Annual Report 2017

CHUBB

Contents

Annual Report 2017

Chubb Insurance Singapore Limited
(Incoporated in Singapore)

Directors' Statement
For the financial year ended 31 December 2017

The directors present their statement to the shareholder together with the audited financial statements of the Company for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the balance sheet and the financial statements as set out on pages 8 to 49 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and the financial performance, 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.

Directors

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

- Koh Choon Hui
- Olivier Bouchard
- Scott Leslie Simpson (appointed on 1 March 2018)
- Adam Philip Clifford (resigned on 1 March 2018)

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, other than as disclosed under "Share options" in this statement.

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Directors' Statement (continued)

For the financial year ended 31 December 2017

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 31.12.2017	At 1.1.2017 or date of appointment, if later
Chubb Limited, ultimate holding corporation		
Restricted stock award[1]		
Olivier Bouchard	2,390	1,762
Adam Philip Clifford (resigned on 1 March 2018)	2,542	1,877
Restricted stock options[1]		
Olivier Bouchard	4,212	2,773
Adam Philip Clifford (resigned on 1 March 2018)	4,707	3,268
Common shares at par value CHF24.15 each		
Olivier Bouchard	2,126	1,339
Adam Philip Clifford (resigned on 1 March 2018)	2,550	1,964

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

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

Scott Leslie Simpson
Director

Olivier Bouchard
Director

27 April 2018

Independent Auditor's Report To The Shareholder Of Chubb Insurance Singapore Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of Chubb Insurance Singapore Limited (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the financial year 31 December 2017;
- the balance sheet as at 31 December 2017;
- the statement of changes in equity for the financial year then ended;
- the statement of cash flows for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement" on pages 3 to 4 but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Responsibilities of Management and Directors for the Financial Statements (continued)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 27 April 2018

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Statement Of Comprehensive Income

For the financial year ended 31 December 2017

	Notes	2017	2016
		$	$
Insurance premium revenue		**262,490,392**	238,417,868
Insurance premium ceded to reinsurers		**(166,508,369)**	(146,233,008)
Net insurance premium revenue	3	**95,982,023**	92,184,860
Fee income from insurance contracts		**43,895,172**	46,495,127
Investment income - Net	4	**4,935,922**	3,491,586
Other operating income	5	**3,964,202**	2,251,954
Income		**148,777,319**	144,423,527
Other (losses)/gains – currency exchange		**(5,706,878)**	4,496,499
Insurance claims and loss adjustment expenses		**(178,556,279)**	(107,060,487)
Insurance claims and loss adjustment expenses recovered from reinsurers		**156,899,422**	77,318,164
Net insurance claims	6	**(21,656,857)**	(29,742,323)
Expenses for acquisition of insurance contracts		**(50,071,919)**	(46,516,185)
Expenses for asset management services received		**(363,295)**	(408,717)
Operating expenses:			
– Employee benefits	7	**(26,325,704)**	(23,330,037)
– Depreciation expense	11	**(987,473)**	(1,224,939)
– Other operating expenses	8	**(34,361,720)**	(22,452,481)
		(61,674,897)	(47,007,457)
Expenses		**(133,766,968)**	(123,674,682)
Profit before income tax		**9,303,473**	25,245,344
Income tax expense	9(a)	**(2,226,032)**	(4,162,980)
Net profit		**7,077,441**	21,082,364
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	19	**890,223**	(1,460,108)
– Fair value losses transferred to profit or loss on disposal	19	**(47,153)**	(102,652)
Income tax (expense)/credit on fair value changes	19	**(135,324)**	176,222
Other comprehensive income/(losses), net of tax		**707,746**	(1,386,538)
Total comprehensive income		**7,785,187**	19,695,826

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

Balance Sheet

As at 31 December 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	15	**142,937,651**	24,003,900
Financial assets, available-for-sale	12	**257,442,877**	261,978,951
Insurance receivables and other receivables	13	**89,775,404**	109,545,471
Reinsurance assets	14	**132,556,829**	92,084,691
		622,712,761	487,613,013
Non-current assets			
Intangible asset	10	**14,640,000**	-
Property, plant and equipment	11	**5,756,024**	6,149,382
Reinsurance assets	14	**131,099,256**	40,958,318
		151,495,280	47,107,700
Total assets		**774,208,041**	534,720,713
Liabilities			
Current liabilities			
Insurance liabilities	14	**223,787,307**	185,846,283
Insurance payables and other payables	16	**83,387,332**	85,788,359
Current income tax liabilities	9(b)	**2,922,013**	4,612,111
		310,096,652	276,246,753
Non-current liabilities			
Insurance liabilities	14	**191,606,422**	111,765,623
Deferred income tax liabilities	17	**571,696**	348,253
		192,178,118	112,113,876
Total liabilities		**502,274,770**	388,360,629
Net Assets		**271,933,271**	146,360,084
Equity			
Share capital	18	**95,000,000**	95,000,000
Other reserve	18	**117,788,000**	-
Fair value reserve	19	**(1,109,425)**	(1,817,171)
Retained profits		**60,254,696**	53,177,255
Total Equity		**271,933,271**	146,360,084

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

Statement Of Changes In Equity

For the financial year ended 31 December 2017

	Notes	Share capital $	Other reserve $	Fair value reserve $	Retained profits $	Total Equity $
2017						
Beginning of financial year		**95,000,000**	**-**	**(1,817,171)**	**53,177,255**	**146,360,084**
Advance monies received for share issuance	18	-	117,788,000	-	-	117,788,000
Share based remuneration	18(c)	-	-	-	-	-
Total comprehensive income		-	-	707,746	7,7077,441	7,785,187
End of financial year		**95,000,000**	**117,788,000**	**(1,109,425)**	**60,254,696**	**271,933,271**
2016						
Beginning of financial year		**35,000,000**	**-**	**(430,633)**	**32,094,891**	**66,664,258**
Issuance of new shares	18	60,000,000	-	-	-	60,000,000
Share based remuneration	18(c)	-	-	-	-	-
Total comprehensive income		-	-	(1,386,538)	21,082,364	19,695,826
End of financial year		**95,000,000**	**-**	**(1,817,171)**	**53,177,255**	**146,360,084**

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

Statement Of Cash Flows

For the financial year ended 31 December 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Net profit		**7,077,441**	21,082,364
Adjustments for:			
Income tax expense		**2,226,032**	4,162,980
Depreciation expense		**987,473**	1,224,939
Net loss on sale of property, plant and equipment		**4,724**	513
Net gain on sale of available-for-sale financial assets		**(47,153)**	(102,652)
Unrealised foreign exchange losses/(gains), net		**4,977,104**	(3,586,401)
Interest income		**(4,888,769)**	(3,388,934)
Operating cash flow before working capital changes		**10,336,852**	19,392,809
Change in working capital:			
Insurance receivables and other receivables		**19,667,115**	(42,445,746)
Insurance payables and other payables		**(2,401,027)**	6,239,257
Net insurance liabilities		**(12,831,253)**	(7,645,110)
Cash generated from operations		**14,771,687**	(24,458,790)
Income tax paid - net	9(b)	**(3,690,098)**	(492,808)
Net cash (used in)/ provided by operating activities		**11,081,589**	(24,951,598)
Cash flows from investing activities			
Cash transferred due to scheme of transfer		**-**	35,423,238
Purchases of property, plant and equipment		**(598,839)**	(519,757)
Proceeds from disposal of property, plant and equipment		**-**	3,084,835
Purchases of investments		**(157,580,715)**	(121,391,219)
Proceeds from sale of investments		**157,077,017**	52,167,894
Intangible assets acquired		**(14,640,000)**	-
Interest received		**5,806,699**	3,965,342
Net cash used in investing activities		**(9,935,838)**	(27,269,667)
Cash flows from financing activities			
Advance monies received for share issuance	18	**117,788,000**	-
Proceeds from issuance of new shares	18	**-**	60,000,000
Net cash generated from financing activities		**117,788,000**	60,000,000
Net increase in cash and cash equivalents held		**118,933,751**	7,778,735
Cash and cash equivalents at beginning of financial year	15	**24,003,900**	16,225,165
Cash and cash equivalents at end of financial year	15	**142,937,651**	24,003,900

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

Chubb Insurance Singapore Limited (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 138 Market Street, #11-01 CapitaGreen, Singapore 048946.

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 14.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, 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.

Interest income is recognised using the effective interest method.

(c) Intangible assets

Distribution rights

Distribution rights acquired are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the discounted cashflow approach over their estimated useful years and period of contractual rights.

(d) 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(e)).

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	10% - 33 1/3%
Office equipment	10% - 20%
Furniture and fittings	10% - 33 1/3%
Computer equipment	20% - 33 1/3%

except where the assets are less than $1,000 in value. Assets less than $1,000 in value are expensed to profit or loss in the month of acquisition.

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.

(e) Impairment of non-financial assets

Property, plant and equipment and intangible asset 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.

(f) 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.

(f) 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 (f)(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 available-for-sale financial asset 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.

(g) 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.

(h) Insurance and other payables

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

(i) 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, such as negligence, misrepresentation and loss of personal data.

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, purchases 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.

(j) 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(f).

(k) 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 $1/365^{th}$ method, except for direct marketing business which is calculated using the $1/24^{th}$ 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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 18(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.

(q) 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) Transaction 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.

(r) 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.

(s) Government grants

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.

(t) Share capital

Ordinary shares are classified as equity.

(u) 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.

(v) Dividend

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

(w) Business combination under common control

The assets and liabilities of the transferred business are accounted for at the date of transfer, based on the carrying amounts of the Transferor adjusted for alignment of accounting policies, if any. The income statements include the results of the transferred business from the date of transfer.

3. Net insurance premium revenue

	2017	2016
	$	$
Short-term insurance contracts – gross written premium – change in unearned premium reserve	 **254,382,640** **8,107,752**	 239,783,561 (1,365,693)
Premium revenue arising from insurance contracts issued	**262,490,392**	238,417,868
Short-term reinsurance contracts – ceded written premium – change in unearned premium reserve	 **(164,213,232)** **(2,295,137)**	 (158,881,593) 12,648,585
Premium revenue ceded to reinsurers for insurance contracts purchased	**(166,508,369)**	(146,233,008)
Net insurance premium revenue	**95,982,023**	92,184,860

4. Investment income – Net

	2017	2016
	$	$
Financial assets, available-for-sale: – interest income	 **4,858,659**	 3,368,758
Cash and cash equivalents: – interest income from banks	 **30,110**	 20,176
Net realised gains on available-for-sale financial assets (Note 19)	**47,153**	102,652
	4,935,922	3,491,586

5. Other operating income

	2017	2016
	$	$
Government grant	**256,224**	477,285
Recovery of expenses from related corporation	**293,931**	505,596
Other miscellaneous income	**3,414,047**	1,269,073
	3,964,202	2,251,954

6. Net insurance claims

	2017	2016
	$	$
Insurance claims and loss adjustment expenses		
– gross claims paid	**(52,141,682)**	(110,360,279)
– change in outstanding claims	**(126,414,597)**	3,299,792
	(178,556,279)	(107,060,487)
Insurance claims and loss adjustment expenses recovered		
– paid claims recovered	**23,991,209**	84,684,426
– change in outstanding claims	**132,908,213**	(7,366,262)
	156,899,422	77,318,164
Net insurance claims	**(21,656,857)**	(29,742,323)

7. Employee benefits

	2017	2016
	$	$
Wages and salaries	**22,156,922**	19,345,182
Share-based remuneration expenses (Note 18(c))	**235,723**	196,437
Staff related expenses	**1,716,674**	1,712,015
	24,109,319	21,253,634
Employer's contribution to Central Provident Fund	**2,216,385**	2,076,403
	26,325,704	23,330,037

8. Other operating expenses

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

	2017	2016
	$	$
Management fees	**6,744,737**	6,160,734
IT related expenses	**2,436,315**	2,098,307
Rental on operating lease	**2,497,337**	2,341,578
Loss on sale of property, plant and equipment	**4,724**	513
Impairment of insurance receivables	**1,256,261**	542,776
Bad debts written off	**573,352**	1,704
Sales incentives paid to sponsors	**1,226**	28,299
Outsourcing expenses	**4,376,744**	4,002,799
Service fees	**3,210,000**	-
Office related expenses and utilities	**1,847,637**	1,895,817
Other expenses	**11,413,387**	5,379,954
	34,361,720	22,452,481

9. Income tax

(a) Income tax expense

	2017	2016
	$	$
Tax expense attributable to profit is made up of:		
– current income tax	**2,000,000**	4,200,000
– deferred income tax (Note 17)	**88,119**	289,087
– withholding tax expenses	**139,475**	101,466
	2,227,594	4,590,553
Over provision in prior financial years		
– prior year income tax	**(1,562)**	(427,573)
	2,226,032	4,162,980

9. Income tax (continued)

(a) Income tax expense (continued)

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

	2017	2016
	$	$
Profit before income tax	**9,303,473**	25,245,344
Tax calculated at a tax rate of 17% (2016: 17%)	**1,581,590**	4,291,708
Effects of:		
– Income taxed at concessionary rate of 10%	**(25,286)**	(477,629)
– Expenses not deductible for tax purposes	**683,192**	858,052
– Singapore statutory stepped income exemption	**(25,925)**	(25,925)
– Tax incentives	**(55,903)**	(157,119)
– Withholding tax expenses	**139,475**	101,466
– Over provision in prior financial years	**(1,562)**	(427,573)
– Others	**(69,549)**	-
Tax expense	**2,226,032**	4,162,980

(b) Movements in current income tax liabilities

	2017	2016
	$	$
At beginning of financial year	**4,612,111**	1,332,492
Income tax paid	**(3,824,044)**	(589,774)
Income tax refunded	**133,946**	96,966
Tax payable on profit for current financial year	**2,000,000**	4,200,000
Over provision in prior financial year tax expense	**-**	(427,573)
At end of financial year	**2,922,013**	4,612,111

10. Intangible assets

	Distribution rights	
	2017	2016
	$	$
Cost		
Beginning of financial year	**-**	-
Additions	**14,640,000**	-
End of financial year	**14,640,000**	-
Accumulated amortisation		
Beginning and end of financial year	**14,640,000**	-
Net carrying amount		
End of financial year	**14,640,000**	-

11. Property, plant and equipment

	Leasehold improvements	Office equipment	Furniture and fittings	Computer equipment	Work in progress	Total
	$	$	$	$	$	$
2017						
Cost						
Beginning of financial year	3,542,534	1,253,717	1,912,684	2,091,514	-	8,800,449
Additions	344,422	-	165	59,754	194,498	598,839
Disposals	(2,249)	(1,122)	(3,420)	-	-	(6,791)
End of financial year	3,884,707	1,252,595	1,909,429	2,151,268	194,498	9,392,497
Accumulated depreciation						
Beginning of financial year	533,036	404,246	258,540	1,455,245	-	2,651,067
Depreciation charge	460,945	111,561	194,303	220,664	-	987,473
Disposals	(375)	(1,122)	(570)	-	-	(2,067)
End of financial year	993,606	514,685	452,273	1,675,909	-	3,636,473
Net book value **End of financial year**	**2,891,101**	**737,910**	**1,457,156**	**475,359**	**194,498**	**5,756,024**
2016						
Cost						
Beginning of financial year	6,250,615	1,135,127	1,855,998	1,742,931	-	10,984,671
Scheme of transfer addition	-	21,853	-	193,050	-	214,903
Additions	789,849	96,737	64,811	155,533	-	1,106,930
Disposals	(3,497,930)	-	(8,125)	-	-	(3,506,055)
End of financial year	3,542,534	1,253,717	1,912,684	2,091,514	-	8,800,449
Accumulated depreciation						
Beginning of financial year	220,649	274,457	73,790	1,112,779	-	1,681,675
Scheme of transfer addition	-	17,604	-	147,556	-	165,160
Depreciation charge	725,482	112,185	192,362	194,910	-	1,224,939
Disposals	(413,095)	-	(7,612)	-	-	(420,707)
End of financial year	533,036	404,246	258,540	1,455,245	-	2,651,067
Net book value **End of financial year**	**3,009,498**	**849,471**	**1,654,144**	**636,269**	**-**	**6,149,382**

12. Financial assets, available-for-sale

The movements during the year are as follows:

	2017	2016
	$	$
Beginning of financial year	**261,978,951**	105,522,306
Scheme of transfer addition	-	86,128,572
Additions	**157,580,715**	121,391,219
Fair value gains/(losses) recognised in other comprehensive income	**890,223**	(1,460,108)
Amortisation of premiums (net of discounts)	**(952,891)**	(1,021,545)
Disposals	**(157,077,017)**	(52,167,894)
Currency translation differences	**(4,977,104)**	3,586,401
End of financial year	**257,442,877**	261,978,951

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

	2017	2016
	$	$
Listed securities:		
Government securities – SGD	**102,211,394**	109,335,151
Government securities – USD	**32,155,308**	36,623,640
	134,366,702	145,958,791
Loan stocks in corporations – SGD	**75,126,914**	54,640,007
Loan stocks in corporations – USD	**47,949,261**	61,380,153
	123,076,175	116,020,160
	257,442,877	261,978,951

The loan stocks and government securities have maturity dates from January 2018 to March 2027 with the following weighted average effective interest rates:

	2017	2016
Singapore Dollar	**2.42%**	2.27%
United States Dollar	**2.37%**	1.90%

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

13. Insurance receivables and other receivables

	2017	2016
	$	$
Receivables from insurance and reinsurance contracts:		
– related companies	**15,240,765**	14,467,245
– third parties	**69,141,017**	79,467,757
	84,381,782	93,935,002
Less allowance for impairment of receivables		
– third parties	**(2,915,156)**	(1,663,283)
	81,466,626	92,271,719
Other receivables:		
– Prepayments	**171,258**	162,472
– Receivables from related companies	**4,806,590**	12,413,172
– Accrued interest receivable	**1,235,039**	1,200,077
– Rental and other deposits	**1,439,656**	1,468,951
– Sundry receivables	**656,235**	2,029,080
	8,308,778	17,273,752
Total insurance receivables and other receivables	**89,775,404**	109,545,471

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

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

14. Insurance liabilities and reinsurance assets

	2017	2016
	$	$
Gross		
Current: – outstanding claims reserves – reserves for unearned premium* – no claims bonus provision – provision for premiums refund	 **134,469,801** **86,201,506** **2,767,302** **348,698**	 88,335,331 94,309,258 3,096,021 105,673
	223,787,307	185,846,283
Non-current: – outstanding claims reserves – provision for premiums refund	 **188,903,950** **2,702,472**	 108,623,823 3,141,800
	191,606,422	111,765,623
Total insurance liabilities, gross	**415,393,729**	297,611,906
Recoverable from reinsurers		
Current: - outstanding claims reserves - reserves for unearned premium	 **85,617,981** **46,938,848**	 42,850,706 49,233,985
	132,556,829	92,084,691
Non-current: – outstanding claims reserves	 **131,099,256**	 40,958,318
Total reinsurer's share of insurance liabilities	**263,656,085**	133,043,009

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

Net		
Current: – outstanding claims reserves – reserves for unearned premium – no claims bonus provision – provision for premiums refund	 **48,851,820** **39,262,658** **2,767,302** **348,698**	 45,484,626 45,075,273 3,096,021 105,673
	91,230,478	93,761,593
Non-current: – outstanding claims reserves – provision for premiums refund	 **57,804,694** **2,702,472**	 67,665,504 3,141,800
	60,507,166	70,807,304
Total insurance liabilities, net	**151,737,644**	164,568,897

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% (2016: 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.

(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	(872,387)	872,387
	-0.5 years	1,009,849	(1,009,849)
Ultimate claim number - current year	+10%	4,687,739	(4,687,739)
	-10%	(4,687,739)	4,687,739
Average claim size - current year	+10%	4,687,739	(4,687,739)
	-10%	(4,687,739)	4,687,739
Unallocated claim expense rate	+1%	3,064,662	(3,064,662)
	-1%	(3,064,661)	3,064,661
Discount rate	+1%	(1,654,489)	1,654,489
	-1%	1,829,760	(1,829,760)

(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 2017 is 15.3% (2016: 16.3%).

(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 five most recent accident years

Gross

Accident year	2013	2014	2015	2016	2017	Total
	$	$	$	$	$	$
Estimate of ultimate claims costs:						
– at end of accident year	85,608,709	73,901,292	101,711,218	87,267,771	178,226,129	
– one year later	75,373,033	73,694,969	137,040,939	68,820,798		
– two years later	69,198,979	67,343,809	136,588,491			
– three years later	76,727,597	64,582,612				
– four years later	79,283,604					
Current estimate of cumulative claims	79,283,604	64,582,612	136,588,491	68,820,798	178,226,129	527,501,634
Cumulative payments to date	(65,036,414)	(54,280,739)	(111,692,110)	(31,378,960)	(16,698,298)	(279,086,521)
Outstanding claims – undiscounted	14,247,190	10,301,873	24,896,381	37,441,838	161,527,831	248,415,113
Discount	(387,571)	(357,341)	(705,197)	(1,032,435)	(4,577,259)	(7,059,803)
Outstanding claims	13,859,619	9,944,532	24,191,184	36,409,403	156,950,572	241,355,310
Outstanding claims in respect of prior accident years						24,325,164
Risk margin						42,949,545
Claims handling costs						14,743,732
Total gross outstanding claims						**323,373,751**

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

Net

Accident year	2013	2014	2015	2016	2017	Total
	$	$	$	$	$	$
Estimate of ultimate claims costs:						
– at end of accident year	45,411,257	41,344,945	47,560,405	40,308,002	31,239,416	
– one year later	42,102,193	36,683,483	49,053,872	33,468,047		
– two years later	37,302,147	33,527,015	48,118,537			
– three years later	37,644,604	33,154,074				
– four years later	37,465,069					
Current estimate of cumulative claims	37,465,069	33,154,074	48,118,537	33,468,047	31,239,416	183,445,143
Cumulative payments to date	(26,617,823)	(25,441,607)	(35,210,318)	(17,545,400)	(7,366,393)	(112,181,541)
Outstanding claims – undiscounted	10,847,246	7,712,467	12,908,219	15,922,647	23,873,023	71,263,602
Discount	(342,721)	(325,509)	(504,925)	(631,783)	(535,284)	(2,340,222)
Outstanding claims	10,504,525	7,386,958	12,403,294	15,290,864	23,337,739	68,923,380
Outstanding claims in respect of prior accident years						7,582,869
Risk margin						15,406,533
Claims handling costs						14,743,732
Total net outstanding claims						106,656,514

14. Insurance liabilities and reinsurance assets (continued)

(f) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims

Year ended 31 December	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At beginning of year	**196,959,154**	**(83,809,024)**	**113,150,130**	113,219,613	(88,658,781)	24,560,832
Balance taken on from scheme of transfer	-	-	-	87,039,333	(2,516,505)	84,522,828
Cash paid for claims settled in the year	**(52,141,682)**	**23,991,209**	**(28,150,473)**	(110,360,279)	84,684,426	(25,675,853)
Claims incurred	**178,556,279**	**(156,899,422)**	**21,656,857**	107,060,487	(77,318,164)	29,742,323
At end of year	**323,373,751**	**(216,717,237)**	**106,656,514**	196,959,154	(83,809,024)	113,150,130
Claims reported and loss adjustment expenses	**46,764,223**	**(29,549,618)**	**17,214,605**	59,123,054	(33,684,955)	25,438,099
Incurred but not reported	**233,659,983**	**(159,624,607)**	**74,035,376**	110,266,034	(39,473,594)	70,792,440
Provision for adverse deviation	**42,949,545**	**(27,543,012)**	**15,406,533**	27,570,066	(10,650,475)	16,919,591
At end of year	**323,373,751**	**(216,717,237)**	**106,656,514**	196,959,154	(83,809,024)	113,150,130

(ii) Reserves for unearned premium

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At beginning of year	**94,309,258**	**(49,233,985)**	**45,075,273**	62,785,657	(34,498,259)	28,287,398
Balance taken on from scheme of transfer	-	-	-	30,157,908	(2,087,141)	28,070,767
Premium written in the year	**254,382,640**	**(164,213,232)**	**90,169,408**	239,783,561	(158,881,593)	80,901,968
Premium earned in the year	**(262,490,392)**	**166,508,369**	**(95,982,023)**	(238,417,868)	146,233,008	(92,184,860)
At end of year	**86,201,506**	**(46,938,848)**	**39,262,658**	94,309,258	(49,233,985)	45,075,273

(iii) Refundable bonus provision

	2017	2016
	$	$
At beginning of year	**3,096,021**	3,333,038
Provision for the year	**3,876,330**	4,369,060
Refunds during the year	**(4,205,049)**	(4,606,077)
At end of year	**2,767,302**	3,096,021

14. Insurance liabilities and reinsurance assets (continued)

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

(iv) Provision for premium refund

	2017	2016
	$	$
At beginning of year	**3,247,473**	3,439,144
Movement for the year	**826,734**	1,216,992
Refunds during the year	**(1,023,037)**	(1,408,663)
At end of year	**3,051,170**	3,247,473

15. Cash and cash equivalents

	2017	2016
	$	$
Cash at bank – SGD	**124,456,617**	15,711,691
Cash at bank – USD	**10,975,683**	8,292,209
Fixed deposits with financial institutions	**7,505,351**	-
	142,937,651	24,003,900

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

The Company held fixed deposits with financial institutions with an average maturity of 1 month as at the end of the financial year 2017.

	2017	2016
	$	$
Singapore Dollar	**0.84%**	-

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

16. Insurance payables and other payables

	2017	2016
	$	$
Amount due to insured, agents, brokers and reinsurers:		
– related companies	**34,771,699**	48,220,479
– third parties	**21,625,728**	8,499,751
	56,397,427	56,720,230
Other payables:		
– payables to related companies	**8,517,798**	2,020,590
– advanced premium received	**168,460**	326,790
– share-based remuneration payable	**1,265,716**	1,036,640
– sundry creditors	**6,210,945**	17,054,525
– GST payable	**1,351,076**	1,683,032
– accrued operating expenses	**9,475,910**	6,946,552
	26,989,905	29,068,129
Total insurance payables and other payables	**83,387,332**	85,788,359

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.

17. 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:

	2017	2016
	$	$
Beginning of financial year	**348,253**	235,388
Tax charge/(credit) to:		
– Profit or loss (Note 9(a))	**88,119**	289,087
– Fair value reserve (Note 19)	**135,324**	(176,222)
End of financial year	**571,696**	348,253

17. 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 liabilities/(assets):

	Accelerated tax depreciation	Fair value losses	Others	Total
	$	$	$	$
At 1 January 2017	664,634	(270,969)	(45,412)	348,253
Credited to profit or loss	89,520	-	(1,401)	88,119
Credited to equity (Note 19)	-	135,324	-	(135,324)
At 31 December 2017	**754,154**	**(135,645)**	**(46,813)**	**571,696**
At 1 January 2016	360,557	(94,747)	(30,422)	235,388
Credited to profit or loss	304,077	-	(14,990)	289,087
Credited to equity (Note 19)	-	(176,222)	-	(176,222)
At 31 December 2016	**664,634**	**(270,969)**	**(45,412)**	**348,253**

18. Share capital

(a)

	No. of shares issued	Share capital
		$
2017		
Beginning and end of financial year	**95,000,000**	**95,000,000**
2016		
Beginning of financial year	35,000,000	35,000,000
Issuance of new shares	60,000,000	60,000,000
End of financial year	95,000,000	95,000,000

All issued ordinary shares are fully paid with no par value.

On On 18 January 2018, 117,788,000 shares were issued for the advance monies received of $117,788,000.

(b) Share based remuneration

Chubb 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 $235,723 (2016: $196,437).

Restricted share grant plan

Under Chubb Limited's 2004 Long Term Incentive Plan, 2,544 restricted common shares were awarded during the year ended 31 December 2017 (2016: 2,947 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 Chubb 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 Chubb 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 Chubb Limited to the eligible employees. The total value of the shares granted during the year was $190,261 (2016: $158,551).

Restricted share option plan

Under Chubb 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 Chubb 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 Chubb 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 $45,462 (2016: $37,886).

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

	2017		2016	
	Average exercise price in SGD per share	**Options**	Average exercise price in SGD per share	Options
At 1 January		**10,186**		7,673
Granted	**187.88**	**3,290**	163.44	2,385
Transfer in/(out)	**165.21**	**(498)**	158.67	3,937
Exercised	**118.59**	**(1,427)**	115.77	(2,123)
Lapsed	**158.42**	**(935)**	158.13	(1,686)
At 31 December		**10,616**		10,186

In 2017, 3,290 options (2016: 2,385 options) were granted at $187.88 (2016: $163.44) per option and 5,013 options (2016: 4,409) are exercisable as at 31 December 2017. 1427 (2016: 2,123) options were exercised during the year and the related weighted average share price of the options exercised was $118.59 (2016: $114.76) per share.

(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	**2017**	2016
2017	75.88	**-**	-
2018	81.47	**250**	-
2019	52.05	**329**	355
2020	68.08	**326**	375
2021	84.66	**275**	326
2022	99.14	**274**	455
2023	115.41	**358**	428
2024	134.40	**1,066**	598
2025	155.13	**1,930**	1,603
2026	160.01	**2,633**	2,448
2027	187.88	**3,175**	3,598
		10,616	10,186

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was $32.84 (2016: $29.79) per option. The significant inputs into the model were share price of $187.88 (2016: $168.58), at the grant date, the exercise price shown above, volatility of 20.33% (2016: 24.00%), dividend yield of 2.06% (2016: 2.26%), an expected option life of 5 years and an annual risk-free interest rate of 2.05% (2016: 1.24%). 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 Chubb 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 Chubb Limited and not charged to the Company. The total amount of discount applied to the employee share plan purchases in the current year was $44,176 (2016: $34,075).

(c) Movements in share-based remuneration reserves

	2017	2016
	$	$
Beginning of financial year	**-**	-
Increase in equity due to value of employee services (Note 7)	**235,723**	196,437
Transfer to share-based remuneration payables	**(235,723)**	(196,437)
End of financial year	**-**	-

19. Fair value reserve

	2017	2016
	$	$
Beginning of financial year	**(1,817,171)**	(430,633)
Net fair value gains/(losses) during the financial year	**890,223**	(1,460,108)
Deferred tax on fair value changes (Note 17)	**(135,324)**	176,222
Transfer to profit or loss on disposal (Note 4)	**(47,153)**	(102,652)
End of financial year	**(1,109,425)**	(1,817,171)

The fair value reserve is non-distributable.

20. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognized in the financial statements are as follows:

	2017	2016
	$	$
Distribution rights	**107,000,000**	-

(b) 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:

	2017	2016
	$	$
Not later than one year	**5,285,362**	5,296,539
Later than one year but not later than five years	**14,096,572**	19,381,934
	19,381,934	24,678,473

The rental on operating lease amounting to $2,640,755 (2016: $2,641,602) is borne by related parties for the occupancy of the office space.

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 Chubb 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 Chubb 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 Chubb 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.

(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.

(a) Market risk (continued)

(i) Currency risk (continued)

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

	2017			
	SGD	USD	Others	Total
	S$	S$	S$	S$
Financial assets				
Available-for-sale financial assets	177,338,308	80,104,569	-	257,442,877
Insurance receivables and other receivables	37,792,469	39,075,886	12,907,049	89,775,404
Reinsurance assets	213,878,804	45,891,933	3,885,348	263,656,085
Cash and cash equivalents	131,961,968	10,975,683	-	142,937,651
	560,971,549	176,048,071	16,792,397	753,812,017
Financial liabilities				
Insurance liabilities	349,932,834	56,325,001	9,135,894	415,393,729
Insurance payables and other payables	32,883,168	42,743,471	7,760,693	83,387,332
	382,816,002	99,068,472	16,896,587	498,781,061
Currency exposure		**76,979,599**	**(104,190)**	

	2016			
	SGD	USD	Others	Total
	S$	S$	S$	S$
Financial assets				
Available-for-sale financial assets	163,975,158	98,003,793	-	261,978,951
Insurance receivables and other receivables	57,951,228	41,167,573	10,426,670	109,545,471
Reinsurance assets	79,785,854	45,884,437	7,372,718	133,043,009
Cash and cash equivalents	15,711,691	8,292,209	-	24,003,900
	317,423,931	193,348,012	17,799,388	528,571,330
Financial liabilities				
Insurance liabilities	216,065,912	68,814,418	12,731,576	297,611,906
Insurance payables and other payables	47,074,780	27,182,223	11,531,356	85,788,359
	263,140,692	95,996,641	24,262,932	383,400,265
Currency exposure		**97,351,371**	**(6,463,544)**	

(a) Market risk (continued)

(i) Currency risk (continued)

If USD changes against the SGD by 6% (2016: 7%) with all other variables including tax rate being held constant, the effects arising from the currency exposure will be as follows:

	Increase/(decrease)			
	2017		2016	
	Profit before tax	Impact on equity	Profit before tax	Impact on equity
	S$	S$	S$	S$
Increase/(Decrease)				
USD against SGD – strengthened – weakened	4,618,780 (4,618,780)	3,833,587 (3,833,587)	7,164,166 (7,164,166)	5,946,258 (5,946,258)

(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 (2016: 0 basis points) for cash and bank deposits and a change of 50 basis points (2016: 50 basis points) for available-for-sale financial assets 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)			
	2017		2016	
	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income
	S$	S$	S$	S$
Cash and bank deposits				
- increased by (7 bps) (2016: 0 bps)	1,724	-	-	-
- decreased by (7 bps) (2016: 0 bps)	(1,724)	-	-	-
Available-for-sale financial assets				
- increased by (50 bps) (2016: 50 bps)	-	(2,365,766)	-	(3,027,266)
- decreased by (50 bps) (2016: 50 bps)	-	2,365,766	-	3,027,264

(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.

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

	Rating* (AAA to A)	Rating* (BBB to B)	Rating* (CCC to D)	Unrated**	Total
	$	$	$	$	$
As at 31 December 2017					
Insurance receivables and other receivables	21,063,988	632,420	-	68,078,996	89,775,404
Available-for sale financial assets	255,425,281	2,017,596	-	-	257,442,877
Cash and cash equivalents	142,937,651	-	-	-	142,937,651
	419,426,920	**2,650,016**	**-**	**68,078,996**	**490,155,932**
As at 31 December 2016					
Insurance receivables and other receivables	38,138,706	452,144	-	70,954,621	109,545,471
Available-for sale financial assets	239,703,741	15,638,504	-	6,636,706	261,978,951
Cash and cash equivalents	24,003,900	-	-	-	24,003,900
	301,846,347	**16,090,648**	**-**	**77,591,327**	**395,528,322**

* 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.

(b) Credit risk (continued)

(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:

	2017	2016
	$	$
Neither past due nor impaired	37,632,622	45,319,377
Past due but not impaired		
– Less than 3 months	14,303,447	21,468,362
– Above 3 months but not exceeding 9 months	20,183,462	20,811,625
– Above 9 months	9,347,096	4,672,355
	81,466,627	92,271,719

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

	2017	2016
	$	$
Gross Amount	2,915,156	1,663,367
Less: Allowance for impairment	(2,915,156)	(1,663,367)
	-	-
Beginning of financial year	**1,663,367**	265,525
Allowance from scheme of transfer	-	844,113
Allowance made	2,376,822	545,331
Allowance utilised	(1,120,561)	(2,555)
Currency translation difference	(4,472)	10,953
End of financial year	2,915,156	1,663,367

The basis of determining impairment is set out in the accounting policy Note 2(f)(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 fluctuations in cash flows. The Company maintains its investment in fixed income instruments which are easily convertible to cash whenever needed.

(c) Liquidity risk (continued)

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
	S$	S$	S$	S$
As at 31 December 2017				
Insurance liabilities	159,707,964	253,552,722	13,699,634	426,960,320
Insurance payables and other payables	83,387,332	-	-	83,387,332
	243,095,296	**253,552,722**	**13,699,634**	**510,347,652**
As at 31 December 2016				
Insurance liabilities	117,341,214	173,268,759	14,967,292	305,577,265
Insurance payables and other payables	85,788,359	-	-	85,788,359
	203,129,573	**173,268,759**	**14,967,292**	**391,365,624**

(d) Capital risk

The Company's objectives when managing capital are:

- to 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 200.32% (2016: 199%) sufficient to optimise shareholder's return and to support the capital required to write its business;
- to 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
- to 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 14.

(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).

(e) Fair value measurements (continued)

	Level 1	Level 2	Level 3	Total
	S$	S$	S$	S$
As at 31 December 2017				
Financial assets, available-for-sale	**28,112,840**	**229,330,037**	**-**	**257,442,877**
As at 31 December 2016				
Financial assets, available-for-sale	33,482,618	228,496,333	-	261,978,951

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.

(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):

(f) Insurance risk (continued)

2017							
Territory		Financial lines	General liabilities	Accident and health	Fire	Others	Total
		$	$	$	$	$	$
Singapore	Gross	68,274,661	32,748,030	34,624,465	9,216,239	53,848,172	198,711,567
	Net	47,021,288	11,784,975	14,852,511	3,876,057	5,150,735	82,685,566
Middle East	Gross	958,032	466,069	-	202,160	4,808,921	6,435,182
	Net	470,332	320,495	-	23,725	104,538	919,090
Other Asian Countries	Gross	8,605,850	6,125,057	111,834	6,828,480	51,584,066	73,255,287
	Net	6,551,847	2,741,240	52,228	1,555,111	3,198,354	14,098,780
Europe & USA	Gross	7,639,945	8,338,421	-	1,548,578	27,444,771	44,971,715
	Net	5,960,471	1,933,341	-	596,514	462,752	8,953,078
Total	**Gross**	85,478,488	47,677,577	34,736,299	17,795,457	137,685,930	**323,373,751**
	Net	60,003,938	16,780,051	14,904,739	6,051,407	8,916,379	**106,656,514**

2016							
Territory		Financial lines	General liabilities	Accident and health	Fire	Others	Total
		$	$	$	$	$	$
Singapore	Gross	61,449,276	19,766,567	21,672,014	8,105,899	23,568,850	134,562,606
	Net	48,616,197	8,195,752	12,164,611	2,301,454	10,590,378	81,868,392
Middle East	Gross	353,409	255,869	-	364,621	268,296	1,242,195
	Net	151,731	201,158	-	28,318	6,298	387,505
Other Asian Countries	Gross	18,999,962	3,009,702	68,070	6,586,111	17,953,023	46,616,868
	Net	18,064,885	1,424,554	32,438	1,560,297	1,672,591	22,754,765
Europe & USA	Gross	7,007,038	2,345,104	-	1,928,189	3,257,154	14,537,485
	Net	6,096,145	1,136,721	-	486,121	420,481	8,139,468
Total	**Gross**	87,809,685	25,377,242	21,740,084	16,984,820	45,047,323	**196,959,154**
	Net	72,928,958	10,958,185	12,197,049	4,376,190	12,689,748	**113,150,130**

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

	2017	2016
	$	$
Business from related companies		
Premium income	**16,195,808**	22,599,719
Commission expense	**(2,458,623)**	(1,876,794)
Claims paid	**(3,257,652)**	(2,220,675)
Business to related companies		
Premiums ceded	**(137,403,748)**	(143,242,836)
Commissions received	**42,295,083**	46,589,635
Claims recovered	**22,338,214**	83,945,033
General expenses billed to regional office	**2,532,461**	8,498,916
General expenses allocated by regional office	**(9,619,127)**	(8,413,076)
Information processing expenses billed by a related company	**(2,399,256)**	(1,959,434)
Service fees billed by related companies	**(1,039,384)**	(1,724,263)
Service fees billed to related companies	**3,036,764**	1,155,533

Outstanding balances at 31 December 2017, arising from sales/purchases of services, are set out in Notes 13 and 16, 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 benefits.

Key management personnel compensation is analysed as follows:

	2017	2016
	$	$
Salaries and other short-term employee benefits	**6,267,659**	5,508,531
Share based remuneration expenses	**437,555**	331,345
	6,705,214	5,839,876

24. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 January 2018 and which the Company has not early adopted:

(a) FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments*: *Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of such financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

There is also now a new expected credit loss impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, all debt securities, lease receivables and loan commitments.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Company expects to defer application of FRS 109 until 1 January 2021 as allowed under the amendments to FRS 104 Insurance contracts outlined below.

(b) Amendment to FRS 104 (Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts)

The amendments introduce two approaches: an overlay approach and a deferral approach. The amended FRS 104:

(1) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when FRS 109 is applied before the new insurance contracts standard is issued ("the Overlay Approach"); and

(2) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 until 2021 (the "Deferral Approach"). The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard – FRS 39.

The new insurance accounting standard issued in December 2016 is expected to have a significant impact on the Company's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under FRS 109 is adopted.

In determining the appropriateness of the Company's eligibility in applying the exemption, management have reviewed the conditions prescribed by the Standard to ascertain if the Company has met the eligibility criteria set forth.

As at 31 December 2017, the proportion of the Company's liabilities arising from contracts that is in scope of FRS 104 is significant as it constitutes more than 93% of the total liabilities. The Company's activities is deemed to be predominantly connected with insurance since the proportion of liabilities connected with insurance is exceeding 90%. As such, the Company has met the criteria as set out for the temporary exemption under FRS 109.

(b) Amendment to FRS 104 (Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts) (continued)

The Company has decided that it will defer the implementation of FRS 109 till the new insurance accounting standard is effective and it is able to perform a comprehensive aseesment of both standards together.

(c) FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Company plans to adopt the new standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the opening retained profits at 1 January 2018 and comparative information for 2017 will not be restated.

25. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the board of directors of Chubb Insurance Singapore Limited on 27 April 2018.

About Chubb in Singapore

Chubb is the world's largest publicly traded property and casualty insurer. Chubb Insurance Singapore Limited, via acquisitions by its predecessor companies, has been present in Singapore since 1948. Chubb in Singapore provides underwriting and risk management expertise for all major classes of general insurance, including Property & Casualty, Marine, Liability, Financial Lines and Group Personal Accident insurance. As one of the leading providers of Accident & Health insurance through direct marketing, the company partners with financial institutions and other companies to tailor individual policies for their clients and employees. In addition, it offers a suite of customised Personal & Specialty insurance solutions to meet the needs of consumers.

Over the years, Chubb in Singapore has established strong client relationships by offering responsive service, developing innovative products and providing market leadership built on financial strength.

More information can be found at www.chubb.com/sg

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