UNITED OVERSEAS INSURANCE LIMITED | Annual Report 2013

Gazing 山 (Mountain)
Tan Rui Rong

Contents

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

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

Gazing 山 (Mountain)

by Tan Rui Rong
Oil on Canvas

Mr Tan Rui Rong's Gazing 山 is the design inspiration for this year's Annual Report. The painting received the Silver Award in the 2013 UOB Painting of the Year (Singapore) Competition.

Mr Tan was moved by the philosophy of Buddhism Master Qing Yuan Wei Xin who said 见山是山 (a mountain is a mountain), 见山不是山 (a mountain is not a mountain), 见山还是山 (a mountain is still a mountain). The saying's deeper meaning reflects the changing perspectives people have as they progress through different stages in their lives.

Referencing Master Qing's philosophy, the artist uses the character 山 to represent the mountain. To the young boy standing at its foot, the immense mountain represents the promise of the future. With knowledge and resilience he will be able to scale its heights. It is a journey that will see him gain the wisdom to seize the many opportunities that will present themselves over time.

The UOB Painting of the Year Competition now in its 32nd year, promotes awareness and appreciation of the arts and challenges artists to produce works that inspire audiences across Southeast Asia.

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 classes 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+" (strong) 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).

Chairman's Statement

I am confident that with the staunch support from the parent company and the ongoing proactive cultivation of new sources of business from the marketplace, we will see continued growth in premium income.

2013 Performance

The Singapore economy rose by 4.1 per cent, turning out better than expected despite some challenges posed by economic restructuring. Against such a backdrop, the domestic general insurance market grew by 4.5 per cent, led largely by construction related, personal accident and health classes of insurance. Classes of insurance with better profit margins saw intense competition which resulted in uneconomic premium rate erosions. In light of such challenging circumstances, the need to be judicious in risk selection is all the more crucial for the maintenance of a quality risk portfolio.

The Company grew its gross premiums selectively to $109.5 million. In particular, the Company was able to continue to grow its two most profitable classes of insurance namely, fire and other accident. Bancassurance initiatives with the parent company, increasing support from selected insurance intermediaries and more regional business were key contributors to this growth.

For the financial year ended 2013 (FY2013), net profit before tax was comparatively lower at $30.6 million (2012: $33.9 million) due to a one-time adjustment in unearned premium reserves in the preceding year. Without this one-time adjustment, net profit before tax for FY2013 would have grown effectively by 4 per cent. The contribution to net profit before tax came from both underwriting profit and investment income despite higher claims and market volatility.

The Company continues to enjoy a financial strength rating of A (Excellent) with a positive outlook from a leading independent credit agency, A.M. Best. This rating reflects the Company's strong risk-adjusted capitalisation, outstanding operating performance and well established market presence in the personal and small and medium enterprise business segments in Singapore.

The Board recommends 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. Together with the interim dividend of 3 cents per share, the total dividend for FY2013 will be 17 cents per share.

2014 Prospects

Given the constraints of a highly mature and competitive market for general insurance, it has become increasingly difficult domestically in Singapore for an insurer to grow its profit margins. Escalating claims and operating costs will continue to be problematic. Regionally, the frequency and quantum of claims could rise due to unpredictable and extreme weather conditions. Consequently, the operating environment in 2014 will likely remain highly challenging.

In spite of these challenges, I am confident that with the staunch support from the parent company and the ongoing proactive cultivation of new sources of business from the marketplace, we will see continued growth in premium income. Management's proven judicious underwriting policy will also deliver positive results. As for investment income, it will likely remain volatile in view of uncertain geopolitical, economic and climatic uncertainties.

Acknowledgement

On behalf of the Board, I wish to thank our clients, brokers, agents, reinsurers and shareholders for their steadfast support and our staff for their dedication and hard work. I also wish to thank my fellow directors for their commitment and invaluable counsel.

Wee Cho Yaw
Chairman
March 2014

Board of Directors

Wee Cho Yaw
Chairman

Dr Wee, 85, has been the Chairman of United Overseas Insurance since 1971. A banker with more than 50 years' experience, he was appointed to the Board on 17 February 1971 and last re-appointed as Director on 25 April 2013. A non-independent and non-executive director, Dr Wee is the chairman of the Remuneration Committee and a member of the Nominating Committee.

Dr Wee is Chairman Emeritus and Adviser of United Overseas Bank (UOB) and its subsidiaries Far Eastern Bank and United Overseas Bank (Malaysia). He is also Chairman of United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia and Supervisor of United Overseas Bank (China). In addition, he chairs the boards of Haw Par Corporation, UOL Group and its subsidiary, Pan Pacific Hotels Group, United Industrial Corporation and Singapore Land and its subsidiary, Marina Centre Holdings. He is the Chairman of the Wee Foundation. Between 1973 and 2013, he chaired the board of United International Securities.

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 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 Chief Executive

Mr Chan, 60, was appointed to the Board on 10 March 1994 and last re-elected as non-independent and executive director on 26 April 2012.

A professional insurer with more than 30 years' experience, Mr Chan is the Deputy Chairman, Director and a member of the Executive Committee of Singapore Reinsurance Corporation and had previously served as President of the General Insurance Association of Singapore.

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

Wee Ee Cheong

Mr Wee, 61, was appointed to the Board on 20 March 1991 and last re-elected as a non-independent and non-executive director on 25 April 2013.

A professional banker with more than 30 years' experience, Mr Wee is the Deputy Chairman and Chief Executive Officer of United Overseas Bank (UOB) and a director of several UOB subsidiaries including Far Eastern Bank, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company. He is the Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Mr Wee serves as a council member of The Association of Banks in Singapore, a director of The Institute of Banking & Finance, and Chairman of the Financial Industry Competency Standards Steering Committee. He is a member of the Board of Governors of the Singapore-China Foundation, Visa APCEMEA Senior Client Council and Advisory Board of the INSEAD East Asia Council and International Council and 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, Pan Pacific Hotels Group and United International Securities. In 2013, he was awarded the Public Service Star for his contributions to the financial industry.

A keen art enthusiast, Mr Wee is the Patron of the Nanyang Academy of Fine Arts. He is also a director of the Wee Foundation.

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

Hwang Soo Jin

Mr Hwang, 78, was appointed to the Board on 17 February 1971 and last re-appointed as Director on 25 April 2013. An independent and non-executive director, Mr Hwang is the chairman of the Nominating Committee, and a member of the Audit and Remuneration Committees.

A chartered insurer with more than 50 years' experience, Mr Hwang 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.

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

Yang Soo Suan

Mr Yang, 77, was appointed to the Board on 20 March 1991 and last re-appointed as Director on 25 April 2013. An independent and non-executive director, he is the chairman of the Audit Committee, and a member of the Nominating and Remuneration Committees.

An architect by training with more than 45 years' experience in professional practice, Mr Yang is a director of Singapore Land, United Industrial Corporation and United International Securities.

Mr Yang 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 was awarded the Public Service Star in 1996 for his contributions to public service in Singapore.

Mr Yang holds a Bachelor of Architecture (Hons) in Design, Town Planning and Building (1961) from Melbourne University, Australia.

N Ganesan

Mr Ganesan, 66, was appointed to the Board on 27 July 2011 and last re-appointed as Director on 26 April 2012. An independent and non-executive director, he is a member of the Audit Committee.

He has more than 30 years' experience in the financial sector. He is 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 (Hons) 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)

	2009	2010	2011 (Restated)	2012	2013
Gross premiums	84.46	89.23	96.45	104.42	**109.45**
Shareholders' equity	214.76	238.38	229.01	262.22	**280.94**
Total assets	416.01	442.80	439.42	503.80	**562.01**
Insurance underwriting profit before tax	17.46	18.12	18.59	19.08	**14.63**
Other income	9.28	19.86	6.18	14.86	**15.96**
Net profit before tax	26.74	37.98	24.77	33.94	**30.58**

Over the last five years, the Group grew its gross premiums from $84.46 million in 2009 to $109.45 million in 2013. The increase in premium income was largely derived from insurance intermediaries' strong support, cross-selling with the parent company 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 2013 increased by 7.1% to $280.94 million when compared with the preceding year due to profits from its insurance and investment operations. Over a five-year period, the shareholders' equity grew by $66.18 million or 30.8% while the total assets of the Group saw a growth of 35.1% from $416.01 million in 2009 to $562.01 million as at 31 December 2013.

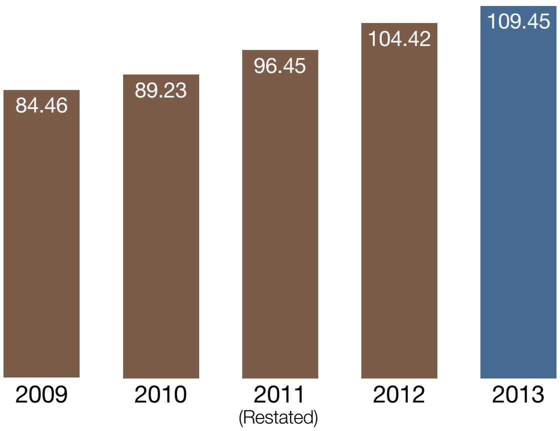
The Group achieved an underwriting profit before tax of $14.63 million in 2013, a decrease of 23.3% over that of 2012. The comparative decrease was due mainly to a one-time adjustment in unearned premium reserves in 2012. Other income increased by $1.10 million to $15.96 million, up from $14.86 million in the previous period. This was due to higher gains from the sale of investments, interest and dividends received when compared with the preceding year. Consequently, net profit before tax decreased by 9.9% to $30.58 million as compared with 2012. Without the one-time adjustment in unearned premium reserves in 2012, net profit before tax would have increased effectively by 4%.

Financial Highlights

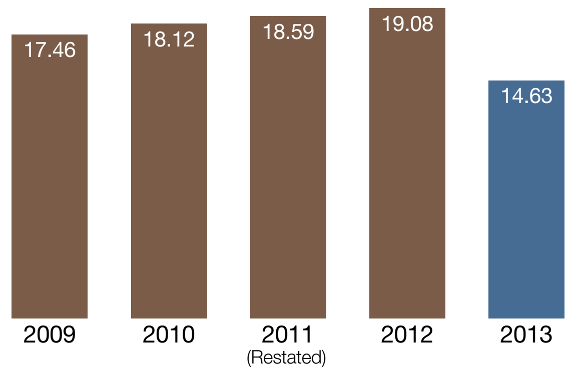
	The Group		
Key Indicators	**2013**	**2012**	**Increase/ Decrease**
Profit for the Financial Year ($'000)			
Gross premiums	**109,452**	104,419	4.8%
Insurance underwriting profit	**14,625**	19,075	-23.3%
Other income	**15,958**	14,860	7.4%
Profit before tax	**30,583**	33,935	-9.9%
Selected Balance Sheet Items as at Year-end ($'000)			
Total assets	**562,007**	503,797	11.6%
Net technical balances	**91,202**	84,867	7.5%
Shareholders' equity	**280,938**	262,220	7.1%
Financial Ratios			
Earnings per share - basic and diluted (cents)	**44.8**	47.7	-6.1%
Return on average shareholders' equity (ROE) (%)	**10.1**	11.9	-1.8% point
Return on average total assets (ROA) (%)	**5.1**	6.2	-1.1% point
Expense/income ratio (%)	**24.6**	27.4	-2.8% point
Declared dividend per share (cents)			
Interim	**3.0**	3.0	–
Special	**2.0**	2.0	–
Final	**12.0**	12.0	–
Net assets value per share ($)	**4.59**	4.29	7.0%

Financial Highlights

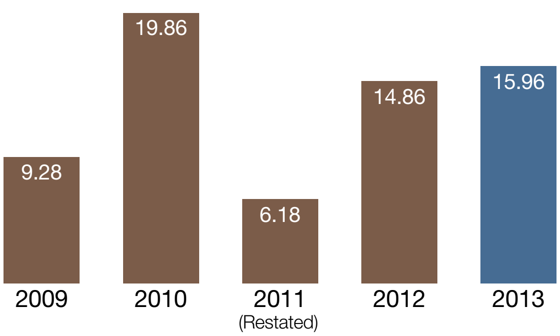
Group Gross Premiums $109.45 million



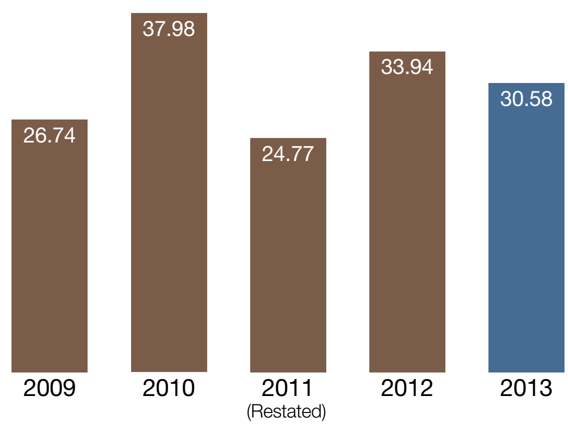
Group Insurance Underwriting Profit $14.63 million



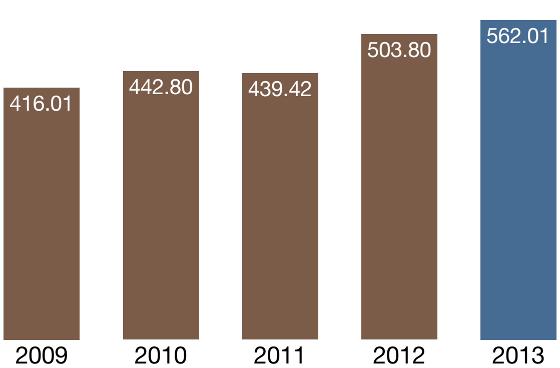
Group Other Income $15.96 million



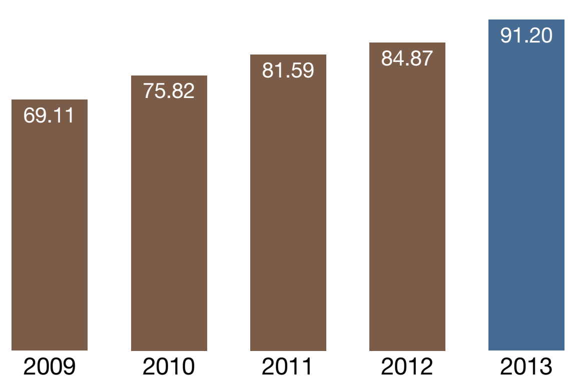
Group Profit Before Tax $30.58 million



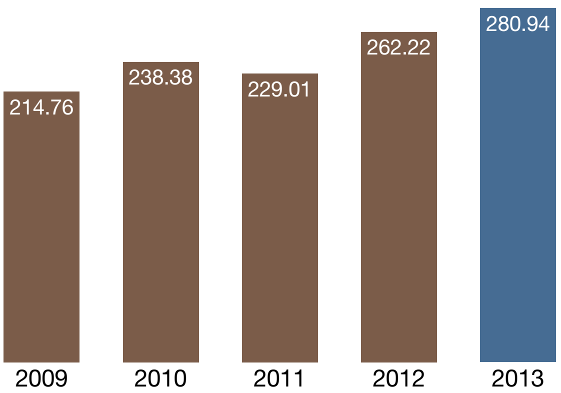
Group Total Assets $562.01 million



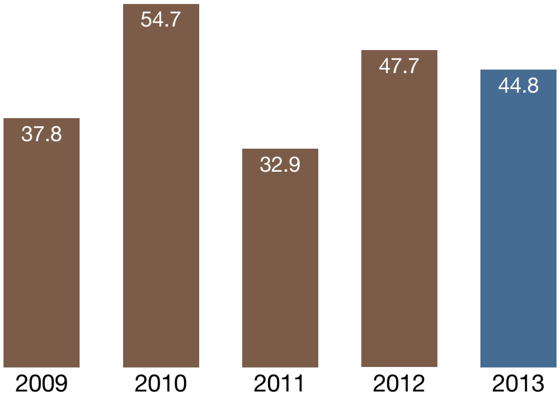
Group Net Technical Balances $91.20 million



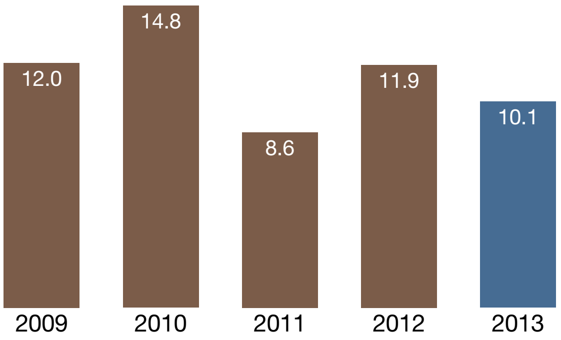
Group Shareholders' Equity $280.94 million



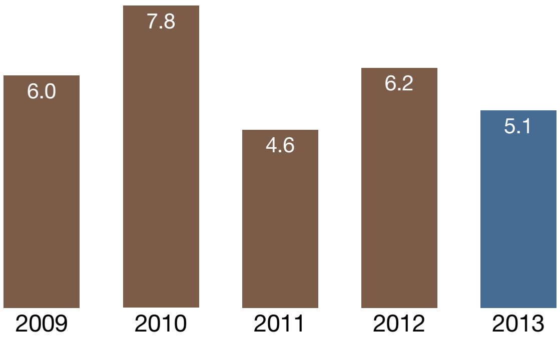
Group Earnings per Share - Basic and Diluted 44.8 cents



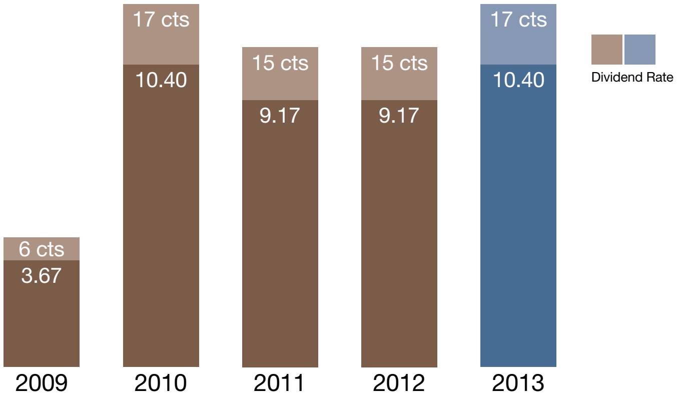
Group Return on Average Shareholders' Equity 10.1%



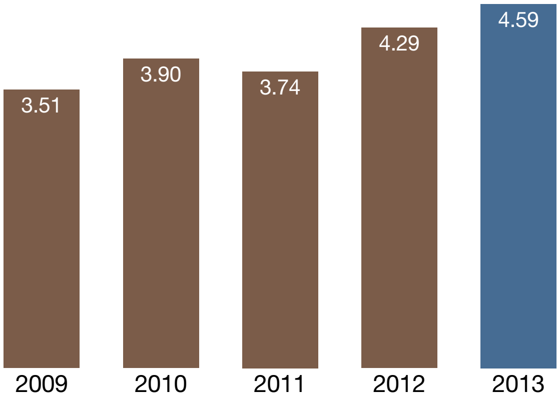
Group Return on Average Total Assets 5.1%



Group Dividend Paid During the Year $10.40 million



Group Net Assets Value per Share $4.59



Corporate Governance

UOI is committed to upholding good corporate governance and is guided in this regard by the following:

- Insurance (Corporate Governance) Regulations (Insurance Regulations);
- Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore, which comprises the Code of Corporate Governance for companies listed on the Singapore Exchange and supplementary principles and guidelines issued by the Monetary Authority of Singapore (MAS Guidelines); and
- Singapore Exchange Securities Trading Limited Listing Manual (SGX-ST Listing Manual).

BOARD'S CONDUCT OF AFFAIRS

The Board's main responsibilities include:

- setting strategic directions;
- providing entrepreneurial leadership and guidance;
- approving business plans and annual budgets;
- ensuring true and fair financial statements;
- monitoring financial performance;
- determining capital structure;
- declaring dividends;
- approving major acquisitions and divestments;
- reviewing risk management framework and processes;
- evaluating the performance of the Managing Director and Chief Executive and key management personnel;
- setting company values and standards; and
- performing succession planning.

The approval of the Board is required for business plans and annual budgets, major acquisitions and divestments, payment of dividends and other distributions to shareholders, and announcements of quarterly and full-year financial results.

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.

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled well in advance. The Board has four scheduled meetings in a year. Additional meetings are held whenever there is 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 2013 attendance record of directors is set out in the table below.

	Number of meetings attended in 2013			
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 2013	**4**	**1**	**1**	**4**

BOARD COMPOSITION

The Board comprises:

Wee Cho Yaw *(Chairman)*	Non-executive and non-independent
David Chan Mun Wai *(Managing Director and Chief Executive)*	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

* Please refer to the assessment of independence as set out below.

The NC has assessed the directors' independence based on the criteria set out in the MAS Guidelines and Insurance Regulations. Under the Insurance Regulations, a director is considered independent if he is independent from substantial shareholders and management and business relationships, and has not served on the board for nine continuous years or more. Under the MAS Guidelines, the independence of any director who has served beyond nine years should be subject to a particularly rigorous review.

The following three directors are not independent:

- Dr Wee Cho Yaw who is a director and substantial shareholder of United Overseas Bank Limited (UOB), the parent of UOI;
- Mr David Chan Mun Wai who is the Managing Director and Chief Executive of UOI; and
- Mr Wee Ee Cheong who is the Deputy Chairman and Chief Executive Officer and a substantial shareholder of UOB.

Messrs Hwang Soo Jin and Yang Soo Suan are not considered independent under the Insurance Regulations as they have served on the Board for more than nine continuous years. Notwithstanding their long service, they have demonstrated a strong and independent element on the Board. They do not have any management or business relationship with UOI and its related corporations and officers, and are independent from substantial shareholders. They have been objective and impartial in their approach to issues and often bring alternative perspectives to Board and Board Committee deliberations. They may be considered independent under the MAS Guidelines.

Mr N Ganesan is an independent director who does not have any management or business relationship with UOI and its related corporations and officers, and is independent from substantial shareholders. He has served on the Board for less than nine years.

The Insurance Regulations require the board of a Tier 2 insurer such as UOI to comprise at least one-third of directors who are independent, and allow Tier 2 insurers up to their AGM in 2016 to comply with the regulations.

The directors' profiles are set out in the 'Board of Directors' section. The NC is satisfied that each director remains qualified for office and that the directors, as a group, provide the Board and Board Committees with an appropriate balance and diversity of skills, experience and knowledge. After considering UOI's scope and nature of operations and the directors' profiles, the NC is of the view that the current Board size and composition are appropriate. The NC will assist the Board to identify candidates for appointment as independent directors so that the composition of the Board meets the requirements under the Insurance Regulations before the Company's 2016 AGM.

CHAIRMAN AND MANAGING DIRECTOR AND CHIEF EXECUTIVE

The positions of chairman and chief executive are held by different individuals. Dr Wee Cho Yaw, the Chairman, provides leadership to the Board. He ensures that directors are provided with timely and comprehensive information for informed discussions and promotes the adoption by the Company of best practices for good corporate governance. Mr David Chan Mun Wai, the Managing Director and Chief Executive, is responsible for the day-to-day management of the Company.

The MAS Guidelines recommend the appointment of a lead independent director where the chairman is not an independent director. The NC is of the view that it is not necessary to appoint a lead independent director as all directors may be approached for assistance. Further, UOI has established channels through which feedback may be relayed to the directors.

NOMINATING COMMITTEE

The NC's responsibilities include:

- recommending the appointment and re-nomination of directors;
- assessing the performance of the Board, Board Committees and each director;
- determining the independence of directors; and
- performing succession planning.

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 under the MAS Guidelines.

Corporate Governance

The NC identifies and shortlists potential candidates. Nominations for appointment to the Board may be made by any director to the NC. The search for new directors is discreet and conducted by the NC. It evaluates the suitability of candidates, taking 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. The NC recommends the candidates to the Board for appointment.

New directors receive an induction package which includes the terms of reference of the Board and Board Committees and articles of directorship. They also receive an induction that is customised according to their profile and skills.

Each year, the NC reviews the Board composition and re-nomination of directors. The performance of each director and whether he remains qualified for office are taken into consideration in the review. All directors submit themselves for re-election at regular intervals. One-third of the directors retire from office by rotation at the AGM. New directors submit themselves for re-election at the first AGM following their appointment to the Board. Directors who are above 70 years of age are subject to annual re-appointment at the AGM.

The NC evaluates annually the performance of the Board and Board Committees and each director's contribution to the Board's effectiveness. Each director is assessed according to whether he continues to be competent, committed, diligent in attendance, prepared for meetings, active in participating and contributing to Board discussions, candid and clear in his communications, insightful on strategies and business, financially literate and aware of his accountability as a director. The NC considers the performance of the Company and the work performed by the Board and Board Committees in assessing the performance of the Board and Board Committees.

The NC is of the view that it is inappropriate to set a limit on the maximum number of board representations which directors may hold, as directors have different abilities and responsibilities and companies are of different complexities.

The NC is satisfied with each director's commitment and contribution. It is also satisfied that the Board and Board Committees have been effective. Each NC member recused himself from the deliberation on his performance.

A budget has been set aside for directors' training. In 2013, directors were briefed on the investment market outlook and regulatory developments. Management also provided directors with timely regulatory updates during the year. The briefings were to equip directors with the relevant knowledge to perform their duties.

REMUNERATION COMMITTEE

The RC's responsibilities include:

- establishing a remuneration policy and framework that is in line with the Company's strategic objectives and corporate values and prudent risk-taking;
- determining a level and structure of remuneration that is linked to the Company's performance and long-term interest and which is reasonable and appropriate to attract, retain and motivate directors and key management personnel; and
- reviewing and recommending the remuneration for directors and key management personnel.

The RC members are Messrs Wee Cho Yaw (chairman), Hwang Soo Jin and Yang Soo Suan, a majority of whom are independent under the MAS Guidelines. All the RC members are non-executive directors. While the MAS Guidelines recommend that the chairman of a remuneration committee be independent, the NC is of the view that Dr Wee Cho Yaw is the most appropriate person to chair the RC due to his extensive experience in remuneration matters.

Directors' fees are subject to shareholders' approval at the AGM. In recommending the fees to the Board, the RC considers factors such as the Company's size and scope of business and operating environment. Each RC member recused himself from the deliberation on his remuneration.

UOI adopts a performance-based approach towards employee remuneration. The employee remuneration package comprises fixed salary and variable performance bonus. The RC approves the variable performance bonus pool for executive employees including the senior management team. Other employees are paid a performance bonus based on a formula agreed upon with the Singapore Insurance Employees' Union. UOI does not have an employee share option incentive scheme.

The Company believes that it is not in its best interest to disclose the remuneration of the Managing Director and Chief Executive and the top five non-director executives due to the highly competitive market for talent. Accordingly, the Company continues with its practice of disclosing the remuneration of directors in bands of $250,000. No immediate family member of a director is in the employ of UOI. Directors' fees and other remuneration are disclosed in the 'Directors' Report' section.

AUDIT COMMITTEE

The AC's duties include reviewing the following:

- financial statements, and internal and external audit plans and audit reports;
- adequacy and effectiveness of internal accounting control systems and material internal controls;
- quality of, and any significant change in, accounting policies and practices;
- risk management policies and systems and adequacy of measures taken;
- adequacy, effectiveness and efficiency of the internal audit function;
- scope and results of the internal and external audits;
- effectiveness, independence, knowledge, competence and objectivity of the external auditor;
- appointment of the external auditor and its remuneration and terms of engagement;
- procedures for detecting fraud and whistle-blowing; and
- interested person transactions and material related party transactions.

The AC members are Messrs Yang Soo Suan (chairman), Hwang Soo Jin and N Ganesan, all of whom are non-executive directors and are independent under the MAS Guidelines. Through briefings for directors and quarterly discussions with the external auditor and UOB Finance team, the AC is kept abreast of changes to accounting standards and governance issues which may have a direct impact on financial statements.

The AC has access to Management and other required resources, and has authority to investigate any matter within its terms of reference. Where appropriate, the AC holds discussions with the external and internal auditors in the absence of Management.

Prior to the Company's announcement of the financial results, the AC reviews the financial statements. It includes assessing the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements.

Before recommending the re-appointment of the external auditor to the Board, the AC assesses the effectiveness, independence, knowledge, competence and objectivity of the external auditor. It takes into account the external auditor's work, its financial, business and professional relationships with UOI, and the audit and non-audit fees paid to the external auditor. During the financial year, the Company did not engage the external auditor to provide non-audit services. The audit fees paid to the external auditor for the financial year are contained in the 'Notes to the Financial Statements' section.

The AC is satisfied that the external auditor was effective, independent and objective in its audit of the Company. It is also satisfied that the external auditor has the requisite expertise and resources to perform its duties. Accordingly, the AC has nominated Ernst & Young LLP for re-appointment at the forthcoming AGM. In appointing the auditing firm, the Company has complied with Rule 712 of the SGX-ST Listing Manual.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board does not consider it necessary for UOI to have an executive committee or a risk management committee as UOI is a small company and the entire 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.

The Company has put in place an enterprise risk management framework which was developed with the advice of an external consultant. The framework sets out a holistic and structured approach to dealing with enterprise risk management, corporate governance, fraud risk management and other risk issues.

Assisted by several management committees, the Managing Director and Chief Executive is responsible for the day-to-day operations and risk management. The management committees are the Risk Management and Compliance Committee (RMCC), Management Committee, Business Development Committee, Underwriting and Claims Committee, and Credit Control Committee. These committees meet regularly to discuss matters relating to the key risk types under their respective supervision. Investment risk is monitored and managed by the Investment Committee, which comprises senior managers from UOI, investment specialists from the parent company and representatives of the fund manager.

The Company receives accounting, internal audit and corporate secretarial services as well as support on risk management and regulatory compliance matters from UOB.

Corporate Governance

UOB Group Audit performs the internal audit function for UOI according to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and other relevant best practices. The head of UOB Group Audit reports directly to the AC, and has assured the AC that UOB Group Audit has adequate and appropriate resources to perform the internal audit function for UOI.

The RMCC, comprising heads of departments, oversees all risk management, corporate governance and compliance issues and reports regularly to the AC. It receives support from UOB's internal audit, risk management and compliance functions which provide independent assessments of the Company's internal controls and risk management processes.

Management and the AC have reviewed the Company's system of risk management and internal controls, including financial, operational, compliance and information technology controls.

The Board has received assurance from the Managing Director and Chief Executive and UOB's Chief Financial Officer that the system of risk management and internal controls is effective, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Based on the work performed by the internal and external auditors and reviews performed by Management, the AC and the Board, the Board (with the concurrence of the AC) is of the opinion that the system of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2013. The Board notes that no system of internal controls and risk management can provide absolute assurance against material error, loss or fraud. 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 reasonably foreseeable event.

ACCESS TO INFORMATION

Directors have unfettered access to information and Management. Comprehensive financial and operational reports are sent to directors in advance of a meeting. Directors may seek independent professional advice at the Company's expense to discharge their responsibilities.

In addition, directors have access to the company secretary who assists them in the discharge of their duties. The company secretary advises directors on governance matters and facilitates the induction of new directors.

INTERESTED PERSON TRANSACTIONS

All interested person transactions are reported to and reviewed by the AC. In 2013, the Company entered into the following interested person transactions within the meaning of Chapter 9 of the SGX-ST Listing Manual:

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 leased its premises at 3 Anson Road, 28th and 29th floors, Springleaf Tower, Singapore 079909 from Union (2009) Limited at the rent of $97,396.40 per month. The Company also leased an additional small office unit at #29-03 Springleaf Tower from Union (2009) Limited at the rent of $6,800 per month. The rent for each lease was supported by an independent valuation.	Nil
United Overseas Bank Limited	UOB provided telemarketing services valued at approximately $2 million to UOI. Corporate secretarial, internal audit and tax services valued at $84,000 were also provided to UOI.	Nil

Related party transactions that may be of interest are contained in the 'Notes to the Financial Statements' section.

SHAREHOLDER RIGHTS AND COMMUNICATION

UOI discloses all pertinent information on a timely basis via SGXNet and the Company's website. Quarterly financial results are announced within 45 days from the end of each quarter and the full-year financial results are announced within 60 days from the financial year-end. Dividends recommended or declared for payment, if any, are also announced on SGXNet. The annual report can be found on the SGXNet and the Company's website.

General meetings are a principal forum for dialogue with shareholders. A notice of a general meeting is sent to shareholders at least 14 days before the meeting. All shareholders are entitled to attend general meetings. Shareholders may appoint up to two proxies to attend and vote in their place at a general meeting. Investors who hold shares through nominees and custodian banks may vote through their nominees or custodian banks, or attend the general meeting as observers.

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

Shareholders may also provide feedback to the Company through its email address or feedback form, both of which are available on the UOI website.

ETHICAL STANDARDS

The Company has a code on dealing in securities for its directors and employees. The code 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 which is overseen by the AC. Under the policy, an individual may report in good faith, without fear of reprisal, any impropriety in financial or other matters to UOB Group Audit. 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 Group's risk management philosophy is that all reasonably foreseeable and relevant material risks must be identified, assessed, monitored and managed within a robust enterprise risk management (ERM) framework, and that returns must be commensurate with the risks taken.

The Group is committed to maintaining a strong ERM framework and is guided by the principles and provisions in the MAS Notice 126 "Enterprise Risk Management for Insurers".

The Group's Board-approved ERM framework provides for the identification and assessment of all reasonably foreseeable and relevant risks that the Group faces, the management of the interdependencies between key risks and how these are translated into management actions for strategic planning and capital management. Significant changes to the Group's ERM framework require the Board's approval.

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 within the Group's ERM framework. 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 operationalising the Group's ERM framework and 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.

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 risk.

Under the Group's ERM framework, risks are categorised and managed under four risk dimensions.

(1) Risk Dimension - Earnings

Underwriting Risk

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.

Reinsurance 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; and
- 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.

Premium and Claims Liability Risk

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 claims 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. Claims 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 and incurred but not enough reported, 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 claims liabilities are reviewed and certified annually by an external actuary.

Generally, premium and claims 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 the past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claims 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 claims liabilities can vary substantially from the initial estimates.

Risk Management

Investment Risk
The Group's investment 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.

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.

Foreign Exchange Risk
The Group has transactional currency exposures arising from its offshore insurance business. 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.

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.

(2) Risk Dimension - Operational

Operational Risk
Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Group's credibility and ability to transact, maintain liquidity and obtain new business. The Group has put in place processes for monitoring, controlling and reporting significant operational risks.

Business Continuity Risk
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.

(3) Risk Dimension - Capital

Insolvency Risk
Insolvency risk refers to the risk that an entity is unable to meet its financial obligations. The Group has consistently maintained its capitalisation much higher than the local regulatory requirements, put in place monitoring controls to ensure that its solvency and capitalisation meet internal targets and maintain adequate financial resources as buffers.

(4) Risk Dimension - Liquidity

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.

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.

2013 in Review

2013 was a very challenging year for the general insurance industry due to ongoing global economic uncertainties. The gross premiums for the domestic market in Singapore grew by 4.5% largely from the construction related and health classes of business.

To achieve premium growth in 2013, the Company relied on its proven business strategies and continued to focus on areas in which it has competitive advantage. Leveraging the synergies with the United Overseas Bank (UOB) Group's network in Singapore and the region, our business plans remained focused on selling personal insurances through direct marketing, cross-selling corporate insurances to small and medium enterprises and expanding regional business.

The Company also put into place several initiatives to support premium growth including increasing productivity and implementing the industry-wide reinsurance contract certainty project.

PERSONAL-LINE INSURANCE

Throughout 2013, the Company stepped up its direct marketing initiatives to expand its personal-line products and complemented these initiatives with ongoing product enhancements and improvements to its service delivery.

Organic growth continued to increase the premiums from the personal-line portfolio through our efforts to improve customer retention. This market segment remained one of the more significant contributors of premium growth for the Company.

The Company also tapped on the UOB Group's network to widen its distribution channels. The response rate to our new telemarketing product campaigns with UOB cardmembers was encouraging. Several promotions were held with UOB for personal insurance, especially travel insurance. We achieved significant growth in policy take-up of our travel insurance products by offering it on the UOB Personal Internet Banking service and our 24-hour dedicated travel activation hotline. We also participated in travel fairs and lifestyle road shows with other members of the UOB Group.

Keen competition continued to prevail in the travel insurance market in Singapore during 2013. During the year, we focused on improving our service delivery by tapping on our extensive network of travel agents in Singapore and increased our range of travel insurance products for certain niche markets. In 2013, we also rolled-out an enhanced online service.

As part of our ongoing initiatives to expand our personal-line portfolio, we focused on improving our outreach programmes to the employees of our major clients as a way to grow premium income during the year.

To complement our promotional activities and customer outreach programmes, we revamped our website in 2013 to improve the customer experience.

CORPORATE INSURANCE

As a result of an intensified focus on corporate insurance and through leveraging the synergies with the UOB Group, we grew our premium portfolio for the corporate insurance market. Bank referrals for corporate insurance and the development of insurance schemes for bank-related businesses 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 increased its corporate insurance premiums in 2013 by securing more new accounts and placing greater focus on its marketing efforts.

REGIONAL BUSINESS

In 2013, the UOB Group's regional network continued to be the main contributor to our premium income from outside of Singapore. During the year, we continued to focus on developing existing revenue streams together with our strategic partners, especially in Southeast Asia.

With the high natural catastrophe risk exposure in the region, we maintained our prudent approach to risk management for natural catastrophe loss events by being selective in the acceptance of risks from the region.

OVERSEAS OPERATIONS

Our wholly-owned subsidiary, UOB Insurance (HK) Limited (UOBIHK) Limited stopped underwriting new and renewal business with effect from 1 September 2012. On 15 March 2013, the Hong Kong Insurance Authority approved UOBIHK's application to withdraw its authorisation under the Hong Kong Insurance Companies Ordinance. It is currently in the process of members' voluntary winding up and liquidators were appointed on 2 September 2013.

As for our remaining overseas operation, we continued our strategy of selective underwriting of profitable business in Myanmar.

Directors' Report

for the financial year ended 31 December 2013

The directors are pleased to present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Directors

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

Wee Cho Yaw *(Chairman)*
David Chan Mun Wai *(Managing Director and Chief Executive)*
Wee Ee Cheong
Hwang Soo Jin
Yang Soo Suan
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 whose objects are, or one of whose 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 Singapore Companies Act, the interests of the directors who held office at 31 December 2013 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 31.12.2013	At 1.1.2013	At 31.12.2013	At 1.1.2013
The Company				
United Overseas Insurance Limited				
Wee Cho Yaw	**38,100**	38,100	**–**	–
Hwang Soo Jin	**100,000**	100,000	**–**	–
David Chan Mun Wai	**21,000**	21,000	**–**	–
Holding Company				
United Overseas Bank Limited				
Wee Cho Yaw	**18,820,027**	18,820,027	**263,395,874**	262,395,874
Wee Ee Cheong	**3,047,878**	3,047,878	**157,432,871**	156,432,870
David Chan Mun Wai	**5,954**	5,954	**–**	–

Directors' Interests in Shares and Debentures (continued)

	Number of preference shares			
	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At 31.12.2013	**At 1.1.2013**	**At 31.12.2013**	**At 1.1.2013**
Holding Company				
United Overseas Bank Limited				
Wee Cho Yaw	**–**	–	**–**	167,700
Wee Ee Cheong	**–**	20,000	**–**	167,700
David Chan Mun Wai	**–**	5,000	**–**	–

	Number of 4.90% non-cumulative non-convertible perpetual capital securities			
	Holdings registered in name of directors		Holdings in which directors are deemed to have an interest	
	At 31.12.2013	**At 1.1.2013**	**At 31.12.2013**	**At 1.1.2013**
Holding Company				
United Overseas Bank Limited				
Wee Cho Yaw	**–**	–	**70,000**	–
Wee Ee Cheong	**–**	–	**70,000**	–
David Chan Mun Wai	**5,000**	–	**–**	–

(b) Apart from the disposal of Dr Wee Cho Yaw's and Mr Wee Ee Cheong's entire interests in the 4.90% non-cumulative non-convertible perpetual capital securities there was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2014.

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.

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 2013 are as follows:

	Directors' fees %	Base or fixed salary %	Variable performance bonus %	Benefits-in-kind and others %	Total %
$500,000 to $749,999					
David Chan Mun Wai	3	50	37	10	100
Below $250,000					
Wee Cho Yaw	100	–	–	–	100
Wee Ee Cheong	100	–	–	–	100
Hwang Soo Jin	100	–	–	–	100
Yang Soo Suan	100	–	–	–	100
N Ganesan	100	–	–	–	100

Share Options

There was no share option 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 as at 31 December 2013.

Audit Committee

The Audit Committee comprises three members, all of whom are non-executive and independent directors. The members of the Audit Committee are:

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

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditor's 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 the external auditor, the significant findings of internal audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the Chief Financial Officer of the parent company, the Managing Director and/or other senior management staff, as appropriate.

Auditor

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

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

David Chan Mun Wai
Managing Director

Singapore
7 February 2014

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 2013 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
7 February 2014

Independent Auditor's Report to the members of United Overseas Insurance Limited

for the financial year ended 31 December 2013

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 2013, set out on pages 26 to 85, which comprise the Balance Sheets of the Group and the Company as at 31 December 2013, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 2013 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
Chartered Accountants
Singapore

7 February 2014

Profit and Loss Accounts
for the financial year ended 31 December 2013

	Note	Group		Company	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Insurance underwriting profit from continuing operations		**14,625**	19,075	**14,625**	19,075
Other income:					
Dividend income from investments	5a	**5,253**	4,327	**5,253**	4,327
Interest income from investments	5b	**6,296**	5,849	**6,296**	5,849
Interest on fixed deposits and bank balances from:					
– Holding company		**3**	2	**3**	2
– Other financial institutions		**83**	75	**83**	75
Miscellaneous income		**241**	64	**241**	64
Net fair value (losses)/gains on financial derivatives - realised		**(504)**	1,989	**(504)**	1,989
Net fair value (losses)/gains on financial derivatives - unrealised	22	**(889)**	351	**(889)**	351
Net gains on available-for-sale investments	20	**6,514**	5,620	**6,514**	5,620
Impairment on available-for-sale investments		**(1,550)**	(350)	**(1,550)**	(350)
Amortisation of investments		**16**	27	**16**	27
		15,463	17,954	**15,463**	17,954
Add/(Less)					
Management expenses not charged to insurance revenue accounts:					
– Management fees		**(956)**	(791)	**(956)**	(791)
– Other operating expenses		**(526)**	(371)	**(526)**	(371)
Exchange differences		**1,977**	(1,932)	**1,977**	(1,932)
Profit before tax from continuing operations		**30,583**	33,935	**30,583**	33,935
Tax expense	9	**(3,098)**	(4,812)	**(3,098)**	(4,812)
Profit from continuing operations, net of tax		**27,485**	29,123	**27,485**	29,123
(Loss)/profit from discontinued operation, net of tax	10	**(109)**	46	**–**	–
Profit attributable to:					
Equity holders of the Company		**27,376**	29,169	**27,485**	29,123
Earnings per share from continuing operations:					
Basic and diluted	11(a)	**44.94 cents**	47.62 cents		
Earnings per share:					
Basic and diluted	11(b)	**44.76 cents**	47.70 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 2013

	Note	Group		Company	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Net profit		**27,376**	29,169	**27,485**	29,123
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation difference		**247**	(440)	**–**	–
Net gains on fair value changes of available-for-sale investments		**1,800**	16,449	**1,800**	16,449
Income tax relating to available-for-sale investments	16	**(309)**	(2,796)	**(309)**	(2,796)
Other comprehensive income for the financial year, net of tax		**1,738**	13,213	**1,491**	13,653
Total comprehensive income for the financial year		**29,114**	42,382	**28,976**	42,776
Attributable to:					
Total comprehensive income from continuing operations, net of tax		**28,976**	42,776	**28,976**	42,776
Total comprehensive income/(loss) from discontinued operation, net of tax		**138**	(394)	**–**	–
Total comprehensive income attributable to equity holders of the Company		**29,114**	42,382	**28,976**	42,776

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 2013

	Note	Group and Company				
		Fire $'000	General Accident $'000	Marine $'000	2013 Total $'000	2012 Total $'000
Gross premiums written		**37,724**	**67,208**	**4,520**	**109,452**	104,419
Reinsurance premiums ceded		**(18,553)**	**(44,176)**	**(2,235)**	**(64,964)**	(60,399)
Net premiums written		**19,171**	**23,032**	**2,285**	**44,488**	44,020
Movement in net reserve for unexpired risks	17	**(60)**	**(794)**	**168**	**(686)**	3,170
Movement in net deferred acquisition costs	18	**216**	**13**	**(41)**	**188**	(1,568)
Net earned premiums		**19,327**	**22,251**	**2,412**	**43,990**	45,622
Less						
Gross claims paid		**8,096**	**21,562**	**849**	**30,507**	27,534
Reinsurance claims recoveries		**(3,459)**	**(12,225)**	**(114)**	**(15,798)**	(14,110)
Net claims paid	19	**4,637**	**9,337**	**735**	**14,709**	13,424
Change in net outstanding claims		**321**	**6,023**	**(695)**	**5,649**	6,661
Net claims incurred	19	**4,958**	**15,360**	**40**	**20,358**	20,085
Gross commissions		**7,695**	**10,455**	**808**	**18,958**	18,135
Reinsurance commissions		**(7,538)**	**(12,425)**	**(482)**	**(20,445)**	(21,375)
Net commissions		**157**	**(1,970)**	**326**	**(1,487)**	(3,240)
Management expenses:	6					
Staff costs	7	**2,756**	**3,311**	**329**	**6,396**	6,328
Rental expenses		**518**	**623**	**62**	**1,203**	838
Other operating expenses		**1,247**	**1,499**	**149**	**2,895**	2,536
Total outgo		**9,636**	**18,823**	**906**	**29,365**	26,547
Insurance underwriting profit from continuing operations transferred to profit and loss accounts		**9,691**	**3,428**	**1,506**	**14,625**	19,075

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

Balance Sheets
as at 31 December 2013

	Note	Group		Company	
		2013	**2012**	**2013**	**2012**
		$'000	**$'000**	**$'000**	**$'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	**17,928**	16,437	**17,928**	16,437
Retained profits		**149,919**	132,939	**146,022**	128,933
Reserve of discontinued operation	10	**(1,522)**	(1,769)	**–**	–
Total equity attributable to equity holders of the Company		**280,938**	262,220	**278,563**	259,983
Liabilities					
Insurance creditors	21	**20,473**	12,981	**20,473**	12,981
Non-trade creditors and accrued liabilities	21	**3,187**	2,893	**3,187**	2,893
Amount owing to related companies	21	**2,020**	1,088	**9,326**	1,088
Derivative financial liabilities	22	**850**	–	**850**	–
Tax payable	9	**5,833**	9,647	**5,833**	9,647
Deferred tax liabilities	16	**3,578**	3,571	**3,578**	3,571
Deferred acquisition cost - reinsurers' share	18	**9,890**	9,043	**9,890**	9,043
Gross technical balances					
– Reserve for unexpired risks	17	**65,143**	60,521	**65,143**	60,521
– Reserve for outstanding claims	19	**170,095**	140,003	**170,095**	140,003
		281,069	239,747	**288,375**	239,747
Liabilities of discontinued operation	10	**–**	1,830	**–**	–
		562,007	503,797	**566,938**	499,730
Assets					
Bank balances and fixed deposits	23	**47,269**	35,611	**47,269**	35,611
Insurance debtors	25	**12,121**	11,194	**12,121**	11,194
Non-trade debtors and accrued interest receivable	25	**2,597**	3,389	**2,597**	3,389
Amount owing by related companies	27	**–**	–	**–**	49
Derivative financial assets	22	**7**	46	**7**	46
Associated company	28	**1**	1	**1**	1
Available-for-sale investments	29	**347,403**	321,271	**347,403**	321,271
Unsecured term loan		**13**	13	**13**	13
Fixed assets	30	**256**	299	**256**	299
Deferred acquisition cost - gross	18	**8,295**	7,260	**8,295**	7,260
Reinsurers' share of technical balances					
– Reserve for unexpired risks	17	**39,700**	35,764	**39,700**	35,764
– Reserve for outstanding claims	19	**104,336**	79,893	**104,336**	79,893
		561,998	494,741	**561,998**	494,790
Investment in subsidiary	31	**–**	–	**4,940**	4,940
Assets of discontinued operation	10	**9**	9,056	**–**	–
		562,007	503,797	**566,938**	499,730

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

Statements of Changes in Equity

for the financial year ended 31 December 2013

	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 2013		**91,733**	**22,880**	**16,437**	**–**	**132,939**	**(1,769)**	**262,220**
Profit net of tax		**–**	**–**	**–**	**–**	**27,376**	**–**	**27,376**
Other comprehensive income for the financial year		**–**	**–**	**1,491**	**–**	**–**	**247**	**1,738**
Total comprehensive income for the financial year		**–**	**–**	**1,491**	**–**	**27,376**	**247**	**29,114**
Dividend for Year 2012	12	**–**	**–**	**–**	**–**	**(8,561)**	**–**	**(8,561)**
Dividend for Year 2013	12	**–**	**–**	**–**	**–**	**(1,835)**	**–**	**(1,835)**
Balance at 31 December 2013		**91,733**	**22,880**	**17,928**	**–**	**149,919**	**(1,522)**	**280,938**
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

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

	Note	Share capital $'000	General reserve $'000	Available-for-sale investment reserve $'000	Retained profits $'000	Total $'000
		Attributable to equity holders of the Company				
Balance at 1 January 2013		**91,733**	**22,880**	**16,437**	**128,933**	**259,983**
Profit net of tax		**–**	**–**	**–**	**27,485**	**27,485**
Other comprehensive income for the financial year		**–**	**–**	**1,491**	**–**	**1,491**
Total comprehensive income for the financial year		**–**	**–**	**1,491**	**27,485**	**28,976**
Dividend for Year 2012	12	**–**	**–**	**–**	**(8,561)**	**(8,561)**
Dividend for Year 2013	12	**–**	**–**	**–**	**(1,835)**	**(1,835)**
Balance at 31 December 2013		**91,733**	**22,880**	**17,928**	**146,022**	**278,563**
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

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 2013

	2013 $'000	2012 $'000
Cash Flows from Operating Activities		
Profit before tax from continuing operations	**30,583**	33,935
(Loss)/profit before tax from discontinued operation	**(109)**	44
	30,474	33,979
Adjustments for:		
Foreign currency difference on provision for outstanding claims	**–**	(5)
Movement in net reserve for unexpired risks	**574**	(3,167)
Movement in net deferred acquisition costs	**(188)**	1,610
Movement in net provision for outstanding claims	**5,556**	6,657
Net fair value losses/(gains) on financial derivatives - unrealised	**889**	(351)
Depreciation	**102**	130
Net gains on available-for-sale investments	**(6,514)**	(5,620)
Amortisation of investments	**(16)**	(27)
Impairment on available-for-sale investments	**1,550**	350
Dividend income from investments	**(5,253)**	(4,327)
Interest income from investments	**(6,296)**	(5,849)
Interest on fixed deposits and bank balances	**(89)**	(95)
Exchange differences	**(2,319)**	2,308
Operating profit before working capital changes	**18,470**	25,593
Changes in working capital:		
Trade and other receivables	**(67)**	(285)
Trade and other payables	**7,343**	1,015
Amount owing to related companies	**932**	37
Cash generated from operations	**26,678**	26,360
Tax paid	**(7,214)**	(1,091)
Net cash flow from operating activities	**19,464**	25,269
Cash Flows from Investing Activities		
Proceeds from sale of available-for-sale investments	**161,607**	136,073
Purchase of available-for-sale investments	**(178,640)**	(153,605)
Purchase of fixed assets	**(59)**	(50)
Proceeds from/(placement in) long-term fixed deposits	**3,986**	(1,722)
Unsecured term loan	**–**	3
Dividend income from investments	**5,253**	4,327
Interest income from investments	**6,296**	5,849
Interest on fixed deposits and bank balances	**89**	95
Net cash flow used in investing activities	**(1,468)**	(9,030)

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

	2013 $'000	2012 $'000
Cash Flow from Financing Activity		
Dividend paid	**(10,396)**	(9,173)
Cash flow used in financing activity	**(10,396)**	(9,173)
Translation difference on foreign subsidiary company	**247**	(440)
Net increase in cash and cash equivalents	**7,847**	6,626
Cash and cash equivalents at beginning of year	**36,024**	29,853
Effects of exchange rate changes on cash and cash equivalents	**–**	(455)
Cash and cash equivalents at end of year	**43,871**	36,024

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

	Note	2013 $'000	2012 $'000
Cash and cash equivalents			
Continuing operations		**43,871**	28,227
Discontinued operation	10	**–**	7,797
		43,871	36,024

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

	2013 $'000	2012 $'000
Cash and bank balances	**10,023**	6,899
Fixed deposits placement less than 3 months	**33,848**	21,328
Cash and cash equivalents	**43,871**	28,227
Fixed deposits placement more than 3 months	**3,398**	7,384
	47,269	35,611

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

Notes to the Financial Statements
for the financial year ended 31 December 2013

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.

(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 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

According to the transition provisions of FRS 113 Fair Value Measurement, FRS 113 has been applied prospectively by the Group on 1 January 2013.

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 for annual period beginning on or after
– Revised FRS 27 Separate Financial Statements	1 January 2014
– Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
– FRS 110 Consolidated Financial Statements	1 January 2014
– FRS 111 Joint Arrangement	1 January 2014
– FRS 112 Disclosure of Interests in Other Entities	1 January 2014
– Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

The directors expect that the adoption of the standards above 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 FRS 112 and Amendments to FRS 32 are described below.

<u>FRS 112 Disclosure of Interests in Other Entities</u>

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.

<u>Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities</u>

The amendments to FRS 32 clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also not be contingent on a future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contract. The Group currently offset certain balances with the same counterparty as the Group has legal rights to set off the amounts and intends to settle on a net basis. The Group believes that there will be no material impact on its offsetting arrangements 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 $1/24^{th}$ 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.

Reserve for unexpired risks are compared with the report issued by a certifying 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.

2 Significant Accounting Policies (continued)

(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 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.

(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 as at the balance sheet date using statistical methods and compared with the assessment of a certifying 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.

2 Significant Accounting Policies (continued)

(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.

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, reevaluates this at every reporting date.

2 Significant Accounting Policies (continued)

(o) Financial Assets (continued)

(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.

(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 marketplace 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.

Pursuant to FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Asset, 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.

2 Significant Accounting Policies (continued)

(o) Financial Assets (continued)

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.

(p) Financial Liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisons of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

2 Significant Accounting Policies (continued)

(p) Financial Liabilities (continued)

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(q) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(r) 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.

2 Significant Accounting Policies (continued)

(r) Impairment of Financial Assets (continued)

(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.

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.

(s) 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.

2 Significant Accounting Policies (continued)

(t) 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.

(u) 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)

(v) 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.

(w) 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.

(x) Dividend Distribution

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

2 Significant Accounting Policies (continued)

(y) 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.

(z) 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.

(aa) 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.

(ab) Associate

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 investment in material associate is accounted for using the equity method.

The following are accounting treatments under the equity method:

(i) The investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associate 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 associate. 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.

2 Significant Accounting Policies (continued)

(ab) Associate (continued)

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

(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 associate. 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 associate 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.

(ac) 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.

(ad) 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.

2 Significant Accounting Policies (continued)

(ae) 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); and
- (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).

(af) 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 one 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 2013 amounting to $1,550,000 (2012: $350,000).

(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.

4 Judgements and Inherent Uncertainty in Accounting Estimates (continued)

(b) Insurance Risks (continued)

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. 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.

(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 certifying 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.

4 Judgements and Inherent Uncertainty in Accounting Estimates (continued)

(b) Insurance Risks (continued)

(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
2013		
Gross premium and claim liabilities	**+/- 5%**	**-/+ 11,762**
Net premium and claim liabilities	**+/- 5%**	**-/+ 4,560**
2012		
Gross premium and claim liabilities	+/- 5%	-/+ 10,026
Net premium and claim liabilities	+/- 5%	-/+ 4,243

(c) Discontinued Operation

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

The Company considered that its Hong Kong subsidiary had met the criteria to be classified as held for sale as the Company had transferred the insurance business portfolio of UOBIHK to Asia Insurance Company Ltd, another Hong Kong insurer, which was approved by the Hong Kong Insurance Authority on 15 March 2013. UOBIHK is in the process of members' voluntary winding up and liquidators were appointed on 2 September 2013.

5 Other Income

	Group and Company	
	2013	**2012**
	$'000	**$'000**
(a) Dividend income from:		
Available-for-sale investments		
– Equity investments	**5,247**	4,106
– Unit trusts	**6**	221
	5,253	4,327
(b) Interest income from:		
Available-for-sale investments		
– Other Government securities	**42**	43
– Fixed income securities	**6,254**	5,806
	6,296	5,849

6 Management Expenses

Included in management expenses from continuing operations are the following:

	Charged to insurance revenue accounts	
	2013	**2012**
	$'000	**$'000**
Group and Company		
Depreciation on:		
Furniture and fixtures	**27**	29
Office equipment	**75**	92
Motor vehicles	**–**	9
	102	130
Auditor's remuneration:		
Payable to the auditors of the Company – audit fees		
– Current year	**131**	127
	131	127
Foreign exchange loss	**140**	77
Write-back of provision for bad and doubtful debts	**–**	(3)
Rental expenses	**1,203**	838
License/levy	**169**	153
Printing and stationery	**153**	190
Upkeep of application software	**328**	233

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

7 Staff Information (Including an Executive Director)

	Group and Company	
	2013	2012
	$'000	$'000
Wages, salaries and other employee benefits	**5,796**	5,733
Central Provident Fund contribution	**600**	595
	6,396	6,328

	Group and Company	
	2013	2012
Number of persons employed at the end of year	**93**	94

8 Directors' Remuneration

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

	2013	2012
$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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Continuing operations:				
On the profit of the year:				
Singapore current income tax	**4,450**	4,838	**4,450**	4,838
Transfer from deferred taxation	**(302)**	(26)	**(302)**	(26)
	4,148	4,812	**4,148**	4,812
Overprovision in respect of prior years	**(1,050)**	–	**(1,050)**	–
	3,098	4,812	**3,098**	4,812
Discontinued operation:				
Overprovision in respect of prior years (Note 10(b))	**–**	(2)	**–**	–
	–	(2)	**–**	–
Income tax expenses recognised in profit & loss	**3,098**	4,810	**3,098**	4,812

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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax	**30,583**	33,935	**30,583**	33,935
(Loss)/profit before tax from discontinued operation	**(109)**	44	**–**	–
Accounting profit before tax	**30,474**	33,979	**30,583**	33,935
Tax calculated at a tax rate of 17% (2012: 17%)	**5,181**	5,776	**5,199**	5,769
Singapore statutory stepped income exemption	**(26)**	(26)	**(26)**	(26)
Exempt income	**(619)**	(589)	**(619)**	(589)
Expenses not deductible for tax purposes	**83**	93	**83**	45
Income not subject to tax	**(88)**	(63)	**(88)**	(1)
Income tax rebate	**(30)**	–	**(30)**	–
Income from qualifying debt securities and offshore insurance, taxed at a rate of 10%	**(451)**	(420)	**(451)**	(420)
Overprovision in respect of prior years	**(1,050)**	(2)	**(1,050)**	–
Deferred tax assets not recognised	**18**	7	**–**	–
Others	**80**	34	**80**	34
Actual tax expense	**3,098**	4,810	**3,098**	4,812

9 Income Tax (continued)

(b) Movements in Tax Payables

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	**9,647**	5,893	**9,647**	5,926
Income tax paid	**(7,214)**	(1,091)	**(7,214)**	(1,117)
Current financial year's tax payable on profit	**4,450**	4,838	**4,450**	4,838
Overprovision in prior financial year (net)	**(1,050)**	–	**(1,050)**	–
Attributable to discontinued operation	**–**	7	**–**	–
Balance at end of the financial year	**5,833**	9,647	**5,833**	9,647

10 Discontinued Operation

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

The Company had transferred the insurance business portfolio of UOBIHK to Asia Insurance Company Ltd, another Hong Kong insurer, which was approved by the Hong Kong Insurance Authority on 15 March 2013. UOBIHK is in the process of members' voluntary winding up and liquidators were appointed on 2 September 2013.

(a) Balance Sheet Disclosures

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

	2013	2012
	$'000	$'000
Reserves		
Foreign currency translation reserve	**(1,522)**	(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**	9
Reinsurers' share of technical balances		
– Reserve for unexpired risks	**–**	312
– Reserve for outstanding claims	**–**	879
	9	9,056

10 Discontinued Operation (continued)

(b) Profit and Loss Accounts Disclosures

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

	2013 $'000	2012 $'000
Gross premiums written	–	934
Less reinsurance premiums ceded	–	(734)
Net premiums written	–	200
Movement in net reserve for unexpired risk	–	(6)
Net earned premiums	–	194
Less		
Gross claims paid	–	(22)
Reinsurance claims recoveries	–	22
Net claims paid	–	–
Change in net outstanding claims	–	(4)
Net claims incurred	–	(4)
Gross commissions	–	321
Reinsurance commissions	–	(251)
Net commissions	–	70
Management expenses	36	463
Total outgo	36	529
Insurance underwriting loss transferred to profit and loss	(36)	(335)
Other income		
Interest on fixed deposits from holding company	2	18
Miscellaneous income	2	1
	4	19
Add/(less)		
Exchange differences	(77)	360
(Loss)/profit before tax	(109)	44
Tax expense	–	2
Net (loss)/profit net of tax	(109)	46

10 Discontinued Operation (continued)

(c) Cash Flow Statement Disclosures

The cash flows attributable to UOBIHK are as follows:

Cash flow statement disclosures:

	2013 $'000	2012 $'000
Operating	**(7,797)**	296
Investing	**–**	16
Net (decrease)/increase in cash and cash equivalents	**(7,797)**	312

(d) Profit/(loss) Per Share Disclosures

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

	2013	2012
Basic and diluted earnings per share	**(0.18) cents**	0.08 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.

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	
	2013	**2012**
	$'000	**$'000**
Net profit	**27,376**	29,169
Add/(less):		
Loss/(profit) from discontinued operation, net of tax, attributable to shareholders of the Company	**109**	(46)
Profit from continuing operations, net of tax, attributable to shareholders of the Company used in the computation of earnings per share for continuing operations	**27,485**	29,123
Weighted average number of ordinary shares ('000)	**61,155**	61,155
Basic and diluted earnings per share	**44.94 cents**	47.62 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	
	2013	**2012**
	$'000	**$'000**
Net profit	**27,376**	29,169
Weighted average number of ordinary shares ('000)	**61,155**	61,155
Basic and diluted earnings per share	**44.76 cents**	47.70 cents

12 Dividend Paid

	Group and Company	
	2013	**2012**
	$'000	**$'000**
Interim dividend of 3 cents per share (one-tier tax-exempt) (2012: 3 cents per share one-tier tax-exempt in respect of the financial year 2012), in respect of the financial year 2013	**1,835**	1,834
Special dividend of 2 cents per share (one-tier tax-exempt) (2011: nil), in respect of the financial year 2012	**1,222**	–
Final dividend of 12 cents per share (one-tier tax-exempt) (2012: 12 cents per share one-tier tax-exempt in respect of the financial year 2011), in respect of the financial year 2012	**7,339**	7,339
	10,396	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 2013 amounting to $8,561,000. 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 2014.

13 Share Capital

	Group and Company			
	2013		**2012**	
	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 one 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.

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 2013. There was no change in the Group's capital management objectives, policies and processes during the years ended 31 December 2013 and 31 December 2012.

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 2013, 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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Differences in tax depreciation	**33**	38	**(5)**	(10)
Differences in interest receivable	**192**	225	**(33)**	43
Differences in impairment on investment	**(323)**	(59)	**(264)**	(59)
Deferred income tax related to other comprehensive income:				
Revaluation of available-for-sale investments				
– Balance at 1 January	**3,367**	571	**–**	–
– Credited during the financial year directly against available-for-sale investment reserve	**309**	2,796	**–**	–
	3,578	3,571		
Deferred income tax expense			**(302)**	(26)

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). UOBIHK is in the process of members' voluntary winding up and liquidators were appointed on 2 September 2013. 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 $4,052,000 as at 31 December 2013 (2012: $4,024,000).

17 Reserve for Unexpired Risks

Movements in reserve for unexpired risks:

	Group					
	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**60,521**	**(35,764)**	**24,757**	54,887	(26,851)	28,036
Movement in reserve during the financial year	**4,622**	**(3,936)**	**686**	6,104	(9,274)	(3,170)
Attributable to discontinued operation	**–**	**–**	**–**	(470)	361	(109)
Balance at end of the financial year	**65,143**	**(39,700)**	**25,443**	60,521	(35,764)	24,757

	Company					
	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**60,521**	**(35,764)**	**24,757**	54,417	(26,490)	27,927
Movement in reserve during the financial year	**4,622**	**(3,936)**	**686**	6,104	(9,274)	(3,170)
Balance at end of the financial year	**65,143**	**(39,700)**	**25,443**	60,521	(35,764)	24,757

18 Deferred Acquisition Costs

	Group					
	2013			2012		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Balance at beginning of the financial year	**7,260**	**(9,043)**	**(1,783)**	6,382	(6,555)	(173)
Movement in deferred acquisition cost during the financial year	**1,035**	**(847)**	**188**	983	(2,551)	(1,568)
Attributable to discontinued operation	**–**	**–**	**–**	(105)	63	(42)
Balance at end of the financial year	**8,295**	**(9,890)**	**(1,595)**	7,260	(9,043)	(1,783)

	Company					
	2013			2012		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Balance at beginning of the financial year	**7,260**	**(9,043)**	**(1,783)**	6,277	(6,492)	(215)
Movement in deferred acquisition cost during the financial year	**1,035**	**(847)**	**188**	983	(2,551)	(1,568)
Balance at end of the financial year	**8,295**	**(9,890)**	**(1,595)**	7,260	(9,043)	(1,783)

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 six 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					
	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**140,003**	**(79,893)**	**60,110**	125,590	(72,039)	53,551
Claims paid during the financial year	**(30,507)**	**15,798**	**(14,709)**	(27,534)	14,110	(13,424)
Claims incurred	**60,599**	**(40,241)**	**20,358**	42,925	(22,840)	20,085
Attributable to discontinued operation	**–**	**–**	**–**	(978)	876	(102)
Balance at end of the financial year	**170,095**	**(104,336)**	**65,759**	140,003	(79,893)	60,110

	Company					
	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**140,003**	**(79,893)**	**60,110**	124,612	(71,163)	53,449
Claims paid during the financial year	**(30,507)**	**15,798**	**(14,709)**	(27,534)	14,110	(13,424)
Claims incurred	**60,599**	**(40,241)**	**20,358**	42,925	(22,840)	20,085
Balance at end of the financial year	**170,095**	**(104,336)**	**65,759**	140,003	(79,893)	60,110

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	2003 & prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
												($'000)
Estimate of claims incurred* – **gross**												
– at end of accident year		29,952	19,476	25,614	35,096	36,694	33,901	41,749	44,992	50,653	80,354	
– one year later		31,033	19,879	27,680	34,685	39,358	34,687	43,718	54,297	53,641		
– two years later		35,629	18,708	24,376	34,065	38,386	32,437	41,440	51,295			
– three years later		27,669	17,317	22,937	31,464	35,064	29,598	38,125				
– four years later		26,538	16,241	21,228	29,600	33,879	27,205					
– five years later		25,481	15,328	20,105	28,846	29,886						
– six years later		24,260	13,778	18,172	22,126							
– seven years later		21,543	11,820	16,183								
– eight years later		20,891	11,541									
– nine years later		20,628										
Current estimate of cumulative claims		20,628	11,541	16,183	22,126	29,886	27,205	38,125	51,295	53,641	80,354	
Less: cumulative claims paid to date		20,483	11,359	15,818	14,462	21,564	20,813	25,781	28,050	18,035	5,359	
Liability recognised in the balance sheet	763	145	182	365	7,664	8,322	6,392	12,344	23,245	35,606	74,995	**170,023**
Estimate of claims incurred arising from portfolio transfers – **gross**		**Non–DOR**										
– as at 1 January of year of transfer		42,309										
– At end of accident year		36,877										
– one year later		35,987										
– two years later		35,158										
– three years later		31,325										
– four years later		27,878										
– five years later		25,489										
– six years later		21,798										
– seven years later		16,514										
– eight years later		12,010										
– nine years later		11,602										
Current estimate of cumulative claims		11,602										
Less: cumulative claims paid to date		11,530										
Liability recognised in the balance sheet		72										**72**
Total reserve included in the balance sheet												**170,095**

* 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	2003 & prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total ($'000)
Estimate of claims incurred* - **net**												
– at end of accident year		12,267	8,343	9,785	11,076	13,528	14,784	20,394	22,500	24,853	27,458	
– one year later		14,406	8,724	10,003	10,554	13,997	12,433	20,277	26,822	23,624		
– two years later		14,048	8,228	8,750	10,766	14,496	12,347	19,860	25,989			
– three years later		12,959	7,617	8,095	9,262	12,737	10,625	18,338				
– four years later		12,456	6,971	7,292	8,388	12,251	9,760					
– five years later		11,676	6,440	6,789	8,004	11,656						
– six years later		11,133	5,786	6,099	7,144							
– seven years later		9,537	5,232	5,565								
– eight years later		9,254	5,141									
– nine years later		9,183										
Current estimate of cumulative claims		9,183	5,141	5,565	7,144	11,656	9,760	18,338	25,989	23,624	27,458	
Less: cumulative claims paid to date		9,088	5,043	5,482	6,502	9,826	7,537	12,341	12,339	8,350	2,263	
Liability recognised in the balance sheet	604	95	98	83	642	1,830	2,223	5,997	13,650	15,274	25,195	**65,691**

Estimate of claims incurred arising from portfolio transfers – **net**	**Non–DOR**	Total
– as at 1 January of year of transfer	21,704	
– at end of accident year	19,902	
– one year later	20,915	
– two years later	20,460	
– three years later	18,078	
– four years later	15,762	
– five years later	14,302	
– six years later	12,527	
– seven years later	10,086	
– eight years later	5,881	
– nine years later	5,504	
Current estimate of cumulative claims	5,504	
Less: cumulative claims paid to date	5,436	
Liability recognised in the balance sheet	68	**68**
Total reserve included in the balance sheet		**65,759**

* 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	
	2013	**2012**
	$'000	**$'000**
Balance at 1 January	**16,437**	2,784
Net change in the reserve, net of tax	**204**	13,362
Net impairment loss recognised on investments, net of tax	**1,287**	291
Balance at 31 December	**17,928**	16,437
Net change in the reserve arises from:		
– Net gain on fair value changes during the financial year, net of tax	**5,611**	18,027
– Recognised in the profit and loss account on disposal of investments, net of 17% tax (2012: 17%)	**(5,407)**	(4,665)
	204	13,362

21 Amount Owing to Trade and Non-trade Creditors

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Amount owing to agents	**142**	170	**142**	170
Amount owing to reinsurers	**15,336**	7,873	**15,336**	7,873
Amount retained from reinsurers	**4,995**	4,938	**4,995**	4,938
	20,473	12,981	**20,473**	12,981
Non-trade creditors and accrued liabilities	**3,187**	2,893	**3,187**	2,893
Amount owing to related companies	**2,020**	1,088	**9,326**	1,088
Total financial liabilities carried at amortised cost	**25,680**	16,962	**32,986**	16,962

(i) Amount Owing to Agents and Reinsurers

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

(ii) Amount Retained from Reinsurers

	2013		
	Gross carrying amount $'000	**Gross amount offset in the balance sheet $'000**	**Amount in the balance sheet $'000**
Amount retained from reinsurers	**5,047**	**(52)**	**4,995**

	2012		
	Gross carrying amount $'000	**Gross amount offset in the balance sheet $'000**	**Amount in the balance sheet $'000**
Amount retained from reinsurers	4,939	(1)	4,938

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 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. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates. 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					
	2013			2012		
Recurring fair value measurements	**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	**55,687**	**7**	**836**	39,561	46	–
Buy USD/Sell SGD	**4,264**	**–**	**14**	–	–	–

For the year ended 31 December 2013, the Group recognised net unrealised fair value losses on financial derivatives of $889,000 (2012: net unrealised fair value gain $351,000).

The foreign exchange forward contracts have maturity dates in February 2014 (2012: February 2013).

23 Bank Balances and Fixed Deposits

(a) Cash and Bank Balances

	Group and Company	
	2013 $'000	**2012 $'000**
Bank balances with:		
Holding company	**7,583**	4,363
Fellow subsidiaries	**627**	473
Other financial institutions	**1,811**	2,061
Cash on hand	**2**	2
	10,023	6,899

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

23 Bank Balances and Fixed Deposits (continued)

(b) Fixed Deposits

	Group and Company	
	2013	2012
	$'000	$'000
Fixed deposits with:		
Holding company	**2,152**	1,651
Other financial institutions	**35,094**	27,061
	37,246	28,712
Fixed deposits with:		
3 months or less	**33,848**	21,328
More than 3 months	**3,398**	7,384
	37,246	28,712

The fixed deposits with the holding company and other financial institutions for the Group and the Company mature on varying dates within 6 months (2012: 6 months) from the financial year end and earn interest at the respective fixed deposit rates. The weighted average effective interest rate of these deposits at 31 December 2013 for the Group and the Company was 0.23% (2012: 0.30% for the Group and 0.29% for the Company.)

	Group and Company	
	2013	2012
	$'000	$'000
Total bank balances and fixed deposits	**47,269**	35,611

24 Collaterals Received

The Group and the Company have fixed deposits of $228,000 (2012: $199,000) and bank balances of $2,000 (2012: $30,000) 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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Amount due from policyholders and agents (Note 26 (i))	**6,236**	6,632	**6,236**	6,632
Amount due from reinsurers (Note 26 (ii))	**3,927**	2,531	**3,927**	2,531
Amount retained by ceding companies (Note 26 (iii))	**1,958**	2,031	**1,958**	2,031
	12,121	11,194	**12,121**	11,194
Non-trade debtors and accrued interest receivable	**2,597**	3,389	**2,597**	3,389
Amount owing by related companies (Note 27)	**–**	–	**–**	49
Loans and receivables	**14,718**	14,583	**14,718**	14,632

26 Amount Due from Policyholders and Agents, Reinsurers and Ceding Companies

The Company has arrangements to settle the net amount due to or from each counterparty on a 90-day term basis.

(i) Amount Due from Policyholders and Agents

	2013		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount due from policyholders and agents (Note 25)	**7,023**	**(787)**	**6,236**
Amount owing to policyholders and agents (Note 21)	**(929)**	**787**	**(142)**

	2012		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount due from policyholders and agents (Note 25)	7,792	(1,160)	6,632
Amount owing to policyholders and agents (Note 21)	(1,330)	1,160	(170)

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

26 Amount Due from Policyholders and Agents, Reinsurers and Ceding Companies (continued)

(ii) Amount Due from Reinsurers

	2013		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount due from reinsurers (Note 25)	**19,328**	**(15,401)**	**3,927**
Amount owing to reinsurers (Note 21)	**(30,737)**	**15,401**	**(15,336)**

	2012		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount due from reinsurers (Note 25)	13,372	(10,841)	2,531
Amount owing to reinsurers (Note 21)	(18,714)	10,841	(7,873)

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

(iii) Amount Retained by Ceding Companies

	2013		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount retained by ceding companies (Note 25)	**2,010**	**(52)**	**1,958**

	2012		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount retained by ceding companies (Note 25)	2,032	(1)	2,031

27 Amount Owing by Related Companies

	Company	
	2013	2012
	$'000	$'000
Amount owing by :		
Subsidiary - non-trade	–	49
	–	49

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 and place of business	Principal activity	Cost of investment		% of paid-up capital held by the Group	
			2013	2012	2013	2012
			$'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	
		2013 Fair value $'000	2012 Fair value $'000
(i)	**Current**		
	Equity shares in corporations	**103,713**	92,971
	Fixed income securities in corporations	**6,799**	8,691
		110,512	101,662
(ii)	**Non-current**		
	Equity shares in corporations	**43,859**	35,236
	Equity shares in a related corporation	**8,168**	6,289
	Unit trusts	**41,987**	36,700
	Fixed income securities in corporations	**137,906**	140,184
	Other Government securities	**4,971**	1,200
		236,891	219,609
	Total	**347,403**	321,271

The fixed income securities bear an effective weighted average interest rate of 4.40% (2012: 4.55%) per annum with maturity dates from May 2014 to December 2049 (2012: May 2013 to December 2049).

The other government securities bear an effective weighted average interest rate of 4.74% (2012: 4.00%) per annum with maturity date from September 2016 to May 2021 (2012: September 2016).

29 Available-for-sale Investments (continued)

Fair Value Measurements

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

(b) Level 2 – Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

(c) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

	Group and Company			
	2013			
Recurring Fair Value Measurements	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity shares in corporations	**147,572**	**–**	**–**	**147,572**
Equity shares in a related corporation	**–**	**8,168**	**–**	**8,168**
Fixed income securities in corporations	**144,705**	**–**	**–**	**144,705**
Other Government securities	**4,971**	**–**	**–**	**4,971**
Unit trusts	**41,987**	**–**	**–**	**41,987**
	339,235	**8,168**	**–**	**347,403**

	Group and Company			
	2012			
Recurring Fair Value Measurements	**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

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, dealer quotes or net tangible asset values 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.

During the financial year ended 31 December 2013, there was an amount of $8,168,000 of quoted equity shares in a related corporation transferred from Level 1 to Level 2. The shares were delisted from the Singapore Exchange Securities Trading Limited in December 2013 and the company is currently in members' voluntary liquidation. The fair value of the equity shares was estimated based on their net tangible assets value as announced by the company on SGXNet on 18 December 2013. The fair value was close to its last traded price before delisting.

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

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>	
		2013	2012
	Fair value as at date of reclassification $'000	Carrying amount/ fair value $'000	Carrying amount/ fair value $'000
Equity shares in corporations	2,140	**–**	184
Fixed income securities in corporations	23,006	**2,814**	2,846
Singapore Government securities	4,900	**–**	–
Unit trusts	22,306	**1,026**	5,070
	52,352	**3,840**	8,100

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 $7,022,000 were sold and a loss of $2,007,000 was recognised in the profit and loss accounts.

If the aforesaid reclassification had not been carried out, an unrealised fair value loss of $49,000 (2012: unrealised fair value loss of $2,834,000) 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 2012	345	2,113	49	2,507
Additions	–	50	–	50
Disposals	–	(3)	–	(3)
At 31 December 2012 and 1 January 2013	345	2,160	49	2,554
Additions	–	59	–	59
Disposals	–	–	–	–
At 31 December 2013	**345**	**2,219**	**49**	**2,613**
Accumulated depreciation				
At 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 and 1 January 2013	225	1,981	49	2,255
Depreciation charge for the year	27	75	–	102
Disposals	–	–	–	–
At 31 December 2013	**252**	**2,056**	**49**	**2,357**
Net book value				
At 31 December 2012	120	179	–	299
At 31 December 2013	**93**	**163**	**–**	**256**

(b) Fully Depreciated Assets

Original cost of fully depreciated assets still in use as at 31 December 2013 amounted to $2,091,000 (2012: $1,819,000).

31 Investment in Subsidiary

	Company	
	2013	**2012**
	$'000	**$'000**
Unquoted equity shares, at cost	**4,940**	4,940

The wholly-owned subsidiary is UOB Insurance (HK) Limited (UOBIHK), incorporated in Hong Kong S.A.R.

With effect from 1 September 2012, the subsidiary ceased to underwrite insurance business. On 15 March 2013, the Hong Kong Insurance Authority approved UOBIHK's application to withdraw its authorisation under the Hong Kong Insurance Companies Ordinance. UOBIHK is in process of members' voluntary winding up and liquidators were appointed on 2 September 2013.

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	
	2013	**2012**
	$'000	**$'000**
Lease which expires:		
Within one year	**1,251**	1,169
Between one and three years	**1,146**	2,240
	2,397	3,409

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2013 amounted to $1,203,000 (2012: $838,000).

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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Gross premium income from:				
– Holding company	**6,391**	6,520	**6,391**	6,520
– Related companies	**80**	109	**80**	109
– Associated companies of the holding company	**1,669**	1,543	**1,669**	1,543
Commission expenses paid to:				
– Holding company	**5,926**	5,323	**5,926**	5,323
– Related company	**61**	55	**61**	55
– Associated company	**872**	846	**872**	846
– Associated companies of the holding company	**364**	326	**364**	326

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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Gross claims incurred from:				
– Holding company	**2,678**	4,690	**2,678**	4,690
– Related companies	**(8)**	13	**(8)**	13
– Associated companies of the holding company	**(1,430)**	63	**(1,430)**	63
Premium paid to:				
– Associated companies of the holding company	**133**	119	**133**	119
Commission received from:				
– Associated companies of the holding company	**68**	91	**68**	91
Claims recovery from:				
– Associated companies of the holding company	**170**	22	**170**	22
Rental paid to an associated company of the holding company	**1,203**	838	**1,203**	838
Management fee received from an associated company of the holding company	**750**	750	**750**	750
Management fee charged by a related Company	**956**	791	**956**	791
Service fee charged by holding company	**2,098**	2,008	**2,098**	2,008
Interest income earned from:				
– Holding company	**3**	2	**3**	2
Compensation of key management personnel:				
– Directors of the Company	**809**	776	**809**	776

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 2013					
Gross premiums written	**90,113**	**19,339**	**–**	**–**	**109,452**
Net earned premiums	**33,128**	**10,862**	**–**	**–**	**43,990**
Net claims incurred	**16,677**	**3,681**	**–**	**–**	**20,358**
Net commissions	**(3,485)**	**1,998**	**–**	**–**	**(1,487)**
Management expenses	**8,832**	**1,662**	**–**	**–**	**10,494**
Underwriting profit	**11,104**	**3,521**	**–**	**–**	**14,625**
Interest income from investments	**3,627**	**525**	**2,144**	**–**	**6,296**
Interest on fixed deposits and bank balances	**41**	**34**	**11**	**–**	**86**
Other income	**4,566**	**454**	**4,061**	**–**	**9,081**
Management income/(expenses) not charged to insurance revenue account	**631**	**(83)**	**(53)**	**–**	**495**
Profit before tax	**19,969**	**4,451**	**6,163**	**–**	**30,583**
Tax expense	**(2,309)**	**(423)**	**(366)**	**–**	**(3,098)**
Profit from continuing operations, net of tax	**17,660**	**4,028**	**5,797**	**–**	**27,485**
Loss from discontinued operation, net of tax	**–**	**–**	**–**	**(109)**	**(109)**
Profit/(loss) after tax	**17,660**	**4,028**	**5,797**	**(109)**	**27,376**
Segment total assets as at 31 December 2013	**348,187**	**54,224**	**159,587**	**9**	**562,007**
Segment total liabilities as at 31 December 2013	**247,670**	**28,308**	**5,091**	**–**	**281,069**
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 investments	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

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 (HK) Limited, which is in the process of members' voluntary liquidation.

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

Information about major external customers

For the year ended 31 December 2013 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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**83,718**	79,037	**256**	299
ASEAN countries	**11,805**	11,678	**–**	–
Others	**5,787**	5,531	**–**	–
	101,310	96,246	**256**	299

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

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

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			
	2013		2012	
	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	**698**	**788**	592	752
British Pound	**590**	**1,197**	608	1,200
Chinese Renminbi	**(103)**	**(20)**	39	8
Euro	**(4)**	**(6)**	–	–
Hong Kong Dollar	**113,656**	**18,563**	65,107	10,224
Indian Rupee	**(13,962)**	**(305)**	(13,165)	(304)
Indonesian Rupiah	**32,333,105**	**3,352**	60,838,503	7,580
Japanese Yen	**(32,680)**	**(416)**	(56,784)	(885)
Philippine Peso	**12,214**	**348**	16,111	479
Korean Won	**(105,435)**	**(124)**	(155,340)	(178)
Malaysian Ringgit	**11,529**	**4,443**	8,134	3,249
New Taiwan Dollar	**138,010**	**5,855**	(19)	(1)
Thai Baht	**(17,010)**	**(703)**	(53,420)	(2,141)
US Dollar	**4,576**	**5,783**	374	447
		38,755		20,430

35 **Financial Risk Factors and Management** (continued)

(i) **Foreign Exchange Risk** (continued)

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
2013	**+5%**	**210**	**1,782**
	-5%	**(210)**	**(1,782)**
2012	+5%	310	1,105
	-5%	(310)	(1,105)

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

(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 2013 and as at 31 December 2013, if interest rates had been 10 basis points higher/lower, with all other variables held constant, the Group's profit before tax for the year is estimated to be $177,000 (2012: $169,000) higher/lower, due mainly to higher/lower interest income on fixed deposits and fixed income securities. The Group's equity as at 31 December 2013 is estimated to be $620,000 (2012: $652,000) lower/higher due to unrealised loss/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.

35 Financial Risk Factors and Management (continued)

(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 honour their contractual obligations, may result in doubtful or bad debts being incurred and this will adversely affect the Group's financial position.

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					
	2013			2012		
	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 (Note 26(i))	**5,799**	**437**	**6,236**	6,236	396	6,632
Amount due from reinsurers (Note 26 (ii))	**2,078**	**1,849**	**3,927**	1,472	1,059	2,531

There was no movement in the allowance for doubtful debts which was nil as at 31 December 2013 and 31 December 2012.

The ageing summary of the gross receivables not subject to offsetting arrangements is as follows:

	2013			2012		
	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 (Note 26 (i))	**6,478**	**545**	**7,023**	7,204	588	7,792
Amount due from reinsurers (Note 26 (ii))	**9,562**	**9,766**	**19,328**	9,264	4,108	13,372

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 six 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 ongoing 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% (2012: 2%) higher/lower with all other variables held constant, there will be no impact on the Group's profit before tax (2012: nil) as the Group did not hold any equity investments classified as held for trading. The Group's equity would have been $2,596,000 (2012: $2,233,000) 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 7 February 2014.

Statistics of Shareholdings
as at 5 March 2013

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	306	16.70	91,790	0.15
1,000 – 10,000	1,199	65.45	4,384,511	7.17
10,001 – 1,000,000	324	17.69	18,334,649	29.98
1,000,001 and above	3	0.16	38,344,050	62.70
TOTAL	**1,832**	**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 5 March 2014, 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.	Ng Poh Cheng	1,470,550	2.40
3.	Chong Chew Lim @ Chong Ah Kau	1,166,000	1.91
4.	Citibank Nominees Singapore Pte Ltd	721,250	1.18
5.	Chen Siong Seng	720,000	1.18
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 (Private) Limited	508,530	0.83
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.	Tenet Sompo Insurance Pte Ltd - SHF	450,000	0.74
16.	Thia Cheng Song	442,000	0.72
17.	Yeoh Phaik Ean	375,000	0.61
18.	Teo Guan Seng	340,650	0.56
19.	Tan Chong Hock	317,250	0.52
20.	United Overseas Bank Nominees (Private) Limited	305,300	0.50
	TOTAL	**46,752,780**	**76.46**

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

Name of substantial shareholder	Shareholding registered in the name of substantial shareholder	Other shareholding in which the substantial shareholder is deemed to have an interest
	No. of Shares	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 **43rd 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, 24 April 2014 at 11.00 am to transact the following business:

AS ORDINARY BUSINESS

Resolution 1 To receive the Financial Statements, the Directors' Report and the Auditor's Report for the year ended 31 December 2013.

Resolution 2 To declare a final one-tier tax-exempt dividend of 12 cents per share and a one-tier tax-exempt special dividend of two cents per share for the year ended 31 December 2013.

Resolution 3 To approve Directors' fees of $182,500 for 2013 (2012: $182,500).

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

Resolution 5 To re-elect Mr David Chan Mun Wai as Director.

To pass the following resolution under Section 153(6) of the Companies Act, Cap. 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 the 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 8 May 2014 to 9 May 2014, both dates inclusive, for the preparation of dividend warrants. Registrable transfers received up to 5.00 pm on 7 May 2014 will be entitled to the final and special dividends. If approved, the dividends will be paid on 16 May 2014.

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 the 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
1 April 2014

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 2013 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 (the **Company**), hereby appoint

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

and/or *

		Proportion of Shareholdings	
Name			
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 **43rd 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, 24 April 2014 at 11.00 am 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 Auditor's Report		
Resolution 2	Final and Special Dividends		
Resolution 3	Directors' Fees		
Resolution 4	Auditor and its remuneration		
Resolution 5	Re-election (Mr David Chan Mun Wai)		
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 ____________ 2014.

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

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

IMPORTANT: PLEASE READ NOTES 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' names, 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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UOI 大華保險

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
United Overseas Insurance Limited
80 Raffles Place, #04-20 UOB Plaza 2
Singapore 048624

3rd fold
Glue overleaf. Do not staple.

Corporate Information

Board of Directors
Wee Cho Yaw *(Chairman)*
David Chan Mun Wai *(Managing Director and Chief Executive)*
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)*

Business Address
3 Anson Road #28-01
Springleaf Tower
Singapore 079909
Telephone: (65) 6222 7733
Facsimile: (65) 6327 3869 / 6327 3870
E-mail: ContactUs@uoi.com.sg
Website: uoi.com.sg

Registered Office
80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No: 197100152R
Telephone: (65) 6533 9898
Facsimile: (65) 6534 2334

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone: (65) 6536 5355
Facsimile: (65) 6536 1360

Auditor
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge
Yap Swee Gek *(Appointed on 29 April 2009)*

Myanmar Representative Office
Room No. 1401, 14th Floor
Olympic Tower
Corner of Mahar Bandoola Street and Bo Aung Kyaw Street
Kyauktada Township
Yangon
Myanmar
Telephone: (95) (1) 392 917
Facsimile: (95) (1) 392 916

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大華保險

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