

Life Insurance Corporation (Singapore)Pte Ltd

UEN 201210695E

MANAGEMENT REPORT

31/12/2021



LIFE INSURANCE CORPORATION (SINGAPORE) PTE. LTD.

For the financial year, from 1st January 2021 to 31st December 2021

Company Profile

Life Insurance Corporation Singapore ("LIC Singapore") was incorporated as a direct life insurance company in Singapore on 30 April 2012. It is a fully owned subsidiary of the LIC of India which was established in 1956 and owned by the Government of India. Prior to obtaining the operating license from the Monetary Authority of Singapore ("MAS")' approval on 22 January 2013, LIC Singapore had operated a representative office in Singapore. The establishment of a subsidiary in Singapore is part of the LIC group's plans to expand its global footprint into South-east Asia.

Products

Under the life insurance license, LIC Singapore is permitted to write all types of life insurance products. In the year 2021, LIC Singapore launched total of three products. All of these were non-participating single-premium, two-pay endowment products and term insurance with DPI. The single premium and two pay products were tranche product. The term plan and DPI are on-going products. As part of its objectives to add value to customers and the Singapore mass market, LIC Singapore will focus on the introduction of non-participating products while continuing efforts to put in place the necessary system infrastructure and capabilities to manufacture and sell term products and participating products soon.

Distribution channel

In Singapore, the common channels for distributing insurance products are tied agency, bancassurance and financial advisory firms. LIC Singapore's distributes its product via financial advisory firms which provides outreach through representatives. As on 31st December 2021 we had tie up with 22 Financial Advisory firms. We also have tie up with State Bank of India, Singapore for selling our products.

Corporate Governance

LIC Singapore is governed by Insurance (Corporate Governance) Regulations 2013 which came into operation on 4 April 2013 and the "Guidelines on Corporate Governance for Financial Holding Companies, banks, direct insurers, reinsurers and captive insurers which are incorporated in Singapore" issued by the MAS on 3 April 2013.

Being a Tier 2 insurer as defined under the Insurance (Corporate Governance) Regulations 2013, the Board of LIC Singapore is responsible for the adequacy of external and internal audit functions, as well as overseeing the establishment and operation of an independent enterprise risk management system supported by an adequate risk management function.

Adherence to good corporate governance is an integral part of the philosophy of LIC's business conduct. The Board of Directors and Management of LIC Singapore place great importance on high standards of corporate conduct and are committed to promoting and maintaining values which emphasize integrity, honesty and proper conduct at all times in the business operations and dealings of the insurer. Aligning to the LIC group's commitment to put customers first, LIC Singapore practices operational transformation, information sharing, and accountability and ensures dialogue with all stakeholders in addition to formulation of value-based policies and practices at all levels.

Board Composition

LIC Singapore's Board comprises three members, namely:

- Mr M R Kumar, Board Chairman.
- Mr. Pradeep P Kelkar, Executive Director (also the Chief Executive Officer ("CEO") of LIC Singapore).
- Mr K V Rao, Independent Director

Board meetings are generally held once in three months. The Board provides strategic direction and execution, ensures financial discipline and accountability to the policyholders, and ensures the interest of the policyholders and stakeholders. The Board is responsible for overseeing the invested assets and the investment process of LIC Singapore. The Board will rely on the Investment Committee /CEO for ensuring that the day-to-day management of the investment portfolio is appropriate. Financial powers are delegated to the Investment Committee and to the CEO separately. The Board approves the investment policy statement and asset allocation, and the policy will be up for review annually. At least quarterly, the Board will review the performance of the investment portfolio and consider and decide upon any special circumstances or issues that may arise.

Risk Management

The parent Company, LIC of India has a committed focus on the risk management systems for its investment functions by efficiently managing risk and returns by implementing comprehensive risk management policies, risk adjusted investment decisions and incorporating a strong risk mitigation culture.

LIC Singapore has the same commitment as the parent company on risk management. As per the mandatory requirements stated in the MAS Notice 126 "ERM for Insurers", LIC Singapore has established its ERM framework and will continue to enhance its ERM framework and internal controls as the business continues to grow steadily. In accordance to MAS Notice 126, LIC Singapore as a Tier 2 insurer has performed its own risk and solvency assessment to assess the adequacy of their risk management, and current and projected future solvency positions for 2021. LIC Singapore also has done its Internal Audit in 2021.

LIC Singapore operates in a mature and competitive insurance landscape in Singapore with established life insurance players. LIC Singapore expects to face substantial challenges to grow its portfolio in a measured manner, differentiate its product and service offerings from other players, and acquire market share in the life insurance segment. Based on a high-level risk assessment of the current risk profile, the material risks to LIC Singapore are life insurance risk, interest rate risk (including asset-liability mismatch risk), credit risk, liquidity risk, operational risk as well as strategic risk relating to the undertaking of management decisions to develop the business.

Life insurance risk

The principal activity of LIC Singapore is to provide life insurance protection against risks such as mortality and morbidity (disability, personal accident). Incorrect estimation of assumptions used in pricing the product as well as the setting of technical provisions may give rise to potential shortfalls when actual experience deviates from expected experience. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses.

In addition, LIC Singapore has internal Product Development process comprising Appointed Actuary, CIO, COO, CFO and BDM to determine the design and pricing of products. The product development and pricing process constitutes an important aspect of the risk assessment and management process. The Appointed Actuary reviews and certifies all new product submissions to the MAS in accordance to MAS Notice 302 and actuarial guidance notes issued by Singapore Actuarial Society. The ultimate responsibility to approve the final design and pricing of products prior to launch rests with the Chief Executive Officer and the Board of LIC Singapore.

LIC Singapore's reinsurance management policy is to place reinsurance with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. LIC Singapore has entered into life reinsurance arrangement commencing from 1 July 2013 in relation to its non-participating business.

Interest rate risk (including asset-liability mismatch risk)

LIC Singapore objectives of investment of funds is to earn a sufficient return to fund all policyholder liabilities, match or exceed the expected returns assumed in product pricing, meet all solvency norms and capital adequacy ratio, and contribute to the growth of surplus.

LIC Singapore's exposure to changes in interest rates relates primarily to interest-earning financial assets such as Singapore Government bonds and corporate bonds, as LIC Singapore underwrites only single premium non-participating endowment products. The assets backing these policy liabilities are Singapore Government bonds of suitable tenor with such proportion in investment grade corporate bonds to achieve the investment return assumed for product pricing purposes. Interest rate risk is managed on an ongoing basis by considering the duration and maturity of assets and liabilities. Assets are also held in cash pending investment in appropriate bonds and to support the running expenses in the business. Matching assets and liabilities in terms of size, duration minimizes the asset-liability mismatch risks.

Unless the Board of Directors directs otherwise, assets held in the Shareholders' Fund are invested in cash and Singapore Government bonds.

Credit risk

Credit risk is the risk of financial loss to LIC Singapore if a customer or counterparty to a financial instrument fails to meet its contractual obligations. LIC Singapore has put in place a credit policy and the exposure to credit risk is monitored on an ongoing basis. Cash is placed with regulated financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

At the reporting date, there are no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that LIC Singapore will counter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

At the reporting date, there is no significant liquidity risk faced by LIC Singapore.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect LIC Singapore's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

At the reporting date, LIC Singapore does not have any exposure to foreign currency and equity price risks.

Operational risk

Operational risk arises from any event or action that may potentially impact partly or completely the achievement of LIC Singapore's financial objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

It will continue to enhance its internal risk mitigation and process controls to mitigate potential lapses in its ongoing business activities.

Concentration risk

The Company does not have any significant concentration risk.

Product Classification

LIC Singapore currently writes non-participating single premium or two-pay premium life insurance business and term insurance plan.

Life insurance contract liabilities

Insurance contracts are recognized and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. The key elements affecting insurance contract liabilities are the premiums, benefit payments, maintenance expenses and valuation discount rate methodology used to calculate policy liabilities.

Life insurance liabilities are recognized immediately after contracts are entered into and premiums are charged. Gross premium valuation method is used according to Singapore Risk Based Capital Regulation ("RBC"). In the case of non-participating policies, in which all future benefits are guaranteed, life insurance liabilities are calculated as the sum of present values of expected future outgoes minus present values of expected future premium income, discounted using an appropriate discount rate. Extra risk margin is incorporated to allow for adverse deviation from expected experiences.

According to Singapore RBC regulation, the valuation discount rate is equal to the zero-coupon spot yields on Singapore Government Securities.

The assumptions on morality, disability, critical illness, expenses, and lapses are derived from companies' own experience studies, reference to pricing assumptions and market benchmarks.

Capital management

All licensed insurers that carry on insurance business in Singapore are subject to the prudential standards which set out the basis for calculating the fund solvency requirements ("FSR") and capital adequacy requirement ("CAR"), which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and are determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Act. All risk requirements of all insurance funds are calculated based on current life contract liabilities and assets with respect to risk factors prescribed by MAS. It is LIC Singapore's policy to hold capital levels in excess of FSR and CAR.

LIC Singapore defines "available capital" to be share capital and accumulated profits in the insurance fund. The immediate holding company and ultimate holding company, LIC of India, ensures that the insurer has adequate capital to meet its obligations and to sustain ongoing operations.

LIC Singapore started operations in 2013. The current paid-up ordinary share capital is \$43.9 million. LIC Singapore's CAR ratio as on 31/12/2021 was 728% and well above the regulatory minimum.

Pradeep P Kelkar
CEO

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

1 GENERAL

The Company (Registration No. 201210695E) is incorporated in Singapore with its principal place of business and registered office at 3 Raffles Place, #07-01, Bharat Building, Singapore 048617. The financial statements are expressed in Singapore dollars.

The immediate and ultimate holding company is Life Insurance Corporation of India, set-up in India by an Act of Parliament in 1956.

The Company was registered as a direct insurer on April 30, 2012 under the Insurance Act 1966 ("Insurance Act") to carry on life insurance business.

The financial statements of the Company for the year ended December 31, 2021 were authorised for issue by the Board of Directors on March 22, 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 116 *Leases*, and measurements have some similarities to fair value but are not fair value, such as value in use in FRS 36 *Impairment of Assets*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than the quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2021, the Company has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/ revised FRSs, and amendments to FRSs does not result in changes to the Company’s accounting policies and has no material effect on the amounts reported for the current or prior year except as disclosed below:

Amendments to FRS 104 Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

The amendments introduce two optional approaches for entities that issue insurance contracts within the scope of FRS104 *Insurance Contracts*, which provides some entities with a temporary exemption from application of FRS 109 (the “deferral approach”) for annual periods beginning before January 1, 2023; and gives all entities with insurance contracts the option, following full adoption of FRS 109, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (the “overlay approach”). The Company has adopted the deferral approach.

Management has concluded that the Company is qualified for the temporary exemption as the Company has not previously applied FRS 109 and its activities are predominantly connected with insurance. As at December 31, 2021, the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant as compared to the total carrying amount of all its liabilities, and the percentage of the total carrying amount of its liabilities connected with insurance is greater than 90% of the total carrying amount of all its liabilities.

The table below presents an analysis of the fair value of classes of financial assets as at December 31, 2021, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (“SPPI financial assets”), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (“Other financial assets”) (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis). As at December 31, 2021, the Company does not hold financial assets in this category.

	FRS 39 classification	SPPI financial assets	
		Fair value as at December 31, 2021	Fair value changes
		\$	\$
December 31, 2021			
Debt securities	Amortised cost	67,996,065	(1,258,471)
Cash, bank balances and fixed deposits	Amortised cost	8,317,206	-
Other receivables	Amortised cost	586,908	-
December 31, 2020			
Debt securities	Amortised cost	75,527,165	736,580
Cash, bank balances and fixed deposits	Amortised cost	5,049,693	-
Other receivables	Amortised cost	548,453	-

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The carrying amount under FRS 39 for SPPI financial assets analysed by credit risk rating are disclosed in Note 4 (a). As at December 31, 2021, the fair value and carrying amount of SPPI financial assets that do not have low credit risk are insignificant.

At the date of authorisation of these financial statements, the following FRSs were issued but not effective and are expected to have an impact to the Company in the periods of their initial application:

Effective for annual periods beginning on or after January 1, 2021

FRS 117 *Insurance Contracts* - FRS 117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes FRS 104 *Insurance Contracts*.

The Standard outlines a Building Block Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty; it takes into account market interest rates and the impact of policyholders' options and guarantees.

Profit from selling insurance policies is deferred in a separate liability component on day 1 and aggregated in groups of insurance contracts; it is then reported systematically through profit or loss over the period during which insurers provide cover after making adjustments from changes in assumptions relating to future coverage.

Management anticipates that the initial application of the FRS 117 will result changes to the accounting policies relating to insurance contract liabilities. Additional disclosures will also be made with respect of insurance contract liabilities, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Company's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 117.

Deferral of the date of initial application of IFRS 17 by two years

On March 17, 2020, The International Accounting Standards Board (IASB) has decided that the effective date of IFRS 17 *Insurance Contracts* will be deferred to annual reporting periods beginning on or after January 1, 2023. The IASB also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 Financial Instruments to enable them to implement both IFRS 9 and IFRS 17 at the same time.

The Accounting Standards Council ("ASC")'s policy position has been to align Singapore accounting standards with IFRS and plans to apply the same effective date.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Classification of insurance contracts

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. 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 this period.

2.4 Insurance contracts

(a) Premiums and commission

Premiums is recognised as income when due from policyholders. Premiums not received on the due date are recognised as revenue with the corresponding outstanding premiums recognised in the balance sheet. The corresponding commission payable is accountable for on the same basis.

The Company does not recognise deferring acquisition costs for its insurance contracts as it is assessed to be immaterial.

(b) Claims and benefits incurred

Claims include maturities, annuities, surrenders, deaths and other claim events. Maturity claims are recorded on the policy maturity date. Annuity claims are recorded when the annuity becomes due for payment. Surrenders are recorded when paid, death claims and payments on other claim events are recorded when notified.

Benefits are recorded as an expense when they are incurred.

(c) Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

An asset or liability is recognised in the balance sheet representing premiums due to or payments due from reinsurers and the share of benefits and claims recoverable from reinsurers. The net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is measured using assumptions considered to be appropriate for the policies in force. The actuarial valuation basis is determined by the Appointed Actuary and complies with the Insurance Act 1966 and Insurance (Valuation and Capital) Regulations and guidance notes issued by the Singapore Actuarial Society ("SAS") "GN L01" and "GN L02".

Additional provision is made in the valuation assumptions to allow for any adverse deviation from the best estimate experience. Provision for adverse deviation ("PAD") is reviewed annually by the Appointed Actuary to assess its appropriateness and sufficiency.

(e) Liability adequacy test

At each reporting date, liability adequacy tests are assessed on each insurance fund to assess the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of discounted contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Where a shortfall is identified, additional provision is made and the deficiency is charged to profit or loss in the statement of comprehensive income.

2.5 Financial instruments

2.5.1 Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company's non-derivative financial assets comprise loans and receivables.

The Company classifies non-derivative financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss and held-to-maturity financial assets.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables of the Company comprise of cash and bank balances and other receivables.

(b) Cash and bank balances

Cash and bank balances comprise cash, bank balances and fixed deposits with financial institution.

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

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

As disclosed in Note 7, some of the debt securities held by the Company are designated at fair value through profit or loss.

2.5.2 Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the Company comprise accrued expenses and other payables.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5.3 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.6 Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain and loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised net within other income/other expenses in profit or loss.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life is as follows:

Furniture-	5 years
Office equipment -	5 years
Computers -	3 years
Renovation -	2 years

Fully depreciated assets are retained in the financial statement until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Impairment

2.7.1 Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor will enter bankruptcy.

2.7.2 Loans and receivables

The Company considers evidence of impairment for loans and at both a specific asset and collective level. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity financial assets. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2.7.3 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 or CGU.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of assets recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.8 Employee benefits

2.8.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2.8.2 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.8.3 Short-term compensated absences

Short-term accumulating compensated absences are recognised when the employees render service that increases their entitlement to future compensated absences.

2.9 Net investment income

Net investment income comprises interest income, investment related expenses, net gains/losses on the disposal financial assets, changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss and impairment losses recognised on financial assets that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Lease

The Company as lessee

The *Company* assesses whether a contract is or contains a lease, at inception of the contract. The *Company* recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the *Company* recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the *Company* uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The *Company* remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under FRS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies FRS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Management expenses' in the statement of profit or loss.

As a practical expedient, FRS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

a. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

b. Foreign currency

The financial statements are presented in Singapore dollars, which is also the Company's functional currency. Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at end of each reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transactions in foreign currencies are recorded at rates prevailing on transaction dates. Exchange differences arising on the settlement of monetary item or on translating monetary item at end of each reporting period are recognised in profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Company's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements, except for those relating to insurance contract liabilities (refer to estimation uncertainty below). Management discussed with the directors the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Key assumptions used for deriving the insurance contract liabilities include mortality, voluntary terminations, administration expenses and discount rate. The Company bases the mortality and voluntary terminations assumptions on external benchmarks as the Company has limited experience currently. Estimates of administration expenses are determined in line with the expected costs in future. The derivation of the discount rate is in accordance with the MAS Notice 319 and guidance note issued by the Singapore Actuarial Society (SAS GNL02). It has been assumed that current tax legislation and rates continue substantially unaltered. In addition, an appropriate risk margin allowance for adverse deviation from the estimates is made.

Sensitivity analysis

The following table presents the sensitivity of the value of insurance contract liabilities to movements in the variables used in the estimation of insurance contract liabilities.

Variable	Change in variable	Change in liability	Change in profit/loss
		\$	\$
Lowering of discount rate	-25bps	+144,785	-144,785
Worsening of base renewal expense level	+10%	+213,174	-213,174
Worsening of lapse rate	-10%	+4,677	-4,677
Worsening of mortality	+10%	+138	-138

The above analyses are based on a change in an assumption whilst not changing any other assumptions. The whole discount rate curve is assumed to incur a parallel shift of 25 bps down in the discount rate sensitivity.

4 FINANCIAL RISK MANAGEMENT

General Information of the Insurance product launched during the year 2021:

The Company has launched following single premium and regular premium endowment type products during the year 2021 for various terms:

1. Secure Growth 3- Single Premium Endowment Product (Non-Par) for 3 years term.
2. Grow Easy - Single Premium Endowment Product (Non-Par) for 3 & 6 years term.
3. Wealth Plus 7 - Single Premium Endowment Product (Non-Par) for 3 years term.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Life insurance non-par contracts

The life insurance non-par contracts consist of single premium and regular premium endowment policy.

The risk under any insurance contract is the possibility that the insured event occurs and thus the uncertainty of the amount of the resulting claim. However, considering the nature of the guaranteed benefits (guaranteed simple interest rate at 1.03 % to 1.83%) under the product, the key risk to the company is the investment return assumption.

Reinsurance contract

Reinsurance contract exists for all policies of Individual Term Assurance Plan and their attaching riders. A total of 3 policies for Term Assurance Plan had been paid to reinsurer, amounting to \$758.

Categories of financial instruments

	2021	2020
	\$	\$
Financial assets		
Debt securities	67,996,065	75,527,165
Other receivables	586,908	548,453
Cash and bank balances	8,317,206	5,049,693
	<hr/>	<hr/>
Financial liabilities		
Other payables and accruals	283,079	353,784
Lease liabilities	639,027	874,696
	<hr/> <hr/>	<hr/> <hr/>

Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Company's business. The Company has established risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy. Such established policies are reviewed annually by the Company's management and periodic reviews are undertaken to ensure that the Company's policy guidelines are adhered to.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONT'D)

The Company is exposed to geographical concentration of risks as all its contracts originated in Singapore. At the reporting date, cash is placed with regulated financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

	Financial strength rating				Total
	AAA	A to AA-	B to BBB-	Not rated	
	\$	\$	\$	\$	\$
2021					
Debt securities:					
Designated at fair value					
through profit or loss	6,035,178	44,297,142	17,663,745	-	67,996,065
Other receivables	-	-	-	586,908	586,908
Cash and bank balances	-	6,785,572	1,528,891	2,743	8,317,206
	<u>6,035,178</u>	<u>51,082,714</u>	<u>19,192,636</u>	<u>589,651</u>	<u>76,900,179</u>
2020					
Debt securities:					
Designated at fair value					
through profit or loss	18,539,582	35,992,438	20,995,145	-	75,527,165
Other receivables	-	-	-	548,453	548,453
Cash and bank balances	-	2,028,908	3,017,217	3,568	5,049,693
	<u>18,539,582</u>	<u>38,021,346</u>	<u>24,012,362</u>	<u>552,021</u>	<u>81,125,311</u>

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

4 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
2021					
Insurance contract provisions	54,506,736	55,202,921	29,343,554	25,667,451	191,916
Other payables and accruals	283,079	283,079	283,079	-	-
	<u>54,789,815</u>	<u>55,486,000</u>	<u>29,626,633</u>	<u>25,667,451</u>	<u>191,916</u>
2020					
Insurance contract provisions	56,160,043	56,789,803	8,023,941	48,670,510	95,352
Other payables and accruals	353,784	353,784	353,784	-	-
	<u>56,513,827</u>	<u>57,143,587</u>	<u>8,377,725</u>	<u>48,670,510</u>	<u>95,352</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

At balance sheet date, the Company does not have any significant exposure to foreign currencies and equity price risks.

(d) Interest rate risk

The Company's exposure to changes in interest rates relates primarily to investment in debt securities. Substantially, the Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio and insurance liabilities. The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance liabilities, are modelled and reviewed regularly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rate at the reporting date and the periods in which they reprice:

	Effective interest rate	Floating interest rate maturing			Fixed interest rate maturing			Non-interest bearing and no maturity date	Total
		within 1 year	1 to 5 years	after 5 years	within 1 year	1 to 5 years	after 5 years		
	%	\$	\$	\$	\$	\$	\$	\$	
2021									
Financial assets									
Debt securities	3.21	100,000	-	5,880,215	15,930,260	46,085,590	-	-	67,996,065
Other receivables	-	-	-	-	-	-	-	586,908	586,908
Cash and bank balances	0.12	-	-	-	8,317,206	-	-	-	8,317,206
		<u>100,000</u>	<u>-</u>	<u>5,880,215</u>	<u>24,247,466</u>	<u>46,085,590</u>	<u>-</u>	<u>586,908</u>	<u>76,900,179</u>
2020									
Financial assets									
Debt securities	2.26	-	-	-	27,103,390	46,061,555	2,362,220	-	75,527,165
Other receivables	-	-	-	-	-	-	-	548,453	548,453
Cash and bank balances	0.12	-	-	-	5,049,693	-	-	-	5,049,693
		<u>-</u>	<u>-</u>	<u>-</u>	<u>32,153,083</u>	<u>46,061,555</u>	<u>2,362,220</u>	<u>548,453</u>	<u>81,125,311</u>

Risk arising from guaranteed returns on insurance

On death or maturity, there is an effective guarantee under our insurance contracts. The Company pays the sum assured on death or maturity. The implicit guaranteed simple interest rate in our products ranges between 1.03% to 1.82%. Existing policy reserves are sufficient to ensure that guarantees may be met.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classification and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Designated at fair value	Loans and receivables	Other financial liabilities within scope FRS 39	Total carrying amount	Fair value
		\$	\$	\$	\$	\$
2021						
Investments and loan		67,996,065	-	-	67,996,065	67,996,065
Other receivables		-	586,908	-	586,908	586,908
Cash and bank balances		-	8,317,206	-	8,317,206	8,317,206
		<u>67,996,065</u>	<u>8,904,114</u>	<u>-</u>	<u>76,900,179</u>	<u>76,900,179</u>
Other payables and accruals		-	-	(283,079)	(283,079)	(283,079)
2020						
Investments and loan		75,527,165	-	-	75,527,165	75,527,165
Other receivables		-	548,453	-	548,453	548,453
Cash and bank balances		-	5,049,693	-	5,049,693	5,049,693
		<u>75,527,165</u>	<u>5,598,146</u>	<u>-</u>	<u>81,125,311</u>	<u>81,125,311</u>
Other payables and accruals		-	-	(353,784)	(353,784)	(353,784)

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONT'D)

Valuation processes applied by the Company

The Company established an investment committee which comprises the Chief Executive, certified actuary and finance manager.

The investment committee reviews monthly performance reports issued by fund manager. All investments held by the Company are quoted in the active market.

Investments in debt securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing bid prices at the reporting date.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including other receivables, cash and bank balances, and other payables and accruals) are assumed to approximate their fair values because of the short period to maturity.

Fair value hierarchy

The table below analyses fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: unobservable inputs for the asset or liability.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial assets carried at fair value

	<u>Level 1</u>
	\$
2021	

Financial assets designated at fair value through profit or loss	<u>67,996,065</u>
--	-------------------

2020

Financial assets designated at fair value through profit or loss	<u>75,527,165</u>
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5 RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has entered into a Service Line Agreement ("SLA") on May 7, 2018 with the parent company, Life Insurance Corporation of India ("LICI") for the core business application and benefit illustration software with no costs or fees are required to be paid by the Company until May 2022.

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors of the Company are considered as key management personnel.

The remuneration of key management personnel compensation during the year was as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Directors' remuneration and other employment benefits	<u>159,813</u>	<u>140,740</u>

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

6 PLANT AND EQUIPMENT

	Furniture and office equipment	Computers	Renovation	Total
	\$	\$	\$	\$
Cost				
At January 1, 2020	60,310	851,003	538,767	1,450,080
Additions	-	19,966	-	19,966
At December 31, 2020	60,310	870,969	538,767	1,470,046
Additions	-	7,413	9,127	16,540
At December 31, 2021	60,310	878,382	547,894	1,486,586
Accumulated depreciation				
At January 1, 2020	59,491	723,147	429,217	1,211,855
Depreciation charge for the year	188	68,409	95,832	164,429
At December 31, 2020	59,679	791,556	525,049	1,376,284
Depreciation charge for the year	188	56,336	14,481	71,005
At December 31, 2021	59,867	847,892	539,530	1,447,289
Carrying amount:				
At December 31, 2021	443	30,490	8,364	39,297
At December 31, 2020	631	79,413	13,718	93,762

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

7 DEBT SECURITIES

	2021	2020
	\$	\$
<i>Debt securities</i>		
Fair value through profit or loss	67,996,065	75,527,165

The current portion of debt securities, including MAS treasury bills, is \$16,030,260 (2020: \$27,103,390) with the remaining being non-current portion of \$51,965,805 (2020: \$48,423,775). The debt securities have stated interest rates of 0.41% to 4.10% (2020: 0.00% to 4.75%) and mature substantially over 1 year to 10 years.

The movement in debt securities:

	2021	2020
	\$	\$
At beginning of year	75,527,165	73,346,391
Purchases	69,216,687	59,560,292
Disposals	(75,074,649)	(57,954,309)
Gain on disposal of investments	51,070	140,026
Loss on disposal of investments	(465,737)	(301,815)
Fair value through profit and loss	(1,258,471)	736,580
At end of year	67,996,065	75,527,165

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

8 RIGHT-OF-USE ASSETS

The Company leases several assets including office space and lease rent of staffs. The average lease term is 2 years (2020: 3 years).

	Office space & lease rent of staff
	\$
Cost:	
At January 1, 2020	1,465,885
Additions	188,348
At December 31, 2020	1,654,233
Additions	195,914
At December 31, 2021	1,850,147
Accumulated depreciation:	
At January 1, 2020	396,395
Depreciation for the year	412,662
At December 31, 2020	809,057
Lease terminated during the year	49,959
Depreciation for the year	379,714
At December 31, 2021	1,238,730
Carrying amount:	
At December 31, 2021	611,417
At December 31, 2020	845,176

During the financial year ended December 31, 2021, certain leases expired. The expired contracts were replaced by new leases for identical underlying assets.

9 OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	\$	\$
Deposits	39,174	56,324
Interest receivable	547,734	489,898
Sundry receivables	-	2,231
Loan and receivables	586,908	548,453
Prepayments	54,841	130,241
	641,749	678,694

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

10 CASH AND BANK BALANCES

Cash and bank balances at end of the year comprise:

	2021	2020
	\$	\$
Fixed deposits with financial institutions	1,508,691	3,017,217
Cash and bank balances	6,808,515	2,032,476
	<u>8,317,206</u>	<u>5,049,693</u>

The weighted average effective interest rates per annum relating to fixed deposits at the reporting date is 0.12% (2020: 0.12%).

11 SHARE CAPITAL

	2021	2020	2021	2020
	Number of ordinary shares	Number of ordinary shares	\$	\$
Issued and fully paid:				
At beginning of year	43,930,000	43,930,000	43,930,000	43,930,000
Issue of share capital	-	-	-	-
At end of year	<u>43,930,000</u>	<u>43,930,000</u>	<u>43,930,000</u>	<u>43,930,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Company defines "capital" to be share capital and accumulated profits. The immediate and ultimate holding company ensure that the Company has adequate capital in order to meet its obligations and to sustain the operations of the Company.

All insurers and reinsurers that carry on insurance business in Singapore are registered with MAS and are subject to the prudential standards which set out the basis for calculating the fund solvency requirements (FSR) and capital adequacy requirement (CAR), which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and are determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the reinsurer under the Act. It is the Company's policy to hold capital levels in excess of FSR and CAR.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

12 INSURANCE CONTRACT LIABILITIES

	2021	2020
	\$	\$
Life insurance non-par contracts	54,506,736	56,160,043
Current portion	29,249,378	7,984,286
Non-current portion	25,257,358	48,175,757
	<u>54,506,736</u>	<u>56,160,043</u>

Movements in insurance contract liabilities:

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
At end of year	54,506,736	(3,297)	54,503,439	56,160,043	(2,957)	56,157,086
At beginning of year	56,160,043	(2,957)	56,157,086	56,363,266	-	56,363,266
Change in insurance contract liabilities	(1,653,307)	(340)	(1,653,647)	(203,223)	(2,957)	(206,180)
Change in benefits and claims paid	6,669,225	-	6,669,225	4,511,470	-	4,511,470
Benefits and claims	5,015,918	(340)	5,015,578	4,308,247	(2,957)	4,305,290

Movements in insurance contract provisions include the aggregate of all the events giving rise to additional policyholder liabilities in the year. These include death claims, surrenders, lapses, the setting up of liability to policyholders at the initial inception of the policy, the declaration of bonuses and other amounts attributable to policyholder.

LIFE INSURANCE CORPORATION (SINGAPORE) PTE LTD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

13 LEASE LIABILITIES

	2021	2020
	\$	\$
Maturity analysis:		
Year 1	316,881	372,074
Year 2	280,144	274,815
Year 3	42,002	227,807
	<u>639,027</u>	<u>874,696</u>
Analysed as:		
Current	316,881	372,074
Non-current	322,146	502,622
	<u>639,027</u>	<u>874,696</u>

Interest expense recognised in profit or loss relating to leases are amounting to \$31,246. Repayments of lease liabilities arising from financing activities are amounting to \$412,870. Lease liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's finance function.

14 OTHER PAYABLES AND ACCRUALS

	2021	2020
	\$	\$
Other payables	246,006	327,413
Accrued expenses	37,073	26,371
Other payables and accruals	<u>283,079</u>	<u>353,784</u>

Other payables and accrued expenses are due within the next financial year.

15 LOSS BEFORE INCOME TAX

Loss before income tax includes the following charges:

	2021	2020
	\$	\$
Information system charges	520,930	437,026
Depreciation expense on right of use assets	379,714	412,662
Interest expense on lease liabilities	31,246	41,820
Professional fees	<u>242,831</u>	<u>490,978</u>
Net investment income		
Interest income:		
- debt securities	(2,221,228)	(2,091,534)
- fixed deposits	(3,010)	(35,678)
Gain on disposal of investments	(51,070)	(140,026)
Loss on disposal of investments	465,737	301,815
Fair value changes in investments	<u>1,258,471</u>	<u>(736,580)</u>

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16 INCOME TAX EXPENSE

The income tax expense varied from the amount of income tax expense determined by applying the Singapore tax rate of 17% (2020: 17%) to loss before income tax as a result of the following differences:

Reconciliation of effective tax rate

	2021	2020
	\$	\$
Loss before tax	(2,628,735)	(1,461,393)
Tax calculated using Singapore tax rate at 17%	(446,885)	(248,437)
Expenses not deductible for tax purposes	89,448	30,824
Effect of deferred tax assets not recognised	357,437	217,613
	-	-

Deferred tax assets have not been recognised because it is not probable that future taxable profits will be available against which the Company can utilise the benefits.

Unutilised tax losses amounting to \$18,717,938 (2020: \$16,612,509) are available for set off against taxable profits of future years subject to compliance with the provisions of Section 37 of the Singapore Income Tax Act, Chapter 134 and the Inland Revenue Authority of Singapore.

17 EVENTS AFTER REPORTING PERIOD

In February 2022, the parent company, Life Insurance Corporation of India ("LICI") has filed draft papers with market regulators in India to sell 5% of its share and is estimated to raise \$11,270,700,000 in capital. LICI, is expected to be listed on the Bombay Stock Exchange ("BSE") and National Stock Exchange of India ("NSE") in due time.