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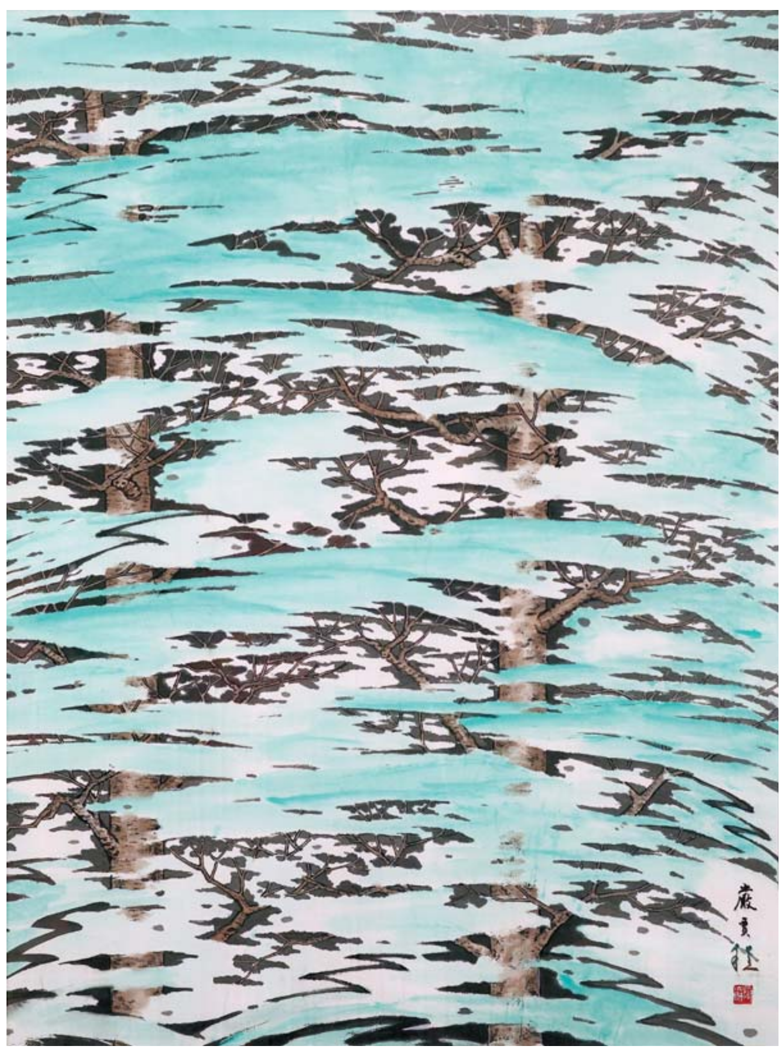
UNITED OVERSEAS INSURANCE LIMITED

Annual Report 2012



Splendour of Rainforests
Ngiam Kiah Seng

Our mission: To provide appropriate risk management solutions for selected market segments which will result in an enhanced customer experience.

CONTENTS

All figures in this Annual Report are in Singapore dollars unless otherwise specified.

United Overseas Insurance Limited
(incorporated in the Republic of Singapore)
Company Registration No. 197100152R

To: The Shareholders of United Overseas Insurance Limited

We refer to page 13 of the Company's Annual Report 2012 and wish to set out the directors' fees and other remuneration for the year under review in the 'Corporate Governance' section instead of in the 'Directors' Report' section of the Annual Report.

The following shall form part of the 'Corporate Governance' section:

Directors' Remuneration

Details of the total fees and other remuneration paid/payable by the Company to the directors for the financial year ended 31 December 2012 are as follows:

	Directors' Fees %	Base or Fixed Salary %	Variable Performance Bonus %	Benefits-in-kind and Others %	Total %
$500,000 to $749,000					
David Chan Mun Wai	2.9	52.4	36.0	8.7	100.0
Below $250,000					
Wee Cho Yaw	100.0	–	–	–	100.0
Wee Ee Cheong	100.0	–	–	–	100.0
Hwang Soo Jin	100.0	–	–	–	100.0
Yang Soo Suan	100.0	–	–	–	100.0
N Ganesan	100.0	–	–	–	100.0

Please read the above in conjunction with the Corporate Governance statement in the Annual Report.

Yours faithfully

Vivien Chan
Secretary

Singapore, 2 April 2013

***Splendour of Rainforests* by Ngiam Kiah Seng**

Ink and Colour on Paper

Ngiam Kiah Seng received the Platinum Award in the 2010 UOB Painting Of The Year Competition for this painting. It is the design inspiration behind this year's Annual Report.

Ngiam used a yin-yang stroke technique to represent the interconnectedness and interdependence of the stability of Singapore's financial system to the nation's growth and development through the idea of rainforests. The rainforest trees symbolise longevity, synonymous with UOB's long-term focus on how it manages and operates its businesses across the region.

Ngiam's piece is now one of the works in the UOB Art Collection. The collection began in the 1970s as a way to support the local art scene in Singapore and has grown to include more than 1,700 pieces from around the region. Many of these pieces are on display at the Group's offices worldwide.

Company Profile

Founded in 1971, United Overseas Insurance Limited (UOI) very quickly made its mark in the business community and in just seven years, UOI was listed on the Singapore Exchange. UOI's profitable growth over the years reflects its financial strength and prudence.

The Group's principal activities are the underwriting of general insurance business and reinsurance. General insurance covers a broad spectrum of classess of insurance, among which are fire, marine, motor, engineering, general accident and liability business.

UOI has a financial strength rating of A (Excellent) and assigned an issuer credit rating of "a+" by A.M. Best.

The Management of the Group is located at 3 Anson Road, #28 – 01 Springleaf Tower, Singapore 079909, and its Singapore and international operations are supported by prominent insurance brokers, agents and international reinsurance companies. UOI has a representative office in Yangon, Myanmar.

UOI provides management services for Union (2009) Limited (formerly known as Overseas Union Insurance, Limited).

"Continued growth in underwriting profit may be expected due to strong intra-Group support and a more aggressive marketing strategy underpinned by customary judicious risk management."

2012 Performance

The Singapore economy registered a growth of 1.3 per cent while the local business of the general insurance industry increased by 5.4 per cent led largely by premium growth in workers' and health insurances. Competition remained intense with risks being priced at uneconomic levels. Given such an environment, the need to remain prudent in the selection of risks became even more important.

Gross premiums for the Company crossed the $100 million mark, increasing eight per cent to S$104.4 million. This growth was achieved through bancassurance initiatives with the parent bank, greater support from selected insurance intermediaries and higher inflow of business from the region. The growth was fuelled by an increase in premiums from fire and general accident insurances which continued to be the two most profitable classes of business.

For the financial year ended 2012, the Company achieved a new high of S$19.1 million in its underwriting profit (2011: S$18.6 million). This was achieved through judicious underwriting, finer calibration of risks selection leading to higher quality net retentions and appropriate risk management controls. Investment income rose to S$14.9 million mainly due to higher gains from the sale of investments and lower impairment provision for investments when compared with the same period in the previous year. Consequently, the Company's profit before tax rose to S$33.9 million (2011: S$24.8 million).

The Board recommends a final one-tier tax-exempt dividend of 12 cents per share and a special one-tier tax-exempt dividend of two cents per share. Together with the interim dividend of three cents per share, the total dividend for financial year 2012 would be 17 cents per share.

The Company's wholly-owned subsidiary in Hong Kong, UOB Insurance (HK) Limited (UOBIHK) ceased writing new and renewal insurance business with effect from 1 September 2012. The measure was taken to improve the efficiency of the UOI Group's capital utilisation and cost management. Arrangements were made to reinsure a substantial amount of this business back to the Company in Singapore. As such, the cessation of business of UOBIHK is not expected to have any material impact on UOI's financial position.

2013 Prospects

The operating environment is likely be more challenging. Expected slower economic growth coupled with intensifying competition may inhibit premium growth. The frequency and quantum of claims may rise with increasing unpredictable and extreme weather conditions, as well as from increased work injury compensation payments.

Continued growth in underwriting profit may be expected due to strong intra-Group support and a more aggressive marketing strategy underpinned by customary judicious risk management. However, investment income would likely be affected by economic and financial uncertainties globally.

Acknowledgement

On behalf of the Board, I wish to thank the Management and staff for their dedication and hard work throughout the year. My thanks are also extended to our clients, brokers, agents, reinsurers and shareholders for their steadfast support. I also wish to express my gratitude to my colleagues on the Board for their invaluable counsel.

Wee Cho Yaw
March 2013

Board of Directors

Wee Cho Yaw

Chairman

Age 84. A banker with more than 50 years' experience, Dr Wee has been the Chairman of United Overseas Insurance since 1971. He was appointed to the Board on 17 February 1971 and last re-appointed as Director on 26 April 2012. He is the Chairman of the Remuneration Committee and a member of the Nominating Committee.

Dr Wee is the Chairman of United Overseas Bank (UOB) and its subsidiaries Far Eastern Bank, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia, and Supervisor of United Overseas Bank (China). He is the Chairman of United International Securities, Haw Par Corporation, UOL Group, Pan Pacific Hotels Group, United Industrial Corporation and Singapore Land and its subsidiary, Marina Centre Holdings. He is also the Chairman of the Wee Foundation.

Dr Wee was named Businessman of the Year at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. *The Asian Banker* conferred the Lifetime Achievement Award on him in 2009. Dr Wee is the Pro-Chancellor of the Nanyang Technological University and the Honorary President of the Singapore Chinese Chamber of Commerce & Industry, the Singapore Federation of Chinese Clan Associations and the Singapore Hokkien Huay Kuan. He received a Chinese high school education and was conferred an Honorary Doctor of Letters by the National University of Singapore in 2008. For his outstanding contributions in community work, he was conferred the Distinguished Service Order, Singapore's highest National Day Award, in 2011.

David Chan Mun Wai

Managing Director and Principal Officer

Age 59. Mr Chan is a professional insurer with more than 30 years of experience.

He was appointed to the Board on 10 March 1994 and last re-elected as Director on 26 April 2012. He is the Deputy Chairman, Director and a member of the Executive Committee of Singapore Reinsurance Corporation. He is also the former President of the General Insurance Association of Singapore.

Mr Chan is a Chartered Insurer and Fellow of the Chartered Insurance Institute and holds a Bachelor of Business Administration from the University of Singapore.

Wee Ee Cheong

Age 60. Mr Wee is a professional banker with more than 30 years of experience.

He was appointed to the Board on 20 March 1991 and was last re-elected as a Director on 29 April 2011. A non-independent and non-executive director, he is the Deputy Chairman and Chief Executive Officer of UOB. He is also a director of several UOB subsidiaries and affiliates including Far Eastern Bank, United Overseas Bank (Malaysia), United Overseas Bank (Thai) Public Company and United International Securities. He is the Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Mr Wee is actively engaged in regional business development through his participation in key industry bodies. He serves as a council member of The Association of Banks in Singapore and a director of The Institute of Banking & Finance, and chairs the Financial Industry Competency Standards Steering Committee. He is a member of the Board of Governors of Singapore-China Foundation, Visa APCEMEA Senior Client Council and Advisory Board of the INSEAD East Asia Council and International Council.

He is a director of the Wee Foundation, as well as the Patron of the Nanyang Academy of Fine Arts. Mr Wee is an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He had previously served as Deputy Chairman of the Housing & Development Board, and as a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

He holds a Bachelor of Science (Business Administration) and a Master of Arts (Applied Economics) from the American University, Washington, DC.

Hwang Soo Jin

Age 77. Mr Hwang is a Chartered Insurer with more than 50 years of business experience.

He was appointed to the Board on 17 February 1971 and last re-appointed as Director on 26 April 2012. An independent director, Mr Hwang is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

He is the Chairman Emeritus, Director and Senior Advisor of Singapore Reinsurance Corporation and a director of Haw Par Corporation, United Industrial Corporation and Singapore Land. He is also a Justice of Peace, Adviser to the Asean Insurance Council and an Honorary Fellow of the Singapore Insurance Institute. He is the former Chairman of Singapore Reinsurance Corporation.

Mr Hwang is a Chartered Insurer of the Chartered Insurance Institute, UK.

Yang Soo Suan

Age 76. Mr Yang is an architect by training with more than 45 years of professional practice experience.

He was appointed to the Board on 20 March 1991 and last re-appointed as Director on 26 April 2012. An independent director, he is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He is a director of Singapore Land, United Industrial Corporation and United International Securities. He is a life fellow member of the Singapore Institute of Architects, a fellow member of the Singapore Society of Project Managers, and a member of the Singapore Institute of Directors and the Panel of Assessors to the Appeals Board (Land Acquisition). He is the former Chairman of Architects 61 and the National Fire Prevention Council. He is also a former board member of the Housing & Development Board and the Board of Architects, and the former President of the Singapore Institute of Architects.

Mr Yang holds a Bachelor of Architecture (Honours) in Design, Town Planning and Building (1961) from Melbourne University, Australia and was awarded the Bintang Bakti Masyarakat (Public Service Star, Singapore) in 1996.

N Ganesan

Age 65. Mr Ganesan has extensive experience in the banking and insurance sectors.

He was appointed to the Board on 27 July 2011 and last re-appointed as Director on 26 April 2012. An independent director, he is a member of the Audit Committee. He is also the former Managing Director of The Insurance Corporation of Singapore and former President of the Life Insurance Association, Singapore.

Mr Ganesan holds a Bachelor of Arts (Honours) in Economics from the University of Malaya and a Master of Business Administration from Harvard University.

Financial Review

Comparative Group Growth Data (Figures in $ Million)

	2008	2009	2010	2011 (Restated)	2012
Gross premiums	83.02	84.46	89.23	96.45	**104.42**
Shareholders' equity	172.49	214.76	238.38	229.01	**262.22**
Total assets	360.49	416.01	442.80	439.42	**503.80**
Insurance underwriting profit before tax	14.29	17.46	18.12	18.59	**19.08**
Other income	(3.18)	9.28	19.86	6.18	**14.86**
Net profit before tax	11.11	26.74	37.98	24.77	**33.94**

Over the last 5 years, the Group grew its gross premiums from $83.02 million in 2008 to $104.42 million in 2012. The increase in premium income was largely derived from insurance intermediaries' strong support, cross-selling with the parent bank and Group-linked companies, and offshore insurance premiums from the bank's regional offices and the Group's reinsurance partners.

The Group shareholders' equity as at 31 December 2012 increased by 14.5% to $262.22 million when compared with the preceding year due to higher insurance underwriting profits and investment income. Over a 5-year period, the shareholders' equity grew by $89.73 million or 52.0% while the total assets of the Group saw a growth of 39.8% from $360.49 million in 2008 to $503.80 million as at 31 December 2012.

The Group achieved a record underwriting profit before tax of $19.08 million in 2012, an increase of 2.6% over that of 2011. From 2008 to 2012, insurance underwriting profit before tax for the Group grew consistently from $14.29 million to $19.08 million.

Other income increased by $8.68 million to $14.86 million, up from $6.18 million in the previous period. This was due to higher gains from the sale of investments and lower impairment provision when compared with the preceding year.

Net profit before tax increased by 37.0% to $33.94 million as compared with 2011. The 5-year Group's net profit before tax grew steadily from $11.11 million in 2008 to $33.94 million in 2012.

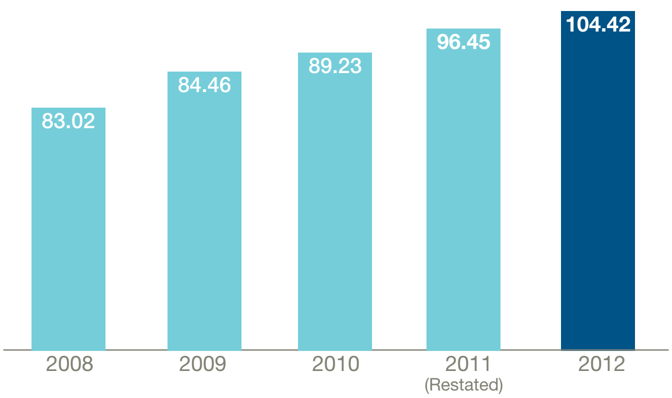
Financial Highlights

Key Indicators	The Group 2012	2011 (Restated)	Increase/ Decrease
Profit for the Financial Year ($'000)			
Gross premiums	**104,419**	96,449	8.3%
Insurance underwriting profit	**19,075**	18,588	2.6%
Other income	**14,860**	6,178	140.5%
Profit before tax	**33,935**	24,766	37.0%
Selected Balance Sheet Items as at Year-end ($'000)			
Total assets	**503,797**	439,417	14.7%
Net technical reserves	**84,867**	81,587	4.0%
Shareholders' equity	**262,220**	229,011	14.5%
Financial Ratios			
Earnings per share - basic and diluted (cents)	**47.7**	32.9	45.0%
Return on average shareholders' equity (ROE) (%)	**11.9**	8.6	3.3% point
Return on average total assets (ROA) (%)	**6.2**	4.6	1.6% point
Expense/income ratio (%)	**27.4**	27.8	-0.4% point
Declared dividend per share (cents)			
Interim	**3.0**	3.0	–
Special	**2.0**	0.0	NM
Final	**12.0**	12.0	–
Net assets value per share ($)	**4.29**	3.74	14.7%

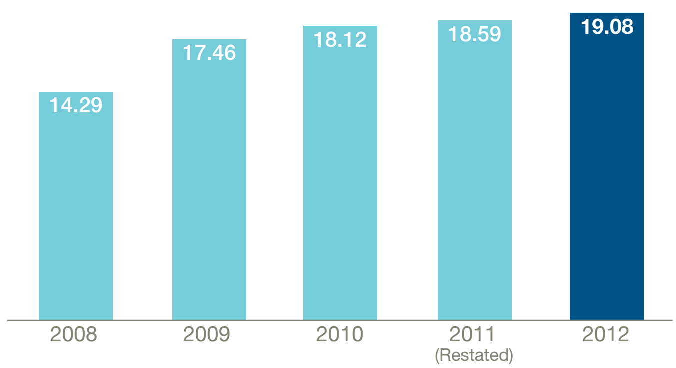
Note: NM = Not Meaningful

Financial Highlights

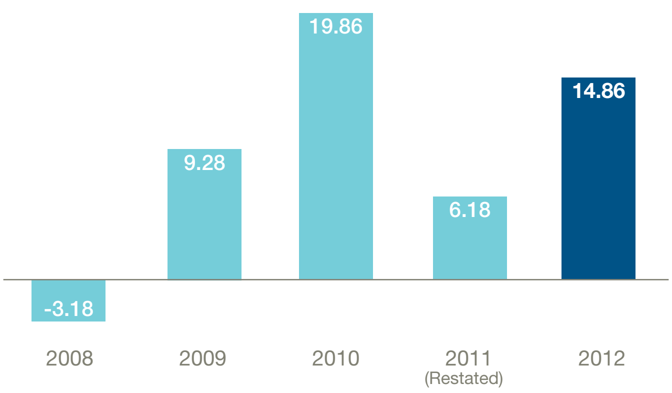
Group Gross Premiums **$104.42 million**



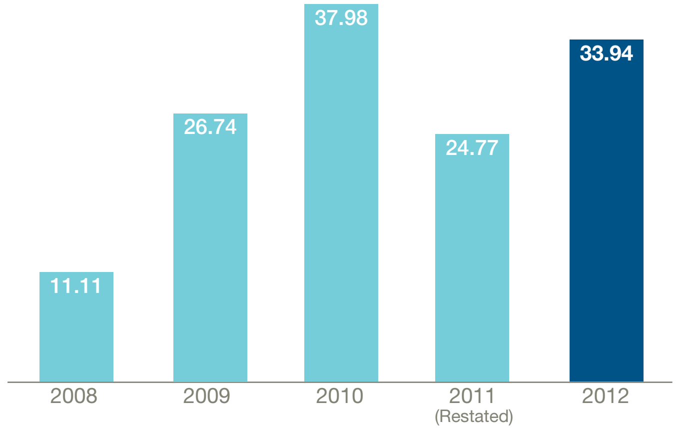
Group Insurance Underwriting Profit **$19.08 million**



Group Other Income **$14.86 million**

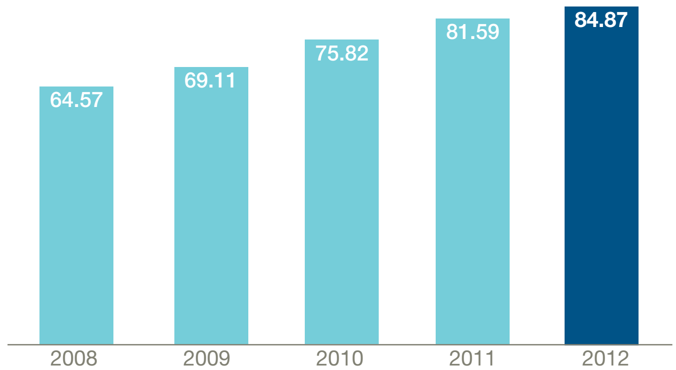


Group Profit Before Tax **$33.94 million**



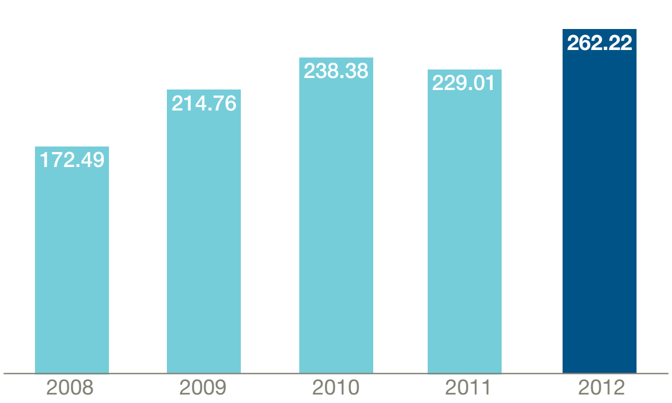
Group Total Assets **$503.80 million**

Group Net Technical Balances **$84.87 million**

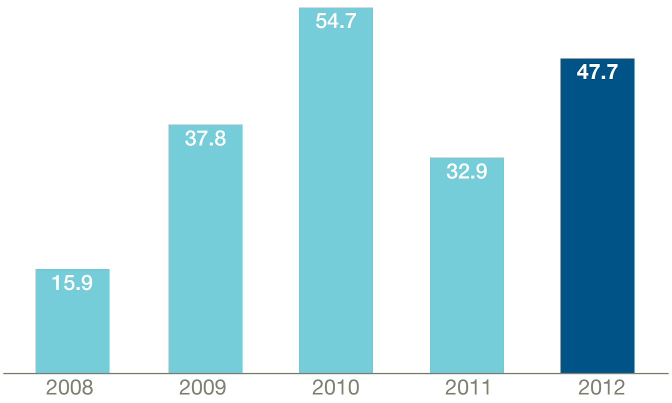


Financial Highlights

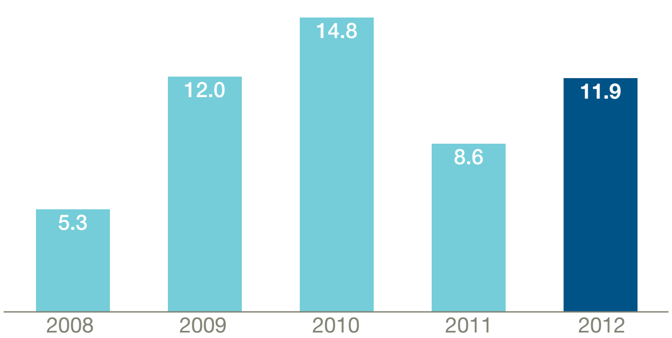
Group Shareholders' Equity **$262.22 million**



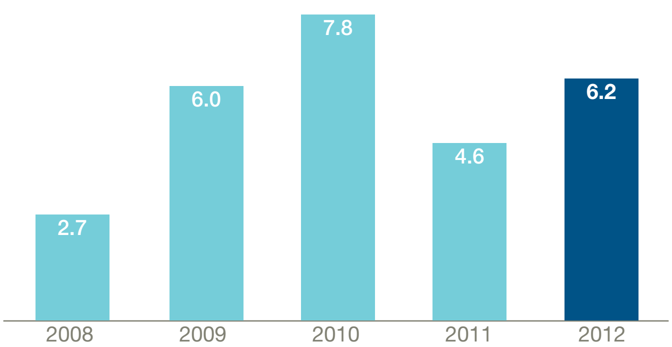
Group Earnings per Share - Basic and Diluted **47.7 cents**



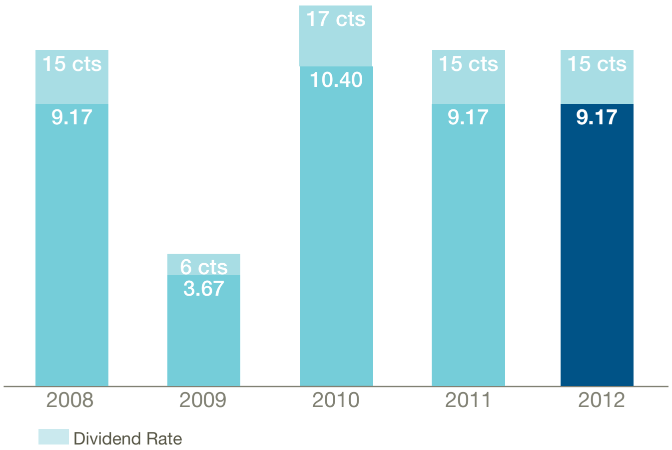
Group Return on Average Shareholders' Equity **11.9%**



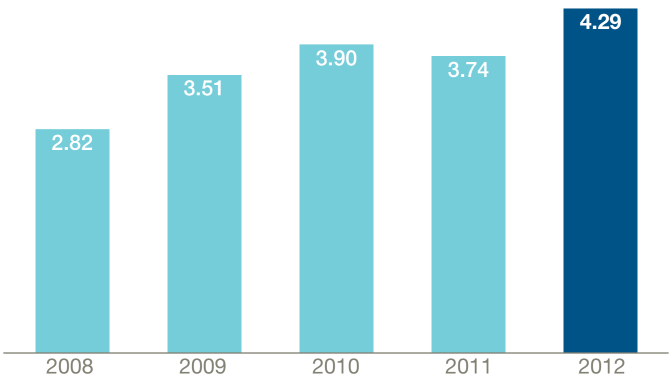
Group Return on Average Total Assets **6.2%**



Group Dividend Paid During the Year **$9.17 million**



Group Net Assets Value per Share **$4.29**



Corporate Governance

UOI is committed to upholding good corporate governance. In this regard, the Company is guided by the principles and provisions in the:

- Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers (MAS Guidelines);
- Code of Corporate Governance (Code); and
- Singapore Exchange Securities Trading Limited Listing Manual (SGX-ST Listing Manual).

BOARD'S CONDUCT OF AFFAIRS

The main responsibilities of the Board are to:

- set strategic directions;
- review and approve business plans and budgets;
- monitor financial performance;
- determine capital structure;
- declare dividends;
- approve major acquisitions and divestments;
- review the risk management framework and processes;
- set company values and standards;
- perform succession planning; and
- approve the organisational structure of UOI.

The approval of the Board is required for material transactions that fall within the scope of the Board's functions.

The Board has delegated specific functions to three board committees, namely, the Nominating Committee (NC), Remuneration Committee (RC) and Audit Committee (AC). Each board committee has written terms of reference which set out the scope of its duties.

There are four scheduled Board meetings in a year. In addition, the Board will meet whenever required to deal with urgent business. Directors who are unable to attend a meeting in person may attend via telephone and/or video conference or communicate their views through another director or the Company Secretary.

The table below sets out the attendance record of directors at the Board and board committee meetings in 2012.

	Number of meetings attended in 2012			
Name of Director	**Board of Directors**	**Nominating Committee**	**Remuneration Committee**	**Audit Committee**
Wee Cho Yaw	4	1	1	–
David Chan Mun Wai	4	–	–	–
Wee Ee Cheong	4	–	–	–
Hwang Soo Jin	4	1	1	4
Yang Soo Suan	4	1	1	4
N Ganesan	4	–	–	4
Number of meetings held in 2012	**4**	**1**	**1**	**4**

BOARD COMPOSITION AND GUIDANCE

The six Board members are:

Wee Cho Yaw *(Chairman)*	Non-executive and non-independent
David Chan Mun Wai *(Managing Director and Principal Officer)*	Executive and non-independent
Wee Ee Cheong	Non-executive and non-independent
Hwang Soo Jin	Non-executive and independent
Yang Soo Suan	Non-executive and independent
N Ganesan	Non-executive and independent

In its annual review, the NC has determined that three of the Board members, namely Messrs Wee Cho Yaw, David Chan Mun Wai and Wee Ee Cheong, are non-independent directors. Dr Wee Cho Yaw is the Chairman and a substantial shareholder of United Overseas Bank Limited (UOB), the parent of UOI. Mr David Chan Mun Wai is the Managing Director and Principal Officer responsible for UOI's day-to-day operations. Mr Wee Ee Cheong, the son of Dr Wee Cho Yaw, is the Deputy Chairman and Chief Executive Officer and a substantial shareholder of UOB.

The NC has assessed that Messrs Hwang Soo Jin, Yang Soo Suan and N Ganesan are independent directors. These directors do not have any management or business relationship with UOI and its related corporations, officers or substantial shareholders that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgement. Despite their long tenure on the Board, Messrs Hwang Soo Jin and Yang Soo Suan have remained objective and impartial in their views, analyses and approach to issues. They have participated actively in all Board and board committee discussions, and regularly bring new and alternative perspectives to Board and board committee deliberations.

In reviewing the size and composition of the Board, the NC considers the Company's scope and nature of operations, the directors' profiles and the competencies that they collectively bring to the Board. The NC is satisfied that the directors as a group have the relevant core competencies to discharge the Board's duties, and is of the view that the current Board size and composition are appropriate. The directors' profiles can be found in the 'Board of Directors' section of this Annual Report.

CHAIRMAN AND PRINCIPAL OFFICER

Dr Wee Cho Yaw is the non-executive Chairman. He provides leadership to the Board, ensures that directors are provided with timely and comprehensive information for informed discussions, and promotes the adoption by the Company of best industry practices for good corporate governance.

Mr David Chan Mun Wai, the Managing Director and Principal Officer, is responsible for the day-to-day management of the Company. He is assisted by a team of management staff and several management committees.

The NC does not consider it necessary to appoint a lead independent director, as any director may be approached for assistance. The Company also has established feedback channels through which comments may be relayed to the directors.

BOARD MEMBERSHIP AND PERFORMANCE

The NC members are Messrs Hwang Soo Jin (Chairman), Wee Cho Yaw and Yang Soo Suan, a majority of whom (including the NC Chairman) are independent directors.

The NC's main responsibilities are to recommend the appointment and re-election/re-appointment of directors, assess the performance of the Board, board committees and each director, determine the independence of directors, review the size and composition of the Board and board committees and perform succession planning.

Appointment

The NC ensures that the Board has an appropriate mix of independent and non-independent directors, and directors with the relevant skills. In identifying and nominating suitable candidates for appointment to the Board and board committees, the NC takes into account the current Board composition and the candidates' qualification for office and ability to commit time and contribute to the Board's collective skills, knowledge and experience.

Incoming directors receive an induction that is customised according to their profile and skills. They also receive an induction package which includes the terms of reference of the Board and board committees, Memorandum and Articles of Association of the Company, and articles of directorship.

Re-Election/Re-Appointment

The NC reviews the re-appointment of directors annually. One-third of the directors retire from office by rotation under the Company's Articles of Association, and may offer themselves for re-election at the annual general meeting (AGM). New directors are also subject to re-election at the AGM immediately following their appointment by the Board. Directors above 70 years old are subject to annual re-appointment as required under the Companies Act.

Performance

The NC performs an annual assessment of the performance of each director, the board committees and the Board as a whole. Each director is assessed based on criteria including the director's attendance record, overall preparedness, participation, candour and clarity in communication, maintenance of expertise relevant to UOI, strategic insight, financial literacy, business judgement and sense of accountability. Each NC member abtains from the deliberation on his performance.

In assessing the board committees, the NC takes into account whether the committees have discharged their duties and performed the tasks delegated by the Board satisfactorily. The NC evaluates the Board's performance and effectiveness as a whole by reference to the Company's share price performance, financial performance and economic profit. In the process, the NC also considers directors' feedback in a self-assessment questionnaire.

The NC also considers whether directors with multiple board representations are able to devote sufficient time and attention to UOI's affairs. As directors have different capabilities and companies have different complexities, the NC is of the opinion that it is not feasible to prescribe a maximum number of board representations which a director may hold.

In its evaluation, the NC is satisfied that all directors have discharged their duties responsibly during the year, devoted adequate time to the business of the Company and kept up with economic and industry developments pertinent to the Company, thereby contributing to the overall effectiveness of the Board and respective board committees.

A budget has been set aside for directors' training. During the year, directors were briefed on the latest accounting standards and guidelines as well as market outlook.

ACCESS TO INFORMATION

Directors have unfettered access to information and Management. They receive timely and comprehensive financial and operational reports for informed discussions during meetings. The financial reports set out the Group's quarterly performance against the budget and explain material variances from the budget.

Directors have access to the Company Secretary whose responsibilities include advising the Board on regulatory changes and best practices in corporate governance. Where necessary, the directors may seek independent professional advice at the Company's expense for the discharge of their duties.

REMUNERATION MATTERS

The RC members are Messrs Wee Cho Yaw (Chairman), Hwang Soo Jin and Yang Soo Suan, all of whom are non-executive directors and a majority of whom are independent. While the Code and MAS Guidelines recommend that the chairman of a remuneration committee should be an independent director, the Board is of the view that Dr Wee Cho Yaw, a non-independent director, is the most appropriate person for the RC chairmanship because he is experienced in remuneration matters.

The RC reviews UOI's employee remuneration policy, and directors' and senior management's remuneration. It ensures that the remuneration policy is aligned with the Company's strategic objectives and corporate values and that the level of remuneration is reasonable and appropriate to attract, retain and motivate directors and senior executives.

As part of the UOB Group, the Company's remuneration philosophy and policy incorporate the key elements of the UOB Group's remuneration philosophy and policy. The employee remuneration package is based on performance, and comprises fixed salary and variable performance bonus. The variable performance bonus for senior management is determined by the RC while that for other employees is based on a formula agreed on with the Singapore Insurance Employees' Union. The Company does not have a staff share option incentive scheme.

The Code and MAS Guidelines recommend that the remuneration of the top five key non-director executives be disclosed. The Company believes that it is not in its best interest to make such a disclosure because the market for talent is highly competitive. No immediate family member of a director is in the employ of UOI.

The RC recommends to the Board the fees for directors. In making its recommendation, the RC considers factors including corporate governance practices in the area of compensation, the qualifications and experience of directors, and the level of effective contributions and responsibilities of directors. Each RC member abstains from the deliberation on his remuneration. The proposed directors' fees are subject to shareholders' approval at the AGM. The fees and other remuneration paid or payable to directors for the year under review are set out in the 'Directors' Report' section of this Annual Report.

ACCOUNTABILITY AND AUDIT

As UOI is a small company and the Board consists of only six directors, the Board is able to oversee the Company's business and risk management either directly or through the AC. The directors are also available for consultation when required. Accordingly, the Board does not consider it necessary for UOI to have an executive committee or a risk management committee.

The Managing Director and Principal Officer is responsible for the day-to-day operations and risk management. He is assisted by a management team and several management committees. Management formulates, reviews and approves certain policies and procedures to monitor and manage risks of the UOI Group. The Risk Management and Compliance Committee (RMCC), chaired by the Managing Director and Principal Officer, is responsible for all risk management, corporate governance and compliance issues affecting the Company, and reports regularly to the AC. The other management committees are the Management Committee, Business Development Committee, Underwriting and Claims Committee, and Credit Control Committee. More information on the management committees and the management of risks by the UOI Group can be found in the 'Risk Management' section of this Annual Report.

UOB provides accounting, internal audit and corporate secretarial services to the Company. UOI also receives support from UOB on risk management and regulatory compliance matters.

Audit Committee

The AC members are Messrs Yang Soo Suan (Chairman), Hwang Soo Jin and N Ganesan, all of whom are independent and non-executive directors. The AC assists the Board to review, among other things, the following:

- quarterly financial statements;
- internal and external audit plans and audit reports;
- internal controls and risk management systems;
- scope and results of the internal and external audit procedures;
- effectiveness of the internal audit function;
- cost-effectiveness, independence and objectivity of external auditors;
- procedures for detecting fraud and whistle-blowing; and
- interested person transactions.

The AC has authority to investigate any matter within its terms of reference, and has access to Management and other resources required to discharge its responsibilities. Where appropriate, the AC meets separately with the internal and external auditors and among themselves in the absence of Management. During the year, the AC members participated in a training session to keep abreast of the latest accounting standards and guidelines.

Before the Company announces its quarterly financial results, the AC reviews the financial statements, the applicable accounting policies and practices, and any judgement made that may have a significant impact on the financial results.

In determining the independence of the external auditors, the AC considers the work performed by the external auditors, their financial, business and professional relationships with UOI and any non-audit fee paid by UOI. For the year under review, the external auditors were not paid any non-audit fee. The AC has reviewed the performance of the external auditors and is satisfied that the external auditors have the expertise and adequate resources to perform their duties. The AC is also satisfied that the external auditors were objective and independent in their audit. Accordingly, the AC has nominated Ernst & Young LLP for re-appointment as external auditors at the forthcoming AGM. In appointing the auditing firms for the Company and its subsidiary, the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Internal Audit, Risk Management and Regulatory Compliance

UOB Group Audit audits UOI according to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The head of UOB Group Audit reports directly to the AC, and has assured the AC that UOB Group Audit has adequate resources to perform UOI's internal audit function effectively.

Comprising heads of departments, the RMCC addresses risk management, corporate governance and compliance issues affecting the Company. It receives support from UOB's Group Audit, Group Risk Management and Group Compliance functions which provide independent assessments and checks on the Company's internal controls and risk management processes. The AC receives regular reports on audit, risk management and regulatory compliance matters.

The Managing Director and Principal Officer and UOB Group Audit have reviewed the internal controls and risk management systems of the Company, and submitted their reports to the AC. Based on the work performed by the internal and external auditors and the reviews performed by the AC and the Board, the Board with the concurrence of the AC is of the view that the internal controls, addressing financial, operational and compliance risks, and risk management processes of UOI were generally adequate as at 31 December 2012. Further, the Board is of the view that no system of internal controls and risk management can provide absolute assurance against material error, fraud or loss. UOI's system of internal controls and risk management provides reasonable but not absolute assurance that the Company will not be adversely affected by any event that can be reasonably foreseen in the course of its business.

INTERESTED PERSON TRANSACTIONS

During the year, the Company entered into interested person transactions within the meaning of Chapter 9 of the SGX-ST Listing Manual, as set out in the table below.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Union (2009) Limited	UOI renewed the lease of its premises at 3 Anson Road, Springleaf Tower, Singapore 079909 from Union (2009) Limited in December 2012 at the rent of $97,396.40 per month, inclusive of service charge. The rent was supported by an independent valuation.	Nil
United Overseas Bank Limited	UOB provided telemarketing services valued at approximately $1.9 million to UOI. Corporate secretarial, internal audit and tax services were also provided to UOI at a total fee of $83,000.	Nil

COMMUNICATION WITH SHAREHOLDERS

The Company discloses pertinent information on a timely basis through appropriate channels such as the websites of the Singapore Exchange (SGX) and the Company. The Company announces its quarterly financial results within 45 days from the end of each quarter, and the annual financial results within 60 days of the financial year-end. Shareholders are provided with the Annual Report before each AGM. The Annual Report can also be found on the SGX website and the Company's website at uoi.com.sg.

Shareholders may give their feedback and views at the AGM. They may also provide feedback to the Company through its email address or feedback form, both of which are available on the UOI website.

SHAREHOLDER PARTICIPATION

A shareholder may appoint up to two proxies to attend and vote in his place at general meetings. At each general meeting, shareholders may communicate their views on relevant matters to the Board and Management. Investors holding shares through nominees and CPF investors holding shares through custodian banks may vote through their nominee companies or custodian banks. They may also attend the general meetings as observers.

The Company adopts electronic poll-voting at general meetings. Votes cast for or against each resolution will be tallied and displayed at the close of voting.

ETHICAL STANDARDS

Directors and employees are guided by a code on dealing in securities which prohibits dealings:

- on short-term considerations;
- during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year, and one month before the announcement of the Company's full-year financial statements; and
- whenever they possess price-sensitive information.

UOB personnel who are involved in providing services to UOI also have to observe the code on dealing in securities.

The Company has a whistle-blowing policy that enables any person to raise to UOB Group Audit any concern about possible improprieties in financial or other matters without fear of reprisal. All reports received are accorded confidentiality and investigated independently by UOB Group Audit.

Risk Management

As the management of risk is fundamental to the financial soundness and integrity of the Group, risk evaluation forms an integral part of the Group's business strategy development. The risk management philosophy is that all risks taken must be identified, assessed, monitored and managed within a robust risk management framework, and that returns must commensurate with the risks taken.

The Board has overall responsibility for determining the type and level of business risks that the Group undertakes to achieve its corporate objectives. The Board has delegated to the Management the authority to formulate, review and approve policies and processes on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by the Management are subject to review by the Board.

The Management of the Group has the responsibility of establishing and implementing appropriate systems and controls in managing and mitigating risks arising from its business operations. The systems and controls are designed to identify, assess, manage and monitor, rather than eliminate, the risks in the Group's business operations and can only provide reasonable and not absolute assurance.

Various committees, comprising the managerial staff of the Group, meet regularly to deliberate on matters relating to the key types of risks under their respective supervision.

The **Management Committee** monitors the overall operational matters of the Group. It formulates, reviews and approves policies and strategies relating to the monitoring and management of operational risks and develops appropriate action plans across all business and support units. It also sets strategic directions of the Group, determines the allocation of resources and monitors the execution of strategic plans and key performance indicators.

The **Risk Management and Compliance Committee** addresses all risk management, corporate governance and compliance issues affecting the Group. These issues can emanate from regulatory authorities, industry associations, parent company, auditors and other relevant bodies. It monitors the implementation of risk management policies and procedures by all operational units. It also develops and implements compliance policies, procedures and guidelines to meet the regulatory requirements applicable to the Group. As part of its risk management monitoring function, it receives reports from committees which address the key risks emanating from the Group's core business activities namely the Underwriting and Claims Committee and Credit Control Committee.

The **Underwriting and Claims Committee** establishes underwriting and claims policies and procedures. Appropriate risk management strategies are applied to address the variety of underwriting risks accepted. Issues arising from claims development and provisions are dealt with judiciously. It also monitors the compliance of such policies and procedures by all operational units pertaining to insurance risks.

The **Credit Control Committee** establishes credit control policies and procedures, and ensures that the premium collection process is implemented by all operational units. It approves write-off of bad debts and develops action plans to improve collection or initiate remedial recovery actions.

The **Business Development Committee** develops and executes business plans of the Group, reviews business performance and formulates action plans to enhance business performance. Market trends and changes in business risks are identified, addressed and managed accordingly.

Within the Group, risks are managed under the following headings:

- Underwriting of Risks
- Reinsurance of Risks
- Provisions of Premium and Claims Liabilities
- Financial Risks
- Investment and Management of Funds
- Business Continuity Risks

1. Underwriting of Risks

The principal activity of the Group is the underwriting of general insurance business. As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to our business. This safeguards not only the interest of our shareholders but also that of our customers. The Group has developed a robust underwriting framework to ensure that risks accepted meet with all the underwriting guidelines issued to our trained pool of underwriters. This framework allows for the proper selection of risks at adequate but competitive pricing for our products.

2. Reinsurance of Risks

Reinsurance refers to the cession of a portion of risks assumed by an insurer to another insurer or reinsurer. The Group has formulated a reinsurance management strategy, which incorporates the following principles and objectives:

- protection of shareholders' equity
- smoothing out the peaks and troughs
- providing competitive advantage
- sound security rating and diversification of reinsurers
- reinsurers as long-term strategic partners.

In particular, a written Reinsurance Management Strategy had been reviewed and approved by the Board to ensure that a prudent and appropriate reinsurance protection programme is in place.

The Group's activities lie primarily with policyholders located in Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Group's insurance portfolio. Based on historical experience of loss frequency and severity of similar risks and in similar geographical zones, the Group has developed its reinsurance strategy to manage such concentration of insurance risks.

3. Provisions of Premium and Claim Liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in the technical provisions, which include the provisions of premium and claim liabilities.

Premium liabilities refer to the reserves for unearned premium and include liabilities for all benefits, claims and expenses, acquisition costs, maintenance costs and policyholders' experience refund to be incurred after the balance sheet date. Claim liabilities refer to obligation, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the balance sheet date and include reserves for claims reported, incurred but not reported (IBNR) and incurred but not enough reported (IBNER), as well as direct and indirect claim expenses. The Group's unearned premium reserves are calculated on a formula generally accepted by the industry while its outstanding claims liabilities are reviewed by our experienced claims officers. Both the premium and claim liabilities are reviewed and certified annually by an external actuary.

Generally, premium and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not develop exactly as projected and may vary from our projection.

The other uncertainties arising under insurance contracts will include:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable; and
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

There may be significant reporting lag between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary substantially from the initial estimates.

4. Financial Risks

The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Foreign Exchange Risk

Due to the business operation of its Hong Kong subsidiary, the Group's balance sheet can be affected by movements in the exchange rate between the Hong Kong dollar and the local reporting currency. The Group has transactional currency exposures arising from its offshore business and the business operation of the Hong Kong subsidiary. The Group is also exposed to foreign exchange risk arising from its investing activities. The Group transacts in forward contracts to manage its foreign exchange exposure arising from investment in fixed income securities denominated in foreign currencies. Other than its investment in fixed income securities, the Group does not consider its exposure to foreign exchange risk to be significant.

(b) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's operating cash outflow commitment is substantially independent of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the interest income on the Group's fixed deposits and the fair value of its investment in debentures.

(c) Credit Risk

The Group has no significant concentration of credit risk. The Group has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Group has also established a selection and management policy for reinsurers to ensure that they are financially sound and set maximum exposure limits for its reinsurers.

(d) Liquidity Risk

Due to the nature of its business and type of assets owned, the Group is not exposed to significant liquidity risk. The Group has formulated a liquidity policy to manage its liquidity risk. It is the Group's policy to maintain adequate liquidity at all times. The Group aims to honour all cash outflow commitments on an ongoing basis and to avoid raising funds from credit facilities or through the forced sale of investments.

(e) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments and has established an investment policy, which sets maximum exposure limits for its investment portfolio. These quoted equity instruments are listed on the Singapore Exchange Securities Trading Limited in Singapore or other regulated stock exchanges overseas and are classified as available-for-sale financial assets.

The Group does not have exposure to commodity price risk.

5. Investment and Management of Funds

The Group's objective is to invest in quality investment for long-term appreciation and to achieve an absolute contribution, which is set annually. The Group has appointed a professional fund manager to manage its investment. Through regular meetings with the fund manager and performance reports, the Group reviews and monitors the performance of its investment funds. The Group has also established a policy to address the selection, review and management of its fund manager.

6. Business Continuity Risks

The Group has formulated a comprehensive Business Continuity Management Plan and test-runs have been conducted to ensure its readiness to handle any event that could affect business operations.

2012 in Review

2012 was a very challenging year for the general insurance industry due to continuing global economic uncertainties. The gross premiums for the domestic market in Singapore grew by 5.4% largely from the Work Injury and Health classes of business.

To achieve premium growth in 2012, the Company relied on its proven business strategies and continued to focus on areas in which it has competitive advantages. Leveraging on the synergies with the United Overseas Bank (UOB) Group's network in Singapore and the region, our business plans remained that of selling personal insurances through direct marketing, cross-selling corporate insurances to small and medium enterprises and expanding regional business.

To support our premium growth, the Company also put into place several initiatives to improve business processes especially for our back-end operations.

Personal-Line Insurance

Throughout 2012, the Company stepped up its direct marketing initiatives to expand its personal line products and complemented these initiatives with on-going product enhancements and improvements in its service delivery.

The response rate for our new product campaigns targeted at UOB cardmembers through telemarketing was encouraging. Organic growth continued to increase the premiums from the personal-line portfolio through our efforts on improving customer retention. This market segment remained one of the more significant contributors of premium growth for the Company.

Besides telemarketing, the Company tapped on the UOB Group's network to widen its distribution channels. Several promotions were held jointly with UOB for personal insurance, especially travel insurance. We also jointly participated in travel fairs and lifestyle road shows with other members of the UOB Group. We also saw positive policy take-up of our travel insurance products through our 24-hour dedicated travel activation hotline and online purchase service via the UOB Personal Internet Banking.

Keen competition continued to prevail in the travel insurance market in Singapore during 2012. Tapping on our extensive network of travel agents in Singapore we focused on improving our service delivery and increased our array of travel insurance products for certain niche markets. Our online service is also available for customers to purchase travel insurance product.

As part of our on-going initiatives to expand our personal-line portfolio, we packaged several insurance products and offered promotions to the employees of our major clients during the year. These enhanced insurance products were well received. To complement our product enhancements, we continually upgraded our website with new product information and additional policy administration services to improve our customer outreach.

Corporate Insurance

In 2012, as a result of intensified efforts by our business teams and leveraging on the synergies with the UOB Group, our premium portfolio grew for the corporate insurance market. Bank referrals of corporate insurance remained the major contributor to our business growth. Furthermore, we continued to work closely with other group-linked companies to develop new business opportunities.

With the support of our agents and established insurance brokers, the Company managed to grow its corporate insurance premiums in 2012 through securing more new accounts and placing greater focus on its marketing efforts.

Regional Business

In 2012, premium income from outside Singapore saw an increase largely due to higher premium contribution from the UOB Group's regional network. During the year, we continued to focus on developing existing revenue streams together with our strategic partners, especially in Southeast Asia.

Bearing in mind the natural catastrophe risk exposures in the region, we fine-tuned our underwriting guidelines for the acceptance of overseas risks with special emphasis on the prudent risk management of natural catastrophe loss event. We also continued with our selective approach for the acceptance of risks from the region.

Overseas Operations

Our wholly-owned subsidiary, UOB Insurance (H.K.) Limited (UOBIHK) has stopped writing new and renewal insurance business with effect from 1 September 2012. It has arranged for existing insurance business portfolio to be transferred to another Hong Kong insurer, subject to approval of the Hong Kong Insurance Authority. Arrangement was made to reinsure a substantial amount of this business back to the Company in Singapore. Hence, the cessation of business of UOBIHK is not expected to have any material impact on the Company's financial position.

As for our remaining overseas operation, we continued our strategy of selectively underwriting profitable business from the Myanmar market.

Directors' Report

for the financial year ended 31 December 2012

The Directors are pleased to present their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

DIRECTORS

The Directors of the Company holding office at the date of this report are:

Dr Wee Cho Yaw *(Chairman)*
Mr David Chan Mun Wai *(Managing Director and Principal Officer)*
Mr Wee Ee Cheong
Mr Hwang Soo Jin
Mr Yang Soo Suan
Mr N Ganesan

Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement which objects are, or one of which objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Interests in Shares and Debentures

(a) According to the register of Directors' shareholdings required to be kept under Section 164 of the Companies Act, the interests of the Directors who held office at 31 December 2012 in the share capital of the Company and related corporations (other than wholly-owned subsidiary) were as follows:

	Number of ordinary shares			
	Shareholdings registered in name of Directors		**Shareholdings in which Directors are deemed to have an interest**	
	At 31.12.2012	**At 1.1.2012**	**At 31.12.2012**	**At 1.1.2012**
The Company				
United Overseas Insurance Limited				
Dr Wee Cho Yaw	**38,100**	38,100	**–**	–
Mr Hwang Soo Jin	**100,000**	100,000	**–**	–
Mr David Chan Mun Wai	**21,000**	21,000	**–**	–
Holding Company				
United Overseas Bank Limited				
Dr Wee Cho Yaw	**18,820,027**	17,382,921	**262,395,874**	263,862,980
Mr Wee Ee Cheong	**3,047,878**	3,047,878	**156,432,870**	156,432,870
Mr David Chan Mun Wai	**5,954**	5,954	–	–

	Number of preference shares			
	Shareholdings registered in name of Directors		**Shareholdings in which Directors are deemed to have an interest**	
	At 31.12.2012	**At 1.1.2012**	**At 31.12.2012**	**At 1.1.2012**
Holding Company				
United Overseas Bank Limited				
Dr Wee Cho Yaw	**–**	–	**167,700**	167,700
Mr Wee Ee Cheong	**20,000**	20,000	**167,700**	167,700
Mr David Chan Mun Wai	**5,000**	5,000	**–**	–

Directors' Interests in Shares and Debentures (continued)

(b) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2013 (being the 21st day after the end of the financial year).

Directors' Contractual Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than as disclosed in this report or in the consolidated financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for the Directors who had received remuneration from the Company and/or from related corporations in their capacities as Directors and/or executives of the Company and/or those related corporations as disclosed in the financial statements.

Share Options

No share option was granted by the Company or its subsidiary during the financial year.

No share had been issued during the financial year pursuant to any exercise of options to take up unissued shares of the Company or its subsidiary.

There was no unissued share of the Company or its subsidiary under option at 31 December 2012.

Audit Committee

The Audit Committee comprises 3 members, all of whom are independent Directors. The members of the Audit Committee are:

Mr Yang Soo Suan *(Chairman)*
Mr Hwang Soo Jin
Mr N Ganesan

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditors' evaluation of the system of internal accounting controls, the scope and results of internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of external auditors, the significant findings of internal audit investigations and interested person transactions, if any. The reviews were made with the internal and external auditors, and the Chief Financial Officer of the parent company, the Managing Director and/or other senior management staff, as appropriate.

Auditors

The Audit Committee has nominated Messrs Ernst & Young LLP for re-appointment as auditors of the Company and Messrs Ernst & Young LLP have expressed their willingness to be re-appointed.

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

David Chan Mun Wai
Managing Director

Singapore

22 February 2013

Statement by Directors

We, Wee Cho Yaw and David Chan Mun Wai, being two of the Directors of United Overseas Insurance Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying Profit and Loss Accounts, Statements of Comprehensive Income, Insurance Revenue Accounts, Balance Sheets, Statements of Changes in Equity and Consolidated Cash Flow Statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results of the business, changes in equity of the Group and of the Company and the cash flows of the Group for the financial year ended on that date, and

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

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

David Chan Mun Wai
Managing Director

Singapore

22 February 2013

Independent Auditors' Report to the Members of United Overseas Insurance Limited

for the financial year ended 31 December 2012

Report on the Financial Statements

We have audited the accompanying financial statements of United Overseas Insurance Limited (the "Company") and its subsidiary (collectively, the "Group") for the financial year ended 31 December 2012, set out on pages 24 to 77, which comprise the Balance Sheets of the Group and the Company as at 31 December 2012, Profit and Loss Accounts, Statements of Comprehensive Income, Insurance Revenue Accounts, Statements of Changes in Equity of the Group and the Company and the Consolidated Cash Flow Statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity of the Group and of the Company, and the cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

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

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants
Singapore

22 February 2013

Profit and Loss Accounts

for the financial year ended 31 December 2012

	Note	Group 2012 $'000	Group 2011 (Restated) $'000	Company 2012 $'000	Company 2011 $'000
Insurance underwriting profit from continuing operations		**19,075**	18,588	**19,075**	18,588
Other income:					
Dividend income from investments	5a	**4,327**	4,134	**4,327**	4,134
Interest income from investments	5b	**5,849**	4,903	**5,849**	4,903
Interest on fixed deposits and bank balances from:					
– Holding company		**2**	10	**2**	10
– Other financial institutions		**75**	55	**75**	55
Miscellaneous income		**64**	59	**64**	59
Net fair value gains on financial derivatives - realised		**1,989**	1,695	**1,989**	1,695
Net fair value gains/(losses) on financial derivatives - unrealised	22	**351**	(2,413)	**351**	(2,413)
Net gains on available-for-sale investments	20	**5,620**	4,617	**5,620**	4,617
Impairment on available-for-sale investments		**(350)**	(6,590)	**(350)**	(6,590)
Amortisation of investments		**27**	5	**27**	5
		17,954	6,475	**17,954**	6,475
Add/(Less)					
Management expenses not charged to insurance revenue accounts:					
– Management fees		**(791)**	(684)	**(791)**	(684)
– Other operating expenses		**(371)**	(376)	**(371)**	(376)
Exchange differences		**(1,932)**	763	**(1,932)**	763
Profit before tax from continuing operations		**33,935**	24,766	**33,935**	24,766
Tax expense	9	**(4,812)**	(4,600)	**(4,812)**	(4,600)
Profit from continuing operations, net of tax		**29,123**	20,166	**29,123**	20,166
Profit/(loss) from discontinued operation, net of tax	10	**46**	(17)	**–**	–
Profit attributable to:					
Equity holders of the Company		**29,169**	20,149	**29,123**	20,166
Earnings per share from continuing operations:					
Basic and diluted	11(a)	**47.62 cents**	32.98 cents		
Earnings per share:					
Basic and diluted	11(b)	**47.70 cents**	32.95 cents		

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 31 December 2012

	Note	Group		Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Net profit		**29,169**	20,149	**29,123**	20,166
Other comprehensive income:					
Foreign currency translation difference		**(440)**	111	**–**	–
Net gains/(losses) on available-for-sale investments		**16,449**	(24,647)	**16,449**	(24,647)
Income tax relating to available-for-sale investments	16	**(2,796)**	4,188	**(2,796)**	4,188
Other comprehensive income for the financial year, net of tax		**13,213**	(20,348)	**13,653**	(20,459)
Total comprehensive income for the financial year		**42,382**	(199)	**42,776**	(293)
Attributable to:					
Total comprehensive income from continuing operations, net of tax		**42,776**	(293)	**42,776**	(293)
Total comprehensive income from discontinued operation, net of tax		**(394)**	94	**–**	–
Total comprehensive income attributable to Equity holders of the Company		**42,382**	(199)	**42,776**	(293)

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Insurance Revenue Accounts

for the financial year ended 31 December 2012

	Note	Group				
		Fire	General Accident	Marine	2012 Total	2011 Total (Restated)
		$'000	$'000	$'000	$'000	$'000
Gross premiums written		**36,321**	**62,965**	**5,133**	**104,419**	96,449
Reinsurance premiums ceded		**(17,086)**	**(40,731)**	**(2,582)**	**(60,399)**	(54,511)
Net premiums written		**19,235**	**22,234**	**2,551**	**44,020**	41,938
Movement in net reserve for unexpired risks	17	**314**	**2,452**	**404**	**3,170**	(2,999)
Movement in net deferred acquisition costs	18	**(524)**	**(1,052)**	**8**	**(1,568)**	121
Net earned premiums		**19,025**	**23,634**	**2,963**	**45,622**	39,060
Less						
Gross claims paid		**9,991**	**16,396**	**1,147**	**27,534**	24,886
Reinsurance claims recoveries		**(5,368)**	**(8,471)**	**(271)**	**(14,110)**	(14,494)
Net claims paid	19	**4,623**	**7,925**	**876**	**13,424**	10,392
Change in net outstanding claims		**3,303**	**3,351**	**7**	**6,661**	2,831
Net claims incurred	19	**7,926**	**11,276**	**883**	**20,085**	13,223
Gross commissions		**7,407**	**9,863**	**865**	**18,135**	16,798
Reinsurance commissions		**(8,105)**	**(12,617)**	**(653)**	**(21,375)**	(18,777)
Net commissions		**(698)**	**(2,754)**	**212**	**(3,240)**	(1,979)
Management expenses:	6					
Staff costs	7	**2,765**	**3,196**	**367**	**6,328**	5,826
Rental expenses		**366**	**423**	**49**	**838**	808
Other operating expenses		**1,108**	**1,281**	**147**	**2,536**	2,594
Total outgo		**11,467**	**13,422**	**1,658**	**26,547**	20,472
Insurance underwriting profit from continuing operations transferred to profit and loss accounts		**7,558**	**10,212**	**1,305**	**19,075**	18,588

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

	Note	Company Fire $'000	General Accident $'000	Marine $'000	2012 Total $'000	2011 Total $'000
Gross premiums written		**36,321**	**62,965**	**5,133**	**104,419**	96,449
Reinsurance premiums ceded		**(17,086)**	**(40,731)**	**(2,582)**	**(60,399)**	(54,511)
Net premiums written		**19,235**	**22,234**	**2,551**	**44,020**	41,938
Movement in net reserve for unexpired risks	17	**314**	**2,452**	**404**	**3,170**	(2,999)
Movement in net deferred acquisition costs	18	**(524)**	**(1,052)**	**8**	**(1,568)**	121
Net earned premiums		**19,025**	**23,634**	**2,963**	**45,622**	39,060
Less						
Gross claims paid		**9,991**	**16,396**	**1,147**	**27,534**	24,886
Reinsurance claims recoveries		**(5,368)**	**(8,471)**	**(271)**	**(14,110)**	(14,494)
Net claims paid	19	**4,623**	**7,925**	**876**	**13,424**	10,392
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The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Balance Sheets

as at 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Share capital					
Issued and fully paid	13	**91,733**	91,733	**91,733**	91,733
Reserves					
General reserve	15	**22,880**	22,880	**22,880**	22,880
Available-for-sale investment reserve	20	**16,437**	2,784	**16,437**	2,784
Foreign currency translation reserve		**–**	(1,329)	**–**	–
Retained profits		**132,939**	112,943	**128,933**	108,983
Reserve of discontinued operation	10	**(1,769)**	–	**–**	–
Total equity attributable to equity holders of the Company		**262,220**	229,011	**259,983**	226,380
Liabilities					
Insurance creditors	21	**12,981**	12,397	**12,981**	12,190
Non-trade creditors and accrued liabilities	21	**2,893**	2,905	**2,893**	2,800
Amount owing to related companies	21	**1,088**	1,051	**1,088**	1,051
Derivative financial liabilities	22	**–**	327	**–**	327
Tax payable	9	**9,647**	5,893	**9,647**	5,926
Deferred tax liabilities	16	**3,571**	801	**3,571**	801
Deferred acquisition cost-reinsurers' share	18	**9,043**	6,555	**9,043**	6,492
Gross technical balances					
– Reserve for unexpired risks	17	**60,521**	54,887	**60,521**	54,417
– Reserve for outstanding claims	19	**140,003**	125,590	**140,003**	124,612
		239,747	210,406	**239,747**	208,616
Liabilities of discontinued operation	10	**1,830**	–	**–**	–
		503,797	439,417	**499,730**	434,996
Assets					
Bank balances and fixed deposits	23	**35,611**	35,515	**35,611**	27,637
Insurance debtors	25	**11,194**	12,378	**11,194**	12,198
Non-trade debtors and accrued interest receivable	25	**3,389**	1,988	**3,389**	1,980
Amount owing by related companies	27	**–**	–	**49**	47
Derivative financial assets	22	**46**	22	**46**	22
Associated company	28	**1**	1	**1**	1
Available-for-sale investments	29	**321,271**	283,846	**321,271**	283,846
Unsecured term loan		**13**	16	**13**	16
Fixed assets	30	**299**	379	**299**	379
Deferred acquisition cost-gross	18	**7,260**	6,382	**7,260**	6,277
Reinsurers' share of technical balances					
– Reserve for unexpired risks	17	**35,764**	26,851	**35,764**	26,490
– Reserve for outstanding claims	19	**79,893**	72,039	**79,893**	71,163
		494,741	439,417	**494,790**	430,056
Investment in subsidiary	31	**–**	–	**4,940**	4,940
Assets of discontinued operation	10	**9,056**	–	**–**	–
		503,797	439,417	**499,730**	434,996

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Statement of Changes in Equity

for the financial year ended 31 December 2012

	Note	Share capital $'000	General reserve $'000	Available-for-sale investment reserve $'000	Foreign currency translation reserve $'000	Retained profits $'000	Reserve of discontinued operation $'000	Total $'000
		Attributable to Equity Holders of the Group						
Balance at 1 January 2012		**91,733**	**22,880**	**2,784**	**(1,329)**	**112,943**	**–**	**229,011**
Profit net of tax		**–**	**–**	**–**	**–**	**29,169**	**–**	**29,169**
Other comprehensive income for the financial year		**–**	**–**	**13,653**	**(440)**	**–**	**–**	**13,213**
Total comprehensive income for the financial year		**–**	**–**	**13,653**	**(440)**	**29,169**	**–**	**42,382**
Reserve attributable to discontinued operation		**–**	**–**	**–**	**1,769**	**–**	**(1,769)**	**–**
Dividend for Year 2011	12	**–**	**–**	**–**	**–**	**(7,339)**	**–**	**(7,339)**
Dividend for Year 2012	12	**–**	**–**	**–**	**–**	**(1,834)**	**–**	**(1,834)**
Balance at 31 December 2012		**91,733**	**22,880**	**16,437**	**–**	**132,939**	**(1,769)**	**262,220**
Balance at 1 January 2011		91,733	21,880	23,243	(1,440)	102,967	–	238,383
Profit net of tax		–	–	–	–	20,149	–	20,149
Other comprehensive income for the financial year		–	–	(20,459)	111	–	–	(20,348)
Total comprehensive income for the financial year		–	–	(20,459)	111	20,149	–	(199)
Transfer from retained profits	15	–	1,000	–	–	(1,000)	–	–
Dividend for Year 2010	12	–	–	–	–	(7,339)	–	(7,339)
Dividend for Year 2011	12	–	–	–	–	(1,834)	–	(1,834)
Balance at 31 December 2011		91,733	22,880	2,784	(1,329)	112,943	–	229,011

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Statement of Changes in Equity

for the financial year ended 31 December 2012

	Note	Attributable to Equity Holders of the Company				
		Share capital $'000	General reserve $'000	Available-for-sale investment reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2012		**91,733**	**22,880**	**2,784**	**108,983**	**226,380**
Profit net of tax		**–**	**–**	**–**	**29,123**	**29,123**
Other comprehensive income for the financial year		**–**	**–**	**13,653**	**–**	**13,653**
Total comprehensive income for the financial year		**–**	**–**	**13,653**	**29,123**	**42,776**
Dividend for Year 2011	12	**–**	**–**	**–**	**(7,339)**	**(7,339)**
Dividend for Year 2012	12	**–**	**–**	**–**	**(1,834)**	**(1,834)**
Balance at 31 December 2012		**91,733**	**22,880**	**16,437**	**128,933**	**259,983**
Balance at 1 January 2011		91,733	21,880	23,243	98,990	235,846
Profit net of tax		–	–	–	20,166	20,166
Other comprehensive income for the financial year		–	–	(20,459)	–	(20,459)
Total comprehensive income for the financial year		–	–	(20,459)	20,166	(293)
Transfer from retained profits	15	–	1,000	–	(1,000)	–
Dividend for Year 2010	12	–	–	–	(7,339)	(7,339)
Dividend for Year 2011	12	–	–	–	(1,834)	(1,834)
Balance at 31 December 2011		91,733	22,880	2,784	108,983	226,380

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2012

	2012 $'000	2011 $'000
Cash flows from operating activities		
Profit before tax from continuing operations	**33,935**	24,766
Profit/(loss) before tax from discontinued operation	**44**	(10)
	33,979	24,756
Adjustments for:		
Foreign currency difference on net deferred acquisition costs	**–**	1
Foreign currency difference on provision for outstanding claims	**(5)**	1
Movement in net reserve for unexpired risks	**(3,167)**	3,015
Movement in net deferred acquisition costs	**1,610**	(133)
Movement in net provision for outstanding claims	**6,657**	2,750
Net fair value (gains)/losses on financial derivatives - unrealised	**(351)**	2,413
Depreciation	**130**	143
Net gains on available-for-sale investments	**(5,620)**	(4,617)
Amortisation of investments	**(27)**	(5)
Impairment on available-for-sale investments	**350**	6,590
Dividend income from investments	**(4,327)**	(4,134)
Interest income from investments	**(5,849)**	(4,903)
Interest on fixed deposits and bank balances	**(95)**	(79)
Exchange differences	**2,308**	(895)
Operating profit before working capital change	**25,593**	24,903
Changes in working capital:		
Trade and other receivables	**(285)**	(1,130)
Trade and other payables	**1,015**	1,773
Amount owing by related companies	**–**	7
Amount owing to related companies	**37**	(94)
Cash generated from operations	**26,360**	25,459
Tax paid	**(1,091)**	(4,250)
Net cash flow from operating activities	**25,269**	21,209
Cash flows from investing activities		
Proceeds from sale of available-for-sale investments	**136,073**	82,292
Purchase of available-for-sale investments	**(153,605)**	(117,760)
Purchase of fixed assets	**(50)**	(37)
Placement in long-term fixed deposits	**(1,722)**	(4,200)
Proceeds from release of statutory deposit	**–**	500
Unsecured term loan	**3**	3
Dividend income from investments	**4,327**	4,134
Interest income from investments	**5,849**	4,903
Interest on fixed deposits and bank balances	**95**	79
Net cash flow used in investing activities	**(9,030)**	(30,086)

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2012

	2012 $'000	2011 $'000
Cash flow from financing activity		
Dividend paid	**(9,173)**	(9,173)
Cash flow used in financing activity	**(9,173)**	(9,173)
Translation difference on foreign subsidiary company	**(440)**	111
Net increase/(decrease) in cash and cash equivalents	**6,626**	(17,939)
Cash and cash equivalents at beginning of year	**29,853**	47,681
Effects of exchange rate changes on cash and cash equivalents	**(455)**	111
Cash and cash equivalents at end of year	**36,024**	29,853

For the purpose of consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the year:

	Note	2012 $'000	2011 $'000
Cash and bank balances			
Continuing operations		**28,227**	29,853
Discontinued operation	10	**7,797**	–
		36,024	29,853

Bank balances and fixed deposits in the balance sheet comprise the following:

	2012 $'000	2011 $'000
Cash and bank balances	**6,899**	9,901
Fixed deposits placement less than 3 months	**21,328**	19,952
Cash and cash equivalents	**28,227**	29,853
Fixed deposits placement more than 3 months	**7,384**	5,662
	35,611	35,515

The accompanying accounting policies and explanatory 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

United Overseas Insurance Limited (the Company) is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The Company is a member of the United Overseas Bank Group. The holding company which is also the ultimate holding company is United Overseas Bank Limited, incorporated in Singapore, which owns 58% of the issued share capital of the Company.

The address of the Company's registered office is as follows:
80 Raffles Place
UOB Plaza
Singapore 048624

The address of the Company's principal place of business is as follows:
3 Anson Road
#28-01, Springleaf Tower
Singapore 079909

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the financial statements of the Company, which are presented in Singapore dollars ($) and rounded to the nearest thousand ($'000), have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act.

The preparation of the financial statements in conformity with FRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of available-for-sale financial assets and all financial derivatives.

With effect from 2012, all assets and liabilities are presented in the balance sheets of the Group and the Company in order of liquidity as this presentation is more relevant for the insurance industry.

(b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the applicable new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2 Significant Accounting Policies (continued)

(c) Standards Issued but not yet Effective

The Group has not adopted the following applicable standards and interpretations that have been issued but not yet effective:

	Effective Date (Annual periods beginning on or after)
– Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
– Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
– Revised FRS 19 Employee Benefits	1 January 2013
Improvements to FRSs 2012	
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2013
– Amendments to FRS 16 Property, Plant and Equipment	1 January 2013
– Amendments to FRS 32 Financial Investments: Presentation	1 January 2013
– FRS 113 Fair Value Measurements	1 January 2013
– Revised FRS 27 Separate Financial Statements	1 January 2014
– FRS 110 Consolidated Financial Statements	1 January 2014
– FRS 112 Disclosure of Interests in Other Entities	1 January 2014
– Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
– Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

Except for the Amendments to FRS 1 and FRS 112 the directors expect that the adoption of the other standards and interpretations above standards will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2 Significant Accounting Policies (continued)

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary as at the balance sheet date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Intercompany balances and transactions and resulting unrealised profits or losses are eliminated in full on consolidation.

(e) Revenue recognition

(i) Premium Income

Premium income from direct and facultative reinsurance business is taken up as income at the time a policy is issued which approximates the inception date of the risk.

Premium income from treaty reinsurance is taken up in the insurance revenue account based on statements received up to the time of closing of the books.

(ii) Investment Income

Dividend income is recognised when such dividends are declared. Interest income is accounted for on an accrual basis using the effective interest method. Profits or losses on disposal of investments are taken to profit or loss.

(f) Product Classification

All the Group's existing products are insurance contracts as defined in FRS 104. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

(g) Reserve for Unexpired Risks

Reserve for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves.

Unearned premium reserves are calculated on the following basis:

(i) Unearned premium reserves, other than for marine cargo and inward treaties, are calculated using the 1/24th method based on gross premiums written less premiums on reinsurances.

(ii) Unearned premium reserves on marine cargo direct business are calculated at 25% of the gross premiums written less premiums on reinsurances.

(iii) Unearned premium reserves on inward treaties are calculated at 40% of gross premiums written less premiums on reinsurances.

Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserves in relation to such policies.

2 Significant Accounting Policies (continued)

(g) Reserve for Unexpired Risks (continued)

Reserve for unexpired risks are compared with the report issued by a qualified actuary, which is prepared for a valuation of the premium liabilities in accordance with Section 37 of the Insurance Act, Cap. 142, on a yearly basis.

With effect from the year of 2012, the Company revised its method of estimation where the unearned premium reserves were calculated on gross premiums written less premiums on all reinsurances, whereas prior to this change in the case of direct and inward facultative business, unearned premium reserves were calculated on gross premiums written less premiums on reinsurance in Singapore and premiums on which reinsurance deposits were retained. Similar change was adopted in the estimation of deferred acquisition costs. This is to better reflect the effect of reinsurance on the Company's technical reserves and is in line with accounting treatment commonly practiced in the industry and regulatory requirements for insurance returns. This revision in estimate has been applied prospectively and the effect was an increase in reinsurers' share in the reserve for unexpired risks of $4.77 million and an increase in reinsurers' share in deferred acquisition cost of $1.34 million, resulting in a net effect of $3.43 million in the current reporting year.

(h) Deferred Acquisition Costs

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs (DAC) are calculated using the 1/24th method on actual commission. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and the carrying value is written down to the recoverable amount.

Refer to note 2(g) for the change in the estimation of deferred acquisition costs.

(i) Reinsurance

The Company assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

(j) Claims Paid and Provision for Outstanding Claims

Claims are charged against the insurance revenue account when incurred based on the estimated liability for compensation owed to policyholders or damage suffered by third party claimants. They comprise direct and indirect claims settlement costs, including loss adjustment expenses and professional fees, and arise from events that have occurred up to the balance sheet date even if they have not been reported to the Group.

Provision is made for the estimated costs of all claims notified but not settled as at the balance sheet date using the best information available at that time for individual cases. Provision is also made for the estimated costs of claims incurred but not reported (IBNR) as at the balance sheet date using statistical methods and compared with the assessment of a qualified actuary as required under the Insurance Act. The Group does not discount its provision for outstanding claims. Any reduction or increase in the provision is dealt with in the insurance revenue account of the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account of the year in which settlement takes place. For claims from assumed reinsurance, an additional provision is made based on developmental trends as discerned in the running-off of outstanding claims in respect of prior underwriting years.

As explained in Note 4, the assumptions used to estimate the provision require judgement and are subject to uncertainty.

Liabilities and Related Assets under Liability Adequacy Test

Insurance contracts are tested for adequacy by comparing current estimates of all future contractual cash flows with the carrying value of the liability. Where a shortfall is identified, an additional provision is made and the Group recognises the deficiency in profit or loss for the financial year.

2 Significant Accounting Policies (continued)

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

(l) Trade and Other Debtors

Trade debtors comprise receivables related to insurance contracts and include amounts due from policyholders, agents and reinsurers. Bad debts are written off when identified and specific provisions for impairment are made for those debts considered to be doubtful. Other debtors including amount owing by related companies are recognised and carried at amortised cost less an allowance for doubtful debts on any uncollectible amounts. The accounting policies applicable to trade and other debtors can be found in note 2(o)(ii).

(m) Fixed Assets and Depreciation

All items of fixed assets are initially recorded at cost. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:

	%
Furniture and fixtures	10
Office equipment	20
Motor vehicles	20

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down to its recoverable amount. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been charged to the profit or loss had the provision not been made.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit or loss in the year the asset is derecognised.

(n) Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

2 Significant Accounting Policies (continued)

(n) Impairment of Non-financial Assets (continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(o) Financial Assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this at every reporting date.

(i) Financial Assets at Fair Value Through Profit or Loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Financial derivatives are classified as held for trading unless they are designated as hedging instruments.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit or loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Cash and bank balances, fixed deposits, receivables arising from insurance contracts and other debtors are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

2 Significant Accounting Policies (continued)

(o) Financial Assets (continued)

(iii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that at initial recognition are either designated in this category or not classified in any of the other categories. Under some rare circumstances, a non-derivative financial asset that has been classified in other categories at initial recognition can be reclassified into the available-for-sale category.

Regular way purchases and sales of financial assets are recognised on settlement date – the date that an asset is delivered to or by the Group. Regular way purchase or sale refers to purchase or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention or the market place concerned.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Investments that are reclassified from other categories into the available-for-sale category are recognised at fair value as at date of reclassification if the reclassification takes place on or after 1 November 2008 or at fair value as at 1 July 2008 if the reclassification is made prior to 1 November 2008.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Investments in equity instruments classified as available-for-sale financial assets whose fair value cannot be reliably measured are measured at cost less impairment loss. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Financial derivatives with positive and negative fair values are presented as assets and liabilities in the balance sheet respectively.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of investment securities classified as available-for-sale are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Gains and losses on loans and receivables and held-to-maturity investments are recognised in profit or loss when the loans and receivables and held-to-maturity investments are derecognised or impaired, as well as through the amortisation process.

2 Significant Accounting Policies (continued)

(p) Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial Assets Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are subject to impairment review at each balance sheet date. Impairment loss is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in par value below cost and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2 Significant Accounting Policies (continued)

(p) Impairment of Financial Assets (continued)

(iii) Available-for-sale financial assets (continued)

In the case of debt instruments, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

(q) Trade and Other Creditors

Liabilities for trade and other creditors and amounts owing to related companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(r) Foreign Currency Translation

(i) Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The financial statements of the Group and the Company are presented in Singapore Dollars, which is the functional currency of the Company.

(ii) Transactions and Balances and Foreign Subsidiary Company

Foreign currency monetary assets and liabilities, including those in the foreign subsidiary company, are converted to Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year and the results of foreign subsidiary company are converted into the functional currency using the rates of exchange ruling on the transaction dates. Exchange differences are taken up in the insurance revenue accounts or in profit or loss as appropriate except for those arising from the retranslation of the opening net investment in the foreign subsidiary company, which are recognised in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign subsidiary company.

Exchange differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Exchange differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated under the available-for-sale investment reserve in equity.

(s) Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2 Significant Accounting Policies (continued)

(t) Deferred Income Tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements at the balance sheet date. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax is provided on temporary differences arising on investment in subsidiary, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(u) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, and fixed deposits.

(v) Dividend Distribution

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

(w) Employees' Benefits

(i) Defined Contribution Plan

As required by law, the Company makes contributions to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised in compensation expense in the same period as the employment that gives rise to the contributions.

(ii) Employees' Leave Entitlement

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

(x) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2 Significant Accounting Policies (continued)

(y) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

(z) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in material associates are accounted for using the equity method.

The following are accounting treatments under the equity method:

(i) The investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

(ii) The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associates.

(iii) The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

(iv) When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

(aa) Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2 Significant Accounting Policies (continued)

(ab) Segment Reporting

The Group is organised into operating segments based on its separate fund accounts in accordance with the Singapore Insurance Act (Chapter 142). Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

(ac) Related Parties

A related party is a person or entity that is related to the Group or the Company.

(i) A person or a close member of that person's family is related to the Group and the Company if that person:

(a) has control or joint control over the Company;
(b) has significant influence over the Company; or
(c) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(ii) An entity is related to the Group and the Company if any of the following conditions applies:

(a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(c) Both entities are joint ventures of the same third party.
(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
(f) The entity is controlled or jointly controlled by a person identified in (i);
(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(ad) Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Fixed assets and intangible assets once classified as held for sale are not depreciated or amortised.

3 Principal Activities

The principal activities of the Company and its subsidiary are the underwriting of general insurance business. There have been no significant changes in the nature of these activities during the financial year.

4 Judgements and Inherent Uncertainty In Accounting Estimates

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Impairment of Available-for-sale Investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. There was an impairment loss recognised for available-for-sale financial assets for the financial year ended 31 December 2012 amounting to $350,000 (2011: $6,590,000).

(b) Insurance Risks

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

As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to the Group's business. This safeguards not only the interest of its shareholders but also that of its customers. The Group has developed a robust underwriting framework to ensure that all risks accepted meet with its guidelines and standards.

The Group's business is primarily derived from Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Group's insurance portfolio. The Group has developed a reinsurance management strategy which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Group's reinsurance management strategy include protection of shareholders' fund, smoothing out the peaks and troughs of underwriting result, providing the Group with competitive advantage, sound and diversified reinsurance securities and developing long-term strategic partnership with key reinsurers.

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The principal uncertainty in the Group's financial statements primarily arises in the technical provisions which include the provisions of premium and claim liabilities. The premium liabilities comprise reserve for unexpired risks, net of deferred acquisition cost while the claim liabilities comprise provision for outstanding claims and their values are carried in the balance sheet as disclosed in Notes 17, 18 and 19 to the financial statements.

Although the premium and claim liabilities are estimated based on management's best knowledge and judgement of current facts including consultations with its appointed actuary as at the balance sheet date, the actual outcome may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

For general insurance contracts, claims provision, comprising provision for claims reported by policyholders and claims incurred but not reported (IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date. The provisions are revised continuously as part of a regular ongoing process as claims are settled and further claims are reported.

4 Judgements and Inherent Uncertainty In Accounting Estimates (continued)

(b) Insurance Risks (continued)

(i) Estimation process

The claims provision estimation process involves estimation of reserve of outstanding reported claims (case reserves), and estimation of additional reserves for IBNR and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims incurred but not enough reported (IBNER). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined by the Group after taking into account the appointed actuary's assessment. The total claim liabilities are subject to a yearly actuarial review and at year end a formal actuarial report will be provided on the adequacy of the Group's claim liabilities.

In forming their view on the adequacy of the claims provision, the actuary uses a variety of statistical projection techniques like the Chain Ladder and Bornhuetter-Ferguson methods. Claims provision is separately analysed by class of business and it is intended to provide a minimum of 75% level of assurance of adequacy, and as such include a provision for adverse deviation (PAD) beyond the best estimate of the claim liabilities.

The best estimates for premium liabilities have been determined such that the total liability provision would be adequate to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

(ii) Assumptions

The principal assumption underlying the actuarial estimate of the claim liabilities is that the past claims development experience of the Group is indicative of likely future claims development, both in terms of expected amounts and variability around those expected amounts. In estimating the required claims provision, actuary also considers business strategy, trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Group. There is typically a lot of judgement involved in estimating the claim liabilities.

(iii) Sensitivities

The estimates of premium and claim liabilities are sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual value of premium and claim liabilities can vary from the initial estimates.

The following table shows the sensitivity of the Group's profit before tax to a possible change in the premium and claim liabilities with all other variables held constant:

	Increase/ Decrease	Impact on Profit before tax $'000
2012		
Gross premium and claim liabilities	**+/- 5%**	**-/+ 10,026**
Net premium and claim liabilities	**+/- 5%**	**-/+ 4,243**
2011		
Gross premium and claim liabilities	+/- 5%	-/+ 9,024
Net premium and claim liabilities	+/- 5%	-/+ 4,079

(c) Discontinued operation

On 2 August 2012, the Company announced that its wholly-owned Hong Kong subsidiary, UOB Insurance (HK) Limited (UOBIHK) would stop underwriting new and renewal business with effect from 1 September 2012. It is therefore classified as disposal group held for sale.

The Company considered that its Hong Kong subsidiary has met the criteria to be classified as held for sale as the Company has arranged for existing insurance business portfolio of UOBHK to be transferred to Asia Insurance Company Ltd, another Hong Kong insurer, subject to approval of the Hong Kong Insurance Authority. The above-mentioned transfer is expected to be completed within 12 months from the reporting date.

5 Other Income

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
(a) Dividend income from:				
Available-for-sale investments				
– Equity shares in corporations	**4,106**	3,920	**4,106**	3,920
– Unit trusts	**221**	214	**221**	214
	4,327	4,134	**4,327**	4,134
(b) Interest income from:				
Available-for-sale investments				
– Other Government securities	**43**	66	**43**	66
– Fixed income securities in corporations	**5,806**	4,837	**5,806**	4,837
	5,849	4,903	**5,849**	4,903

6 Management Expenses

Included in management expenses from continuing operations are the following:

	Charged to insurance revenue accounts 2012 $'000	Charged to insurance revenue accounts 2011 $'000
Group and Company		
Depreciation on:		
Furniture and fixtures	**29**	30
Office equipment	**92**	103
Motor vehicles	**9**	10
	130	143
Auditors' remuneration:		
Payable to the auditors of the Company – audit fees		
– Current year	**127**	124
	127	124
Foreign exchange loss	**77**	19
Write-back of provision for bad and doubtful debts	**(3)**	(9)
Rental expenses	**838**	808
License/levy	**153**	167
Printing and stationery	**190**	213
Upkeep of application software	**233**	328

During the financial year, the Group did not engage the auditors in the provision of non-audit services.

7 Staff Information (Including an Executive Director)

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Wages, salaries and other employee benefits	**5,733**	5,300	**5,733**	5,300
Central Provident Fund contribution	**595**	526	**595**	526
	6,328	5,826	**6,328**	5,826

	Group and Company	
	2012	2011
Number of persons employed at the end of year	**94**	92

8 Directors' Remuneration

The number of directors of the Company whose total remuneration from the Group falls into the following bands is:

	2012	2011
$500,000 to $749,999	**1**	1
$250,000 to $499,999	**–**	–
Below $250,000	**5**	5
Total	**6**	6

9 Income Tax

(a) Tax Expense

The tax expense attributable to profit is made up of:

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Continuing operations:				
On the profit of the year:				
Singapore current income tax	**4,838**	4,620	**4,838**	4,620
Transfer from deferred taxation	**(26)**	(20)	**(26)**	(20)
	4,812	4,600	**4,812**	4,600
Discontinued operation:				
Overseas current income tax	**–**	7	**–**	–
Overprovision in respect of prior years (Note 10(b))	**(2)**	–	**–**	–
	(2)	7	**–**	–
Income tax expense recognised in profit and loss	**4,810**	4,607	**4,812**	4,600

The tax expense on the results of the Group and the Company for the financial year differs from the theoretical amount that would arise by applying the Singapore statutory income tax rate to profit before tax due to the following:

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Profit before tax	**33,935**	24,766	**33,935**	24,766
Profit/(loss) before tax from discontinued operation	**44**	(10)	**–**	–
Accounting profit before tax	**33,979**	24,756	**33,935**	24,766
Tax calculated at a tax rate of 17% (2011: 17%)	**5,776**	4,208	**5,769**	4,210
Singapore statutory stepped income exemption	**(26)**	(26)	**(26)**	(26)
Exempt income	**(589)**	(574)	**(589)**	(574)
Expenses not deductible for tax purposes	**93**	1,235	**45**	1,222
Income not subject to tax	**(63)**	(4)	**(1)**	–
Income from qualifying debt securities and offshore insurance which are taxed at a rate of 10%	**(420)**	(254)	**(420)**	(254)
Overprovision in respect of prior years (Note 10(b))	**(2)**	–	**–**	–
Deferred tax assets not recognised	**7**	–	**–**	–
Others	**34**	22	**34**	22
Actual tax expense	**4,810**	4,607	**4,812**	4,600

9 Income Tax (continued)

(b) Movements in Tax Payables

The tax expense attributable to profit is made up of:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Balance at beginning of the financial year	**5,893**	5,515	**5,926**	5,551
Income tax paid	**(1,091)**	(4,250)	**(1,117)**	(4,245)
Current financial year's tax payable on profit	**4,838**	4,627	**4,838**	4,620
Attributable to discontinued operation	**7**	–	**–**	–
Foreign currency translation difference	**–**	1	**–**	–
Balance at end of the financial year	**9,647**	5,893	**9,647**	5,926

10 Discontinued Operation

On 2 August 2012, the Company announced that its wholly-owned Hong Kong subsidiary, UOB Insurance (HK) Limited (UOBIHK) would stop new and renewal business with effect from 1 September 2012.

The Company has arranged for existing insurance business portfolio of UOBHK to be transferred to Asia Insurance Company Ltd, another Hong Kong insurer, subject to approval of the Hong Kong Insurance Authority. The above-mentioned transfer is expected to be completed within 12 months from the reporting date.

(a) Balance Sheet Disclosures

The major assets and liabilities of UOBIHK classified as discontinued operation as at 31 December 2012 are as follows:

	2012 $'000	2011 $'000
Reserves		
Foreign currency translation reserve	**(1,769)**	–
Liabilities		
Insurance creditors	**129**	–
Non-trade creditors and accrued liabilities	**305**	–
Gross technical balances		
– Reserve for unexpired risks	**424**	–
– Reserve for outstanding claims	**972**	–
	1,830	–
Assets		
Bank balance and fixed deposits	**7,797**	–
Insurance debtors	**59**	–
Non-trade debtors	**9**	–
Reinsurers' share of technical balances		
– Reserve for unexpired risks	**312**	–
– Reserve for outstanding claims	**879**	–
	9,056	–

10 Discontinued Operation (continued)

(b) Profit and Loss Accounts Disclosures

The profit and loss accounts for the period ended 31 December 2012 are as follows:

	2012 $'000	2011 $'000
Gross premiums written	**934**	989
Less reinsurance premiums ceded	**(734)**	(775)
Net premiums written	**200**	214
Movement in net reserve for unexpired risk	**(6)**	(4)
Net earned premiums	**194**	210
Less		
Gross claims paid	**(22)**	49
Reinsurance claims recoveries	**22**	(48)
Net claims paid	**–**	1
Change in net outstanding claims	**(4)**	(81)
Net claims incurred	**(4)**	(80)
Gross commissions	**321**	229
Reinsurance commissions	**(251)**	(206)
Net commissions	**70**	23
Management expenses	**463**	206
Total Outgo	**529**	149
Insurance underwriting (loss)/profit transferred to profit and loss	**(335)**	61
Other income		
Interest on fixed deposits from holding company	**18**	14
Miscellaneous income	**1**	1
	19	15
Add/(less)		
Exchange differences	**360**	(86)
Profit/(loss) before tax	**44**	(10)
Tax expense	**2**	(7)
Net profit/(loss), net of tax	**46**	(17)

10 Discontinued Operation (continued)

(c) Cash Flow Statement Disclosures

The cash flows attributable to UOBIHK are as follows:

Cash flow statement disclosures:

	2012 $'000	2011 $'000
Operating	**296**	(61)
Investing	**16**	14
Net increase/(decrease) in cash and cash equivalents	**312**	(47)

(d) Profit/(loss) per Share Disclosures

Profit/(loss) per share from discontinued operation attributable to owner of the Company are as follows:

	2012	2011
Basic and diluted earnings per share	**0.08 cents**	(0.03) cents

The basic and diluted profit/(loss) per share from discontinued operation are calculated by dividing the profit/(loss) from discontinued operation, net of tax, attributable to shareholders of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

The cessation of business of UOBIHK is not expected to have any material impact on the Company's financial position.

11 Earnings Per Share

(a) Continuing Operations

Earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2012 $'000	Group 2011 (Restated) $'000
Net profit	**29,169**	20,149
(Less)/Add:		
(Profit)/loss from discontinued operation, net of tax, attributable to shareholders of the Company	**(46)**	17
Profit from continuing operations, net of tax, attributable to shareholders of the Company used in the computation of earnings per share for continuing operations	**29,123**	20,166
Weighted average number of ordinary shares ('000)	**61,155**	61,155
Basic and diluted earnings per share	**47.62 cents**	32.98 cents

(b) Earnings per Share Computation

Earnings per share is calculated by dividing the profit after tax attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2012 $'000	Group 2011 (Restated) $'000
Net profit	**29,169**	20,149
Weighted average number of ordinary shares ('000)	**61,155**	61,155
Basic and diluted earnings per share	**47.70 cents**	32.95 cents

12 Dividend Paid

	Group and Company	
	2012	2011
	$'000	$'000
Interim dividend of 3 cents per share (one-tier tax-exempt) (2011: 3 cents per share one-tier tax-exempt in respect of the financial year 2011), in respect of the financial year 2012	**1,834**	1,834
Final dividend of 12 cents per share (one-tier tax-exempt) (2011: 12 cents per share one-tier tax-exempt in respect of the financial year 2010), in respect of the financial year 2011	**7,339**	7,339
	9,173	9,173

The Directors have proposed a final one-tier tax-exempt dividend of 12 cents per share and a special one-tier tax-exempt dividend of 2 cents per share in respect of the financial year ended 31 December 2012 amounting to $8,562,000. These financial statements do not reflect this dividend payable, which, if approved at the forthcoming Annual General Meeting, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2013.

13 Share Capital

	Group and Company			
	2012		2011	
	No. of shares issued '000	$'000	No. of shares issued '000	$'000
Issued and fully paid, at beginning and end of the financial year	**61,155**	**91,733**	61,155	91,733

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry 1 vote per share without restrictions. The ordinary shares have no par value.

14 Capital Management

The Group has established a capital management policy to ensure that the Group maintains adequate capital to support business growth, taking into consideration regulatory requirements, and the underlying risks of the Group's business and operations. Capital includes equity attributable to the owners of the Company less the available-for-sale investment reserve.

The Group's capital management processes include the following key measures:

- observing an established dividend policy, which aims to support the Group's business needs, comply with regulatory requirements and reward shareholders reasonably;
- setting appropriate risk limits to control the Group's exposure in the underlying risks of its business and operations;
- investing the Group's funds in liquid and marketable securities and following an appropriate asset allocation strategy to maintain high liquidity and achieve the Group's objective in growth and preservation of capital; and
- stress-testing the Group's financial conditions and capital adequacy under various stress scenarios to assess and enhance the Group's financial stability.

14 Capital Management (continued)

The Company is also required to maintain a minimum amount of capital and solvency requirements as prescribed under the Singapore Insurance Act (Chapter 142) and relevant Regulations. The Company has complied with such requirements during the financial year. The Company monitors its capital level on a regular basis to assess whether the capital adequacy requirements have been met.

The Group has no borrowings, contingent liabilities and loan capital as at 31 December 2012. There was no change in the Group's capital management objectives, policies and processes during the years ended 31 December 2012 and 31 December 2011.

15 General Reserve

In each financial year, a certain amount of retained profits may be transferred to general reserve of the Group. The general reserve has not been earmarked for any particular purpose. In the year of 2012, there is no transfer of retained profits to general reserve.

16 Deferred Tax Liabilities

Deferred tax liabilities as at 31 December relate to the following:

	Group and Company			
	Balance sheet		Profit and loss	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Differences in tax depreciation	**38**	48	**(10)**	(14)
Differences in interest receivable	**225**	182	**43**	(6)
Differences in impairment on investment	**(59)**	–	**(59)**	–
Deferred income tax related to other comprehensive income:				
Revaluation of available-for-sale investments				
– Balance at 1 January	**801**	4,759	**–**	–
– Credited/(debited) during the financial year directly against available-for-sale investment reserve	**2,566**	(4,188)	**–**	–
	3,571	801		
Deferred income tax expense			**(26)**	(20)

Deferred tax liabilities have not been established for the withholding and other taxes that would be payable on the unremitted earnings of the Company's Hong Kong subsidiary (UOBIHK). The Company has intention to close down UOBIHK after UOBIHK's insurance business portfolio is transferred to another Hong Kong insurer. The Company considers that the remittance of earnings and return of capital of UOBIHK upon its closure are capital in nature and will not be subject to tax. Such unremitted earnings totalled $4,024,000 as at 31 December 2012 (2011: $4,225,000).

17 Reserve for Unexpired Risks

Movements in reserve for unexpired risks:

	Group					
	2012			2011		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**54,887**	**(26,851)**	**28,036**	49,038	(24,017)	25,021
Foreign currency translation difference	–	–	–	(3)	3	–
Movement in reserve during the financial year	**6,104**	**(9,274)**	**(3,170)**	5,747	(2,748)	2,999
Attributable to discontinued operation	**(470)**	**361**	**(109)**	105	(89)	16
Balance at end of the financial year	**60,521**	**(35,764)**	**24,757**	54,887	(26,851)	28,036

	Company					
	2012			2011		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**54,417**	**(26,490)**	**27,927**	48,670	(23,742)	24,928
Movement in reserve during the financial year	**6,104**	**(9,274)**	**(3,170)**	5,747	(2,748)	2,999
Balance at end of the financial year	**60,521**	**(35,764)**	**24,757**	54,417	(26,490)	27,927

18 Deferred Acquisition Costs

	Group					
	2012			2011		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Balance at beginning of the financial year	**6,382**	**(6,555)**	**(173)**	5,464	(5,769)	(305)
Foreign currency translation difference	**–**	**–**	**–**	(1)	–	(1)
Movement in deferred acquisition cost during the financial year	**983**	**(2,551)**	**(1,568)**	902	(781)	121
Attributable to discontinued operation	**(105)**	**63**	**(42)**	17	(5)	12
Balance at end of the financial year	**7,260**	**(9,043)**	**(1,783)**	6,382	(6,555)	(173)

	Company					
	2012			2011		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Balance at beginning of the financial year	**6,277**	**(6,492)**	**(215)**	5,375	(5,711)	(336)
Movement in deferred acquisition cost during the financial year	**983**	**(2,551)**	**(1,568)**	902	(781)	121
Balance at end of the financial year	**7,260**	**(9,043)**	**(1,783)**	6,277	(6,492)	(215)

19 Provision for Outstanding Claims

Provision for outstanding claims will become payable and materialise into claims paid as and when the amounts of insured losses suffered by policyholders or third party claimants are ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 6 years.

The provision is sensitive to many factors such as interpretation of circumstances, legislative changes, judicial decisions and economic conditions and is also subject to uncertainties such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder or a third party claimant an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable; and
- uncertainty as to the amount of insured loss suffered by a policyholder or a third party claimant as a result of the event occurring.

Movements in provision for outstanding claims:

	Group					
	2012			2011		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**125,590**	**(72,039)**	**53,551**	124,185	(73,385)	50,800
Foreign currency translation difference	**–**	**–**	**–**	13	(12)	1
Claims paid during the financial year	**(27,534)**	**14,110**	**(13,424)**	(24,886)	14,494	(10,392)
Claims incurred	**42,925**	**(22,840)**	**20,085**	26,382	(13,159)	13,223
Attributable to discontinued operation	**(978)**	**876**	**(102)**	(104)	23	(81)
Balance at end of the financial year	**140,003**	**(79,893)**	**60,110**	125,590	(72,039)	53,551

	Company					
	2012			2011		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**124,612**	**(71,163)**	**53,449**	123,116	(72,498)	50,618
Claims paid during the financial year	**(27,534)**	**14,110**	**(13,424)**	(24,886)	14,494	(10,392)
Claims incurred	**42,925**	**(22,840)**	**20,085**	26,382	(13,159)	13,223
Balance at end of the financial year	**140,003**	**(79,893)**	**60,110**	124,612	(71,163)	53,449

19 Provision for Outstanding Claims (continued)

The following are the Group's and Company's actual claims compared with previous estimates on gross and net basis:

(a) Group and Company

Accident Year	2002 & prior	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
												($'000)
Estimate of claims incurred *– **gross**												
– at end of accident year		18,488	29,952	19,476	25,614	35,096	36,694	33,901	41,749	44,992	50,653	
– one year later		18,870	31,033	19,879	27,680	34,685	39,358	34,687	43,718	54,297		
– two years later		18,219	35,629	18,708	24,376	34,065	38,386	32,437	41,440			
– three years later		18,498	27,669	17,317	22,937	31,464	35,064	29,598				
– four years later		18,196	26,538	16,241	21,228	29,600	33,879					
– five years later		17,336	25,481	15,328	20,105	28,846						
– six years later		15,757	24,260	13,778	18,172							
– seven years later		9,660	21,543	11,820								
– eight years later		8,955	20,891									
– nine years later		8,946										
Current estimate of cumulative claims		8,946	20,891	11,820	18,172	28,846	33,879	29,598	41,440	54,297	50,653	
Less: cumulative claims paid to date		8,831	20,482	11,358	15,805	14,353	20,937	19,623	23,941	19,392	5,312	
Liability recognised in the balance sheet	1,018	115	409	462	2,367	14,493	12,942	9,975	17,499	34,905	45,341	**139,526**
Estimate of claims incurred arising from portfolio transfers – **gross**			**Non-DOR**									
– as at 1 January of year of transfer			42,309									
– one year later			36,877									
– two years later			35,987									
– three years later			35,158									
– four years later			31,325									
– five years later			27,878									
– six years later			25,489									
– seven years later			21,798									
– eight years later			16,514									
– nine years later			12,010									
Current estimate of cumulative claims			12,010									
Less: cumulative claims paid to date			11,533									
Liability recognised in the balance sheet			477									**477**
Total reserve included in the balance sheet												**140,003**

* Claims incurred other than claims arising from portfolio transfer from another local insurance company in respect of its Non-Discontinued Offshore Reinsurance Business (Non-DOR) on 1 January 2004.

19 Provision for Outstanding Claims (continued)

(b) Group and Company (continued)

Accident Year	2002 & prior	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total ($'000)
Estimate of claims incurred *– **net**												
– at end of accident year		4,804	12,267	8,343	9,785	11,076	13,528	14,784	20,394	22,500	24,853	
– one year later		5,165	14,406	8,724	10,003	10,554	13,997	12,433	20,277	26,822		
– two years later		4,956	14,048	8,228	8,750	10,766	14,496	12,347	19,860			
– three years later		4,903	12,959	7,617	8,095	9,262	12,737	10,625				
– four years later		4,495	12,456	6,971	7,292	8,388	12,251					
– five years later		4,177	11,676	6,440	6,789	8,004						
– six years later		3,754	11,133	5,786	6,099							
– seven years later		3,283	9,537	5,232								
– eight years later		3,082	9,254									
– nine years later		3,085										
Current estimate of cumulative claims		3,085	9,254	5,232	6,099	8,004	12,251	10,625	19,860	26,822	24,853	
Less: cumulative claims paid to date		3,016	9,087	5,042	5,556	6,448	9,433	7,102	10,960	8,220	2,207	
Liability recognised in the balance sheet	653	69	167	190	543	1,556	2,818	3,523	8,900	18,602	22,646	**59,667**
Estimate of claims incurred arising from portfolio transfers – **net**			**Non-DOR**									
– as at 1 January of year of transfer			21,704									
– one year later			19,902									
– two years later			20,915									
– three years later			20,460									
– four years later			18,078									
– five years later			15,762									
– six years later			14,302									
– seven years later			12,527									
– eight years later			10,086									
– nine years later			5,881									
Current estimate of cumulative claims			5,881									
Less: cumulative claims paid to date			5,438									
Liability recognised in the balance sheet			443									**443**
Total reserve included in the balance sheet												**60,110**

* Claims incurred other than claims arising from portfolio transfer from another local insurance company in respect of its Non-DOR on 1 January 2004.

20 Available-for-sale Investment Reserve

Available-for-sale investment reserve records the cumulative fair value changes of available-for-sale investments, net of deferred income tax, until they are derecognised or impaired.

	Group and Company	
	2012	2011
	$'000	$'000
Balance at 1 January	**2,784**	23,243
Net change in the reserve, net of tax	**13,303**	(27,049)
Net impairment loss recognised on investments	**350**	6,590
Balance at 31 December	**16,437**	2,784
Net change in the reserve arises from:		
– Net gain/(loss) on fair value changes during the financial year, net of tax	**17,968**	(23,217)
– Recognised in the profit and loss account on disposal of investments, net of 17% tax (2011: 17%)	**(4,665)**	(3,832)
	13,303	(27,049)

21 Amount Owing to Trade and Non-trade Creditors

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Amount owing to agents	**170**	343	**170**	343
Amount owing to reinsurers	**7,873**	7,142	**7,873**	6,984
Amount retained from reinsurers	**4,938**	4,912	**4,938**	4,863
	12,981	12,397	**12,981**	12,190
Non-trade creditors and accrued liabilities	**2,893**	2,905	**2,893**	2,800
Amount owing to related companies	**1,088**	1,051	**1,088**	1,051
Total financial liabilities carried at amortised cost	**16,962**	16,353	**16,962**	16,041

(i) Amount owing to agents and reinsurers

These amounts are non-interest bearing and are normally settled on 90-days term.

(ii) Amount retained from reinsurers

These amounts are interest bearing. They are normally settled on yearly basis.

(iii) Non-trade creditors and accrued liabilities

These amounts are unsecured, non-interest bearing and are repayable on demand.

(iv) Amount owing to related companies

These amounts are unsecured, non-interest bearing and repayable on demand.

22 Financial Derivatives

Financial derivatives are instruments whose values change in response to the change in prices of the underlying instruments.

The Group transacts in forward contracts to manage its foreign exchange exposure arising from investment in fixed income securities denominated in foreign currencies.

The table below shows the Company's and the Group's forward contracts and their fair values measured by valuation technique with market observable inputs at the balance sheet date. The most frequently applied valuation techniques include forward pricing models. They are classified as level 2 in the fair value hierarchy. These amounts do not necessarily represent future cash flows and amounts at risk of the forward contracts.

	Group and Company					
	2012			2011		
	Contract/ notional amount $'000	Derivative financial assets $'000	Derivative financial liabilities $'000	Contract/ notional amount $'000	Derivative financial assets $'000	Derivative financial liabilities $'000
Foreign exchange forwards						
Sell USD/Buy SGD	**39,561**	**46**	**–**	34,947	–	327
Sell GBP/Buy SGD	**–**	**–**	**–**	4,031	22	–
	39,561	**46**	**–**	38,978	22	327

For the year ended 31 December 2012, the Group recognised net unrealised fair value gains on financial derivatives of $351,000 (2011: net unrealised fair value losses $2,413,000).

The foreign exchange forward contracts have maturity dates in February 2013 (2011: January 2012 to April 2012).

23 Bank Balances and Fixed Deposits

(a) Fixed Deposits

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Fixed deposits with:				
Holding company	**1,651**	9,045	**1,651**	2,851
Other financial institutions	**27,061**	16,569	**27,061**	16,569
	28,712	25,614	**28,712**	19,420
Fixed deposits with:				
3 months or less	**21,328**	19,952	**21,328**	13,758
More than 3 months	**7,384**	5,662	**7,384**	5,662
	28,712	25,614	**28,712**	19,420

23 **Bank Balances and Fixed Deposits** (continued)

(a) **Fixed Deposits** (continued)

The fixed deposits with the holding company and other financial institutions for the Group and the Company mature on varying dates within 6 months (2011: 6 months) from the financial year end depending on the immediate cash requirements of the Group and the Company and earn interest at the respective fixed deposit rates. The weighted average effective interest rate of these deposits at 31 December 2012 for the Group and the Company was 0.30% (2011: 0.35%) and 0.29% (2011: 0.37%) respectively per annum.

(b) **Cash and Bank Balances**

	Group		Company	
	2012 **$'000**	**2011** **$'000**	**2012** **$'000**	**2011** **$'000**
Bank balances with:				
Holding company	**4,363**	7,888	**4,363**	6,204
Fellow subsidiaries	**473**	523	**473**	523
Other financial institutions	**2,061**	1,488	**2,061**	1,488
Cash on hand	**2**	2	**2**	2
	6,899	9,901	**6,899**	8,217

Cash and bank balances earn interest at floating rates based on daily deposit rates.

	Group		Company	
	2012 **$'000**	**2011** **$'000**	**2012** **$'000**	**2011** **$'000**
Total bank balances and fixed deposits	**35,611**	35,515	**35,611**	27,637

24 **Collaterals Received**

The Group and the Company have fixed deposits of $199,000 (2011: $1,450,000) and bank balances of $30,000 (2011: $12,000) held as collateral against performance bonds issued on behalf of policyholders throughout the period of the insurance policies. The fair values of the collaterals as at the balance sheet date approximate their carrying amounts.

25 Loans and Receivables

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Amount due from policyholders and agents (note 26)	**6,632**	6,137	**6,632**	5,957
Amount due from reinsurers (note 26)	**2,531**	4,459	**2,531**	4,459
Amount retained by ceding companies	**2,031**	1,782	**2,031**	1,782
	11,194	12,378	**11,194**	12,198
Non-trade debtors and accrued interest receivable	**3,389**	1,988	**3,389**	1,980
Amount owing by related companies (note 27)	**–**	–	**49**	47
Loans and receivables	**14,583**	14,366	**14,632**	14,225

26 Amount Due from Policyholders and Agents and Reinsurers

(i) Amount Due from Policyholders and Agents

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Amount due from policyholders and agents	**6,632**	6,137	**6,632**	5,957
Less: Allowance for doubtful debts	**–**	–	**–**	–
	6,632	6,137	**6,632**	5,957

These amounts are unsecured and non-interest bearing with payment terms not exceeding 90 days.

(ii) Amount Due from Reinsurers

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Amount due from reinsurers	**2,531**	4,459	**2,531**	4,459
Less: Allowance for doubtful debts	**–**	–	**–**	–
	2,531	4,459	**2,531**	4,459

These amounts are unsecured and non-interest bearing with payment terms not exceeding 90 days.

27 Amount Owing by Related Companies

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Amount owing by:				
Subsidiary - non-trade	**–**	–	**49**	47
	–	–	**49**	47

The non-trade balance due from the subsidiary was unsecured, interest-free and repayable on demand.

28 Associated Company

This represents the Group's investment in the following company:

Name of Company	Country of incorporation & place of business	Principal activity	Cost of investment		% of Paid-up capital held by the group	
			2012	2011	2012	2011
			$'000	$'000	%	%
United Insurance Agency Pte Ltd*	Singapore	General Insurance Agent	**1**	1	**49**	49

* Audited by KPMG LLP, Singapore

29 Available-for-sale Investments

	Group and Company	
	2012 Fair value $'000	**2011 Fair value $'000**
(i) Current		
Equity shares in corporations	**92,971**	–
Fixed income securities in corporations	**8,691**	18,828
	101,662	18,828
(ii) Non-current		
Equity shares in corporations	**35,236**	94,110
Equity shares in a related corporation	**6,289**	6,316
Unit trusts	**36,700**	66,827
Fixed income securities in corporations	**140,184**	96,527
Other Government securities	**1,200**	1,238
	219,609	265,018
Total	**321,271**	283,846

The fixed income securities bear an effective weighted average interest rate of 4.55% (2011: 4.32%) per annum with maturity dates from May 2013 to December 2049 (2011: January 2012 to December 2049).

The other government securities bear an effective weighted average interest rate of 4.00% (2011: 4.00%) per annum with maturity date in September 2016 (2011: September 2016).

29 Available-for-sale Investments (continued)

Fair Value Measurements

Effective 1 January 2009, the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The available-for-sale investments are measured at fair value at 31 December as follows:

	Group and Company			
	2012			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity shares in corporations	**128,207**	**–**	**–**	**128,207**
Equity shares in a related corporation	**6,289**	**–**	**–**	**6,289**
Fixed income securities in corporations	**148,875**	**–**	**–**	**148,875**
Other Government securities	**1,200**	**–**	**–**	**1,200**
Unit trusts	**36,700**	**–**	**–**	**36,700**
	321,271	**–**	**–**	**321,271**

	Group and Company			
	2011			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity shares in corporations	94,110	–	–	94,110
Equity shares in a related corporation	6,316	–	–	6,316
Fixed income securities in corporations	115,355	–	–	115,355
Other Government securities	1,238	–	–	1,238
Unit trusts	66,827	–	–	66,827
	283,846	–	–	283,846

The fair value of investments traded in active markets is based on the quoted market bid prices at the balance sheet date. These investments are included in Level 1.

29 Available-for-sale Investments (continued)

Fair Value Measurements (continued)

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices or dealer quotes for similar instruments as well as other techniques, such as estimated discounted cash flows are used to estimate fair value of these instruments. These investments are included in Level 2.

In infrequent circumstances, where a valuation technique for an investment is based on significant unobservable inputs, such instruments are included in Level 3.

During the financial year ended 31 December 2012, there was no transfer of investments between Level 1 and Level 2.

Reclassification of Financial Assets

In September 2008, the equity markets plunged after the incidences of Lehman Brothers and AIG. Arising from these circumstances, on 31 October 2008 the Group decided to reclassify all its investments at fair value through profit or loss out of such category into the available-for-sale category. Pursuant to the Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Assets, the aforesaid reclassification took effect from 1 July 2008 (effective date of reclassification). The amounts reclassified out of investments at fair value through profit or loss and into available-for-sale investments category, their carrying amount and fair value are as follows:

	Group and Company		
		Reclassified assets held on 31 December	
		2012	2011
	Fair value Date of reclassification $'000	Carrying amount/ Fair value $'000	Carrying amount/ Fair value $'000
Equity shares in corporations	2,140	**184**	409
Fixed income securities in corporations	23,006	**2,846**	6,608
Singapore Government securities	4,900	**–**	–
Unit trusts	22,306	**5,070**	19,183
	52,352	**8,100**	26,200

As at the date of reclassification, the Group expected to recover the carrying amount of the aforesaid investments in full when the conditions in the equity markets improve.

During the year, investments of carrying amount of $16,677,825 were sold and a gain of $2,550,000 was recognised in the profit and loss accounts.

If the aforesaid reclassification had not been carried out, an unrealised fair value loss of $2,834,000 (2011: unrealised fair value loss of $1,326,000) would have been recognised in the profit or loss.

30 Fixed Assets

(a) Group and Company

	Furniture and fixtures $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost				
At 1 January 2011	342	2,080	49	2,471
Additions	3	34	–	37
Disposals	–	(1)	–	(1)
At 31 December 2011 and 1 January 2012	345	2,113	49	2,507
Additions	–	50	–	50
Disposals	–	(3)	–	(3)
At 31 December 2012	**345**	**2,160**	**49**	**2,554**
Accumulated depreciation				
At 1 January 2011	166	1,790	30	1,986
Depreciation charge for the year	30	103	10	143
Disposals	–	(1)	–	(1)
At 31 December 2011 and 1 January 2012	196	1,892	40	2,128
Depreciation charge for the year	29	92	9	130
Disposals	–	(3)	–	(3)
At 31 December 2012	**225**	**1,981**	**49**	**2,255**
Net book value				
At 31 December 2011	149	221	9	379
At 31 December 2012	**120**	**179**	**–**	**299**

(b) Fully Depreciated Assets

Original cost of fully depreciated assets still in use as at 31 December 2012 amounted to $1,819,000 (2011: $1,691,000).

31 Investment in Subsidiary

	2012 $'000	2011 $'000
Unquoted equity shares, at cost	**4,940**	4,940

The wholly-owned subsidiary is UOB Insurance (H.K.) Limited, incorporated in Hong Kong S.A.R and is audited by a member firm of Ernst & Young Global in Hong Kong S.A.R. The subsidiary underwrites general insurance business in Hong Kong S.A.R.

With effect from 1 September 2012, the subsidiary ceased to underwrite insurance business. It has arranged for existing insurance business portfolio to be transferred to Asia Insurance Company Ltd, another Hong Kong insurer, subject to approval of the Hong Kong Insurance Authority.

32 Commitments

At the balance sheet date, the Group and the Company has rental commitments under a non-cancellable operating lease. The minimum lease payments are:

	Group and Company	
	2012 $'000	2011 $'000
Lease which expires:		
Within one year	**1,169**	740
Between one and three years	**2,240**	–
	3,409	740

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2012 amounted to $838,000 (2011: $808,000).

33 Related Party Transactions

The following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Gross premium income from:				
– Holding company	**6,520**	7,298	**6,520**	7,234
– Related companies	**109**	148	**109**	148
– Associated companies of the holding company	**1,543**	1,533	**1,543**	1,533
Commission expenses paid to				
– Holding company	**5,323**	4,786	**5,323**	4,772
– Related company	**55**	71	**55**	71
– Associated company	**846**	764	**846**	764
– Associated companies of the holding company	**326**	287	**326**	287

33 Related Party Transactions (continued)

The following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Gross claims incurred from:				
– Holding company	**4,690**	(315)	**4,690**	(315)
– Related companies	**13**	13	**13**	13
– Associated companies of the holding company	**63**	163	**63**	163
Premium paid to:				
– Associated companies of the holding company	**119**	107	**119**	107
Commission received from:				
– Associated companies of the holding company	**91**	82	**91**	82
Claims recovery from:				
– Associated companies of the holding company	**22**	(46)	**22**	(46)
Rental paid to an associated company of the holding company	**838**	808	**838**	808
Management fee received from an associated company of the holding company	**750**	750	**750**	750
Management fee charged by a related Company	**791**	684	**791**	684
Service fee charged by holding company	**2,008**	1,733	**2,008**	1,733
Interest income earned from:				
– Holding company	**2**	24	**2**	10
Compensation of key management personnel				
– Directors of the Company	**776**	773	**776**	773
– Directors of subsidiary	**–**	1	**–**	–

Directors' remuneration included fees, salary, bonus, Central Provident Fund contribution and other emoluments (including benefits-in-kind) computed based on costs incurred by the Group and the Company.

34 Segment Information

	SIF $'000	OIF $'000	SHF $'000	HK Subsidiary $'000	Consolidated $'000
For Year 2012					
Gross premiums written	**85,330**	**19,089**	**–**	**–**	**104,419**
Net earned premiums	**34,688**	**10,934**	**–**	**–**	**45,622**
Net claims incurred	**17,074**	**3,011**	**–**	**–**	**20,085**
Net commissions	**(5,172)**	**1,932**	**–**	**–**	**(3,240)**
Management expenses	**8,109**	**1,593**	**–**	**–**	**9,702**
Underwriting profit	**14,677**	**4,398**	**–**	**–**	**19,075**
Interest income from investment	**3,239**	**515**	**2,095**	**–**	**5,849**
Interest on fixed deposits and bank balances	**36**	**29**	**12**	**–**	**77**
Other income	**6,350**	**558**	**5,120**	**–**	**12,028**
Management expenses not charged to insurance revenue account	**1,602**	**263**	**1,229**	**–**	**3,094**
Profit before tax	**22,700**	**5,237**	**5,998**	**–**	**33,935**
Tax expense	**3,809**	**496**	**507**	**–**	**4,812**
Profit from continuing operations, net of tax	**18,891**	**4,741**	**5,491**	**–**	**29,123**
Profit from discontinued operation, net of tax	**–**	**–**	**–**	**46**	**46**
Profit after tax	**18,891**	**4,741**	**5,491**	**46**	**29,169**
Segment total assets as at 31 December 2012	**308,058**	**47,662**	**139,021**	**9,056**	**503,797**
Segment total liabilities as at 31 December 2012	**210,030**	**25,334**	**4,383**	**1,830**	**241,577**
For Year 2011 (Restated)					
Gross premiums written	79,317	17,132	–	–	96,449
Net earned premiums	29,261	9,799	–	–	39,060
Net claims incurred	8,847	4,376	–	–	13,223
Net commissions	(4,138)	2,159	–	–	(1,979)
Management expenses	7,841	1,387	–	–	9,228
Underwriting profit	16,711	1,877	–	–	18,588
Interest income from investment	2,683	392	1,828	–	4,903
Interest on fixed deposits and bank balances	26	19	20	–	65
Other income	(370)	238	1,639	–	1,507
Management expenses/(income) not charged to insurance revenue account	124	(9)	182	–	297
Profit before tax	18,926	2,535	3,305	–	24,766
Tax expense	3,705	266	629	–	4,600
Profit from continuing operations, net of tax	15,221	2,269	2,676	–	20,166
Loss from discontinued operation, net of tax	–	–	–	(17)	(17)
Profit/(loss) after tax	15,221	2,269	2,676	(17)	20,149
Segment total assets as at 31 December 2011	257,395	40,426	132,154	9,442	439,417
Segment total liabilities as at 31 December 2011	183,213	23,723	1,599	1,871	210,406

The Group is principally engaged in the business of underwriting general insurance. With different operating segments, its businesses are segregated into separate fund accounts in accordance with the requirements of the Singapore Insurance Act (Chapter 142).

34 Segment Information (continued)

As required under the Singapore Insurance Act, the Company has established and maintained a Singapore Insurance Fund (SIF) for insurance business relating to Singapore policies and an Offshore Insurance Fund (OIF) for insurance business relating to offshore policies. Shareholders' Fund (SHF) relates to the Company's investment activities of its non-insurance funds.

The HK Subsidiary refers to the Company's wholly-owned subsidiary, UOB Insurance (H.K.) Limited, incorporated in Hong Kong S.A.R. With effect from 1 September 2012, the subsidiary ceased to underwrite insurance business. It has arranged for existing insurance business portfolio to be transferred to Asia Insurance Company Ltd, another Hong Kong insurer, subject to approval of the Hong Kong Insurance Authority.

The segment information has been prepared in accordance with the Group's accounting policy and the Singapore Financial Reporting Standards (FRS).

Information about Major External Customers

For the year ended 31 December 2012 and the preceding period, the Group did not have any external customer whose premium income exceeded 10% of the Group's total revenue.

Geographical information

Geographical information of the Group's revenue derived from external customers based on location of insurance risks and non-current assets are as follows:

	Revenue for		Non-current assets as at	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**79,037**	72,890	**299**	379
Asean	**11,678**	11,044	**–**	–
Others	**5,531**	6,059	**–**	–
	96,246	89,993	**299**	379

The Group's non-current assets presented above consist of fixed assets only.

35 Financial Risk Factors and Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Foreign Exchange Risk

Due to the business operation of its Hong Kong subsidiary, the Group's balance sheet can be affected by movements in the exchange rate between Hong Kong dollar and the local reporting currency. The Group also has transactional currency exposures arising from its offshore business and the business operation of the Hong Kong subsidiary.

35 Financial Risk Factors And Management (continued)

(i) Foreign Exchange Risk (continued)

The Group is also exposed to foreign exchange risk arising from its investing activities. The Group transacts in forward contracts to manage its foreign exchange exposure arising from investment in fixed income securities denominated in foreign currencies. Other than its investment in fixed income securities, the Group does not consider its exposure to foreign exchange risk to be significant.

The Group monitors its exposure in each foreign currency as well as its aggregate exposure in all foreign currencies on a regular basis. The Group's net position in foreign currencies is as follows:

	Group			
	Total net assets/(liabilities) position			
	2012		2011	
	Amount in foreign currency 1,000 units	Amount in reporting currency $'000	Amount in foreign currency 1,000 units	Amount in reporting currency $'000
Australian Dollar	**592**	**752**	600	793
British Pound	**608**	**1,200**	617	1,238
Chinese Renminbi	**39**	**8**	5	1
Hong Kong Dollar	**65,107**	**10,224**	41,496	7,038
Indian Rupee	**(13,165)**	**(304)**	(3,726)	(139)
Indonesian Rupiah	**60,838,503**	**7,580**	27,791,038	3,929
Japanese Yen	**(56,784)**	**(885)**	(57,402)	(907)
Philippines Peso	**16,111**	**479**	16,815	499
Korean Won	**(155,340)**	**(178)**	(214,000)	(253)
Malaysian Ringgit	**8,134**	**3,249**	10,256	4,199
New Taiwan Dollar	**(19)**	**(1)**	32	1
Thai Baht	**(53,420)**	**(2,141)**	(59,697)	(2,509)
US Dollar	**374**	**447**	505	648
		20,430		14,538

The following table shows the sensitivity of the Group's profit before tax and the Group's equity to a reasonable possible change in the Singapore dollar exchange rate against all other currencies, with all other variables held constant:

	Increase/ decrease in $ exchange rate	Effect on profit before tax $'000	Effect on equity $'000
2012	**+5%**	**310**	**1,105**
	-5%	**(310)**	**(1,105)**
2011	+5%	195	765
	-5%	(195)	(765)

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

35 Financial Risk Factors And Management (continued)

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's operating cash outflow commitment is substantially independent of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the interest income on the Group's fixed deposits and the fair value of fixed income securities held for trading and available-for-sale.

During 2012 and as at 31 December 2012, if interest rates had been 10 basis points higher, with all other variables held constant, the Group's profit before tax for the year is estimated to be $17,000 (2011: $13,000) higher, due mainly to higher interest income on fixed deposits and fixed income securities. The Group's equity as at 31 December 2012 is estimated to be $652,000 (2011: a gain of $385,000) lower due to unrealised loss on available-for-sale fixed income securities. If interest rates, during 2012 and as at 31 December 2012, had been 10 basis points lower, with all other variables held constant, the Group's profit before tax for the year is estimated to be $17,000 (2011: $13,000) lower, due mainly to lower interest income on fixed deposits and fixed income securities. The Group's equity as at 31 December 2012 is estimated to be $652,000 (2011: a gain of $385,000) higher due to unrealised gain on available-for-sale fixed income securities.

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

(iii) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group has no significant concentration of credit risk.

The Group has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Group has also established a selection and management policy for reinsurers to ensure that they are financially sound.

Notwithstanding the measures taken, the failure of one or more of the Group's policyholders, agents, ceding companies, reinsurers and other counter-parties to honor their contractual obligations, may result in doubtful or bad debts being incurred and this will adversely affect the Group's financial position.

35 Financial Risk Factors and Management (continued)

(iii) Credit Risk (continued)

The Group generally considers that balances outstanding for more than 90 days as due. The ageing summary of balances due to the Group is as follows:

	Group					
	2012			2011		
	Below 6 months $'000	Over 6 months $'000	Total $'000	Below 6 months $'000	Over 6 months $'000	Total $'000
Amount due from policyholders and agents	**6,237**	**396**	**6,633**	5,595	536	6,131
Allowance for doubtful debts			**–**			–
Exchange difference			**(1)**			6
Total (note 26 (i))			**6,632**			6 137
Amount due from reinsurers	**1,481**	**1,059**	**2,540**	2,979	1,474	4,453
Allowance for doubtful debts			**–**			–
Exchange difference			**(9)**			6
Total (note 26 (ii))			**2,531**			4,459

Movements in the allowance for doubtful debts are as follows:

	Group	
	2012 $'000	2011 $'000
Balance at 1 January	**–**	35
Bad debts written off against provision account	**–**	(21)
Debtor balances written off against provision account	**–**	(4)
Charged to insurance revenue account	**–**	–
Write-back of allowance for doubtful debts	**–**	(10)
Balance at 31 December	**–**	–

Financial assets that are neither past due nor impaired

Amounts due from policyholders, agents and reinsurers that are neither past due nor impaired are mainly creditworthy debtors with good payment record with the Group. With regard to other financial assets of the Group, which comprise cash and bank balances, fixed deposits, receivables and investments, they are placed with or entered into with reputable financial institutions or companies with high credit rating and no history of default.

The Group's exposure to credit risk, arising from default of the counterparty, has a maximum exposure equal to the carrying amount of these assets in the balance sheet.

35 Financial Risk Factors And Management (continued)

(iv) Liquidity Risk

The Group is not exposed to significant liquidity risk.

Liquidity risk is the risk that the Group is unable to meet its cash outflow commitment as and when they fall due. These commitments are generally met through cash and time deposits held by the Group and cash inflows generated from its operation, supplemented by assets readily convertible into cash. Liquidity risk may also arise if the cash flows related to assets and liabilities are mismatched.

Due to the nature of its business, the Group's premium and claim liabilities, which comprise reserve for unexpired risks and provision for outstanding claims, are expected to be short-tail, without contractual maturity date, and likely to be materialised within 6 years. The Group's available-for-sale investments and investments at fair value through profit or loss are mainly marketable securities. The carrying amount of these liabilities and investments are as shown in the Group's balance sheet. In view of the nature of its business and type of assets owned, maturity mismatch is unlikely.

The Group has formulated a liquidity policy to manage its liquidity risk. It is the Group's policy to maintain adequate liquidity at all times. The Group aims to honour all cash outflow commitments on an on-going basis and to avoid raising funds from credit facilities or through the forced sale of investments.

(v) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments and has established an investment policy, which sets maximum exposure limits for its investment portfolio. These quoted equity instruments are listed on the Singapore Exchange in Singapore or other regulated stock exchanges overseas and are classified as held for trading or available-for-sale financial assets.

At the balance sheet date, if the market prices of the equity investments had been 2% (2011: 2%) higher/lower with all other variables held constant, there will be no impact on the Group's profit before tax (2011: nil) as the Group did not hold any equity investments classified as held for trading. The Group's equity would have been $2,233,000 (2011: $1,667,000) higher/lower, arising as a result of an increase/decrease in the fair value of available-for-sale equity instruments.

The Group does not have exposure to commodity price risk.

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

36 Fair Values of Financial Instruments

The fair values of the financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheet.

37 Authorisation of Financial Statements

The financial statements were authorised for issue in accordance with a resolution of the directors on 22 February 2013.

Statistics of Shareholdings

as at 8 March 2013

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	302	16.02	90,887	0.15
1,000 – 10,000	1,255	66.58	4,658,285	7.62
10,001 – 1,000,000	325	17.24	18,384,778	30.06
1,000,001 and above	3	0.16	38,021,050	62.17
TOTAL	1,885	100.00	61,155,000	100.00

Public Float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public.

Based on information available to the Company as at 8 March 2013, approximately 41.4% of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

Twenty Largest Shareholders *(As shown in the Register of Members and Depository Register)*

No.	Name of Shareholder	No. of Shares	%
1.	Tye Hua Nominees Private Limited	35,707,500	58.39
2.	Chong Chew Lim @ Chong Ah Kau	1,166,000	1.91
3.	Ng Poh Cheng	1,147,550	1.87
4.	Citibank Nominees Singapore Pte Ltd	791,250	1.29
5.	Chen Siong Seng	690,000	1.13
6.	India International Insurance Pte Ltd - SIF	603,750	0.99
7.	Lim Jun Ying	600,000	0.98
8.	Chan Tut Sai	553,000	0.90
9.	Chong Chin Chin (Zhang Jingjing)	530,000	0.87
10.	Chong Kian Chun (Zhang Jianjun)	512,000	0.84
11.	DBS Nominees Pte Ltd	502,415	0.82
12.	Ng Ean Nee Mrs. Chee Ying Lin @ Ooi Ean Nee	500,000	0.82
13.	Singapore Reinsurance Corporation Ltd - Shareholders	470,000	0.77
14.	Chen Swee Kwong	460,000	0.75
15.	Thia Cheng Song	425,000	0.69
16.	Tenet Insurance Company Ltd	375,000	0.61
17.	Yeoh Phaik Ean	375,000	0.61
18.	Teo Guan Seng	340,650	0.56
19.	United Overseas Bank Nominees Pte Ltd	324,500	0.53
20.	Tan Chong Hock	317,250	0.52
	TOTAL	46,390,865	75.85

Substantial Shareholder *(As shown in the Register of Substantial Shareholder)*

Name of substantial shareholder	Shareholding registered in the name of substantial shareholder No. of Shares	Other shareholding in which the substantial shareholder is deemed to have an interest No. of Shares
United Overseas Bank Limited	–	35,707,500

Notice of Annual General Meeting

United Overseas Insurance Limited
(incorporated in the Republic of Singapore)
Company Registration No. 197100152R

Notice is hereby given that the **Forty-Second Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 62nd Storey, UOB Plaza 1, Singapore 048624 on Thursday, 25 April 2013 at 11.00 a.m. to transact the following business:

As Ordinary Business

Resolution 1 To receive the Financial Statements, Directors' Report and the Auditors' Report for the year ended 31 December 2012.

Resolution 2 To declare a final one-tier tax-exempt dividend of 12 cents per share and a one-tier special dividend of two cents per share for the year ended 31 December 2012.

Resolution 3 To approve Directors' fees of $182,500 for 2012 (2011: $182,500).

Resolution 4 To re-appoint Ernst & Young LLP as Auditors of the Company and authorise the Directors to fix their remuneration.

Resolution 5 To re-elect Mr Wee Ee Cheong as Director.

To pass the following resolution under Section 153(6) of the Companies Act, Chapter 50 (**Companies Act**):

"THAT pursuant to Section 153(6) of the Companies Act, ____________ be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting of the Company."

in respect of:

Resolution 6 Dr Wee Cho Yaw.

Resolution 7 Mr Hwang Soo Jin.

Resolution 8 Mr Yang Soo Suan.

As Special Business

To consider and, if thought fit, pass the following ordinary resolution:

Resolution 9 "THAT authority be and is hereby given to the Directors of the Company to:

(a) (i) issue ordinary shares in the capital of the Company (**Shares**) whether by way of rights, bonus or otherwise; and/ or

(ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of ordinary Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (**SGX-ST**)) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time this Resolution is passed, after adjusting for:

   (i) new ordinary Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

   (ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

Notes to Resolutions

Resolution 2 is to approve the final and special dividends. The Transfer Books and Register of Members will be closed from 9 May 2013 to 10 May 2013, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00 pm on 8 May 2013 will be entitled to the final and special dividends. If approved, the dividends will be paid on 17 May 2013.

Resolution 6 is to re-appoint Dr Wee Cho Yaw. Dr Wee is a non-independent director and will, if re-appointed, continue as Chairman of the Board, Chairman of the Remuneration Committee, and a member of the Nominating Committee.

Resolution 7 is to re-appoint Mr Hwang Soo Jin. Mr Hwang is an independent director and will, if re-appointed, continue as Chairman of the Nominating Committee, and a member of the Audit and Remuneration Committees.

Resolution 8 is to re-appoint Mr Yang Soo Suan. Mr Yang is an independent director and will, if re-appointed, continue as Chairman of the Audit Committee, and a member of the Nominating and Remuneration Committees.

Resolution 9 is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into ordinary shares, and to issue ordinary shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company, but with a sub-limit of 20 per cent for issue of shares other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of ordinary shares that may be issued, the percentage of issued shares in the capital shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that Resolution 9 is passed, after adjusting for (a) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary shares.

By Order of the Board

Vivien Chan
Secretary
Singapore, 2 April 2013

Notes:

1 A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2 To be effective, the instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time set for holding the Meeting.

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Proxy Form

United Overseas Insurance Limited
(incorporated in the Republic of Singapore)
Company Registration No. 197100152R

IMPORTANT
1. The Annual Report 2012 is sent to investors who have used their CPF monies to buy shares of United Overseas Insurance Limited, FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We____ (Name), NRIC/Passport No. ____________________

of ____(Address)

being a member/members of United Overseas Insurance Limited (**Company**), hereby appoint

Name		**Proportion of Shareholdings**	
NRIC/Passport No.		**No. of Shares**	**%**
Address			

and/or *

Name		**Proportion of Shareholdings**	
NRIC/Passport No.		**No. of Shares**	**%**
Address			

** Please delete as appropriate.*

or failing him/her, the **Chairman of the Meeting** as my/our proxy, to attend and vote for me/us on my/our behalf at the **Forty-Second Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 62nd Storey, UOB Plaza 1, Singapore 048624 on Thursday, 25 April, 2013 at 11.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the space provided how you wish your proxy to vote. In the absence of specific directions, the proxy will vote as the proxy deems fit.)

No.	**Ordinary Resolutions**	**For**	**Against**
Resolution 1	Financial Statements, Directors' Report and Auditors' Report		
Resolution 2	Final and Special Dividends		
Resolution 3	Directors' Fees		
Resolution 4	Auditors and their remuneration		
Resolution 5	Re-election (Mr Wee Ee Cheong)		
Resolution 6	Re-appointment (Dr Wee Cho Yaw)		
Resolution 7	Re-appointment (Mr Hwang Soo Jin)		
Resolution 8	Re-appointment (Mr Yang Soo Suan)		
Resolution 9	Authority to issue shares		

Dated this_______ day of ____________________ 2013.

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total	

____
Signature(s) or Common Seal of Shareholder(s)

IMPORTANT: PLEASE READ NOTE OVERLEAF

Notes:

1. Please insert the number of shares held by you and registered in your name in the Register of Members and in the Depository Register of The Central Depository (Pte) Limited. If no number is inserted, the instrument of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a Meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be signed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised.

   Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject the instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. Agent Banks acting on the request of CPF Investors who wish to attend the Meeting as observers are required to submit in writing, a list with details of the investors' name, NRIC/Passport numbers, addresses and numbers of shares held. The list, signed by an authorised signatory of the agent bank, should reach the Company Secretary's office not later than 48 hours before the time appointed for holding the Meeting.

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2nd fold

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BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
80 Raffles Place #04-20 UOB Plaza 2
Singapore 048624

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BOARD OF DIRECTORS
Wee Cho Yaw
Chairman
David Chan Mun Wai
Managing Director & Principal Officer
Wee Ee Cheong
Hwang Soo Jin
Yang Soo Suan
N Ganesan

AUDIT COMMITTEE
Yang Soo Suan
Chairman
Hwang Soo Jin
N Ganesan

NOMINATING COMMITTEE
Hwang Soo Jin
Chairman
Wee Cho Yaw
Yang Soo Suan

REMUNERATION COMMITTEE
Wee Cho Yaw
Chairman
Hwang Soo Jin
Yang Soo Suan

SECRETARY
Vivien Chan

ASSISTANT GENERAL MANAGERS
Faridah Rahmat Ali
Underwriting
Tony Seah Eng Wah
Business Development/ Direct Marketing
Andrew Tang Ming Leung
Corporate Services

SENIOR MANAGERS
Jean Tan Siok Gek
Business Development
Chia-Sie Lie Ming
Claims

MANAGERS
Nellie Tan Hwee Ngoh
Corporate Services
Chia-Lim Siew Heah
Corporate Services
Teo Hock Chye
Business Development
Stanley Ler Seow Meng
Business Development

DEPUTY MANAGERS
Ng Sze Theng
Information Systems
Veronica Sim Bee Heng
Corporate Services
Lee-Lim Bee Geok
Underwriting
Lai-Ng Hoe
Corporate Services

ASSISTANT MANAGERS
Suzy Wong-Tan Lay Hua
Claims
Lim Kok Hong
Underwriting
Diana Leow Dan Liang
Underwriting
Oh-Ong Lay Hong
Business Development
Annie Ow-Neo Ah Yen
Direct Marketing
Teng-Un Wai Lin
Underwriting
Stella Ng Mai Siam
Business Development
Yan Lay Cheng
Corporate Services

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Singapore 048624
Company Registration No: 197100152R
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SHARE REGISTRAR
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Facsimile: (65) 6536 1360

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Singapore 048583
Partner-in-charge
Yap Swee Gek
(Appointed on 29 April 2009)

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大華保險

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