MEMBER OF THE UOB GROUP

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PUBLIC DISCLOSURE

IN PURSUANCE OF MAS NOTICE 124 “PUBLIC DISCLOSURE REQUIREMENTS” FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

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1. Information about the licensed insurer’s profile, including the nature of its business, a general description of its key products, the external environment in which it operates, its objectives and its strategies in place to achieve these objectives.

Company Profile

United Overseas Insurance Limited (“UOI” or “the Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The Company is a member of the United Overseas Bank Group. The holding company and ultimate holding company of UOI is United Overseas Bank Limited (“UOB”), which is incorporated in Singapore and owns 58.39% of the issued share capital of the Company.

On 25 April 2018, A.M. Best affirmed the Company’s financial strength rating of A+ (Superior) and issuer credit rating of “aa-“. According to A.M. Best, the ratings reflect UOI’s balance sheet strength, which A. M. Best categorises as very strong, as well as its very strong operating performance, neutral business profile and appropriate enterprise risk management. As a subsidiary of UOB, Singapore’s third largest bank by asset value, UOI continues to perform well, helped by its access to profitable and defensible market segments through its affiliated bancassurance channel. Expenses have been kept low as a result of a steady stream of commission income, which is testament to UOI’s profitable book of business and conservative management philosophy. Offsetting rating factors include soft market conditions and competitive pressures, which could result in negative pressure on operating performance and profitable growth in its domestic market. On 26 April 2019, A.M. Best affirmed the Company’s current credit ratings and considered the outlook for the ratings to be stable.

Nature of Business and Key Products

The Company’s principal activities are the underwriting of general insurance and reinsurance business, which covers a broad spectrum of classes of insurance, including fire, marine, motor, engineering, general accident, work injury compensation and liability insurance.

External Environment

The Company is a licensed general insurer in Singapore and has a representative office in Yangon, Myanmar. Through the acceptance of reinsurance, the Company also has business exposure in other countries in Southeast Asia and other parts of the world.

UOI
MEMBER OF THE UOB GROUP

Objectives and Strategies

UOI's mission is to be a premier insurer in the Asia Pacific region, committed to providing quality products, excellent customer service while upholding strong corporate governance and enhancing shareholders' value. The Company's main objective is to provide appropriate risk management solutions for selected market segments, which will result in an enhanced customer experience.

To achieve this objective, the Company's time-tested underwriting prudence will continue to be maintained as it grows it business. In addition to its continued focus on cross-selling initiatives with the parent bank in Singapore and elsewhere in the region, every endeavor will continue to be made to identify new opportunities and further develop the insurance intermediary segment of the market. The Company will also be committing more resources to the digitalization of its insurance services as it is fast becoming an essential part of insurance operations.

2. **Key features of the licensed insurer's corporate governance framework and management controls, including information on the implementation of the framework and controls.**

<u>Key Features of Corporate Governance Framework</u>
UOI is committed to upholding good corporate governance. The Company has complied with the Insurance (Corporate Governance) Regulations (Insurance Regulations) that are applicable to UOI as a Tier 2 insurer, the listing rules of the Singapore Exchange Securities Trading Limited (SGX-ST) as well as all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (MAS Guidelines) issued by the Monetary Authority of Singapore (MAS) in 2013. The MAS Guidelines comprise the Code of Corporate Governance (Code) that was issued in 2012 for companies listed on the SGX-ST (2012 Code) and supplementary principles and guidelines added by the MAS. References to UOI's compliance with or deviation from the recommendations in the MAS Guidelines can be found on pages 23 to 26 of the Company's 2018 Annual Report, which is available in its official website (http://www.uoi.com.sg/uoi/assets/pdfs/annual-report2018.pdf). Where UOI's practices differ from the MAS Guidelines, an explanation is provided in the Corporate Governance section of the aforesaid Annual Report.

The Company has put in place a Corporate Governance Structure, which comprises the following key features:

- UOI Board, Audit Committee (AC) and other Board Committees;
- Internal and External Audit;
- Management and Risk Committees;
- Communication with Shareholders; and
- Ethical Standards.

UOI's whistleblowing policy provides for an individual to report in confidence, anonymously or otherwise, any impropriety in financial or other matters. Whistleblowing reports may be sent to the AC chairman (c/o Company Secretary, 80 Raffles Place, UOB Plaza 1, Singapore 048624). The policy also sets out the procedures by which whistleblowing cases are investigated. All whistleblowing reports received are investigated independently by the AC with the assistance of the internal auditor or an external independent consultant firm. UOI prohibits reprisal in any form against whistle-blowers who have acted in good faith.

Directors, employees and UOB personnel involved in providing services to UOI have to observe a code on dealing in securities. The code requires them to adhere to applicable laws on insider dealings at all times and prohibits dealings in UOI's securities in certain prescribed situations.

In 2017, PricewaterhouseCoopers Risk Services Pte. Ltd. (PwC) was appointed as the internal auditor of UOI for two years. The AC has re-appointed PwC in 2018 for another two-year term. The internal auditor performs its duties in accordance with the Internal Audit Charter, the *International Standards for the Professional Practice of Internal Auditing* set by The Institute of Internal Auditors and other relevant best practices. The internal auditor has confirmed that it has received appropriate access to information and cooperation from Management to perform its duties.

Management Controls

UOI's system of risk management and internal controls involves management oversight and control, risk identification and management, as well as audits.

The Company has put in place an enterprise risk management framework, which is commensurate with the Company's level of activity, type of business and risk profile. Under the framework, key risks are identified and managed based on four risk dimensions. Each dimension has a defined risk tolerance limit. Management reviews the framework annually and proposed changes are submitted to the AC for endorsement before the revised framework is approved by the Board. The Managing Director/Chief Executive and six management committees are responsible for the continued development of risk management practices and implementation of systems and controls for managing material risks effectively. UOI has established policies and procedures, which are consistent with the nature, complexity, and materiality of the Company's activities and compliance with such policies and procedures is monitored. More information on the management committees, risk dimensions and key risk types under UOI's enterprise risk management framework can be found in the Risk Management section of the Company's Annual Report 2018, which is available in its official website (http://www.uoi.com.sg/uoi/assets/pdfs/annual-report2018.pdf).

Various committees, comprising the managerial staff of the Company, 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 Company. 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 Company, 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 Company. These issues can emanate from regulatory authorities, industry associations, parent company, auditors and other relevant bodies as well as technological advancement and the physical environment, such as climate change. 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 Company. As part of its risk management monitoring function, it receives reports from committees which address the key risks emanating from the Company’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 and monitors the compliance of such policies and procedures of all operational units. It also monitors market trends and developments that may affect the Company’s underwriting and claims policies. Appropriate risk management strategies are applied to address the variety of underwriting risks accepted to ensure the Company’s retention is appropriate and adequate reinsurance protection is in place. Issues arising from claims development and provisions are dealt with judiciously.

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 Company, reviews business performance and formulates action plans to enhance business performance. Market trends and changes in business risks and product offering are identified, addressed and managed accordingly.

In addition, the *Investment Committee*, which comprises senior managerial staff of UOI, investment specialists from its parent company and representatives of its fund manager, meets regularly to monitor and manage the Company’s investment portfolios.

3. **Quantitative and qualitative information about the licensed insurer's enterprise risk management framework including its asset-liability management ("ALM") for its entire business and, where appropriate, at a segmented level as appropriate to the business of the insurer. The licensed insurer shall disclose the methodology and key assumptions employed in the measurement of assets and liabilities for ALM purposes, and any capital or provisions held as a consequence of a mismatch between assets and liabilities**.

Enterprise Risk Management ("ERM") Framework

Under the Company's ERM framework, risks are categorised and managed under a number of risk dimensions.

Along these risk dimensions, UOI has developed a risk tolerance framework, which comprises 3 levels. Level 1 of the framework contains the risk tolerance statements, which are defined for each risk dimension. These set the Company's overall appetite for risk, which guides further decisions and details in the subsequent levels. In Level 2, the risks that impact UOI in each risk dimension are placed into various risk categories. In Level 3, risk metrics that can be used to measure and quantify each risk category are identified and risk tolerance limits are set so that they can be addressed in daily business operations.

Asset-Liability Management

ALM is the practice of managing a business so that decisions and actions taken with respect to all assets and liabilities are coordinated. ALM looks at all risks arising from an insurer's assets in relation to its liabilities, including insurance risk, liquidity risk, market risks and counterparty risk.

As a general insurer, the Company accepts the transfer of uncertainty from its policyholders and seeks to add value through the aggregation and management of these risks. The inherent uncertainty in the insurance operation has translated into uncertainty in the Company's cash outflow requirements.

It is the Company's policy to maintain adequate liquidity and sufficient marketable assets to meet its cash outflows requirement at all time.

In order to match the unexpected cash outflow requirements, the Company is cautious in its choice of asset types and holds sufficient liquid and marketable assets which provide the Company with acceptable level of liquidity risk, market risks and counterparty risk, taking into account the Company's risk tolerances and objectives for growth and profit.

As at 31 December 2018, the Company's total liabilities was adequately covered by liquid assets comprising bank balances, fixed deposits and marketable investments as follows:

Liquid Assets and Total Liabilities	**31 Dec 2018 S$'000**	**31 Dec 2017 S$'000**
Liquid Assets		
Bank balances and fixed deposits	63,895	54,452
Marketable investments	408,828	427,401
Total Liquid Assets	**472,723**	**481,853**
Liabilities		
Insurance creditors	15,516	13,755
Non-trade creditors and accrued liabilities	5,706	5,674
Amount owing to related companies	566	1,968
Derivative financial liabilities	882	-
Tax payable	6,562	8,334
Deferred tax liabilities	7,355	10,524
Deferred acquisition cost – reinsurers' share	9,470	9,354
Gross technical balances		
- Reserve for unexpired risks	56,170	64,153
- Reserve for outstanding claims	130,123	155,414
Total Liabilities	**232,350**	**269,176**
Surplus Liquid Assets	**240,373**	**212,677**

(Notes: Figures are extracted from UOI's audited financial statements, which were prepared in conformity with Singapore Financial Reporting Standards. Reserve for unexpired risks and outstanding claims are compared with report issued by an external professional actuary to ensure that they are not less than the actuary's projections, which are prepared for the valuation of premium and claims liabilities in accordance with Section 37 of the Insurance Act, Cap. 142, on a yearly basis.)

As at 31 December 2018, there is no mismatch between assets and liabilities.

4. **Quantitative and qualitative information on all of the licensed insurer's reasonably foreseeable and relevant material insurance risk exposures, and the management of such risk exposures, including:**
   a) **its objectives and policies, models and techniques for the management of insurance risk exposures and underwriting process controls;**
   b) **the nature, scale and complexity of risks arising from insurance contracts;**
   c) **the use of reinsurance or other forms of risk transfer;**
   d) **an understanding of the interaction between capital adequacy and risk; and**
   e) **a description of risk concentrations.**

Insurance Risk Exposures

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

Objectives, Policies, Models and Techniques for Management of Insurance Risk and Underwriting Process Controls

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

The Company has put in place processes and internal control systems over the acceptance, renewal, accumulation and concentration of insurance risks as well as the placement of reinsurance.

Under the Company's ERM framework, insurance risk is identified as one of the risk categories of the risk dimension of earnings. Through the monitoring and controlling of various risk levers and risk metrics, the Company manages the insurance risks it has accepted and the accumulation, concentration, reinsurance and retention of these risks.

Nature, Scale and Complexity of Risks arising from Insurance Contracts

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 Company'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.

Although the premium and claim liabilities are estimated based on management's best knowledge and judgement of current facts including consultations with its certifying actuary as at the balance sheet date, the actual outcome may differ from the estimates.

Interaction between Capital Adequacy and Insurance Risks

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.

Pursuant to the Insurance Act and Insurance (Valuation and Capital) Regulations 2004, all Singapore licensed insurers are required to maintain a capital adequacy of not less than a generic 120% of its total risk requirements or S$5 million, whichever is the higher, or otherwise directed by the Authority.

As at 31 December 2018, the Company's capital adequacy ratio was 527.53% (2017: 545.24%), which exceeded the minimum regulatory requirement.

The following table shows the sensitivity of the Company's financial resources and capital adequacy ratio to a possible change in the net technical provision with all other variables held constant:

Interaction between capital adequacy and insurance risk	Increase / Decrease	Impact on Financial Resources S$'000	Impact on Capital Adequacy Ratio (Percent Point)
2018 Net technical provision	-5% +5%	+3,702 -3,702	+12.63 -12.28
2017 Net technical provision	-5% +5%	+4,043 -4,043	+14.49 -14.06

Risk Concentrations

The Company's businesses are primarily derived from Singapore and the region, and are segregated into separate insurance fund accounts in accordance with the requirement of the Singapore Insurance Act (Chapter 142).

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. Breakdown of the Company's gross premiums written into these insurance funds are as follows:

Gross Premiums Written	SIF S$'000	OIF S$'000	Total S$'000
2018	78,589 (76%)	24,669 (24%)	103,258 (100%)
2017	79,049 (76%)	24,695 (24%)	103,744 (100%)

In 2018, 76% of the Company's gross premiums written were derived from Singapore policies. Therefore, geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio.

Use of Reinsurance

The Company has developed a reinsurance management strategy, which manages the 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 Company's reinsurance management strategy are to protect its shareholders' fund, reduce volatility in underwriting result, provide the Company with competitive advantage, maintain sound and diversified reinsurance securities and develop long-term strategic partnership with key reinsurers.

The Company has formalised a policy on Financial Security of Reinsurers. In addition, it has established a guideline on Credit Risk Limit for Reinsurers, which limits the volume of business that the Company cedes to any one individual reinsurer or reinsurance group during a year. The limit is set based on the reinsurer's country of domicile, financial strength credit rating and its size of shareholders' fund.

5. Quantitative and qualitative information about the determination of technical provisions, including future cash flow assumptions, the rationale for the choice of discount rates, and a description of methodology used to determine technical provisions (e.g. risk adjustment methodology) which shall be presented in appropriate segments.

Estimation Process of Technical Provisions

Technical provisions include the provisions of premium and claim liabilities. The premium liabilities comprise reserve for unexpired risks, net of deferred acquisition cost, while claim liabilities comprise provision of outstanding claims.

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.

The claims provision estimation process involves estimation of reserve of outstanding reported claims (case reserves), and estimation of additional reserves for incurred but not reported claims (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 Company after taking into account the certifying actuary's assessment. The 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 Company'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 insurance fund and by class of business and it is intended to provide a minimum of 75% level of assurance of adequacy, and therefore include a provision for adverse deviation beyond the best estimate of the claim liabilities.

Determination of Technical Provisions

In determination of technical provisions, the Company has relied on historical data and other quantitative and qualification information. There is a limitation on the accuracy of the estimates in that there is an inherent uncertainty in any estimates of claim liabilities and unexpired risk reserves. This is due to the fact that ultimate liabilities for claims is subject to the outcome of events yet to occur, e.g. the likelihood of claimants bringing lawsuits, the size of damage awards, changes in the standards of liability and attitudes of claimants towards settlement of their claims. Both claim liabilities and unexpired risk reserves are also subject to changes in the reinsurance market and to events, which have not yet occurred, e.g. the recoverability of reinsurance claims.

Assumptions

The principal assumption underlying the actuarial estimate of the claim liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected amounts (which include future cash flow arising from claim settlements and future case reserve movements) 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 Company. There is typically a lot of judgement involved in estimating the claim liabilities.

The Company has not made any special assumptions about the level of future claim inflation. Inflation is implicitly accounted for to the extent that it exists in the historical claim experience. The projected claims cost represents the Company's best estimate of the ultimate value of claims on an undiscounted, full ultimate value basis.

Technical Provisions by Segment

The Company's technical provisions by insurance fund accounts maintained in accordance with the Singapore Insurance Act are as follows:

Net Technical Provisions	**As at 31 Dec 2018**		
	SIF S$'000	**OIF S$'000**	**Total S$'000**
Reserve for unexpired risks, net of deferred acquisition cost	17,694 (79%)	4,588 (21%)	22,282 (100%)
Reserve for outstanding claims	36,551 (71%)	15,202 (29%)	51,753 (100%)

Net Technical Provisions	**As at 31 Dec 2017**		
	SIF S$'000	**OIF S$'000**	**Total S$'000**
Reserve for unexpired risks, net of deferred acquisition cost	18,135 (78%)	4,937 (22%)	23,072 (100%)
Reserve for outstanding claims	41,745 (72%)	16,036 (28%)	57,781 (100%)

Legend: SIF – Singapore Insurance Fund
OIF – Offshore Insurance Fund

6. Quantitative and qualitative information about capital adequacy to enable the reader to evaluate the licensed insurer's objectives, policies and processes for managing capital and to assess its capital adequacy. The licensed insurer shall disclose its generic solvency requirements as imposed by legislation or otherwise directed by the Authority, the capital available to cover regulatory capital requirements, and information on any internal model used to determine capital resources and requirements.

Capital Management Objectives, Policies and Processes

The Company has an established Capital Management Policy to manage its capital for its business needs and regulatory compliance.

The Company's policy is to achieve a strong capital adequacy ratio, above the minimum regulatory requirement, through its operations and internal resources to maintain financial stability, meet capital funding needs for business operations and project high confidence to customers, business partners and regulators.

In accordance with its Capital Management Policy, the Company has established a dividend policy, tables of retention limits for insurance risks, a guideline on asset allocation for investment, an asset-liability management policy and systems of control to ensure their compliance.

Economic and Regulatory Capital

Under its ERM framework, UOI uses the regulatory risk-based capital model to quantify its significant risks. The Company's economic capital target is to maintain a capital adequacy well above the minimum regulatory capital adequacy requirement. The Company uses risk metrics to manage its capital adequacy ratio within specific risk tolerance limits and to ensure that strong capitalisation and capital adequacy ratio are maintained.

Capital Adequacy

Pursuant to the Insurance Act and Insurance (Valuation and Capital) Regulations 2004, all Singapore licensed insurers are required to maintain a capital adequacy of not less than a generic 120% of its total risk requirements or S$5 million, whichever is the higher, or otherwise directed by the Authority.

The Company's capital adequacy ratio as at 31 December 2018 and in the preceding year exceeded the minimum regulatory capital requirements as follows:

Capital Adequacy Ratio	**As at 31 Dec 2018 S$'000**	**As at 31 Dec 2017 S$'000**
UOI's capital adequacy ratio	527.53%	545.24%
Minimum capital adequacy ratio	120.00%	120.00%

7. **Quantitative and qualitative information about the licensed insurer's financial instruments and other investments by class, including:**
    a) **investment objectives;**
    b) **policies and processes;**
    c) **values, assumptions and methods used for general purpose financial reporting and solvency purposes, as well as an explanation of the differences (where applicable); and**
    d) **information concerning the level of sensitivity to market variables associated with the disclosed amounts.**

<u>Investment Objectives</u>
The Company's investment objective is to invest in financial assets of quality with good growth potential, proven profitability and record of consistency in paying reasonable dividends in order to achieve the desired rate of return agreed annually with its fund manager.

<u>Policies and Processes</u>
The Company's investment policy and guidelines are established by its Investment Committee and approved by its Audit Committee. The Investment Committee reviews the investment portfolio monthly to ensure compliance with the Company's investment policy and guidelines.

The Company's investment portfolio is managed by a professional team of UOB Asset Management, a subsidiary of UOB. The Board and Investment Committee meet the fund manager regularly to review the performance of investment portfolio.

Under the ERM framework, UOI's investment risk is managed through the monitoring and controlling of two risk levers, namely the Return Target and Asset Allocation Strategy, which are measured and quantified by various risk metrics and are managed within their corresponding risk tolerance limits.

Values, Assumptions and Methods used for Financial Reporting and Solvency Purposes

The valuations of investments as at 31 December 2018 and comparative figures for the preceding year for solvency and general financial reporting purposes are as follows:

Valuation as at 31 Dec 2018	**For Solvency Purposes S$'000**	**For Financial Reporting S$'000**	**Difference S$'000**
Bank balances & fixed deposits	63,895	63,895	-
Equity securities in corporations	76,168	76,168	-
Unit trusts	111,700	111,700	-
Debt securities	222,927	220,960	1,967
Investment in associated company	242	1	241
Total value of investments	**474,932**	**472,724**	**2,208**

Valuation as at 31 Dec 2017	**For Solvency Purposes S$'000**	**For Financial Reporting S$'000**	**Difference S$'000**
Bank balances & fixed deposits	54,452	54,452	-
Equity securities in corporations	89,461	89,461	-
Unit trusts	101,155	101,155	-
Debt securities	238,710	236,785	1,925
Investment in associated company	283	1	282
Total value of investments	**484,061**	**481,854**	**2,207**

The Company's investments in equity securities and unit trusts are measured at their market value for both financial reporting and solvency purposes.

For financial reporting purposes, debt securities are measured at fair value, which are either quoted market prices or dealer quotes. For solvency purposes, debt securities are measured at their net realisable value.

Investment in associated company is measured at cost for financial reporting and at net realisable value for solvency purposes.

Sensitivity to Market Variables

The Company's investments are exposed to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates.

Market Price Risk

Market price risk is the risk that the valuation or future cash flows of an investment will fluctuate because of changes in market prices (other than exchange and interest rates).

The following table shows the sensitivity of the value of investments to a reasonable possible change in market prices of equity, unit trusts and debt securities, with all other variables held constant:

Sensitivity of investment valuation to market price risk	Increase / Decrease in market price	For Solvency Purposes S$'000	For Financial Reporting S$'000
2018	-2% +2%	-8,216 +8,216	-8,177 +8,177
2017	-2% +2%	-8,587 +8,587	-8,548 +8,548

Foreign Exchange Risk

The Company's investments can be affected by movements in the exchange rate between Singapore dollar and other currencies.

The following table shows the sensitivity of the value of investments to a reasonable possible change in the Singapore dollar exchange rate against all other currencies, with all other variables held constant:

Sensitivity of investment valuation to foreign exchange risk	Increase / Decrease in S$ exchange rate	For Solvency Purposes S$'000	For Financial Reporting S$'000
2018	-5% +5%	-291 +291	-291 +291
2017	-5% +5%	-1,718 +1,718	-1,718 +1,718

Interest Rate Risk

Interest rate risk refers to the risk that the valuation or future cash flows of an investment will fluctuate because of changes in market interest rates.

The following table shows the sensitivity of the value of investments to a reasonable possible change in market interest rates, with all other variables held constant:

Sensitivity of investment valuation to interest rate risk	**Increase / Decrease in interest rate (basis point)**	**For Solvency Purposes S$'000**	**For Financial Reporting S$'000**
2018	-10 +10	+728 -728	+728 -728
2017	-10 +10	+1,253 -1,253	+1,253 -1,253

8. **Quantitative and qualitative information on the licensed insurer's financial performance in total and at a segmented level, including quantitative source of earnings analysis, claims statistics (including claims development), pricing adequacy, information on returns on investment assets and components of such returns.**

Financial Performance in Total and at Segment Level

Key Financial Performance Data	2018 S$'000	2017 S$'000	%
Profit for the financial year			
Gross premium written	103,258	103,744	-0.5
Net earned premium	41,392	43,353	-4.5
Underwriting profit	24,495	25,248	-3.0
Investment and other income	1,293	13,300	-90.3
Profit before tax	25,788	38,548	-33.1
Breakdown of profit before tax by segment			
- Singapore Insurance Fund	22,306	28,259	-21.1
- Offshore Insurance Fund	2,603	5,605	-53.6
- Shareholders' Fund	879	4,684	-81.2
Profit before tax	25,788	38,548	-33.1
Selected balance sheet items as at year-end			
Net technical provision	74,035	80,852	-8.4
Shareholders' equity	378,374	377,580	+0.2
Total assets	610,724	646,756	-5.6
Breakdown of total assets by segment			
- Singapore Insurance Fund	346,259	373,031	-7.2
- Offshore Insurance Fund	77,880	85,149	-8.5
- Shareholders' Fund	186,585	188,576	-1.1
Total assets	610,724	646,756	-5.6

(Source: Audited financial statements 2018. Further details can be obtained from UOI's annual reports available at http://www.uoi.com.sg/uoi/about/investor_relations.html)

Gross premium decreased by $0.5 million or 0.5% to $103.3 million due mainly to the market-wide erosion of premium rates and the Company's risk control efforts to weed out unprofitable businesses and catastrophe prone offshore insurance accounts. Correspondingly, net earned premium decreased $2.0 million or 4.5% to $41.4 million as compared to that of the preceding year. Underwriting profit decreased by 3.0% to $24.5 million due mainly to lower net earned premium.

Given the generally difficult and uncertain investment climate worldwide in 2018, non-underwriting income decrease by $12.0 million as compared to $13.3 million in the corresponding period last year due mainly to the unrealized loss from revaluation of “fair value through profit or loss” (FVTPL) investments which unexpectedly declined from an unrealized gain of $10.4 million as at 31 December 2017 to an unrealized gain of $4.5 million as at 31 December 2018.

Overall profit before tax decreased by 33.1% to $25.8 million.

Pricing Adequacy

Year 2018	Gross premium written S$'000	(a) Net earned premium S$'000	(b) Underwriting Profit S$'000	Underwriting Profit Ratio (b) / (a) x 100%
UOI	103,258	41,392	24,495	59.2%
Industry	6,403,616	3,556,832	(96,724)	-2.7%

Year 2017	Gross premium written S$'000	(a) Net earned premium S$'000	(b) Underwriting Profit S$'000	Underwriting Profit Ratio (b) / (a) x 100%
UOI	103,744	43,353	25,248	58.2%
Industry	6,079,817	3,332,071	169,587	5.1%

(Source of data for the industry: The General Insurance Association of Singapore)

For the year ended 31 December 2018, UOI attained an underwriting profit ratio of 59.2% (2017: 58.2%) which is higher than the average margin of negative 2.7% achieved by the industry (2017: 5.1%).

As the Company achieves underwriting profit consistently since 1973 and enjoys profit margin better than the industry's average, the pricing of the Company's insurance products should be adequate.

Claims Statistics, including Claims Development

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

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total S$'000
Estimated of claims incurred: **GROSS**											
- at end of accident year	33,901	41,749	44,992	50,653	80,354	51,991	49,497	67,666	50,098	45,449	
- 1 year later	34,687	43,718	54,297	53,641	79,297	54,793	48,664	67,916	43,213		
- 2 years later	32,437	41,440	51,295	51,420	64,022	52,172	45,692	65,144			
- 3 years later	29,598	38,125	48,677	46,423	59,966	47,179	41,671				
- 4 years later	27,205	34,661	43,555	43,229	54,375	40,311					
- 5 years later	25,430	33,576	41,559	40,962	50,165						
- 6 years later	23,734	31,450	39,181	38,166							
- 7 years later	22,734	29,966	36,880								
- 8 years later	22,364	29,030									
- 9 years later	22,030										
Current estimate of cumulative claims incurred	22,030	29,030	36,880	38,166	50,165	40,311	41,671	65,144	43,213	45,449	
Less: Cumulative claims paid to date	21,679	27,934	35,379	30,157	43,236	30,741	32,417	31,536	22,735	7,190	
Liability recognized in the balance sheet	351	1,096	1,501	8,009	6,929	9,570	9,254	33,608	20,478	38,259	129,055
Liability recognized in the balance sheet for 2008 & prior years											1,068
Total reserve for outstanding claims											130,123

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

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total S$'000
Estimated of claims incurred: **NET**											
- at end of accident year	14,784	20,394	22,500	24,853	27,458	22,829	24,872	24,275	20,090	17,621	
- 1 year later	12,433	20,277	26,822	23,624	26,472	22,111	20,214	22,206	19,530		
- 2 years later	12,347	19,860	25,989	23,702	25,101	21,096	19,353	21,555			
- 3 years later	10,625	18,338	25,338	21,261	22,665	18,894	17,530				
- 4 years later	9,760	17,172	22,218	19,585	20,438	17,041					
- 5 years later	9,181	16,533	21,350	18,495	19,545						
- 6 years later	8,688	15,464	20,134	17,410							
- 7 years later	8,499	15,035	19,278								
- 8 years later	8,355	14,713									
- 9 years later	8,293										
Current estimate of cumulative claims incurred	8,293	14,713	19,278	17,410	19,545	17,041	17,530	21,555	19,530	17,621	
Less: Cumulative claims paid to date	8,022	13,941	18,163	15,150	16,403	13,246	12,605	11,965	9,745	2,425	
Liability recognized in the balance sheet	271	772	1,115	2,260	3,142	3,795	4,925	9,590	9,785	15,196	50,851
Liability recognized in the balance sheet for 2008 & prior years											902
Total reserve for outstanding claims											51,753

Returns on Investment Assets and Components of Such Returns

The following table shows the Company's returns on investment assets and components of such returns:

Returns on Investment	**2018 S$'000**	**2017 S$'000**	**Difference S$'000**
Investment income and expenses by components			
- Dividend income from investment	3,704	3,233	471
- Interest income from investment	7,925	8,192	(267)
- Interest on bank balances and fixed deposits	387	330	57
- Miscellaneous Income	151	34	117
- Net fair value (losses)/gains on forward contracts – realized	(3,235)	5,568	(8,803)
- Net fair value (losses)/gains on forward contracts – unrealized	(1,204)	3,623	(4,827)
- Exchange gains/(losses)	3,389	(8,353)	11,742
	(1,050)	838	(1,888)
- Net fair value gains on interest rate futures – realized	125	-	125
- Net fair value losses on interest rate futures – unrealized	(882)	-	(882)
- Net fair value losses on mandatorily measured at fair value through profit or loss (FVTPL) investments – unrealized	(5,980)	-	(5,980)
- Net losses on disposal of mandatorily measured at FVTPL investments	(1,003)	-	(1,003)
- Net losses on disposal of fair value through other comprehensive income (FVOCI) investments	(482)	-	(482)
- Net gains on sale of investments	-	2,223	(2,223)
- Net write-back of expected credit loss on debt securities at FVOCI	64	-	64
- Amortisation of (premium)/discount on investments	(49)	61	(110)
- Management fees	(1,058)	(1,054)	(4)
- Other expenses	(559)	(557)	(2)
Investment and other income	1,293	13,300	(12,007)
Investment assets by components			
- Bank balances and fixed deposits	63,895	54,452	9,443
- Equity securities in corporations	76,168	89,461	(13,293)
- Unit trusts	111,700	101,155	10,545
- Debt securities	220,960	236,785	(15,825)
- Investment in associated company	1	1	-
Total value of investments at year end	472,724	481,854	(9,130)