834,218								
- eight years later	5,146,001	6,642,975									
- Nine years later	5,167,712										
Current estimate of cumulative claims	5,167,712	6,642,975	6,834,218	6,265,912	8,142,405	8,035,862	11,987,156	9,135,836	9,647,115	13,399,865	85,259,056
Cumulative payments to date	(5,164,462)	(6,419,159)	(6,805,140)	(5,998,989)	(7,777,358)	(8,003,148)	(11,174,583)	(8,193,952)	(7,634,106)	(4,457,652)	(71,628,549)
Outstanding claims – undiscounted	3,250	223,816	29,078	266,923	365,047	32,714	812,573	941,884	2,013,009	8,942,213	13,630,507
Discount	(4)	(307)	(40)	(366)	(1,293)	(98)	(1,980)	(4,320)	(15,687)	(64,283)	(88,378)
Outstanding claims	3,246	223,509	29,038	266,557	363,754	32,616	810,593	937,564	1,997,322	8,877,930	13,542,129
Outstanding claims in respect of prior accident years											2,658
Risk margin											2,469,482
Claims handling costs											3,321,642
Total net outstanding claims											19,335,911

13 Insurance liabilities and reinsurance assets (continued)

(f) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims

Year ended 31 December	2014 Gross $	2014 Reinsurance $	2014 Net $	2013 Gross $	2013 Reinsurance $	2013 Net $
At beginning of year	**94,223,381**	**(74,789,956)**	**19,433,425**	93,604,736	(72,597,134)	21,007,602
Cash paid for claims settled in the year	**(34,566,133)**	**24,734,665**	**(9,831,468)**	(33,871,764)	23,988,928	(9,882,836)
Claims incurred	**22,226,647**	**(12,492,693)**	**9,733,954**	34,490,409	(26,181,750)	8,308,659
At end of year	**81,883,895**	**(62,547,984)**	**19,335,911**	94,223,381	(74,789,956)	19,433,425
Claims reported and loss adjustment expenses	**38,064,321**	**(31,366,313)**	**6,698,008**	41,203,340	(34,074,080)	7,129,260
Incurred but not reported	**33,328,143**	**(23,159,722)**	**10,168,421**	41,012,944	(31,177,074)	9,835,870
Provision for adverse deviation	**10,491,431**	**(8,021,949)**	**2,469,482**	12,007,097	(9,538,802)	2,468,295
At end of year	**81,883,895**	**(62,547,984)**	**19,335,911**	94,223,381	(74,789,956)	19,433,425

(ii) Reserves for unearned premium

	2014 Gross $	2014 Reinsurance $	2014 Net $	2013 Gross $	2013 Reinsurance $	2013 Net $
At beginning of year	**61,749,705**	**(33,410,540)**	**28,339,165**	61,750,752	(33,115,616)	28,635,136
Premium written in the year	**168,117,021**	**(112,351,750)**	**55,765,271**	152,236,341	(108,449,455)	43,786,886
Premium earned in the year	**(167,136,493)**	**111,910,273**	**(55,226,220)**	(152,237,388)	108,154,531	(44,082,857)
At end of year	**62,730,233**	**(33,852,017)**	**28,878,216**	61,749,705	(33,410,540)	28,339,165

(iii) Refundable bonus provision

	2014 $	2013 $
At beginning of year	**3,130,390**	3,067,859
Provision for the year	**5,226,140**	5,111,826
Refunds during the year	**(5,121,172)**	(5,049,295)
At end of year	**3,235,358**	3,130,390

13 Insurance liabilities and reinsurance assets (continued)

(f) Movements in insurance liabilities and reinsurance assets (continued)

(iv) Provision for premiums refund

	2014 $	2013 $
At beginning of year	**4,294,026**	4,578,101
Provision for the year	**(156,627)**	895,999
Refunds during the year	**(1,171,015)**	(1,180,074)
At end of year	**2,966,384**	4,294,026

14 Cash and cash equivalents

	2014 $	2013 $
Cash on hand	**2,346**	2,336
Cash at bank	**6,116,684**	3,017,377
Fixed deposits with financial institutions	**2,310,000**	5,810,812
	8,429,030	8,830,525

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

The Company has fixed deposits with financial institutions with an average maturity of 1 month (2013: 1 month) from the end of the financial year with the following weighted average effective interest rates:

	2014 $	2013 $
Singapore Dollar	**0.5%**	0.18%
United States Dollar	**-**	-

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 22(a)(ii).

15 Insurance payables and other payables

	2014 $	2013 $
Amount due to insureds, agents, brokers and reinsurers:		
- related companies	22,227,984	20,005,525
- third parties	8,098,466	4,923,582
	30,326,450	24,929,107
Other payables:		
- payables to related companies	497,656	103,718
- advanced premium received	108,888	5,307
- share-based remuneration payable	905,892	722,465
- sundry creditors	3,419,074	1,349,395
- GST payable	1,150,755	1,433,993
- accrued operating expenses	3,794,201	3,521,685
	9,876,466	7,136,563
Total insurance payables and other payables	40,202,916	32,065,670

The payables to related companies are unsecured, interest-free and are repayable on demand. The carrying amounts of insurance payables and other payables approximate their fair values.

16 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet.

The movement in the deferred income tax account is as follows:

	2014 $	2013 $
Beginning of financial year	(25,550)	259,940
Tax (credit)/charge to:		
- Profit or loss (Note 9(a))	(14,102)	(13,481)
- Fair value reserve (Note 18)	11,935	(272,008)
End of financial year	(27,717)	(25,550)

16 Deferred income taxes (continued)

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

Deferred income tax (assets)/liabilities:

	Accelerated tax appreciation $	Fair value gains $	Others $	Total $
At 1 January 2014	50,300	(46,403)	(29,447)	(25,550)
Credited to profit or loss	(15,366)	-	1,264	(14,102)
Credited to equity (Note 18)	-	11,935	-	11,935
At 31 December 2014	**34,934**	**(34,468)**	**(28,183)**	**(27,717)**
At 1 January 2013	57,427	225,605	(23,092)	**259,940**
Credited to profit or loss	(7,127)	-	(6,355)	**(13,482)**
Credited to equity (Note 18)	-	(272,008)	-	**(272,008)**
At 31 December 2013	**50,300**	**(46,403)**	**(29,447)**	**(25,550)**

17 Share capital

(a)

	No. of shares issued	Share capital $
2014		
Beginning and end of financial year	35,000,000	35,000,000
2013		
Beginning and end of financial year	35,000,000	35,000,000

All issued ordinary shares are fully paid.

17 Share capital (continued)

(b) Share based remuneration

ACE Limited, ultimate holding corporation has a restricted share grant plan, a restricted share option plan and an employee share purchase plan. The total share based remuneration expenses charged to profit or loss was $178,581 (2013: $178,578).

Restricted share grant plan

Under ACE Limited's 2004 Long Term Incentive Plan, 1,803 restricted common shares were awarded during the year ended 31 December 2014 (2013: 2,103 shares) to eligible employees of the Company. These shares vest at various dates over a 4-year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a group scheme with expenses incurred under the scheme charged out by ACE Limited to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current year's expense portion of all restricted share grants issued in the current and prior years, and is consistent with the treatment required by FRS 102. There is no liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of ACE Limited's common shares in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by ACE Limited to the eligible employees. The total value of the shares granted during the year was $144,135 (2013: $144,137).

Restricted share option plan

Under ACE Limited's 2004 Long Term Incentive Plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value of ACE Limited's common shares at issue date. These options vest at various dates over a 3-year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by ACE Limited to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current year's expense portion of all restricted share options issued in the current and prior years, and is consistent with the treatment required by FRS102. There is no liability to the Company for the unamortised portion of the restrictive stock options issued.

Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant. The total value of the options granted during the year was $34,446 (2013: $34,441).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Average exercise price in SGD per share	**Options**	Average exercise price in SGD per share	Options
At 1 January		**8,845**		8,064
Granted	**127.62**	**2,007**	106.57	2,335
Transfer out	**112.62**	**(498)**	52.22	(682)
Exercised	**69.03**	**(601)**	62.41	(754)
Lapsed	**114.76**	**(531)**	106.43	(118)
At 31 December		**9,222**		8,845

In 2014, 2,007 options (2013: 2,335 options) were granted at $127.62 (2013: $106.57) per option and 6,082 options (2013: 5,190) are exercisable as at 31 December 2014. 601 (2013: 754) options were exercised during the year and the related weighted average share price of the options exercised was $69.03 (2013: $62.41) per share.

17 Share capital (continued)

(b) Share based remuneration (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry Year	Exercise price	Share options	
	SGD per share	**2014**	2013
2015	58.66	**126**	-
2016	74.39	**380**	380
2017	74.04	**405**	405
2018	79.50	**625**	625
2019	50.79	**959**	1,119
2020	66.43	**1,108**	1,298
2021	82.62	**1,241**	1,533
2022	96.74	**1,096**	1,268
2023	112.78	**1,543**	2,217
2024	127.62	**1,739**	-
		9,222	8,845

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was $23.01 (2013: $21.25) per option. The significant inputs into the model were share price of $127.62 (2013: $106.43), at the grant date, the exercise price shown above, volatility of 25.0% (2013: 28.0%), dividend yield of 2.69% (2013: 2.39%), an expected option life of 5 years and an annual risk-free interest rate of 1.65% (2013: 0.89%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Employee share purchase plan

The Company collects monies from local eligible employees and acquires common shares in ACE Limited on behalf of the employees on a bi-annual basis. The price paid by the eligible employees is set at a discount of 15% to the fair value of the ordinary shares at the date of acquisition; this discount is incurred at the group level by ACE Limited and not charged to the Company. The total amount of discount applied to the employee share plan purchases in the current year was $28,885 (2013: $20,713).

(c) Movements in share-based remuneration reserves

	2014 **$**	2013 $
Beginning of financial year	**-**	-
Increase in equity due to value of employee services (note 7)	**178,581**	178,578
Transfer to share-based remuneration payables	**(178,581)**	(178,578)
End of financial year	**-**	-

18 Fair value reserve

	2014 $	2013 $
Beginning of financial year	**(121,299)**	1,326,371
Net fair value gains/(losses) during the financial year	**93,174**	(1,369,358)
Deferred tax on fair value changes (Note 16)	**(11,935)**	272,008
Transfer to profit or loss on disposal (Note 4)	**(11,447)**	(350,320)
End of financial year	**(51,507)**	(121,299)

The fair value reserve is non-distributable.

19 Dividends

	2014 $	2013 $
Ordinary dividends paid		
Interim exempt (one-tier) dividend for 2014 of 29.98 cents (2013: 35.82 cents) per share paid	**10,493,120**	12,536,885

20 Commitments

Operating lease commitments where company is a lessee

The Company leases various office spaces under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	2014 $	2013 $
Not later than one year	**3,576,314**	3,283,905
Later than one year but not later than five years	**17,014,406**	2,189,270
More than five years	**7,397,568**	-
	27,988,288	5,473,175

21 Immediate and ultimate holding corporations

The Company is a wholly-owned subsidiary of ACE-INA Overseas Insurance Company Limited, incorporated in Bermuda.

The ultimate holding corporation is ACE Limited, incorporated in Switzerland.

22 Financial risk management

The Company's activities expose it to a variety of financial risks. The components of financial risk are market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk.

These financial risks arise from the investment and underwriting activities of the business. Investment activity of the business is exposed to the general and specific market movements. The underwriting activity of the business generates credit and liquidity risk through insurance and reinsurance receivables and payables.

The Company's overall risk management focuses to mitigate potential adverse effects of these risks on the financial performance of the Company. The notes below explain the management of financial risks.

Underwriting activity governance

The underwriting activity is governed by the Company's Risk Management Framework. In the framework, the Board of Directors has overall risk management responsibility of the Company and approves its risk management strategy ensuring key risks are identified and managed appropriately. The framework includes the following:

i) Continuous identification of risks and the management of internal controls;
ii) Training and guidance of all relevant employees in the management of risk;
iii) Management reporting, monitoring and action to address significant issues adversely affecting the business;
iv) Implementation of loss prevention and control measures to reduce loss, injury, or damage;
v) Maintenance of the highest practicable protection standards against losses to assets and business interruption;
vi) Efficient management of information, records and loss recording systems;
vii) Implementation of proactive strategies to limit the liability of the Company and protect its reputation;
viii) Crisis management and recovery by planning for significant risks;
ix) Cost benefit management of insurance and other risk control programs; and
x) Clearly defined managerial responsibilities and controls.

Investment activity governance

The principal investment objective of the Company is to ensure that funds will be available to meet the Company's primary insurance and reinsurance obligations. Within this broad liquidity constraint, the investment portfolio's structure seeks to maximise return subject to specifically-approved guidelines of overall asset classes, credit quality, liquidity, and volatility of expected returns. As such, the Company's investment portfolio is invested primarily in investment-graded fixed-income securities as measured by the major rating agencies.

The management of the Company's investment portfolio is the responsibility of the Investment Committee which is accountable to ACE Asset Management Inc., incorporated in the United States of America, for monitoring, evaluating, development and coordination of the Company's investment related activities.

The Investment Committee is chaired by the Asia Pacific Regional Chief Financial Officer and is comprised of at least three members. Under the guidance of the ACE Asset Management Inc., the Investment Committee shall:

i) establish recommended investment guidelines that are appropriate to the prescribed asset allocation targets;
ii) monitor performance of investment returns, reporting and internal controls for all investment activities, foreign exchange, interest rate, liquidity and credit risks and to ensure appropriate systems in place for identifying and monitoring such risks; and
iii) recommend the appointment of fund managers.

The investment management function is outsourced to Western Asset Management Company Pte Limited.

22 Financial risk management (continued)

(a) Market risk

(i) *Currency risk*

The Company's currency risk arises mainly with respect to insurance business and investment activities transactions denominated in United States Dollar. United States Dollar liabilities are backed by assets in the underlying currency. Exposures to foreign currency risks are monitored on an on-going basis.

The Company's policy seeks to ensure an approximate currency match of assets and liabilities is maintained, with the bulk of surplus funds matched by Singapore Dollar and lesser surpluses held in United States Dollar.

The Company's currency exposure based on the information provided to key management is as follows:

	2014			
	SGD S$	USD S$	Others S$	Total S$
Financial assets				
Available-for-sale financial assets	76,487,107	25,669,000	-	102,156,107
Insurance receivables and other receivables	26,381,356	18,164,984	2,261,643	46,807,983
Reinsurance assets	60,739,624	31,905,129	3,755,248	96,400,001
Cash and cash equivalents	5,545,785	2,883,245	-	8,429,030
	169,153,872	78,622,358	6,016,891	253,793,121
Financial liabilities				
Insurance liabilities	102,736,659	39,508,690	8,570,521	150,815,870
Insurance payables and other payables	26,182,915	13,636,206	383,795	40,202,916
	128,919,574	53,144,896	8,954,316	191,018,786
Currency exposure	**-**	**25,477,462**	**(2,937,425)**	**-**

	2013			
	SGD S$	USD S$	Others S$	Total S$
Financial assets				
Available-for-sale financial assets	62,019,957	24,035,140	-	86,055,097
Insurance receivables and other receivables	30,906,851	14,934,164	3,199,320	49,040,335
Reinsurance assets	70,878,252	34,462,858	2,859,386	108,200,496
Cash and cash equivalents	7,012,941	1,817,584	-	8,830,525
	170,818,001	75,249,746	6,058,706	252,126,453
Financial liabilities				
Insurance liabilities	114,048,003	42,523,159	6,826,340	163,397,502
Insurance payables and other payables	23,876,223	6,945,922	1,243,525	32,065,670
	137,924,226	49,469,081	8,069,865	195,463,172
Currency exposure	**-**	**25,780,665**	**(2,011,159)**	**-**

22 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If USD changes against the SGD by 5% (2013: 5%) with all other variables including tax rate being held constant, the effects arising from the currency exposure will be as follows:-

	Increase/(decrease)			
	2014		2013	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Increase/(Decrease)				
USD against SGD				
- strengthened	(7,949)	1,065,264	72,439	997,458
- weakened	7,949	(1,065,264)	(72,439)	(997,458)

(ii) Interest rate risks

Cashflow 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 Company 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 Company's investment policy is to only invest in fixed income securities.

A change of 7 basis points (2013: 10 basis points) for cash and bank deposits and a change of 50 basis points (2013: 50 basis points) in interest yield across all portfolio consecutively would increase/(decrease) the market value of the investment and equity by the amounts as shown below. This analysis assumes that all other variables remain constant.

	Increase/(decrease)			
	2014		2013	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Cash and bank deposits				
- increased by (+7 bps) (2013: +10 bps)	479	-	1,190	-
- decreased by (-7 bps) (2013: -10 bps)	(479)	-	(1,190)	-
Available-for-sale financial assets				
- increased by (+50 bps) (2013: +50 bps)	-	(1,109,591)	-	(759,329)
- decreased by (-50 bps) (2013: -50 bps)	-	1,214,688	-	970,196

22 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are insurance receivables, re-insurance assets, investments in bonds, cash and bank deposits.

Credit risk – investment

The Company is exposed to investment credit and price risk as a result of its holdings in fixed income and equity investments. The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments; setting maximum counterparty exposures and minimum weighted credit quality and individual issuer credit quality.

Credit risk – insurance operations

The Company is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are:

i) Reinsurers' share of provision for claims outstanding;
ii) Debtors arising from reinsurers in respect of claims already paid;
iii) Amount due from direct insurance and reinsurance policyholders; and
iv) Amount due from direct insurance and reinsurance intermediaries.

Ceded reinsurance is used to manage and mitigate inwards direct insurance and reinsurance risk. Ceded reinsurance does not discharge the Company's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

With regard to direct insurance and reinsurance receivables, the Company operates a credit control committee to review all outstanding receivables, a process for monitoring credit risk from insurance operations.

The Company manages its credit risk through brokers and reinsurers that have good credit history. The Head Office approves such reinsurers based on a credit worthiness with a minimum A rating by the rating agencies.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

22 Financial risk management (continued)

(b) Credit risk (continued)

Credit risk – insurance operations (continued)

The credit risk for each class of financial instruments based on information provided to key management is as follows:

	Rating* (AAA to AA) $	Rating* (BBB to B) $	Rating* (CCC to D) $	Unrated** $	Total $
As at 31 December 2014					
Insurance receivables and other receivables	11,789,975	386,711	-	34,631,297	46,807,983
Available-for sale financial assets	87,145,217	8,589,706	-	6,421,184	102,156,107
Cash and cash equivalents	8,426,684	-	-	2,346	8,429,030
	107,361,876	**8,976,417**	**-**	**41,054,827**	**157,393,120**
As at 31 December 2013					
Insurance receivables and other receivables	5,213,376	65,630	-	43,761,329	49,040,335
Available-for sale financial assets	72,162,058	6,247,973	-	7,645,066	86,055,097
Cash and cash equivalents	8,828,189	-	-	2,336	8,830,525
	86,203,623	**6,313,603**	**-**	**51,408,731**	**143,925,957**

* Based on public ratings assigned by external rating agencies including S&P, Moody's and A.M. Best.

** Unrated includes direct customers mainly for Accident & Health business.

(i) Financial assets that are neither past due nor impaired

Bank deposits and investments in bonds are neither past due nor impaired. Bank deposits are placed with reputable banks and financial institutions, and investments are in bonds and government-related securities. The bond portfolio and funds placed with external manager are primarily invested in investment grade securities. Insurance receivables that are neither past due nor impaired are substantially companies with a good collection history with the Company.

There is no other class of financial assets that is past due and/or impaired except for insurance receivables.

The age analysis of insurance receivables is as follows:

	2014 $	2013 $
Neither past due nor impaired	**18,903,079**	28,451,103
Past due but not impaired		
Less than 3 months	**10,171,388**	10,228,429
Above 3 months but not exceeding 9 months	**6,895,510**	5,903,254
Above 9 months	**3,341,738**	1,101,613
	39,311,715	45,684,399

22 Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired (continued)

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

	2014 $	2013 $
Gross amount	**313,858**	262,647
Less: Allowance for impairment	**(313,858)**	(262,647)
	-	-
Beginning of financial year	**262,647**	113,880
Allowance made	**206,959**	187,892
Allowance utilised	**(154,752)**	(34,603)
Currency translation difference	**(996)**	(4,522)
End of financial year	**313,858**	262,647

The basis of determining impairment is set out in the accounting policy Note 2(e)(5)(i).

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. To manage liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuation in cash flows. The Company maintains its investment in fixed income instruments which are easily convertible to cash whenever needed.

The table below analyses the maturity profile of the Company's financial liabilities based on projected undiscounted cash flows.

	Less than 1 year $	Between 1 and 5 years $	More than 5 years $	Total $
As at 31 December 2014				
Insurance liabilities	72,745,513	76,450,993	2,856,921	152,053,427
Insurance payables and other payables	40,202,916	-	-	40,202,916
	112,948,429	**76,450,993**	**2,856,921**	**192,256,343**
As at 31 December 2013				
Insurance liabilities	72,452,240	88,146,547	4,294,975	164,893,762
Insurance payables and other payables	32,065,670	-	-	32,065,670
	104,517,910	**88,146,547**	**4,294,975**	**196,959,432**

22 Financial risk management (continued)

(d) Capital risk

The Company's objectives when managing capital are:

- Comply with the insurance capital requirements as set out in the Insurance Act (Chapter 142) Insurance (Valuation and Capital) Regulations. In this respect the Company manages its capital on a basis of 120% of its minimum regulatory capital position. Management considers the current capital adequacy ratio of 247% (2013: 240%) sufficient to optimise shareholder's return and to support the capital required to write its business;
- Safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In addition to other applicable regulatory requirements, insurers are required to maintain actuarial reserves under the Insurance Act (Chapter 142) to protect against the risk of adverse development in claims reserves in the future. The amount of the actuarial reserve is disclosed in Note 13.

(e) Fair value measurements

The following table presents the assets measured at fair value and classified by level of the following fair value measurement hierarchy:

- unadjusted quoted price in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

	Level 1 $	Level 2 $	Level 3 $	Total $
As at 31 December 2014				
Financial assets, available-for-sale	**11,086,959**	**91,069,148**	**-**	**102,156,107**
As at 31 December 2013				
Financial assets, available-for-sale	9,904,055	75,406,668	744,374	86,055,097

The Company uses pricing services to estimate fair value measurements for the majority of our fixed maturities. The pricing services use market quotations for fixed maturities that have quoted prices in active markets; such securities are classified within Level 1. For fixed maturities that generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Additional valuation factors that can be taken into account are nominal spreads, dollar basis, and liquidity adjustments. The pricing services evaluate each asset class based on relevant market and credit information, perceived market movements, and sector news. The market inputs used in the pricing evaluation, listed in the approximate order of priority include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. The extent of the use of each input is dependent on the asset class and the market conditions. Given the asset class, the priority of the use of inputs may change or some market inputs may not be relevant. Additionally, fixed maturities valuation is more subjective when markets are less liquid due to the lack of market based inputs (i.e., stale pricing), which may increase the potential that an investment's estimated fair value is not reflective of the price at which an actual transaction would occur. The overwhelming majority of fixed maturities are classified within Level 2 because the most significant inputs used in the pricing techniques are observable. For a small number of fixed maturities, the Company obtains a quote from a broker (typically a market maker). Due to the disclaimers on the quotes that indicate that the price is indicative only, the Company includes these fair value estimates in Level 3.

22 Financial risk management (continued)

(f) Insurance risk

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

The Company's operations are diversified by line of business and the geographic spread of risk. A global approach to risk management allows the Company to underwrite and accept large insurance accounts.

Clearly defined underwriting authorities, standards and guidelines are in place in the Company. Experienced underwriting teams maintain underwriting discipline through the use of pricing models, sophisticated catastrophe and risk management methodologies, and strict risk selection criteria. Qualified actuaries from the region work closely with the underwriting teams to provide additional expertise in the underwriting process. Centrally-coordinated reinsurance management facilitates appropriate risk transfer and efficient cost-effective use of external reinsurance markets. Reinsurers utilised by the Company must meet certain financial experience requirements and are put through a stringent financial review process in order to be pre-approved by the Head Office's Reinsurance Security Committee, comprising senior management personnel. As a result of these controls, reinsurance is placed with a select group of only the most financially secure and experienced companies in the reinsurance industry. Consistent approach to reserving practices and the settlement of claims are also ensured. In addition to these internal controls, the Company's operating units and functional areas are subject to review by the corporate audit team that regularly carries out operational audits.

The concentration of insurance risk before and after reinsurance by territory in relation to the major lines of business is summarised below, with reference to the carrying amount of the outstanding claims reserves (gross and net of reinsurance):

2014 **Territory**		**Financial lines** **$**	**General liabilities** **$**	**Accident And health** **$**	**Fire** **$**	**Others** **$**	**Total** **$**
Singapore	Gross	11,208,665	6,517,540	17,421,992	5,410,078	16,012,862	56,571,137
	Net	3,180,328	1,044,664	6,395,292	1,517,850	2,576,075	14,714,209
Middle East	Gross	9,743	10,221	-	8,733	83,601	112,298
	Net	4,780	10,182	-	1,678	113,261	
Other Asian Countries	Gross	1,698,742	1,379,457	44,879	1,043,332	20,010,819	24,177,229
	Net	825,275	583,527	24,877	264,955	2,210,273	3,908,907
Europe & USA	Gross	73,389	348,754	36	82,330	518,722	1,023,231
	Net	36,000	252,239	20	28,436	266,199	582,894
Total	**Gross**	12,990,539	8,255,972	17,466,907	6,544,473	36,626,004	**81,883,895**
	Net	4,046,383	1,890,612	6,420,189	1,812,919	5,165,808	**19,335,911**

22 Financial risk management (continued)

(f) Insurance risk (continued)

2013 Territory		Financial lines $	General liabilities $	Accident And health $	Fire $	Others $	Total $
Singapore	Gross	10,774,003	10,360,128	15,709,953	3,506,818	22,770,993	63,121,895
	Net	2,714,754	1,115,017	5,227,646	1,111,675	3,154,891	13,323,983
Middle East	Gross	17,650	2,899	-	5,919	211,397	237,865
	Net	7,812	2,814	-	36	224,058	234,720
Other Asian Countries	Gross	2,138,179	1,946,722	131,731	1,017,704	21,344,735	26,579,071
	Net	966,851	692,464	67,608	615,243	2,731,980	5,074,146
Europe & USA	Gross	92,068	670,481	33	235,808	3,286,160	4,284,550
	Net	40,748	444,744	17	168,239	146,828	800,576
Total	**Gross**	13,021,900	12,980,230	15,841,717	4,766,249	47,613,285	**94,223,381**
	Net	3,730,165	2,255,039	5,295,271	1,895,193	6,257,757	**19,433,425**

23 Related party transactions

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

(a) Sales and purchases of services

	2014 $	2013 $
Business from related companies		
Premium income	**7,110,721**	10,035,548
Commission expense	**(935,292)**	(702,534)
Claims paid	**(3,670,921)**	(1,827,293)
Business to related companies		
Premiums ceded	**(99,413,552)**	(95,995,344)
Commissions received	**36,394,183**	32,341,220
Claims recovered	**21,285,095**	22,585,806
General expenses billed to regional office	**2,780,223**	2,374,584
General expenses allocated by regional office	**(5,835,900)**	(6,074,267)
Information processing expenses billed by a related company	**(991,178)**	(1,041,054)
Service fees billed by related companies	**(390,688)**	(389,333)
Service fees billed to related companies	**47,000**	37,000

Outstanding balances at 31 December 2014, arising from sales/purchases of services, are set out in Notes 12 and 15, respectively.

(b) Key management personnel compensation

The key management personnel compensation includes salary, bonus and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Company and when the Company did not incur any costs, the value of the benefit.

Key management personnel compensation is analysed as follows:

	2014 $	2013 $
Salaries and other short-term employee benefits	**3,686,568**	3,763,373
Share based remuneration expenses	**278,876**	215,791
	3,965,444	3,979,164

24 New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published, and are relevant for the Company's accounting periods beginning on or after 1 January 2015 which the Company has not early adopted.

The management anticipates that the adoption of these new standards, amendments and interpretations to existing standards in the future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

25 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of ACE Insurance Limited on 30 April 2015.

CONTACT US

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