

# **PUBLIC DISCLOSURE**

**IN PURSUANCE OF MAS NOTICE 124  
“PUBLIC DISCLOSURE REQUIREMENTS”  
FOR FINANCIAL YEAR ENDED  
31 DECEMBER 2013**

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**PUBLIC DISCLOSURE  
IN PURSUANCE OF MAS NOTICE 124 “PUBLIC DISCLOSURE REQUIREMENTS”  
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

Company Profile

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

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

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

Nature of Business and Key Products

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

External Environment

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

Objectives and Strategies

The Company's main objectives are to provide appropriate risk management solutions for selected market segments which will result in an enhanced customer experience.

To achieve these objectives, the Company relies on its proven business strategies and continues to focus on market segments in which it has competitive advantages. Generating business from both direct clients and insurance intermediaries and leveraging particularly on the synergies with UOB Group's network in Singapore and in the region, the Company's business strategies are directed at selling personal insurance through direct marketing, developing corporate insurance programmes for small and medium enterprises and expanding its regional business.

**2. Key features of its corporate governance framework and management controls, including information on the implementation of the framework and controls.**

Key Features of Corporate Governance Framework

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

- Insurance (Corporate Governance) Regulations;
- Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers;
- Code of Corporate Governance;
- Singapore Exchange Securities Trading Limited Listing Manual (SGX-ST Listing Manual); and
- Any other rules, regulations, guidelines, codes and the like which may be issued from time to time by the relevant authorities.

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

- Risk Management and Compliance Organisation Structure of UOI;
- UOI Board, Audit Committee (AC) and other Board Committees;
- Management and Risk Committees;
- Communication with Shareholders; and
- Ethical Standards.

The Company has a code on dealing in securities for its directors and employees. The Company also has a whistle-blowing policy which is overseen by the AC. Under the policy, an employee can raise any concern to UOB Group Audit about possible improprieties in financial or other matters without fear of reprisal. All reports received are accorded confidentiality and investigated independently by UOB Group Audit.

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

Management Controls

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

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

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

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

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

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

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

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

#### Enterprise Risk Management (ERM) Framework

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

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

#### Asset-Liability Management (ALM)

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

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

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

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

As at 31 December 2013, the Company's total liabilities was adequately covered by liquid assets comprising bank balances, fixed deposits and marketable investments as follows:

<b>Liquid Assets and Total Liabilities</b>	<b>31 Dec 2013 S\$'000</b>	<b>31 Dec 2012 S\$'000</b>
<b>Liquid Assets</b>		
Bank balances and fixed deposits	47,269	35,611
Marketable investments	347,403	321,271
<b>Total Liquid Assets</b>	<b>394,672</b>	<b>356,882</b>
<b>Liabilities</b>		
Insurance creditors	20,473	12,981
Non-trade creditors and accrued liabilities	3,187	2,893
Amount owing to related companies	9,326	1,088
Derivative financial liabilities	850	-
Tax payable	5,833	9,647
Deferred tax liabilities	3,578	3,571
Deferred acquisition cost . reinsurers's share	9,890	9,043
Gross technical balances		
- Reserve for unexpired risks	65,143	60,521
- Reserve for outstanding claims	170,095	140,003
<b>Total Liabilities</b>	<b>288,375</b>	<b>239,747</b>
<b>Surplus Liquid Assets</b>	<b>106,297</b>	<b>117,135</b>

(Notes: Figures are extracted from UOI's audited financial statements for the financial year ended 31 December 2013, which were prepared in conformity with Singapore Financial Reporting Standards. Reserve for unexpired risks and outstanding claims are compared with report issued by an external professional actuary to ensure they are not less than the actuary's projections, which are prepared for the valuation of premium and claims liabilities in accordance with Section 37 of the Insurance Act, Cap. 142, on a yearly basis.)

As at 31 December 2013, there is no mismatch between assets and liabilities.

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

#### Insurance Risk Exposures

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

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

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

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

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

#### Nature, Scale and Complexity of Risks arising from Insurance Contracts

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

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

#### Interaction between Capital Adequacy and Insurance Risks

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

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

As at 31 December 2013, the Company's capital adequacy ratio was 381.53%, which exceeded the minimum regulatory requirement.

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

Interaction between capital adequacy and insurance risk	Increase / Decrease	Impact on Financial Resources S\$'000	Impact on Capital Adequacy Ratio (Percent Point)
<b>2013</b>			
Net technical provision	-5%	+4,640	+13.52
	+5%	-4,640	-13.05
<b>2012</b>			
Net technical provision	-5%	+4,333	+13.76
	+5%	-4,333	-13.28

#### Risk Concentrations

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



As required under the Singapore Insurance Act, the Company has established and maintained a Singapore Insurance Fund (SIF) for insurance business relating to Singapore policies and an Offshore Insurance Fund (OIF) for insurance business relating to offshore policies. Breakdown of the Company's gross premiums written into these insurance funds are as follows:

<b>Gross Premiums Written</b>	<b>SIF S\$'000</b>	<b>OIF S\$'000</b>	<b>Total S\$'000</b>
<b>2013</b>	90,113 (82%)	19,339 (18%)	109,452 (100%)
<b>2012</b>	85,330 (82%)	19,089 (18%)	104,419 (100%)

In 2012 and 2013, 82% of the Company's gross premiums written were derived from Singapore policies. Therefore, geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio.

#### Use of Reinsurance

The Company has developed a reinsurance management strategy which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Company's reinsurance management strategy are to protect its shareholders' fund, smooth out the peaks and troughs of underwriting result, provide the Company with competitive advantage, maintain sound and diversified reinsurance securities and develop long-term strategic partnership with key reinsurers.

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

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

#### Estimation Process of Technical Provisions

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

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

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

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

#### Determination of Technical Provisions

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

#### Assumptions

The principal assumption underlying the actuarial estimate of the claim liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected amounts (which include future cash flow arising from claim settlements and future case reserve movements) and variability around those

expected amounts. In estimating the required claims provision, actuary also considers business strategy, trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Company. There is typically a lot of judgement involved in estimating the claim liabilities.

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

#### Technical Provisions by Segment

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

<b>Net technical Provisions</b>	<b>SIF S\$'000</b>	<b>OIF S\$'000</b>	<b>Total S\$'000</b>
Reserve for unexpired risks, net of deferred acquisition cost	23,193 (86%)	3,846 (14%)	27,039 (100%)
Reserve for outstanding claims	54,901 (83%)	10,858 (17%)	65,759 (100%)

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

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

#### Capital Management Objectives, Policies and Processes

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

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

As measures to implement its Capital Management Policy, the Company has established a dividend policy, retention limits for insurance risks, guidelines on asset allocation, an asset-liability management policy and controls to ensure regulatory compliance.

#### Economic and Regulatory Capital

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

#### Capital Adequacy

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

The Company's capital adequacy ratios as at 31 December 2013 and in the preceding year exceeded the minimum regulatory capital requirements.

<b>Capital Adequacy Ratio</b>	<b>As at 31 Dec 2013 S\$'000</b>	<b>As at 31 Dec 2012 S\$'000</b>
UOI's capital adequacy ratio	381.53%	394.39%
Minimum capital adequacy ratio	120.00%	120.00%

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

#### Investment Objectives

The Company's investment objectives are to invest in quality, liquid and marketable investment for long-term appreciation and to achieve an absolute contribution to the Company's profit.

#### Policies and Processes

The Company's investment policy and guidelines are established and approved by its Audit Committee. The management of the Company reviews the investment portfolio monthly to ensure compliance with its investment policy and guidelines.

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

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

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

The valuations of investments as at 31 December 2013 for solvency and general financial reporting purposes are as follows:

Valuation as at 31 Dec 2013	For Solvency Purposes S\$'000	For Financial Reporting S\$'000	Difference S\$'000
Bank balances & fixed deposits	47,499	47,269	230
Equity securities in corporations	155,740	155,740	-
Unit trusts	41,987	41,987	-
Debt securities	151,230	149,676	1,554
Investment in subsidiary and associated company	7,852	4,941	2,911
Total value of investments	404,308	399,613	4,695

Bank balances and fixed deposits of S\$230,000 held as collateral against performance bonds issued on behalf of policyholders are excluded from the Company's balance sheet for financial reporting purposes.

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

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

Investments in subsidiary and associated company are measured at cost for financial reporting and at net realisable value for solvency purposes.

### Sensitivity to Market Variables

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

### Market Price Risk

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

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

<b>Sensitivity of investment valuation to market price risk</b>	<b>Increase / Decrease</b>	<b>For Solvency Purposes S\$'000</b>	<b>For Financial Reporting S\$'000</b>
Market price of equity and unit trust investments	-2% +2%	-3,331 +3,331	-3,291 +3,291

### Foreign Exchange Risk

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

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

<b>Sensitivity of investment valuation to foreign exchange risk</b>	<b>Increase / Decrease</b>	<b>For Solvency Purposes S\$'000</b>	<b>For Financial Reporting S\$'000</b>
Singapore dollar exchange rate	-5% +5%	-1,782 +1,782	-1,782 +1,782

### Interest Rate Risk

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

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

Sensitivity of investment valuation to interest rate risk	Increase / Decrease (Basis Point)	For Solvency Purposes S\$'000	For Financial Reporting S\$'000
Interest rate	-10 +10	+620 -620	+620 -620



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

Financial Performance in Total and at Segment Level

Key Financial Performance Data	2013 S\$'000	2012 S\$'000	%
<b>Profit for the financial year</b>			
Gross premiums written	109,452	104,419	+4.8
Net earned premiums	43,990	45,622	-3.6
Underwriting profit	14,625	19,075	-23.3
Investment and other income	15,958	14,860	+7.4
Profit before tax	30,583	33,935	-9.9
Breakdown of profit before tax by segment			
- Singapore Insurance Fund	19,969	22,700	-12.0
- Offshore Insurance Fund	4,451	5,237	-15.0
- Shareholders' Fund	6,163	5,998	+2.8
Profit before tax	30,583	33,935	-9.9
<b>Selected balance sheet items as at year-end</b>			
Net technical provision	92,798	86,650	+7.1
Shareholders' equity	280,938	262,220	+7.1
Total assets	562,007	503,797	+11.6
Breakdown of total assets by segment			
- Singapore Insurance Fund	348,187	308,058	+13.0
- Offshore Insurance Fund	54,224	47,662	+13.8
- Shareholders' Fund	159,587	139,021	+14.8
- Wholly-own subsidiary	9	9,056	N/M
Total assets	562,007	503,797	+11.6

(Source: Audited financial statements 2013. Further details can be obtained from UOI's annual reports available at [http://www.uoi.com.sg/uoi/about/investor\\_relations.html](http://www.uoi.com.sg/uoi/about/investor_relations.html))

Gross premiums increased by \$5.0 million or 4.8% to \$109.5 million and net earned premiums decreased by \$1.6 million or 3.6% to \$44.0 million as compared to those of the preceding year. The premium growth came mainly from increased business from the corporate and reinsurance sectors.

Underwriting profit decreased by 23.3% to \$14.6 million due mainly to lower net earned premiums and commission income. The decrease in net earned premiums was due mainly to a one-time adjustment in unearned premium reserves (UPR) in the corresponding period last year. Without the one-time adjustment of UPR in the corresponding period, underwriting profit would have increased slightly by \$0.1 million or 1.0%. Investment and other income

increased by \$1.1 million to \$16.0 million as compared to \$14.9 million in the corresponding period last year.

Consequently, overall profit before tax decreased by 9.9% to \$30.6 million.

#### Pricing Adequacy

<b>Year 2013</b>	<b>Gross premiums written S\$'000</b>	<b>(a) Net earned premiums S\$'000</b>	<b>(b) Underwriting Profit S\$'000</b>	<b>Underwriting Profit Ratio (b) / (a) x 100%</b>
UOI	109,452	43,990	14,625	33.2%
Industry	4,649,880	2,904,220	605,051	20.8%

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

For the year ended 31 December 2013, UOI attained an underwriting profit ratio of 33.2% which is significantly higher than the margin of 20.8% achieved by the industry.

As the Company achieves underwriting profits consistently since 1973 and enjoys profit margin better than the industry's average, the Company believes that the pricing of its insurance products is adequate.

### Claims Statistics, including Claims Development

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

Accident Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total S\$'000
Estimated of claims incurred: <b>gross</b>											
- at end of accident year	29,952	19,476	25,614	35,096	36,694	33,901	41,749	44,992	50,653	80,354	
- 1 year later	31,033	19,879	27,680	34,685	39,358	34,687	43,718	54,297	53,641		
- 2 years later	35,629	18,708	24,376	34,065	38,386	32,437	41,440	51,295			
- 3 years later	27,669	17,317	22,937	31,464	35,064	29,598	38,125				
- 4 years later	26,538	16,241	21,228	29,600	33,879	27,205					
- 5 years later	25,481	15,328	20,105	28,846	29,886						
- 6 years later	24,260	13,778	18,172	22,126							
- 7 years later	21,543	11,820	16,183								
- 8 years later	20,891	11,541									
- 9 years later	20,628										
Current estimated of claims incurred	20,628	11,541	16,183	22,126	29,886	27,205	38,125	51,295	53,641	80,354	
Less: Cumulative claims paid to date	20,483	11,359	15,818	14,462	21,564	20,813	25,781	28,050	18,035	5,359	
Liability recognised in the balance sheet	<b>145</b>	<b>182</b>	<b>365</b>	<b>7,664</b>	<b>8,322</b>	<b>6,392</b>	<b>12,344</b>	<b>23,245</b>	<b>35,606</b>	<b>74,995</b>	<b>169,260</b>
Liability recognised in the balance sheet for 2003 & prior											<b>763</b>
Liability recognised in the balance sheet for Non-DOR*											<b>72</b>
Total reserve for outstanding claims											<b>170,095</b>

\* Portfolio transfer from another Singapore insurance company in respect of its Non-Discontinued Offshore Reinsurance Business (Non-DOR) on 1 January 2004.

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

Accident Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total S\$'000
Estimated of claims incurred: <b>net</b>											
- at end of accident year	12,267	8,343	9,785	11,076	13,528	14,784	20,394	22,500	24,853	27,458	
- 1 year later	14,406	8,724	10,003	10,554	13,997	12,433	20,277	26,822	23,624		
- 2 years later	14,048	8,228	8,750	10,766	14,496	12,347	19,860	25,989			
- 3 years later	12,959	7,617	8,095	9,262	12,737	10,625	18,338				
- 4 years later	12,456	6,971	7,292	8,388	12,251	9,760					
- 5 years later	11,676	6,440	6,789	8,004	11,656						
- 6 years later	11,133	5,786	6,099	7,144							
- 7 years later	9,537	5,232	5,565								
- 8 years later	9,254	5,141									
- 9 years later	9,183										
Current estimated of claims incurred	9,183	5,141	5,565	7,144	11,656	9,760	18,338	25,989	23,624	27,458	
Less: Cumulative claims paid to date	9,088	5,043	5,482	6,502	9,826	7,537	12,341	12,339	8,350	2,263	
Liability recognised in the balance sheet	<b>95</b>	<b>98</b>	<b>83</b>	<b>642</b>	<b>1,830</b>	<b>2,223</b>	<b>5,997</b>	<b>13,650</b>	<b>15,274</b>	<b>25,195</b>	<b>65,087</b>
Liability recognised in the balance sheet for 2003 & prior											<b>604</b>
Liability recognised in the balance sheet for Non-DOR*											<b>68</b>
Total reserve for outstanding claims											<b>65,759</b>

\* Portfolio transfer from another Singapore insurance company in respect of its Non-Discontinued Offshore Reinsurance Business (Non-DOR) on 1 January 2004.

### Returns on Investment Assets and Components of Such Returns

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

Returns on Investment	2013 S\$'000	2012 S\$'000	Difference S\$'000
Investment income and expenses by components			
- Dividend income from investment	5,253	4,327	926
- Interest income from investment	6,296	5,849	447
- Interest on bank balances and fixed deposits	86	77	9
- Miscellaneous Income	241	64	177
- Net fair value gains/(losses) on financial derivatives* . realized	(504)	1,989	(2,493)
- Net fair value gains/(losses) on financial derivatives . unrealized	(889)	351	(1,240)
- Net gains on sale of investments	6,514	5,620	894
- Impairment on investments	(1,550)	(350)	(1,200)
- Amortisation of investments	16	27	(11)
- Management fees	(956)	(791)	(165)
- Other expenses	(526)	(371)	(155)
- Exchange gains/(losses)	1,977	(1,932)	3,909
Investment and other income	15,958	14,860	1,098
Investment assets by components			
- Bank balances and fixed deposits	47,269	35,611	11,658
- Equity securities in corporations	155,740	134,496	21,244
- Unit trusts	41,987	36,700	5,287
- Debt securities	149,676	150,075	(399)
- Investment in subsidiary and associated company	4,941	4,941	-
Total value of investments at year end	399,613	361,823	37,790

\* Financial derivatives are forward contracts used by the Company to manage its foreign exchange exposure arising from investment in debt securities denominated in foreign currencies.