

NEWS RELEASE

To : All Shareholders

The Board of Directors of United Overseas Insurance Limited wishes to make the following announcement:

1. Unaudited income statement for the first quarter ended 31 March 2020

	1st Qtr 2020 \$'000	1st Qtr 2019 \$'000	Incr/ (Decr) %
(a) Gross premium written	28,021	27,856	0.6
Net earned premium	10,843	10,509	3.2
Net claims incurred	(4,374)	(3,106)	40.8
Net commission	1,888	1,901	(0.7)
Management expenses :			
Staff cost	(2,264)	(2,093)	8.2
Depreciation	(350)	(350)	-
Foreign exchange gain	104	8	NM
Other operating expenses	(1,012)	(1,017)	(0.5)
Underwriting profit	4,835	5,852	(17.4)
Gross dividends from investments	351	261	34.5
Interest income from investments	2,480	1,863	33.1
Interest on fixed deposits and bank balances	177	192	(7.8)
Net write-back/(provision) of expected credit loss on debt securities at FVOCI	56	(3)	NM
Amortisation of (premium)/discount on debt securities	(181)	3	NM
Rental income from investment property	119	-	NM
Other income	30	25	20.0
Net losses on interest rate futures - realised	-	(967)	(100.0)
Net gains on interest rate futures - unrealised	-	565	(100.0)
Net fair value (losses)/gains on mandatorily measured at fair value through profit or loss ("FVTPL") investments - unrealised	(352)	6,646	(105.3)
Net gains on disposal of mandatorily measured at FVTPL investments	-	64	(100.0)
Net (losses)/gains on disposal of fair value through other comprehensive income ("FVOCI") investments	(191)	11	NM
Net fair value (losses)/gains on forward contracts - realised	(15,601)	1,629	NM
Net fair value gains/(losses) on forward contracts - unrealised	2,072	(1,104)	(287.7)
Exchange gains/(losses)	11,334	(914)	NM
	(2,195)	(389)	464.3
Management expenses not charged to insurance revenue account:			
Depreciation on property	(41)	-	NM
Management fees	(331)	(263)	25.9
Other operating expenses	(325)	(279)	16.5
Non-underwriting (loss)/income	(403)	7,729	(105.2)
Profit before tax	4,432	13,581	(67.4)
Tax expense	(723)	(2,153)	(66.4)
Profit after tax	3,709	11,428	(67.5)
Profit attributable to equity holders of the Company	3,709	11,428	(67.5)
(b) Annualised earnings per share :			
Basic and diluted (cents)	24.26	74.75	(67.6)

Note : NM = Not Meaningful

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2. Unaudited statement of comprehensive income for the first quarter ended 31 March 2020

	1st Qtr 2020 \$'000	1st Qtr 2019 \$'000	Incr/ (Decr) %
Net profit	3,709	11,428	(67.5)
Other comprehensive income :			
Items that will not be reclassified to profit or loss :			
Net fair value loss on equity securities at FVOCI	(24,089)	(239)	NM
Tax related to the above	4,403	40	NM
	<u>(19,686)</u>	<u>(199)</u>	NM
Items that may be reclassified subsequently to profit or loss :			
Debt securities at FVOCI			
Changes in fair value	(3,375)	10,925	(130.9)
Transfer to profit or loss on disposal	(191)	11	NM
Changes in allowance for expected credit losses	(56)	3	NM
Tax related to the above	605	(1,859)	(132.5)
	<u>(3,017)</u>	<u>9,080</u>	(133.2)
Other comprehensive income for the first quarter end 31 March, net of tax	<u>(22,703)</u>	<u>8,881</u>	(355.6)
Total comprehensive income for the first quarter end 31 March, net of tax	<u>(18,994)</u>	<u>20,309</u>	(193.5)
Total comprehensive income attributable to equity holders of the Company	<u>(18,994)</u>	<u>20,309</u>	(193.5)

Note : NM = Not Meaningful

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3. Unaudited statement of financial position

	<u>31-Mar-20</u>	<u>31-Dec-19</u>
	\$'000	\$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>307,545</u>	<u>326,539</u>
	<u>399,278</u>	<u>418,272</u>
Liabilities		
Insurance creditors	9,708	10,780
Non-trade creditors and accrued liabilities	7,467	6,557
Lease liabilities	2,069	2,368
Amount owing to related companies	925	640
Derivative financial liabilities	126	84
Tax payable	7,937	7,210
Deferred tax liabilities	4,906	10,009
Deferred acquisition cost - reinsurers' share	9,537	9,424
Gross technical balances		
- Reserve for unexpired risks	58,350	56,473
- Reserve for outstanding claims	<u>115,763</u>	<u>113,847</u>
	<u>216,788</u>	<u>217,392</u>
	<u>616,066</u>	<u>635,664</u>
Assets		
Bank balances and fixed deposits	35,985	92,965
Insurance debtors	18,309	16,827
Non-trade debtors and accrued interest receivables	8,251	8,905
Derivative financial assets	3,862	1,748
Associated company	1	1
Investments	382,715	404,167
Investment property	28,973	-
Fixed asset - property	24,541	-
Fixed asset - others	852	825
Right-of-use assets	2,227	2,556
Deferred acquisition cost - gross	8,814	8,439
Reinsurers' share of technical balances		
- Reserve for unexpired risks	34,942	34,264
- Reserve for outstanding claims	<u>66,594</u>	<u>64,967</u>
	<u>616,066</u>	<u>635,664</u>
	<u>616,066</u>	<u>635,664</u>
(b) Net asset value per share (S\$)	6.53	6.84
Number of shares issued ('000)	61,155	61,155

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4. Unaudited statement of changes in equity

	Share <u>capital</u> \$'000	General <u>reserve</u> \$'000	Revaluation on investment <u>reserve</u> \$'000	Retained <u>profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 January 2020	91,733	22,880	47,363	256,296	418,272
Profit net of tax	-	-	-	3,709	3,709
Other comprehensive income for the quarter ended 31 March, net of tax	-	-	(22,703)	-	(22,703)
Total comprehensive income for the quarter ended 31 March, net of tax	-	-	(22,703)	3,709	(18,994)
Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax	-	-	(458)	458	-
Balance at 31 March 2020	91,733	22,880	24,202	260,463	399,278
Balance at 1 January 2019	91,733	22,880	34,523	229,238	378,374
Profit net of tax	-	-	-	11,428	11,428
Other comprehensive income for the quarter ended 31 March, net of tax	-	-	8,881	-	8,881
Total comprehensive income for the quarter ended 31 March, net of tax	-	-	8,881	11,428	20,309
Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax	-	-	199	(199)	-
Balance at 31 March 2019	91,733	22,880	43,603	240,467	398,683

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5. Unaudited statement of cash flows

	1st Qtr <u>2020</u> \$'000	1st Qtr <u>2019</u> \$'000
Cash flows from operating activities		
Profit before tax	4,432	13,581
Adjustments for:		
Movement in net reserve for unexpired risks	1,199	1,733
Movement in net deferred acquisition costs	(262)	(486)
Movement in net reserve for outstanding claims	289	224
Depreciation	391	350
Interest paid	13	20
Net fair value (gains)/losses on forward contracts-unrealised	(2,072)	1,104
Net gains on interest rate futures-unrealised	-	(565)
Net fair value losses/(gains) on mandatorily measured at FVTPL investments - unrealised	352	(6,646)
Net gains on disposal of mandatorily measured at FVTPL investments	-	(64)
Net losses/(gains) on disposal of FVOCI investments	191	(11)
Amortisation of premium/(discount) on investments	181	(3)
Net (write-back)/provision of expected credit loss on debts securities at FVOCI	(56)	3
Gross dividends from investments	(351)	(261)
Interest income from investments	(2,480)	(1,863)
Interest on fixed deposits and bank balances	(177)	(192)
Exchange gains	(11,298)	897
Operating profit before working capital changes	<u>(9,648)</u>	<u>7,821</u>
Changes in working capital:		
Trade and other receivables	(737)	(6,747)
Trade and other payables	(162)	2,198
Amount owing to related companies	285	1
Cash generated from operations	<u>(10,262)</u>	<u>3,273</u>
Tax paid	(91)	(14)
Interest paid	(13)	(20)
Net cash flow (used in)/from operating activities	<u>(10,366)</u>	<u>3,239</u>
Cash flows from investing activities		
Proceeds from disposal of investments	94,624	41,672
Purchase of investments	(90,253)	(42,368)
Purchase of investment property	(28,973)	-
Purchase of fixed asset - property	(24,582)	-
Purchase of fixed asset - others	(48)	-
Placement in long-term fixed deposits	(1)	(1)
Dividend received from investments	418	281
Interest received from investments	2,275	1,962
Interest received on fixed deposits and bank balances	224	199
Net cash flow (used in)/from investing activities	<u>(46,316)</u>	<u>1,745</u>

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5. Unaudited statement of cash flows (cont'd)

	1st Qtr 2020 \$'000	1st Qtr 2019 \$'000
Cash flow from financing activity		
Leases paid	<u>(299)</u>	<u>(292)</u>
Cash flow used in financing activity	<u>(299)</u>	<u>(292)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(56,981)</u>	<u>4,692</u>
Cash and cash equivalents at beginning of period	<u>90,532</u>	<u>61,466</u>
Cash and cash equivalents at end of period	<u><u>33,551</u></u>	<u><u>66,158</u></u>

For the purpose of statement of cash flows, cash and cash equivalents comprise the following :

	1st Qtr 2020 \$'000	1st Qtr 2019 \$'000
Cash and bank balances	13,829	18,213
Fixed deposits placement less than 3 months	<u>19,722</u>	<u>47,945</u>
Cash and cash equivalents	<u>33,551</u>	<u>66,158</u>
Fixed deposits placement more than 3 months	<u>2,434</u>	<u>2,430</u>
	<u><u>35,985</u></u>	<u><u>68,588</u></u>

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6. Segment information

	<u>SIF</u> \$'000	<u>OIF</u> \$'000	<u>SHF</u> \$'000	<u>Total</u> \$'000
<u>For 3 months ended 31 March 2020</u>				
Gross premium written	19,781	8,240	-	28,021
Net earned premium	6,741	4,102	-	10,843
Net claims incurred	(2,417)	(1,957)	-	(4,374)
Net commission	2,884	(996)	-	1,888
Management expenses	(3,199)	(323)	-	(3,522)
Underwriting profit	4,009	826	-	4,835
Gross dividends from investments	194	40	117	351
Interest income from investments	1,332	289	859	2,480
Interest on fixed deposits and bank balances	107	35	35	177
Net fair value losses on financial derivatives	(7,276)	(1,760)	(4,493)	(13,529)
Net fair value losses on mandatorily measured at FVTPL investments - unrealised	(176)	(176)	-	(352)
Net losses on disposal of FVOCI investments	(73)	(20)	(98)	(191)
Exchange gains	6,093	1,312	3,929	11,334
Other income	(40)	(12)	76	24
Miscellaneous management expenses not included in insurance revenue account - net	(208)	(46)	(443)	(697)
Profit before tax	3,962	488	(18)	4,432
Tax expense	(674)	(49)	-	(723)
Profit/(Loss) after tax	3,288	439	(18)	3,709
Segment total assets as at 31 March 2020	313,778	77,909	224,379	616,066
Segment total liabilities as at 31 March 2020	163,408	46,054	7,326	216,788
<u>For 3 months ended 31 March 2019</u>				
Gross premium written	19,288	8,568	-	27,856
Net earned premium	6,872	3,637	-	10,509
Net claims incurred	(1,817)	(1,289)	-	(3,106)
Net commission	2,680	(779)	-	1,901
Management expenses	(3,110)	(342)	-	(3,452)
Underwriting profit	4,625	1,227	-	5,852
Gross dividends from investments	141	29	91	261
Interest income from investments	1,013	223	627	1,863
Interest on fixed deposits and bank balances	102	51	39	192
Net fair value gains on financial derivatives	62	12	49	123
Net fair value gains on mandatorily measured at FVTPL investments - unrealised	3,599	818	2,229	6,646
Net (losses)/gains on disposal of mandatorily measured at FVTPL investments	(3)	20	47	64
Net gains on disposal of FVOCI investments	6	1	4	11
Exchange losses	(497)	(111)	(306)	(914)
Other income	27	-	(2)	25
Miscellaneous management expenses not included in insurance revenue account - net	(182)	(40)	(320)	(542)
Profit before tax	8,893	2,230	2,458	13,581
Tax expense	(1,512)	(223)	(418)	(2,153)
Profit after tax	7,381	2,007	2,040	11,428
Segment total assets as at 31 March 2019	362,186	82,973	196,530	641,689
Segment total liabilities as at 31 March 2019	191,339	41,205	10,462	243,006

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6. Segment information (cont'd)

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

As required under the Singapore Insurance Act, the Company has established and maintained a Singapore Insurance Fund (SIF) for insurance business relating to Singapore policies and an Offshore Insurance Fund (OIF) for insurance business relating to offshore policies. 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 (International) (SFRS(I)).

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	
	1st Qtr <u>2020</u> \$'000	1st Qtr <u>2019</u> \$'000	1st Qtr <u>2020</u> \$'000	1st Qtr <u>2019</u> \$'000
Singapore	20,557	19,796	27,620	3,722
Asean	4,988	5,837	-	-
Others	2,476	2,223	-	-
	<u>28,021</u>	<u>27,856</u>	<u>27,620</u>	<u>3,722</u>

The Company's non-current assets presented above consist of fixed assets and right-of-use assets.

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7. Review of performance

Highlights and Performance Indicators

Selected Financial Items	1st Qtr 2020 \$'000	1st Qtr 2019 \$'000	Incr/ (Decr) %
Gross premium written	28,021	27,856	+ 0.6
Net earned premium	10,843	10,509	+ 3.2
Net claims incurred	(4,374)	(3,106)	+ 40.8
Net commission	1,888	1,901	- 0.7
Management expenses	(3,522)	(3,452)	+ 2.0
Underwriting profit	4,835	5,852	- 17.4
Non-underwriting (loss)/income	(403)	7,729	- 105.2
Profit before tax	4,432	13,581	- 67.4
Profit after tax	3,709	11,428	- 67.5
Other comprehensive income, net of tax	(22,703)	8,881	- 355.6
Total comprehensive income	(18,994)	20,309	- 193.5
Net asset value per share (S\$)	6.53	6.52	+ 0.2

Financial Ratios	1st Qtr 2020 %	1st Qtr 2019 %	Incr/ (Decr) % - point
Net incurred loss ratio ⁽¹⁾	40.3	29.6	+ 10.7
Net commission ratio ⁽²⁾	(17.4)	(18.1)	+ 0.7
Management expenses ratio ⁽³⁾	32.5	32.8	- 0.3
Underwriting profit ratio ⁽⁴⁾	44.6	55.7	- 11.1

Note :

- (1) Net incurred loss ratio is computed by dividing net claims incurred by net earned premium.
- (2) Net commission ratio is computed by dividing net commission by net earned premium. When this ratio is in negative, net commission is an income to the Company.
- (3) Management expenses ratio is computed by dividing management expenses for insurance operations by net earned premium.
- (4) Underwriting profit ratio is computed by dividing net underwriting profit by net earned premium.

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7. Review of performance (cont'd)

Highlights and Performance Indicators (cont'd)

1st Quarter 2020 ("1Q2020") versus 1st Quarter 2019 ("1Q2019")

Gross premium increased by \$0.2 million or 0.6% to \$28.0 million. The increase was in all classes except Fire, Motor and Marine Cargo. Net earned premium consequently increased by \$0.3 million or 3.2% to \$10.8 million. Net claims incurred increased by \$1.3 million or 40.8% due to higher claims in all class of insurance except Work Injury Compensation and Other Accident classes of insurance. As such, net incurred loss ratio increased to 40.3% in 1Q2020. Net commission income decreased by \$13,000. Management expenses increased by 2.0% to \$3.5 million. Consequently, underwriting profit decreased by 17.4% to \$4.8 million and underwriting profit ratio decreased by 11.1 percentage point to 44.6%.

Non-underwriting income was a loss of \$0.4 million as compared to an income of \$7.7 million in the corresponding period last year. The decrease was due mainly to the absence of an unrealised gain of \$6.6 million from unit trusts recorded in 1Q2019.

Consequently, overall profit before tax decreased by 67.4% to \$4.4 million.

Other comprehensive income, net of tax, which affects the balance sheet and not the profit before tax had recorded an unrealised loss of \$22.7 million instead of an unrealised income of \$8.9 million in the corresponding period last year, as global markets fell into a tailspin since late February when the Covid-19 turned into a global pandemic.

Overall, total comprehensive income decreased by \$39.3 million or 193.5%, when compared to the corresponding period last year due mainly to negative investment results.

8. Prospects for the next reporting period and the next 12 months

In view of the COVID-19 pandemic and potential global recession, it will be very challenging to achieve premium growth in the domestic and offshore markets. The expected worsening claims experience arising from extreme climate change, increase in statutory limits for work injury compensations, ongoing coronavirus outbreak and adverse economic conditions will increase pressure on underwriting profit. The Company will continue to further drive cross selling initiatives with the parent bank in Singapore and elsewhere in the region as well as developing the intermediary business, especially in classes of insurance with better underwriting margins.

The investment markets will continue to be volatile as there are increasing uncertainties arising from geopolitics, trade tensions, COVID-19 pandemic and potential global recession. The Company will continue to calibrate its investment strategies and asset allocation to minimise the volatility upon its investment income in the face of this difficult environment.

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9. Accounting policy

The financial statements, expressed in Singapore dollars are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). The accounting policies and computation methods adopted in the financial statements for the first quarter ended 31 March 2020 are the same as those adopted in the preceding year.

10. Dividend

No dividend has been declared for the quarter ended 31 March 2020.

11. Borrowings, contingent liabilities and loan capital

The Company has maintained strong liquidity for its business operations and has no borrowings, contingent liabilities and loan capital as at 31 March 2020 (31 March 2019 : nil).

12. Interested person transactions

The Company has not obtained a general mandate from shareholders for interested person transactions.

13. Confirmation by directors

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to its attention which may render the unaudited financial results for the first quarter ended 31 March 2020 to be false or misleading in any material aspect.

14. Undertakings from all its directors and executive officers

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 12 May 2020