MEMBER OF THE UOB GROUP

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Co. Reg. No. 197100152R

PUBLIC DISCLOSURE

IN PURSUANCE OF MAS NOTICE 124
"PUBLIC DISCLOSURE REQUIREMENTS"
FOR FINANCIAL YEAR ENDED
31 December 2021

PUBLIC DISCLOSURE
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FOR FINANCIAL YEAR ENDED 31 December 2021

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

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

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

On 10 June 2022, A.M. Best affirmed the Company's financial strength rating of 'A+' (Superior) and the long-term issuer credit rating of 'aa-' (Superior). The outlook of these credit ratings remains stable. According to A.M. Best, the ratings reflect UOI's balance sheet strength, which A.M. Best categorises as very strong, as well as its very strong operating performance, neutral business profile and appropriate enterprise risk management (ERM). In addition, the ratings factor a positive impact from the Company's ultimate majority ownership by UOB.

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

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

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

In 2021, the gross premium for the Singapore general insurance market grew by 10.7 per cent with offshore business contributing more than 45.6 per cent of this growth. The industry also recorded a profit of $568.2 million. This was due to a reduction in the number of claims in property, surety, credit/credit-related and travel classes of insurance, largely attributable to decreased business activities, slowdown in construction work and restrictions in overseas travel caused by the COVID-19 pandemic.

2021 continued to be a period of uncertainty and volatility with the ongoing COVID-19 pandemic exerting pressures on economic recovery and workplace activities. Ensuring the wellness of our employees, customers and intermediaries while maintaining operational resilience and sustainable performance continued to be our priorities during the year.

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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 complies with the following regulations, rules, guidelines and/or best practices:

(a) the Insurance (Corporate Governance) Regulations 2013 (Insurance Regulations) that are applicable to UOI as a Tier 2 insurer;

(b) the listing rules of the Singapore Exchange Securities Trading Limited (SGX-ST);

(c) all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore issued by the Monetary Authority of Singapore (MAS) in 2013 (MAS Guidelines); and

(d) the Code of Corporate Governance 2018 issued on 6 August 2018 (2018 Code).

The MAS Guidelines comprise the Code of Corporate Governance that was issued in 2012 (2012 Code) and supplementary principles and guidelines added by the MAS. Where UOI's practices deviate from the MAS Guidelines and/or the 2018 Code, an explanation is provided. A summary of the disclosures required under the 2018 Code and the supplementary MAS Guidelines can be found on pages 30 and 31 of the Company's 2021 Annual Report, which is available in its official website at https://www.uoi.com.sg/uoi/about/investor_relations.html.

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

- Risk Management and Compliance Organisation Structure of UOI;
- Board Committees and Terms of Reference'
- The Role and Responsibilities of Audit Committee (AC);
- Management Committees and Terms of Reference;
- Shareholder Rights & Communication; and
- Ethical Standards.

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

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

The internal auditor, PricewaterhouseCoopers Risk Services Pte. Ltd., performs its duties in accordance with the Internal Audit Charter, the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and other relevant best practices.

Management Controls

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

The Company has put in place an Enterprise Risk Management Framework, which is commensurate with the Company's level of activity, type of business and risk profile. Under the framework, key risks are identified and managed based on four risk dimensions. Each dimension has a defined risk tolerance limit. Management reviews the framework and proposed changes are submitted to the AC for endorsement before the revised framework is approved by the Board. The Managing Director/Chief Executive and the management committees are responsible for the continued development of risk management practices and implementation of systems and controls for managing material risks effectively. UOI has established policies and procedures, which are appropriate for the nature, complexity, and materiality of the Company's activities. More information on the management committees, risk dimensions and key risk types under UOI's Enterprise Risk Management Framework can be found in the Risk Management section of the Company's Annual Report 2021, which is available in its official website https://www.uoi.com.sg/uoi/about/investor_relations.html

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

The *Strategic Corporate Development Committee* (SCDC) is responsible for the development and implementation of strategies that will enhance the Company's position and progress in specific areas. Members of the SCDC work closely with all operational units to further the interests of the Company. It meets quarterly with the Managing Director to chart out, execute and monitor outcomes of the strategies and are actively involved in talent management.

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 include compliance matters emanating from regulatory authorities, industry associations, parent company, auditors and other relevant bodies, as well as challenges arising from change in operating environment, innovation, technological advancement and climate change. It also develops and implements compliance policies, procedures and guidelines to meet the regulatory requirements applicable to the Company. It monitors the implementation of risk management policies and procedures by all operational units. As part of its risk management monitoring function, it receives reports from committees which address the key risks arising from the Company's core business activities namely the Underwriting and Claims Committee and Credit Control Committee.

The *Underwriting and Claims Committee* establishes underwriting and claims policies and procedures and monitors the compliance with such policies and procedures by all operational units. It also monitors market trends and developments that may affect the Company's underwriting and claims policies. Appropriate risk management strategies are applied to address the variety of underwriting risks accepted to ensure the Company's retention is appropriate, and adequate reinsurance protection is in place. Issues arising from claims development and provisions are dealt with judiciously.

The *Credit Control Committee* establishes credit control policies and procedures and ensures that the premium collection process is implemented by all operational units. It approves the 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, changes in business risks and product offerings are identified, addressed and managed accordingly.

The *Information Security Committee* sets the direction and priority, and provide guidance, for the development and enhancements to the security infrastructure and associated procedures and guidelines, including evaluation and implementation of recommendations from cybersecurity consultants and review the Company's network design, other infrastructure and security controls. Other roles include fostering and maintaining a data security culture through education and appropriate policies, systems, processes and practices.

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

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

Enterprise Risk Management ("ERM") Framework

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

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

Asset-Liability Management

ALM is the practice of managing a business so that decisions and actions taken with respect to all assets and liabilities are coordinated. ALM looks at all risks arising from an insurer's assets in relation to its liabilities, including insurance risk, liquidity risk, market risks (including interest rate risk, foreign currency risk and equity risk) 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 times, including unexpected cash outflow arising from exceptional large catastrophic claims.

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 2021, the Company's total liabilities was adequately covered by liquid assets comprising bank balances, fixed deposits and marketable investments as follows:

Liquid Assets and Total Liabilities	31 Dec 2021 S$'000	31 Dec 2020 S$'000
Liquid Assets		
Bank balances and fixed deposits	40,003	59,742
Marketable investments	435,593	398,142
Total Liquid Assets	**475,596**	**457,884**
Liabilities		
Insurance creditors	12,089	10,254
Non-trade creditors and accrued liabilities	7,887	7,288
Lease liabilities	28	1,159
Amount owing to related companies	2,058	1,465
Derivative financial liabilities	158	1,290
Tax payable	8,686	8,605
Deferred tax liabilities	8,569	9,049
Deferred acquisition cost – reinsurers' share	8,710	8,787
Gross technical balances		
- Reserve for unexpired risks	50,876	49,040
- Reserve for outstanding claims	108,510	116,546
Total Liabilities	**207,571**	**213,483**
Surplus Liquid Assets	**268,025**	**244,401**

(Notes: Figures are extracted from UOI's audited financial statements, which were prepared in conformity with Singapore Financial Reporting Standards. Reserve for unexpired risks and outstanding claims are compared with report issued by an external professional actuary to ensure that they are not less than the actuary's projections, which are prepared for the valuation of premium and claims liabilities in accordance with Section 95 of the Insurance Act 1966, on a yearly basis.)

As at 31 December 2021, 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.**

<u>Insurance Risk Exposures</u>
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.

<u>Objectives, Policies, Models and Techniques for Management of Insurance Risk and Underwriting Process Controls</u>
As general insurance business encompasses a wide range of different insurance products, the 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 and employees. The Company has developed a robust underwriting framework to ensure that risks accepted meet all the underwriting guidelines issued to our pool of experienced underwriters. This framework allows for proper selection of risks at adequate but competitive pricing of our products.

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.

<u>Nature, Scale and Complexity of Risks arising from Insurance Contracts</u>
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.

The Company is required to satisfy the Fund Solvency and Capital Adequacy Requirements prescribed under the Singapore Insurance Act 1966. The Company monitors its capital level on a regular basis to assess whether such requirements are met, and reports to the MAS its fund solvency and capital adequacy positions at each quarter and annually.

As at 31 December 2021, the Company’s capital adequacy ratio was 428% (2020: 438%), 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)**
2021 Net technical provision	-5% +5%	-3,509 +3,509	+7.03 -7.49
2020 Net technical provision	-5% +5%	-3,480 +3,480	+7.96 -7.81

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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 1966.

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
2021	68,540 (70%)	28,879 (30%)	97,419 (100%)
2020	71,020 (73%)	25,837 (27%)	96,857 (100%)

In 2021, 70% of the Company's gross premiums written were derived from Singapore policies. Therefore, geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio.

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

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

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

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

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

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

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

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

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

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

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

Net Technical Provisions	As at 31 Dec 2021		
	SIF S$'000	OIF S$'000	Total S$'000
Reserve for unexpired risks, net of deferred acquisition cost	16,663 (74%)	5,956 (26%)	22,619 (100%)
Reserve for outstanding claims	28,429 (60%)	19,129 (40%)	47,558 (100%)

Net Technical Provisions	As at 31 Dec 2020		
	SIF S$'000	OIF S$'000	Total S$'000
Reserve for unexpired risks, net of deferred acquisition cost	16,460 (77%)	4,863 (23%)	21,323 (100%)
Reserve for outstanding claims	30,929 (64%)	17,350 (36%)	48,279 (100%)

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

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

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

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

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

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

Capital Adequacy
The Company is required to satisfy the Fund Solvency and Capital Adequacy Requirements prescribed under the Singapore Insurance Act 1966. The Company monitors its capital level on a regular basis to assess whether such requirements are met, and reports to the MAS its fund solvency and capital adequacy positions at each quarter and annually.

As at 31 December 2021, the Company's capital adequacy ratio was 428% (2020: 438%), which exceeded the minimum regulatory requirement.

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

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

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

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

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

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

The valuations of investments as at 31 December 2021 and comparative figures for the preceding year for solvency and general financial reporting purposes are as follows:

Valuation as at 31 Dec 2021	For Solvency Purposes S$'000	For Financial Reporting S$'000	Difference S$'000
Bank balances & fixed deposits	40,003	40,003	-
Equity securities in corporations	148,437	148,437	-
Unit trusts	9,602	9,602	-
Debt securities	279,408	277,554	1,854
Investment in associated company	195	1	194
Total value of investments	**477,645**	**475,597**	**2,048**

Valuation as at 31 Dec 2020	For Solvency Purposes S$'000	For Financial Reporting S$'000	Difference S$'000
Bank balances & fixed deposits	59,742	59,742	-
Equity securities in corporations	129,946	129,946	-
Unit trusts	5,329	5,329	-
Debt securities	264,832	262,867	1,965
Investment in associated company	227	1	226
Total value of investments	**460,076**	**457,885**	**2,191**

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

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

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

Sensitivity to Market Variables

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

Market Price Risk

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

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

Sensitivity of investment valuation to market price risk	**Increase / Decrease in market price**	**For Solvency Purposes S$'000**	**For Financial Reporting S$'000**
2021	-2% +2%	-8,753 +8,753	-8,716 +8,716
2020	-2% +2%	-8,002 +8,002	-7,963 +7,963

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**
2021	-5% +5%	-2,408 +2,408	-2,408 +2,408
2020	-5% +5%	-1,742 +1,742	-1,742 +1,742

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
2021	-10 +10	+950 -950	+950 -950
2020	-10 +10	+938 -938	+938 -938

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	2021 S$'000	2020 S$'000	%
Profit for the financial year			
Gross premium written	97,419	96,857	+0.6
Net earned premium	40,942	41,419	-1.2
Underwriting profit	20,763	21,052	-1.4
Investment and other income	12,002	8,455	+42.0
Profit before tax	32,765	29,507	+11.0
Breakdown of profit before tax by segment			
- Singapore Insurance Fund	23,255	22,087	+5.3
- Offshore Insurance Fund	3,562	4,487	-20.6
- Shareholders' Fund	5,948	2,933	+102.8
Profit before tax	32,765	29,507	+11.0
Selected balance sheet items as at year-end			
Net technical provision	70,177	69,602	+0.8
Shareholders' equity	448,212	424,399	+5.6
Total assets	655,783	637,882	+2.8
Breakdown of total assets by segment			
- Singapore Insurance Fund	329,638	328,247	+0.4
- Offshore Insurance Fund	78,801	76,371	+3.2
- Shareholders' Fund	247,344	233,264	+6.0
Total assets	655,783	637,882	+2.8

(Source: Audited financial statements 2021. Further details can be obtained from UOI's annual reports available at http://www.uoi.com.sg/uoi/about/investor_relations.html)

Gross premium increased by $0.6 million or 0.6% to $97.4 million. Correspondingly, net earned premium decreased by $0.5 milllion or 1.2% to $40.9 million as compared to that of the preceding year. Underwriting profit reduced by 1.4% to $20.8 million mainly due to lower earned premium and higher net claims incurred.

Non-underwriting income increased by $3.5 million to $12.0 million as compared to $8.5 million in the corresponding period last year due to mark-to-market gains of the Company's investment property and net exchange gains.

Overall, profit before tax increased by 11.0% to $32.8 million due to higher commission income and higher investment profits.

Pricing Adequacy

Year 2021	Gross premium written S$'000	(a) Net earned premium S$'000	(b) Underwriting Profit S$'000	Underwriting Profit Ratio (b) / (a) x 100%
UOI	97,419	40,942	20,763	50.7%
Industry	8,121,179	3,788,698	568,170	15.0%

Year 2020	Gross premium written S$'000	(a) Net earned premium S$'000	(b) Underwriting Profit S$'000	Underwriting Profit Ratio (b) / (a) x 100%
UOI	96,857	41,419	21,052	50.8%
Industry	7,339,009	3,717,015	128,591	3.5%

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

For the year ended 31 December 2021, UOI attained an underwriting profit ratio of 50.7% (2020: 50.8%) which is higher than the average margin of 15.0% achieved by the industry (2020: 3.5%).

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	2011 & prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total ($'000)
Estimate of claims incurred – gross												
– at end of accident year		50,653	80,354	51,991	49,497	67,666	50,098	45,449	44,683	52,362	40,341	
– one year later		53,641	79,297	54,793	48,664	67,916	43,213	41,787	36,934	44,423		
– two years later		51,420	64,022	52,172	45,692	65,144	41,472	39,786	37,673			
– three years later		46,423	59,966	47,179	41,671	57,644	39,067	37,023				
– four years later		43,229	54,375	40,311	40,072	54,276	37,580					
– five years later		40,962	50,165	38,627	38,159	51,984						
– six years later		38,166	46,124	35,887	36,923							
– seven years later		31,230	45,281	34,460								
– eight years later		31,085	44,673									
– nine years later		30,938										
Current estimate of cumulative claims incurred		30,938	44,673	34,460	36,923	51,984	37,580	37,023	37,673	44,423	40,341	
Less: cumulative claims paid to date		30,341	43,936	32,997	34,507	45,602	32,416	25,028	22,119	18,787	4,048	
Liability recognised in the balance sheet	2,273	597	737	1,463	2,416	6,382	5,164	11,995	15,554	25,636	36,293	108,510

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

Estimate of claims incurred – net												
– at end of accident year		24,853	27,458	22,829	24,872	24,275	20,090	17,621	17,567	18,395	18,360	
– one year later		23,624	26,472	22,111	20,214	22,206	19,530	17,455	15,792	16,112		
– two years later		23,702	25,101	21,096	19,353	21,555	19,370	17,685	16,252			
– three years later		21,261	22,665	18,894	17,530	20,418	18,248	16,623				
– four years later		19,585	20,438	17,041	16,462	18,890	17,177					
– five years later		18,495	19,545	16,173	15,693	17,764						
– six years later		17,410	17,858	15,033	15,218							
– seven years later		16,284	17,613	14,632								
– eight years later		16,160	17,337									
– nine years later		16,052										
Current estimate of cumulative claims incurred		16,052	17,337	14,632	15,218	17,764	17,177	16,623	16,252	16,112	18,360	
Less: cumulative claims paid to date		15,538	16,792	13,734	14,066	15,094	15,140	11,494	9,323	6,910	1,647	
Liability recognised in the balance sheet	1,769	514	545	898	1,152	2,670	2,037	5,129	6,929	9,202	16,713	47,558

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<u>Returns on Investment Assets and Components of Such Returns</u>

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

Returns on Investment	**2021 S$'000**	**2020 S$'000**	**Difference S$'000**
Investment income and expenses by components			
- Dividend income from investments	3,907	3,553	354
- Interest income from investments	7,988	8,896	(908)
- Rental income from investment property	823	1,006	(183)
- Interest on bank balances and fixed deposits	41	249	(208)
- Miscellaneous income	171	64	107
- Losses on disposal of fixed assets	(19)	-	(19)
- Net fair value gains/(losses) on investment property - unrealised	2,026	(1,382)	3,408
- Net fair value gains/(losses) on financial derivatives – realised	206	(2,057)	2,263
- Net fair value (losses)/gains on financial derivatives – unrealised	(4,960)	3,885	(8,845)
- Exchange gains/(losses)	5,785	(3,335)	9,120
	1,031	(1,507)	2,538
- Net fair value gains/(losses) on mandatorily measured at fair value through profit or loss (FVTPL) investments – unrealised	522	(46)	568
- Net (losses)/gains on disposal of fair value through other comprehensive income (FVOCI) investments	(904)	761	(1,665)
- (Provision)/write-back of expected credit loss on debt securities at FVOCI	(9)	26	(35)
- Amortisation of premium on investments	(929)	(781)	(148)
- Management fees	(1,438)	(1,326)	(112)
- Depreciation on building improvement and renovation	(61)	-	(61)
- Other expenses	(1,147)	(1,058)	(89)
Investment and other income	12,002	8,455	3,547
Investment assets by components			
- Bank balances and fixed deposits	40,003	59,742	(19,739)
- Equity securities in corporations	148,437	129,946	18,491
- Unit trusts	9,602	5,329	4,273
- Debt securities	277,554	262,867	14,687
- Investment in associated company	1	1	-
Total value of investments at year end	475,597	457,885	17,712