

# Delivering Value. Driving Growth.

Annual Report 2006

UNITED BEHIND YOU



**UNITED OVERSEAS INSURANCE LIMITED**  
(A SUBSIDIARY OF UNITED OVERSEAS BANK LIMITED)

# **UNITED OVERSEAS INSURANCE LIMITED**

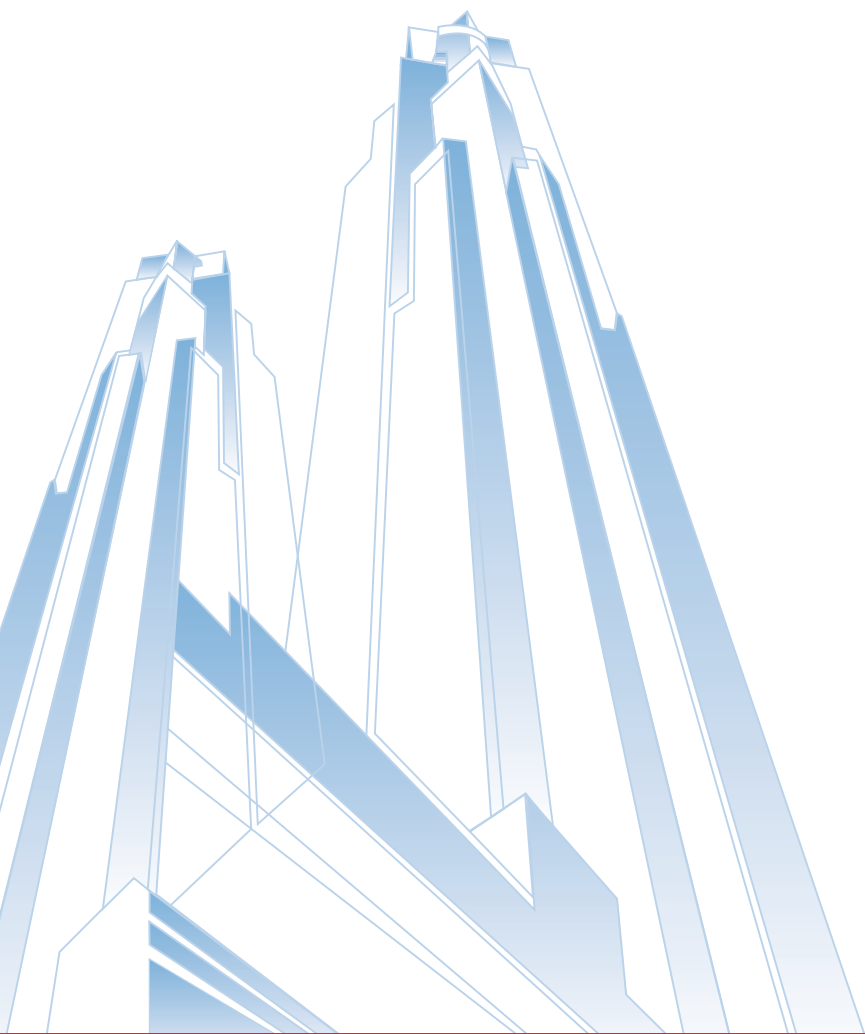
(INCORPORATED IN SINGAPORE)

## **AND ITS SUBSIDIARY**

### **CONTENTS**

Our Mission	2
Brief Profile	3
Chairman's Statement	4
Financial Highlights	5
Financial Review	9
Corporate Information	10
Board of Directors	11
Corporate Governance	13
Risk Management	18
2006 in Review	21
Directors' Report	23
Statement by Directors	25
Independent Auditors' Report to the Members	26
Profit and Loss Accounts	27
Insurance Revenue Accounts	28
Balance Sheets	30
Statement of Changes in Equity	32
Consolidated Cash Flow Statement	34
Notes to the Financial Statements	36
Statistics of Shareholdings	61
Notice of Annual General Meeting	62
Proxy Form	

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



# Our Mission

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

# Brief 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. In 2004, Forbes Global put UOI on its list of "Best under a Billion" companies that had under US\$1 billion a year in revenue and five-year returns on capital of at least 5%. UOI was one of the six Singapore companies on the list of 100 of the best smaller-size enterprises in the Asia-Pacific and Europe.

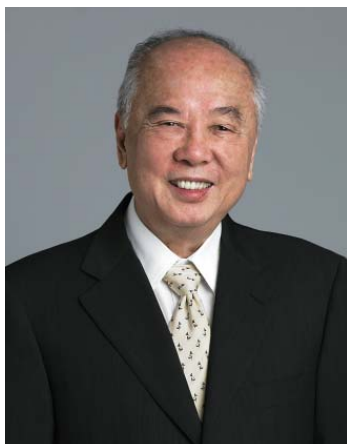
The Group's principal activities are the underwriting of general insurance business and reinsurance. General insurance covers a broad spectrum of classes of insurances among which are fire, marine, motor, engineering, general accident and liability business.

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.

Through its wholly-owned subsidiary, UOB Insurance (H.K.) Limited, the Group provides a complete range of general insurance services in Hong Kong.

UOI provides management services for Overseas Union Insurance, Limited.

## Chairman's Statement



**Wee Cho Yaw**  
Chairman

In 2006, Singapore's Gross Domestic Product rose by 7.7% buoyed by robust growth in the manufacturing and service sectors. The construction sector also contributed to the growth by expanding for the first time in six years.

Despite the strong economy, the local general insurance industry only managed marginal growth. This was due to severe premium rate erosion caused by intense competition in a small domestic market. In spite of such impediments in the market, the Company achieved profit before tax of \$26.9 million (2005: \$24.6 million). This growth was 9% above the preceding year.

Gross premium grew by \$2.2 million or 4% to \$65.7 million. Fire insurance gross premium rose by 4% to \$24.6 million while General Accident insurance increased by 3% to \$37.5 million. These two major insurance portfolios benefited from intra-group synergies arising from United Overseas Bank's banking subsidiaries in Malaysia, Thailand and Indonesia.

The Company's net underwriting profit rose by 10% to a record \$11.7 million (2005: \$10.7 million) as a result of prudent underwriting, lower net claims incurred and higher net commissions received. Other income grew by 9% to \$15.1 million. This increase was mainly due to higher interest rates and bullish sentiments in the stock market.

The Board proposes to transfer \$1 million to General Reserve and recommends payment of a final dividend of 15 cents per share less 18% income tax. Together with the interim dividend of 5 cents per share less 20% income tax, the total dividend for 2006 is 20 cents per share.

The Company's wholly-owned subsidiary, UOB Insurance (H.K.) in Hong Kong attained a profit before tax of \$349,390 largely due to earnings from interest income.

### Corporate Developments

As mentioned in last year's Annual Report, the parent bank's burgeoning regional operations presented opportunities for the enhancement of the Company's corporate earnings. The business infrastructures put in place for sustaining such regional growth have borne fruit. Revenue streams from outside Singapore can be expected to increase in the future.

### 2007 Prospects

The Singapore economy is expected to grow between 4.5% and 6.5%. Such economic projection appears to augur well for the general insurance industry. However, continued intense competition and higher operating costs in an even more liberalised financial sector are likely to have an adverse impact upon the premium rates, market share of each player and ultimately underwriting margins. Consequently, domestic growth for the Company is likely to be challenging. As a strategic thrust, the Company will continue to leverage on the parent bank's regional expansion and other offshore sources of business.

Underwriting prudence and judicious risk management will continue to be maintained so as to ensure that the quality of the risk portfolio is not compromised. Enhancing shareholder value remains a top priority of the Company.

### Acknowledgements

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

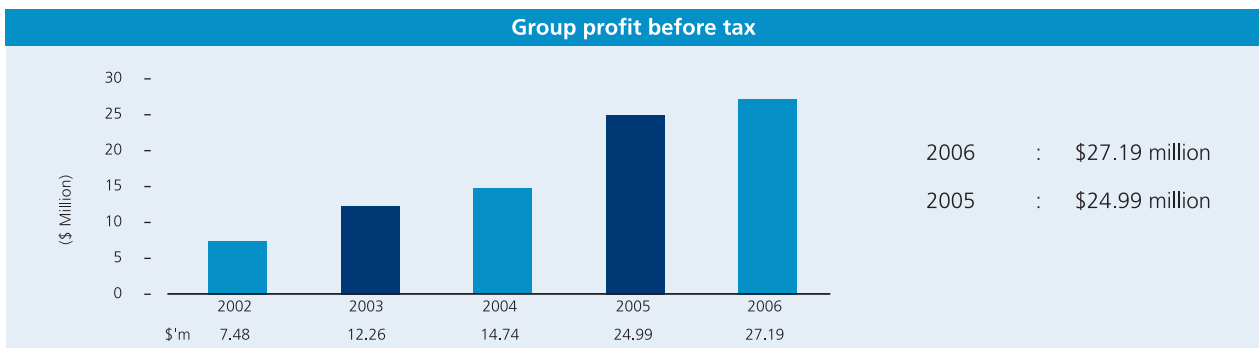
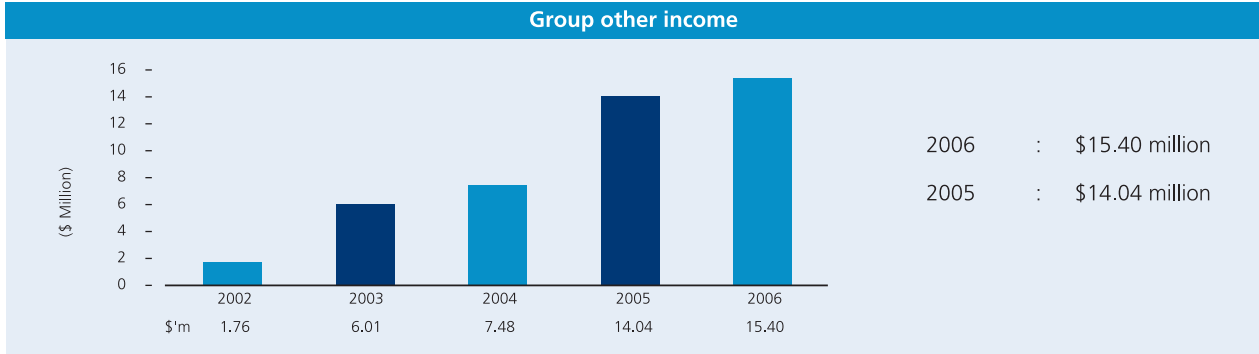
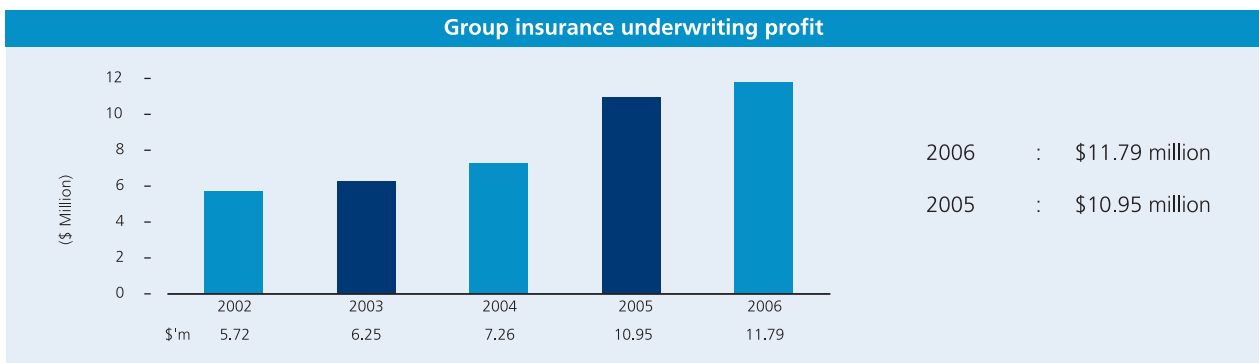
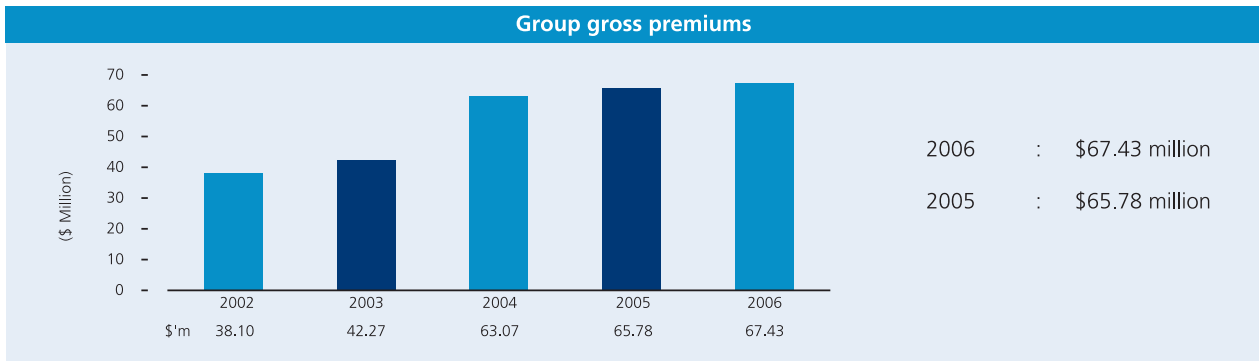
Wee Cho Yaw  
Chairman

March 2007

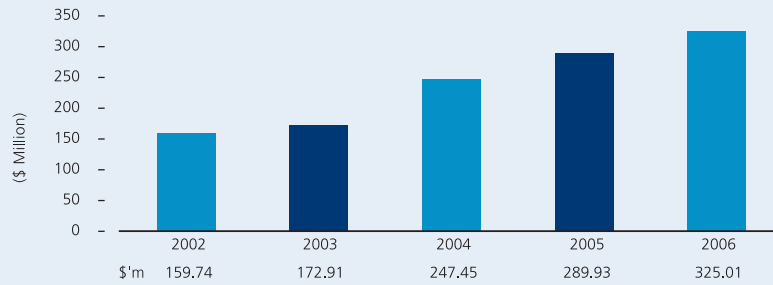
## Financial Highlights

Key Indicators	The Group		Increase/ decrease
	2006	2005	
<b>Profit for the financial year (\$'000)</b>			
Gross premiums	<b>67,430</b>	65,782	2.5%
Insurance underwriting profit	<b>11,790</b>	10,951	7.7%
Other income	<b>15,395</b>	14,035	9.7%
Profit before tax	<b>27,185</b>	24,986	8.8%
<b>Selected balance sheet items as at year-end (\$'000)</b>			
Total assets	<b>325,012</b>	289,934	12.1%
Technical reserves	<b>57,088</b>	55,240	3.3%
Shareholders' equity	<b>163,082</b>	139,604	16.8%
<b>Financial ratios</b>			
Earnings per share - basic and diluted (cents)	<b>54.8</b>	50.7	8.1%
Return on average shareholders' equity (ROE) (%)	<b>14.8</b>	17.0	-2.2% points
Return on average total assets (ROA) (%)	<b>7.3</b>	7.7	-0.4% point
Expense/income ratio (%)	<b>19.3</b>	19.4	-0.1% point
Dividend per share (cents)			
Interim	<b>5.0</b>	5.0	-
Final	<b>15.0</b>	15.0	-
Net asset value per share (\$)	<b>4.00</b>	3.42	17.0%

## Financial Highlights

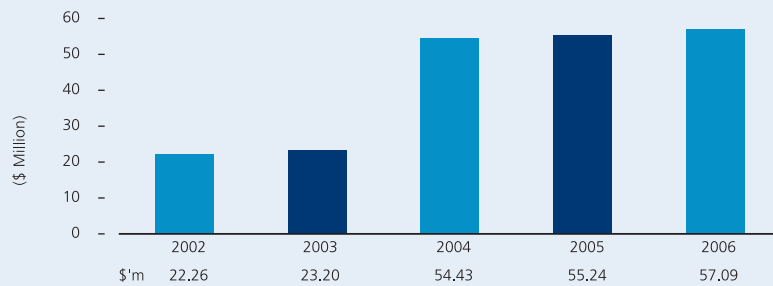


### Group total assets



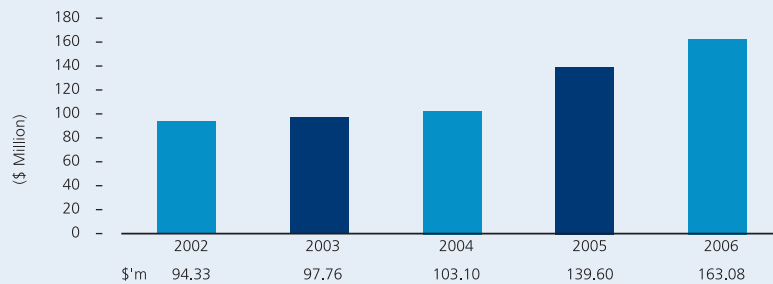
2006 : \$325.01 million  
2005 : \$289.93 million

### Group technical reserves



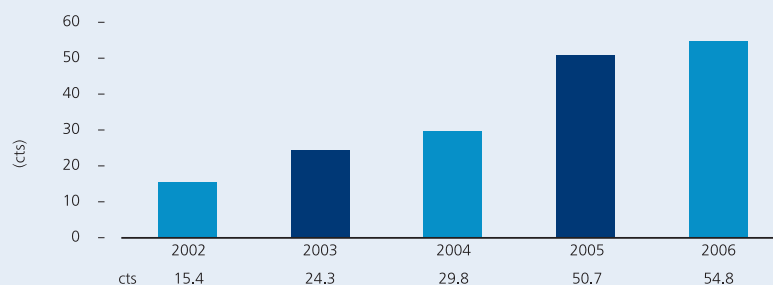
2006 : \$57.09 million  
2005 : \$55.24 million

### Group shareholders' equity



2006 : \$163.08 million  
2005 : \$139.60 million

### Group earnings per share (basic & diluted)

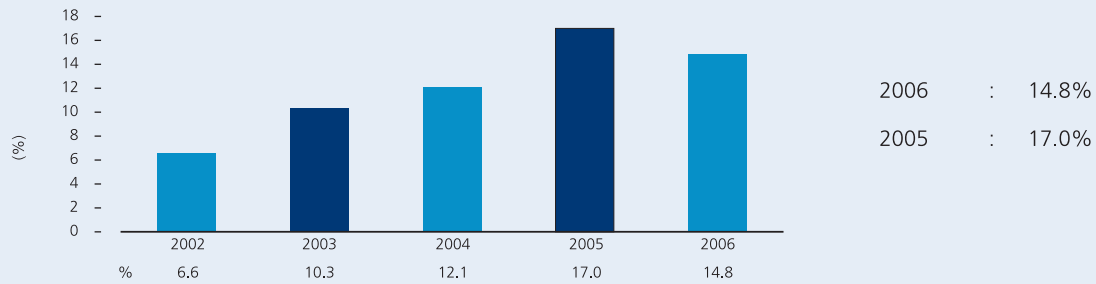


2006 : 54.8 cents  
2005 : 50.7 cents

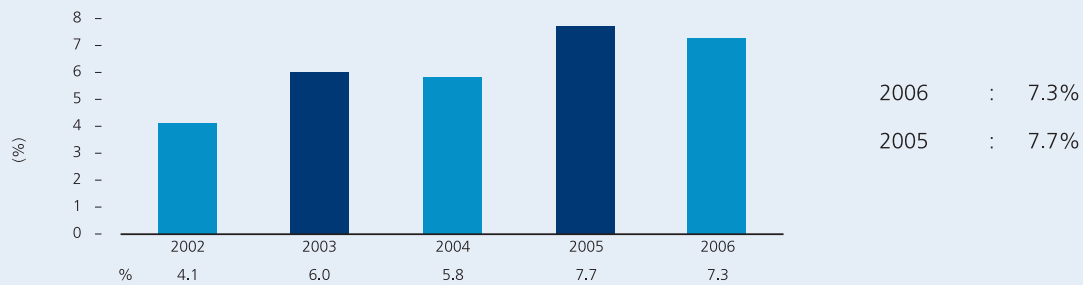


## Financial Highlights

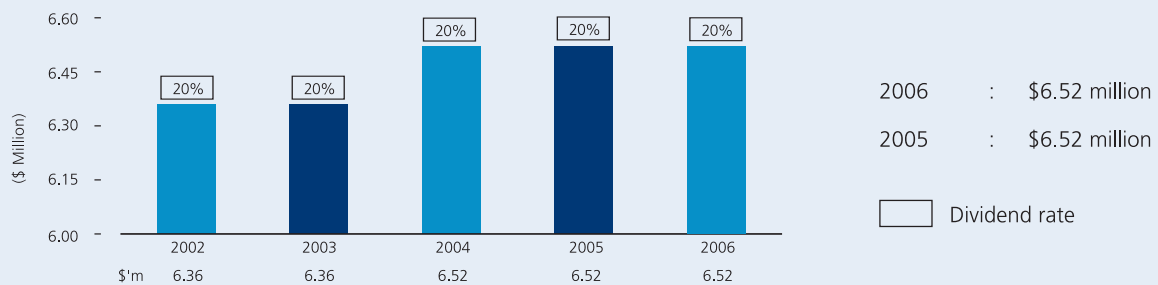
Group return on average shareholders' equity (ROE)



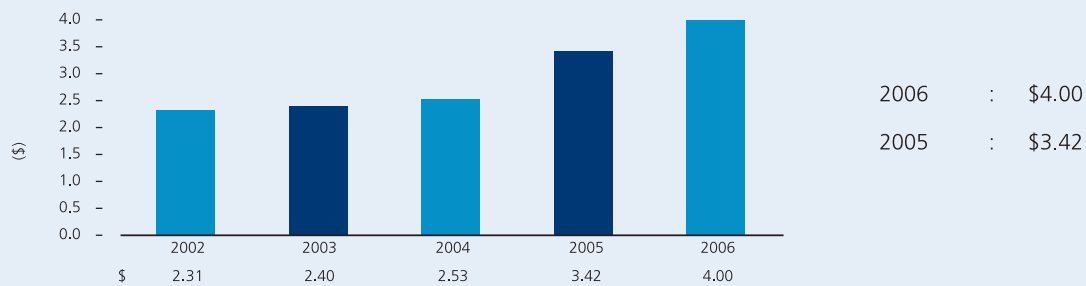
Group return on average total assets (ROA)



Group dividend payment



Group net asset value per share



## Financial Review

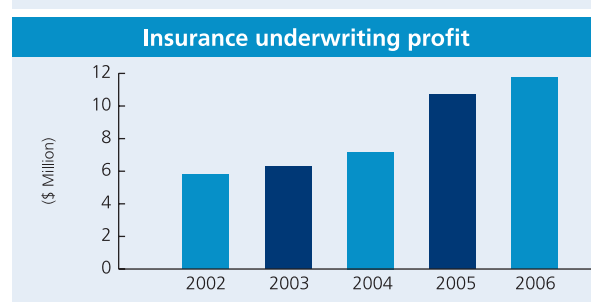
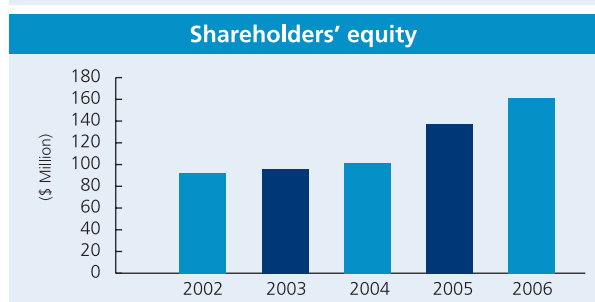
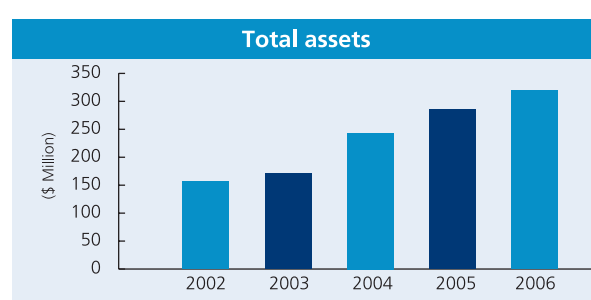
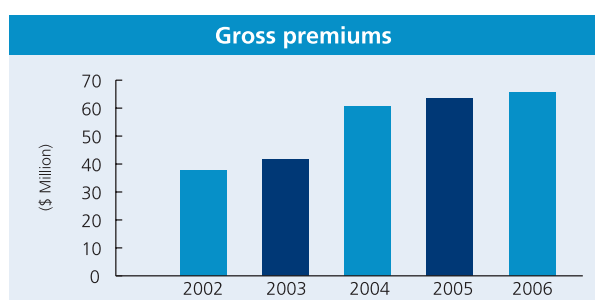
### Comparative Group Growth Data (figures in \$ million)

	2002	2003	2004	2005	2006
Gross premiums	38.10	42.27	63.07	65.78	67.43
Shareholders' equity	94.33	97.76	103.10	139.60	163.08
Total assets	159.74	172.91	247.45	289.93	325.01
Insurance underwriting profit	5.72	6.25	7.26	10.95	11.79

Over the last five years, the Group grew its gross premiums from \$38.10 million in 2002 to \$67.43 million in 2006. The sharp increase of income in 2004 was due largely from the Scheme for Transfer entered into by the Company with Overseas Union Insurance, Limited in that year.

The Group shareholders' equity as at December 2006 rose by 16.8% to \$163.08 million when compared against the preceding year. Over a five-year period, it grew by \$68.75 million or 72.9% whilst the total assets of the Group saw a growth of 103.5% from \$159.74 million in 2002 to stand at \$325.01 million by the end of December 2006.

The Group achieved an underwriting profit before tax of \$11.79 million in 2006 an increase of 7.7% over that of 2005. Insurance underwriting profit before tax for the Group showed a consistent growth from 2002 to 2006 from \$5.72 million to \$11.79 million.



## Corporate Information

### BOARD OF DIRECTORS

Mr Wee Cho Yaw  
*Chairman*

Mr David Chan Mun Wai  
*Managing Director*

Mr Wee Ee Cheong  
Mr Hwang Soo Jin  
Mr Yang Soo Suan  
Dr Lee Soo Ann

### AUDIT COMMITTEE

Mr Yang Soo Suan  
*Chairman*

Mr Hwang Soo Jin  
Dr Lee Soo Ann

### NOMINATING COMMITTEE

Mr Hwang Soo Jin  
*Chairman*

Mr Wee Cho Yaw  
Mr Yang Soo Suan

### REMUNERATION COMMITTEE

Mr Wee Cho Yaw  
*Chairman*

Mr Hwang Soo Jin  
Mr Yang Soo Suan

### SECRETARY

Mrs Vivien Chan

### ASSISTANT GENERAL MANAGERS

Ms Faridah Rahmat Ali  
*(Underwriting)*

Mr Tony Seah Eng Wah  
*(Business Development/Direct Marketing)*

### SENIOR MANAGERS

Ms Jean Tan Siok Gek  
*(Business Development)*

Mr Andrew Tang Ming Leung  
*(Corporate Services)*

### MANAGERS

Ms Nellie Tan Hwee Ngoh  
*(Corporate Services)*

Ms Chia-Lim Siew Heah  
*(Corporate Services)*

Mr Teo Hock Chye  
*(Business Development)*

Ms Chia-Sie Lie Ming  
*(Claims)*

Stanley Ler Seow Meng  
*(Business Development)*

### DEPUTY MANAGER

Ms Veronica Sim Bee Heng  
*(Corporate Services)*

### ASSISTANT MANAGERS

Ms Ng Hoe  
*(Corporate Services)*

Ms Wong-Suzy Tan Lay Hua  
*(Claims)*

Ms Ng Sze Theng  
*(Information System)*

Ms Lim Kok Hong  
*(Underwriting)*

Ms Diana Leow Dan Liang  
*(Underwriting)*

Ms Lee-Lim Bee Geok  
*(Underwriting)*

### 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: www.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

Lim Associates (Pte) Ltd  
3 Church Street  
#08-01 Samsung Hub  
Singapore 049483  
Telephone: (65) 6536 5355  
Facsimile: (65) 6536 1360

### AUDITORS

Ernst & Young  
One Raffles Quay  
North Tower, Level 18  
Singapore 048583

Partner-in-charge:  
Mr Mak Keat Meng  
*(Appointed on 29 April 2004)*

### SUBSIDIARY

UOB Insurance (H.K.) Limited  
16/F Worldwide House  
19 Des Voeux Road Central  
Hong Kong  
Telephone: (852) 3606 9933  
Facsimile: (852) 2810 0225

### MYANMAR REPRESENTATIVE OFFICE

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

## Board of Directors

### **Mr Wee Cho Yaw**

*Chairman*

Age 78. A career banker with more than 40 years of experience. Received Chinese high school education.

Chairman of United Overseas Insurance since 1971. Appointed to the Board on 17 February 1971. Last re-appointed as a Director on 27 April 2006. Non-independent and non-executive Director. Chairman of the Remuneration Committee and member of the Nominating Committee. Chairman & CEO of United Overseas Bank since 1974, and Chairman of its subsidiaries, Far Eastern Bank, United Overseas Bank (Malaysia), PT Bank UOB Indonesia (*President Commissioner*), PT Bank UOB Buana (*President Commissioner*) and United Overseas Bank (Thai) Public Company. Chairman of United International Securities, Haw Par Corporation, UOL Group, Hotel Plaza, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. Former Chairman of Overseas Union Enterprise.

Honorary President of Singapore Chinese Chamber of Commerce & Industry and Pro-Chancellor of Nanyang Technological University.

Received Businessman Of The Year award at the Singapore Business Awards in 2001 and 1990 as well as the inaugural Credit Suisse – Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community.

### **Mr Wee Ee Cheong**

Age 54. A professional banker with more than 20 years of experience.

Appointed to the Board on 20 March 1991. Last re-elected as a Director on 27 April 2006. Non-independent and non-executive Director. Deputy Chairman & President of United Overseas Bank since 2000. Director of several subsidiaries and affiliates of United Overseas Bank, including Far Eastern Bank, United Overseas Bank (Malaysia), United Overseas Bank (Thai) Public Company and United International Securities. Director of Visa International (Asia Pacific) and the Institute of Banking & Finance. Chairman of the Association of Banks in Singapore and ASEAN Banking Council. Council member of the Singapore Chinese Chamber of Commerce & Industry as well as member of the Board of Governors of the Singapore-China Foundation and the Advisory Board of the INSEAD East Asia Council. Has served as Deputy Chairman of Housing & Development Board and Director of Port of Singapore Authority. Former director of UOL Group and Hotel Plaza.

Holds a Bachelor of Science (Business Administration) and a Master of Arts (Applied Economics) from The American University, Washington D.C.

### **Mr David Chan Mun Wai**

*Managing Director & Principal Officer*

Age 53. A professional insurer with more than 25 years of experience.

Appointed to the Board on 10 March 1994. Executive and non-independent Director. Director and Member of the Executive Committee of Singapore Reinsurance Corporation. Former President of the General Insurance Association of Singapore.

A Chartered Insurer and Fellow of the Chartered Insurance Institute. Holds a Bachelor of Business Administration from the University of Singapore.

**Mr Hwang Soo Jin**

Age 71. A Chartered Insurer with more than 40 years of professional experience.

Appointed to the Board on 17 February 1971. Last re-appointed as a Director on 27 April 2006. Independent and non-executive Director. Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee. Chairman of Singapore Reinsurance Corporation. Director of Haw Par Corporation, United Industrial Corporation and Singapore Land. Former Director of Lee Kim Tah Holdings. A Justice of Peace, Adviser to the Asean Insurance Council and an Honorary Fellow of the Singapore Insurance Institute. Former Chairman of the Public Accounts Committee of the Parliament of Singapore.

A Chartered Insurer of the Chartered Insurance Institute, UK.

**Mr Yang Soo Suan**

Age 70. An architect by training with more than 35 years of professional experience.

Appointed to the Board on 20 March 1991. Last re-elected as a Director on 27 April 2005. Independent and non-executive Director. Chairman of the Audit Committee and Member of the Nominating Committee and Remuneration Committee. A Director of United International Securities. Retired in 2003 as Chairman of Architects 61. Director and former Senior Adviser of RSP Architects Planners & Engineers. Former Board Member of the Housing & Development Board and former Chairman of the National Fire Prevention Council. Former Member of the Board of Architects. Former President of the Singapore Institute of Architects. Fellow Member of the Singapore Institute of Architects and Singapore Society of Project Managers. Member of the Singapore Institute of Directors.

Holds a Bachelor of Architecture (Honours) in Design, Town Planning and Building from Melbourne University, Australia. Awarded BBM in 1996 for Public Service.

**Dr Lee Soo Ann**

Age 68. An economist in the government and academia with more than 40 years of experience.

Appointed to the Board on 16 February 2000. Last re-elected as a Director on 29 April 2004. Independent and non-executive Director. Member of the Audit Committee. Director of United International Securities. Fellow of the Singapore Institute of Directors and Senior Fellow in the Department of Economics, National University of Singapore. Former Board Member of the Port of Singapore Authority, Jurong Town Corporation, National Productivity Board and Science Council of Singapore. Former Dean of Accountancy and Business Administration and Director of the School of Management in the National University of Singapore.

Holds a Bachelor of Arts (Honours) in Economics from The University of Malaya in Singapore, a Master of Arts (with Distinction) in Development Economics from Williams College, Massachusetts, a Master of Christian Studies from Regent College, Vancouver and a PhD from the University of Singapore.

## Corporate Governance

The Company is committed to best practice governance standards. The Board's approach to corporate governance is based on the recommendations and principles of the Singapore Code of Corporate Governance 2005 ("Code") and the Guidelines On Corporate Governance For Banks, Financial Holding Companies and Direct Insurers issued by the Monetary Authority of Singapore ("MAS Guidelines on Corporate Governance").

This statement describes the Company's corporate governance policies and practices.

### Board's Conduct Of Its Affairs

The Board provides entrepreneurial leadership and strategic direction for the Company. In addition, the Board:

- reviews and approves business plans and budgets;
- monitors financial performance;
- determines capital structure;
- declares dividends;
- approves major acquisitions and divestments;
- reviews risk management framework; and
- sets company values and standards.

The Board has formed three board committees to assist in the effective discharge of specific responsibilities. They are the Nominating Committee, the Remuneration Committee and the Audit Committee. The membership and duties and responsibilities of these committees are set out in the subsequent pages of this report.

The Company does not have an executive committee of directors. The Managing Director who oversees the day-to-day running of the business of the Company has direct access to the members of the Board. He is assisted by a Management Committee of which he is the chairman. Other members of the Management Committee are heads of departments and managerial staff. The effective link between the Board and the Management provided by the Managing Director in his role as chairman of the Management Committee has obviated the need for the Company to have an executive committee of directors.

The Board schedules four meetings a year. It also meets whenever necessary to deal with specific matters that need urgent attention between scheduled meetings. Directors may participate in meetings via telephonic and/or video conference if they are unable to be physically present. Four board meetings were held last year and the directors' attendance record is set out on page 17.

Prior to board and committee meetings, the directors are provided with financial and operational reports to enable them to discharge their board duties. The financial reports provide detailed information on the Group's performance against budgeted and actual results and explanations of any material variance. Directors may request additional information or seek clarification on any matter concerning the Group from top management to whom they have direct access.

Directors have the opportunity to attend training courses and seminars. A budget is set aside yearly for directors' training needs. New directors are given guidance on the duties and responsibilities of directors and relevant regulatory requirements.

All directors have access to advice from the Company Secretary. The Secretary keeps the Board informed of relevant laws and regulations and updated on corporate governance matters. The directors may request for independent professional advice to be obtained in the discharge of their duties.

### Board Composition

The Board comprises six members, of whom three are non-independent directors and three are independent directors. The current Board members are:

Wee Cho Yaw	(Chairman)	Non-executive & non-independent
David Chan Mun Wai	(Managing Director)	Executive & non-independent
Wee Ee Cheong		Non-executive & non-independent
Yang Soo Suan		Independent
Dr Lee Soo Ann		Independent
Hwang Soo Jin		Independent

## Corporate Governance

Mr Wee Cho Yaw is the Chairman of the Company. He provides leadership to the Board and ensures that board meetings are held regularly and that the directors are provided with adequate and timely information.

Mr David Chan Mun Wai is the Managing Director and Principal Officer of the Company. He is responsible for the day-to-day running of the business of the Company and ensures that the Board's decisions and strategies are carried out effectively.

The Board considers the optimum size of the Board to be between five and seven directors, having regard to the present scale of the Company's operations. The Nominating Committee has assessed the specific qualities and skills of the directors and is of the view that they possess the necessary skills for the Company's business. In particular, two of the directors have extensive experience in the insurance industry.

One-third of the directors retire at every Annual General Meeting. Mr Wee Cho Yaw, the Chairman of the Board, Mr Hwang Soo Jin and Mr Yang Soo Suan are subject to annual re-appointment under Section 153(6) of the Companies Act.

### Nominating Committee

The Nominating Committee ("NC") is chaired by Mr Hwang Soo Jin, an independent director. The NC comprises three directors, the majority of whom are independent. They are:

Hwang Soo Jin (Chairman)	Independent
Wee Cho Yaw	Non-independent
Yang Soo Suan	Independent

The NC assists the Board in reviewing nomination for appointment and re-appointment to the Board and board committees. Nominated candidates are assessed by the Board with reference to their background, experience, professional skills, personal qualities and their availability to commit themselves to the Board's activities.

Detailed information on the directors' experience and qualifications can be found on pages 11 to 12.

The NC assesses the independence of directors and the performance of individual directors and the Board. The NC assesses the directors based on criteria such as their attendance record, overall preparedness, participation, candour and clarity in communication, maintenance of expertise relevant to the Group, strategic insight, financial literacy, business judgment and sense of accountability. The Board's guidance and general oversight and the Company's financial performance are relevant factors in assessing the effectiveness of the Board.

The NC meets at least once a year.

### Remuneration Committee

The members of the Remuneration Committee ("RC") are:

Wee Cho Yaw (Chairman)	Non independent
Hwang Soo Jin	Independent
Yang Soo Suan	Independent

The RC makes recommendations to the Board on directors' remuneration, fees and allowances. RC members abstain from deliberations in respect of their own remuneration.

The Code and MAS Guidelines on Corporate Governance recommend that the chairman of a remuneration committee should be an independent and non-executive director. In the case of the Company's RC, the Board is of the view that Mr Wee Cho Yaw, having regard to his vast experience as chairman of the UOB Group, is the best person to chair the RC.

The RC meets at least once a year.

The Board recommends to shareholders for their approval each year a total sum to be paid as directors' fees. The sum is shared among the directors on the basis that those who are members or chairmen of board committees would receive more fees.

The Company has a performance-based remuneration policy that is competitive. The Company's top five executives are remunerated competitively. It is not in the best interest of the Company to disclose details of the remuneration of its top five key executives. No immediate family member (as defined in the Singapore Exchange's Listing Manual) of a director is in the employ of the Company and whose annual remuneration exceeds \$150,000.

The fees and remuneration of the directors, in bands of \$250,000, are disclosed on page 17.

#### **Audit Committee**

The Audit Committee ("AC") is chaired by Mr Yang Soo Suan, an independent director. The AC comprises three directors, all of whom are independent. They are:

Yang Soo Suan	(Chairman)	Independent
Hwang Soo Jin		Independent
Dr Lee Soo Ann		Independent

The AC's duties include reviewing the following:

- the financial statements;
- the internal and external audit plans and audit reports;
- the external auditors' evaluation of the system of internal accounting controls;
- the scope and results of the internal and external audit procedures;
- the adequacy of internal audit resources;
- the cost effectiveness, independence and objectivity of external auditors;
- the significant findings of internal audit investigations; and
- interested person transactions.

The reviews are made with the internal and external auditors, the Managing Director and/or other senior management staff, as appropriate. The AC reviews and discusses with management and the external auditors, the Group's audited financial statements, the quality of the accounting principles that are applied and their judgement on items that might affect the financials. The AC would form its view on whether the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The AC reviews the relationship between the external auditors and the Company, particularly, the financial, business and professional relationships. If there are non-audit services provided by the external auditors to the Group, the AC will assess whether the volume and nature of the non-audit services are such as to affect the independence and objectivity of the external auditors. The external auditors re-affirm quarterly to the AC their independence and objectivity.

The AC nominates the external auditors for re-appointment annually. This year, the AC has nominated Messrs Ernst & Young for re-appointment at the forthcoming annual general meeting.

The AC has the power to conduct or authorise investigations into any matter within its terms of reference and is given reasonable resources for the proper discharge of its duties.

The AC meets separately with the internal auditor and the external auditors and also meets among themselves, in the absence of management, when necessary. Last year, the AC held four meetings.

The Company maintains an adequate system of internal controls. The internal controls cover the financial, operational and compliance functions and the risk management processes. The Company has a committee comprising the Managing Director and senior management staff to oversee the efficient discharge of its internal control functions and risk management processes.

The AC reviews with the internal and external auditors their evaluation of the Company's internal control systems and risk management processes, and reports the results of its review to the Board. The Board derived reasonable assurance from reports submitted to it that the internal control systems, including financial, operational and compliance controls and risk management processes are adequate for the Company's business as presently conducted.



## Corporate Governance

### **Risk Management**

The Managing Director chairs the Risk Management and Compliance Committee (“RMCC”) which comprises heads of departments and managerial staff. The RMCC oversees the Company’s risk management processes, including identifying all inherent risks and developing risk strategies to address them. The RMCC also oversees the compliance function. The RMCC, through the Managing Director, reports all risk management and compliance issues to the Audit Committee which in turn updates the Board.

The Board has reviewed the report of the Audit Committee. Based on its review, nothing has come to the attention of the Board that would cause it to believe that the Group’s risk management processes and compliance function are inadequate.

### **Internal Audit**

The Company’s internal audit function is performed by the Internal Audit Division of its parent, United Overseas Bank Limited (“UOB Internal Audit”).

The Head of UOB Internal Audit who is responsible for the Company’s internal audit, reports primarily to the chairman of the AC. He also reports administratively to the Chairman of the Board.

The UOB Internal Audit has adopted the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC reviews the adequacy of the internal audit function and receives assurance that the UOB Internal Audit has adequate resources to carry out the necessary audit functions for the Company.

### **Communication With Shareholders**

The Company keeps shareholders informed of its business and affairs through quarterly announcements of financial results and the timely release of other relevant information. The Company’s announcements are posted on the Singapore Exchange’s SGXNET. The Company sends annual report to shareholders. Its annual report is also available on the SGX website. The Company does not practise selective disclosure of information.

Shareholders are given the opportunity to raise relevant questions and communicate their views at shareholders’ meetings. If a shareholder is unable to attend the meeting, he may appoint up to two proxies to attend and vote in his place at general meetings.

### **Related Party Transaction**

The Company has entered into the following interested person transactions with Overseas Union Insurance, Limited (“OUI”). OUI is regarded as an interested person under the provisions of the Singapore Exchange Listing Manual.

#### Lease Agreement Between the Company and OUI

The Company has renewed the lease of its office premises at 28th and 29th Floor, Springleaf Tower with OUI for a period of three years commencing 1 December 2006. The lease was renewed at a competitive rent which was supported by an independent valuation.

#### Valuation Adjustment and Subsequent Profits arising from the Transfer of Insurance Liabilities from OUI to the Company

On 1 January 2004, OUI transferred, pursuant to a Scheme for Transfer, all the insurance and reinsurance contracts entered into by OUI in connection with its non-discontinued offshore reinsurance business to the Company. It was agreed that at the end of three years from the date of the transfer which ended on 31 December 2006, an actuarial certification be made of the loss reserves under the insurance and reinsurance contracts. Any shortfall in the cash provisions for meeting the certified loss reserves shall be made good by OUI to the Company while any excess amount (termed as “Valuation Adjustment”) shall be returned by the Company to OUI. The Scheme for Transfer also provided for any underwriting profit generated by OUI’s clients (“Subsequent Profits”) during the period from 2004 to 2006 to be returned to OUI.

The AC had reviewed the abovementioned transactions and was of the opinion that the transactions were on normal commercial terms and the terms were not prejudicial to the interests of the Company and its shareholders.

### Ethical Standards

As part of its corporate governance, the Company has a Code for dealings in securities for the guidance of its directors and officers and a Code of Conduct for staff. The Company also has a whistle blowing policy whereby staff could raise any concern, suspected breach or fraud, or activity or behaviour that they feel may not accord with the Company's policies, best practices, laws or regulations.

### Directors' Attendance for 2006

Name of Director	Number of Meetings Attended in 2006			
	Board of Directors	Audit Committee	Nominating Committee	Remuneration Committee
Mr Wee Cho Yaw	4	-	1	1
Mr David Chan Mun Wai	4	-	-	-
Mr Wee Ee Cheong	4	-	-	-
Mr Hwang Soo Jin	4	4	1	1
Mr Yang Soo Suan	4	3	1	1
Dr Lee Soo Ann	3	4	-	-
<b>Number of Meetings Held in 2006</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>

### Directors' Fees and Other Remuneration

The details of the total fees and other remuneration paid/payable by the Company to the directors for the financial year 2006 are as follows:

Name of Director	Directors' Fees %	Base or fixed salary %	Variable performance bonus %	Benefits-in-kind and others %	Total %
<b>\$250,000 to \$499,999</b>					
Mr David Chan Mun Wai	2.3	56.6	29.8	11.3	100.0
<b>Below \$250,000</b>					
Mr Wee Cho Yaw	100.0	-	-	-	100.0
Mr Wee Ee Cheong	100.0	-	-	-	100.0
Mr Hwang Soo Jin	100.0	-	-	-	100.0
Mr Yang Soo Suan	100.0	-	-	-	100.0
Dr Lee Soo Ann	100.0	-	-	-	100.0

## Risk Management

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

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

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

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

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

The **Risk Management and Compliance Committee** addresses all risk management, corporate governance and compliance issues affecting the Group. These issues can emanate from regulatory authorities, industry associations, parent company, auditors and other relevant bodies. It monitors the implementation of risk management policies and procedures by all operational units. It also develops and implements compliance policies, procedures and guidelines to meet the regulatory requirements applicable to the Group.

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.

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.

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.

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

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

### **1. Underwriting of Risks**

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

### **2. Reinsurance of Risks**

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

- Protection of Shareholders' Equity
- Smoothing Out the Peaks and Troughs
- Providing Competitive Advantage
- Sound Security Rating and Diversification of Reinsurers
- Reinsurers as Long-Term Strategic Partners

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

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

### **3. Provisions of Policy and Claim Liabilities**

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

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

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

The other uncertainties arising under insurance contracts will include:

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

## Risk Management

There may be significant reporting lags 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 policy and claim liabilities can vary substantially from the initial estimates.

### 4. Financial Risks

The Group's activities expose it to a variety of financial risks, including the effects of changes in debts and equity market prices, foreign currency exchange rates and interest rates. The Groups' 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.

- Foreign exchange risk

The Group is exposed to the effects of foreign exchange rate fluctuation because of its foreign currency denominated investments, bank deposits and insurance policies. Exposures to foreign currency risks are monitored on an ongoing basis. The currencies giving rise to this risk are primarily in US and Hong Kong dollars. The directors do not consider the Group's exposure to foreign currency exchange fluctuation to be significant and, therefore the Group does not regularly enter into derivative contracts to manage this risk.

- Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest bearing assets are mainly in fixed income securities with fixed interest rates and short-term fixed deposits where future variations in interest rates will not have a significant impact on net profit.

- 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.

- Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the nature of the business and type of assets owned, the Group is not exposed to significant liquidity risk. The Group has established a liquidity policy to ensure its liquidity objectives are met.

### 5. Investment and Management of Funds

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

### 6. Business Continuity Risks

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

## 2006 in Review

In 2006, intensive competition continued unabated in the general insurance market in Singapore. Premiums for certain classes of insurance were priced at levels that did not commensurate with the risks assumed.

In order to thrive in such an environment, the Company focused on areas in which it has competitive advantages. The formulation of business strategies entails developing niche products with higher margins and leveraging on the UOB Group's network both here and in the region. We continued to drive our business plans along the three broad fronts for profitable growth, namely, selling personal insurances through direct marketing, increasing our share of corporate insurance for small and medium-sized enterprises (SMEs) and expanding the regional business.

### **Personal-line Insurance**

Through collaborated direct marketing initiatives with UOB, several new competitive products were launched in 2006 targeted at UOB Credit/Debit Card customers increasing the array of personal-line products sold. During the year, the Company also stepped up its marketing activities to other customer databases of UOB and explored different distribution channels for its personal-line products. Several promotions were held jointly with the Bank for personal insurance especially travel insurance. The Company distributed brochures on its travel insurance at all the branches of UOB, participated at travel fairs and road shows held by the Bank and conducted several marketing campaigns using the UOB Group network.

In selling travel insurance, we also tapped our extensive network of travel agents in Singapore and held special promotions for our agents and brokers throughout the year.

To capitalise on the growing demand for Islamic financial products, one of the niche markets we had gained significant inroads into was the provision of takaful products for the Malay/Muslim community. In 2006, together with our business partners who are well entrenched in this market segment, we developed new streams of income and introduced more innovative syariah-compliant products with special emphasis on personal-line insurance to the market place. Our official product launch to the targeted market in April 2006 was followed by a series of marketing promotions to increase the awareness of our products throughout the year.

As part of our ongoing efforts to improve our services we have also re-vamped our website to cater to the needs of personal policyholders. We will continue to concentrate on enlarging our portfolio of personal-line business with the objective of being one of the leading providers of personal insurance products in Singapore.

### **Corporate Insurance**

Throughout 2006 our business development teams have been engaged in cross-selling corporate insurance to the SME customers of UOB. The referrals for corporate insurance emanate mainly from the Commercial Banking and Corporate Banking sectors of the Bank which have contributed to our business growth.

Besides active cross-selling activities with the UOB Group, the Company's products and services were well supported by our network of agents and established insurance brokers. In 2006, we increased our agency network and worked closely with local and international brokers to grow our premium earnings against a background of intense competition and soft premium rates in the domestic market.

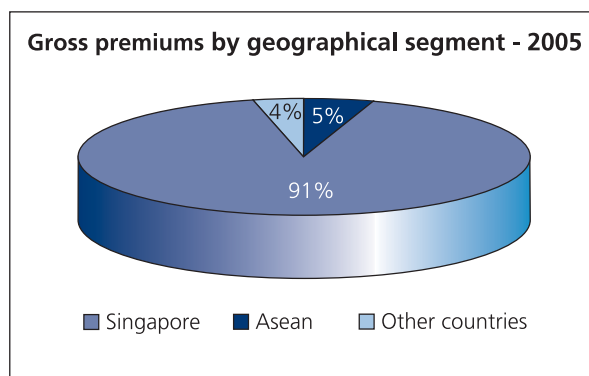
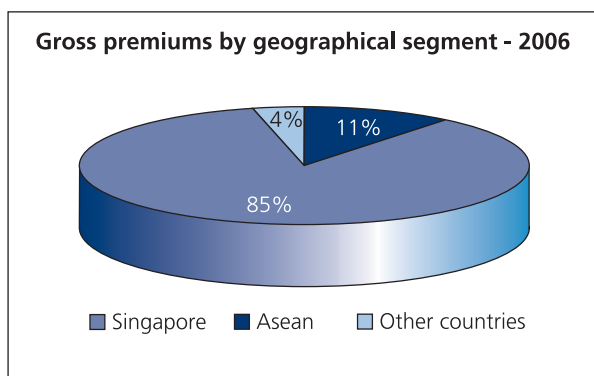
For this market segment, we developed a comprehensive range of insurance products geared to the insurance needs of corporate customers.

## 2006 in Review

### Regional Business

In the Asia-Pacific region especially in ASEAN where the UOB Group has a significant presence, we put in place business infrastructures to tap the growing potential in these markets. Using direct marketing as one of the means to develop the offshore business, we continued to harness our strategic alliances in the region to promote bancassurance products. We also cultivated meaningful exchanges in profitable reinsurance business with reputable insurers in the region notably Japan, Hong Kong, Thailand and Malaysia. Selective participation in growing markets like China and India also enabled the Company to gain a better understanding of them.

Although the majority of the Company's earnings still come from the business in Singapore, gross premiums from offshore markets notably in ASEAN countries are contributing increasingly to the top line in 2006.



### Overseas Operations

Besides these initiatives, our subsidiary UOB Insurance (H.K.) Limited (UOBI) continued to contribute positively to the Group's bottom-line while our representative office in Myanmar facilitates the selective underwriting of profitable business.

### Prospects

Our Company will continue to hone our business plans which have proven to deliver a strong bottom-line. Furthermore, by pursuing our policy of judicious risk management in underwriting and investment and by leveraging on the continued growth of the parent bank in the region, the Company expects the profitable trend to extend into the new financial year.

## Directors' Report

for the financial year ended 31 December 2006

The directors 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 2006.

### Directors

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

Mr Wee Cho Yaw  
Mr David Chan Mun Wai  
Mr Wee Ee Cheong  
Mr Hwang Soo Jin  
Mr Yang Soo Suan  
Dr Lee Soo Ann

### 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 object was 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, interest of the directors who held office at 31 December 2006, 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 31.12.2006	At 1.1.2006	At 31.12.2006	At 1.1.2006
<b><u>The Company</u></b>				
<b>United Overseas Insurance Limited</b>				
Mr Wee Cho Yaw	25,400	25,400	-	-
Mr Hwang Soo Jin	100,000	90,000	-	-
Mr David Chan Mun Wai	14,000	14,000	-	-
<b><u>Holding Company</u></b>				
<b>United Overseas Bank Limited</b>				
Mr Wee Cho Yaw	16,390,248	16,390,248	245,208,142	245,208,142
Mr Wee Ee Cheong	2,794,899	2,794,899	146,085,251	146,085,251
Mr David Chan Mun Wai	5,600	5,600	-	-

- (b) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2007 (being the 21st day after the end of the financial year).

### Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a 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 that the directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.



## Directors' Report

for the financial year ended 31 December 2006

### Share options

There were no share options granted by the Company or its subsidiary during the financial year.

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

There were no unissued shares of the Company or its subsidiary under option at 31 December 2006.

### Audit Committee

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

Mr Yang Soo Suan

Mr Hwang Soo Jin

Dr Lee Soo Ann

In its report to the Board of Directors, the Audit Committee reports that it has reviewed with the Company's Internal Auditors their audit plans and the scope and results of the Company's internal audit procedures. The Audit Committee has also reviewed with the Company's auditors, Ernst & Young, their audit plan, their evaluation of the system of internal accounting controls, their management letter and the response of management thereto as well as their audit report on the consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 December 2006. The consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 December 2006 have been reviewed by the Committee prior to their submission to the Board of Directors. The Audit Committee has also reviewed the Company's position with regard to interested person transactions and the assistance given by the Company's officers, in particular the Company's Internal Auditors and Chief Financial Officer, to Ernst & Young.

### Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors,

### Wee Cho Yaw

Chairman

### David Chan Mun Wai

Managing Director

Singapore, 26 February 2007

## Statement by Directors

for the financial year ended 31 December 2006

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, insurance revenue accounts, balance sheets, statement 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 2006 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, 26 February 2007

## Independent Auditors' Report to the Members of United Overseas Insurance Limited for the financial year ended 31 December 2006

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 2006, set out on pages 27 to 60, which comprise the Balance Sheets of the Group and the Company as at 31 December 2006, Profit and Loss Accounts, Insurance Revenue Accounts, Statement of Changes in Equity of the Group and the Company and the Cash Flow Statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 and fair presentation of the financial statements 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 directors, 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,

- (a) 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 2006, 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; and
- (b) 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

Certified Public Accountants

Singapore, 26 February 2007

## Profit and Loss Accounts

for the financial year ended 31 December 2006

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Insurance underwriting profit transferred from insurance revenue accounts</b>		<b>11,790</b>	10,951	<b>11,747</b>	10,719
Other income:					
Gross dividends from investments	5a	<b>3,820</b>	3,481	<b>3,871</b>	3,534
Interest income from investments	5b	<b>1,334</b>	1,610	<b>1,334</b>	1,610
Interest on fixed deposits and bank balances from:					
- Holding company		<b>1,292</b>	646	<b>1,018</b>	473
- Fellow subsidiaries		<b>50</b>	41	<b>50</b>	41
- Other financial institutions		<b>1,303</b>	485	<b>1,286</b>	477
Miscellaneous income		<b>13</b>	80	<b>12</b>	78
Realised gains on investments at fair value through profit or loss		<b>3,778</b>	2,583	<b>3,778</b>	2,583
Realised gains on available-for-sale investments		<b>77</b>	228	<b>77</b>	228
Unrealised gains on investments at fair value through profit or loss		<b>4,331</b>	5,590	<b>4,331</b>	5,590
		<b>15,998</b>	14,744	<b>15,757</b>	14,614
Add/(Less)					
Management expenses not charged to insurance revenue accounts:					
- Management fees	6	<b>(453)</b>	(440)	<b>(453)</b>	(440)
- Other operating expenses		<b>(244)</b>	(271)	<b>(243)</b>	(269)
Foreign exchange gain		<b>94</b>	2	<b>78</b>	19
<b>Profit before tax</b>		<b>27,185</b>	24,986	<b>26,886</b>	24,643
Tax expense	9	<b>(4,851)</b>	(4,320)	<b>(4,810)</b>	(4,320)
<b>Net profit</b>		<b>22,334</b>	20,666	<b>22,076</b>	20,323
Earnings per share - basic & diluted	10	<b>55 cents</b>	51 cents		

The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.

## Insurance Revenue Accounts

for the financial year ended 31 December 2006

	Note	Fire \$'000	General accident \$'000	Group Marine \$'000	2006 Total \$'000	2005 Total \$'000
Gross premiums written		25,095	38,674	3,661	67,430	65,782
Reinsurance premiums ceded		(14,591)	(30,588)	(2,068)	(47,247)	(45,911)
Net premiums written		10,504	8,086	1,593	20,183	19,871
Movement in net reserve for unexpired risks	15	130	(225)	125	30	936
Movement in net deferred acquisition cost	16	(81)	(125)	(3)	(209)	118
<b>Net earned premiums</b>		<b>10,553</b>	<b>7,736</b>	<b>1,715</b>	<b>20,004</b>	20,925
Less						
Gross claims paid		5,718	13,780	1,470	20,968	17,103
Reinsurance claims recoveries		(3,845)	(9,830)	(670)	(14,345)	(8,845)
Net claims paid	17	1,873	3,950	800	6,623	8,258
Change in net outstanding claims		2,370	(820)	143	1,693	1,863
<b>Net claims incurred</b>	17	<b>4,243</b>	<b>3,130</b>	<b>943</b>	<b>8,316</b>	10,121
Gross commissions		4,747	5,249	816	10,812	9,316
Reinsurance commissions		(6,466)	(9,422)	(909)	(16,797)	(14,784)
<b>Net commissions</b>		<b>(1,719)</b>	<b>(4,173)</b>	<b>(93)</b>	<b>(5,985)</b>	(5,468)
Management expenses:	6					
Staff cost	7	2,523	1,922	386	4,831	4,567
Rental expenses		246	187	37	470	453
Management fees		48	57	4	109	141
Other operating expenses		237	203	33	473	160
<b>Total expenses</b>		<b>5,578</b>	<b>1,326</b>	<b>1,310</b>	<b>8,214</b>	9,974
<b>Insurance underwriting profit transferred to profit and loss accounts</b>		<b>4,975</b>	<b>6,410</b>	<b>405</b>	<b>11,790</b>	10,951

The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.

		Company			2006	2005
	Note	Fire \$'000	General accident \$'000	Marine \$'000	Total \$'000	Total \$'000
Gross premiums written		24,593	37,513	3,574	65,680	63,445
Reinsurance premiums ceded		(14,283)	(29,660)	(1,998)	(45,941)	(44,169)
Net premiums written		10,310	7,853	1,576	19,739	19,276
Movement in net reserve for unexpired risks	15	98	(225)	124	(3)	861
Movement in net deferred acquisition cost	16	(59)	(127)	(4)	(190)	161
<b>Net earned premiums</b>		<b>10,349</b>	<b>7,501</b>	<b>1,696</b>	<b>19,546</b>	20,298
Less						
Gross claims paid		5,595	13,580	1,470	20,645	16,446
Reinsurance claims recoveries		(3,754)	(9,635)	(669)	(14,058)	(8,221)
Net claims paid	17	1,841	3,945	801	6,587	8,225
Change in net outstanding claims		2,331	(926)	134	1,539	1,794
<b>Net claims incurred</b>	17	<b>4,172</b>	<b>3,019</b>	<b>935</b>	<b>8,126</b>	10,019
Gross commissions		4,566	5,008	809	10,383	8,755
Reinsurance commissions		(6,322)	(9,165)	(882)	(16,369)	(14,264)
<b>Net commissions</b>		<b>(1,756)</b>	<b>(4,157)</b>	<b>(73)</b>	<b>(5,986)</b>	(5,509)
Management expenses:	6					
Staff cost	7	2,523	1,922	386	4,831	4,567
Rental expenses		246	187	37	470	453
Other operating expenses		187	142	29	358	49
<b>Total expenses</b>		<b>5,372</b>	<b>1,113</b>	<b>1,314</b>	<b>7,799</b>	9,579
<b>Insurance underwriting profit transferred to profit and loss accounts</b>		<b>4,977</b>	<b>6,388</b>	<b>382</b>	<b>11,747</b>	10,719

The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.

## Balance Sheets

as at 31 December 2006

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Share capital</b>					
Issued & fully paid	12	40,770	40,770	40,770	40,770
<b>Reserves</b>					
General reserve		17,880	16,880	17,880	16,880
Available-for-sale investment reserve	13	26,123	17,871	26,123	17,871
Foreign currency translation reserve		(227)	358	–	–
Retained profits		78,536	63,725	76,344	61,791
		122,312	98,834	120,347	96,542
<b>Total equity attributable to equity holders of the Company</b>		<b>163,082</b>	139,604	<b>161,117</b>	137,312
<b>Deferred tax liabilities</b>	14	<b>6,716</b>	4,685	<b>6,716</b>	4,685
<b>Gross technical balances</b>					
Reserve for unexpired risks	15	30,453	29,245	29,700	28,350
Provision for outstanding claims	17	99,268	95,378	97,612	93,964
		129,721	124,623	127,312	122,314
<b>Current liabilities and provisions</b>					
Amount owing to agents		810	922	811	922
Amount owing to reinsurers		4,449	3,792	4,297	3,661
Amount retained from reinsurers		3,361	2,674	3,252	2,530
Benefits payable to policyholders - gross		732	199	732	199
Non-trade creditors and accrued liabilities		3,691	2,991	3,629	2,947
Deferred acquisition cost					
- reinsurers' share	16	4,736	4,466	4,618	4,324
Amount owing to related companies					
- non-trade		116	113	116	113
Tax payable	9	7,598	5,865	7,620	5,865
		25,493	21,022	25,075	20,561
		325,012	289,934	320,220	284,872

The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Non-current assets</b>					
Fixed assets	20	529	795	529	795
Investment in subsidiary	21	–	–	4,940	4,940
Available-for-sale investments	22	51,066	36,293	51,066	36,293
Non-current debtors	23	35	56	35	56
Statutory deposit	24	500	500	500	500
Unsecured term loan		29	31	29	31
<b>Reinsurers' share of technical balances</b>					
Reserve for unexpired risks	15	17,288	16,031	16,718	15,371
Provision for outstanding claims	17	56,540	54,332	55,159	53,050
		<b>73,828</b>	70,363	<b>71,877</b>	68,421
<b>Current assets</b>					
Amount due from policyholders and agents	18	4,422	3,955	4,151	3,677
Amount due from reinsurers	19	2,759	1,869	2,700	1,812
Amount retained by ceding companies		720	497	720	497
Benefits payable to policyholders - reinsurers' share		488	109	488	109
Deferred acquisition cost - gross	16	3,541	3,486	3,378	3,274
Non-trade debtors and accrued interest receivable	25	1,254	901	1,249	897
Amount owing by related companies	26	30	52	106	144
Investments at fair value through profit or loss	27	112,229	97,724	112,229	97,724
Fixed deposits	28	68,761	66,885	62,287	60,171
Cash and bank balances	29	4,821	6,418	3,936	5,531
		<b>199,025</b>	181,896	<b>191,244</b>	173,836
		<b>325,012</b>	289,934	<b>320,220</b>	284,872

The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.



## Statement of Changes in Equity

for the financial year ended 31 December 2006

	Note	Attributable to equity holders of the Group					Total \$'000
		Share capital \$'000	General reserve \$'000	Available- for-sale investment reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	
Balance at 1 January 2006		<b>40,770</b>	<b>16,880</b>	<b>17,871</b>	<b>358</b>	<b>63,725</b>	<b>139,604</b>
Net valuation gain taken to equity	13	–	–	<b>8,252</b>	–	–	<b>8,252</b>
Foreign currency translation differences		–	–	–	<b>(585)</b>	–	<b>(585)</b>
Net gains/(losses) not recognised in profit and loss accounts		–	–	<b>8,252</b>	<b>(585)</b>	–	<b>7,667</b>
Net profit		–	–	–	–	<b>22,334</b>	<b>22,334</b>
Total recognised gains/(losses) for the financial year		–	–	<b>8,252</b>	<b>(585)</b>	<b>22,334</b>	<b>30,001</b>
Transfer from retained profits		–	<b>1,000</b>	–	–	<b>(1,000)</b>	–
Dividend for Year 2005	11	–	–	–	–	<b>(4,892)</b>	<b>(4,892)</b>
Dividend for Year 2006	11	–	–	–	–	<b>(1,631)</b>	<b>(1,631)</b>
Balance at 31 December 2006		<b>40,770</b>	<b>17,880</b>	<b>26,123</b>	<b>(227)</b>	<b>78,536</b>	<b>163,082</b>
Balance at 1 January 2005							
- as previously reported		40,770	15,880	–	219	46,228	103,097
- effect of adopting FRS 39		–	–	17,150	–	4,354	21,504
- as restated		40,770	15,880	17,150	219	50,582	124,601
Net valuation gain taken to equity	13	–	–	721	–	–	721
Foreign currency translation differences		–	–	–	139	–	139
Net gains not recognised in profit and loss accounts		–	–	721	139	–	860
Net profit		–	–	–	–	20,666	20,666
Total recognised gains for the financial year		–	–	721	139	20,666	21,526
Transfer from retained profits		–	1,000	–	–	(1,000)	–
Dividend for Year 2004	11	–	–	–	–	(4,892)	(4,892)
Dividend for Year 2005	11	–	–	–	–	(1,631)	(1,631)
Balance at 31 December 2005		40,770	16,880	17,871	358	63,725	139,604

The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.

Attributable to equity holders of the Company					
Note	Share capital \$'000	General reserve \$'000	Available- for-sale investment reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2006	40,770	16,880	17,871	61,791	137,312
Net valuation gain taken to equity	13	–	–	8,252	8,252
Net gains not recognised in profit and loss accounts		–	–	8,252	8,252
Net profit		–	–	22,076	22,076
Total recognised gains for the financial year		–	–	8,252	22,076
Transfer from retained profits		1,000	–	(1,000)	–
Dividend for Year 2005	11	–	–	(4,892)	(4,892)
Dividend for Year 2006	11	–	–	(1,631)	(1,631)
Balance at 31 December 2006		40,770	17,880	26,123	76,344
Balance at 1 January 2005					
- as previously reported		40,770	15,880	–	44,637
- effect of adopting FRS 39		–	–	17,150	4,354
- as restated		40,770	15,880	17,150	48,991
Net valuation gain taken to equity	13	–	–	721	721
Net gains not recognised in profit and loss accounts		–	–	721	721
Net profit		–	–	20,323	20,323
Total recognised gains for the financial year		–	–	721	20,323
Transfer from retained profits		–	1,000	(1,000)	–
Dividend for Year 2004	11	–	–	(4,892)	(4,892)
Dividend for Year 2005	11	–	–	(1,631)	(1,631)
Balance at 31 December 2005		40,770	16,880	17,871	61,791

The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.

## Consolidated Cash Flow Statement

for the financial year ended 31 December 2006

	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>		
Profit before tax	27,185	24,986
Adjustments for:		
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	(13)	4
Foreign currency difference on provision for outstanding claims	(11)	1
Movement in net reserve for unexpired risks (net of movement in net deferred acquisition cost)	179	(1,054)
Movement in net outstanding claims	1,693	1,863
Depreciation	350	360
Realised gains on available-for-sale investments	(77)	(228)
Realised gains on investments at fair value through profit or loss	(3,778)	(2,583)
Unrealised gains on investments at fair value through profit or loss	(4,331)	(5,590)
Gross dividends from investments	(3,820)	(3,481)
Interest income from investments	(1,334)	(1,610)
Interest on fixed deposits and bank balances	(2,645)	(1,172)
Exchange differences	514	(165)
Operating profit before working capital change	13,912	11,331
Changes in working capital:		
Trade and other receivables	(2,291)	628
Trade and other payables	2,465	(1,200)
Amount owing by related companies	22	(48)
Amount owing to related companies	3	13
Cash generated from operations	14,111	10,724
Tax paid	(3,150)	(2,237)
<b>Net cash flow from operating activities</b>	<b>10,961</b>	<b>8,487</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments at fair value through profit or loss	27,881	34,635
Proceeds from sale of available-for-sale investments	1,944	281
Purchase of investments at fair value through profit or loss	(34,174)	(26,316)
Purchase of available-for-sale investments	(6,325)	-
Purchase of fixed assets	(84)	(100)
Unsecured term loan	2	3
Gross dividends from investments	3,820	3,481
Interest income from investments	1,334	1,610
Interest on fixed deposits and bank balances	2,645	1,172
<b>Net cash flow (used in)/from investing activities</b>	<b>(2,957)</b>	<b>14,766</b>

*The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.*

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Cash flow from financing activity</b>		
Dividend paid	<b>(6,523)</b>	(6,523)
<b>Cash flow used in financing activity</b>	<b>(6,523)</b>	(6,523)
Translation difference on foreign subsidiary company	<b>(585)</b>	139
<b>Net increase in cash and cash equivalents</b>	<b>896</b>	16,869
Cash and cash equivalents at beginning of year (Note A)	<b>73,303</b>	56,284
Effects of exchange rate changes on cash and cash equivalents	<b>(617)</b>	150
<b>Cash and cash equivalents at end of year (Note A)</b>	<b>73,582</b>	73,303

**Note A: Cash and cash equivalents**

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Cash and bank balances	<b>4,821</b>	6,418
Fixed deposits	<b>68,761</b>	66,885
	<b>73,582</b>	73,303

*The accompanying notes form an integral part of these financial statements.  
Auditors' report – page 26.*

# Notes to the Financial Statements

for the financial year ended 31 December 2006

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.

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 financial assets at fair value through profit or loss and available-for-sale financial assets.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

### (b) Singapore Financial Reporting Standards (FRS) not yet effective

The Group and the Company have not applied the following FRS that have been issued but not yet effective:

	Effective date (Annual periods beginning on or after)
FRS 1: Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 107: Financial Instruments: Disclosure	1 January 2007

## 2 Significant accounting policies (continued)

### (b) Singapore Financial Reporting Standards (FRS) not yet effective (continued)

FRS 107 introduces new disclosures in relation to financial instruments. It requires the disclosure of information about exposure to risks arising from financial instruments, including credit risk, liquidity risk and market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 for financial year beginning 1 January 2007.

The Group expects the adoption of the above-mentioned FRS will have no material impact to the financial statements in the year of initial application.

### (c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to the end of the financial year. Intercompany balances and transactions and resulting unrealised profits or losses are eliminated in full on consolidation.

### (d) Revenue recognition

#### (i) Premium income

Premium income from direct and facultative reinsurance business are taken up as income at the time a policy is issued which approximates the inception date of the risk. For products with a no claim bonus refund feature, premium net of the full provision for no claim bonus refund is recognised as premium income.

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. Profits or losses on disposal of investments are taken to the profit and loss accounts.

### (e) 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.

### (f) Reserve for unexpired risks

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

Unearned premium reserves are calculated on the following basis:

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

(ii) Unearned premium reserves on marine cargo direct business are calculated at 25% of the gross premiums written less premiums on reinsurances in Singapore and premiums on which reinsurance deposits are withheld.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 2 Significant accounting policies (continued)

#### (f) Reserve for unexpired risks (continued)

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

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 qualified actuary, which is prepared for a valuation of the premium liabilities in accordance with Section 37 of the Insurance Act, Cap. 142, on a yearly basis.

#### (g) Deferred acquisition costs

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

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

#### (h) 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.

#### (i) Claims paid and provision for outstanding claims

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

Provision is made for the estimated costs of all claims notified but not settled as at the balance sheet date using the best information available at that time for individual cases. Provision is also made for the estimated costs of claims incurred but not reported ("IBNR") as at the balance sheet date using statistical methods and compared with the assessment of a qualified actuary as required under the Insurance Act. The Group does not discount its provision for outstanding claims. Any reduction or increase in the provision is dealt with in the insurance revenue account of the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account of the year in which settlement takes place. For claims from 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 judgment and are subject to uncertainty.

## 2 Significant accounting policies (continued)

### (j) 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 a reliable estimate of the amount of the obligation can be made.

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 resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### (k) Trade and other debtors

Trade debtors comprising 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(m)(ii).

### (l) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. 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 had the provision not been made.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit and loss accounts.

### (m) Financial assets

The Group classifies its investments 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 investments were acquired. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates this at every reporting date.

#### (i) Financial assets at fair value through profit or loss

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

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



## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 2 Significant accounting policies (continued)

#### (m) Financial assets (continued)

##### (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 financial assets

Held-to-maturity financial assets 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 are either designated in this category or not classified in any of the other categories.

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

Investments 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. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

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 and loss accounts 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 equity in the available-for-sale investment reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss accounts as net realised gains/losses on financial assets.

Gains and losses on loans and receivables are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### (n) 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) Assets carried at amortised cost

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 amount of the loss is recognised in the profit and loss accounts.

## 2 Significant accounting policies (continued)

### (n) Impairment of financial assets (continued)

#### (i) Assets carried at amortised cost (continued)

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. Any subsequent reversal of an impairment loss is recognised in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### (ii) Assets carried at cost

If there is objective evidence 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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the profit and loss accounts, is transferred from equity to the profit and loss accounts. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss accounts. Reversals of impairment losses on debt instruments are reversed through the profit and loss accounts, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss accounts.

### (o) 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 the profit and loss accounts when the liabilities are derecognised as well as through the amortisation process.

### (p) 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 companies

Foreign currency monetary assets and liabilities, including those in foreign subsidiary companies, 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 companies 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 the profit and loss accounts as appropriate except for those arising from the retranslation of the opening net investment in foreign subsidiary companies, which are taken directly to the foreign currency translation reserve.

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 included in the available-for-sale investment reserve in equity.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 2 Significant accounting policies (continued)

#### (q) Current tax

Current 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 balance sheet date.

#### (r) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

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.

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.

#### (s) 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 on hand and deposits with banks.

#### (t) Dividend distribution

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

#### (u) 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.

#### (v) 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 the profit and loss account 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.

### **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 Management of insurance risk and inherent uncertainty in accounting estimates**

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 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 all risks accepted meet with our 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 our reinsurance management strategy include protection of shareholders' fund, smoothing out the peaks and troughs of our underwriting result, providing us 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 15, 16 and 17 to the financial statements.

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

The other uncertainties arising under insurance contracts 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 lags 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 estimates of premium and claim liabilities are therefore 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 cost of settlement of premium and claim liabilities can vary from the initial estimates.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 5 Other income

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) <b>Dividend income (gross) from:</b>				
Available-for-sale investments				
- Quoted equity investments	2,010	1,859	2,010	1,859
- Unquoted equity investments in a subsidiary company	-	-	51	53
- Other unquoted equity investments	5	5	5	5
Investments at fair value through profit or loss				
- Quoted equity investments	1,458	1,307	1,458	1,307
- Unquoted equity investments (marketable unit trusts)	347	310	347	310
	<b>3,820</b>	<b>3,481</b>	<b>3,871</b>	<b>3,534</b>
(b) <b>Interest income from:</b>				
Investments at fair value through profit or loss				
- Singapore Government securities	277	259	277	259
- Other quoted investments	932	1,205	932	1,205
- Other unquoted investments	125	146	125	146
	<b>1,334</b>	<b>1,610</b>	<b>1,334</b>	<b>1,610</b>

### 6 Management expenses

Included in management expenses are the following:

	Charge to insurance revenue accounts	
	2006 \$'000	2005 \$'000
(a) <b>Group</b>		
Depreciation on:		
Furniture and fixtures	14	16
Office equipment	336	344
	<b>350</b>	<b>360</b>
Auditors' remuneration:		
Payable to the auditors of the Company - audit fees		
- Current year	100	67
- Under provision in respect of prior year	33	35
Payable to other auditors – audit fees		
- Current year	28	26
- Under provision in respect of prior year	3	-
Payable to other auditors – non-audit fees		
- Current year	3	3
	<b>167</b>	<b>131</b>
Foreign exchange loss/(gain)	12	(5)
Write-back of bad and doubtful debts	(205)	(692)

**6 Management expenses** (continued)

	<b>Charge to insurance revenue accounts</b>	
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
(b) <b>Company</b>		
Depreciation on:		
Furniture and fixtures	14	16
Office equipment	336	344
	<b>350</b>	360
Auditors' remuneration:		
Payable to the auditors of the Company – audit fees		
- Current year	100	67
- Under provision in respect of prior year	33	35
	<b>133</b>	102
Foreign exchange loss/(gain)	<b>12</b>	(5)
Write-back of bad and doubtful debts	<b>(205)</b>	(692)

*During the year, no non-audit fees were paid to the auditors of the Company.*

**7 Staff information (including an executive director)**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Wages, salaries and other employee benefits	<b>4,395</b>	4,124	<b>4,395</b>	4,124
Central Provident Fund contribution	<b>436</b>	443	<b>436</b>	443
	<b>4,831</b>	4,567	<b>4,831</b>	4,567

	<b>Group and Company</b>	
	<b>2006</b>	2005
Number of persons employed at the end of year	<b>90</b>	88

**8 Directors' remuneration**

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

	<b>2006</b>	2005
\$250,000 to \$499,999	<b>1</b>	1
Below \$250,000	<b>5</b>	5
Total	<b>6</b>	6

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 9 Income tax

(a) **Tax expense**

The tax expense attributable to profit is made up of:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
On the profit of the year:				
Singapore income tax	4,842	4,462	4,842	4,462
Transfer from deferred taxation	(32)	(32)	(32)	(32)
	<b>4,810</b>	4,430	<b>4,810</b>	4,430
Overprovision in respect of prior years	–	(110)	–	(110)
	<b>4,810</b>	4,320	<b>4,810</b>	4,320
Overseas income tax	21	–	–	–
Underprovision in respect of prior years	20	–	–	–
	<b>41</b>	–	–	–
	<b>4,851</b>	4,320	<b>4,810</b>	4,320

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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Profit before tax	27,185	24,986	26,886	24,643
Tax calculated at a tax rate of 20% (2005 : 20%)	5,437	4,997	5,377	4,929
Singapore statutory stepped income exemption	(11)	(11)	(11)	(11)
Expenses not deductible for tax purposes	53	52	48	43
Income not subject to tax	(553)	(425)	(512)	(403)
Income from qualifying debt securities and offshore insurance which are taxed at a rate of 10%	(115)	(138)	(107)	(128)
Under/(over) provision in prior financial year (net)	20	(110)	–	(110)
Others	20	(45)	15	–
Actual tax expense	<b>4,851</b>	4,320	<b>4,810</b>	4,320

**9 Income tax** (continued)

(b) **Movements in tax payables**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at beginning of the financial year	5,865	2,661	5,865	2,661
Income tax paid	(3,150)	(2,237)	(3,087)	(2,237)
Current financial year's tax payable on profit	4,863	4,462	4,842	4,462
Effect of adopting FRS 39 on investments at fair value through profit or loss charged against opening retained profits	–	1,089	–	1,089
Under/(over) provision in respect of prior years	20	(110)	–	(110)
Balance at end of the financial year	<b>7,598</b>	5,865	<b>7,620</b>	5,865

**10 Earnings per share**

	Group	
	2006 \$'000	2005 \$'000
Profit after taxation	22,334	20,666
Weighted average number of ordinary shares issued ('000)	40,770	40,770
Basic earnings per share	<b>55 cents</b>	51 cents

Basic earnings per share is calculated by dividing the profit after tax attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

The diluted earnings per share is the same as the basic earnings per share.

**11 Dividend paid**

	Group and Company	
	2006 \$'000	2005 \$'000
Interim dividend of 5 cents (2005: 5 cents) per share, paid net of tax at 20% in respect of the financial year 2006 (2005: 20%)	1,631	1,631
Final dividend of 15 cents (2004: 15 cents) per share, paid net of tax at 20% in respect of the financial year 2005 (2004: 20%)	4,892	4,892
	<b>6,523</b>	6,523

The directors have proposed a final dividend of 15 cents per share in respect of the financial year ended 31 December 2006, amounting to \$5,015,000 net of tax at 18%. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2007.



## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 12 Share capital

	Group and Company	
	2006 \$'000	2005 \$'000
Issued & fully paid	40,770	40,770

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value.

### 13 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	
	2006 \$'000	2005 \$'000
Balance at 1 January		
- as previously reported	17,871	–
- effect of adopting FRS 39	–	17,150
- as restated	17,871	17,150
Net change in the reserve	8,252	721
Balance at 31 December	26,123	17,871
Net change in the reserve arises from:		
- Net gain on fair value changes during the financial year	8,314	907
- Recognised in the profit and loss amount on disposal of investments	(62)	(186)
	8,252	721

### 14 Deferred tax liabilities

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

	Group and Company			
	Balance sheet		Profit and loss	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Differences in depreciation	99	149	(50)	(40)
Differences in interest receivable	86	68	18	8
Revaluation of available-for-sale investments				
- Effect of adopting FRS 39	–	4,288	–	–
- Balance at 1 January	4,468	–	–	–
- Credited during the financial year directly against available-for-sale investment reserve	2,063	180	–	–
	6,716	4,685		
Deferred income tax credit			(32)	(32)

Deferred tax liabilities of \$593,000 (2005: \$588,000) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of an overseas subsidiary as such amounts are permanently reinvested. Such unremitted earnings totalled \$2,963,000 as at 31 December 2006 (2005: \$2,942,000).

## 15 Reserve for unexpired risks

Movements in reserve for unexpired risks:

	Group					
	2006			2005		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of the financial year	29,245	(16,031)	13,214	29,973	(15,829)	14,144
Foreign currency translation difference	(73)	54	(19)	20	(14)	6
Movement in reserve during the financial year	1,281	(1,311)	(30)	(748)	(188)	(936)
Balance at end of the financial year	30,453	(17,288)	13,165	29,245	(16,031)	13,214

	Company					
	2006			2005		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of the financial year	28,350	(15,371)	12,979	28,973	(15,133)	13,840
Movement in reserve during the financial year	1,350	(1,347)	3	(623)	(238)	(861)
Balance at end of the financial year	29,700	(16,718)	12,982	28,350	(15,371)	12,979

## 16 Deferred acquisition cost

	Group					
	2006			2005		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of the financial year	3,486	(4,466)	(980)	3,547	(4,647)	(1,100)
Foreign currency translation difference	(17)	11	(6)	5	(3)	2
Movement in deferred acquisition cost during the financial year	72	(281)	(209)	(66)	184	118
Balance at end of the financial year	3,541	(4,736)	(1,195)	3,486	(4,466)	(980)

	Company					
	2006			2005		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of the financial year	3,274	(4,324)	(1,050)	3,272	(4,483)	(1,211)
Movement in deferred acquisition cost during the financial year	104	(294)	(190)	2	159	161
Balance at end of the financial year	3,378	(4,618)	(1,240)	3,274	(4,324)	(1,050)

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 17 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 were 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 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.

Movements in provision for outstanding claims:

	Group					
	2006			2005		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of the financial year	95,378	(54,332)	41,046	94,946	(55,764)	39,182
Foreign currency translation difference	(115)	104	(11)	13	(12)	1
Claims paid during the financial year	(20,968)	14,345	(6,623)	(17,103)	8,845	(8,258)
Claims incurred	24,973	(16,657)	8,316	17,522	(7,401)	10,121
Balance at end of the financial year	<b>99,268</b>	<b>(56,540)</b>	<b>42,728</b>	95,378	(54,332)	41,046

	Company					
	2006			2005		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of the financial year	93,964	(53,050)	40,914	94,340	(55,220)	39,120
Claims paid during the financial year	(20,645)	14,058	(6,587)	(16,446)	8,221	(8,225)
Claims incurred	24,293	(16,167)	8,126	16,070	(6,051)	10,019
Balance at end of the financial year	<b>97,612</b>	<b>(55,159)</b>	<b>42,453</b>	93,964	(53,050)	40,914

**17 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**

Accident Year	2000 & prior	2001	2002	2003	2004	2005	2006	Total
(\$'000)								
Estimate of claims incurred* – <b>gross</b>								
- at end of accident year		16,472	20,994	18,497	30,622	20,805	27,156	
- one year later		17,581	22,426	18,874	31,827	20,266		
- two years later		16,135	22,756	18,222	36,320			
- three years later		15,722	22,073	18,501				
- four years later		14,908	17,833					
- five years later		14,627						
Current estimate of cumulative claims	88,946	14,627	17,833	18,501	36,320	20,266	27,156	223,649
Less: Cumulative claims paid to date	83,670	11,773	13,513	6,666	20,092	8,580	4,604	148,898
Liability recognised in the balance sheet	5,276	2,854	4,320	11,835	16,228	11,686	22,552	74,751
Estimate of claims incurred arising from portfolio transfer on 1 January 2004 – <b>gross</b>								
- as at 1 January 2004					42,309			
- one year later					36,877			
- two years later					35,987			
- three years later					35,158			
Current estimate of cumulative claims					35,158			
Less: Cumulative claims paid since 1 January 2004					10,641			
Liability recognised in the balance sheet					24,517			24,517
Total reserve included in the balance sheet								99,268

\* Claims incurred other than claims arising from a portfolio transfer on 1 January 2004. Arising from the Scheme pertaining to the portfolio transfer, a provision of \$1,244,000 as at 31 December 2006 was set aside as a valuation adjustment to the transferred claims reserves which formed part of the claims incurred of the Group.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 17 Provision for outstanding claims (continued)

(a) **Group** (continued)

Accident Year	2000 & prior	2001	2002	2003	2004	2005	2006	Total
(\$'000)								
Estimate of claims incurred* – <b>net</b>								
- at end of accident year		6,605	5,383	4,805	12,298	8,434	10,024	
- one year later		7,475	5,865	5,166	14,448	8,763		
- two years later		7,224	6,012	4,957	14,078			
- three years later		7,100	5,665	4,904				
- four years later		6,872	5,518					
- five years later		6,779						
Current estimate of cumulative claims	10,022	6,779	5,518	4,904	14,078	8,763	10,024	60,088
Less: Cumulative claims paid to date	6,095	5,554	4,244	3,072	8,474	3,791	1,375	32,605
Liability recognised in the balance sheet	3,927	1,225	1,274	1,832	5,604	4,972	8,649	27,483
Estimate of claims incurred arising from portfolio transfer on 1 January 2004 – <b>net</b>								
- as at 1 January 2004					21,704			
- one year later					19,902			
- two years later					20,915			
- three years later					20,460			
Current estimate of cumulative claims					20,460			
Less: Cumulative claims paid since 1 January 2004					5,215			
Liability recognised in the balance sheet					15,245			15,245
Total reserve included in the balance sheet								42,728

\* Claims incurred other than claims arising from a portfolio transfer on 1 January 2004. Arising from the Scheme pertaining to the portfolio transfer, a provision of \$1,244,000 as at 31 December 2006 was set aside as a valuation adjustment to the transferred claims reserves which formed part of the claims incurred of the Group.

**17 Provision for outstanding claims** (continued)

(b) **Company**

Accident Year	2000 & prior	2001	2002	2003	2004	2005	2006	Total
(\$'000)								
Estimate of claims incurred* – <b>gross</b>								
- at end of accident year		16,415	20,948	18,488	29,952	19,476	25,614	
- one year later		17,530	22,377	18,870	31,033	19,879		
- two years later		16,084	22,706	18,219	35,629			
- three years later		15,671	22,022	18,498				
- four years later		14,857	17,788					
- five years later		14,581						
Current estimate of cumulative claims	88,864	14,581	17,788	18,498	35,629	19,879	25,614	220,853
Less: Cumulative claims paid to date	83,643	11,727	13,483	6,663	19,441	8,280	4,521	147,758
Liability recognised in the balance sheet	5,221	2,854	4,305	11,835	16,188	11,599	21,093	73,095
Estimate of claims incurred arising from portfolio transfer on 1 January 2004 – <b>gross</b>								
- as at 1 January 2004					42,309			
- one year later					36,877			
- two years later					35,987			
- three years later					35,158			
Current estimate of cumulative claims					35,158			
Less: Cumulative claims paid since 1 January 2004					10,641			
Liability recognised in the balance sheet					24,517			24,517
Total reserve included in the balance sheet								97,612

\* Claims incurred other than claims arising from a portfolio transfer on 1 January 2004. Arising from the Scheme pertaining to the portfolio transfer, a provision of \$1,244,000 as at 31 December 2006 was set aside as a valuation adjustment to the transferred claims reserves which formed part of the claims incurred of the Company.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 17 Provision for outstanding claims (continued)

(b) **Company** (continued)

Accident Year	2000 & prior	2001	2002	2003	2004	2005	2006	Total
(\$'000)								
Estimate of claims incurred* – <b>net</b>								
- at end of accident year		6,595	5,365	4,804	12,267	8,343	9,785	
- one year later		7,468	5,846	5,165	14,406	8,724		
- two years later		7,217	5,993	4,956	14,048			
- three years later		7,093	5,646	4,903				
- four years later		6,865	5,507					
- five years later		6,772						
Current estimate of cumulative claims	9,985	6,772	5,507	4,903	14,048	8,724	9,785	59,724
Less: Cumulative claims paid to date	6,090	5,547	4,239	3,071	8,454	3,760	1,355	32,516
Liability recognised in the balance sheet	3,895	1,225	1,268	1,832	5,594	4,964	8,430	27,208
Estimate of claims incurred arising from portfolio transfer on 1 January 2004 – <b>net</b>								
- as at 1 January 2004					21,704			
- one year later					19,902			
- two years later					20,915			
- three years later					20,460			
Current estimate of cumulative claims					20,460			
Less: Cumulative claims paid since 1 January 2004					5,215			
Liability recognised in the balance sheet					15,245			15,245
Total reserve included in the balance sheet								42,453

\* Claims incurred other than claims arising from a portfolio transfer on 1 January 2004. Arising from the Scheme pertaining to the portfolio transfer, a provision of \$1,244,000 as at 31 December 2006 was set aside as a valuation adjustment to the transferred claims reserves which formed part of the claims incurred of the Company.

### 18 Amount due from policyholders and agents

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Amount due from policyholders and agents	4,424	3,993	4,153	3,715
Less: Allowance for doubtful debts	(2)	(38)	(2)	(38)
	4,422	3,955	4,151	3,677

**19 Amount due from reinsurers**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Amount due from reinsurers	<b>2,962</b>	2,275	<b>2,903</b>	2,218
Less: Allowance for doubtful debts	<b>(203)</b>	(406)	<b>(203)</b>	(406)
	<b>2,759</b>	1,869	<b>2,700</b>	1,812

**20 Fixed assets**

(a) **Group and Company**

	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>				
At 1 January 2005	189	1,846	82	2,117
Additions	–	100	–	100
Disposals	–	(48)	–	(48)
At 31 December 2005 and 1 January 2006	189	1,898	82	2,169
Additions	–	84	–	84
Disposals	–	(41)	–	(41)
At 31 December 2006	<b>189</b>	<b>1,941</b>	<b>82</b>	<b>2,212</b>
<b>Accumulated depreciation</b>				
At 1 January 2005	64	916	82	1,062
Depreciation charge for the year	16	344	–	360
Disposals	–	(48)	–	(48)
At 31 December 2005 and 1 January 2006	80	1,212	82	1,374
Depreciation charge for the year	14	336	–	350
Disposals	–	(41)	–	(41)
At 31 December 2006	<b>94</b>	<b>1,507</b>	<b>82</b>	<b>1,683</b>
<b>Net book value</b>				
At 31 December 2005	109	686	–	795
At 31 December 2006	<b>95</b>	<b>434</b>	<b>–</b>	<b>529</b>

(b) **Fully depreciated assets**

Original cost of fully depreciated assets still in use as at 31 December 2006 amounted to \$1,136,000 (2005: \$283,000).



## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 21 Investment in subsidiary

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Unquoted equity shares, at cost	<b>4,940</b>	4,940

The wholly-owned subsidiary is UOB Insurance (H.K.) Limited\*, incorporated in Hong Kong S.A.R. The subsidiary underwrites general insurance business in Hong Kong S.A.R.

\* Audited by a member firm of Ernst & Young Global in Hong Kong S.A.R.

### 22 Available-for-sale investments

	<b>Group and Company</b>	
	<b>2006</b>	2005
	<b>Fair</b>	Fair
	<b>value</b>	value
	<b>\$'000</b>	\$'000
(i) <b>Quoted*</b>		
Equity shares in corporations	<b>51,065</b>	36,292
(ii) <b>Unquoted**</b>		
Equity shares in related corporations	<b>5,000</b>	5,000
Equity shares in a corporation	<b>1</b>	1
Less: Provision for impairment	<b>(5,000)</b>	(5,000)
	<b>1</b>	1
Total	<b>51,066</b>	36,293

\* The fair value of quoted investments is determined by quoted prices listed on a recognised exchange.

\*\* These assets are carried at cost less impairment losses. It is not practicable to determine with sufficient reliability the fair value of unquoted equity shares.

### 23 Non-current debtors

Included in non-current debtors is a loan to an executive director who is employed on a full-time basis by the Company, amounting to \$35,000 (2005: \$56,000). The portion of the loan which is due within one year, amounting to \$21,000 (2005: \$20,000), is included in non-trade debtors and accrued interest receivable under current assets.

### 24 Statutory deposit

The statutory deposit of \$500,000 (2005: \$500,000) was lodged by the Company with the Monetary Authority of Singapore as required under Section 14(1) of the Singapore Insurance Act, Cap. 142.

**25 Non-trade debtors and accrued interest receivable**

Non-trade debtors and accrued interest receivable include accrued interest receivable from:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Holding company	33	36	32	35
Fellow subsidiaries	9	6	9	6
	<b>42</b>	42	<b>41</b>	41

**26 Amount owing by related companies**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Amount owing by:				
Holding company - trade	30	52	30	52
Subsidiary - non-trade	–	–	76	92
	<b>30</b>	52	<b>106</b>	144

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

**27 Investments at fair value through profit or loss**

	Group and Company	
	2006 Fair value \$'000	2005 Fair value \$'000
(i) <b>Quoted</b>		
Equity shares in corporations	28,501	28,605
Debentures in corporations	36,074	23,401
Singapore Government securities	9,288	7,342
(ii) <b>Unquoted</b>		
Unit trusts (marketable)	35,717	35,592
Debentures in corporations	2,649	2,784
	<b>112,229</b>	97,724

The fair value of quoted and unquoted investments is determined by quoted prices listed on a recognised exchange, independent broker quotations or published prices.

The quoted and unquoted debentures bear an effective weighted average interest rate of 3.83% (2005: 3.93%) and 5.00% (2005: 4.64%) respectively per annum with maturity dates from February 2007 to May 2014 (2005: March 2006 to May 2014).

The government securities bear an effective weighted average interest rate of 3.63% (2005: 3.83%) per annum with maturity dates from January 2009 to July 2011 (2005: January 2009 to July 2011).

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 28 Fixed deposits

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fixed deposits with:				
Holding company	30,918	28,000	24,905	21,770
Fellow subsidiaries	1,293	1,255	1,293	1,255
Other financial institutions	36,550	37,630	36,089	37,146
	<b>68,761</b>	66,885	<b>62,287</b>	60,171

The fixed deposits with the holding company, fellow subsidiaries and other financial institutions for the Group and the Company mature on varying dates within 3 months (2005: 8 months) from the financial year end. The weighted average effective interest rate of these deposits at 31 December 2006 for the Group and the Company was 3.31% (2005: 2.81%) and 3.15% (2005: 2.69%) respectively per annum.

### 29 Cash and bank balances

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bank balances with:				
Holding company	3,795	5,518	2,910	4,631
Fellow subsidiaries	687	563	687	563
Other financial institutions	337	335	337	335
Cash on hand	2	2	2	2
	<b>4,821</b>	6,418	<b>3,936</b>	5,531

### 30 Collaterals received

The Group and the Company have fixed deposits of \$672,000 (2005: \$1,169,000) and bank balances of \$59,000 (2005: \$25,000) 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.

### 31 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	
	2006 \$'000	2005 \$'000
Lease which expires:		
Within one year	653	394
Between one and three years	1,252	–
	<b>1,905</b>	394

### 32 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	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Gross premium income from:				
- Holding company	10,101	11,128	9,940	10,823
- Related companies	471	346	473	365
Commission expenses paid to:				
- Holding company	3,099	1,410	3,062	1,365
- Related companies	–	1,512	–	1,513
Gross claims incurred from:				
- Holding company	(3,316)	151	(3,316)	151
- Related companies	25	5	25	5
Rental paid to an associated company of the holding company	449	430	449	430
Management fee received from an associated company of the holding company	764	804	764	804
Management fee charged by a related company	453	440	453	440
Interest income earned from:				
- Holding company	1,292	641	1,018	473
- Related companies	50	46	50	41
Directors' remuneration:				
- Directors of the Company	534	482	534	482
- Directors of subsidiary	1	1	–	–

On 1 January 2004, the Company acquired certain assets and liabilities of Overseas Union Insurance, Limited (OUI), which is an associated company of the holding company, in accordance with the Scheme for Transfer dated 29 August 2003 and confirmed by the High Court on 31 October 2003. Arising from the Scheme for Transfer, a provision of \$1,294,000 was set aside as at 31 December 2006 as sharing of subsequent profits and valuation adjustment, in accordance with the development of the claims reserves that were transferred from OUI.

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

### 33 Segment information

The Group is principally engaged in the business of underwriting general insurance business. No segment information by geographical location has been presented as the Group's overseas operations are relatively insignificant.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 34 Financial risks management

#### *Financial risk factors*

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and 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 is exposed to the effects of foreign exchange rate fluctuation because of its foreign currency denominated investments, bank deposits and insurance policies. Exposures to foreign currency risks are monitored on an ongoing basis. The currencies giving rise to this risk are primarily in US and Hong Kong dollars. The directors do not consider the Group's exposure to foreign currency exchange fluctuation to be significant and, therefore the Group does not regularly enter into derivative contracts to manage this risk.

(ii) **Interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest bearing assets are mainly in fixed income securities with fixed interest rates and short-term fixed deposits where future variations in interest rates will not have a significant impact on net profit.

(iii) **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.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, receivables and investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the balance sheet.

(iv) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the nature of the business and type of assets owned, the Group is not exposed to significant liquidity risk. The Group has established a liquidity policy to ensure its liquidity objectives are being met.

### 35 Fair values of financial instruments

The financial assets and financial liabilities of the Group and the Company comprise its available-for-sale investments, current assets and current liabilities, with the exception of taxation. Other than the fair values of quoted and unquoted investments as detailed in Notes 22 and 27, 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.

### 36 Comparative figures

Where necessary, comparative figures have been reclassified to conform with the current year's presentation.

### 37 Events after balance sheet date

The Singapore corporate tax rate, as announced on 15 February 2007, will be reduced from 20% to 18% with effect from Year of Assessment 2008. This is considered as a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the financial year ending 31 December 2007.

The Company's deferred tax provision has been computed on the year end prevailing tax rate of 20%. Applying the reduced rate of 18% would result to a reduction of deferred tax liabilities by \$672,000. As such, the Group and the Company's deferred tax liabilities would be \$6,044,000.

### 38 Authorisation of financial statements

The financial statements were authorised for issue in accordance with a resolution of the directors on 26 February 2007.

## STATISTICS OF SHAREHOLDINGS

as at 7 March 2007

### Distribution of Shareholdings

Size of Shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	199	13.03	101,202	0.25
1,000 – 10,000	1,104	72.30	3,871,579	9.49
10,001 – 1,000,000	223	14.60	12,992,219	31.87
1,000,001 and above	1	0.07	23,805,000	58.39
<b>Total</b>	<b>1,527</b>	<b>100.00</b>	<b>40,770,000</b>	<b>100.00</b>

### Public Float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the equity securities (excluding 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 7 March 2007, approximately 41% of the issued ordinary shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

### Twenty largest shareholders

No.	Name	No. of shares	%
1	Tye Hua Nominees Private Limited	23,805,000	58.39
2	Chong Chew Lim @ Chong Ah Kau	539,000	1.32
3	Ng Poh Cheng	460,700	1.13
4	Tang Ngjik Ung @ Tang Nguik Huat	460,000	1.13
5	Yim Chee Chong	438,000	1.07
6	India International Insurance Pte Ltd	402,500	0.99
7	Lim Jun Ying	400,000	0.98
8	United Overseas Bank Nominees Pte Ltd	332,599	0.82
9	Citibank Nominees Singapore Pte Ltd	321,250	0.79
10	Chen Swee Kwong	310,000	0.76
11	Chan Tut Sai	300,000	0.74
12	Ng Ean Nee	300,000	0.74
13	DBS Nominees Pte Ltd	271,200	0.66
14	Tan Kok Oon	268,000	0.66
15	Lee Chue Chye, Lionel	252,000	0.62
16	Tenet Insurance Company Ltd	250,000	0.61
17	Yeoh Phaik Ean	250,000	0.61
18	Singapore Reinsurance Corporation Ltd – Shareholders	242,000	0.59
19	Cheong Soo Kiong	222,000	0.54
20	Tan Chong Hock	211,500	0.52
	<b>Total</b>	<b>30,035,749</b>	<b>73.67</b>

### Substantial shareholder as at 7 March 2007

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	–	23,805,000

## Notice of Annual General Meeting

Notice is hereby given that the Thirty-Sixth Annual General Meeting of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Friday, 27 April 2007 at 12.00 noon to transact the following business:

### As Ordinary Business

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- Resolution 1** To receive the Financial Statements, the Directors' Report and the Auditors' Report for the year ended 31 December 2006.
- Resolution 2** To declare a Final Dividend of 15 cents per share less income tax for the year ended 31 December 2006.
- Resolution 3** To approve Directors' fees of \$107,500 for 2006 (2005: \$107,500).
- Resolution 4** To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their 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:

"THAT pursuant to Section 153(6) of the Companies Act, Cap. 50, \_\_\_\_\_ 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** Mr Wee Cho Yaw.
- Resolution 7** Mr Hwang Soo Jin.
- Resolution 8** Mr Yang Soo Suan.

### As Special Business

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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 Instrument made or granted by the Directors while this Resolution was in force,

## Notice of Annual General Meeting

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 number of issued 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 number of issued 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 number of issued 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 consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST 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 2, 6, 7, 8 and 9

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**Resolution 2** is to approve a final dividend which is scheduled to be paid on 22 May 2007.

**Resolution 6** is to re-appoint Mr Wee Cho Yaw. Mr Wee is a non-independent member and Chairman of the Remuneration Committee, and a non-independent member of the Nominating Committee.

**Resolution 7** is to re-appoint Mr Hwang Soo Jin. Mr Hwang is an independent member and Chairman of the Nominating Committee, and an independent member of the Audit and Remuneration Committees.

**Resolution 8** is to re-appoint Mr Yang Soo Suan. Mr Yang is an independent member and Chairman of the Audit Committee, and an independent member of the Nominating and Remuneration Committees.



## Notice of Annual General Meeting

**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 issued shares in the capital of the Company, with a sub-limit of 20 per cent for issues 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 issued 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 consolidation or subdivision of ordinary shares.

By Order of the Board

**Vivien Chan**

Secretary

Singapore, 2 April 2007

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, 4th Storey, UOB Plaza 1, Singapore 048624 (Attention: The Company Secretary), not less than 48 hours before the time set for holding the Meeting.

## PROXY FORM



### IMPORTANT

1. The Annual Report 2006 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)

of \_\_\_\_\_ (Address)

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

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

and/or (delete as appropriate)

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

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 Thirty-Sixth Annual General Meeting of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Friday, 27 April, 2007 at 12.00 noon 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
1	Financial Statements, Directors' Report & Auditors' Report		
2	Final Dividend		
3	Directors' Fees		
4	Auditors & their remuneration		
5	Re-election (Mr David Chan Mun Wai)		
6	Re-appointment (Mr Wee Cho Yaw)		
7	Re-appointment (Mr Hwang Soo Jin)		
8	Re-appointment (Mr Yang Soo Suan)		
9	Authority to issue shares		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
Signature(s) or Common Seal of Shareholder(s)

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

**Notes:**

- 1 Please insert the number of shares held by you and registered in your name in the Depository Register of The Central Depository (Pte) Limited and in the Register of Members. 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 person appointed under this instrument of proxy, to the meeting.
- 5 The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, 4<sup>th</sup> Storey, UOB Plaza 1, 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 must (if not previously registered with the Company) 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 should be signed by an authorised signatory of the agent bank and should reach the Company Secretary, at the registered office of the Company not later than 48 hours before the time appointed for holding the meeting.

1st FOLD

2nd FOLD

**UOI**

**BUSINESS REPLY SERVICE  
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**The Company Secretary  
80 Raffles Place, 4th Storey, UOB Plaza 1  
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REGISTERED OFFICE  
80 Raffles Place  
UOB Plaza  
Singapore 048624  
Company Registration No.: 197100152R

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