MEMBER OF THE UOB GROUP

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PUBLIC DISCLOSURE

IN PURSUANCE OF MAS NOTICE 124
"PUBLIC DISCLOSURE REQUIREMENTS"
FOR FINANCIAL YEAR ENDED
31 DECEMBER 2016

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

<u>Company Profile</u>
United Overseas Insurance Limited (ñUOIò or ñthe Companyó) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

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

On 27 April 2016, A.M. Best affirmed the Companyôs financial strength rating of A+ (Superior) and issuer credit rating of ñaa-ñ According to A.M. Best, the ratings reflect UOIôs strong risk-adjusted capitalisation, excellent operating performance and favourable business profile as a member of the UOB Group. On 25 April 2017, A.M. Best affirmed the Companyôs current credit ratings and considered the outlook for the ratings to be stable.

<u>Nature of Business and Key Products</u>
The Companyôs principal activities are the underwriting of general insurance and reinsurance business which covers a broad spectrum of classes of insurance, including fire, marine, motor, engineering, general accident, work injury compensation and liability insurance.

<u>External Environment</u>
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.

<u>Objectives and Strategies</u>
UOIôs mission is to be a premier insurer in the Asia Pacific region, committed to providing quality products, excellent customer service while upholding strong corporate governance and enhancing shareholdersô value. The Companyôs main objective is to provide appropriate risk management solutions for selected market segments which will result in an enhanced customer experience.

To achieve this objective, the Company 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 the licensed insurer’s corporate governance framework and management controls, including information on the implementation of the framework and controls.**

Key Features of Corporate Governance Framework

UOI has adopted corporate governance practices in the Insurance (Corporate Governance) Regulations (ñInsurance Regulationsò) that are applicable to it as a Tier 2 insurer. The Company is also guided by the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (ñMAS Guidelinesò) and has explained deviations from the MAS Guidelines in the Corporate Governance section of its 2016 Annual Report. The MAS Guidelines comprise the Code of Corporate Governance for companies listed on the Singapore Exchange Securities Trading Limited, and supplementary principles and guidelines added by the Monetary Authority of Singapore (MAS).

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

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

UOIõs whistleblowing policy provides for an individual to report in confidence any impropriety in financial or other matters. Whistleblowing reports may be sent to the AC chairman (c/o Company Secretary, 80 Raffles Place, #04-20 UOB Plaza 2, Singapore 048624).

The Company prohibits reprisal against whistleblowers who have acted in good faith. All whistleblowing reports received are investigated independently by the AC with the assistance of the internal auditor or an external independent consultant firm.

Directors and employees are guided by a code on dealing in securities, which requires them to adhere to applicable laws on insider dealings at all times.

In 2016, UOB Group Audit performed the internal audit function for UOI pursuant to a service level agreement and according to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and other relevant best practices. For a fresh perspective, the Board accepted the ACõs recommendation that PricewaterhouseCoopers Risk Services Pte. Ltd. (ñPwCò) be appointed as UOIõs internal auditor with effect from financial year 2017. The appointment of PwC was effected following a review of proposals submitted by several firms. The AC is satisfied that PwC has adequate resources to perform the internal audit function for UOI. UOB Group Audit will ensure a smooth transition of the internal audit function to PwC.

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.

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

<u>Enterprise Risk Management ("ERM") Framework</u>
Under the Company's ERM framework, risks are categorised and managed under a number of risk dimensions.

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

<u>Asset-Liability Management</u>
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 2016, the Companyôs total liabilities was adequately covered by liquid assets comprising bank balances, fixed deposits and marketable investments as follows:

Liquid Assets and Total Liabilities	**31 Dec 2016 S$'000**	**31 Dec 2015 S$'000**
Liquid Assets		
Bank balances and fixed deposits	59,648	62,535
Marketable investments	380,741	352,568
Total Liquid Assets	**440,389**	**415,103**
Liabilities		
Insurance creditors	21,163	15,364
Non-trade creditors and accrued liabilities	4,138	3,119
Amount owing to related companies	2,140	2,459
Derivative financial liabilities	1,775	128
Tax payable	7,478	6,166
Deferred tax liabilities	6,416	4,146
Deferred acquisition cost ï reinsurersô share	9,298	9,428
Gross technical balances		
- Reserve for unexpired risks	62,972	60,893
- Reserve for outstanding claims	156,363	144,013
Total Liabilities	**271,743**	**245,716**
Surplus Liquid Assets	**168,646**	**169,387**

(Notes: Figures are extracted from UOIôs audited financial statements for the financial year ended 31 December 2016, 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 actuaryôs 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 2016, there is no mismatch between assets and liabilities.

4. Quantitative and qualitative information on all of the licensed insurer's reasonably foreseeable and relevant material insurance risk exposures, and the management of such risk exposures, including:

a) its objectives and policies, models and techniques for the management of insurance risk exposures and underwriting process controls;

b) the nature, scale and complexity of risks arising from insurance contracts;

c) the use of reinsurance or other forms of risk transfer;

d) an understanding of the interaction between capital adequacy and risk; and

e) a description of risk concentrations.

Insurance Risk Exposures

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

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

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

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

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

Nature, Scale and Complexity of Risks arising from Insurance Contracts

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

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

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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 2016, the Company's capital adequacy ratio was 516.42% (2015: 440.92%), 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)
2016 Net technical provision	-5% +5%	+4,322 -4,322	+18.81 -17.97
2015 Net technical provision	-5% +5%	+4,465 -4,465	+14.15 -13.68

Risk Concentrations

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

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

Gross Premiums Written	SIF S$'000	OIF S$'000	Total S$'000
2016	83,765 (78%)	23,178 (22%)	106,943 (100%)
2015	84,567 (81%)	20,316 (19%)	104,883 (100%)

In 2015 and 2016, about 80% of the Company's gross premiums written were derived from Singapore policies. Therefore, geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio.

Use of Reinsurance

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

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

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

Estimation Process of Technical Provisions

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

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

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

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

Determination of Technical Provisions

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

Assumptions

The principal assumption underlying the actuarial estimate of the claim liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected amounts (which include future cash flow arising from claim settlements and future case reserve movements) and variability around those expected amounts. In estimating the required claims provision, actuary also considers business strategy, trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Company. There is typically a lot of judgement involved in estimating the claim liabilities.

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

Technical Provisions by Segment

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

Net Technical Provisions	**As at 31 Dec 2016**		
	SIF S$'000	**OIF S$'000**	**Total S$'000**
Reserve for unexpired risks, net of deferred acquisition cost	19,960 (81%)	4,736 (19%)	24,696 (100%)
Reserve for outstanding claims	46,396 (75%)	15,365 (25%)	61,761 (100%)

Net Technical Provisions	**As at 31 Dec 2015**		
	SIF S$'000	**OIF S$'000**	**Total S$'000**
Reserve for unexpired risks, net of deferred acquisition cost	21,539 (85%)	3,754 (15%)	25,293 (100%)
Reserve for outstanding claims	50,267 (79%)	13,737 (21%)	64,004 (100%)

Legend: SIF ï Singapore Insurance Fund
OIF ï 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.

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

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

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

The Company's capital adequacy ratios as at 31 December 2016 and in the preceding year exceeded the minimum regulatory capital requirements as follows:

Capital Adequacy Ratio	As at 31 Dec 2016 S$'000	As at 31 Dec 2015 S$'000
UOI's capital adequacy ratio	516.42%	440.92%
Minimum capital adequacy ratio	120.00%	120.00%

7. Quantitative and qualitative information about the licensed insurer's financial instruments and other investments by class, including:

- **a) investment objectives;**
- **b) policies and processes;**
- **c) values, assumptions and methods used for general purpose financial reporting and solvency purposes, as well as an explanation of the differences (where applicable); and**
- **d) information concerning the level of sensitivity to market variables associated with the disclosed amounts.**

<u>Investment Objectives</u>

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

<u>Policies and Processes</u>

The Company's investment policy and guidelines are established 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 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 2016 and comparative figures for the preceding year for solvency and general financial reporting purposes are as follows:

Valuation as at 31 Dec 2016	**For Solvency Purposes S$'000**	**For Financial Reporting S$'000**	**Difference S$'000**
Bank balances & fixed deposits	60,933	59,648	1,285
Equity securities in corporations	77,850	77,850	-
Unit trusts	79,703	79,703	-
Debt securities	225,172	223,188	1,984
Investment in associated company	322	1	321
Total value of investments	**443,980**	**440,390**	**3,590**

Valuation as at 31 Dec 2015	**For Solvency Purposes S$'000**	**For Financial Reporting S$'000**	**Difference S$'000**
Bank balances & fixed deposits	63,934	62,535	1,399
Equity securities in corporations	117,051	117,051	-
Unit trusts	71,798	71,798	-
Debt securities	165,261	163,719	1,542
Investment in associated company	407	1	406
Total value of investments	**418,451**	**415,104**	**3,347**

Bank balances and fixed deposits 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.

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

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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:

Sensitivity of investment valuation to market price risk	Increase / Decrease in market price	For Solvency Purposes S$'000	For Financial Reporting S$'000
2016	-2% +2%	-2,652 +2,652	-2,615 +2,615
2015	-2% +2%	-3,179 +3,179	-3,135 +3,135

Foreign Exchange Risk

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

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

Sensitivity of investment valuation to foreign exchange risk	Increase / Decrease in S$ exchange rate	For Solvency Purposes S$'000	For Financial Reporting S$'000
2016	-5% +5%	-1,344 +1,344	-1,344 +1,344
2015	-5% +5%	-1,939 +1,939	-1,939 +1,939

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

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

Sensitivity of investment valuation to interest rate risk	**Increase / Decrease in interest rate (basis point)**	**For Solvency Purposes S$'000**	**For Financial Reporting S$'000**
2016	-10 +10	+1,030 -1,030	+1,030 -1,030
2015	-10 +10	+730 -730	+730 -730

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

Financial Performance in Total and at Segment Level

Key Financial Performance Data	2016 S$’000	2015 S$’000	%
Profit for the financial year			
Gross premium written	106,943	104,883	+2.0
Net earned premium	44,992	43,634	+3.1
Underwriting profit	24,525	20,098	+22.0
Investment and other income	2,631	6,474	-59.4
Profit before tax	27,156	26,572	+2.2
Breakdown of profit before tax by segment			
- Singapore Insurance Fund	21,597	22,066	-2.1
- Offshore Insurance Fund	1,728	2,061	-16.2
- ShareholdersôFund	3,831	2,445	+56.7
Profit before tax	27,156	26,572	+2.2
Selected balance sheet items as at year-end			
Net technical provision	86,455	89,297	-3.2
Shareholdersôequity	335,002	311,519	+7.5
Total assets	606,745	557,235	+8.9
Breakdown of total assets by segment			
- Singapore Insurance Fund	361,921	328,939	+10.0
- Offshore Insurance Fund	74,874	67,763	+10.5
- ShareholdersôFund	169,950	160,533	+5.9
Total assets	606,745	557,235	+8.9

(Source: Audited financial statements 2016. Further details can be obtained from UOIôs annual reports available at http://www.uoi.com.sg/uoi/about/investor_relations.html)

Gross premium increased by $2.1 million or 2.0% to $106.9 million due to organic growth and increase in new business. Consequently, net earned premium increased by $1.4 million or 3.1% to $45.0 million as compared to that of the preceding year. Underwriting profit increased by 22.0% to a record of $24.5 million due mainly to higher net earned premium and lower net claims incurred.

Investment and other income decreased by $3.8 million to $2.6 million as compared to $6.5 million in the corresponding period last year due mainly to defensive restructuring of the investment portfolio.

Consequently, overall profit before tax increased by 2.2% to $27.2 million.

Pricing Adequacy

Year 2016	Gross premium written S$'000	(a) Net earned premium S$'000	(b) Underwriting Profit S$'000	Underwriting Profit Ratio (b) / (a) x 100%
UOI	106,943	44,992	24,525	54.5%
Industry	5,558,455	3,194,325	238,532	7.5%

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

For the year ended 31 December 2016, UOI attained an underwriting profit ratio of 54.5% which is higher than the average margin of 7.5% achieved by the industry.

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

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Claims Statistics, including Claims Development

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

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total S$'000
Estimated of claims incurred: **GROSS**											
- at end of accident year	35,096	36,694	33,901	41,749	44,992	50,653	80,354	51,991	49,497	67,666	
- 1 year later	34,685	39,358	34,687	43,718	54,297	53,641	79,297	54,793	48,664		
- 2 years later	34,065	38,386	32,437	41,440	51,295	51,420	64,022	52,172			
- 3 years later	31,464	35,064	29,598	38,125	48,677	46,423	59,966				
- 4 years later	29,600	33,879	27,205	34,661	43,555	43,229					
- 5 years later	28,846	29,886	25,430	33,576	41,559						
- 6 years later	22,126	26,408	23,734	31,450							
- 7 years later	15,541	25,631	22,734								
- 8 years later	15,411	22,472									
- 9 years later	15,111										
Current estimate of claims incurred	15,111	22,472	22,734	31,450	41,559	43,229	59,966	52,172	48,664	67,666	
Less: Cumulative claims paid to date	14,723	21,861	21,607	27,691	34,978	29,572	41,686	26,861	23,184	7,555	
Liability recognised in the balance sheet	388	611	1,127	3,759	6,581	13,657	18,280	25,311	25,480	60,111	155,305
Liability recognised in the balance sheet for 2006 & prior years											1,058
Total reserve for outstanding claims											156,363

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

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total S$'000
Estimated of claims incurred: **NET**											
- at end of accident year	11,076	13,528	14,784	20,394	22,500	24,853	27,458	22,829	24,872	24,275	
- 1 year later	10,554	13,997	12,433	20,277	26,822	23,624	26,472	22,111	20,214		
- 2 years later	10,766	14,496	12,347	19,860	25,989	23,702	25,101	21,096			
- 3 years later	9,262	12,737	10,625	18,338	25,338	21,261	22,665				
- 4 years later	8,388	12,251	9,760	17,172	22,218	19,585					
- 5 years later	8,004	11,656	9,181	16,533	21,350						
- 6 years later	7,144	10,956	8,688	15,464							
- 7 years later	6,845	10,686	8,499								
- 8 years later	6,816	10,409									
- 9 years later	6,842										
Current estimate of claims incurred	6,842	10,409	8,499	15,464	21,350	19,585	22,665	21,096	20,214	24,275	
Less: Cumulative claims paid to date	6,618	9,966	7,970	13,779	17,837	14,672	15,506	11,982	8,815	2,296	
Liability recognised in the balance sheet	224	443	529	1,685	3,513	4,913	7,159	9,114	11,399	21,979	60,958
Liability recognised in the balance sheet for 2006 & prior years											802
Total reserve for outstanding claims											61,760

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Returns on Investment Assets and Components of Such Returns

The following table shows the Companyôs returns on investment assets and components of such returns:

Returns on Investment	**2016 S$'000**	**2015 S$'000**	**Difference S$'000**
Investment income and expenses by components			
- Dividend income from investment	4,818	5,831	(1,013)
- Interest income from investment	7,970	6,602	1,368
- Interest on bank balances and fixed deposits	314	230	84
- Miscellaneous Income	27	52	(25)
- Net fair value gains/(losses) on financial derivatives* ï realized	(2,043)	(4,260)	2,217
- Net fair value gains/(losses) on financial derivatives ï unrealized	(1,651)	1,074	(2,725)
- Net gains/(losses) on sale of investments	(5,119)	353	(5,472)
- Impairment on investments	(1,298)	(3,416)	2,118
- Amortisation of investments	86	53	33
- Management fees	(982)	(936)	(46)
- Other expenses	(748)	(482)	(266)
- Exchange gains/(losses)	1,257	1,373	(116)
Investment and other income	2,631	6,474	(3,843)
Investment assets by components			
- Bank balances and fixed deposits	59,648	62,535	(2,887)
- Equity securities in corporations	77,850	117,051	(39,201)
- Unit trusts	79,703	71,798	7,905
- Debt securities	223,188	163,719	59,469
- Investment in associated company	1	1	-
Total value of investments at year end	440,390	415,104	25,286

* 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.