UOI 大華保險

UNITED OVERSEAS INSURANCE LIMITED
Annual Report 2015

Room
Isabelle Soh Min Hui

Our 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.

Contents

For more information on UOI, please visit: www.UOI.com.sg

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

Room

by Isabelle Soh Min Hui
Oil and acrylic
76.0 x 102.0 cm

Ms Isabelle Soh Min Hui's *Room* is the design inspiration for the cover of this year's Annual Report. The painting received the Gold Award for the Emerging Artist Category in the 2015 UOB Painting of the Year (Singapore) Competition. It is inspired by Ms Soh's philosophy that "a room is not a room until you make it one".

The artist creates a surreal world that defies the physical confines of a room. It compels the viewer to leave the predictable behind and to push beyond the boundaries of one's imagination. In not allowing the mind to be boxed in, we leave the door open for new possibilities.

The UOB Painting of the Year Competition, now in its 34th year, promotes awareness and appreciation of art, and challenges artists to produce works that inspire audiences across Southeast Asia.

About United Overseas Insurance Limited

Founded in 1971, United Overseas Insurance Limited (UOI) very quickly made its mark in the business community and in just seven years, UOI was listed on the Singapore Exchange. UOI's profitable growth over the years reflects its financial strength and prudence.

The 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.

UOI has a financial strength rating of A+ (Superior) and has an assigned issuer credit rating of "aa-" by A.M. Best.

The Company is located at 3 Anson Road, #28-01 Springleaf Tower, Singapore 079909, and its Singapore and international operations are supported by prominent insurance brokers, agents and international reinsurance companies. UOI has a representative office in Yangon, Myanmar.

UOI provides management services for Union (2009) Limited (formerly known as Overseas Union Insurance, Limited).

Chairman's Statement

I am confident that the Company will remain resilient to economic headwinds and continue to create sustainable value for all stakeholders.

2015 Performance

The Singapore economy recorded a growth of 2.0 per cent which came mainly from the services sector as manufacturing contracted. Singapore's general insurance market did not grow much in 2015 as it was constrained by its size and maturity. It posted moderate growth of 2.6 per cent led by hull, fire, engineering/construction and health insurance.

During the year, premium rates further softened under intense competition. The gross premium for the Company was $104.9 million, lower by 3.0 per cent compared with the previous year. This was due to the pruning of more hazardous and unprofitable risks in the Company's business portfolio. The fire and general accident portfolios remained as the Company's two most profitable classes of insurance. Bancassurance initiatives with the parent company, increasing support from selected insurance intermediaries and growth in regional business were key contributors to the quality and strength of the Company's portfolio.

Despite challenging conditions, the Company achieved a record underwriting profit from our insurance operations of $20.1 million for the year under review (2014: $16.0 million), representing an improvement of 25.3 per cent over the previous year.

Expectations of interest rate normalisation by the US Federal Reserve, the weaker Chinese economy and the decline in commodity prices affected market sentiment adversely and led to high volatility in the investment markets in 2015. The Straits Times Index was down 14.3 per cent for the year, making Singapore one of the worst-performing equity markets globally. Against such a backdrop, the Company recorded an investment income of $6.5 million (2014: $19.5 million), lower by 66.9 per cent year on year. Consequently, the Company's profit before tax for the financial year 2015 (FY2015) was $26.6 million, compared with $35.6 million in 2014.

A.M.Best, the leading independent credit rating agency for the insurance business, continued to rate the Company highly. The agency gave the Company a financial strength rating of 'A+ (Superior)', an issuer credit rating of 'aa-' and a stable outlook. These ratings are among the highest ratings awarded by A.M. Best to any insurer and reinsurer in Southeast Asia. They reflect the Company's strong risk-adjusted capitalisation, operating performance, business profile and well-established market presence in the personal, and small and medium enterprise business segments in Singapore.

The Board recommends a final one-tier tax-exempt dividend of 12 cents per share and a special one-tier tax-exempt dividend of 2 cents per share. Together with the interim dividend of 3 cents per share, the total dividend for FY2015 will be 17 cents per share, on par with financial year 2014.

2016 Prospects

Singapore and the regional economies will continue to see weak growth in 2016 amid a lack of catalysts for global demand expansion. The challenging operating environment of 2015 will also carry on into 2016 due to the worsening threats of terrorism, unstable oil prices and the many other uncertainties in geopolitical, economic and climatic conditions. Intensive competition in the domestic market will continue to affect premium growth for the industry.

The Company will seek to grow through leveraging on our competitive advantage in intra-group cross-selling initiatives and broadening our network of business partners locally and in the region. We will also seek to achieve growth in niche market segments, one of which is the Takaful business. There will be opportunities in emerging markets (such as Myanmar) to engage in the selective underwriting of profitable businesses.

As for investment income, the highly volatile investment environment globally will continue to be extremely challenging and probably have an adverse impact on earnings.

With the staunch support from the Company's parent company, proven judicious underwriting policy, ongoing proactive cultivation of new sources of business and continued effort in mitigating the impact of volatility upon our investment portfolio, I am confident that the Company will remain resilient to economic headwinds and continue to create sustainable value for all stakeholders.

Acknowledgements

Prof Ho Yew Kee and Mr Chng Hwee Hong joined the Board in June 2015 and January 2016 respectively. We welcome them as our new directors.

On behalf of the Board, I wish to thank our customers, brokers, agents, reinsurers and shareholders for their steadfast support and the management and staff for their dedication and hard work. I also wish to thank my fellow directors for giving their valuable time and wise counsel to the Company.

Wee Cho Yaw
Chairman

February 2016

Board of Directors

Wee Cho Yaw

Chairman
Non-Independent and Non-Executive

Dr Wee, 87, was appointed to the Board on 17 February 1971 and last re-appointed on 23 April 2015. He chairs the Remuneration Committee and is a member of the Nominating Committee.

A veteran banker with more than 50 years of banking experience, Dr Wee is the former Chairman and Chief Executive Officer of United Overseas Bank and is currently the Chairman Emeritus and Adviser of the Bank and its subsidiaries, Far Eastern Bank and United Overseas Bank (Malaysia). Dr Wee also chairs United Overseas Bank (Thai) Public Company, and is the President Commissioner of PT Bank UOB Indonesia and Supervisor of United Overseas Bank (China). His other board chairmanships include Haw Par Corporation, UOL Group, United Industrial Corporation, Wee Foundation and Chung Cheng High School. Previously, he chaired the boards of United International Securities and Singapore Land.

Among his many accolades, Dr Wee was named Businessman of the Year at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his exceptional achievements in the Singapore business community. *The Asian Banker* awarded him its Lifetime Achievement Award in 2009.

Dr Wee received Chinese high school education. He had served on numerous school management committees, and the Councils of the Nanyang University and National University of Singapore. Since 2004, he has been the pro-chancellor of the Nanyang Technological University (NTU). He received an Honorary Degree of Doctor of Letters from the National University of Singapore in 2008 and a second Honorary Degree of Doctor of Letters in 2014 from the NTU. Both honorary degrees were conferred in recognition of his long-standing support of education, community welfare and the business community.

In 2011 he received the Distinguished Service Order, Singapore's highest National Day Award, from the President of Singapore for his outstanding contributions to the economic, education, social and community development fields in Singapore.

David Chan Mun Wai

Managing Director and Chief Executive
Non-Independent and Executive

Mr Chan, 62, was appointed to the Board on 10 March 1994 and last re-elected on 24 April 2014.

With more than 35 years' experience in the insurance industry, Mr Chan currently serves as the Deputy Chairman, Director and a member of the Executive Committee of Singapore Reinsurance Corporation. He was previously President of the General Insurance Association of Singapore.

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

Wee Ee Cheong

Non-Independent and Non-Executive

Mr Wee, 63, was appointed to the Board on 20 March 1991 and last re-elected on 25 April 2013.

A career banker with more than 35 years' experience, Mr Wee is the Deputy Chairman and Chief Executive Officer of United Overseas Bank and a director of several of its subsidiaries including United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company. He is Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia. He is an alternate director on the Board of Far Eastern Bank.

He currently chairs The Association of Banks in Singapore and is the Vice-Chairman of The Institute of Banking & Finance (IBF) and Chairman of the IBF Standards Committee. He is a member of the Board of Governors of Singapore-China Foundation and Visa APCEMEA Senior Client Council and an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He was formerly a director of United International Securities. In 2013, he was awarded the Public Service Star for his contributions to the financial industry.

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

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

Hwang Soo Jin

Non-Independent and Non-Executive

Mr Hwang, 80, was appointed to the Board on 17 February 1971 and last re-appointed on 23 April 2015. He is a non-independent director under the Insurance (Corporate Governance) Regulations 2013 and an independent director under the MAS Guidelines[1]. Mr Hwang is the chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

A chartered insurer with more than 50 years' experience, Mr Hwang is the Chairman Emeritus, Director and Senior Adviser of Singapore Reinsurance Corporation and a director of Haw Par Corporation and United Industrial Corporation. He was a director of Singapore Land till August 2014. A Justice of the Peace, an Honorary Fellow of the Singapore Insurance Institute and a Chartered Insurer of the Chartered Insurance Institute UK; he was conferred the Life Time Achievement Award at the Asian Insurance Industry Awards in 2013.

Yang Soo Suan

Non-Independent and Non-Executive

Mr Yang, 79, was appointed to the Board on 20 March 1991 and last re-appointed on 23 April 2015. He is a non-independent director under the Insurance (Corporate Governance) Regulations 2013 and an independent director under the MAS Guidelines[1]. Mr Yang is the chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

An architect by training with more than 45 years' experience in professional practice, Mr Yang is a director of United Industrial Corporation and a former director of Singapore Land and United International Securities. He is a life fellow member of the Singapore Institute of Architects, a fellow member of the Singapore Society of Project Managers and a member of the Singapore Institute of Directors. In 1996, he was awarded the Public Service Star for his contributions to public service in Singapore.

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

N Ganesan

Independent and Non-Executive

Mr Ganesan, 68, was appointed to the Board on 27 July 2011 and last re-elected on 23 April 2015. He is a member of the Audit Committee.

He has over 30 years' experience in the financial sector. He is the former Managing Director of The Insurance Corporation of Singapore and former President of the Life Insurance Association, Singapore.

Mr Ganesan holds a Bachelor of Arts (Hons) in Economics from the University of Malaya and a Master of Business Administration from Harvard University.

Professor Ho Yew Kee

Independent and Non-Executive

Professor Ho, 52, was appointed to the Board on 1 June 2015.

He was appointed Head of the Department of Accounting, NUS Business School, National University of Singapore in July 2012. Prior to that, he was the Vice Dean (Finance & Administration) of the National University of Singapore. Professor Ho has held research and academic positions in universities in Australia and the United States, as well as at the National University of Singapore.

He is currently a board member of the Accounting and Corporate Regulatory Authority, and a director of Tax Academy of Singapore, Dover Park Hospice and St Luke's Hospital. He was previously a director of United International Securities till December 2013.

Dr Ho holds a Bachelor of Economics (Hons) and a Master of Economics from Monash University, Australia and a Master of Science in Industrial Administration and a Doctor of Philosophy (Accounting) from Carnegie Mellon University, USA. He is a Council Member of the Institute of Singapore Chartered Accountants, a Chartered Financial Analyst of CFA Institute (USA), a Fellow Certified Practicing Accountant of CPA Australia and a Fellow of the Singapore Institute of Directors.

Chng Hwee Hong

Independent and Non-Executive

Mr Chng, 66, was appointed to the Board on 28 January 2016. He is a member of the Audit Committee.

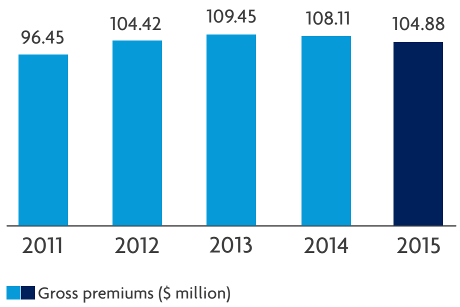
Mr Chng was an Executive Director of Haw Par Corporation prior to his retirement in 2012. He was a member of the Sub-Committee on Land of the Economic Strategies Committee appointed by the Singapore Government and a member of the Singapore-Sichuan Trade & Investment Committee.

Active in community work, Mr Chng is the Chairman of the Singapore Corporation of Rehabilitative Enterprises and Yuhua Citizens' Consultative Committee, Chairman of the Board of Trustees of Industry & Services Co-operative, and a member of the National Council Against Drug Abuse.

Mr Chng holds a Bachelor of Science (Hons) in degree in Applied Chemistry and a Diploma in Business Administration from the University of Singapore as well as a Diploma in Management studies by the University of Chicago and Singapore National Productivity Board.

[1] "MAS Guidelines" means the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (3 April 2013).

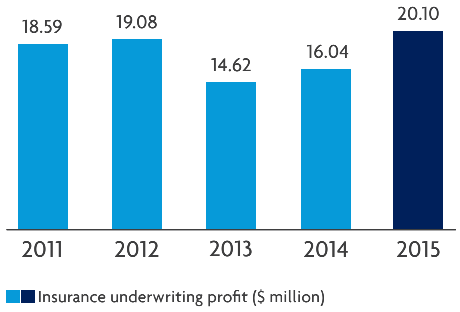
Financial Highlights



Gross Premiums

Over the last five years, the Company grew its gross premiums from $96.45 million in 2011 to $104.88 million in 2015. The increase in premium income was largely derived from insurance intermediaries' strong support, cross-selling with the parent bank and other group-linked companies and offshore insurance premiums from UOB's regional offices and the Company's reinsurance partners. In 2015, gross premiums decreased by 3.0% due mainly to qualitative pruning of portfolio by management to sustain profitability.

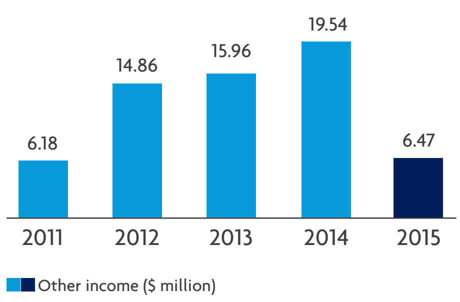
$104.88 million
- 3.0%



Insurance Underwriting Profit

The Company achieved an underwriting profit of $20.10 million in 2015, an increase of 25.3% over that of 2014 due to higher net commission income and lower net claims incurred in 2015.

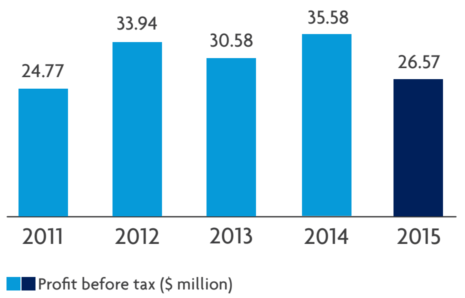
$20.10 million
+ 25.3%



Other Income

Other income decreased by $13.07 million to $6.47 million, down from $19.54 million in the previous period. This was due to impairment on availiable-for-sale investments and lower gains from sales of investments.

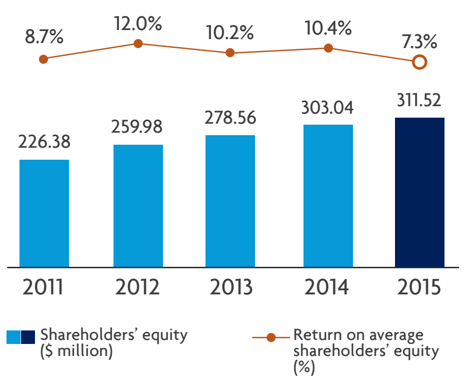
$6.47 million
- 66.9%



Profit Before Tax

Profit before tax decreased by 25.3% to $26.57 million as compared with 2014 due mainly to lower profits from other income.

$26.57 million
-25.3%

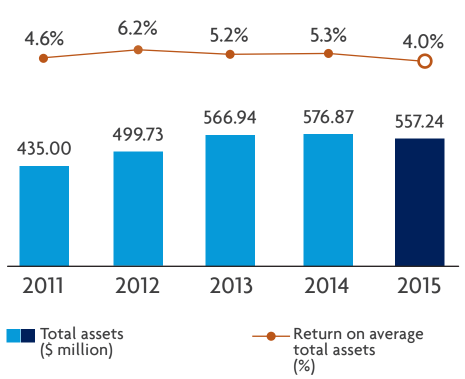


Shareholders' Equity/Return on Average Shareholders' Equity

The Company's shareholders' equity as at 31 December 2015 increased by 2.8% to $311.52 million when compared with the preceding year. The increase was due to profits from its insurance and investment operations. Return on average shareholders' equity was 7.3% in 2015 as compared with 10.4% in 2014.

Shareholders' Equity
$311.52 million
+ 2.8%

Return on Average Shareholders' Equity
+7.3%
- 3.1% pt



Total Assets/Return on Average Total Assets

The total assets of the Company saw a decrease of 3.4% to $557.24 million as at 31 December 2015. Return on average total assets was lower at 4.0% in 2015.

Total Assets
$557.24 million
- 3.4%

Return on Average Total Assets
+4.0%
- 1.3% pt

Five-Year Company Financial Summary

Key Indicators	2011	2012	2013	2014	2015
Profit for the Financial Year ($'000)					
Gross premiums	96,449	104,419	109,452	108,114	**104,883**
Insurance underwriting profit	18,588	19,075	14,625	16,044	**20,098**
Other income	6,178	14,860	15,958	19,535	**6,474**
Profit before tax	24,766	33,935	30,583	35,579	**26,572**
Selected Balance Sheet Items As At Year-end ($'000)					
Total assets	434,996	499,730	566,938	576,870	**557,235**
Net technical balances	81,376	84,867	91,202	90,285	**87,757**
Shareholders' equity	226,380	259,983	278,563	303,036	**311,519**
Financial Ratios					
Earnings per share - basic and diluted (cents)	33.0	47.6	44.9	49.6	**36.6**
Return on average shareholders' equity (ROE) (%)	8.7	12.0	10.2	10.4	**7.3**
Return on average total assets (ROA) (%)	4.6	6.2	5.2	5.3	**4.0**
Expense/income ratio (%)	27.8	27.4	24.6	21.1	**31.8**
Declared dividend per share (cents)					
Interim	3.0	3.0	3.0	3.0	**3.0**
Special	0.0	2.0	2.0	2.0	**2.0**
Final	12.0	12.0	12.0	12.0	**12.0**
Net assets value per share ($)	3.7	4.3	4.6	5.0	**5.1**

2015 in Review

The general insurance industry faced a very challenging year as global economic uncertainties persisted in 2015. The gross premiums for the domestic market in Singapore grew marginally by 2.6 per cent, largely from hull, fire, engineering/construction and health classes of business.

During the year, in implementing our business strategies, we continued to concentrate on areas where we have competitive advantages. Backed by United Overseas Bank (UOB) Group's extensive network in Singapore and the region, the Company remained focused on selling personal insurance through direct marketing, cross-selling corporate insurance to small and medium enterprises and expanding our regional business.

As part of our ongoing efforts to improve our operational efficiencies, we also carried out several initiatives to enhance the Company's staff development programmes to increase productivity and to support premium growth.

Personal-Line Insurance

In 2015, the personal-line insurance segment remained one of the Company's more significant contributors to premium growth. The motor insurance scheme, which was launched in mid-2014, continued to perform well. To expand our personal-line products, the Company also rolled out several initiatives which included product enhancements, special promotions and improvements to its service delivery.

In addition, we tapped on UOB Group's network to widen our distribution channels for this market segment. During the year, the Company held a number of product campaigns targeted at UOB Group employees and customers. Joint promotions of travel insurance products remained as one of the mainstay business initiatives between the Company and UOB Group. We also participated in travel fairs and lifestyle roadshows with other members of the UOB Group to boost the sale of our personal-line products.

In addition to our telemarketing campaigns, we increased our activities in lead channels such as text messages and electronic direct mailers. During the year, we held several product promotions, complemented with free gifts, taxi vouchers and lucky draws.

Our efforts to grow premium income also included improving our outreach programmes to employees of our major clients and our existing customers. In 2015, we re-launched several insurance products via direct marketing and the response was encouraging. We also initiated a project to cross-sell our personal-line products to our individual customers upon renewal of existing products.

Our product campaigns during the year were supported by the continuous enhancement of our work processes and IT systems as part of our commitment to improve productivity and service delivery.

Corporate Insurance

The competition within the corporate insurance market stayed intense in 2015. We maintained deep partnerships with UOB Group and grew our premium portfolio for the corporate insurance market. As such, bank referrals for corporate insurance and the development of insurance schemes for bank-related businesses remained the major contributor to our business growth.

We also continued to work closely with other Group-linked companies to explore new business opportunities. To strengthen further our market position in this segment and with the support of our agents and established insurance brokers, we also placed greater focus on our marketing efforts and product enhancements during the year.

Regional Business

Geographically, UOB Group's regional network remained as the main contributor to our premium income from outside Singapore. In 2015, we continued to widen our existing revenue streams together with our strategic partners, especially those in Southeast Asia.

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

With the opening of the insurance market in Myanmar, in 2015 our Representative Office in Yangon saw more business opportunities even as we continued to pursue our strategy of selective underwriting of profitable businesses in the country.

UOI in the Community

At UOI, we believe in sharing our success with the communities in which we operate.

Making a Difference to the Lives of Children

The annual UOB Heartbeat Run/Walk unites colleagues from across the UOB Group, including UOI, to raise funds for charities focused on art, children and education. In 2015, the Group set a new fundraising record of $1.3 million to help improve the lives of underprivileged children and children with special needs.

In Singapore, close to 4,000 UOB and UOI employees, their families and their customers came together at Pasir Ris Park to run and to walk for a good cause. These funds were channelled directly to APSN Katong School, MINDS Towner Gardens School and the Pathlight School to help fund art education and development programmes.

Bringing Mid-Autumn Festive Cheer to the Less Privileged

During the year, we also participated in a mooncake-making event organised by our client, Si Chuan Dou Hua Restaurant. A team of experienced chefs guided us in making more than 700 traditional mooncakes to spread festive cheer to beneficiaries in Central Singapore district. The mooncakes were distributed to 300 families through the Lions Befrienders Seniors Activity Centre at Mei Ling Street and NTUC Eldercare SilverAce at Whampoa.

Caring for Our Environment

An important part of running a sustainable business is ensuring that resources are used responsibly to minimise the impact of our operations on the environment.

As part of our ongoing campaign to reuse and repurpose office materials, we regularly recycle waste paper and printer cartridges.

United Overseas Insurance Limited (Incorporated in Singapore)
31 December 2015

Governance

Corporate Governance

In upholding good corporate governance, UOI is guided by the:

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

Board Matters

(Principles 1 to 6, MAS Guidelines)

Board duties

The Board's main responsibilities are to:

- provide strategic direction;
- provide entrepreneurial leadership and guidance;
- approve business plans and annual budgets;
- ensure true and fair financial statements;
- monitor financial performance;
- determine capital structure;
- declare dividends;
- approve major acquisitions and divestments;
- review risk management framework and processes;
- oversee the performance of Senior Management;
- set company values and standards; and
- perform succession planning.

Board approval

The Board's approval is required for material matters, including business plans and annual budgets, major acquisitions and divestments, issue of shares and other capital, dividends and other distributions, and announcements of quarterly and full-year financial results.

Board delegation

The Board has delegated specific responsibilities to three Board Committees, namely, the Nominating Committee (NC), Remuneration Committee (RC) and Audit Committee (AC).

The Board has determined that, in view of the Company's current scope of business and scale of operations, the Board is able to oversee Management's running of the business without the assistance of an executive committee or a board risk management committee. The Board is assisted by the AC in risk management matters.

Each of the NC, RC and AC has written terms of reference which are approved by the Board and reviewed annually for continued relevance. The Board receives reports from the Board Committees promptly after their respective meetings. More information on the Board Committees can be found in the pages that follow.

Key processes

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled well in advance. Additional meetings are held during the year as and when necessary. To enable directors to prepare adequately for meetings, materials are provided to directors ahead of a meeting. Directors who are unable to attend a meeting in person may participate via telephone and/or video conference, or convey their views through another director or the company secretary. Records of all meetings are maintained properly. The Board and Board Committees may also make decisions by way of circular resolutions. Directors' attendance at meetings in 2015 is set out in the table below.

	Number of meetings attended in 2015			
Name of director	Board of Directors	Nominating Committee	Remuneration Committee	Audit Committee
Wee Cho Yaw	4 / 4	1 / 1	1 / 1	–
David Chan Mun Wai	4 / 4	–	–	–
Wee Ee Cheong	4 / 4	–	–	–
Hwang Soo Jin	4 / 4	1 / 1	1 / 1	4 / 4
Yang Soo Suan	4 / 4	1 / 1	1 / 1	4 / 4
N Ganesan	4 / 4	–	–	4 / 4
Ho Yew Kee *(Appointed to the Board on 1 June 2015)*	2 / 2	–	–	–
Chng Hwee Hong *(Appointed to the Board on 28 January 2016 and to the Audit Committee on 5 February 2016)*	–	–	–	–
Number of meetings held in 2015	4	1	1	4

Board composition and guidance

The Board comprises eight members. The NC assists the Board to maintain a balance of independent and non-independent members who have relevant expertise and abilities. It reviews the size and composition of the Board annually. To comply with the Insurance Regulations and for progressive renewal of the Board, the NC recommended the appointment of two new directors.

The independence of each director is assessed according to the criteria in the Insurance Regulations and MAS Guidelines. Under the Insurance Regulations, a director is considered independent if the director is independent from substantial shareholders of the company, does not have management and business relationships with the company and has not served on the board for nine continuous years or more. While the MAS Guidelines do not deem a director as not independent solely on account of tenure, they provide that the independence of any director who has served beyond nine years should be subject to a particularly rigorous review.

In assessing a director's independence, the NC considers objectively the director's relationships, if any, with Management, the Company and substantial shareholders. The NC also takes into account the director's conduct and other appointments. The director's response in an assessment questionnaire, which includes his views on his independence, is also considered.

The NC's assessment of directors' independence is as follows:

- Messrs N Ganesan, Ho Yew Kee and Chng Hwee Hong are independent directors. They have served on the Board for less than nine years. They do not have any management or business relationship with UOI, and are independent of any substantial shareholder.
- Mr David Chan Mun Wai is the Managing Director and Chief Executive of UOI and is not independent.
- Dr Wee Cho Yaw is a director and substantial shareholder of United Overseas Bank Limited (UOB), the parent company, while Mr Wee Ee Cheong is the Chief Executive Officer and a substantial shareholder of UOB. Both are not independent.
- Messrs Hwang Soo Jin and Yang Soo Suan have served on the Board for more than nine years and are not considered independent under the Insurance Regulations. Having conducted a rigorous review, the NC is of the view that both directors can be considered independent under the MAS Guidelines. Throughout their long service, both directors have offered constructive and well-reasoned opinions at meetings and have remained objective and impartial in the discharge of their duties even as they became more familiar with UOI and Management. Further, they are independent from any management or business relationship with UOI and its related corporations and officers, and are not connected to any substantial shareholder.

A summary of directors' independence is set out in the table below. Except for Mr David Chan Mun Wai, all Board members are non-executive directors.

Key information on the directors can be found in the Board of Directors section. The NC has reviewed the directors' profiles and is satisfied that each director remains fit and proper and qualified for office, and contributes to the collective skills, experience and knowledge of the Board. Given UOI's scope of business and nature of operations, the NC considers the current Board size of eight members appropriate.

Chairman and Managing Director and Chief Executive

The office of the Chairman of the Board is a non-executive appointment and is separate from the office of the Managing Director and Chief Executive. The Board Chairman and the Chief Executive are not related.

Dr Wee Cho Yaw, a non-independent director, is the Board Chairman. He provides leadership to the Board, promotes open and constructive board deliberation, ensures that directors receive timely and comprehensive information for them to discharge their duties, and oversees corporate governance matters.

Mr David Chan Mun Wai, the Managing Director and Chief Executive, is responsible for UOI's day-to-day operations. He leads the management team and implements the Board's decisions.

Director	Under Insurance Regulations	Under MAS Guidelines
Wee Cho Yaw *(Chairman)*	Non-independent	Non-independent
David Chan Mun Wai *(Managing Director and Chief Executive)*	Non-independent	Non-independent
Wee Ee Cheong	Non-independent	Non-independent
Hwang Soo Jin	Non-independent	Independent
Yang Soo Suan	Non-independent	Independent
N Ganesan	Independent	Independent
Ho Yew Kee	Independent	Independent
Chng Hwee Hong	Independent	Independent
Independent element on the Board	One-third	More than half

Corporate Governance

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

Composition of Board Committees

The NC is guided by the MAS Guidelines in its annual review of the size and composition of the Board Committees. Although the MAS Guidelines recommend that the chairman of a remuneration committee be an independent director, the NC is of the view that Dr Wee Cho Yaw's extensive experience in remuneration matters makes him the most appropriate person to continue to chair the RC. The Board has accepted the NC's recommendations to appoint an additional AC member and to retain the existing composition of the other Board Committees. The AC comprises four members following the appointment of Mr Chng Hwee Hong to the committee in February 2016.

A graphical representation of the Board and Board Committees is set out below.

Nominating Committee

The main responsibilities of the NC are to:

- recommend the appointment and re-nomination of directors;
- assess the performance of the Board, Board Committees and each director;
- determine the independence of directors; and
- perform succession planning.

Time commitment and performance

Annually, the NC assesses each director's performance according to whether he continues to be a fit and proper person for office, competent, committed, diligent in attendance, prepared for meetings, active in participating and contributing to Board discussions, candid and clear in his communications, insightful on strategies and business, financially literate and aware of his accountability as a director. In its annual assessment of the effectiveness of the Board and Board Committees, the NC considers the performance of UOI, the work performed by the Board and Board Committees as well as directors' responses in a self-assessment questionnaire.

The NC has not set a limit on the number of directorships that a director may hold because directors have different abilities and companies are of different complexities.

Having considered each director's performance and known commitments, the NC is satisfied with every director's commitment and contribution. It is of the view that the Board and Board Committees had discharged their duties satisfactorily and were effective in the year under review.

Board

- 8 members:
  - Wee Cho Yaw *(Chairman)*
  - David Chan Mun Wai *(Managing Director and Chief Executive)*
  - Wee Ee Cheong
  - Hwang Soo Jin
  - Yang Soo Suan
  - N Ganesan
  - Ho Yew Kee
  - Chng Hwee Hong
- Separation of roles of Chairman and Managing Director and Chief Executive

Nominating Committee

- 3 members: Hwang Soo Jin *(Chairman)*, Wee Cho Yaw and Yang Soo Suan
- Majority of members, including the chairman, are independent directors pursuant to MAS Guidelines

Remuneration Committee

- 3 members: Wee Cho Yaw *(Chairman)*, Hwang Soo Jin and Yang Soo Suan
- Majority of members are independent directors pursuant to MAS Guidelines
- All members are non-executive directors

Audit Committee

- 4 members: Yang Soo Suan *(Chairman)*, Hwang Soo Jin, N Ganesan and Chng Hwee Hong
- All members, including the chairman, are independent and non-executive directors pursuant to MAS Guidelines

Selection process, appointment and re-nomination

The NC will seek to refresh Board membership progressively. It conducts discreet searches for new directors. The NC makes its recommendation to the Board after due consideration of the current Board composition as well as the candidates' personal qualities such as skills, expertise, experience, integrity and financial soundness, qualification for office, and ability to commit time and contribute to the Board's performance.

Each year, the NC reviews the re-nomination of directors. It takes into account the performance of each director in its review. One-third of the directors retire from office by rotation annually under UOI's constitution. New directors submit themselves for re-election at the first AGM following their appointment to the Board. Directors who are above 70 years old and were appointed pursuant to shareholders' approval at the 2015 AGM will be subject to re-appointment at the 2016 AGM and to retirement by rotation thereafter.

Orientation and continuous development

New directors receive an induction package which contains the terms of reference of the Board and Board Committees and articles of directorship. As part of their induction, new directors meet with Senior Management and are briefed on UOI's corporate development, organisational structure, business, operations and financial performance.

UOI has set aside a budget for the training and skills development of new and existing directors. During the year, directors were briefed on new accounting standards and regulatory developments relevant to UOI and on the outlook of the investment market. The NC, which oversees directors' training, is of the opinion that the topics covered met the objective of equipping directors with the relevant knowledge to perform their duties effectively.

Access to information

Directors have unfettered access to information and Management. Comprehensive financial and operational reports are provided to directors to enable them to make informed decisions. Directors may approach Management or the company secretary for additional information. The company secretary also assists directors in the discharge of their responsibilities, advises them on governance matters and facilitates the induction of new directors. The appointment and removal of the company secretary are subject to the Board's approval.

If necessary, directors may seek independent professional advice at UOI's expense to discharge their responsibilities.

Remuneration Matters

(Principles 7 to 9, MAS Guidelines)

Remuneration Committee

The RC's main responsibilities are to:

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

Remuneration and disclosure

The RC recommends directors' fees to the Board after considering directors' responsibilities as well as UOI's size, scope of business and operating environment. The proposed directors' fees are subject to shareholders' approval at the AGM.

Employee remuneration packages comprise fixed salaries, variable performance bonuses and welfare benefits. Salaries are benchmarked against comparable roles in the insurance industry while variable bonuses are subject to the performance of UOI and the individual. The RC determines the variable performance bonus pool for executives, including Senior Management. Other employees are paid a performance bonus based on a formula agreed with the Singapore Insurance Employees' Union. To align employee compensation with the long-term interests of shareholders, the variable bonus received by an employee that is above a pre-determined threshold is subject to deferral, with the proportion of deferral increasing with the amount of bonus received. Deferred bonuses will vest equally over three years, subject to pre-determined performance conditions. Unvested deferred bonuses may be fully or partially forfeited if the performance conditions are not met. UOI does not have any share-based incentive scheme for employees.

Given the highly competitive human resource environment and confidential nature of employee remuneration matters, it will not be to UOI's advantage or in its best interest to fully disclose the remuneration of the Managing Director and Chief Executive and the top five non-director executives. Accordingly, UOI continues to disclose directors' remuneration in bands of $250,000 in the Directors' Statement section. No immediate family member of a director is in the employ of UOI.

Corporate Governance

Accountability And Audit

(Principles 10 to 13, MAS Guidelines)

Audit Committee

The duties of the AC include reviewing and, where appropriate, approving the following:

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

Through briefings on new accounting standards and regulatory developments that are relevant to UOI and quarterly discussions with the external auditor and UOB's finance team, the AC members are kept abreast of changes in accounting standards and developments in corporate governance which may have a direct impact on financial statements.

The AC has authority to investigate any matter within its terms of reference. It has access to and the cooperation of Management, and other resources that it may require to discharge its functions properly. To encourage free and frank discussions, the AC meets the external and internal auditors in the absence of Management at least annually. The internal and external auditors report their findings and recommendations to the AC independently. Significant audit findings are highlighted to the AC through audit reports and at AC meetings.

Each quarter, the AC meets to review the financial statements and makes its recommendation to the Board for approval. In its review, the AC assesses the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements. It also seeks the views of the external auditor where appropriate.

Fraud and whistleblowing cases, if any, will be investigated independently by UOB Group Audit, which then reports to the AC for review and guidance.

Internal auditor

UOB Group Audit performs the internal audit function for UOI. In performing its role, it adopts 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, who reports directly to the AC, has assured the AC that UOB Group Audit is adequately resourced to perform the internal audit function for UOI. The internal audit function is executed according to the audit plan approved by the AC. The AC may also request the support of UOB Group Audit in its review and assessment of specific topics.

External auditor

The current external auditor is Ernst & Young LLP. The AC approves the terms of engagement of the external auditor, and reviews the external auditor's audit plan, audit reports and any non-audit service provided to UOI. The audit fees for the year under review are disclosed in the Notes to the Financial Statements section. The external auditor was not paid any non-audit fee during the financial year.

Prior to recommending the re-appointment of the external auditor to the Board, the AC reviews the effectiveness, independence, knowledge, competence and objectivity of the external auditor. In performing the review, the AC is guided by the *Audit Quality Indicators Disclosure Framework* issued by the Accounting and Corporate Regulatory Authority (ACRA) and the *Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors* issued by ACRA and the Singapore Exchange.

Having considered the external auditor's work, all aspects of UOI's relationships with the external auditor, the audit fees paid to the external auditor, as well as the external auditor's quarterly affirmation of its independence, the AC is of the opinion that the external auditor was effective, independent and objective in its audit of UOI in 2015. It is further of the opinion that the external auditor has the requisite expertise and resources to perform its duties. Accordingly, the AC has recommended to the Board the nomination of Ernst & Young LLP for re-appointment at the forthcoming AGM. In appointing the auditing firm, UOI has complied with Rule 712 of the SGX-ST Listing Manual.

Risk management and internal controls

UOI has an enterprise risk management framework that provides for the identification and management of the Company's key risks, which include risks relating to capital management, business operations, corporate governance, regulatory compliance, information technology, fraud and other risk issues. Six management committees assist the Managing Director and Chief Executive to establish and implement systems and controls for risk management. The six committees are the Management Committee, Risk Management and Compliance Committee, Underwriting and Claims Committee, Credit Control Committee, Business Development Committee and Investment Committee. More information on the management committees and UOI's risk management can be found in the Risk Management section.

The Company also receives internal audit, tax and corporate secretarial services as well as compliance support from UOB, the parent company. Its internal controls and risk management processes are assessed independently by UOB Group Audit. Being a company in the UOB group of companies, UOI also has access to UOB's risk management function for guidance and consultation on various risk management tools and trends.

Adequacy and effectiveness

For the year under review, the AC and Management have reviewed UOI's system of risk management and internal controls, including financial, operational, compliance and information technology controls.

The Board has conducted its review of the risk management processes and internal controls, taking into account the work carried out by the internal and external auditors, Management and the AC. It has also received assurance from the Managing Director and Chief Executive and UOB's Chief Financial Officer that the system of risk management and internal controls is effective, and that the financial records have been properly maintained and the financial statements give a true and fair view of UOI's operations and finances.

Based on its review and with the concurrence of the AC, the Board has formed the view that UOI's system of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2015. As no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud, UOI's system of risk management and internal controls can only provide reasonable assurance that UOI will not be adversely affected by any reasonably foreseeable event.

Shareholder Rights And Responsibilities

(Principles 14 to 16, MAS Guidelines)

Shareholder rights and conduct of shareholder meetings

All shareholders are entitled to attend general meetings and may give their views and feedback to the Board and Management. A notice of a general meeting is sent to shareholders at least 14 days before the meeting. Shareholders who are not relevant intermediaries as defined in the Companies Act may appoint up to two proxies to attend, speak and vote at general meetings in their place. Nominee companies and custodian banks who are relevant intermediaries may appoint more than two proxies. Investors who hold shares through such nominee companies or custodian banks may attend and vote as proxies of the nominee companies or custodian banks.

To enable shareholders to exercise their full voting rights and for the efficient conduct of meetings, electronic poll-voting is conducted at general meetings. Shareholders and proxies are briefed on the voting procedures before voting commences. Each agenda item is voted on individually and the votes cast for or against each resolution are tallied and displayed immediately after the close of voting. An independent scrutineer is in attendance to validate the votes of each resolution. The results of the meeting, including details of the votes cast, are announced on SGXNet on the same day.

Communication with shareholders

UOI does not practise selective disclosure and discloses all pertinent information on a timely basis via SGXNet and the Company's website. Quarterly financial results are announced within 45 days from the end of each quarter and the full-year financial results are announced within 60 days from the financial year-end. Dividends recommended or declared for payment are also announced on SGXNet.

The annual report on UOI's performance is sent to shareholders at least 14 days before the AGM. It is also available on SGXNet and the Company's website.

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

Dividend payment

Interim dividends are paid within 30 days after they are declared, and final dividends are paid within 30 days after they are approved by shareholders at the AGM.

Corporate Governance

Related Party Transactions

(Principle 17, MAS Guidelines)

All interested person transactions are reported to and reviewed by the AC. The table below sets out the interested person transactions entered into during 2015. For information on related party transactions, please refer to the Notes to the Financial Statements section.

Ethical Standards

Whistleblowing policy

The Company has a whistleblowing policy which provides for an individual to report in good faith, without fear of reprisal, any impropriety in financial or other matters to the Managing Director and Chief Executive, Board Chairman, AC chairman or the Head of UOB Group Audit. All reports received are accorded confidentiality and investigated independently by UOB Group Audit.

Securities dealing

Directors and employees of UOI are guided by a code on dealing in securities. UOB personnel who are involved in providing services to UOI also have to observe the code. The code prohibits dealings in securities:

- on short-term considerations;
- during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year, and one month before the announcement of the Company's full-year financial statements; and
- whenever they are in possession of price-sensitive information.

Directors and employees are informed of the prohibited dealing periods and have to adhere to applicable laws on insider dealings at all times.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Union (2009) Limited	UOI leased its premises at 3 Anson Road, 28th and 29th floors, Springleaf Tower, Singapore 079909 from Union (2009) Limited at the rent of $108,854.80 per month for three years from 1 December 2015. The rent for the lease was supported by an independent valuation.	Nil
United Overseas Bank Limited	UOB provided telemarketing services valued at approximately $2.1 million to UOI. It also provided corporate secretarial, internal audit and tax services valued at a minimum of $91,000, which will be revised to a minimum of $94,000 with effect from 2016.	Nil

Risk Management

As the management of risk is fundamental to the financial soundness and integrity of the Company, risk evaluation forms an integral part of the Company's business strategy development. The Company's risk management philosophy is that returns must be commensurate with the risks taken and has put in place processes and systems to identify, assess, monitor and manage all reasonably foreseeable and relevant material risks. These processes and systems have been articulated into a robust Enterprise Risk Management (ERM) framework.

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

The Company's Board-approved ERM framework provides for the identification, assessment and management of the key risks and how they are translated into management actions for strategic planning and capital management. Significant changes to the Company's ERM framework require the Board's approval.

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

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

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 **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. It also monitors the compliance of such policies and procedures by all operational units. 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.

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 risk.

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

(1) Risk Dimension - Earnings

Underwriting Risk

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

Risk Management

Reinsurance Risks

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

- protection of shareholders' equity
- smoothing out the peaks and troughs
- providing competitive advantage
- sound security rating and diversification of reinsurers
- reinsurers as long-term strategic partners.

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

In particular, a written Reinsurance Management Strategy has been approved by the Board to ensure that a prudent and appropriate reinsurance protection programme is in place. Significant changes to the Strategy are subject to review by the Board annually.

Premium and Claims Liability Risk

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

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

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

The other uncertainties arising under insurance contracts will include:

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

There may be significant reporting lag between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claims liabilities can vary substantially from the initial estimates.

Investment Risk

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

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Company is exposed to equity price risk arising from its investment in quoted equity securities and has established a Board-approved investment policy, which sets maximum exposure limits for its investment portfolio. These quoted equity securities are listed on the Singapore Exchange Securities Trading Limited in Singapore or other regulated stock exchanges overseas and are classified as available-for-sale financial assets.

The Company does not have exposure to commodity price risk.

Foreign exchange risk

The Company has transactional currency exposures arising from its offshore insurance business. The Company is also exposed to foreign exchange risk arising from its investing activities. The Company enters into forward contracts to manage its foreign exchange exposure arising from investment in fixed income securities denominated in foreign currencies. Other than the exposure arising from its investing activities, the Company does not consider its exposure to foreign exchange risk to be significant.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash outflow commitment is substantially independent of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the interest income on the Company's fixed deposits and the fair value of its investment in fixed income securities.

(2) Risk Dimension - Operational

Operational Risk

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

Business Continuity Risk

The Company has formulated a comprehensive Business Continuity Management Plan and annual test-run is conducted to ensure its readiness to handle the targeted events that could affect the Company's business operations.

(3) Risk Dimension - Capital

Insolvency Risk

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

(4) Risk Dimension - Liquidity

Liquidity risk

Due to the nature of its business and type of assets being held, the Company is not exposed to significant liquidity risk. The Company has formulated a liquidity policy to manage its liquidity risk. It is the Company's policy to maintain adequate liquidity at all times, honour all cash outflow commitments on an ongoing basis and avoid raising funds from credit facilities or through the forced sale of investments.

Credit risk

The Company has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Company has also established a selection and management policy for reinsurers to ensure that they are financially sound and set maximum exposure limits for each of its reinsurers.

United Overseas Insurance Limited (Incorporated in Singapore)

31 December 2015

Financial Report

Directors' Statement

for the financial year ended 31 December 2015

The directors are pleased to present their statement to the members together with the audited financial statements of the Company for the financial year ended 31 December 2015.

Opinion of the Directors

In the opinion of the directors,

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Wee Cho Yaw (*Chairman*)
David Chan Mun Wai (*Managing Director and Chief Executive*)
Wee Ee Cheong
Hwang Soo Jin
Yang Soo Suan
N Ganesan
Ho Yew Kee (*appointed on 1 June 2015*)
Chng Hwee Hong (*appointed on 28 January 2016*)

Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Interests in Shares and Debentures

(a) According to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, the interests of the directors who held office at 31 December 2015, in the share capital of the Company and related corporations were as follows:

	Number of ordinary shares			
	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At 31.12.2015	At 1.1.2015 or date of appointment	**At 31.12.2015**	At 1.1.2015 or date of appointment
The Company				
United Overseas Insurance Limited				
Wee Cho Yaw	**38,100**	38,100	–	–
Hwang Soo Jin	**100,000**	100,000	–	–
David Chan Mun Wai	**21,000**	21,000	–	–
Holding Company				
United Overseas Bank Limited				
Wee Cho Yaw	**19,921,917**	19,301,917	**270,050,084**	270,070,084
Wee Ee Cheong	**3,125,918**	3,125,918	**161,463,970**	161,463,970
David Chan Mun Wai	**6,106**	6,106	–	–
Ho Yew Kee	**1,065**	1,065	–	–

Directors' Interests in Shares and Debentures (continued)

	4.90% non-cumulative non-convertible perpetual capital securities			
	Holdings registered in name of directors		Holdings in which directors are deemed to have an interest	
	At 31.12.2015 $	At 1.1.2015 $	**At 31.12.2015** $	At 1.1.2015 $
Holding Company				
United Overseas Bank Limited				
David Chan Mun Wai	–	500,000	–	–

(b) Except as disclosed below, the directors' shareholdings between the end of the financial year and 21 January 2016 have not changed.

	Number of ordinary shares			
	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At 21.01.2016	At 1.1.2016	**At 21.01.2016**	At 1.1.2016
Holding Company				
United Overseas Bank Limited				
Wee Cho Yaw	**20,122,341**	19,921,917	**272,751,258**	270,050,084
Wee Ee Cheong	**3,125,918**	3,125,918	**163,085,428**	161,463,970
David Chan Mun Wai	**6,168**	6,106	–	–

Directors' Remuneration

Details of the total fees and other remuneration paid/payable by the Company to the directors for the financial year ended 31 December 2015 are as follows:

	Directors' fees %	Base or fixed salary %	Variable performance bonus %	Benefits-in-kind and others %	Total %
$500,000 to $749,999					
David Chan Mun Wai	0.0	50.1	41.7	8.2	100.0
Below $250,000					
Wee Cho Yaw	100.0	–	–	–	100.0
Wee Ee Cheong [1]	100.0	–	–	–	100.0
Hwang Soo Jin	100.0	–	–	–	100.0
Yang Soo Suan	100.0	–	–	–	100.0
N Ganesan	100.0	–	–	–	100.0
Ho Yew Kee	100.0	–	–	–	100.0

1 Director fee payable to Mr Wee Ee Cheong will be paid to United Overseas Bank Limited.

Share Options

There was no share option granted by the Company during the financial year.

No share was issued during the financial year pursuant to any exercise of options to take up unissued shares of the Company.

There was no unissued share of the Company under option at 31 December 2015.

Audit Committee

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

Yang Soo Suan (*Chairman*)
Hwang Soo Jin
N Ganesan
Chng Hwee Hong (*appointed on 5 February 2016*)

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditor's evaluation of the system of internal accounting controls, the scope and results of internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of external auditor, the significant findings of internal audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the Chief Financial Officer of the parent company, the Managing Director and/or other senior management staff, as appropriate.

Auditor

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

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

David Chan Mun Wai
Managing Director

Singapore
5 February 2016

Independent Auditor's Report

for the financial year ended 31 December 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of United Overseas Insurance Limited (Company) for the financial year ended 31 December 2015, set out on pages 27 to 70, which comprise the Balance Sheet as at 31 December 2015, Profit and Loss Account, Statement of Comprehensive Income, Insurance Revenue Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap 50 (Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and the financial performance, changes in equity and the cash flows of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants

Singapore
5 February 2016

Profit and Loss Account

for the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Insurance underwriting profit		20,098	16,044
Other income:			
Dividend income from investments	5a	5,831	5,826
Interest income from investments	5b	6,602	6,691
Interest on fixed deposits and bank balances from:			
– Holding company		7	3
– Other financial institutions		223	106
Net gains on disposal of fixed assets		–	2
Miscellaneous income		52	75
Net fair value losses on financial derivatives – realised		(4,260)	(2,179)
Net fair value gains/(losses) on financial derivatives – unrealised	21	1,074	(354)
Net gains on disposal of available-for-sale investments	19	353	5,812
Net gains on liquidation of subsidiary		–	2,184
Impairment losses on available-for-sale investments		(3,416)	–
Amortisation of discount/(premium) on investments		53	(79)
		6,519	18,087
Add/(Less)			
Management expenses not charged to insurance revenue account:			
– Management fees		(936)	(968)
– Other operating expenses		(482)	(460)
Exchange differences		1,373	2,876
Profit before tax		26,572	35,579
Tax expense	9a	(4,195)	(5,220)
Profit, net of tax		22,377	30,359
Profit attributable to:			
Equity holders of the Company		22,377	30,359
Earnings per share:			
Basic and diluted	10	36.59 cents	49.64 cents

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

Statement of Comprehensive Income

for the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Net profit		22,377	30,359
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net (losses)/gains on fair value changes of available-for-sale investments		(4,222)	5,446
Income tax relating to available-for-sale investments	15	724	(936)
Other comprehensive income for the financial year, net of tax		(3,498)	4,510
Total comprehensive income for the financial year		18,879	34,869
Total comprehensive income attributable to equity holders of the Company		18,879	34,869

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

Insurance Revenue Account

for the financial year ended 31 December 2015

	Note	Fire $'000	General Accident $'000	Marine $'000	2015 Total $'000	2014 Total $'000
Gross premiums written		40,451	60,297	4,135	104,883	108,114
Reinsurance premiums ceded		(20,366)	(39,073)	(2,454)	(61,893)	(64,655)
Net premiums written		20,085	21,224	1,681	42,990	43,459
Movement in net reserve for unexpired risks	16	(177)	745	(11)	557	1,133
Movement in net deferred acquisition costs	17	(108)	196	(1)	87	(32)
Net earned premiums		19,800	22,165	1,669	43,634	44,560
Less						
Gross claims paid		15,925	27,893	981	44,799	34,792
Reinsurance claims recoveries		(11,082)	(15,785)	(221)	(27,088)	(16,581)
Net claims paid	18	4,843	12,108	760	17,711	18,211
Change in net outstanding claims		(724)	(739)	(508)	(1,971)	216
Net claims incurred	18	4,119	11,369	252	15,740	18,427
Gross commissions		8,192	9,704	361	18,257	18,575
Reinsurance commissions		(9,693)	(12,580)	(511)	(22,784)	(19,467)
Net commissions		(1,501)	(2,876)	(150)	(4,527)	(892)
Management expenses :	6					
Staff costs	7	3,381	3,572	283	7,236	7,035
Rental expenses		586	620	49	1,255	1,250
Other operating expenses		1,790	1,892	150	3,832	2,696
Total outgo		8,375	14,577	584	23,536	28,516
Insurance underwriting profit transferred to profit and loss account		11,425	7,588	1,085	20,098	16,044

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

Balance Sheet

as at 31 December 2015

	Note	2015 $'000	2014 $'000
Share capital			
– Issued and fully paid	12	91,733	91,733
Reserves			
General reserve	14	22,880	22,880
Available-for-sale investment reserve	19	18,940	22,438
Retained profits		177,966	165,985
Total equity attributable to equity holders of the Company		311,519	303,036
Liabilities			
Insurance creditors	20	15,364	14,678
Non-trade creditors & accrued liabilities	20	3,119	2,990
Amount owing to related companies	20	2,459	2,094
Derivative financial liabilities	21	128	1,208
Tax payable	9	6,166	8,617
Deferred tax liabilities	15	4,146	4,545
Deferred acquisition cost - reinsurers' share	17	9,428	9,947
Gross technical balances			
– Reserve for unexpired risks	16	60,893	64,007
– Reserve for outstanding claims	18	144,013	165,748
		245,716	273,834
		557,235	576,870
Assets			
Bank balances and fixed deposits	22	62,535	60,284
Insurance debtors	23	13,912	12,074
Non-trade debtors and accrued interest receivable	23	2,845	2,954
Derivative financial assets	21	5	11
Associated company	25	1	1
Available-for-sale investments	26	352,568	353,423
Fixed assets	27	332	333
Deferred acquisition cost - gross	17	7,888	8,320
Reinsurers' share of technical balances			
– Reserve for unexpired risks	16	37,140	39,697
– Reserve for outstanding claims	18	80,009	99,773
		557,235	576,870
		557,235	576,870

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

Statement of Changes in Equity

for the financial year ended 31 December 2015

	Note	Share capital $'000	General reserve $'000	Available-for-sale investment reserve $'000	Retained profits $'000	Total $'000
		Attributable to equity holders of the Company				
Balance at 1 January 2015		91,733	22,880	22,438	165,985	303,036
Profit net of tax		–	–	–	22,377	22,377
Other comprehensive income for the financial year		–	–	(3,498)	–	(3,498)
Total comprehensive income for the financial year		–	–	(3,498)	22,377	18,879
Dividend for Year 2014	11	–	–	–	(8,561)	(8,561)
Dividend for Year 2015	11	–	–	–	(1,835)	(1,835)
Balance at 31 December 2015		91,733	22,880	18,940	177,966	311,519
Balance at 1 January 2014		91,733	22,880	17,928	146,022	278,563
Profit net of tax		–	–	–	30,359	30,359
Other comprehensive income for the financial year		–	–	4,510	–	4,510
Total comprehensive income for the financial year		–	–	4,510	30,359	34,869
Dividend for Year 2013	11	–	–	–	(8,561)	(8,561)
Dividend for Year 2014	11	–	–	–	(1,835)	(1,835)
Balance at 31 December 2014		91,733	22,880	22,438	165,985	303,036

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

Cash Flow Statement

for the financial year ended 31 December 2015

	2015 $'000	2014 $'000
Cash Flows from Operating Activities		
Profit before tax	26,572	35,579
Adjustments for:		
Movement in net reserve for unexpired risks	(557)	(1,133)
Movement in net deferred acquisition costs	(87)	32
Movement in net reserve for outstanding claims	(1,971)	216
Net fair value (gains)/losses on financial derivatives - unrealised	(1,074)	354
Depreciation	99	98
Net gains on disposal of available-for-sale investments	(353)	(5,812)
Net gains on liquidation of subsidiary	–	(2,184)
Net gains on disposal of fixed assets	–	(2)
Amortisation of (discount)/premium on investments	(53)	79
Impairment losses on available-for-sale investments	3,416	–
Dividend income from investments	(5,831)	(5,826)
Interest income from investments	(6,602)	(6,691)
Interest on fixed deposits and bank balances	(230)	(109)
Exchange differences	(1,361)	(2,675)
Operating profit before working capital changes	11,968	11,926
Changes in working capital:		
Trade and other receivables	(1,888)	(15)
Trade and other payables	815	(5,992)
Amount owing to/(from) related companies	365	(7,232)
Cash generated from operations	11,260	(1,313)
Tax paid	(6,321)	(2,405)
Net cash flow from/(used in) operating activities	4,939	(3,718)
Cash Flows from Investing Activities		
Proceeds from disposal of available-for-sale investments	142,943	156,750
Proceeds from liquidation of subsidiary	–	7,124
Proceeds from disposal of fixed assets	–	2
Purchase of available-for-sale investments	(147,959)	(148,916)
Purchase of fixed assets	(98)	(175)
Proceeds from/(placement in) long-term fixed deposits	5,441	(4,229)
Unsecured term loan	–	13
Dividend income from investments	6,035	5,489
Interest income from investments	6,568	6,738
Interest on fixed deposits and bank balances	219	104
Net cash flow from investing activities	13,149	22,900

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

	2015 $'000	2014 $'000
Cash Flow from Financing Activity		
Dividend paid	(10,396)	(10,396)
Cash flow used in financing activity	(10,396)	(10,396)
Net increase in cash and cash equivalents	7,692	8,786
Cash and cash equivalents at beginning of year	52,657	43,871
Cash and cash equivalents at end of year	60,349	52,657

For the purpose of cash flow statement, bank balances and fixed deposits in the balance sheet comprise the following:

	2015 $'000	2014 $'000
Cash and bank balances (note 22 (a))	7,951	13,708
Fixed deposits placement less than 3 months (note 22 (b))	52,398	38,949
Cash and cash equivalents	60,349	52,657
Fixed deposits placement more than 3 months (note 22 (b))	2,186	7,627
	62,535	60,284

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

Notes to the Financial Statements

for the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

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

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

The address of the Company's registered office is as follows:
80 Raffles Place
UOB Plaza
Singapore 048624

The address of the Company's principal place of business is as follows:
3 Anson Road
#28-01, Springleaf Tower
Singapore 079909

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Company, which are presented in Singapore dollars ($) and rounded to the nearest thousand ($'000), have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act.

The preparation of the financial statements in conformity with FRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of available-for-sale financial assets and all financial derivatives.

(b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the applicable new and revised standards which are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Company.

2. Significant Accounting Policies (continued)

(c) Standards Issued but Not Yet Effective

The Company has not adopted the following applicable standards that have been issued but not yet effective:

		Effective for annual periods beginning on or after
i)	Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
	Improvements to FRSs (November 2014)	
ii)	Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
iii)	Amendments to FRS 19 Employee Benefits	1 January 2016
iv)	Amendments to FRS 1 Disclosure Initiative	1 January 2016
v)	FRS 115 Revenue from Contracts with Customers	1 January 2017
vi)	FRS 109 Financial Instruments	1 January 2018

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

(d) Revenue Recognition

(i) Premium income

Premium income from direct and facultative reinsurance business is taken up as income at the time a policy is issued which approximates the inception date of the risk.

Premium income from treaty reinsurance is taken up in the insurance revenue account based on statements received up to the time of closing of the books.

(ii) Investment income

Dividend income is recognised when such dividends are declared. Interest income is accounted for on an accrual basis using the effective interest method. Profits or losses on disposal of investments are taken to profit or loss.

(e) Product Classification

All the Company's existing products are insurance contracts as defined in FRS 104. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Notes to the Financial Statements

for the financial year ended 31 December 2015

2. Significant Accounting Policies (continued)

(f) Reserve for Unexpired Risks

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

Unearned premium reserves are calculated on the following basis:

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

(ii) Unearned premium reserves on marine cargo direct business are calculated at 25% of the gross premiums written less premiums on reinsurances.

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

Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserves in relation to such policies.

Reserve for unexpired risks are compared with the report issued by a certifying actuary, which is prepared for a valuation of the premium liabilities in accordance with Section 37 of the Insurance Act, Cap. 142, on a yearly basis.

(g) Deferred Acquisition Costs

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

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

(h) Reinsurance

The Company assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

(i) Claims Paid and Reserve for Outstanding Claims

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

Provision is made for the estimated costs of all claims notified but not settled as at the balance sheet date using the best information available at that time for individual cases. Provision is also made for the estimated costs of claims incurred but not reported (IBNR) as at the balance sheet date using statistical methods and compared with the assessment of a certifying actuary as required under the Insurance Act. The Company does not discount its reserve for outstanding claims. Any reduction or increase in the reserve is dealt with in the insurance revenue account of the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account of the year in which settlement takes place. For claims from assumed reinsurance, an additional reserve is made based on developmental trends as discerned in the running-off of outstanding claims in respect of prior underwriting years.

As explained in Note 4, the assumptions used to estimate the reserve require judgement and are subject to uncertainty.

2. Significant Accounting Policies (continued)

(i) Claims Paid and Reserve for Outstanding Claims (continued)

Liabilities and related assets under liability adequacy test

Insurance contracts are tested for adequacy by comparing current estimates of all future contractual cash flows with the carrying value of the liability. Where a shortfall is identified, an additional reserve is made and the Company recognises the deficiency in profit or loss for the financial year.

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

(k) Trade and Other Debtors

Trade debtors comprise receivables related to insurance contracts and include amounts due from policyholders, agents and reinsurers. Bad debts are written off when identified and specific provisions for impairment are made for those debts considered to be doubtful. Other debtors including amount owing by related companies are recognised and carried at amortised cost less an allowance for doubtful debts on any uncollectible amounts. The accounting policies applicable to trade and other debtors can be found in Note 2(n)(ii).

(l) Fixed Assets and Depreciation

All items of fixed assets are initially recorded at cost. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:

	%
Furniture and fixtures	10
Office equipment	20
Motor vehicles	20

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down to its recoverable amount. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been charged to the profit or loss had the provision not been made.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit or loss in the year the asset is derecognised.

2. Significant Accounting Policies (continued)

(m) Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(n) Financial Assets

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instruments.

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, reevaluates this at every reporting date.

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Cash and bank balances, fixed deposits, receivables arising from insurance contracts and other debtors are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

2. Significant Accounting Policies (continued)

(n) Financial Assets (continued)

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities - other than those that meet the definition of loans and receivables - that the Company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that at initial recognition are either designated in this category or not classified in any of the other categories. Under some rare circumstances, a non-derivative financial asset that has been classified in other categories at initial recognition can be reclassified into the available-for-sale category.

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

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Pursuant to FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Asset, investments that are reclassified from other categories into the available-for-sale category are recognised at fair value as at date of reclassification if the reclassification takes place on or after 1 November 2008 or at fair value as at 1 July 2008 if the reclassification is made prior to 1 November 2008.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Investments in equity instruments classified as available-for-sale financial assets whose fair value cannot be reliably measured are measured at cost less impairment loss. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Financial derivatives with positive and negative fair values are presented as assets and liabilities in the balance sheet respectively.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of investment securities classified as available-for-sale are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Gains and losses on loans and receivables and held-to-maturity investments are recognised in profit or loss when the loans and receivables and held-to-maturity investments are derecognised or impaired, as well as through the amortisation process.

Notes to the Financial Statements

for the financial year ended 31 December 2015

2. Significant Accounting Policies (continued)

(o) Financial Liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

(ii) Financial liabilities at amortised cost

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

Derecognition

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

(p) Offsetting of Financial Instruments

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

2. Significant Accounting Policies (continued)

(q) Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Significant Accounting Policies (continued)

(q) Impairment of Financial Assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are subject to impairment review at each balance sheet date. Impairment loss is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in fair value below cost and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

(r) Trade and Other Creditors

Liabilities for trade and other creditors and amounts owing to related companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(s) Foreign Currency

(i) Functional currency

The financial statements of the Company are presented in Singapore dollars, which is the functional currency of the Company.

(ii) Transactions and balances

Foreign currency monetary assets and liabilities are converted to Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are converted into the functional currency using the rates of exchange ruling on the transaction dates. Exchange differences are taken up in the insurance revenue accounts or in profit or loss as appropriate.

Exchange differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Exchange differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated under the available-for-sale investment reserve in equity.

2. Significant Accounting Policies (continued)

(t) Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(u) Deferred Income Tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements at the balance sheet date. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(v) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, and fixed deposits.

(w) Dividend Distribution

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

2. Significant Accounting Policies (continued)

(x) Employees' Benefits

(i) Defined contribution plan

As required by law, the Company makes contributions to the state pension scheme, the Central Provident Fund (CPF) CPF contributions are recognised in compensation expense in the same period as the employment that gives rise to the contributions.

(ii) Employees' leave entitlement

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(y) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(z) Associate

An associate is an entity over which the Company has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Company's investment in material associate is accounted for using the equity method.

The Company accounts for its investments in associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Company's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associate. Distributions received from associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Company recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Company and associate are eliminated to the extent of the interest in the associate.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in associate. The Company determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate is prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

2. Significant Accounting Policies (continued)

(aa) Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(ab) Segment Reporting

The Company is organised into operating segments based on its separate fund accounts in accordance with the Singapore Insurance Act (Chapter 142). Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

(ac) Related Parties

A related party is a person or entity that is related to the Company.

(i) A person or a close member of that person's family is related to the Company if that person:
- (a) has control or joint control over the Company;
- (b) has significant influence over the Company; or
- (c) is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:
- (a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (c) Both entities are joint ventures of the same third party;
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (f) The entity is controlled or jointly controlled by a person identified in (i); and
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Principal Activities

The principal activities of the Company is the underwriting of general insurance business. There have been no significant changes in the nature of these activities during the financial year.

4. Judgements and Inherent Uncertainty in Accounting Estimates

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of Available-for-sale Investments

The Company records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. There was an impairment loss recognised for available-for-sale financial assets for the financial year ended 31 December 2015 amounting to $3,416,000 (2014: Nil).

4. Judgements and Inherent Uncertainty in Accounting Estimates (continued)

(b) Insurance Risks

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

As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to the 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 ensure that all risks accepted meet with its guidelines and standards.

The Company's business is primarily derived from Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio. 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 include protection of shareholders' fund, smoothing out the peaks and troughs of underwriting result, providing the Company with competitive advantage, sound and diversified reinsurance securities and developing long-term strategic partnership with key reinsurers.

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The principal uncertainty in the Company's financial statements primarily arises in the technical reserves which include the reserves of premium and claim liabilities. The premium liabilities comprise reserve for unexpired risks, net of deferred acquisition cost while the claim liabilities comprise reserve for outstanding claims and their values are carried in the balance sheet as disclosed in Notes 16, 17 and 18 to the financial statements.

Although the premium and claim liabilities are estimated based on management's best knowledge and judgement of current facts including consultations with its certifying actuary as at the balance sheet date, the actual outcome may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

For general insurance contracts, claims reserve, comprising provision for claims reported by policyholders and claims incurred but not reported (IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date. The provisions are revised continuously as part of a regular ongoing process as claims are settled and further claims are reported.

(i) Estimation process

The claims reserve estimation process involves estimation of reserve of outstanding reported claims (case reserves), and estimation of additional reserves for IBNR and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims incurred but not enough reported (IBNER). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined by the 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 reserve, the actuary uses a variety of statistical projection techniques like the Chain Ladder and Bornhuetter-Ferguson methods. Claims reserve is separately analysed by class of business and it is intended to provide a minimum of 75% level of assurance of adequacy, and as such include a provision for adverse deviation (PAD) beyond the best estimate of the claim liabilities.

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

4. Judgements and Inherent Uncertainty in Accounting Estimates (continued)

(b) Insurance Risks (continued)

(ii) 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 and variability around those expected amounts. In estimating the required claims reserve, 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.

(iii) Sensitivities

The estimates of premium and claim liabilities are an inherently uncertain process. The uncertainty may be due to a number of factors, which include variation in the mix of risks insured, changes in social and legal environments, which affect the final settlement costs of unsettled claims, and changes in claim management procedures and, as a consequence of this uncertainty, the eventual value of premium and claim liabilities can vary from the initial estimates.

The following table shows an analysis of sensitivity performed by the certifying actuary on the technical balances (i.e. reserve for unexpired risks and reserve for outstanding claims, net of reinsurers' share and deferred acquisition cost) on selected scenarios:

Selected Assumption	Movement	Actuary's Adjusted Estimates $'000	Actuary's Original Estimates $'000	Difference $'000
2015				
Selected ultimate loss ratio	Increase by 3%	85,812	84,148	1,664
	Decrease by 3%	82,483	84,148	(1,665)
	Increase by 1%	84,702	84,148	554
	Decrease by 1%	83,592	84,148	(556)
Investment Yield	Increase by 3%	83,113	84,148	(1,035)
	Decrease by 3%	N/A [1]	84,148	N/A [1]
	Increase by 1%	83,788	84,148	(360)
	Decrease by 1%	84,520	84,148	372
2014				
Selected ultimate loss ratio	Increase by 3%	90,290	88,464	1,826
	Decrease by 3%	86,788	88,464	(1,676)
	Increase by 1%	89,055	88,464	591
	Decrease by 1%	87,905	88,464	(559)
Investment Yield	Increase by 3%	87,269	88,464	(1,195)
	Decrease by 3%	N/A [1]	88,464	N/A [1]
	Increase by 1%	88,052	88,464	(412)
	Decrease by 1%	88,890	88,464	426

As the Company's estimates are higher than the certifying actuary's estimates under all selected scenarios, the Company's profit and loss, and equity are not sensitive to changes in the variables tested in the selected scenarios.

[1] There is no result for the reduction of the investment yield by three percentage points because the original investment yield is only 1%.

Notes to the Financial Statements
for the financial year ended 31 December 2015

5. Other Income

		2015 $'000	2014 $'000
(a)	Dividend income from:		
	Available-for-sale investments		
	– Equity investments	5,344	5,719
	– Unit trusts	487	107
		5,831	5,826
(b)	Interest income from:		
	Available-for-sale investments		
	– Other Government securities	508	259
	– Fixed income securities	6,094	6,432
		6,602	6,691

6. Management Expenses

Included in management expenses are the following:

	Charged to insurance revenue account	
	2015 $'000	2014 $'000
Depreciation on:		
Furniture and fixtures	19	16
Office equipment	80	82
	99	98
Auditor's remuneration:		
Payable to the auditors of the Company – audit fees		
– Current year	135	135
	135	135
Foreign exchange loss	186	6
Rental expenses	1,255	1,250
License/levy	198	185
Printing and stationery	167	162
Upkeep of application software	395	586

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

7. Staff Information (Including an Executive Director)

	2015 $'000	2014 $'000
Wages, salaries and other employee benefits	6,540	6,410
Central Provident Fund contribution	696	625
	7,236	7,035

	2015	2014
Number of persons employed at the end of year	97	98

8. Directors' Remuneration

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

	2015	2014
$500,000 to $749,999	1	1
$250,000 to $499,999	–	–
Below $250,000	6	5
Total	7	6

9. Income Tax

(a) Tax Expense

The tax expense attributable to profit is made up of:

	2015 $'000	2014 $'000
On the profit of the year:		
Singapore current income tax (note 9(b))	3,870	5,189
Transfer from deferred taxation (note 15)	325	31
Income tax expenses recognised in profit and loss	4,195	5,220

The tax expense on the results of the Company for the financial year differs from the theoretical amount that would arise by applying the Singapore statutory income tax rate to profit before tax due to the following:

	2015 $'000	2014 $'000
Profit before tax	26,572	35,579
Tax calculated at a tax rate of 17% (2014: 17%)	4,517	6,048
Singapore statutory stepped income exemption	(26)	(26)
Exempt income	(562)	(731)
Expenses not deductible for tax purposes	693	598
Income not subject to tax	(323)	(371)
Income tax rebate	(20)	(30)
Income from qualifying debt securities and offshore insurance, taxed at a rate of 10%	(279)	(385)
Others	195	117
Actual tax expense	4,195	5,220

(b) Movements in Tax Payables

	2015 $'000	2014 $'000
Balance at beginning of the financial year	8,617	5,833
Income tax paid	(6,321)	(2,405)
Current financial year's tax payable on profit	3,870	5,189
Balance at end of the financial year	6,166	8,617

10. Earnings Per Share

Earnings per share is calculated by dividing the profit after tax attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2015 $'000	2014 $'000
Net profit	22,377	30,359
Weighted average number of ordinary shares ('000)	61,155	61,155
Basic and diluted earnings per share	36.59 cents	49.64 cents

11. Dividend Paid

	2015 $'000	2014 $'000
Interim dividend of 3 cents per share (one-tier tax-exempt) (2014: 3 cents per share one-tier tax-exempt in respect of the financial year 2014), in respect of the financial year 2015	1,835	1,835
Special dividend of 2 cents per share (one-tier tax-exempt) (2014: 2 cents per share one-tier tax-exempt in respect of the financial year 2013), in respect of the financial year 2014	1,222	1,222
Final dividend of 12 cents per share (one-tier tax-exempt) (2014: 12 cents per share one-tier tax-exempt in respect of the financial year 2013), in respect of the financial year 2014	7,339	7,339
	10,396	10,396

The directors have proposed a final one-tier tax-exempt dividend of 12 cents per share and a special one-tier tax-exempt dividend of 2 cents per share in respect of the financial year ended 31 December 2015 amounting to $8,561,000. These financial statements do not reflect this dividend payable, which, if approved at the forthcoming Annual General Meeting, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2016.

12. Share Capital

	2015		2014	
	No. of shares issued '000	$'000	No. of shares issued '000	$'000
Issued and fully paid, at beginning and end of the financial year	61,155	91,733	61,155	91,733

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

13. Capital Management

The Company has established a capital management policy to ensure that the Company maintains adequate capital to support business growth, taking into consideration regulatory requirements, and the underlying risks of the Company's business and operations. Capital includes equity attributable to the owners of the Company less the available-for-sale investment reserve.

The Company's capital management processes include the following key measures:

- observing an established dividend policy, which aims to support the Company's business needs, comply with regulatory requirements and reward shareholders reasonably;
- setting appropriate risk limits to control the Company's exposure in the underlying risks of its business and operations;
- investing the Company's funds in liquid and marketable securities and following an appropriate asset allocation strategy to maintain high liquidity and achieve the Company's objective in growth and preservation of capital; and
- stress-testing the Company's financial conditions and capital adequacy under various stress scenarios to assess and enhance the Company's financial stability.

The Company is also required to maintain a minimum amount of capital and solvency requirements as prescribed under the Singapore Insurance Act (Chapter 142) and relevant Regulations. The Company has complied with such requirements during the financial year. The Company monitors its capital level on a regular basis to assess whether the capital adequacy requirements have been met.

The Company has no borrowings, contingent liabilities and loan capital as at 31 December 2015. There was no change in the Company's capital management objectives, policies and processes during the years ended 31 December 2015 and 31 December 2014.

14. General Reserve

In each financial year, a certain amount of retained profits may be transferred to general reserve of the Company. The general reserve has not been earmarked for any particular purpose. In the year of 2015, there is no transfer of retained profits to general reserve.

15. Deferred Tax Liabilities

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

	Balance sheet		Profit and loss	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Differences in tax depreciation	**45**	51	**(6)**	18
Differences in interest receivable	**213**	205	**7**	13
Differences in impairment on investment	**–**	(323)	**324**	–
Deferred income tax related to other comprehensive income:				
Revaluation of available-for-sale investments				
– Balance at 1 January	**4,612**	3,676	**–**	–
– (Debited)/credited during the financial year directly against available-for-sale investment reserve	**(724)**	936	**–**	–
Balance at 31 December	**4,146**	4,545		
Deferred income tax expense			**325**	31

16. Reserve for Unexpired Risks

Movements in reserve for unexpired risks:

	2015			2014		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	64,007	(39,697)	24,310	65,143	(39,700)	25,443
Movement in reserve during the financial year	(3,114)	2,557	(557)	(1,136)	3	(1,133)
Balance at end of the financial year	60,893	(37,140)	23,753	64,007	(39,697)	24,310

17. Deferred Acquisition Costs

	2015			2014		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	8,320	(9,947)	(1,627)	8,295	(9,890)	(1,595)
Movement in deferred acquisition cost during the financial year	(432)	519	87	25	(57)	(32)
Balance at end of the financial year	7,888	(9,428)	(1,540)	8,320	(9,947)	(1,627)

18. Reserve for Outstanding Claims

Reserve for outstanding claims will become payable and materialise into claims paid as and when the amounts of insured losses suffered by policyholders or third party claimants are ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the reserve is not ascertainable but is likely to fall within six years.

The reserve is sensitive to many factors such as interpretation of circumstances, legislative changes, judicial decisions and economic conditions and is also subject to uncertainties such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder or a third party claimant an insured loss;

- uncertainty as to the extent of policy coverage and limits applicable; and

- uncertainty as to the amount of insured loss suffered by a policyholder or a third party claimant as a result of the event occurring.

Movements in reserve for outstanding claims:

	2015			2014		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	165,748	(99,773)	65,975	170,095	(104,336)	65,759
Claims paid during the financial year	(44,799)	27,088	(17,711)	(34,792)	16,581	(18,211)
Claims incurred	23,064	(7,324)	15,740	30,445	(12,018)	18,427
Balance at end of the financial year	144,013	(80,009)	64,004	165,748	(99,773)	65,975

18. Reserve for Outstanding Claims (continued)

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

Accident Year	2005 & prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total ($'000)
Estimate of claims incurred – **gross**												
– at end of accident year		25,614	35,096	36,694	33,901	41,749	44,992	50,653	80,354	51,991	49,497	
– one year later		27,680	34,685	39,358	34,687	43,718	54,297	53,641	79,297	54,793		
– two years later		24,376	34,065	38,386	32,437	41,440	51,295	51,420	64,022			
– three years later		22,937	31,464	35,064	29,598	38,125	48,677	46,423				
– four years later		21,228	29,600	33,879	27,205	34,661	43,555					
– five years later		20,105	28,846	29,886	25,430	33,576						
– six years later		18,172	22,126	26,408	23,734							
– seven years later		16,183	15,541	25,631								
– eight years later		16,094	15,411									
– nine years later		16,239										
Current estimate of cumulative claims		16,239	15,411	25,631	23,734	33,576	43,555	46,423	64,022	54,793	49,497	
Less: cumulative claims paid to date		15,818	14,693	21,824	21,458	27,275	34,332	28,827	36,758	21,352	7,146	
Liability recognised in the balance sheet	615	421	718	3,807	2,276	6,301	9,223	17,596	27,264	33,441	42,351	**144,013**
Estimate of claims incurred – **net**												
– at end of accident year		9,785	11,076	13,528	14,784	20,394	22,500	24,853	27,458	22,829	24,872	
– one year later		10,003	10,554	13,997	12,433	20,277	26,822	23,624	26,472	22,111		
– two years later		8,750	10,766	14,496	12,347	19,860	25,989	23,702	25,101			
– three years later		8,095	9,262	12,737	10,625	18,338	25,338	21,261				
– four years later		7,292	8,388	12,251	9,760	17,172	22,218					
– five years later		6,789	8,004	11,656	9,181	16,533						
– six years later		6,099	7,144	10,956	8,688							
– seven years later		5,565	6,845	10,686								
– eight years later		5,618	6,816									
– nine years later		5,815										
Current estimate of cumulative claims		5,815	6,816	10,686	8,688	16,533	22,218	21,261	25,101	22,111	24,872	
Less: cumulative claims paid to date		5,490	6,601	9,945	7,838	13,543	17,240	14,176	14,081	8,991	2,629	
Liability recognised in the balance sheet	437	325	215	741	850	2,990	4,978	7,085	11,020	13,120	22,243	**64,004**

19. Available-for-sale Investment Reserve

Available-for-sale investment reserve records the cumulative fair value changes of available-for-sale investments, net of deferred income tax, until they are derecognised or impaired.

	2015 $'000	2014 $'000
Balance at 1 January	22,438	17,928
Net change in the reserve, net of tax	(6,333)	4,510
Net impairment loss recognised on investments, net of tax	2,835	–
Balance at 31 December	18,940	22,438
Net change in the reserve arises from:		
– Net (loss)/gain on fair value changes during the financial year, net of tax	(6,040)	9,334
– Recognised in the profit and loss account on disposal of investments, net of 17% tax (2014: 17%)	(293)	(4,824)
	(6,333)	4,510

20. Amount Owing to Trade and Non-trade Creditors

	2015 $'000	2014 $'000
Amount owing to policyholders and agents	197	158
Amount owing to reinsurers	10,554	9,697
Amount retained from reinsurers	4,613	4,823
Insurance creditors	15,364	14,678
Non-trade creditors and accrued liabilities	3,119	2,990
Amount owing to related companies	2,459	2,094
Total financial liabilities carried at amortised cost	20,942	19,762

(i) Amount Owing to Policyholders, Agents and Reinsurers

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

20. Amount Owing to Trade and Non-trade Creditors (continued)

(ii) Amount Retained from Reinsurers

	2015		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount retained from reinsurers	**4,624**	**(11)**	**4,613**

	2014		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount retained from reinsurers	4,836	(13)	4,823

These amounts are interest bearing. They are normally settled on yearly basis.

(iii) Non-trade Creditors and Accrued Liabilities
These amounts are unsecured, non-interest bearing and repayable on demand.

(iv) Amount Owing to Related Companies
These amounts are unsecured, non-interest bearing and repayable on demand.

21. Financial Derivatives
Financial derivatives are instruments whose values change in response to the change in prices of the underlying instruments.

The Company transacts in forward contracts to manage its foreign exchange exposure arising from investment in fixed income securities denominated in foreign currencies.

The table below shows the Company's forward contracts and their fair values measured by valuation technique with market observable inputs at the balance sheet date. The most frequently applied valuation techniques include forward pricing models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates. They are classified as level 2 in the fair value hierarchy. These amounts do not necessarily represent future cash flows and amounts at risk of the forward contracts.

	2015			2014		
Recurring fair value measurements	**Contract/ notional amount $'000**	**Derivative financial assets $'000**	**Derivative financial liabilities $'000**	Contract/ notional amount $'000	Derivative financial assets $'000	Derivative financial liabilities $'000
Foreign exchange forwards						
Sell USD/Buy SGD	**37,261**	**3**	**128**	62,360	11	1,199
Buy USD/Sell SGD	**706**	**2**	**–**	5,959	–	9

For the year ended 31 December 2015, the Company recognised net unrealised fair value gains on financial derivatives of $1,074,000 (2014: net unrealised fair value loss $354,000).

The foreign exchange forward contracts have maturity dates in February 2016 (2014: February 2015).

22. Bank Balances and Fixed Deposits

(a) Cash and Bank Balances

	2015 $'000	2014 $'000
Bank balances with:		
Holding company	5,549	7,140
Fellow subsidiaries	536	436
Other financial institutions	1,864	6,130
Cash on hand	2	2
	7,951	13,708

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

(b) Fixed Deposits

	2015 $'000	2014 $'000
Fixed deposits with:		
Holding company	5,052	1,151
Other financial institutions	49,532	45,425
	54,584	46,576
Fixed deposits with:		
3 months or less	52,398	38,949
More than 3 months	2,186	7,627
	54,584	46,576

The Company's fixed deposits with the holding company and other financial institutions mature on varying dates within 6 months (2014: 6 months) from the financial year end and earn interest at the respective fixed deposit rates. The weighted average effective interest rate of these deposits at 31 December 2015 for the Company was 0.76% (2014: 0.31% for the Company) per annum.

	2015 $'000	2014 $'000
Total bank balances and fixed deposits	62,535	60,284

23. Loans and Receivables

	2015 $'000	2014 $'000
Bank balances and fixed deposits	**62,535**	60,284
Amount due from policyholders and agents (Note 24 (i))	**5,789**	6,271
Amount due from reinsurers (Note 24 (ii))	**6,294**	4,008
Amount retained by ceding companies (Note 24 (iii))	**1,829**	1,795
Insurance debtors	**13,912**	12,074
Non-trade debtors and accrued interest receivable (excluding prepayments of $327,000 in 2015 and $305,000 in 2014)	**2,518**	2,649
Loans and receivables	**78,965**	75,007

24. Amount Due from Policyholders and Agents, Reinsurers and Ceding Companies

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

(i) Amount Due from Policyholders and Agents

	2015		
	Gross carrying amount $'000	**Gross amount offset in the balance sheet $'000**	**Amount in the balance sheet $'000**
Amount due from policyholders and agents (Note 23)	**7,257**	**(1,468)**	**5,789**
Amount owing to policyholders and agents (Note 20)	**(1,665)**	**1,468**	**(197)**

	2014		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount due from policyholders and agents (Note 23)	7,377	(1,106)	6,271
Amount owing to policyholders and agents (Note 20)	(1,264)	1,106	(158)

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

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

(ii) Amount Due from Reinsurers

	2015		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount due from reinsurers (Note 23)	47,235	(40,941)	6,294
Amount owing to reinsurers (Note 20)	(51,495)	40,941	(10,554)

	2014		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount due from reinsurers (Note 23)	16,105	(12,097)	4,008
Amount owing to reinsurers (Note 20)	(21,794)	12,097	(9,697)

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

(iii) Amount Retained by Ceding Companies

	2015		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount retained by ceding companies (Note 23)	1,840	(11)	1,829

	2014		
	Gross carrying amount $'000	Gross amount offset in the balance sheet $'000	Amount in the balance sheet $'000
Amount retained by ceding companies (Note 23)	1,808	(13)	1,795

25. Associated Company

This represents the Company's investment in the following company:

Name of company	Country of incorporation & place of business	Principal activity	Cost of investment		% of paid-up capital held by the Company	
			2015	2014	2015	2014
			$'000	$'000	%	%
United Insurance Agency Pte Ltd*	Singapore	General Insurance Agent	**1**	1	**49**	49

* Audited by KPMG LLP, Singapore

26. Available-for-sale Investments

		2015	2014
		Fair value	Fair value
		$'000	$'000
(i)	Current		
	Equity shares in corporations	**69,876**	93,027
	Fixed income securities in corporations	**8,794**	4,257
		78,670	97,284
(ii)	Non-current		
	Equity shares in corporations	**47,175**	47,971
	Unit trusts	**71,798**	62,364
	Fixed income securities in corporations	**139,558**	133,005
	Other Government securities	**15,367**	12,799
		273,898	256,139
	Total	**352,568**	353,423

The fixed income securities bear an effective weighted average interest rate of 4.16% (2014: 4.49%) per annum with maturity dates from October 2016 to December 2049 (2014: February 2015 to December 2049).

The other government securities bear an effective weighted average interest rate of 3.69% (2014: 3.59%) per annum with maturity dates from November 2020 to April 2023 (2014: April 2022 to April 2023).

26. Available-for-sale Investments (continued)

Fair Value Measurements

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

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

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

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

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

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

	2015			
Recurring fair value measurements	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity shares in corporations	117,051	–	–	117,051
Fixed income securities in corporations	148,352	–	–	148,352
Other Government securities	15,367	–	–	15,367
Unit trusts	71,798	–	–	71,798
	352,568	–	–	352,568

	2014			
Recurring fair value measurements	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Equity shares in corporations	140,998	–	–	140,998
Fixed income securities in corporations	137,262	–	–	137,262
Other Government securities	12,799	–	–	12,799
Unit trusts	62,364	–	–	62,364
	353,423	–	–	353,423

The fair value of investments traded in active markets is based on the quoted market bid prices at the balance sheet date. These investments are included in Level 1.

26. Available-for-sale Investments (continued)

Fair Value Measurements (continued)

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices, dealer quotes or net tangible asset values for similar instruments as well as other techniques, such as estimated discounted cash flows are used to estimate fair value of these instruments. These investments are included in Level 2.

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

Reclassification of Financial Assets

In September 2008, the equity markets plunged after the incidences of Lehman Brothers and AIG. Arising from these circumstances, on 31 October 2008 the Company decided to reclassify all its investments at fair value through profit or loss out of such category into the available-for-sale category. Pursuant to the Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Assets, the aforesaid reclassification took effect from 1 July 2008 ("effective date of reclassification"). The amounts reclassified out of investments at fair value through profit or loss and into available-for-sale investments category, their carrying amount and fair value are as follows:

		‹Reclassified assets held on 31 December›	
		2015	2014
	Fair value as at date of reclassification $'000	Carrying amount/ fair value $'000	Carrying amount/ fair value $'000
Equity shares in corporations	2,140	–	–
Fixed income securities in corporations	23,006	–	1,781
Singapore Government securities	4,900	–	–
Unit trusts	22,306	1,180	1,011
	52,352	1,180	2,792

As at the date of reclassification, the Company expected to recover the carrying amount of the aforesaid investments in full when the conditions in the equity markets improve.

During the year, investments of carrying amount of $1,658,000 were sold and a gain of $123,000 was recognised in the profit and loss accounts.

If the aforesaid reclassification had not been carried out, an unrealised fair value loss of $40,000 (2014: unrealised fair value loss of $85,000) would have been recognised in the profit or loss.

27. Fixed Assets

	Furniture and fixtures $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost				
At 1 January 2014	345	2,219	49	2,613
Additions	31	144	–	175
Disposals	–	(324)	–	(324)
At 31 December 2014 and 1 January 2015	376	2,039	49	2,464
Additions	13	85	–	98
Disposals	–	(179)	–	(179)
At 31 December 2015	**389**	**1,945**	**49**	**2,383**
Accumulated depreciation				
At 1 January 2014	252	2,056	49	2,357
Depreciation charge for the year	16	82	–	98
Disposals	–	(324)	–	(324)
At 31 December 2014 and 1 January 2015	268	1,814	49	2,131
Depreciation charge for the year	19	80	–	99
Disposals	–	(179)	–	(179)
At 31 December 2015	**287**	**1,715**	**49**	**2,051**
Net book value				
At 31 December 2014	108	225	–	333
At 31 December 2015	**102**	**230**	**–**	**332**

Fully Depreciated Assets

Original cost of fully depreciated assets still in use as at 31 December 2015 amounted to $1,811,000 (2014: $1,866,000).

28. Commitments

At the balance sheet date, the Company has rental commitments under a non-cancellable operating lease. The minimum lease payments are:

	2015 $'000	2014 $'000
Lease which expires:		
Within one year	**1,306**	1,146
Between one and three years	**2,504**	–
	3,810	1,146

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2015 amounted to $1,255,000 (2014: $1,250,000).

29. Related Party Transactions

The following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

	2015 $'000	2014 $'000
Gross premium income from:		
– Holding company	6,649	6,613
– Related companies	88	66
– Associated companies of the holding company	958	821
Commission expenses paid to:		
– Holding company	6,711	6,337
– Related company	57	54
– Associated company	768	990
Gross claims incurred from:		
– Holding company	767	(10,826)
– Related companies	2	13
– Associated companies of the holding company	1,246	(419)
Rental paid to an associated company of the holding company	1,255	1,250
Management fee received from an associated company of the holding company	750	750
Management fee charged by a related company	936	968
Service fee charged by holding company	2,190	1,836
Interest income earned from Holding company	7	3
Compensation of key management personnel		
– Directors of the Company	878	838

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

30. Segment Information

	SIF $'000	OIF $'000	SHF $'000	Total $'000
For Year 2015				
Gross premiums written	84,567	20,316	–	104,883
Net earned premiums	33,644	9,990	–	43,634
Net claims incurred	9,706	6,034	–	15,740
Net commissions	(5,452)	925	–	(4,527)
Management expenses	10,289	2,034	–	12,323
Underwriting profit	19,101	997	–	20,098
Interest income from investments	3,685	666	2,251	6,602
Interest on fixed deposits and bank balances	112	75	43	230
Other (loss)/income – net	(887)	478	96	(313)
Miscellaneous income/(management expenses) not included in insurance revenue account – net	55	(155)	55	(45)
Profit before tax	22,066	2,061	2,445	26,572
Tax expense	(3,804)	(278)	(113)	(4,195)
Profit after tax	18,262	1,783	2,332	22,377
Segment total assets as at 31 December 2015	328,939	67,763	160,533	557,235
Segment total liabilities as at 31 December 2015	204,182	37,183	4,351	245,716
For Year 2014				
Gross premiums written	89,161	18,953	–	108,114
Net earned premiums	34,498	10,062	–	44,560
Net claims incurred	14,106	4,321	–	18,427
Net commissions	(2,637)	1,745	–	(892)
Management expenses	9,331	1,650	–	10,981
Underwriting profit	13,698	2,346	–	16,044
Interest income from investments	3,746	638	2,307	6,691
Interest on fixed deposits and bank balances	55	34	20	109
Other income/(loss) – net	1,868	(36)	9,455	11,287
Miscellaneous income not included in insurance revenue account – net	718	131	599	1,448
Profit before tax	20,085	3,113	12,381	35,579
Tax expense	(3,867)	(378)	(975)	(5,220)
Profit after tax	16,218	2,735	11,406	30,359
Segment total assets as at 31 December 2014	350,518	64,161	162,191	576,870
Segment total liabilities as at 31 December 2014	232,598	34,819	6,417	273,834

The Company is principally engaged in the business of underwriting general insurance. With different operating segments, its businesses are segregated into separate fund accounts in accordance with the requirements of the Singapore Insurance Act (Chapter 142).

30. Segment Information (continued)

As required under the Singapore Insurance Act, the Company has established and maintained a Singapore Insurance Fund (SIF) for insurance business relating to Singapore policies and an Offshore Insurance Fund (OIF) for insurance business relating to offshore policies. Shareholders' Fund (SHF) relates to the Company's investment activities of its non-insurance funds.

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

Information about Major External Customers

For the year ended 31 December 2015 and the preceding period, the Company did not have any external customer whose premium income exceeded 10% of the Company's total revenue.

Geographical Information

Geographical information of the Company's revenue derived from external customers based on location of insurance risks and non-current assets are as follows:

	Revenue for		Non-current assets as at	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Singapore	**78,226**	82,749	**332**	333
ASEAN countries	**14,701**	12,967	**–**	–
Others	**4,261**	4,898	**–**	–
	97,188	100,614	**332**	333

The Company's non-current assets presented above consist of fixed assets only.

31. Financial Risk Factors and Management

The Company's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(i) Foreign Exchange Risk

The Company has transactional currency exposures arising from its offshore insurance business.

The Company is also exposed to foreign exchange risk arising from its investing activities. The Company transacts in forward contracts to manage its foreign exchange exposure arising from investment in fixed income securities denominated in foreign currencies. Other than its investment in fixed income securities, the Company does not consider its exposure to foreign exchange risk to be significant.

31. Financial Risk Factors and Management (continued)

(i) Foreign Exchange Risk (continued)

The Company monitors its exposure in each foreign currency as well as its aggregate exposure in all foreign currencies on a regular basis. The Company's net position in foreign currencies is as follows:

	Total net assets/(liabilities) position			
	2015		2014	
	Amount in foreign currency	Amount in reporting currency	Amount in foreign currency	Amount in reporting currency
	1,000 units	$'000	1,000 units	$'000
Australian Dollar	804	830	693	751
Chinese Renminbi	(1,620)	(355)	(687)	(141)
Euro	(2)	(2)	(1)	(1)
Hong Kong Dollar	80,962	14,933	128,125	22,012
Indian Rupee	(91,276)	(2,094)	(18,796)	(487)
Indonesian Rupiah	50,152,083	5,138	62,386,883	6,630
Japanese Yen	(12,553)	(136)	(25,874)	(305)
Philippine Peso	–	–	22,368	661
Korean Won	(15,555)	(19)	(44,971)	(54)
Malaysian Ringgit	644	212	3,718	1,407
New Taiwan Dollar	109,892	4,714	175,418	7,339
Thai Baht	4,696	179	(5,338)	(210)
US Dollar	21,305	30,114	2,910	3,836
		53,514		41,438

The following table shows the sensitivity of the Company's profit before tax and the Company's equity to a reasonable possible change in the Singapore dollar exchange rate against all other currencies, with all other variables held constant:

	Increase/ Decrease in $ exchange rate	Effect on profit before tax $'000	Effect on equity net of tax $'000
2015	+ 5%	340	1,939
	- 5%	(340)	(1,939)
2014	+ 5%	(194)	1,881
	- 5%	194	(1,881)

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

31. Financial Risk Factors and Management (continued)

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's operating cash outflow commitment is substantially independent of changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to the interest income on the Company's fixed deposits and the fair value of fixed income securities classified as available-for-sale.

During 2015 and as at 31 December 2015, if interest rates had been 10 basis points higher/lower, with all other variables held constant, the Company's profit before tax for the year is estimated to be $203,000 (2014: $182,000) higher/lower, due mainly to higher/lower interest income on fixed deposits and fixed income securities. The Company's equity as at 31 December 2015 is estimated to be $730,000 (2014: $607,000) lower/higher due to unrealised loss/gain on available-for-sale fixed income securities.

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

(iii) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Company has no significant concentration of credit risk.

The Company has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Company has also established a selection and management policy for reinsurers to ensure that they are financially sound.

Notwithstanding the measures taken, the failure of one or more of the Company's policyholders, agents, ceding companies, reinsurers and other counter-parties to honour their contractual obligations, may result in doubtful or bad debts being incurred and this will adversely affect the Company's financial position.

31. Financial Risk Factors and Management (continued)

(iii) Credit Risk (continued)

The Company generally considers that balances outstanding for more than 90 days as due. The ageing summary of balances due to the Company is as follows:

	2015				2014			
	Up to 3 months $'000	3 to 6 months $'000	Above 6 months $'000	Total $'000	Up to 3 months $'000	3 to 6 months $'000	Above 6 months $'000	Total $'000
Amount due from policyholders and agents (Note 24 (i))	4,250	1,059	480	5,789	5,369	575	327	6,271
Amount due from Reinsurers (Note 24 (ii))	2,747	2,889	658	6,294	1,146	1,083	1,779	4,008

There was no movement in the allowance for doubtful debts which was nil as at 31 December 2015 and 31 December 2014.

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

	2015				2014			
	Up to 3 months $'000	3 to 6 months $'000	Above 6 months $'000	Total $'000	Up to 3 months $'000	3 to 6 months $'000	Above 6 months $'000	Total $'000
Amount due from policyholders and agents (Note 24 (i))	5,443	1,119	695	7,257	6,154	804	419	7,377
Amount due from Reinsurers (Note 24 (ii))	29,008	8,488	9,739	47,235	7,312	3,222	5,571	16,105

Financial assets that are neither past due nor impaired

Amounts due from policyholders, agents and reinsurers that are neither past due nor impaired are mainly creditworthy debtors with good payment record with the Company. With regard to other financial assets of the Company, which comprise cash and bank balances, fixed deposits, receivables and investments, they are placed with or entered into with reputable financial institutions or companies with high credit rating and no history of default.

The Company's exposure to credit risk, arising from default of the counterparty, has a maximum exposure equal to the carrying amount of these assets in the balance sheet.

31. Financial Risk Factors and Management (continued)

(iv) Liquidity Risk

The Company is not exposed to significant liquidity risk.

Liquidity risk is the risk that the Company is unable to meet its cash outflow commitment as and when they fall due. These commitments are generally met through cash and time deposits held by the Company and cash inflows generated from its operation, supplemented by assets readily convertible into cash. Liquidity risk may also arise if the cash flows related to assets and liabilities are mismatched.

Due to the nature of its business, the Company's premium and claim liabilities, which comprise reserve for unexpired risks and reserve for outstanding claims, are expected to be short-tail, without contractual maturity date, and likely to be materialised within six years. The Company's available-for-sale investments are mainly marketable securities. The carrying amount of these liabilities and investments are as shown in the Company's balance sheet. In view of the nature of its business and type of assets owned, maturity mismatch is unlikely.

The Company has formulated a liquidity policy to manage its liquidity risk. It is the Company's policy to maintain adequate liquidity at all times. The Company aims to honour all cash outflow commitments on an ongoing basis and to avoid raising funds from credit facilities or through the forced sale of investments.

(v) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Company is exposed to equity price risk arising from its investment in quoted equity instruments and has established an investment policy, which sets maximum exposure limits for its investment portfolio. These quoted equity instruments are listed on the Singapore Exchange in Singapore or other regulated stock exchanges overseas and are classified as available-for-sale financial assets.

At the balance sheet date, if the market prices of the equity investments had been 2% (2014: 2%) higher/lower with all other variables held constant. The Company's equity would have been $3,135,000 (2014: $3,371,000) higher/lower, arising as a result of an increase/decrease in the fair value of available-for-sale equity instruments.

The Company does not have exposure to commodity price risk.

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

32. Fair Values of Financial Instruments

The carrying values of the financial assets and financial liabilities as at the balance sheet date approximate their fair values as shown in the balance sheet.

33. Authorisation of Financial Statements

The financial statements were authorised for issue in accordance with a resolution of the directors on 5 February 2016.

United Overseas Insurance Limited (Incorporated in Singapore)

31 December 2015

Investor Reference

Statistics of Shareholdings

as at 03 March 2016

Distribution of Shareholdings

Size Of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	120	6.77	1,898	0.00
100 – 1,000	302	17.02	200,982	0.33
1,001 – 10,000	1,046	58.96	4,091,616	6.69
10,001 – 1,000,000	302	17.02	17,143,904	28.04
1,000,001 and above	4	0.23	39,716,600	64.94
Total	1,774	100.00	61,155,000	100.00

Public Float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public.

Based on information available to the Company as at 3 March 2016, approximately 41.4% of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

Twenty Largest Shareholders (*as shown in the Register of Members and Depository Register*)

No.	Name	No. of Shares	%
1	Tye Hua Nominees (Pte) Ltd	35,707,500	58.39
2	Ng Poh Cheng	1,758,250	2.88
3	Chong Chew Lim @ Chong Ah Kau	1,166,000	1.91
4	Citibank Nominees Singapore Pte Ltd	1,084,850	1.77
5	Chen Siong Seng	955,000	1.56
6	DBS Nominees (Private) Limited	668,680	1.09
7	India International Insurance Pte Ltd - SIF	603,750	0.99
8	Chan Tut Sai	563,000	0.92
9	Thia Cheng Song	561,200	0.92
10	Chong Chin Chin (Zhang Jingjing)	530,000	0.87
11	Chong Kian Chun (Zhang Jianjun)	512,000	0.84
12	Ng Ean Nee Mrs Chee Ying Lin @ Ooi Ean Nee	500,000	0.82
13	Singapore Reinsurance Corporation Ltd - Shareholders	470,000	0.77
14	Chen Swee Kwong	460,000	0.75
15	Yeoh Phaik Ean	375,000	0.61
16	Teo Guan Seng	340,650	0.56
17	Tan Chong Hock	317,250	0.52
18	Massala Otso Antero	280,000	0.46
19	United Overseas Bank Nominees (Private) Limited	263,700	0.43
20	Tan Suat Lay @ Tan Suat Ngor	245,250	0.40
	Total	47,362,080	77.46

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

	Shareholding registered in the name of substantial shareholder	Other shareholding in which the substantial shareholder is deemed to have an interest
Name of substantial shareholder	No. of Shares	No. of Shares
United Overseas Bank Limited	–	*35,707,500

Note:

* United Overseas Bank Limited is deemed to have an interest in the 35,707,500 UOI shares held by Tye Hua Nominees Private Limited.

Notice of Annual General Meeting

United Overseas Insurance Limited

(Incorporated in the Republic of Singapore)
Company Registration No. 197100152R

Notice is hereby given that the **45th Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 62nd Storey, UOB Plaza 1, Singapore 048624 on Thursday, 21 April 2016 at 11.00 am to transact the following business:

AS ORDINARY BUSINESS

Resolution 1 To receive the Financial Statements, the Directors' Statement and the Auditor's Report for the year ended 31 December 2015.

Resolution 2 To declare a final one-tier tax-exempt dividend of 12 cents per share and a special one-tier tax-exempt dividend of 2 cents per share for the year ended 31 December 2015.

Resolution 3 To approve Directors' fees of $182,500 for 2015 (2014: $182,500).

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

To pass the following resolution:

"THAT _________________, who will retire pursuant to Section 153(6) of the Companies Act, Chapter 50 which was in force immediately before 3 January 2016, be and is hereby re-appointed as a Director of the Company."

Resolution 5 Dr Wee Cho Yaw

Resolution 6 Mr Hwang Soo Jin

Resolution 7 Mr Yang Soo Suan

To re-elect the following Directors:

Resolution 8 Mr Wee Ee Cheong (retiring by rotation)

Resolution 9 Professor Ho Yew Kee (retiring under Article 97)

Resolution 10 Mr Chng Hwee Hong (retiring under Article 97)

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolution:

Resolution 11 "THAT authority be and is hereby given to the Directors of the Company to:

(a) (i) issue ordinary shares in the capital of the Company (**Shares**) whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force,

Notice of Annual General Meeting

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed ten per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (**SGX-ST**)) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting (**AGM**) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

To consider and, if thought fit, pass the following special resolution:

Resolution 12 "THAT the regulations contained in the new Constitution, reproduced in their entirety in Annex 1 of the Appendix to the Notice of Annual General Meeting dated 29 March 2016, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution."

Notes to Resolutions

Resolution 2 is to approve the final and special dividends. The Transfer Books and Register of Members will be closed from 3 May 2016 to 4 May 2016, both dates inclusive, for the preparation of dividends. Registrable transfers received up to 5.00 pm on 29 April 2016 will be entitled to the final and special dividends. If approved, the dividends will be paid on 11 May 2016.

Resolution 3 is to approve Directors' fees for 2015. If approved, the Director's fee payable to Mr Wee Ee Cheong will be paid to United Overseas Bank Limited. Mr David Chan Mun Wai, an employee of the Company, will not receive a Director's fee.

Resolution 5 is to re-appoint Dr Wee Cho Yaw as a director. At the AGM on 23 April 2015, Dr Wee Cho Yaw was re-appointed pursuant to Section 153(6) of the Companies Act to hold office until the 2016 AGM. Section 153(6) was repealed with effect from 3 January 2016. Dr Wee is a non-independent director and will, if re-appointed, continue as chairman of the Board and the Remuneration Committee, and a member of the Nominating Committee.

Resolution 6 is to re-appoint Mr Hwang Soo Jin as a director. At the AGM on 23 April 2015, Mr Hwang Soo Jin was re-appointed pursuant to Section 153(6) of the Companies Act to hold office until the 2016 AGM. Section 153(6) was repealed with effect from 3 January 2016. Mr Hwang is a non-independent director under the Insurance (Corporate Governance) Regulations 2013 and an independent director under the MAS Guidelines*. If re-appointed, he will continue as chairman of the Nominating Committee, and a member of the Audit and Remuneration Committees.

Resolution 7 is to re-appoint Mr Yang Soo Suan as a director. At the AGM on 23 April 2015, Mr Yang Soo Suan was re-appointed pursuant to Section 153(6) of the Companies Act to hold office until the 2016 AGM. Section 153(6) was repealed with effect from 3 January 2016. Mr Yang is a non-independent director under the Insurance (Corporate Governance) Regulations 2013 and an independent director under the MAS Guidelines*. If re-appointed, he will continue as chairman of the Audit Committee, and a member of the Nominating and Remuneration Committees.

Resolution 8 is to re-elect Mr Wee Ee Cheong as a director. Mr Wee is a non-independent director.

Resolution 9 is to re-elect Professor Ho Yew Kee as a director. Professor Ho is an independent director.

Resolution 10 is to re-elect Mr Chng Hwee Hong as a director. Mr Chng is an independent director and will, if re-elected, continue as a member of the Audit Committee.

Resolution 11 is to empower the Directors to issue Shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company, but with a sub-limit of ten per cent for issue of Shares other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued shares in the capital shall of the Company be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that Resolution 11 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 11 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares.

Resolution 12 is to adopt a new Constitution, which will consist of the Memorandum and Articles of Association of UOI which were in force immediately before 3 January 2016 (**Existing Constitution**), amended to incorporate, among other things, the wide-ranging changes to the Companies Act, Chapter 50 of Singapore (**Companies Act**) introduced by Companies (Amendment) Act 2014. The amendments came into effect in two phases, on 1 July 2015 and 3 January 2016 respectively. The new Constitution will also be updated for consistency with the prevailing listing rules of the SGX-ST in compliance with Rule 730(2) of the Listing Manual of the SGX-ST, and address other regulatory changes, such as the personal data protection regime in Singapore. The Company is also taking the opportunity to incorporate certain other general changes.

Please refer to the Appendix to this Notice for more details.

* MAS Guidelines mean the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are Incorporated in Singapore (3 April 2013).

By ORDER OF THE BOARD

Vivien Chan
Company Secretary

Singapore
29 March 2016

Notes

(1) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(2) A proxy need not be a member of the Company.

(3) To be effective, the instrument appointing a proxy must be deposited at 80 Raffles Place, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time set for holding the AGM of the Company.

Notice of Annual General Meeting

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the **Purposes**), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

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Proxy Form

UNITED OVERSEAS INSURANCE LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 197100152R

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy UOI shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any query regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

I/We ______________________ (Name), NRIC/Passport/Co Reg No. ______________

of ______________________ (Address)

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

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

and/or (delete as appropriate)

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

or failing him/them, the **Chairman of the Meeting** as my/our proxy/proxies, to attend, speak and vote for me/us on my/our behalf at the **45th Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 62nd Storey, UOB Plaza 1, Singapore 048624 on **Thursday, 21 April 2016 at 11.00 am** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting (of which Resolution Nos. 1 to 11 will be proposed as Ordinary Resolutions and Resolution No. 12 will be proposed as a Special Resolution) as indicated hereunder. If no voting instruction is specified, the proxy/proxies may vote or abstain from voting as he/they deem(s) fit, and on any other matter arising at the Meeting.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
Resolution 1	Financial Statements, Directors' Statement and Auditor's Report		
Resolution 2	Final and Special Dividends		
Resolution 3	Directors' Fees		
Resolution 4	Auditor and its remuneration		
Resolution 5	Re-appointment (Dr Wee Cho Yaw)		
Resolution 6	Re-appointment (Mr Hwang Soo Jin)		
Resolution 7	Re-appointment (Mr Yang Soo Suan)		
Resolution 8	Re-election (Mr Wee Ee Cheong)		
Resolution 9	Re-election (Professor Ho Yew Kee)		
Resolution 10	Re-election (Mr Chng Hwee Hong)		
Resolution 11	Authority to issue ordinary shares		
	Special Resolution		
Resolution 12	Adoption of a new Constitution		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" a resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to cast your votes both "For" and "Against" the relevant resolution, please indicate the number of votes "For" or "Against" each resolution.

Dated this ______________ day of ______________ 2016.

Shares in:	No. of Ordinary Shares
(i) Depository Register	
(ii) Register of Members	
Total (Note 1)	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which, the appointment shall be invalid.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy, failing which, the appointment shall be invalid.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time appointed for holding the Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by a resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

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Fold and Glue overleaf. Do not staple

Corporate Information

Board Of Directors
Wee Cho Yaw *(Chairman)*
David Chan Mun Wai *(Managing Director and Chief Executive)*
Wee Ee Cheong
Hwang Soo Jin
Yang Soo Suan
N Ganesan
Ho Yew Kee *(appointed on 1 June 2015)*
Chng Hwee Hong *(appointed on 28 January 2016)*

Audit Committee
Yang Soo Suan *(Chairman)*
Hwang Soo Jin
N Ganesan
Chng Hwee Hong *(appointed on 5 February 2016)*

Nominating Committee
Hwang Soo Jin *(Chairman)*
Wee Cho Yaw
Yang Soo Suan

Remuneration Committee
Wee Cho Yaw *(Chairman)*
Hwang Soo Jin
Yang Soo Suan

Secretary
Vivien Chan

Assistant General Managers
Faridah Binte Rahmat Ali *(Underwriting)*
Tony Seah Eng Wah *(Business Development/Direct Marketing)*
Andrew Tang Ming Leung *(Corporate Services)*

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

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

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

Internal Auditor
Victor Ngo
Head, UOB Group Audit
United Overseas Bank Limited
396 Alexandra Road #18-00
Singapore 119954

External Auditor
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Vincent Toong Weng Sum
(Appointed on 24 April 2014)

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

United Overseas Insurance Limited
Company Registration No.: 197100152R

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