Life Insurance Corporation (Singapore)Pte Ltd

UEN 201210695E

MANAGEMENT REPORT

31/12/2022

LIFE INSURANCE CORPORATION (SINGAPORE) PTE. LTD.

For the financial year, from 1st January 2022 to 31st December 2022

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 is 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 2022, LIC Singapore launched total of two products. All of these were non-participating single-premium, endowment products. The single premium product was 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 investment-linked policies 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 primarily via financial advisory firms which provides outreach through representatives. As on 31st December 2022 we had tie up with 22 Financial Advisory firms. We also have bancassurance 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. Ashutosh Misra, 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 with 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 2022. LIC Singapore also has done its Internal Audit in 2022.

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, 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 with 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 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 31/12/2022 was 1079% and well above the regulatory minimum.

Ashutosh Misra
CEO

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, 2022 were authorised for issue by the Board of Directors on March 24, 2023.

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 1967 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2022, 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.

STANDARD ISSUED BUT NOT EFFECTIVE

At the date of authorization of these financial statements, the Company has not applied the following SFRS pronouncements that have been issued but are not yet effective.

FRS 117 Insurance Contracts

FRS 117 replaces FRS 104 Insurance Contracts and is effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

(i) Identifying contracts in the scope of FRS 117

FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts.

When identifying contracts in the scope of FRS 117, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

(ii) Level of aggregation

Under FRS 117, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts or contracts' sections in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.
The level of aggregation requirements of FRS 117 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a contractual service margin ("CSM"), against losses on groups of onerous contracts, which are recognized immediately. Compared with the level at which the liability adequacy test is performed under FRS 104, the level of aggregation under FRS 117 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognized sooner.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 117 Insurance Contracts (CONT'D)

(iii) Contract boundaries

Under FRS 117, the measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group. Compared with the current accounting standard, the Company expects that for certain contracts, the FRS 117 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognized contracts, as opposed to future unrecognized contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in FRS 117.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services end when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set the price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

(iv) Measurement - Overview

FRS 117 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how the Company will apply the measurement model, see (v).

All insurance contracts and reinsurance contracts are expected to be classified as contracts without direct participation features.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 117 Insurance Contracts (CONT'D)

(v) Measurement – Life contracts

Insurance contracts

On initial recognition, the Company will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Company's non-performance risk.

- The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value.
- All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts. Cash flows that vary based on the returns on any underlying items will be adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.
- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.
- The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:
  - (a) the fulfilment cash flows;
  - (b) any cash flows arising at that date; and
  - (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the Company (including assets for insurance acquisition cash flows).

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amount that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 117 Insurance Contracts (CONT'D)

(v) Measurement – Life contracts (Cont'd)

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cashflow are recognised as follows.

Changes relating to future services	Adjusted against the CSM or recognised in insurance service result in profit or loss if the group is onerous
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income and expenses

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future services.

Reinsurance contracts

The Company will apply the same accounting policies to measure a group of reinsurance contracts, with the following modifications.
The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in the insurance service result in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Company to the reinsurer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

<u>FRS 117 Insurance Contracts (CONT'D)</u>

(v) Measurement – Life contracts (Cont'd)

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Company will:

- Recognise any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it relates to insured events that occurred before the purchase of the group; and
- Recognise income when it recognises a loss on initial recognition of onerous underlying contracts if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premium paid.

The CSM is adjusted subsequently only for specific amounts and is recognised in profit or loss as services are received.

Impact assessment

Under FRS 117, all profits will be recognized in profit or loss over the lifetime of the contracts, and this will primarily be driven by the timing of the recognition in profit or loss of the CSM as services are provided and the risk adjustment for non-financial risk as the related risk expires. The Company expects that, based on its preliminary analysis, the total profits recognized over the lifetime of the contracts will not change. However, the impact of the adoption of FRS 117 on the Company total equity has yet to be determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 117 Insurance Contracts (CONT'D)

(vi) Measurement – Significant judgement and estimates

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders and other costs that are incurred in fulfilling contracts.

Discounting

Non-participating insurance contracts have cash flows that do not vary based on the return of underlying items. The Company will use a bottom-up approach where the risk-free yield curve and illiquidity premium are used to derive the discount rates. Risk-free yield curve and illiquidity premium are derived using MAS RBC 2methodology.

The methodology uses a three-segment approach in deriving the risk-free yield curve for discounting the liability cash flows:

Segment 1: liquid segment based on market information on government bonds;

The spot rates of the government securities are used as the risk-free rates at each duration up to the last liquid point ("LLP"). Interpolation between observable market spot rates is carried out for durations at which there are no observable market yields. The LLP is set as 20 years for SGD and 30 years for USD denominated liabilities.

Segment 2: extrapolation between Segment 1 and Segment 3;

The risk-free rates after the LLP to the commencement of segment 3, are obtained by extrapolated between Segment 1 and Segment 3, using the Smith-Wilson ("SW") method. The length of segment 2 is known as the convergence period, where insurers are required to set it as 40 years for SGD and 30 years for USD denominated liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 117 Insurance Contracts (CONT'D)

(vii) Measurement – Significant judgement and estimates (Cont'd)

Segment 3: convergence to the Ultimate Forward Rate (UFR).

After LLP, the risk-free rates are assumed to converge towards the UFR. The Company will be adopting MAS RBC2 approach in determining the UFR. The UFR under RBC 2 is determined as the sum of (a) the expected real interest rate; and (b) the expected inflation rate, which is based on central bank inflation targets.

To reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium. The Company will similarly adopt the MAS RBC2 proposed methodology in determining the illiquidity premium.

Risk adjustment for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. They will be allocated to groups of contracts based on an analysis of the risk profiles of the groups.

In Singapore, the statutory reserves are to be valued based on best estimate assumptions, with Provision for Adverse Deviation ("PAD"), also commonly known as risk margin. The PAD is defined as the provision for any adverse deviation from the expected experience (i.e. the best estimate assumptions). In other words, the PAD is the component of the value of insurance liabilities that relates to the inherent uncertainty in the best estimate experience that includes mortality, morbidity, expense and persistency, where applicable.

The rationale of applying PAD in deriving the statutory reserve is also similar in nature with the rationale of applying risk adjustment under FRS 117. Given these circumstances, risk adjustment will be derived using the same methodology as PAD.

Contractual Service Margin (CSM)

CSM is a component of the measurement of the insurance contract representing the unearned profit that the Company recognized as it provides services. The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

At initial recognition, the Company performed profitability test for each contract including any acquisition cost paid before the group of contracts is recognised. For onerous contracts, the expected loss is recognized at the initial recognition. For non-onerous contracts, the Company will determine the quantity of benefits provided under each contract based on the gross written premium of the contracts for insurance contracts. The CSM is based on estimated profitability ratio and the gross written premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 117 Insurance Contracts (CONT'D)

(viii) Presentation and disclosure

FRS 117 will significantly change how insurance contracts, reinsurance contracts are presented and disclosed in the Company's financial statements.

Under FRS 117, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under FRS 117, amounts recognised in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts held will be presented separately.
The separate presentation of underwriting and financial results under FRS 117 and FRS 109 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

The Company adopts the General Measurement Model (GMM) with full retrospective approach. Insurance revenue for each year represents the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. The requirements in FRS 117 to recognise insurance revenue over the coverage period will result in slower revenue recognition compared with the Company's current practice of recognising revenue when the related premiums are written.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Company will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service result, but information about these will be included in the disclosures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 117 Insurance Contracts (CONT'D)

(vii) Presentation and disclosure (Cont'd)

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Insurance finance income and expenses

Under FRS 117, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Company will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

Disclosure

FRS 117 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying FRS 117. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under FRS 104, providing more transparent information for assessing the effects of contracts on the financial statements.

(viii) Transition

Changes in accounting policies resulting from the adoption of FRS 117 will be applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, on January 1, 2022 the Company will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts as if FRS 117 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if FRS 117 had always been applied, except that they will not be tested for recoverability before January 1, 2022;
- derecognise previously reported balances that would not have existed if FRS 117 had always been applied (including some deferred acquisition costs); and
- recognise any resulting net difference in equity.

The Company will apply the full retrospective approach to all insurance contracts on transition to FRS 117.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 109 Insurance Contracts

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from FRS 109 for annual periods before January 1, 2023. Consequently, the Company will apply FRS 109 for the first time on January 1, 2023.

(i) Financial assets – Classification

The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 includes three principal measurement categories for financial assets – measured at amortised cost, FVOCI and FVTPL – and eliminates the previous FRS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

Under FRS 109, derivatives embedded in contracts where the host is a financial asset in scope of FRS 109 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 109 Insurance Contracts (CONT'D)

(i) Financial assets – Classification (Cont'd)

Impact assessment

FRS 109 will affect the classification and measurement of financial assets held at January 1, 2023 as follows.

- Most underlying items of certain financial investments are designated as at FVTPL under FRS 39. They will also be measured at FVTPL under FRS 109.
- Debt investments that are classified as available-for-sale under FRS 39 may, under FRS 109, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.
- The majority of equity investments that are classified as available-for-sale under FRS 39 will be measured at FVTPL under FRS 109. However, some of these equity investments are held for long-term strategic purposes and will be designated as at FVOCI on January 1, 2023; consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss, and no gains or losses will be reclassified to profit or loss on disposal of these investments.
- Held-to-maturity investments and loans and receivables measured at amortised cost under FRS 39 will generally also be measured at amortised cost under FRS 109.

Because a majority of the Company's financial assets are measured at fair value both before and after transition to FRS 109, the new classification requirements are not expected to have a material impact on the Company's total equity at January 1, 2023 or 2022. The Company's total equity is impacted only to the extent of any reclassifications between the amortised cost and fair value measurement categories. The Company estimates that, on adoption of FRS 109, the impact of these changes on the Company's total equity has yet to be determined.

(ii) Financial assets – Impairment

FRS 109 replaces the 'incurred loss' model in FRS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Company's financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

FRS 109 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

<u>**FRS 109 Insurance Contracts (CONT'D)**</u>

(ii) Financial assets – Impairment (Cont'd)

The Company will measure loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date, which the Company considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on Company's experience, expert credit assessment and forward-looking information. As a backstop, the Company will consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

The key inputs into the measurement of ECL are the term structures of the PD, LGD and EAD. ECL for financial assets for which credit risk has not significantly increased are calculated by multiplying the 12-month PD by the respective LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by the respective LGD and EAD.

To determine lifetime and 12-month PD, the Company will use the PD tables supplied by Fitch based on the default history of obligors in the same industry and geographic region with the same credit rating. The Company will adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs will be recalibrated based on current bond yields and CDS prices and adjusted to reflect forward looking information. Changes in the rating for a counterparty or exposure will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company will estimate LGD parameters based on the history of recovery rates of claims against default counterparties. The LGD models will consider the structure, collateral, seniority of the claim, counterparty industry and recovery cost of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratio will be a key parameter in determining LGD. LGD estimates will be recalibrated for different economic scenarios. They will be calculated considering current and forecast economic conditions on a discounted cash flow basis using the effective interest rate as the discount rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 109 Insurance Contracts (CONT'D)

(ii) Financial assets – Impairment (Cont'd)

Measurement of ECL (CONT'D)

EAD represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount at the time of default.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company will measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Impact assessment

The Company estimates that application of FRS 109 impairment requirements at January 1, 2023 and 2022 will result in additional loss allowances. The recognition of additional loss allowances on adoption of FRS 109 mainly relates to debt investments measured at FVOCI, but this will not affect the Company's total equity. This is because, for these investments, the recognition of loss allowances will not reduce the carrying amount of the investments, which is their fair value; instead, the recognition of impairment losses in profit or loss will give risk to an equal or and opposite gain in OCI.

The Company's total equity is impacted by the FRS 109 impairment requirements only to the extent of any loss allowances on financial assets measured at amortised cost and lease receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 109 Insurance Contracts (CONT'D)

(iii) Financial liabilities

FRS 109 largely retains the requirements in FRS 39 for the classification and measurement of financial liabilities. However, under FRS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under FRS 109 these fair value changes will generally be presented as follows.

- The amount of the change in the fair value that attributable to changes in the credit risk of the liability will be presented in OCI.
- The remaining amount of the change in the fair value will be presented in profit or loss.
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The Company expects an immaterial impact from adopting the requirements above. The Company has designated investment contract liabilities as at FVTPL because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis. All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralised. The Company does not expect that any residual credit risk will have a significant impact on the fair value of the liabilities.

(iv) Transition

The following assessments have to be made on the basis of the facts and circumstances that exist on January 1, 2023:

- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity instrument not held for trading as at FVOCI.
- If a financial has low credit risk at January 1, 2023, the Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

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 statement of financial position. 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 statement of financial position 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 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 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial instruments (CONT'D)

2.5.1 Non-derivative financial assets (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 classified as 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial instruments (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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Impairment (CONT'D)

2.7.3 Impairment of non-financial assets (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 Investment income

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Lease (CONT'D)

The Company as lessee (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 contract 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.

2.11 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Income tax (CONT'D)

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.

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.

2.12 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.

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

(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.

(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	+86,477	-86,477
Worsening of base renewal expense level	+10%	+211,314	-211,314
Worsening of lapse rate	-10%	+3,197	-3,197
Worsening of mortality	+10%	+309	-309

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 2022:

The Company has launched following single premium and regular premium endowment type products during the year 2022 for various terms:

1. Wealth Plus 8 - Single Premium Endowment Product (Non-Par) for 3 years term.

2. Wealth Plus 9 - Single Premium Endowment Product (Non-Par) for 3 years term.

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 2.57% to 3.19%) 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 4 policies for Term Assurance Plan had been paid to reinsurer.

Categories of financial instruments

	2022	2021
	$	$
Financial assets		
Debt securities at FVTPL	48,412,272	67,996,065
Amortised costs:		
Other receivables	437,561	586,908
Cash and bank balances	2,771,288	8,317,206
Financial liabilities		
Amortised costs:		
Other payables and accruals	283,533	283,079
Lease liabilities	441,087	639,027

4 FINANCIAL RISK MANAGEMENT (CONT'D)

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.

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				
	AAA	A to AA-	B to BBB-	Not rated	Total
	$	$	$	$	$
2022					
Debt securities:					
Designated at fair value through profit or loss	2,036,702	34,584,783	11,790,787	-	48,412,272
Other receivables	-	-	-	437,561	437,561
Cash and bank balances	-	1,384,709	1,380,400	6,179	2,771,288
	2,036,702	35,969,492	13,171,187	443,740	51,621,121
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
	6,035,178	51,082,714	19,192,636	589,651	76,900,179

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:

		Cash flows			
	Carrying amount	Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
	$	$	$	$	$
2022					
Insurance contract provisions	32,610,547	34,085,534	12,055,776	21,834,693	195,065
Other payables and accruals	283,533	283,533	283,533	-	-
	32,894,080	34,369,067	12,339,309	21,834,693	195,065
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	-	-
	54,789,815	55,486,000	29,626,633	25,667,451	191,916

(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 reporting 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.

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	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	within 1 year		
	%	$	$	$	$	$	$		$	$
2022										
Financial assets										
Debt securities	3.04	-	1,748,355	943,900	13,165,832	30,762,903	-	1,791,282	-	48,412,272
Other receivables	-	-	-	-	-	-	-	-	437,561	437,561
Cash and bank balances	2.35	-	-	-	1,410,913	1,360,375	-	-	-	2,771,288
		-	1,748,355	943,900	14,576,745	32,123,278	-	1,791,282	437,561	51,621,121
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
		100,000	-	5,880,215	24,247,466	46,085,590	-	-	586,908	76,900,179

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 the Company's products ranges between 2.57% to 3.19%. Existing policy reserves are sufficient to ensure that guarantees may be met.

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
		$	$	$	$	$
2022						
Debt securities		48,412,272	-	-	48,412,272	48,412,272
Other receivables		-	437,561	-	437,561	437,561
Cash and bank balances		-	2,771,288	-	2,771,288	2,771,288
		48,412,272	3,208,849	-	51,621,121	51,621,121
Other payables and accruals		-	-	(283,533)	(283,533)	(283,533)
2021						
Debt securities		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
		67,996,065	8,904,114	-	76,900,179	76,900,179
Other payables and accruals		-	-	(283,079)	(283,079)	(283,079)

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.

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial assets carried at fair value

	Level 1
	$
2022	
Financial assets at fair value through profit or loss	48,412,272
2021	
Financial assets at fair value through profit or loss	67,996,065

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 up till May 2022.
During the year, the Company has paid its Parent Company, Life Insurance Corporation of India (LICI) S$7,104 towards Annual Maintenance charges for eLife the software used by the Company. The maintenance cost is for the period May 7, 2022 to May 6, 2023.

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:

	2022	2021
	$	$
Directors' remuneration and other employment benefits	200,197	159,813

6 PLANT AND EQUIPMENT

	Furniture and office equipment	Computers	Renovation	Total
	$	$	$	$
Cost				
At January 1, 2021	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
Additions	2,361	3,382	-	5,743
At December 31, 2022	62,671	881,764	547,894	1,492,329
Accumulated depreciation				
At January 1, 2021	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
Depreciation charge for the year	446	22,510	4,563	27,519
At December 31, 2022	60,313	870,402	544,093	1,474,808
Carrying amount:				
At December 31, 2022	2,358	11,362	3,801	17,521
At December 31, 2021	443	30,490	8,364	39,297

7 DEBT SECURITIES

	2022	2021
	$	$
Debt securities		
Fair value through profit or loss	48,412,272	67,996,065

The current portion of debt securities, including MAS treasury bills, is $14,957,114 (2021: $16,030,260) with the remaining being non-current portion of $33,455,158 (2021: $51,965,805). The debt securities have stated interest rates of 0.00% to 4.50% (2021: 0.41% to 4.10%) and mature substantially over a period of 8 years.

The movement in debt securities:

	2022	2021
	$	$
At beginning of year	67,996,065	75,527,165
Purchases	24,569,788	69,216,687
Sale/Maturity	(41,070,601)	(75,074,650)
Net Loss on disposal of debt securities	(670,068)	(414,667)
Unrealised fair value changes in debt securities	(2,412,912)	(1,258,470)
At end of year	48,412,272	67,996,065

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 (2021: 2 years).

	Office space & lease rent of staff
	$
Cost:	
At January 1, 2021	1,654,233
Additions	195,914
At December 31, 2021	1,850,147
Additions	163,375
At December 31, 2022	2,013,522
Accumulated depreciation:	
At January 1, 2021	809,057
Lease terminated during the year	49,959
Depreciation for the year	379,714
At December 31, 2021	1,238,730
Lease terminated during the year	15,983
Depreciation for the year	338,625
At December 31, 2022	1,593,338
Carrying amount:	
At December 31, 2022	420,184
At December 31, 2021	611,417

During the financial year ended December 31, 2022, certain leases expired. The expired contracts were replaced by new leases for identical underlying assets.

9 OTHER RECEIVABLES AND PREPAYMENTS

	2022	2021
	$	$
Deposits	42,624	39,174
Interest receivable	380,523	547,734
Sundry receivables	14,414	-
Loan and receivables	437,561	586,908
Prepayments	48,333	54,841
	485,894	641,749

10 CASH AND BANK BALANCES

Cash and bank balances at end of the year comprise:

	2022	2021
	$	$
Fixed deposits with financial institutions	1,360,375	1,508,691
Cash and bank balances	1,410,913	6,808,515
	2,771,288	8,317,206

The weighted average effective interest rates per annum relating to fixed deposits at the reporting date is 2.35% (2021: 0.12%).

11 SHARE CAPITAL

	2022	2021	2022	2021
	Number of ordinary shares		$	$
Issued and fully paid:				
At beginning and end of year	43,930,000	43,930,000	43,930,000	43,930,000

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.

12 INSURANCE CONTRACT LIABILITIES

	2022	2021
	$	$
Life insurance non-par contracts	32,610,547	54,506,736
Current portion	11,919,442	29,249,378
Non-current portion	20,691,105	25,257,358
	32,610,547	54,506,736

Movements in insurance contract liabilities:

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At end of year	32,610,547	(4,878)	32,605,669	54,506,736	(3,297)	54,503,439
At beginning of year	54,506,736	(3,297)	54,503,439	56,160,043	(2,957)	56,157,086
Change in insurance contract liabilities	(21,896,189)	(1,581)	(21,897,770)	(1,653,307)	(340)	(1,653,647)
Change in benefits and claims paid	27,908,058	-	27,908,058	6,669,225	-	6,669,225
Benefits and claims	6,011,869	(1,581)	6,010,288	5,015,918	(340)	5,015,578

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.

13 LEASE LIABILITIES

	2022	2021
	$	$
Maturity analysis:		
Year 1	353,322	316,881
Year 2	87,765	280,144
Year 3	-	42,002
	441,087	639,027
Analysed as:		
Current	353,322	316,881
Non-current	87,765	322,146
	441,087	639,027

Interest expense recognised in profit or loss relating to leases are amounting to $23,507. Repayments of lease liabilities arising from financing activities are amounting to $368,839. 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

	2022	2021
	$	$
Other payables	253,593	246,006
Accrued expenses	29,940	37,073
Other payables and accruals	283,533	283,079

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:

	2022	2021
	$	$
Information system charges	287,929	520,930
Depreciation expense on right of use assets	338,625	379,714
Interest expense on lease liabilities	23,507	31,246
Professional fees	699,918	242,831
Unrealised loss on fair value changes in debt securities	2,412,912	1,258,470
Investment income		
Interest income:		
- debt securities	(1,846,536)	(2,221,228)
- fixed deposits	(12,550)	(3,010)
Net loss on disposal of debt securities	670,068	414,667

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% (2021: 17%) to loss before income tax as a result of the following differences:

	2022	2021
	$	$
Loss before tax	(3,403,319)	(2,628,735)
Tax calculated using Singapore tax rate at 17%	(578,564)	(446,885)
Expenses not deductible for tax purposes	78,821	89,448
Effect of deferred tax assets not recognised	499,743	357,437
	-	-

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 $22,404,532 (2021: $18,717,938) 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 1947 and the Inland Revenue Authority of Singapore.

17 EVENT SUBSEQUENT TO YEAR END

In March 2023, the global banking sector was hit by rising concerns about the stability of the banking system in various developed markets. While the underlying factors with regards to this instability may vary, the market has been on high alert for elevated risks. As the situation is still fluid, Management is still assessing the situation to determine the impact on the liquidity of the Company. However, management do not expect the impact to be material.